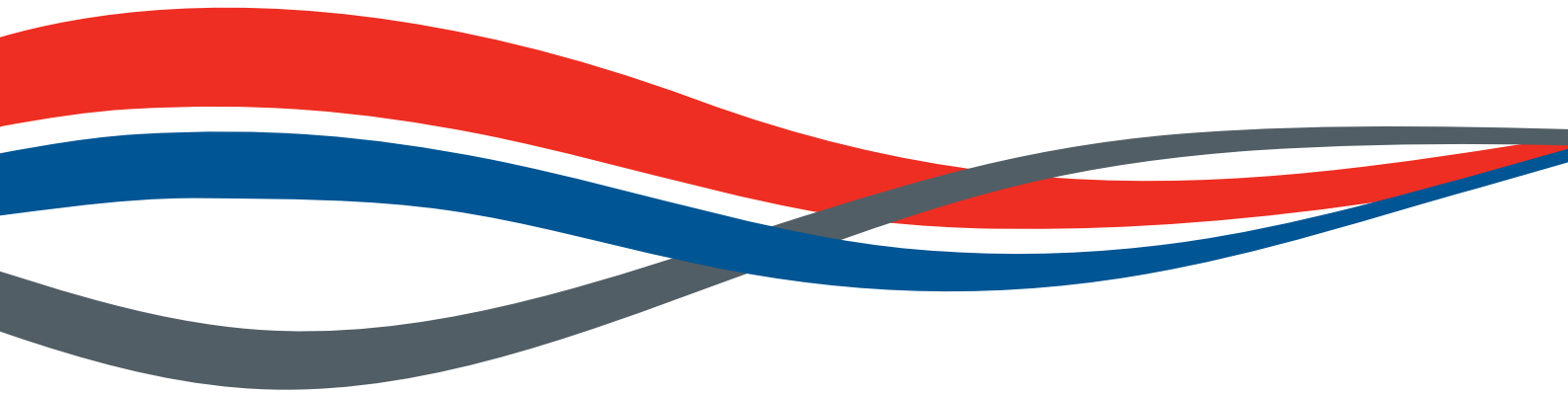


**FINANCIAL STATEMENTS
AT 31 DECEMBER 2008**



Financial Statements at 31 December 2008

These 2008 financial statements have been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the financial statements and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

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1 Boards and Committees

BOARD OF DIRECTORS

(for the 2008/2010 three-year period)

ALESSANDRO PANSA
Chairman

SANTE ROBERTI
Deputy Chairman

SERGIO DE LUCA
Chief Executive Officer

MAURIZIO CEREDA^{1 2}

GERLANDO GENUARDI²

GREGORIO GITTI¹

FRANCESCO LALLI²

EUGENIO PINTO¹

ATTILIO SALVETTI¹

MARIO ORLANDO
Secretary of the Board of Directors

Board of Statutory Auditors

(for the 2008/2010 three-year period)

GIACINTO SARUBBI
Chairman

MASSIMO SCOTTON

FRANCESCA TRIPODI

ALTERNATE AUDITORS

(for the 2008/2010 three-year period)

BRUNO BORGIA

PIETRO CERASOLI

INDEPENDENT AUDITORS

(for the 2006/2014 period)

PRICEWATERHOUSECOOPERS S.p.A.

1. Member of Internal Audit Committee
2. Member of Remuneration Committee

2 Report on operations at 31 December 2008

2.1 Significant events during 2008 and subsequent events

Fellow Shareholders,

your Company ended the year 2008 with a net profit of EUR 7,601 thousand, down from EUR 43,223 thousand in 2007.

This change is due to the non-distribution of the dividend by the Dutch subsidiary Ansaldo Signal NV in liquidation (ASNV in liq.) (EUR 36,000 thousand in 2007). After the sale in July 2007 of the Italian subsidiary Ansaldo Segnalamento Ferroviario SpA (ASF) to Ansaldo Trasporti Sistemi Ferroviari SpA (ATSF), the chain that brought these dividends to the Dutch subsidiary was broken. This dividend of EUR 23,490 thousand was distributed in 2008 by ASF to ATSF and was brought to Ansaldo STS on 1 January 2009 due to the merger of ATSF into ASTS SpA. The salient event of the year 2008 is the approval on 20 June 2008 by the Board of Directors of the merger by incorporation of the Group parent Ansaldo STS SpA (ASTS) of the two subsidiaries ATSF and ASF.

As a result, from 1 January 2009 after the execution of this merger, ASTS succeeded into all the contracts to which the company is a party and movable and immovable goods, tangible and intangible assets, motor vehicles, machinery, etc., of which ATSF and ASF were the owners at the merger's date of efficacy.

As a result, all the requirements connected to the approval of the financial statements of ATSF and ASF ended in December 2008 are duty of ASTS's boards, as the merging company.

The Board of 12 December 2008 resolved upon the merger of the Dutch company ASNV in liq. during 2009 based on the financial statements at 31 December 2008.

With a view to this merger, and at all events with a view to ASNV in liquidation ceasing business, Group treasury services, formerly performed by the Dutch sub-holding company, were pooled into ASTS in December. In particular, the escrow agreement between ASNV in liquidation and the related concern Finmeccanica Finance SA (Luxembourg) and the current account contracts between ASNV in liq. and its subsidiaries were terminated. All these contracts were replaced by identical contracts with ASTS as a party.

These contracts were specifically made: (i) a new escrow agreement with Finmeccanica Finance SA, like the previous one with ASNV in liquidation, settled at an arm's length basis; (ii) new current account contracts between ASTS and its subsidiaries.

Group treasury activities were centralized to Ansaldo STS, and a new escrow agreement was made at arm's length with Finmeccanica Finance SA and new current account contracts were made between ASTS and its subsidiaries.

In the period from **2 January 2008 to 30 December 2008**, the official price of the stock moved from EUR 8.65 to EUR 10.02 with an increase of 15.4%.

The price rose in a market reporting in the same period aggregate figures represented by the S&P/Mib index that lost 49.5% for a corresponding capitalisation which was brought to a half for listed companies, and by the reference segment index, ALLSTAR, which lost 40.5%.

The Ansaldo STS stock ranked number four out of the only seven stocks which closed with a positive sign on the Milan Stock Exchange. The Beta index as compared with the MIBTEL index is one of the lowest at 0.07 (conservative), while the correlation index is 0.52 (modest/low correlation).

In the last quarter of 2008 two new reports were issued to hedge the stock by Berenberg Bank and EthicFinance. The latter opens up possibilities for investing in ethical funds. The new hedges add up to Unicredit, Banca Leonardo and Società Generale which started during 2008.

On 27 March 2008 the company collected dividends of EUR 14,544 thousand by the Italian subsidiary ATSF as resolved by the company's boards.

Following the above said merger, on 20 June 2008, with date of efficacy 1 January 2009, the Consolidated Taxation Mechanism was interrupted. It was opted for on 15 June 2007 for the purposes of the application of the IRES tax (Corporate Income Tax).

Interrupting the adoption of this mechanism does not change the benefits acquired when the option was exercised, as Article 124 of the Income Tax Code is not applied to this case.

At 31 December 2008 the Company has tax receivables of EUR 1,549 thousand (EUR 2,975 thousand at 31 December 2007), of which EUR 641 thousand relates to the income from consolidation deriving from the offsetting of ASTS's tax loss from tax decreases due to the 95% detaxation of the dividend paid by ATSF. The offsetting was possible thanks to the company's adoption of the Consolidated Taxation Mechanism with the Italian companies of the Group (ASF and ATSF) and EUR 1,158 thousand relates to net deferred taxes, partially offset by IRAP (regional tax on productive activities) of EUR 204 thousand, and prior years' taxes of EUR 46 thousand.

Your Company, following the approval of Finance Law 2008 (Law no. 244 of 24 December 2007), applied these tax rates beginning 1 January 2008: IRES 27.50% and IRAP 3.90%.

With regard to the tax losses generated in the years from 2004 to 2006 your Company did not think it was appropriate to make provisions for prepaid taxes.

The following should also be noted:

- from March 2008, in order to align the information on the Balance Sheet with the requirements of IAS1, income tax receivables and income tax payables have replaced Tax receivables and Tax payables, and indirect tax receivables and payables have been classified as Other assets and Other liabilities, and the comparative figures presented have been adjusted accordingly;
- from December 2008 the Balance Sheet, Income Statement and Cash Flow Statement are compliant and disclose related party transactions as required by IAS 1, IAS 24 and the (Italian securities regulator) Consob regulation;
- from April 2008 the subsidiary Union Switch & Signal Private Limited changed its company name into Ansaldo STS Transportation Systems India Private Limited;

- from January 2009 the American subsidiaries changed their company names:
 - Union Switch & Signal Inc. into Ansaldo STS USA Inc;
 - Union Switch & Signal International Co. into Ansaldo STS USA International Co.;
 - Union Switch & Signal International Projects Co. into Ansaldo STS USA International Projects Co.;
 - Transcontrol Corporation into Union Switch & Signal Inc.;
- and will be so named in this report.

2.2 Analysis of the Income Statement and the Balance Sheet

(€000)	31.12.2008	31.12.2007	Change
Production revenues	18,266	14,000	4,266
EBIT	(7,488)	(8,199)	711
Adjusted EBITA (Adj)	(7,488)	(8,199)	711
Net Profit (Loss)	7,601	43,223	(35,622)
Net working capital	(6,178)	(4,706)	(1,472)
Net invested capital	165,798	152,385	13,413
Net financial position (liquidity)	17,835	(9,497)	27,332
Free Operating Cash Flow	19,067	88,724	(69,657)
Research and Development	1,315	1,125	190
Employees (no.)	75	50	25

The financial statements at 31 December 2008 posted net profit of EUR 7,601 thousand, down from EUR 43,223 thousand at 31 December 2007.

As said, the decrease is due to the non-distribution of the dividend by the Dutch subsidiary Ansaldo Signal NV in liquidation (EUR 36,000 thousand in 2007), as after the sale in July 2007 of the Italian subsidiary Ansaldo Segnalamento Ferroviario SpA to Ansaldo Trasporti Sistemi Ferroviari SpA, the company chain that brought these dividends to the Dutch subsidiary was broken. This dividend of EUR 23,490 thousand was distributed in 2008 by ASF to ATSF and was brought to Ansaldo STS on 1 January 2009 due to the merger of ATSF into ASTS.

Production Revenues for the year amounted to EUR 18,266 thousand and relate to Service operations to the benefit of subsidiaries.

In order to provide complete information on the financial condition of Ansaldo STS SpA, these reclassification statements have been drawn up.

Below is the Reclassified Income Statement 2008 in comparison with the year 2007:

Income Statement

(€000)	Notes	2008	2007
Revenues	(*)	18,266	14,000
Production revenues		18,266	14,000
Costs for purchases and cost of labour	(**)	(21,784)	(22,837)
Amortisation and Depreciation		(1,884)	(1,863)
Other net operating income (costs)	(***)	(2,086)	2,501
Adjusted EBITA		(7,488)	(8,199)
EBIT		(7,488)	(8,199)
Net financial income (costs)		13,540	48,447
Income taxes		1,549	2,975
Net Profit (Loss)		7,601	43,223
Net Profit (Loss)		7,601	43,223

Notes for reconciling the reclassified Income Statement and the Income Statement:

(*) Includes "Revenues" and "Revenues from related parties".

(**) Includes "Costs from related parties", "Costs for purchases", "Costs for services" and "Cost of labour", less "Capitalised costs for internally produced assets".

(***) Includes the net amount of "Other operating income", "Other operating income from related parties", "Other operating costs" and "Other operating costs from related parties".

Costs for services and cost of labour break down as follows:

- Cost of labour (75 people at 31 December 2008) EUR 8,790 thousand;
- Costs for services of EUR 12,955 thousand include EUR 1,615 thousand of costs for the license to use the "Ansaldo" brand from Finmeccanica for a period of 20 years; the remaining amount relates to costs for the performance of the Group Parent service business.

Other net operating costs amounted to EUR 2,086 thousand; in particular:

- other operating income (EUR 1,830 thousand) mainly relate to rent income from subsidiaries in connection with portions of the property located in via Mantovani in Genoa;
- the other operating costs (EUR 3,916 thousand) relate to provisions for risks of EUR 2,130 thousand, income taxes and levies of EUR 631 thousand and EUR 1,160 thousand of other operating costs represented by donations and associations dues, less EUR 5 thousand of recovery of costs of related parties.

Financial income and costs break down as follows:

- dividends collected by the subsidiary Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 14,544 thousand;
- interest income: from deposit on bank current accounts, from the current account held by Finmeccanica SpA, with Finmeccanica Finance SA, with Ansaldo Signal NV in liquidation and its subsidiaries, and recovery of costs relating to commissions on sureties from related parties;
- interest expense: current accounts held with subsidiaries Ansaldo Signal NV in liquidation (ASNV in liq.) and Ansaldo Trasporti Sistemi Ferroviari (ATSF) and Finmeccanica SpA, commissions and bank expenses on the severance pay and due to the Tax Office.
- exchange gains of EUR 2,551 thousand;
- adjustment exchange loss of EUR 3,065 thousand;
- fair value from exchange rate hedging transactions of EUR 507 thousand.

The table below contains the Balance Sheet at 31 December 2008 compared with the year 2007:

Balance Sheet

(€000)	Notes	31.12.2008	31.12.2007
Non-current assets		173,335	159,572
Non-current liabilities	(*)	(1,359)	(2,481)
		171,976	157,091
Trade receivables		4,391	7,181
Trade payables		(6,935)	(8,410)
Working capital		(2,544)	(1,229)
Provisions for risks and charges		(2,130)	-
Other net current assets (liabilities)	(**)	(1,504)	(3,477)
Net working capital		(6,178)	(4,706)
Net invested capital		165,798	152,385
Shareholders' equity		147,963	161,882
Net financial debt (liquidity)		17,835	(9,497)

Notes on the reconciliation between the reclassified Balance Sheet and the Balance Sheet:

(*) Includes all non-current liabilities, less "Non-current borrowings";

(**) Includes "Income tax receivables", other current receivables from related parties (carried under "Current receivables from related parties"), "Other current assets" and "Derivatives", less "Income tax payables", other current payables from related parties (carried under "Current payables from related parties"), "Other current liabilities, except for financial receivables from related parties (carried under "Current receivables from related parties") and Derivatives.

Non-current assets rose by EUR 13,763 thousand mainly due to the increase in equity investments as a result of the acquisition from Union Switch & Signal Inc. (formerly Transcontrol Corporation – American subsidiary of Ansaldo Signal NV in liquidation) of the interest held in Ansaldo STS PTY Australia (up EUR 25,854 thousand); this was partially offset by lower deferred tax assets (EUR 7,516 thousand), amortisation for the period (EUR 1,592 thousand) for the property located in Via Mantovani 3-5, where the Company has its registered offices and the costs for the year for the right of use of the "Ansaldo" brand acquired by Finmeccanica for a 20-year duration.

Non-current liabilities include the provision for severance pay for the 75 employees of Ansaldo STS at 31 December 2008 (EUR 1,155 thousand), seniority bonuses (EUR 156 thousand) and deferred tax liabilities (EUR 47 thousand).

Trade receivables fell by EUR 2,790 thousand, mainly due to the settlement of items for the subsidiaries involved in the merger.

Trade payables fell by EUR 1,475 thousand due to the same reason why trade receivables also fell.

Other net assets/(liabilities) revealed a decrease in liabilities of EUR 1,973 thousand, mainly due to the change in amounts relating to the Italian subsidiaries as a result of the adoption of the Consolidated Taxation Mechanism for IRES purposes, exchange rate hedging transactions, tax receivables and payables and current receivables and payables from and to the subsidiaries of the Ansaldo STS Group. As a result, **net working capital** is negative in the amount of EUR 6,178 thousand at 31 December 2008 as compared with EUR 4,706 thousand (negative) for the year 2007, an increase of EUR 1,472 thousand; the rise in **invested capital** is mainly due to acquisition from Union Switch & Signal Inc, formerly Transcontrol Corporation (American subsidiary of Ansaldo Signal NV in liquidation) of the interest held in Ansaldo STS Australia PTY Ltd of EUR 25,853 thousand.

Shareholders' equity went from EUR 161,882 thousand in 2007 to EUR 147,963 thousand, with a decrease of EUR 13,919 thousand due to lower profits for the year and the distribution of the first post-listing dividend.

2.3 Financial situation

Below is the net financial debt (liquidity) at 31 December 2008, with that at 31 December 2007 for comparison:

(€000)	31.12.2008	31.12.2007
Short-term borrowings	15	38
Medium- and long-term borrowings	-	-
Cash and cash equivalents	(5,155)	(537)
Bank debt	(5,140)	(499)
Financial receivables from related parties	(266,061)	(20,637)
Other financial receivables	-	-
Financial receivables	(266,061)	(20,637)
Borrowings to related parties	289,037	11,639
Other short-term borrowings	-	-
Other medium- and long-term borrowings	-	-
Other borrowings	289,037	11,639
Net Financial Debt (liquidity)	17,836	(9,497)

With a view to the merger, as noted above, and at all events with a view to Ansaldo Signal NV in liquidation (ASNV in liq.) ceasing business, Group treasury services, formerly performed by the Dutch sub-holding company, were pooled into Ansaldo STS SpA in December. In particular, the escrow agreement between ASNV in liquidation and the related concern Finmeccanica Finance SA (Luxembourg) and the current account contracts between ASNV in liquidation and its subsidiaries were terminated. All these contracts were replaced by identical contracts with Ansaldo STS SpA as a party.

These contracts were specifically made: (i) a new escrow agreement with Finmeccanica Finance SA, governed in a similar manner as the previous one with ASNV in liquidation, settled at an arm's length basis; (ii) new current account contracts between Ansaldo STS SpA and its subsidiaries.

Group treasury activities were centralized to Ansaldo STS SpA, and a new escrow agreement was made at an arm's length with Finmeccanica Finance SA and new current account contracts were made between Ansaldo STS SpA and its subsidiaries.

Ansaldo STS SpA ended the year 2008 with net financial debt of EUR 17,835 thousand as compared with the net financial liquidity for the previous year of EUR 9,497 thousand. This is mainly attributable to disbursements for the payment of the dividend of EUR 19,992 thousand.

In detail:

- the credit position to banks rose from EUR 499 thousand in 2007 to EUR 5,140 thousand in 2008, up EUR 4,641 thousand.
- financial receivables amounted to EUR 266,061 thousand at 31 December 2008, of which EUR 126,552 thousand is due from subsidiaries and EUR 139,509 thousand from Finmeccanica Finance SA; in the year 2007 these receivables were mostly due from the subsidiary ASNV in liq.;
- borrowings at 31 December 2008 amounted to EUR 289,037 thousand, a net increase of EUR 277,398 thousand over 31 December 2007 (EUR 11,639 thousand). Borrowings at 31 December 2008 mainly relate to subsidiaries; in 2007 they mainly related to Ansaldo Trasporti Sistemi Ferroviari SpA (ATSF).

Below is the Reclassified Cash Flow Statement at 31 December 2008 compared with the prior year:

Cash Flow Statement

(€000)	2008	2007
Cash and cash equivalents - opening balance	537	909
Gross cash flow from operating activities	(5,022)	(5,574)
Changes in other operating items	8,897	(646)
Funds From Operations (FFO)	3,875	(6,220)
Change in working capital	1,314	5,245
Cash flow from (used in) operating activities	5,189	(975)
Cash flow from (used in) ordinary investing activities	(666)	(542)
Return of the "Share Premium"	-	40,000
Dividends received	14,544	50,241
Free operating cash flow (FOCF)	19,067	88,724
Strategic investments	(25,584)	-
Changes in other financial assets	1,006	(845)
Cash flow from (used in) investing activities	(10,700)	88,854
Dividends paid	(19,992)	-
Capital increases less purchase of treasury shares	-	-
Cash flow from financing activities	30,121	(88,251)
Cash flow from (used in) financing activities	10,129	(88,251)
Foreign exchange translation differences	-	-
Cash and cash equivalents - closing balance	5,155	537

The year 2008 ended with net increase in cash and cash equivalents of EUR 4,618 thousand, due to the following factors:

- cash flow from operating activities moves from cash flow used for EUR 975 thousand to cash flow generated for EUR 5,189 thousand, with a change of EUR 6,164 thousand, substantially due to the evolution of the working capital;
- cash flow from investing activities moves from cash flow generated for EUR 88,854 thousand to cash flow used for EUR 10,700 thousand. The negative change of EUR 99,554 thousand is mainly due to lower dividends received in the year 2008 (EUR 14,544 thousand) from the previous year (EUR 50,241 thousand), the return of part of the share premium reserve of EUR 40,000 thousand by the subsidiary ASNV in liq. in the year 2007 and greater equity investments in the year 2008, which resulted in the transfer of the interest in Ansaldo STS Australia PTY Ltd from the American subsidiary to Ansaldo STS SpA;
- Cash flow from financing activities moves from cash flow used for EUR 88,251 thousand to cash flow generated for EUR 10,129 thousand with a change of EUR 98,380 thousand due to the above said events.
- Free operating cash flow (FOCF) before strategic investments during the period in question amounted to EUR 19,067 thousand, breaking down as follows:
 - Cash flow generated from operating activities EUR 5,189 thousand
 - Cash flow used for ordinary investments EUR 666 thousand
 - Dividends received EUR 14,544 thousand

2.4 Alternative NON-GAAP performance indicators

Below are some alternative Group and business segment financial performance indicators based on certain non-IFRS indicators.

As required by Communication CESR/05-178b, below is a description of the components of each of these indicators:

- **EBIT**: the aggregate signifies earnings before taxes and financial 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 "financial income (costs)" or, for the results of equity investments accounted for with the equity method, under "effects of the valuation of equity investments accounted for using equity method";
- **EBITA Adjusted (Adj)**: 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.

- **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 the previous section;
- **Funds From Operations (FFO):** This is cash flow generated by (used in) operating activities, net of changes in working capital (as described in Section 8). The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown in the previous section;
- **Workforce:** This is the number of employees reported on the last day of the period;

Research and development spending: This is the sum of costs sustained for R&D expensed and sold. The costs for research expensed are normally referable to 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.). In consideration of the rapid development within the productive sector in which the Ansaldo STS Group operates, this type of costs is generally not capitalised.

2.5 Disclosure regarding direction and coordination activities and related party transactions

Pursuant to the provisions of Article 2497 bis of the Italian Civil Code, the Company is subject to the direction and coordination of Finmeccanica SpA. The key figures of the latest financial statements approved of Finmeccanica SpA are shown in Appendix no. 15. Below are the figures for transactions with related parties (a breakdown of these transactions by Company is shown in the tables in Sections 6.10 and 6.24) for the year 2008 and the previous year. In addition to the Group Parent Finmeccanica SpA and the companies in which Ansaldo STS SpA has a direct or indirect interest, related parties include all related parties, as defined by IFRS.

Transactions with Finmeccanica SpA mainly relate to:

- current accounts: the current account (EUR 151 thousand at 31 December 2008) is used to offset trade receivables and payables with Finmeccanica SpA and the enterprises of the Finmeccanica Group and is also used for the transit of balances of bank accounts. The table shows financial costs from these transactions, of EUR 201 thousand;
- services rendered by Finmeccanica SpA (EUR 195 thousand);
- costs pertaining to the year 2008 for the license to use the “Ansaldo” brand for 20 years (EUR 1,615 thousand) from Finmeccanica SpA and relevant current and non-current deferred expense of EUR 1,610 thousand and EUR 25,753 thousand respectively.

Transactions with the Italian and foreign subsidiaries are as follows and relate to:

Financial receivables and payables

- *Ansaldo Trasporti Sistemi Ferroviari SpA (ATSF) and its subsidiary Ansaldo Segnalamento Ferroviario SpA (ASF):* current accounts, a negative balance of EUR 48,934 thousand with ATSF and EUR 164,800 thousand with ASF at 31 December 2008. They are used by ATSF and ASF to offset trade receivables and payables with the Group parent Ansaldo STS SpA, the enterprises of the Ansaldo STS Group and of the Finmeccanica Group. The financial income and costs shown in the table relate to these financial transactions.
- *Ansaldo Signal NV in liquidation (ASNV in liq.) and the other Group companies:* current accounts, a positive balance of EUR 126,552 thousand with ASNV in liq., Ansaldo STS USA Inc. and Ansaldo STS Malaysia SDN BHD. At 31 December 2008 current accounts with Ansaldo STS France SA, Ansaldo STS Sweden AB, Ansaldo STS UK Ltd and Ansaldo STS Ireland Ltd show a negative balance of EUR 43,305 thousand at 31 December 2008. They are used by ASNV in liq. and the other Group companies to offset trade receivables and payables with the Group parent Ansaldo STS, the enterprises of the Ansaldo STS Group and of the Finmeccanica Group, and they are also used for the transit of balances of bank accounts. The financial income and costs shown in the table relate to these financial transactions.
- *Ansaldo STS Australia PTY Ltd:* the current account (a negative balance of EUR 31,847 thousand at 31 December 2008) is used by Ansaldo STS Australia PTY Ltd to offset trade receivables and payables with the Group parent Ansaldo STS SpA, the enterprises of the Ansaldo STS Group and of the Finmeccanica SpA Group, and is also used for the transit of balances of bank accounts. The financial income and costs shown in the table relate to these financial transactions.
- *Finmeccanica Finance SA:* deposit account, a positive balance of EUR 139,509 thousand at 31 December 2008.

Trade receivables and payables:

(Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Signal NV in liquidation and the other Group companies) mainly relate to:

- services rendered by the Group parent Ansaldo STS SpA in respect of the General Service Agreement (revenues of EUR 18,266 thousand);
- rental fee for the property located in Genoa, Via Mantovani 3/5, owned by Ansaldo STS SpA since 28 December 2005, where the offices and production units of Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA - a subsidiary of Ansaldo Trasporti Sistemi Ferroviari SpA - are located (other revenues of EUR 1,825 thousand);
- charge-over for the license to use the “Ansaldo” brand and the “Globo” brand pertaining to the year (other revenues in the amount of EUR 1,729 thousand);
- treasury service costs from Ansaldo Signal NV in liquidation (Costs of EUR 262 thousand);
- amount for the management and use of the common services in the Genoa offices, costs for HR services, costs for staff seconded, less recoveries for insurance costs (revenues of EUR 240 thousand) from the Italian subsidiaries;
- charges for staff seconded less recovery of insurance costs (revenues of EUR 115 thousand);
- costs of directors’ fees of EUR 11 thousand from Ansaldo Trasporti Sistemi Ferroviari SpA.

Receivables from and payables to Related Concerns (as shown in the table below) mainly relate to commercial activities:

- ICT supplies in the case of Elsig Datamat SpA (costs of EUR 951 thousand);
- costs of software development and maintenance, maintenance on leased assets, property leases with relevant services, press clippings from Finmeccanica Group Service SpA (EUR 1,342 thousand);

Year 2008

(€000)	Parent Companies	Subsidiaries	Associated Companies	Other related parties	Total
Current receivables	-	131,989	-	139,523	271,512
financial	-	126,552	-	139,509	266,061
trade	-	4,388	-	-	4,388
other	-	1,049	-	14	1,063
Current payables	193	294,220	-	1,240	295,653
financial	151	288,886	-	-	289,037
trade	42	377	-	1,240	1,659
other	-	4,957	-	-	4,957

	Parent Companies	Subsidiaries	Associated Companies	Other related parties	Total
Revenues	-	18,266	-	-	18,266
Other operating income	-	1,825	-	-	1,825
Costs	1,836	(1,811)	-	2,328	2,353
Other operating costs	-	(9)	-	4	(5)
Dividends	-	14,544	-	-	14,544
Financial income	9	378	-	4	391
Financial costs	201	856	-	-	1,057

Year 2007

(€000)	Parent Companies	Subsidiaries	Associated Companies	Other related parties	Total
Current receivables	283	36,076	-	273	36,632
financial	283	20,354	-	-	20,637
trade	-	7,178	-	3	7,181
other	-	8,544	-	270	8,814
Current payables	202	20,894	-	502	21,598
financial	-	11,639	-	-	11,639
trade	67	489	-	502	1,058
other	135	8,766	-	-	8,901

	Parent Companies	Subsidiaries	Associated Companies	Other related parties	Total
Revenues	-	14,000	-	-	14,000
Other operating income	-	3,497	-	-	3,497
Costs	1,812	(546)	-	758	2,024
Other operating costs	-	(138)	-	4	(134)
Dividends	-	50,241	-	-	50,241
Financial income	4,168	400	-	-	4,568
Financial costs	-	6,220	-	-	6,220

2.6 Performance

The activities of your Company during 2008 were concentrated on the process of greater interaction between the organisation structure of the Company and the staff structures of the two Italian subsidiaries, with the objective of catching all the possible operating synergies, control group structure costs and ensure the maximum coordination and timeliness in business governance. This activity of progressive concentration and centralization of certain functions and activities led to the Board of Directors approving the merger by incorporation in the Group parent Ansaldo STS SpA (ASTS) of the two subsidiaries Ansaldo Segnalamento Ferroviario SpA (ASF) and Ansaldo Trasporti Sistemi Ferroviari SpA (ATSF). The Board of 12 December 2008 resolved upon the merger of the Dutch company ASNV in liquidation during 2009 based on the financial statements at 31 December 2008.

With a view to this merger, and at all events with a view to ASNV in liquidation ceasing business, Group treasury services, formerly performed by the Dutch sub-holding company, were pooled into ASTS in December. In particular, the escrow agreement between ASNV in liquidation and the related concern Finmeccanica Finance SA (Luxembourg) and the current account contracts between ASNV in liquidation and its subsidiaries were terminated. All these contracts were replaced by identical contracts of ASTS.

This activity also involved the foreign subsidiaries and focused on more complicated and strategic issues, such as research and development and industrial production. The final goal is to ensure the utmost Group efficiency and efficacy in relation with common interest activities, avoiding the duplication of roles and efforts and reducing the relevant costs.

As a result, a specific project named "Fast Forward Driven By Business" was launched. For more details, reference should be made to Section 2.11.1 below.

2.7 Risks and uncertainties

In order to comply with the provisions of Legislative Decree no. 58 of 24 February 1998, namely Article 154-ter on the description of the main risks and uncertainties, at the reporting date no particular risks and/or uncertainties can be expected that may impact significantly on the Balance Sheet and Income Statement of the Ansaldo STS SpA.

For the purposes of a better disclosure, reference should be made to the report of the Ansaldo STS Group for operating risks.

The company is exposed to market financial risks (exchange rates and interest rates), liquidity and credit risks, even if they are not relevant: reference should be made to Section 9 for a description of risks and risks management policies.

2.8 Environment

Ansaldo STS SpA directs and coordinates companies operating on the international markets as suppliers of complete rail transport systems and the related auxiliary systems for signalling, control and security. As such, Ansaldo STS SpA is committed to environmental protection on two fronts:

- the Company pursues a policy for continuously improving the environmental performance of its processes;
- the Company markets increasingly sophisticated, secure and reliable transport systems, in order to provide incentives for their use.

Strategic orientation and managerial approach

For this purpose, the Company has adopted an environmental policy and implemented an environmental management system, defining the organisation, the responsibilities, the operating means and the investments necessary, thereby committing itself to the achievement of the following objectives:

- ensuring compliance with regulations applicable to its processes by formalizing procedures that facilitate the awareness of the regulatory framework of reference;
- identifying environmental aspects significant for the reduction and the control of the related environmental impact;
- defining indicators for easily checking the performance.

The environmental management system is expected to be ISO 14001 certified in January 2009.

Innovation and broad-based implementation of good practices

The relatively recent formation of the company and its location in offices that have been deeply restructured and redesigned specifically to take account of Company operations and the expected growth rate allowed the conception of adequate and solidly eco-friendly solutions. Based on the solutions adopted by the subsidiaries Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA, the company applies procedures of proven efficacy and controls a set of environmental indicators, with a view to continuously improving its own environmental performance.

Communications, training and information

All employees and external associates (suppliers/contractors) involved in operations at the head offices of the Ansaldo STS SpA subsidiaries are required to participate in a training/information programme about environmental management when they become affiliated with the Company.

Depending on the specific processes of each company and the related environmental aspects, subsequent training sessions are conducted in order to instruct the personnel in relation to the environmental management system requisites applicable to their activity. The Company holds a register of all training programmes administered to the personnel operating at the various companies.

The training sessions are held by personnel knowledgeable in the field involved, and are documented by the personnel responsible for their execution.

General environmental information

Ansaldo STS SpA operates in the offices of Genoa (registered offices owned) and Naples (branch office – governed by a lease contract with AnsaldoBreda SpA).

The activities performed at the head office (Via P. Mantovani 3-5; 16151 Genoa) mainly include office business, for which Ansaldo STS SpA ensures total control, including environmental issues.

The activities performed at the branch office (Via Argine 425; 80147 Naples) mainly include office business, for which Ansaldo STS SpA ensures total control. Here control of environmental issues is assigned to the property owner, AnsaldoBreda SpA.

Employees use an external canteen service, common to other companies and operated by third parties, therefore no entities are subject to IPPC regulation. The Environmental Analysis, which was recently updated, did not reveal Relevant Incident Risks (Legislative Decree 334/99) nor areas included in a Site of National Interest (Law 426/98 and following amendments) or subject to environmental reclamation.

Finally, the head office uses remote heating systems, so the Emission Trading Directive is not applicable.

Water resources management

The consumption of water resources is exclusively linked to sanitary use, and is controlled. It is in line with the levels of consumption registered for similar activities carried out at other offices of the subsidiaries.

Production and management of special waste materials

The activity carried out at the offices is not the type that generates special waste materials. Photocopiers and office machines under lease require the owner to provide for the management of the waste materials (toner, broken or obsolete equipment, spare parts). In addition, the service maintenance is contracted to an external company that operates with its own stable personnel, and provides for the disposal of substitute components (e.g. neon tubes).

Paper-cardboard, plastic, aluminum are separately collected for recycling at the company offices.

Energy consumption, CO₂ emissions, emissions trading and other emissions

Essentially related to heating, lighting and electric motive force, the consumption of energy is controlled and is in line with the levels of consumption registered for similar activities carried out at other offices of the subsidiaries.

Management of hazardous substances

The processes carried out at the offices do not contemplate the use of hazardous substances.

Substances damaging the ozone layer

The office facilities have no substances that could cause damage to the ozone layer.

2.9 Research and Development

The year 2008 saw the continuation of an important action of consolidation and reorganisation of the Ansaldo STS Group product portfolio in line with the strategic objectives of structural growth and geographic expansion. All this was achieved through the constant and incisive action of Product Managers, with key roles at Ansaldo STS SpA, who are responsible for identifying the strategic lines at global level of their products and subsequently for the real effectiveness and efficiency of the same from a technological point of view and in terms of costs and performances.

The more than positive results achieved in terms of product orders and competitiveness during 2008 confirmed once more the correctness and incisiveness of the strategic lines identified for the present year and gave insights and starting points for the definition of platform and product strategies for the year 2009 and the coming years.

The year 2008 also saw greater focus and attention to the management of Intellectual Property issues by rationalizing and more closely coordinating the Patents and Trademarks portfolio of individual Group companies within the Group. Strategies for patent and trademark filing were more closely and strictly identified in order to ensure the utmost coverage possible in terms of countries and product category. Ansaldo STS SpA coordination also allowed better management of the dismissal of patents and trademarks that can no longer be used, in certain cases only at the level of individual countries and in other cases at a total level.

Ansaldo STS SpA therefore:

- identifies the technical and financial strategies of all the products included in the Group's portfolio;
- ensures the correct and timely implementation of the product strategies identified by the Product Managers, through the coordination of R&D functions of the other companies of the Ansaldo STS Group;
- coordinates the correct approach and monitors the consequent implementation of the "Group Technology License Programs", directed to guarantee the maximum technological synergy among the Group companies, in collaboration with the Human Resources and Business Development Directions, determining the criteria of the "license price policy" for the technological platforms available within the Group in accordance with market criteria and principles which are correct from a fiscal point of view;
- establishes strategic guidelines for the protection of the "Intellectual Property" and guarantees the correct and timely management of the same within the Companies belonging to the Group.

2.10 Personnel and Organisation

At 31 December 2008 the workforce of Ansaldo STS SpA was of 75 units, broken down as follows:

- executives 23
- middle managers 17
- clerical workers 35

There was an increase of 25 units compared with 31 December 2007, almost entirely due to new resources from subsidiaries, also with a view to the planned merger by incorporation. This proves the particular attention paid by the Group to the valorization of professionalism within the company.

The top tier of the company was not changed during 2008. The Company's officers thus include:

- Chairman of the Board of Directors: Alessandro Pansa (appointed by the Shareholders' Meeting of 21 November 2005);
- Deputy Chairman of the Board of Directors: Sante Roberti (appointed by the Board of Directors' meeting of 24 February 2006);
- CEO: Sergio De Luca (appointed by the Board of Directors' meeting of 14 June 2007).

All these officers were confirmed by the Shareholders' Meeting and Board of Directors' meeting of 1 April 2008.

The top-level organisation structure of Ansaldo STS SpA was changed, as resolved by the Board of Directors with resolutions of 22 January and 12 May 2008.

With resolution dated 22 January 2008, the Board of Directors formed a new entity named "Processes, Quality and Systems", with the mission of identifying opportunities for improving processes with a view to increasing the overall group efficacy and efficiency, coordinating the implementation of adequate and effective total Business Quality management systems, coordinating and managing the information systems of Ansaldo STS SpA and the subsidiaries organised under the laws of Italy. The responsibility for these activities, to be directly reported to the CEO, lies with Vice President Christian Andi. At the same time, the "Human Resources & Process Improvement" Direction Unit, headed by the Senior Vice President Carlo Cremona, with the assistance of Vice President Francesco Romano as Deputy Chairman, took on the name of "Human Resources & Organisation".

With resolution passed by the Board of Directors on 12 May 2008, the responsibility of the Internal Audit Function lies with Vice President Mauro Giganti.

Accordingly, the top level of the Company will be organised as follows:

- The following Functions will report to the Company's Chairman:
 - Internal Audit, headed by Mauro Giganti, Vice President;
 - Risk Management (limited to Project Control activities), headed by Antonio Manzi, Senior Vice President.
- The following report to the CEO:
 - General Secretary Direction, headed by Mario Orlando, General Counsel;
 - Administration, Finance and Control Direction, headed by Jean Paul Giani, CFO;
 - Human Resources & Organisation Direction, headed by the Carlo Cremona, Senior Vice President, assisted by Francesco Romano, Vice President;
 - Business Development Direction, headed by Emmanuel Viollet, Senior Vice President.

The General Secretary and the Directions are charged with planning and controlling all of the Group's activity. The corresponding Directions of the individual operating companies thus functionally report to the Directors of Ansaldo STS SpA and directly report to the chief executive of their respective companies.

- The following functions also report to the Chief Executive Officer:
 - Processes, Quality and Systems, headed by Christian Andi, Vice President;
 - Investor Relations, headed by Andrea Razeto, Investor Relator;
 - Risk Management and Project Control (limited to Risk Management activities), headed by Antonio Manzi, Senior Vice President;
 - Industrial Competitiveness, headed by Giuseppe Spezzi, Vice President.

The Board of Directors of 18 April 2008 gave positive opinion on the merger by incorporation in the Group parent Ansaldo STS SpA (ASTS) of the subsidiaries Ansaldo Trasporti Sistemi Ferroviari SpA (ATSF) and Ansaldo Segnalamento Ferroviario SpA (ASF), with date of efficacy 1 January 2009.

The main goals pursued through the merger are the strong rationalization of the operating activities performed in Italy, the simplification of the current decision-making and governance chain, and the decrease in the costs associated with the Group's company structure.

To that end, in May 2008 trade union meetings were successfully held, as envisaged by Article 47 of law no. 428 dated 29 December 1990 for the merger above.

On 12 December 2008 the Board of Directors of ASTS finally resolved upon the implementation of the following organisation changes at the same time of the merger of ASF and ATSF:

- the Legal and Corporate activities of the two merged companies, which have been carried out by ATSF so far, are now a part of the General Secretary Direction;
- the activities of Administration, Finance and Control Direction of the two merged companies, which have been carried out by ATSF so far, are now a part of the Administration, Finance and Control Direction;
- the activities relating to "Quality Assurance and management of Certification Systems" of the two merged companies are now a part of the Processes, Quality and Systems function;
- a function named Reliability, Availability, Maintainability and Safety (RAMS), headed directly by the CEO, is now established; it has the responsibilities of the same functions in the merged companies;
- the operating activities of the Transport Systems, Signalling and Technological Innovation – Italy directly report to the CEO in the Transport System Unit - Italy, Signalling Unit - Italy and Innovation Unit - Italy respectively;
- Facility Management and Procurement activities which are not related to production processes are included in the Signalling Unit, Italy, which will be operated on a service basis for all the ASTS structure.

Employers were identified as those responsible for workplace safety pursuant to Legislative Decree 81/08: Oscar Cantelmi for the Genoa office, Ulderigo Zona for the Naples office, Vincenzo Cinque for the Tito Scalo (PZ) office, and Giuseppe Spezzi for the Turin office and external sites. The date of efficacy for these officers is 1 January 2009.

Under the organisation standpoint, a Coordination Team for the Development Activities of the CBTC System was formed with the cooperation of several companies of the Ansaldo STS Group. The Team for the Development Activities is coordinated by Omar Rezzoug of Ansaldo STS France, while Leonardo Impagliazzo of ASF is responsible for the coordination of the Team for V&V Activities, including the System Safety activity. The team has the objective of monitoring the system developments in order to increase the level of product knowledge and gain the necessary confidence on the compatibility of the development times with the application needs of the Ansaldo STS Group.

These were also appointed:

- Security Manager of the Ansaldo STS Group, Carlo Cremona, with the objective of coordinating and addressing the company heads of the various Security units;
- Head of the "External Relations" function of ASTS, Riccardo Acquaviva.

Regarding governance, these were revised in 2008:

- the internal Regulatory System of ASTS, by defining an organised and consistent set of documents, useful to define responsibilities, roles, rules and tasks to implement the Model for the Organisation, Management and Control pursuant to Legislative Decree no. 231 of 8 June 2001.
- The Travel Regulation by revising the methods for calculating and recognising the expenses incurred by the employee temporarily in an office other than that where it usually performs its services.

2.11 Main projects

The market scenarios for future years and the business objectives that the company intends to pursue make the contribution of the Human Resources & Organisation Direction even more strategic in the integration and internationalization process that Ansaldo STS SpA has commenced in the last three years. For a company operating in the high technology market, one of the key success factors is the ability to attract and maintain the best talents worldwide. To that end, a mapping process was structured for the Group precious resources which led to the identification of a pool of international talents that are destined for a professional development worldwide.

Consistent with the initiatives launched in past years aimed at supporting the multi-cultural dimension and an understanding of differences within the Group, the Human Resources & Organisation Direction Unit continued to invest in 2008 in international development programmes (including the Columbus Programme) for the purpose of supporting integration.

2.11.1. Fast forward driven by business

Consistent with the development of the strategic objectives set in 2008, the Group launched a specific project known as "Fast-Forward Driven by Business" in order to reinforce the efforts under way to support the Group's internationalization and the streamlining of the global approach to business. The project's main objective is to define and implement actions that will steer the Ansaldo STS Group's

organisation toward a more integrated, coordinated and efficient approach with regard to both business processes and staff activities. For this purpose, the review of the current corporate structure (in which the signalling business is configured as a “federation of companies” and the transport systems business as an essentially regional operation) should be able to facilitate the global adoption of the operating solutions and best practices in place at a national level.

The management of Fast-Forward Driven By Business has been vested with a specific task force made up of internal staff from the Group's various companies. The direct participation of the largest possible number of employees coming from every continent on which the Group operates will make it possible to benefit from the Group's multi-cultural resources. The project contemplates a preparation phase that will be concluded in the first quarter of 2009, and that will lead to the identification of specific actions to be taken for the rest of the year.

Aware that every process of cultural change can be successful only if most of the staff are part of it, the Human Resources & Organisation area has implemented a major internal communications plan in order to illustrate to all of the employees the purposes of the project and to receive important feedback about the actions undertaken to support the integration and internationalization processes in all geographic areas in which Ansaldo STS SpA is present.

2.11.2. “365 Safety days - 365 safetyes” project

Consistent with the basis for the “365 Safety days – 365 Safetyes”, in 2008 Ansaldo STS SpA continued the safety awareness campaign. The training courses organised in the last quarter of 2007 continued throughout 2008 with initiatives involving more than 1,000 resources for a total 5,000 hours of training classes. The issues discussed included site safety, prevention and protection services and fire-fighting courses. Special attention was paid to the illustration of the new Safety Code (Legislative Decree 81/2008) with Messrs Marasca and Ceglie as lecturers, leading experts on the matter.

Ansaldo STS SpA's commitment to help raising awareness and responsibility for the value of life, especially at the workplace, will continue in 2009 with a follow-up initiative named “*La Sicurezza si fa strada*”. The intended recipients are operators working in Ansaldo STS SpA's sites and operators working with partner companies of Ansaldo STS SpA. These are the major goals that the new initiative intends to pursue:

- assisting the companies involved in the Project in the implementation of better solutions for the construction of a solid safety culture;
- involving the weakest link of the value chain in training activities relating to site risks;
- actively encouraging the people involved in the Project to rethink working models and lifestyles with a view to greater integration into the safety culture;
- promoting exchange and discussion on safety issues (both operating and management);
- rewarding the companies that are able to substantially improve their own safety management models.

2.12 Security Policy Statement

In accordance with the provisions of Section 26 of the Technical Regulations for minimum security measures attached to Legislative Decree no. 196 of 27 June 2003 (Personal Data Protection Code), it is noted that the Company has undertaken the activity of analysing and updating the Security Policy Statement in relation to the electronic process of personal data. This activity will be completed by 31 March 2009 consistent with the deadline provided by the regulations.

2.13 Incentive plans

Ansaldo STS SpA has developed and set the rules for:

- a medium-term stock grant incentive plan;
- a long-term cash incentive plan.

The plans are part of an array of short-, medium- and long-term incentives that represent a significant component of total management compensation of the Group.

The incentive plans are furthermore structured so as to tie significant portions of a manager's compensation to the achievement and improvement of financial parameters and to strategic objectives particularly important for the creation of value at a Group level.

2.13.1 Stock grant plan

With reference to the stock grant plan, the Group proceeded with verifying the achievement of the objectives to which the assignment of the quota related to 2007 had been tied.

The three objectives in relation to EVA, orders and share performance vis-à-vis the Mibtel Index for the year 2007 were achieved in full. As a result, consistently with the plan rules, all of the shares originally provided were assigned to the persons entitled thereto. The Company thus proceeded with the assignment of 317,022 shares on 1 December 2008.

2.13.2 2006-2008 Cash incentive plan - 2007 tranche

The 2006-2008 cash plan for 2007 involves five executives of Ansaldo STS SpA and its subsidiaries, who are key in the achievement of the Group's strategic and business/financial objectives.

The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.

A review of the objectives assigned in 2007 indicates that they were fully achieved.

The plan also has access thresholds (that are different for the various managers), all of which were exceeded. Therefore, and in accordance with the plan regulation, in June 2008 the incentive portions accrued for the 2007 tranche were paid.

2.13.3 2007-2009 Cash incentive plan – 2007 tranche

The 2007-2009 cash plan for 2007 involves four executives of Ansaldo STS SpA and its subsidiaries, who are key in the achievement of the Group's strategic and business/financial objectives.

The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.

A review of the objectives assigned in 2007 indicates that they were fully achieved.

The plan also has access thresholds (that are different for the various managers), all of which were exceeded. Therefore, and in accordance with the plan regulation, in June 2008 the incentive portions accrued for the 2007 tranche were paid.

2.14 Shares Granted to Directors

Within the programme of purchase of treasury stocks to serve the 2006-2007 stock grant plan authorized by the Shareholders' Meeting of 1 April 2008, Ansaldo STS SpA purchased in the period from 9 October 2008 through 13 October 2008 280,000 ordinary shares of Ansaldo STS SpA (corresponding to 0.28% of the share capital). On 1 December 2008 the effective delivery was made of the shares awarded for the year 2007; of the 317,022 total shares assignable, 211,635 shares were transferred into individual deposit securities specified by the beneficiaries, while the remaining 105,387 shares were withheld, as requested by the beneficiaries, to meet the tax requirements as withholding agent connected with the Plan.

Name and Surname	Investee company	Number of shares held at the end of the prior year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current financial year
Sergio De Luca	Ansaldo STS	3,898 ¹	10,395 ²	-	14,293
Sante Roberti	Ansaldo STS	3,367 ¹	8,977 ²	3,367	8,977

1. Assigned without consideration for the year 2006 in compliance with the 2006-2007 Stock Grant Plan.

2. Assigned without consideration for the year 2007 in compliance with the 2006-2007 Stock Grant Plan.

2.15 Company establishments

Situation at 31 December 2008:

GENOA	VIA MANTOVANI 3/5 - 16151	Registered office
NAPLES	VIA ARGINE 425 - 80147	Local unit
TURIN	VIA VOLVERA 50 - 10045	Local unit
ROME	VIA DEGLI SCIALOJA 20/22 - 00100	Local unit

2.16 Corporate governance and ownership structure of the company in compliance with art. 123 Bis of Legislative Decree no. 58 Of 24 February 1998 and subsequent amendments (TUF)

The Ansaldo STS shares have been trading since 29 March 2006 on the Star segment of the markets organised and managed by Borsa Italiana SpA.

On 19 December 2006 the Ansaldo STS SpA Board of Directors adopted the Corporate Governance Code adopted by Borsa Italiana SpA in March 2006 (C.A.). During 2007 the Company has completed the adjustments to the requirements of the Corporate Governance Code, based on the conviction that these recommendations contribute significantly to the realisation of the key points of the Company's corporate governance policy. Specifically, the corporate governance system implemented has as its primary goal the creation of shareholder value, in recognition of the importance of transparency in the company decision-making process, and the need for an efficient internal control system.

With a view to the full compliance of the Corporate Governance with the most recent legislative and regulatory provisions, on 1 April 2008 the Shareholders' Meeting of Ansaldo STS SpA changed the wording of some articles of the Company's by-laws in order to:

- adjust the by-laws to the ruling of the Court of Cassation of 13 September 2007 no. 19160, regarding the articles of by-laws of another listed company, concerning the chairmanship of the shareholders' meeting and the possibility for the retiring Board of Directors to present its own list, thereby eliminating, on the one hand, the possibility that - in the absence of the chairman and the deputy chairman of the Board of Directors - the chair may be taken by a proxyholder of the Board of Directors and that, on the other hand, the option granted to Board of Directors to present its own list of candidates for board membership.
- coordinate some by-laws provisions with the changes brought to the TUF in 2007, as amended in light of the transposition of Directive 2004/109/EC ("Transparency Directive"), and Consob resolution no. 11971/99 and subsequent amendments and integrations (Issuers' Regulation);
- facilitate easier understanding of the procedure for the appointment of the Board of Statutory Auditors by rearranging the relevant provisions.

The office of the Board of Directors and of the Board of Statutory Auditors expired with the shareholders' meeting of Ansaldo STS SpA held on 1 April 2008; the meeting appointed the following as of such date:

- The new Board of Directors in the persons of Alessandro Pansa (Chairman), Sante Roberti, Sergio De Luca, Maurizio Cereda, Gerlando Genuardi, Gregorio Gitti, Francesco Lalli, Eugenio Pinto and Attilio Salvetti. The Board will be in office for three years, therefore until the date of the Ordinary Shareholders' Meeting for the approval of the financial statements for the year 2010;
- The new Board of Statutory Auditors in the persons of Giacinto Sarubbi (Chairman), Massimo Scotton and Francesca Tripodi; alternate auditors Bruno Borgia and Pietro Cerasoli were also appointed until the date of the Ordinary Shareholders' Meeting for the approval of the financial statements for the year 2010.

The new Board of Directors met on 1 April 2008 as well, and confirmed Sante Roberti as Deputy Chairman, Sergio De Luca as CEO and Mario Orlando, General Counsel of the Company, as Secretary of the Board. The Board also appointed the members of the Internal Audit Committee (Gregorio Gitti - Chairman -, Maurizio Cereda, Eugenio Pinto and Attilio Salvetti), the Remuneration Committee (Maurizio Cereda - Chairman-, Gerlando Genuardi and Francesco Lalli), and the executive in charge of the preparation of the corporate accounting documents (Jean Paul Giani, Chief Financial Officer of the Company).

Members Maurizio Cereda, Gerlando Genuardi, Gregorio Gitti, Eugenio Pinto and Attilio Salvetti certified that they meet the independence requirements of applicable laws and the Corporate Governance Code, and accordingly, the Board of Directors of the Company presently includes five independent directors out of nine.

On 14 October 2008, the Board of Directors of Ansaldo STS SpA established that Ansaldo STS SpA, after having acknowledged the positive assessment rendered by the Board of Statutory Auditors, is in line with the provisions of Articles 36 and 37 of the regulations for the implementation of the Legislative Decree no. 58 of 24 February 1998 on the subject of markets (Consob Resolution n. 16191 of 29 October 2007 and subsequent amendments and integrations). As of the same date, a press release was issued providing appropriate disclosure thereof to the market.

Following is a list of the Company's main corporate governance instruments:

- By-laws
- Ethics Code
- Organisation, Management and Control model pursuant to Legislative Decree no. 231/01
- Regulation of the Board of Directors
- Regulation of the Internal Audit Committee
- Regulation of the Remuneration Committee
- Guidelines and Principles for identifying significant transactions with Related Parties – Principles of conduct
- Regulation for managing privileged information and setting up a register of persons who have access to that information
- Internal Dealing Code
- Regulations for shareholders' meetings

For more details on corporate governance, see the "Report on Corporate Governance", which also contains the information required by Art. 123 bis of TUF, available on the Company's web site www.ansaldo-sts.com.

2.17 Certification pursuant to Article 2.6.2, Paragraphs 12 and 13 of the Borsa Italiana Market Regulations

The Board of Directors of the Company certifies the existence of the conditions referenced in Article 36, Letters a), b) and c) and Article 37 of the regulations for the implementation of Legislative Decree no. 58 of 24 February 1998 on the subject of markets, adopted by Consob with Resolution no. 16191 of 29 October 2007 and subsequent amendments and integrations.

3 Outlook

During 2009 your Company will continue the process of integration and internationalization commenced in 2007 and 2008, in order to be a company that is increasingly present in the high technology market and be able to attract and maintain the best talents worldwide. Consistent with the development of the strategic objectives set in 2008, the Group launched a specific project known as "Fast-Forward Driven by Business" in order to reinforce the efforts under way to support the Group's internationalization and the streamlining of the global approach to business. The project's main objective is to define and implement actions that will steer the Ansaldo STS Group's organisation toward a more integrated, coordinated and efficient approach with regard to both business processes and staff activities. For this purpose, the review of the current corporate structure (in which the signalling business is configured as a "federation of companies" and the transport systems business as an essentially regional operation) should be able to facilitate the global adoption of the operating solutions and best practices in place at a national level.

The management of Fast-Forward Driven By Business has been vested with a specific task force made up of internal staff from the Group's various companies. The direct participation of the largest possible number of employees coming from every continent on which the Group operates will make it possible to benefit from the Group's multi-cultural resources. The project contemplates a preparation phase that will be concluded in the first quarter of 2009, and that will lead to the identification of specific actions to be taken for the rest of the year.

Aware that every process of cultural change can be successful only if most of the staff are part of it, the Human Resources & Organisation area has implemented a major internal communications plan in order to illustrate to all of the employees the purposes of the project and to receive important feedback about the actions undertaken to support the integration and internationalization processes in all geographic areas in which it is present.

Lastly, of particular importance will be also the activity relative to the constant refinement of the Group Corporate Governance, with reference not only to the national regulatory provisions, but also to the international best practice, with the aim to ensure efficiency, transparency and information to the stakeholders of Ansaldo STS.

4 Proposals to the Shareholders' Meeting

Fellow Shareholders,

the 2008 financial statements, which we submit to your approval, showed a Net Profit of EUR 7,601,267.94, to be allocated as proposed below:

- EUR 380,063.40 thousand, corresponding to 5% of profit itself, to the Legal Reserve;
- EUR 7,221,204.54 thousand carried forward.

We also propose that a dividend of EUR 0.27 for each share conferring the right to a dividend, to be distributed to the shareholders out of the profits that are carried forward and available for distribution, with the exclusion of the treasury shares owned by the company, with detachment date of the coupons 11 May 2009 and payment from 14 May 2009.

Based on the current figures, the total amount of the dividend proposed is EUR 26,971,069.50 for the 99,892,850 shares entitled thereto, as the treasury shares owned by the company as of today are 107,150. This amount corresponds to some 54% of the share capital and accounts for some 35% of the Group consolidated net profit for the year 2008, which amounted to EUR 77,543,952.83

The amount of the dividend proposed and its increase over the previous year is based and the growth of the Group consolidated result for the last year and is consistent with the cash flow generated from ordinary activities.

If you approve the above proposal, we invite you to approve the following resolution:

"The ordinary shareholders' meeting of STS SpA:

- *having seen the Directors' Report;*
- *having seen the Board of Auditors' Report;*
- *having seen the financial statements as at 31 December 2008;*
- *taking due note of the Report of PricewaterhouseCoopers SpA*

resolves

- *to approve the Directors' Report and Financial statements at 31 December 2008;*
- *to approve the proposal prepared by the Board of Directors to allocate the Net Profit 2008 of EUR 7,601,267.94 as follows:*
 - *EUR 380,063.40 thousand, corresponding to 5% of profit itself, to the Legal Reserve;*
 - *EUR 7,221,204.54 thousand carried forward.*
- *to approve the proposal prepared by the Board of Directors to allocate to the shareholders the payment of a dividend of EUR 0.27, gross of withholdings, for each share conferring the right to a dividend, to be distributed to the shareholders out of the profits that are carried forward and available for distribution, with the exclusion of the treasury shares owned by the company, with detachment date of the coupons 11 May 2009 and payment from 14 May 2009;*
- *to authorize the Chairman of the Board of Directors or the CEO, in case before the detachment of coupons treasury shares are bought or sold, to allocate and/or withdraw from profits carried forward the amount of the dividend attached to such shares.*

Genoa, 6 March 2009

On behalf of the Board of Directors
The Chairman
Alessandro Pansa



5 Accounting Statements and notes to the Financial Statements at 31 December 2008

5.1 Income Statement

(€)	Note	2008	of which from related parties	2007	of which from related parties
Revenues	6.25	18,265,965	18,265,965	14,000,430	14,000,430
Other operating income	6.26	1,830,063	1,825,237	3,499,096	3,497,097
Costs for purchases	6.27	(38,928)	-	(36,194)	-
Costs for services	6.27	(12,955,111)	(2,353,001)	(14,677,679)	(2,023,859)
Cost of labour	6.28	(8,789,957)	-	(8,123,768)	-
Amortisation, depreciation and write-downs	6.29	(1,883,573)	-	(1,863,020)	-
Other operating costs	6.26	(3,916,175)	5,308	(997,686)	134,332
EBIT		(7,487,716)		(8,198,821)	
Financial income	6.30	21,065,711	14,934,961	54,884,111	54,809,384
Financial costs	6.30	(7,525,890)	(1,057,152)	(6,437,519)	(6,220,424)
Profit (Loss) before taxes		6,052,105		40,247,771	
Income taxes	6.31	1,549,163		2,974,749	
Net Profit (Loss)		7,601,268		43,222,520	
Earnings per share					
Basic and Diluted	7	0.08		0.43	

5.2 Balance Sheet

(€)	Note	31.12.2008	of which from related parties	31.12.2007	of which from related parties
Non-current assets					
Intangible Assets	6.6	119,331		335,817	
Tangible Assets	6.7	531,539		359,041	
Investment properties	6.8	57,624,680		59,208,436	
Equity investments	6.9	87,103,974		62,526,627	
Deferred taxes	6.31	2,124,759		9,641,294	
Other assets	6.11	25,831,144		27,501,285	
		173,335,427		159,572,500	
Current assets					
Trade receivables	6.12	4,391,094	4,388,290	7,180,559	7,180,559
Income tax receivables	6.13	5,701,788		-	
Financial receivables	6.12	266,061,288	266,061,288	20,637,291	20,637,291
Derivatives	6.14	773,167		-	
Other current assets	6.15	3,983,020	1,062,564	10,675,755	8,813,759
Cash and cash equivalents	6.16	5,155,070		536,813	
		286,065,427		39,030,418	
Total assets		459,400,854		198,602,918	
Shareholders' equity					
Share capital	6.17	49,256,884		49,667,916	
Reserves	6.17	52,635,785		51,726,377	
Retained earnings (accumulated losses) carried forward	6.17	46,070,125		60,487,338	
Total shareholders' equity		147,962,794		161,881,631	
Non-current liabilities					
Severance pay and other employee liabilities	6.20	1,155,245		830,566	
Deferred taxes	6.31	47,583		1,554,912	
Other liabilities	6.21	156,017		95,975	
		1,358,845		2,481,453	
Current liabilities					
Trade payables	6.22	6,934,956	1,658,698	8,410,237	1,057,756
Borrowings	6.18	289,052,033	289,037,290	11,676,809	11,638,941
Income tax payables (**)	6.13	913,514		2,066,023	
Provisions for risks and charges	6.19	2,130,000		-	
Derivatives	6.14	266,263		-	
Other current liabilities (**)	6.21	10,782,449	4,956,912	12,086,765	8,901,457
		310,079,215		34,239,834	
Total Liabilities		311,438,060		36,721,287	
Total Liabilities and Shareholders' Equity		459,400,854		198,602,918	

(**) The figures relating to the periods referred to 2007 have been modified as a result ex IAS 1 restatement.

5.3 Cash Flow Statement

(€)	2008	of which from related parties	2007	of which from related parties
Cash flow from operating activities:				
Gross cash flow from operating activities	(5,022,171)		(5,573,646)	
Change in working capital	1,314,184	(3,392,547)	5,244,678	(2,802,667)
Changes in other operating items	8,897,522	(3,806,652)	(645,940)	(118,727)
Cash flow from (used in) operating activities	5,189,535		(974,908)	
Cash flow from investing activities:				
Company acquisitions, net of cash acquired	(25,583,630)		-	
Investments in tangible and intangible fixed assets	(255,829)		(259,990)	
Share-premium reserve repayment	-		40,000,000	40,000,000
Dividends received	14,544,000	14,544,000	50,241,000	50,241,000
Purchases of treasury shares	(411,032)		(282,084)	
Other investments	1,006,283	-	(844,861)	-
Cash flow from (used in) investing activities	(10,700,208)		88,854,065	
Cash flow from financing activities:				
Net change in other borrowings	30,025,179	277,246,840	(88,020,620)	(200,189,955)
Dividends paid	(19,991,826)	(19,991,826)	-	
Change in reserves	95,577		(230,635)	
Cash flow from (used in) financing activities	10,128,930		(88,251,255)	
Net increase (decrease) in cash and cash equivalents	4,618,257		(372,098)	
Cash and cash equivalents - opening balance	536,813		908,911	
Cash and cash equivalents - closing balance	5,155,070		536,813	

The figures contained in the comment below are expressed in thousands of euros.

The financial year 2008 ended with a net increase in cash and cash equivalents of EUR 4,618 thousand, due to the following factors:

- Cash flow from operating activities moves from cash flow used for EUR 975 thousand to cash flow generated for EUR 5,189 thousand, with a change of EUR 6,164 thousand, mainly ascribable to the evolution of the working capital;
- Cash flow from investing activities moves from cash flow generated for EUR 88,854 thousand to cash flow used for EUR 10,700 thousand. The negative variation of EUR 99,554 thousand is mainly due to: fewer dividends collected in the financial year 2008 (EUR 14,544 thousand) compared with the previous financial year (EUR 50,241 thousand); the repayment of part of the share-premium reserve from the subsidiary Ansaldo Signal NV in liquidation for EUR 40,000 thousand occurred in the financial year 2007; the increase in equity investments in the financial year 2008 materialised in the acquisition of the interest in Ansaldo STS Australia PTY Ltd from the American subsidiary;
- Cash flow from financing activities moves from cash flow used for EUR 88,251 thousand to cash flow generated for EUR 10,129 thousand with a change of EUR 98,380 thousand attributable to the above-mentioned events.
- Free operating cash flow (FOCF) before strategic investments amounted to EUR 19,067 thousand in the period under review and is composed of as follows:
 - Cash flow from operating activities EUR 5,189 thousand.
 - Cash flow used for ordinary investments EUR 666 thousand.
 - Dividends received EUR 14,544 thousand.

5.4 S.O.R.I.E. - (Statement of recognised income and expense)

(€)	31.12.2008	31.12.2007
Reserves of income (expense) recognised in equity		
- Actuarial gains (losses) related to defined-benefit plans	(134,887)	15,450
Tax effect on expense/(income) recognised in equity	37,094	(4,249)
Income/(expense) recognised in equity	(97,793)	11,201
Net Profit (Loss) for the year	7,601,269	43,222,520
Total income and expense for the year	7,503,476	43,233,721

6 Notes to the Financial Statements at 31 December 2008

6.1. General information

Ansaldo STS is a company limited by shares based at Via Paolo Mantovani 3/5, Genoa with a branch establishment in Naples, Via Argine 425, and has been listed on the Italian stock exchange (Star segment) since 29 March 2006. Ansaldo STS SpA is a subsidiary of Finmeccanica SpA, whose headquarters are at Piazza Monte Grappa 4, Rome, listed on the Italian stock exchange (S&P/MIB), which manages and co-ordinates the activities of Ansaldo STS SpA.

Ansaldo STS SpA, as Parent company, carries out the functions of business and strategic management, coordinating the operations of its subsidiaries (which together are known as the "Ansaldo STS Group" or "the Group"), which operate in the signalling and rail transport systems sectors.

The Ansaldo STS Group grew out of the transport signalling and systems operations which, until the second half of the 1990s, were carried out by Ansaldo Trasporti within the Finmeccanica Group. The formation of Ansaldo Signal NV in 1996 and of Ansaldo Trasporti Sistemi Ferroviari SpA in 2000 (together with the formation of AnsaldoBreda, for the vehicles segment, the same year) produced a reorganisation of the entire Transport Systems Business Unit, as a result of which Finmeccanica held a 100% stake in Ansaldo Signal NV, Ansaldo Trasporti Sistemi Ferroviari SpA and AnsaldoBreda.

Meanwhile, in 1996 Finmeccanica SpA had acquired S.I.C. Società Italiana Comunicazioni Srl, renamed EuroSkyway Srl in 1997; the company was put into liquidation in April 2005.

Following Finmeccanica's strategic decision in the second half of 2005 to list its signalling and transport systems companies on the stock exchange (having previously put in place a unitary management structure to enhance their business and commercial synergies) the EuroSkyway Srl shareholders' meeting, through its sole shareholder, Finmeccanica SpA, decided at the end of 2005 to revoke the company's state of liquidation and transform it into a company limited by shares, to change its own name to Ansaldo STS SpA, and to change its business object, focusing on signalling and transport systems for railways and urban rail systems.

To complete the above reorganisation, in February 2006 Ansaldo STS SpA, as already stated, acquired from Finmeccanica SpA the entire share capital of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari SpA and since 29 March 2006 Ansaldo STS SpA has been listed on the stock exchange.

In particular, Finmeccanica SpA placed on the market 60 million shares of the Company, equal to 60% of its share capital, at EUR 7.80 per share, retaining the remaining 40 million, equal to 40% of the share capital. The so-called greenshoe option was exercised to the full, in view of the extremely large number of requests to purchase the shares.

Upon the acquisition of stakes in Ansaldo Signal NV and in Ansaldo Trasporti Sistemi Ferroviari SpA (24 February 2006), all the companies operating worldwide in the Signalling sector were headed by Ansaldo Signal NV, while the Transport Systems activities were centred on Ansaldo Trasporti Sistemi Ferroviari SpA.

Subsequently Ansaldo STS S.p.A., with the aim to create better synergy and co-ordination between the two activities, started a Group's reorganisation process (which is still under way), according to which all the companies operating in the Signalling sector have formed internally a Transport Systems Business Unit as well, by using the know-how, skills and experience of Ansaldo Trasporti Sistemi Ferroviari SpA.

In Italy, the two companies which operate in the two different business units (Signalling and Transport Systems) have merged, ex art. 2505 of the Italian Civil Code, into the listed Parent company, through incorporation of Ansaldo Segnalamento Ferroviario SpA and of Ansaldo Trasporti Sistemi Ferroviari SpA into Ansaldo STS SpA. The merger through incorporation, as set forth in the merger deed stipulated by Ansaldo STS SpA, Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA on 26 September 2008, has had legal, accounting and tax effective date since 1 January 2009.

In the scope of this corporate reorganisation, on 16 June 2008 the Dutch sub-holding Ansaldo Signal NV was put into liquidation; all the equity investments held by Ansaldo Signal NV in liquidation will be transferred to Ansaldo STS SpA by means of the merger through incorporation, which will be executed in the course of 2009.

As already said, Ansaldo STS SpA operates through two business units: Signalling and Transport Systems.

The "Signalling" Business Unit – whose main reference operating companies are Ansaldo Segnalamento Ferroviario SpA (Italy), Ansaldo STS France SA (France), Ansaldo STS Australia PTY (Asia Pacific) and Ansaldo STS USA Inc. (Americas) - designs and builds signalling systems, subsystems and components; the "Transport Systems" Business Unit - currently centred on Ansaldo Trasporti Sistemi Ferroviari SpA, but being developed in all the group companies - designs and builds integrated transport systems, of which signalling is an essential part. In more detail, this activity studies, designs and plans how to integrate the activities of designing and building the technological equipment that goes to make up a system - that is, the track, signalling, power supply, telecommunications, and vehicles (whether for inter-city or urban railways) as well as any other technological works which, collectively, constitute an integrated transport system. The final product - an integrated transport system, whether an inter-city line or an urban one - is then delivered as a "turnkey" project to the customer. However, the Group can also offer the expertise of the Signalling or Transport Systems Business Units separately, according to specific customer needs.

6.2. Basis of preparation

In application of EC Regulation 1606/2002 of 19 July 2002, the financial statements at 31 December 2008 were prepared in accordance with the IAS/IFRS international accounting standards (hereinafter IFRS) endorsed by the European Commission, supplemented by the relevant interpretations (*Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC*) issued by the *International Accounting Standard Board (IASB)*.

The general principle used in preparing these consolidated financial statements is the cost method, except for the recognition of derivative instruments and of a few financial assets, for which IAS 39 obliges or - limited to the financial assets - allows the valuation with the fair value method. The changes introduced by the IAS 39 amendment, approved in November 2008, which permits the reclassification to other category of the non-derivative financial assets valued at Fair value in the Income Statement, have not been applied by the Company.

All figures are in thousands of euros unless otherwise indicated.

Among the options permitted by IAS 1, the Company has chosen to present its Balance Sheet by separating current and non-current items and its Income Statement by the nature of the items. The Cash Flow Statement was instead prepared using the indirect method. Compared with the 2007 financial statements, the format of the statements presented has been modified, including the amounts pertaining to related parties in the balances relating to third parties, with indication in a separate column of the portion pertaining to the related parties; the Cash Flow Statement has also been modified accordingly.

Preparation of the financial statements required *Management* to make certain estimates.

The financial statements at 31 December 2008 of Ansaldo STS SpA were approved on 6 March 2009 by the Board of Directors. On this occasion, the Board authorised the dissemination of the financial statements and called the Shareholders' Meeting for the related approval on 27 and 28 April 2009 in first and second call respectively.

The consolidated financial statements, prepared in accordance with IFRS, were audited by independent auditors PricewaterhouseCoopers SpA..

6.3. Accounting standards adopted

6.3.1. Translation of items denominated in a foreign currency

These financial statements have been prepared in euros – the functional currency of Ansaldo STS SpA. Items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and/or services, goodwill, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the Income Statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the Income Statement.

6.3.2. Intangible assets

These are made up of non-monetary elements without physical form, clearly identifiable and which are capable of generating future economic benefits. These elements are entered as their cost of acquisition and/or production, including expenses directly attributable to preparing the asset for operations, net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any loss of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset has been recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

Licenses and similar rights

For licenses and similar rights amortisation is calculated on a straight-line basis, so that the cost borne in acquiring a right is allocated over the shorter between the period of expected use and the duration of the relevant contracts, starting from the time the acquired right can be exercised.

Licenses that are acquired and relate to software are capitalised on the basis of the costs sustained in acquiring them. Amortisation is calculated on a straight-line basis over their expected useful life of 3 years.

Software costs

The costs related to the development and maintenance of software programs are recognised as costs when incurred. Costs that are directly connected with the production of unique, identifiable software controlled by the Company that generate future financial benefits over a period exceeding one year are entered as intangible assets. Direct costs include the costs related to employees who develop the software as well as any appropriate share of the general costs. Amortisation is calculated on a straight-line basis over the expected useful life of the software (3 years) beginning when the asset is available and ready for use.

Research and development spending

Research costs are entered in the Income Statement for the year in which they are incurred.

An intangible fixed asset that is generated internally and relates to development costs is entered in the accounts only if all the following conditions are simultaneously met:

- the asset can be identified;
- it is capable of generating future economic benefits;
- its development cost can be reliably measured;
- there is a market for the product generated by such development.

If these conditions are not met, development costs are expensed as incurred. Development costs are capitalised only when the four conditions listed above are met and are amortised on a straight-line basis over their entire useful life.

Leased assets

Assets held via finance leases, through which the risks and benefits pertaining to ownership are essentially transferred to the Company, are recognised as assets belonging to the Company at their current value or at the present value of the minimum payments owed to the lessor, whichever is lower. The corresponding liability towards the lessor is entered in the accounts as a borrowing. These goods are depreciated in accordance with the methods and criteria applicable to tangible assets.

Leases in which the lessor essentially retains the risks and benefits incidental to ownership of the assets are recognised as operating leases. The costs relating to operating leases are entered on a straight-line basis in the Income Statement throughout the leasing contract's duration.

6.3.3. Tangible assets

These are valued at cost or production cost, net of accumulated depreciation and any impairment. The cost includes every charge directly incurred in using them, as well as any charges relating to decommissioning or removal that will be sustained as a result of contractual obligations that demand that the asset be returned to its original state.

Charges incurred for routine and/or regular maintenance and repair are directly entered in the Income Statement for the year when they were incurred. Capitalisation of the costs relating to expansion, modernisation, or improvement of elements owned or leased by the Company is carried out only in so far as these meet the requirements for being classified separately as assets or parts of assets. Any capital grants relating to tangible assets are entered as a direct deduction from the asset to which they relate.

The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself. In the period in which the asset has been recognised for the first time, the depreciation rate applied takes into account the period of actual use of the asset. The estimated useful lives adopted by the Company for the various asset classes are as follows:

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

The estimate of the useful life and of the residual value is reviewed periodically.

Depreciation terminates at the date on which the asset is sold or the same is reclassified to asset held for sale.

If an asset to which depreciation is applied is made up of identifiable elements whose useful life is significantly different from that of other parts that make up the asset, depreciation is calculated separately for each part that makes up the asset, in keeping with the component approach.

Profits and losses deriving from the sale or disposal of assets are calculated as the difference between the proceeds from the sale and the net accounting value.

Civil buildings are valued according to the revalued cost method stipulated by IAS16. This consists of revaluing assets so that they are brought in line with fair value at the date of the revaluation, less accumulated depreciation and any loss of value. The revaluation is entered in an equity reserve and transferred directly to retained earnings/(losses) carried forward when the revalued amount is realised.

6.3.4. Investment Properties

Those investments that can generate cash flows, regardless of the company business, are carried under 'Investment properties'; they are valued at purchase or production cost plus any related charges, net accumulated depreciation and impairment, if any. The useful life estimated by the Company, for the various categories of investment properties, is the same as used for the category of tangible assets.

6.3.5. Impairment Of Assets

Assets with indefinite useful life are not depreciated or amortised, but are rather subject to impairment tests at least once a year to ascertain the recoverability of their book value.

For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess being recognised in the Income Statement.

The recoverable value is the greater of two figures: either its market value minus sales costs, or its value in use determined on the basis of a model of discounted cash flows.

The discount rate incorporates the assets' specific risks which have not been considered yet in the expected cash flows.

For an asset that does not generate independent cash flows, the value is calculated in relation to the cash-generating unit to which such asset belongs.

If the conditions for a previous write-down no longer apply, the asset's accounting value is reinstated provided that such reinstated value does not exceed the net book value that the asset would have had if it had not been impaired in the preceding years. The reinstatement is recorded in the Income Statement. In no case, instead, the value of previously written-down goodwill is reinstated.

6.3.6. Equity investments

The Company classifies its equity investments as follows:

- “subsidiaries” in which the owner of the interest has the power to determine the financial and operating decisions and to receive the related benefits;
- “associated companies” in which the owner of the interest exercises significant influence (which is assumed to exist when owner can exercise at least 20% of the votes in the ordinary shareholders’ meeting). This also includes companies subject to joint control (joint ventures);
- “parent companies”, when the company held holds shares in its own parent;
- “other companies”, that do not fall under any of the categories above, are recognised at the cost of purchase or start-up. The cost value is maintained in subsequent financial statements except in the event of a loss of value, or any writeback, following a change in its economic use or capital transactions.

A list of investee companies is contained in these Notes. With regard to subsidiaries, the figures contained are taken from the respective financial statements at 31 December 2008 approved by the Board of Directors.

6.3.7. Financial instruments

These include financial assets and liabilities whose classification is determined when they are first entered in the accounts according to the purpose for which they were acquired. Acquisitions and sales of financial instruments are entered in the accounts on the date of the transaction, or on the date or when the Company committed itself to buying or selling the assets.

6.3.7.1. Financial assets

Financial assets are classified, when first entered into the accounts, in one of the following categories, and valued as explained below:

Loans and receivables: these financial instruments chiefly relate to trade receivables, are non-derivative, are not listed on an organised exchange and do not yield fixed or foreseeable payments. They are reported as current assets, with the exception of those due beyond 12 months after the reporting date, which are classified as non-current assets. Such assets are valued at amortised cost on the basis of the effective interest rate method. If there has been objective evidence of loss of value, the asset is written down so as to equal the discounted value of future income. Impairment losses are entered in the Income Statement. If in succeeding years the reasons for previous write-downs no longer apply, the value of such assets is restored up to the value they would have had if the amortised cost had been applied and the asset had not been written down.

Financial assets available for sale: these are non-derivative financial instruments that are designated as such, and fit in none of the above categories. Such instruments are reported at fair value, and the gains or losses from valuation are charged to an equity reserve and are reversed to Income Statement only when the financial asset is effectively sold or, in the event of cumulative negative change, when it is clear that the loss of value already entered in the equity reserve cannot be recovered. Whether such assets are classified as current or non-current depends on strategic choices regarding the length of time the asset is owned and on whether it can be traded; assets that are expected to be sold within 12 months of the date of the accounts are reported as current.

Financial assets are removed from the Balance Sheet when the right to receive cash flow from an instrument expires and the Company has effectively transferred all the risks and benefits relating to the instrument, as well as control over it.

6.3.7.2. Financial liabilities

These relate to financing, trade payables, and other obligations to pay; they are valued at amortised cost, using the effective interest rate method. If there is a change in the expected cash flow and it is possible to estimate these reliably, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the internal rate of return originally determined. Financial liabilities are classified as current liabilities, except where the Company has an unconditional right to defer their payment for at least 12 months after the reporting date.

Financial liabilities are removed from the accounts when they are repaid, and when the Company has transferred all the risks and charges relating to them.

6.3.7.3. Derivative instruments

Derivatives are still regarded as assets held for trading and stated at Fair value through the Income Statement unless they are deemed eligible for hedge accounting and effective in offsetting the risk in respect of underlying assets, liabilities or obligations undertaken by the Company.

In particular, the Company uses derivative instruments as part of hedging strategies to neutralise the risk of variations in the Fair value of assets or liabilities recognised or arising from contractually-defined obligations (Fair Value Hedge) or the risk of expected cash flow variations relating to contractually-defined or highly probably operations (Cash Flow Hedge).

The effectiveness of hedging operations is recorded at the start of the operation and regularly thereafter (at a minimum on the date of publication of the annual or interim financial statements) and is measured by comparing the changes in Fair value of the hedging instrument with those of the underlying (dollar offset ratio) or, in the case of more complex instruments, through a statistical analysis based on variation of risk.

Fair Value Hedge: the changes in the value of derivatives identified as Fair value *Hedges* and that meet the requirements for being identified as such, are recognised in the Income Statement, as are changes in the Fair value of the underlying assets or liabilities attributable to the risk neutralised through the use of hedging.

Cash Flow Hedge: the variations in the Fair value of derivatives identified and qualifying as *Cash Flow Hedges* are recognised, to the extent of the effective portion, in a special equity reserve (the “Cash Flow Hedge reserve”). This reserve is reversed to the Income Statement when the economic effects of the underlying materialise. The change in Fair value relating to the ineffective portion is immediately recognised in the Income Statement for the period. If the underlying operation is no longer considered highly probable, the related portion of the “Cash Flow Hedge reserve” is immediately reversed to the Income Statement. Otherwise, if the derivative instrument is sold or no longer qualifies as an effective hedge against the relevant risk, the relative portion of the “Cash Flow Hedge reserve” is kept until when the underlying contract does not materialise.

Determining Fair value of financial instruments: the Fair value of financial instruments listed on markets is set using the bid price on the last day of the reporting period. In the absence of an active market, Fair value is set with reference to the prices provided by outside suppliers and using valuation models based chiefly on objective financial variables, while also taking into account, where possible, the prices paid in recent transactions and the listed prices of comparable financial instruments.

6.3.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, other highly liquid short-term investments (which can be converted into cash within 90 days) and the current account overdraft (the last is entered among current liabilities). Cash and cash equivalents are recognised at Fair value.

6.3.9. Shareholders' equity

Share capital

The share capital is represented by capital subscribed and paid-up. Costs closely connected with the issue of shares are classified so as to decrease share capital, net of deferred taxes, if any, if they are directly attributable to capital transactions.

Treasury shares

These are deducted from share capital. Gains or losses on the purchase, sale, issue or cancellation of own shares are not recognised in the Income Statement.

Retained earnings/(losses) carried forward

These include earnings and losses for the period and the previous years in respect of the portion that has not been distributed nor accrued to a reserve (in the case of profits) or that is to be made good (in the case of losses). This also includes transfers from other equity reserves when the underlying obligation is discharged, as well as the effects of the recognition of changes in accounting standards and material errors.

Other reserves

These also include the Fair value reserve in respect of items accounted for at fair value through equity, the Cash Flow Hedge reserve regarding the recognition of the effective portion of hedges, the stock option /grant reserve in respect of the recognition of defined-benefit plans as holdings of capital and the reserve of actuarial effects on defined benefit plans recognised directly in equity.

Deferred tax assets and liabilities

Deferred taxes are calculated based on temporary differences between the value of the assets and liabilities included in the company's financial statements and the value attributed to those assets/liabilities for tax purposes. Deferred tax assets and liabilities are calculated by applying the tax rate in force at the time the temporary differences will be reversed. Deferred tax assets are recognised to the extent that it is probable the Company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

6.3.10. Employee benefits

Post-employment benefits plans

The Company uses a variety of retirement or supplementary pension that may be classified as follows:

- *Defined-contribution plans* in which the company pays a set amount to a separate entity (e.g. a fund) and has no legal or constructive obligation to pay additional contributions in the event the appointed entity has insufficient assets to pay the benefits relating to the service rendered during the period of employment. The company only recognises the contribution to the plan once the employees have rendered their services in exchange for these contributions;
- *Defined-benefit plans* in which the company is required to provide agreed benefits for current and former employees and to assume the actuarial and investments risks related to the plan. Therefore, the cost of the plan cannot be determined based on the contributions owed in exchange for work, but rather is recalculated based on demographic, statistical assumptions and on the salaries dynamics. The “projected unit credit” method is used.

The Company recognises the defined-benefit plans applying the so-called “equity method”, which consists in the recognition of actuarial gains and losses related to all plans directly in the equity as they occur.

With reference to the classification of the costs related to the defined-benefit plans, the costs for rendering service (current and past), as well as the costs relating to the *curtailment* recognition (where applicable) are recorded in the item “Cost of labour”. On the contrary, *interest costs*, net of the expected return on the plan assets, are recorded under “financial costs”.

Other long-term benefits and post-employment benefits

The Company grants employees with other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined-benefit plans, using the “projected unit credit method” and any actuarial gains and losses are recognised both immediately and in full as they occur.

Benefits payable for the termination of employment and incentive plans

Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefits to the enterprise and are therefore recognised immediately as expenses.

Equity compensation benefits

The Company compensates its Top Managers through stock grant plans as well. In these cases, the theoretical benefit of the persons concerned is charged to the Income Statement for the years of the plan through an equity reserve. This benefit is quantified by measuring the Fair value of the awarded instrument also through financial valuation techniques, including market conditions, if necessary, and adjusting the number of rights that are expected to be awarded at each reporting date or interim reporting date.

6.3.11. Provisions for risks and charges

These are entered as a result of losses and charges of a particular type. These are either certain or probable but cannot, at the reporting date, be quantified, and/or their timing cannot be foreseen.

These are entered only when there is a current obligation (legal or implicit) for future cash outlays as a result of past events and it is likely that such outlays will be demanded in fulfilment of the obligation. The provision made represents the best estimate of the present value of the expenditure required to meet the obligation. The discount rate used in setting the present value of the liability reflects current market values and includes the further effects of the specific risk associated with each liability.

Risks for which a liability is only a possibility are mentioned in the relevant information section on commitments and risks. No provision is made for these.

6.3.12. Revenue recognition

Revenue is recognised at the Fair value of the payment received, net of VAT, discounts, and quantity discounts. Revenue also includes changes to work in progress.

Revenue generated from the sale of goods is recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which, in many cases coincides with the transfer of title or ownership to the buyer, or when the value of the revenue can be reliably determined.

Revenue from services rendered is entered, when it can be reliably estimated, on the basis of the percentage of completion.

6.3.13. Grants

If there is a formal document of attribution, grants are recognised on the basis of the matching principle, in direct correlation with the costs incurred. Operating grants are entered in the Income Statement as a direct reduction of the charge to which they refer. Capital grants are entered in the Income Statement in direct correlation to the depreciation process to which the goods or projects refer, and are deducted from depreciation itself.

6.3.14. Costs

Costs are recorded in compliance with the matching and accruals principle.

6.3.15. Financial income and costs

Interest income and expense are recognised on the accrual basis of accounting using the effective interest method, i.e. using the interest rate through which all the inflows and outflows (including any income, unamortised discounts, commissions, etc.) of a given transaction are made financially equivalent. Financial costs are not charged as an asset.

6.3.16. Dividends

These are recognised when the shareholders' right to receive payment is established; this normally happens when the shareholders' meeting authorises the distribution of dividends. Distribution of dividends is thus entered as an asset in the period in which it is approved by the shareholders' meeting.

6.3.17. Taxes

Income taxes are recognised based on estimated taxable income in accordance with applicable provisions, taking into account applicable exemptions, if any, and the relevant tax receivables.

Current taxes are entered in the Income Statement, with the exception of those relating to accounting entries that are directly debited or credited to equity, in which case the tax effect is applied directly to shareholders' equity. Current taxes are offset when the income tax is applied by the same tax authority, there is a legal set-off right and the net balance is expected to be collected.

We report that at the date of preparation of these Financial Statements the regulations relating to the determination of the IRES taxable base for the companies which have adopted the international accounting standards has not been issued yet. Therefore, the determination of the current and deferred tax charge has been made on the basis of the best available information and based on a prudent interpretation of the regulations in force.

6.3.18. Transactions with related parties

Related party transactions are made at arm's length.

6.3.19. New IFRS and IFRIC interpretations

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) published new standards and interpretations that have not yet been compulsory or not yet been endorsed by the European Commission; however, the Company has considered to assess the effects as shown in the following table:

	IFRS – IFRIC interpretation	Effects for the company
IAS 39 Amendments	Financial instruments	Not significant
IFRS 8	Operating segments	The application of the standard results in a different disclosure in the financial statements. The Group expects to apply these changes from 1 January 2009.
IAS 23	Borrowing costs	The Group does not currently capitalise borrowing costs. The new standard, which will be applied starting from 1 January 2009, requires on the contrary the capitalisation of borrowing costs for certain categories of assets.
IAS 1	Presentation of financial statements	The application will result in a different disclosure in the financial statements. The Group expects to apply these changes from 1 January 2009.
IFRS 2 Amendment	Share-based payment	Not significant. The Group expects to apply these changes from 1 January 2009.
IAS 27	Consolidated and separate financial statements	The Group currently applies the Parent company approach, no longer provided for by the Amendment of IAS 27. The Group expects to apply these changes as from 1 January 2010.
IFRS 3	Business combinations	The new version of IFRS 3 provides: (i) that <i>transaction costs</i> are recognised in the Income Statement; (ii) it is no longer compulsory to measure the assets and liability of the subsidiary at fair value in the acquisitions achieved in stages (step acquisitions); (iii) and the recognition at the acquisition date of the liabilities for conditional payments. The Group expects to apply these changes as from 1 January 2010.

The Company is evaluating the impacts resulting from the IFRICs provided below. If significant, they will be applied in the financial year 2009 or after the homologation by the European Union, as for the IFRIC 14 amendment; while the IFRIC 13 amendment does not seem applicable to the company's business:

IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distribution of non-cash assets to owners
IFRIC 18	Transfers of assets from customers

6.4. Effects of the changes in the accounting principles adopted

6.4.1. Changes in the financial statements

With regard to the financial statements, it is necessary to mention the changes introduced at 31 December 2008 on the basis of the instructions and clarifications received from the Parent company. For comparative purposes, the data at 31 December 2007 has been reclassified:

- The balances pertaining to related parties included in the Balance Sheet and in the Income Statement are shown in a separate column and no more as a distinct item of the same schedules. Therefore, for each Balance Sheet and Income Statement item, the related schedule indicates the overall amount, while the portion of the amounts pertaining to related parties is shown separately. In a separate column is also provided the portion pertaining to related parties of a few items relative to the Cash Flow Statement.

6.4.2. Reclassification of receivables/payables for indirect taxes among “other assets”, “other liabilities”

As to the Balance Sheet, in order to adjust the information provided to the provisions required by IAS 1, the items “tax receivables” and “tax payables” have been replaced by the items “Income tax receivables” and “Income tax payables”, with the resulting reclassification of the amounts relating to receivables/payables for indirect taxes under “Other assets” and “Other liabilities” respectively.

Below are summarised the effects on the comparative Balance Sheet as at 31 December 2007 of the above-mentioned changes:

(EUR 000)	31.12.2007	IAS 1 Reclassifications	31.12.2007 “Restated”
Non-current assets			
Intangible Assets	335,817		335,817
Tangible Assets	359,041		359,041
Investment properties	59,208,436		59,208,436
Equity investments	62,526,627		62,526,627
Deferred taxes	9,641,294		9,641,294
Other assets	27,501,285		27,501,285
	159,572,500	-	159,572,500
Current assets			
Current receivables from related parties	36,631,609		36,631,609
Income tax receivables	93,609	(93,609)	-
Other current assets	1,768,387	93,609	1,861,996
Cash and cash equivalents	536,813		536,813
	39,030,418	-	39,030,418
Total assets	198,602,918	-	198,602,918
Shareholders’ equity			
Share capital	49,667,916		49,667,916
Reserves	51,726,377		51,726,377
Retained earnings (accumulated losses) carried forward	60,487,338		60,487,338
Total shareholders’ equity	161,881,631	-	161,881,631
Non-current liabilities			
Severance pay and other employee liabilities	830,566		830,566
Deferred taxes	1,554,912		1,554,912
Other liabilities	95,975		95,975
	2,481,453	-	2,481,453
Current liabilities			
Trade payables	7,352,481		7,352,481
Current payables to related parties	21,598,154		21,598,154
Borrowings	37,868		37,868
Income tax payables	2,066,023		2,066,023
Other current liabilities	3,185,308		3,185,308
	34,239,834	-	34,239,834
Total liabilities	36,721,287	-	36,721,287
Total liabilities and shareholders’ equity	198,602,918	-	198,602,918

6.5. Segment reporting

The Company considers the organisation by Business Unit to be 'primary', as company risks and benefits are influenced significantly by differences in the products and services provided, with the organisation by geographic area being 'secondary', as company risks and benefits are also significantly influenced by operating in different countries or different geographic areas.

Revenues by geographic area

Geographically, Company Production Revenues break down as follows (according to the countries where customers are based):

(EUR 000)	31.12.2008	31.12.2007
Italy	8,534	6,995
Rest of Western Europe	3,306	2,381
North America	2,507	2,372
Asia Pacific	3,919	2,252
	18,266	14,000

Assets are broken down on the basis of their location as follows:

(EUR 000)	31.12.2008	31.12.2007
Italy	279,087	148,902
Rest of Western Europe	113,084	45,017
North America	32,397	1,986
Asia Pacific	34,833	2,698
	459,401	198,603

Capital expenditure is broken down on the basis of where they are made as follows:

(EUR 000)	31.12.2008	31.12.2007
Italy	235	260
Rest of Western Europe	-	-
North America	13	-
Asia Pacific	-	-
	248	260

6.6. Intangible assets

(EUR 000)	Goodwill	Development costs	Patent & similar rights	Concessions, licences and trademarks	Other	Total
1 January 2007						
Cost	-	-	-	-	546	546
Amortisation and write-downs	-	-	-	-	(102)	(102)
Book value	-	-	-	-	444	444
Investments	-	-	-	-	106	106
Sales	-	-	-	-	-	-
Amortisation	-	-	-	-	(214)	(214)
Increases due to business combinations	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
31 December 2007 breaking down as follows:						
Cost	-	-	-	-	652	652
Amortisation and write-downs	-	-	-	-	(316)	(316)
Book value	-	-	-	-	336	336
Investments	-	-	-	-	1	1
Sales	-	-	-	-	-	-
Amortisation	-	-	-	-	(218)	(218)
Increases due to business combinations	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
31 December 2008 breaking down as follows:						
Cost	-	-	-	-	653	653
Amortisation and write-downs	-	-	-	-	(534)	(534)
Book value	-	-	-	-	119	119

These mainly refer to software or in any case to assets with a definite useful life that are amortised over 3 years.

6.7. Tangible assets

(EUR 000)	Land and buildings	Plant and machinery	Equipment	Other	Total
1 January 2007					
Cost	-	-	4	291	295
Revaluations	-	-	-	-	-
Depreciation and write-downs	-	-	(1)	(15)	(16)
Book value	-	-	3	276	279
Investments	-	-	4	134	138
Sales	-	-	-	-	-
Depreciation	-	-	(1)	(56)	(57)
Increases due to business combinations	-	-	-	-	-
Reclassifications	-	-	-	-	-
Other changes	-	-	-	(1)	(1)
<i>31 December 2007 breaking down as follows:</i>					
Cost	-	-	8	425	433
Revaluations	-	-	-	-	-
Depreciation and write-downs	-	-	(2)	(72)	(74)
Book value	-	-	6	353	359
Investments	-	-	114	133	247
Sales	-	-	-	-	-
Depreciation	-	-	(6)	(68)	(74)
Increases due to business combinations	-	-	-	-	-
Reclassifications	-	-	-	-	-
Other changes	-	-	-	-	-
<i>31 December 2008 breaking down as follows:</i>					
Cost	-	-	122	558	680
Revaluations	-	-	-	-	-
Depreciation and write-downs	-	-	(8)	(140)	(148)
Book value	-	-	114	418	532

Purchases for the year include:

- equipment in the amount of EUR 114 thousand for the purchase of electronic office machines.
- other assets in the amount of EUR 133 thousand for the purchase of furniture, fittings, electronic machines and signs.

6.8. Investment properties

(EUR 000)	Land and buildings	Other assets	Total
1 January 2007			
Cost	62,387	-	62,387
Revaluations	-	-	-
Depreciation and write-downs	(1,604)	-	(1,604)
Book value	60,783	-	60,783
Investments	16	-	16
Sales	-	-	-
Depreciation	(1,591)	-	(1,591)
Reclassifications	-	-	-
Other changes	-	-	-
<i>31 December 2007 breaking down as follows:</i>			
Cost	62,403	-	62,403
Revaluations	-	-	-
Depreciation and write-downs	(3,195)	-	(3,195)
Book value	59,208	-	59,208
Investments	8	-	8
Sales	-	-	-
Depreciation	(1,591)	-	(1,591)
Reclassifications	-	-	-
Other changes	-	-	-
<i>31 December 2008 breaking down as follows:</i>			
Cost	62,411	-	62,411
Revaluations	-	-	-
Depreciation and write-downs	(4,786)	-	(4,786)
Book value	57,625	-	57,625

Investment properties include the value of the premises owned by Ansaldo STS SpA and located at Via Mantovani 3/5-16151 in Genoa and purchased in December 2005 from its parent company Finmeccanica SpA for EUR 62,378 thousand.

Most of the property is leased to the subsidiaries Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA, whose secondary offices are in Via Mantovani 3/5: the relevant rental fees are recognised under 'Other operating income'.

The value recognised as investment property is the purchase cost, as stated in the appraisal report prepared before it was sold by Finmeccanica SpA. The investment is depreciated on a straight-line basis over a useful life of 33 years.

In accordance with IAS, the component approach was applied to the above amount based on an expert appraisal, and therefore the amount of EUR 9,353 thousand was reclassified under item 'Land'. In the financial year 2008, the value of the building rose by EUR 8 thousand as a result of activities carried out to strengthen a few offices of the headquarters.

6.9. Equity investments

(EUR 000)	31.12.2008	31.12.2007
Opening balance	62,527	101,682
Acquisitions/subscriptions and capital increases	25,583	-
Revaluations/write-downs	-	-
Repayment of capital	-	(40,000)
Disposals	-	-
Other movements	(1,006)	845
Closing balance	87,104	62,527

Equity investments totalled EUR 87,104 thousand increasing by EUR 24,577 thousand and relate for EUR 25,583 thousand to the acquisition of Ansaldo STS Australia PTY Ltd from the American subsidiary Union Switch & Signal Inc. (already Transcontrol Corporation) and for EUR (1,006) thousand to the alignment of the values of the equity investments following the delivery of 2007 shares and the 2008 assignment as envisaged in the "Stock Grant Plan" of Ansaldo STS SpA.

The impairment test, in application of the Group procedures, is carried out upon the preparation of the Annual Report.

The test is conducted on the individual companies by comparing the carrying amount with the recoverable value, applying the "discounted cash flow" method.

List of equity investments at 31 December 2008

Company Name	% ownership	Value of equity investment	Total assets	Total liabilities
(EUR 000)				
Subsidiaries and associated companies				
Ansaldo Signal NV in liquidation	100%	22,471	93,858	90,837
Ansaldo Trasporti Sistemi Ferroviari SpA	100%	38,779	422,152	338,607
Ansaldo STS Australia Pty Ltd	100%	25,854	73,519	38,976
Ansaldo STS Transportation Systems India Pvt Ltd.	0.000001%	0.010	22,959	23,505
Total investments (net of write-down provisions)		87,104		

Appendices 14.1 and 14.2 contain a list of investees with the information required to be given under the Italian Civil Code.

6.10. Transactions with related parties

In general, transactions with related parties are conducted at arm's length. Interest-bearing receivables and payables that are not governed by specific contractual conditions are treated in the same manner. Amounts are reported below:

Receivables at 31.12.2008

(EUR 000)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Parent company						
Finmeccanica SpA	-	-	-	-	-	-
Subsidiaries						
Ansaldo Signal NV in liquidation	-	-	89,246	-	2	89,248
Ansaldo Segnalamento Ferroviario SpA	-	-	-	-	-	-
Ansaldo STS Sweden AB	-	-	-	21	17	38
Ansaldo STS Ireland Ltd	-	-	-	31	8	39
Ansaldo STS UK Ltd	-	-	-	127	39	166
Ansaldo STS USA Inc	-	-	31,367	642	372	32,381
Ansaldo STS USA Int. Co.	-	-	-	-	1	1
Union Switch and Signal Inc. - Canada	-	-	-	-	15	15
Ansaldo STS France SA	-	-	-	827	231	1,058
Ansaldo STS Espana SA	-	-	-	-	64	64
Ansaldo STS Australia Pty Ltd	-	-	-	1,110	237	1,347
Ansaldo STS Malaysia Sdn Bhd	-	-	5,939	-	-	5,939
Ansaldo STS Trasportation Systems India Pvt Ltd	-	-	-	1,630	63	1,693
Ansaldo Trasporti-Sistemi Ferroviari SpA	-	-	-	-	-	-
Other Group companies						
Finmeccanica Finance SA	-	-	139,509	-	-	139,509
AnsaldoBreda SpA	-	-	-	-	14	14
Elsag Datamat SpA	-	-	-	-	-	-
Orizzonte Sistemi Navali SpA	-	-	-	-	-	-
Selex Communications SpA	-	-	-	-	-	-
Fata SpA	-	-	-	-	-	-
Total	-	-	266,061	4,388	1,063	271,512

Payables at 31.12.2008

(EUR 000)	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total
Parent company						
Finmeccanica SpA	-	-	151	42	-	193
Subsidiaries						
Ansaldo Signal NV in liquidation	-	-	-	262	-	262
Ansaldo Segnalamento Ferroviario SpA	-	-	164,800	-	3,279	168,079
Ansaldo STS Sweden AB	-	-	5,757	-	-	5,757
Ansaldo STS Ireland Ltd	-	-	3,414	-	-	3,414
Ansaldo STS UK Ltd	-	-	4,543	-	-	4,543
Ansaldo STS USA Inc	-	-	-	-	-	-
Ansaldo STS France SA	-	-	29,590	115	-	29,705
Ansaldo STS Australia Pty Ltd	-	-	31,847	-	-	31,847
Ansaldo Trasporti-Sistemi Ferroviari SpA	-	-	48,935	-	1,678	50,613
Related concerns						
Elsag Datamat SpA	-	-	-	635	-	635
Finmeccanica Group Service SpA	-	-	-	605	-	605
HR Gest SpA	-	-	-	-	-	-
Total	-	-	289,037	1,659	4,957	295,653

Receivables at 31.12.2007

(EUR 000)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Parent company						
Finmeccanica S.p.A.	-	-	283	-	-	283
Subsidiaries						
Ansaldo Signal N.V. in liquidation	-	-	20,354	-	-	20,354
Ansaldo Segnalamento Ferroviario S.p.A.	-	-	-	1,454	5,458	6,912
Ansaldo STS Sweden AB	-	-	-	9	6	15
Ansaldo STS Ireland Ltd	-	-	-	53	2	55
Ansaldo STS UK Ltd	-	-	-	161	6	167
Ansaldo STS USA Inc	-	-	-	1,235	748	1,983
Ansaldo STS USA Int. Co.	-	-	-	-	4	4
Ansaldo STS France S.A.	-	-	-	759	504	1,263
Ansaldo STS Australia Pty Ltd	-	-	-	1,431	195	1,626
Ansaldo STS Transportation Systems India Pvt Ltd	-	-	-	1,012	61	1,073
Ansaldo Trasporti-Sistemi Ferroviari S.p.A.	-	-	-	1,064	1,560	2,624
Other Group companies						
Ansaldo Energia S.p.A.	-	-	-	1	-	1
AnsaldoBreda S.p.A.	-	-	-	-	23	23
Elsag Datamat S.p.A.	-	-	-	-	240	240
Orizzonte Sistemi Navali S.p.A.	-	-	-	-	3	3
Selex Communications S.p.A.	-	-	-	2	-	2
Fata S.p.A.	-	-	-	-	4	4
Total	-	-	20,637	7,181	8,814	36,632

Payables at 31.12.2007

	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total
Parent company						
Finmeccanica S.p.A.	-	-	-	67	135	202
Subsidiaries						
Ansaldo Segnalamento Ferroviario S.p.A.	-	-	-	302	5,410	5,712
Ansaldo STS UK Ltd	-	-	-	20	-	20
Ansaldo STS USA Inc	-	-	-	27	-	27
Ansaldo STS France S.A.	-	-	-	115	-	115
Ansaldo Trasporti-Sistemi Ferroviari S.p.A.	-	-	11,639	25	3,356	15,020
Related concerns						
Ansaldo Energia S.p.A.	-	-	-	120	-	120
Elsag Datamat S.p.A.	-	-	-	289	-	289
Finmeccanica Group Service S.p.A.	-	-	-	86	-	86
HR Gest S.p.A.	-	-	-	7	-	7
Total	-	-	11,639	1,058	8,901	21,598

Receivables from and payables to Finmeccanica SpA mainly relate to:

- Current accounts: the current account (a negative EUR 151 thousand at 31 December 2008) is used to offset trade receivables and payables with Finmeccanica and the enterprises of the Finmeccanica group and is also used for the transit of the bank account balances;
- Charges for services rendered by Finmeccanica.

The relationship with Finmeccanica Finance SA regards the deposit account with a credit balance for EUR 139,509 thousand at 31 December 2008.

Receivables and payables with subsidiaries refer to:

Relationships of financial nature:

- **Ansaldo Trasporti Sistemi Ferroviari SpA (ATSF) and its subsidiary Ansaldo Segnalamento Ferroviario SpA (ASF):** current accounts, with a debit balance of EUR 48,934 thousand with ATSF and EUR 164,800 thousand with ASF at 31 December 2008. These have been used by ATSF and ASF to settle the transactions of commercial nature with the parent company Ansaldo STS SpA, with the companies belonging to the Ansaldo STS Group and to the Finmeccanica Group. The financial income and costs shown in the table derive from these relationships.
- **Ansaldo Signal NV in liquidation (ASNV in liq.) and the other Group companies:** current accounts, with a credit balance of EUR 126,552 thousand with ASNV in liquidation, Ansaldo STS USA Inc. and Ansaldo STS Malaysia SDN BHD; on the contrary, the current accounts that at 31 December 2008 showed a debit balance for EUR 43,305 thousand are those held with Ansaldo STS France SA, Ansaldo STS Sweden AB, Ansaldo STS UK Ltd and Ansaldo STS Ireland Ltd.. These have been used by ASNV in liquidation and the other Group companies to settle the transactions of commercial nature with the parent company Ansaldo STS SpA, with the companies belonging to the Ansaldo STS Group and to the Finmeccanica Group and have been also used for the transit of current account balances. The financial income and costs shown in the table derive from these relationships.
- **Ansaldo STS Australia PTY Ltd:** the current account, with a debit balance for EUR 31,847 thousand at 31 December 2008. It has been used by the same to settle the transactions of commercial nature with the parent company Ansaldo STS SpA, with the companies belonging to the Ansaldo STS Group and to the Finmeccanica Group and has been also used for the transit of current account balances. The financial income and costs shown in the table derive from these relationships.

Relationships of commercial nature:

Trade receivables and other trade receivables for:

- services rendered by the parent company Ansaldo STS SpA in relation to the "General Service Agreement".
- rental fee for the building located in Genoa, Via Mantovani 3/5 – owned by Ansaldo STS SpA since 28 December 2005 – which hosts the offices and production units of both ATSF and ASF, controlled by ATSF.
- bill relating to the 2008 portion for the right to use the "Ansaldo" trademark and the "Globo" trademark.

Trade payables and other trade payables for:

- charges for treasury services rendered by Ansaldo Signal NV in liquidation;
- fees for the management and use of the general services of the Genoa headquarters, costs for HR services, costs for seconded personnel, less recoveries for insurance costs charged by the Italian subsidiaries;
- costs for staff seconded, less recoveries for insurance costs;
- costs for Directors' fees and remuneration of staff of ATSF for EUR 11 thousand.

With regard to the relationships with Related concerns, these mainly refer to commercial activities:

- charges for ITC supplies by Elsag Datamat SpA;
- recovery of costs for staff of Ansaldo STS SpA with board offices at Ansaldo Breda;
- costs of software development and maintenance, maintenance on leased assets, property leases with relevant services, presse review by Finmeccanica Group Service SpA.

Other sundry relationships:

- Current payables to the subsidiaries ASF and ATSF following the transfer of the related receivables for current taxes as a result of the adhesion to the Consolidated Taxation Mechanism for EUR 4,957 thousand, of which EUR 3,279 thousand relating to ASF and EUR 1,678 thousand relating to ATSF.

6.11. Receivables and other non-current assets

(EUR 000)	31.12.2008	31.12.2007
Loans to third parties	-	-
Security deposits	-	-
Receivables for sales under finance leases	-	-
Other	-	-
Non-current receivables	-	-
Financial prepaid expenses – non-current amount	-	29
Other prepaid expenses - Finmeccanica	25,753	27,368
Other prepaid expenses – Finmeccanica Group Services	78	104
Other non-current assets	-	-
Other non-current assets	25,831	27,501

On 27 December 2005, Ansaldo STS SpA entered into a licensing agreement with Finmeccanica to use the “Ansaldo” trademark under which the Company is known in the market. Under the agreement, in exchange for an up-front payment of EUR 32,213 thousand, the Company has exclusive use of the brand in the sectors it does business for the next 20 years.

Other non-current assets decreased by EUR 1,670 thousand. The change is due to the inclusion in the Income Statement of the above-said prepaid expense for the year (EUR 1,615 thousand), the decrease in prepaid expenses for credit lines commissions (EUR 29 thousand) and the prepaid expenses to Finmeccanica Group Services for a lease contract (EUR 26 thousand).

Changes for the year and a breakdown of assets by maturity, by foreign currency and by geographical area are provided in Appendices 14.3, 14.4, 14.5 to these Notes.

6.12. Trade and financial receivables

(EUR 000)	31.12.2008		31.12.2007	
	Trade	Financial	Trade	Financial
Receivables from customers	3	-	-	-
Total receivables from customers	3	-	-	-
Receivables from related parties	4,388	266,061	7,181	20,637
Total	4,391	266,061	7,181	20,637

6.13. Income tax receivables and payables

(EUR 000)	31.12.2008		31.12.2007	
	Receivables	Payables	Receivables	Payables
For direct taxes	5,702	914	-	2,066
Other taxes	-	-	-	-
	5,702	914	-	2,066

Since 2008 tax receivables and payables have referred exclusively to direct taxes, while other receivables from tax authorities and other payables to tax authorities have been classified in other current assets and other current liabilities respectively. The resulting balances at 31 December 2007 have been reclassified consequently (EUR 94 thousand in other current assets).

Tax receivables at 31 December 2008 amounted to EUR 5,702 thousand and mainly refer to the IRES receivable (EUR 5,606 thousand). The presence of this receivable relative to the company is due to the adoption for IRES purposes of the Consolidated Taxation Mechanism, to which Ansaldo STS SpA has adhered as consolidating company with the Italian companies Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA and according to which the Parent company shall have to pay entirely the tax amount due. The credit amount originates from the sum of receivables for current IRES transferred from Ansaldo Segnalamento Ferroviario SpA (EUR 3,279 thousand) and from Ansaldo Trasporti Sistemi Ferroviari SpA (EUR 1,678 thousand), the Ansaldo STS SpA's income from consolidation following the tax loss for the year (EUR 641 thousand) and withholding taxes (EUR 8 thousand).

The presence of IRES receivables is mainly explained by the IRES rate reduction from 33% to 27.5% as established by 2008 Finance Law (Law no. 244 of 24 December 2007).

Tax receivables also include EUR 9 thousand for taxes paid abroad and EUR 86 thousand for IRAP payments on account.

Tax payables refer for EUR 204 thousand to the current IRAP of Ansaldo STS SpA only, and for EUR 710 thousand to payables for withholdings on income from employment, similar and self-employed work.
Changes for the year and a breakdown of assets by maturity, in foreign currency, and by geographical area are provided in Appendices 14.3, 14.4, 14.5 to these Notes.

6.14. Derivatives

(EUR 000)	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Fair Value Hedge	773	266	-	-
Instruments to hedge exchange rate risk	773	266	-	-
Total	773	266	-	-

These are foreign exchange hedging contracts entered into to manage exposure to fluctuations of the company's positions for the conversion to the year-end exchange rate.

On 12 December 2008, the Board of Directors resolved to proceed in the course of 2009 with the incorporation of the Dutch subsidiary ASNV in liquidation with effect as from 1 July 2009, on the basis of the financial statements at 31 December 2008.

In the light of this merger and in any case in view of the suspension of the business by Ansaldo Signal NV in liquidation, the Group's treasury service, carried out by the Dutch sub-holding, was centralised in ASTS in the month of December. In particular, the contract for deposit presently outstanding between ASNV in liquidation and the related concern Finmeccanica Finance SA (Luxembourg) was closed; the same can be said for the current account contracts outstanding between ASNV in liquidation and the subsidiaries thereof. All these relations have been replaced by identical relations towards ASTS.

New contracts have been stipulated, specifically: (i) a new contract for deposit with Finmeccanica Finance SA, similarly to the previous one with ASNV in liquidation, made at *arm's length basis*; (ii) new current account contracts between ASTS and the subsidiaries thereof. Group's treasury operations have been therefore centralised in Ansaldo STS SpA by stipulating, at *arm's length basis*, the new contract for deposit with Finmeccanica Finance SA and the new current account contracts between ASTS and the subsidiaries thereof.

6.15. Other current assets

(EUR 000)	31.12.2008	31.12.2007
Current portion of prepaid expenses	2,504	1,724
Equity investments	-	-
Receivables for contributions	-	-
Receivables from employees and social security institutions	29	23
Receivables for indirect taxes and other amounts due from tax authorities	301	94
Other	86	21
	2,920	1,862
Other assets from related parties	1,063	8,814
	3,983	10,676

Prepaid expenses relate to the annual portion of the costs incurred to purchase the licence to use the "Ansaldo" trademark (EUR 1,610 thousand), insurance premiums and bank commissions (EUR 894 thousand).

Receivables for indirect taxes regard the VAT receivable.

Receivables from employees and social security institutions mainly refer to the advance of amounts due.

Changes for the year and a breakdown of assets by maturity, in foreign currency, and by geographical area are provided in Appendices 14.3, 14.4, 14.5 to these Notes.

6.16. Cash and cash equivalents

(EUR 000)	31.12.2008	31.12.2007
Cash	4	3
Bank deposits	5,151	534
	5,155	537

Cash and cash equivalents increased by EUR 4,618 thousand.

The amount of bank deposits at 31 December 2008 was EUR 5,151 thousand and breaks down as follows:

• San Paolo Imi - Genoa:	69
• Monte dei Paschi di Siena:	5
• Banca Santander:	34
• ING Bank N.V.:	1
• Cassa di Risparmio di Ferrara	1
• JP Morgan Chase Bank	5,041

6.17. Shareholders' equity

Shareholders' equity at 31 December 2008 amounted to EUR 147,963 thousand, a net decrease of EUR 13,919 thousand.

A breakdown of shareholders' equity with regard to the availability and possible distribution of reserves is provided in Appendix 14.6 to these Notes.

Share capital

	Number of shares	Par value	Treasury shares	Total
Shares in circulation	100,000,000	€ 50,000,000,00	- € 50,000,000,00	
Charges for share capital increase in 2005	-	-	-	-€ 50,000,00
Buy-back of own shares, net of shares sold			-€ 282,084,00	-€ 282,084,00
31 December 2007	100,000,000	€ 50,000,000,00	-€ 282,084,00	€ 49,667,916,00
Buy-back of own shares, net of shares sold			-€ 411,032,00	-€ 411,032,00
31 December 2008	100,000,000	€ 50,000,000,00	-€ 693,116,00	€ 49,256,884,00

The share capital of EUR 50,000,000.00 is fully paid-up and divided into 100,000,000 ordinary shares with a par value of EUR 0.50 each.

Share capital decreased by EUR 50 thousand due to expenses attributable to the capital increase in 2005.

The amount relating to treasury shares refers to no. 107,150 shares held by the Group parent Ansaldo STS SpA, at the instructions of the beneficiaries, to meet their tax obligations in its capacity as tax collection agent for Italian employees, who are beneficiaries of the Stock Grant Plan".

On the basis of the information currently available, the share capital is held by:

• Finmeccanica S.p.A.	40.06%
• Norges Bank	2.03%
• Fil Limited	4.86%
• JP Morgan Asset Management (UK) Ltd	2.02%
• Artisan Partners Limited Partnership	2.04%
• Altrinsic Global Advisors LLC	2.09%
• Other shareholders < 2%:	46.90%

Other reserves

(EUR 000)	Share capital	Retained earnings/ (losses) carried forward	Reserve for stock-option grant plans	Other reserves	Total Shareholders' Equity
Shareholders' equity at 1 January 2007	49,950	18,189	1,839	47,716	117,694
Fair value adjustment of assets available for sale and recognition in the Income Statement	-	-	-	-	-
Fair Value adjustments to cash-flow hedge instruments	-	-	-	-	-
Recognition of cash-flow hedge reserve to the Income Statement	-	-	-	-	-
Repurchase of treasury shares, net of the amount sold	(282)	-	-	-	(282)
Translation differences	-	-	-	-	-
Change in reserves for Ansaldo STS SpA SGP	-	-	316	-	316
Change in reserves for SGPs of other companies	-	-	845	-	845
Change in reserve from delivery of SGP shares	-	-	(20)	-	(20)
Net changes in the reserve for the Stock Grant plan	-	-	117	-	117
Other movements	-	(909)	-	909	-
	49,668	17,280	3,097	48,625	118,670
Actuarial gain of defined-benefit plans	-	(15)	-	-	(15)
Dividends	-	-	-	-	-
Subscribed capital for loss coverage	-	-	-	-	-
Subscribed capital for share capital increase	-	-	-	-	-
Deferred taxes recorded in equity	-	-	-	4	4
Capital increases	-	-	-	-	-
Net Profit (Loss) at 31 December 2007	-	43,223	-	-	43,223
Shareholders' equity at 31 December 2007	49,668	60,488	3,097	48,629	161,882
Fair value adjustment of assets available for sale and recognition in the Income Statement	-	-	-	-	-
Fair Value adjustments to cash-flow hedge instruments	-	-	-	-	-
Recognition of cash-flow hedge reserve to the Income Statement	-	-	-	-	-
Repurchase of treasury shares, net of the amount sold	(411)	-	-	-	(411)
Translation differences	-	-	-	-	-
Change in reserves for Ansaldo STS SpA SGP	-	-	(207)	-	(207)
Change in reserves for SGPs of other companies	-	-	(1,006)	-	(1,006)
Change in reserve from delivery of SGP shares	-	-	(97)	-	(97)
Net changes in the reserve for the Stock Grant plan relating to previous years	-	-	94	-	94
Other movements	-	(2,027)	-	2,163	136
	49,257	58,461	1,881	50,792	160,391
Actuarial gain of defined-benefit plans	-	-	-	-	-
Dividends	-	(19,992)	-	-	(19,992)
Subscribed capital for loss coverage	-	-	-	-	-
Subscribed capital for share capital increase	-	-	-	-	-
Deferred taxes recorded in equity	-	-	-	(37)	(37)
Capital increases	-	-	-	-	-
Net Profit (Loss) at 31 December 2008	-	7,601	-	-	7,601
Shareholders' equity at 31 December 2008	49,257	46,070	1,881	50,755	147,963

On 1 April 2008, the Shareholders' meeting of Ansaldo STS SpA resolved that the 2007 net profit of EUR 43,223 thousand be allocated as reported below:

- EUR 2,161 thousand, amounting to 5% of net profit, to the legal reserve;
- EUR 19,993 thousand to distribution of dividends;
- EUR 21,069 thousand to be carried forward.

Reserve for stock grant plans

This reserve at 31 December 2008 came to EUR 1,692 thousand and breaks down as follows:

- assignment for EUR 1,787 thousand attributable to:
 - Ansaldo STS SpA for EUR 426 thousand;
 - Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 566 thousand;
 - Ansaldo Signal NV and its subsidiaries for EUR 795 thousand.
- negative delivery for EUR 95 thousand.

Borrowings

With the delivery occurred in December 2008 the Stock Grant Plan for the years 2005-2007 was closed, consequently in the financial year 2009 the reserve for delivery will be closed and become an available reserve.

The new Stock Grant Plan for the years 2008-2010 was approved by the Board of Directors and by the Remuneration Committee on 13 February 2008.

The main objectives of the plan are the following:

- involve and incentive directors and managers, whose activity is of primary importance for the achievement of the objectives of the Group itself;
- communicate the Company's intent to share with the Group's most important resources the expected increase in value of the Company itself, also through a good performance of the share on the stock exchange;
- to favour the loyalty-rewarding of the Group key resources, stimulating their permanence within the same.

The assignment of the shares is subject to specific conditions, having a suspensive nature, represented by three performance objectives. Two of them have a managerial nature. Conversely, the third objective regards the performance realised by the share on the financial markets and requires the performance of the Ansaldo ordinary share for the reference years, reported by the telematic system of Borsa Italiana SpA, to exceed the performance of the MIBTEL index.

The objectives of managerial nature refer to Group's consolidated FREE OPERATING CASH FLOW and VAE.

6.18. Borrowings

(EUR 000)	31.12.2008			31.12.2007		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	-	-	-	-	-	-
Bank payables	15	-	15	38	-	38
Finance lease payables	-	-	-	-	-	-
Payables to factors for non-recourse assignments	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-
	15	-	15	38	-	38
Related parties borrowings	289.037	-	289.037	11.639	-	11.639
	289.052	-	289.052	11.677	-	11.677

Third-party borrowings totalled EUR 15 thousand and relate to bank payables.

Changes in borrowings are as follows:

(EUR 000)	31.12.2007	New positions	Repayments	Changes in scope of consolidation		31.12.2008
					Other changes	
Bonds	-	-	-	-	-	-
Bank payables	38	-	-	-	(23)	15
Finance lease payables	-	-	-	-	-	-
Payables to factors for non-recourse assignments	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-
	38	-	-	-	(23)	15
Related parties borrowings	11,639	-	-	-	277,398	289,037
	11,677	-	-	-	277,375	289,052

Bank payables

Bank payables at 31 December 2008 came to EUR 15 thousand and relate to the current accounts held by Ansaldo STS SpA with JP Morgan Chase Bank, Crédit Industrielle et Commercial.

Net debt

The following information is provided in accordance with Consob Notice DEM/6064293 of 28 July 2006:

(EUR 000)	31.12.2008	31.12.2007
Cash	4	3
Bank deposits	5,151	534
Securities held for trading	-	-
Liquidity	5,155	537
Current financial receivables	266,061	20,637
Current borrowings	15	38
Current portion of non-current debt	-	-
Other current borrowings	289,037	11,639
Current financial debt	289,052	11,677
Net current financial debt (liquidity)	17,836	(9,497)
Non-current bank debt	-	-
Bonds issued	-	-
Other non-current debt	-	-
Non-current financial debt	-	-
Net financial debt (liquidity)	17,836	(9,497)

6.19. Provisions for risks and charges and contingent liabilities

(EUR 000)	Guarantees given	Provision for restructuring	Penalties	Product warranties	Other	Total
Balance at 31 December 2007	-	-	-	-	-	-
Allocations	-	-	-	-	2,130	2,130
Reversals	-	-	-	-	-	-
Uses	-	-	-	-	-	-
Balance at 31 December 2008	-	-	-	-	2,130	2,130
Current	-	-	-	-	-	-
Non-current	-	-	-	-	-	-
Balance at 31 December 2007	-	-	-	-	-	-
Current	-	-	-	-	2,130	2,130
Non-current	-	-	-	-	-	-
Balance at 31 December 2008	-	-	-	-	2,130	2,130

The accrual of EUR 2,130 thousand to the provision for risks refers to the reorganisation process – Fast Forward Driven By Business – described in the Directors' Report in Note 2.11.1 and is relative to the risks which may emerge from this project relating to organisational aspects.

6.20. Severance pay and other employee liabilities

(EUR 000)	31.12.2008	31.12.2007
Severance pay provision	1,155	831
Defined-benefit pension plans	-	-
Other provisions for personnel	-	-
	1,155	831

The severance pay provision (*trattamento di fine rapporto*) in Italy calls for the payment of the entitlement accumulated by employees until the time they leave the company under Art. 2120 of the Italian Civil Code. Law no. 296 of 27 December 2006 ("2007 Finance Law") and subsequent Decrees and Regulations issued in early 2007, as part of the reform of the supplementary pension system, significantly changed the working of this institute, providing for the transfer of the severance pay accrued after the date of the Reform to the supplementary pension schemes or to the treasury fund managed by INPS.

In line with the recognition of this effect, in accordance with the accounting standards, the Company decided to modify the recognition criteria for actuarial gains/losses, adopting the Equity Method in the recognition of defined-benefit plans, thus abandoning the corridor method under which these actuarial gains/losses, in compliance with the specific regulations and over a longer period, are recognised in the Income Statement. The *equity method* provides that actuarial components are recognised directly and entirely in shareholders' equity, net of the related deferred tax effect.

In reviewing the overall treatment of defined-benefit plans, changes were also made to the criteria for presenting interest costs, which have been no longer recognised under cost of labour, but rather under financial costs starting from the financial year 2007.

Below is a breakdown of severance pay provision:

(EUR 000)	Severance pay obligations	
	31.12.2008	31.12.2007
Present value of obligations	1,155	831
Fair value of plan assets	-	-
Unrecognised actuarial gains/(losses)	-	-
	1,155	831

Below are changes in the severance pay provision:

(EUR 000)	Present value of the obligation	31.12.2008		Net liability Defined-benefit plans
		Present value of the asset	Unrecognised actuarial losses/gains	
Opening balance	831			
Costs for services	126	-	-	-
Interest costs	30	-	-	-
Actuarial (gains)/losses recognised during the period	(135)	-	-	-
Decreases for sales	(18)	-	-	-
Increases deriving from business combinations	-	-	-	-
Benefits paid	-	-	-	-
Other movements	321	-	-	-
Closing balance	1,155			

(EUR 000)	Present value of the obligation	31.12.2007		Net liability Defined-benefit plans
		Present value of the asset	Unrecognised actuarial losses/gains	
Opening balance	335	-	-	-
Costs for services	102	-	-	-
Interest costs	28	-	-	-
Actuarial (gains)/losses recognised during the period	15	-	-	-
Decreases for sales	(218)	-	-	-
Increases deriving from business combinations	-	-	-	-
Benefits paid	-	-	-	-
Other movements	569	-	-	-
Closing balance	831	-	-	-

The item “Other movements” includes the amount of the severance pay provisions transferred to Ansaldo STS SpA in 2007 and 2008 from the other companies of the Group.

The amount recognised in the Income Statement breaks down as follows:

(EUR 000)	Severance pay provision		Defined-benefit plans	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Costs for services	126	102	-	-
Interest costs	30	28	-	-
Expected return on plan assets	-	-	-	-
Actuarial (gains)/losses recognised during the period	-	-	-	-
Total	156	130	-	-

The main actuarial assumptions are as follows:

	Severance pay provision	
	31.12.2008	31.12.2007
Discount rate (annual)	3.42%	4.28%
Expected return on plan assets		
Rate of salary increases	5.00% - 6.00%	3.25% - 3.89%
Rate of turnover	1.00%	1.00%

6.21. Other current and non-current liabilities

(EUR 000)	Current		Non-current	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Due to employees	2,489	1,576	156	96
Deferred income	766	-	-	-
Payables for indirect taxes and other amounts due to tax authorities	435	-	-	-
Payables to social security institutions	1,605	1,166	-	-
Other payables	530	444	-	-
	5,825	3,186	156	96
Other liabilities to related parties	4,957	8,901	-	-
	10,782	12,087	156	96

Non-current liabilities at 31 December 2008 were EUR 156 thousand and relate to other long-term benefits (seniority bonuses to employees).

Current liabilities came to EUR 10,782 thousand, a decrease of EUR 1,305 thousand from 31 December 2007 (EUR 12,087 thousand), mainly due to other payables to Italian subsidiaries for the Consolidated Taxation Mechanism. Current payables recorded an increase of EUR 2,639 thousand compared with 31 December 2007 (EUR 3,186 thousand) due to payables to employees and the relevant social security institutions, and in relation to an amount due to tax authorities, for indirect taxes, emerged after an inland revenue inspection. This payable, equal to EUR 435 thousand, was entirely settled on 9 February 2009.

A breakdown of liabilities due by foreign currency and geographic area is shown in Appendices 14.7, 14.8, 14.9 to these Notes.

6.22. Trade payables

Trade payables to third suppliers at 31 December 2008 totalled EUR 5,276 thousand, a decrease of EUR 2,076 thousand (at 31 December 2007 EUR 7,352 thousand) mainly due the payments made in the last months of the financial year. There are no trade payables with residual maturity after 2009.

A breakdown of liabilities due by foreign currency and geographic area is shown in Appendices 14.7, 14.8, 14.9 to these Notes.

6.23. Guarantees and other commitments

Leases

The Company is a party to some lease contracts for plant and equipment. The non-cancellable minimum future payments of operating lease contracts and the commitments relating to contracts that can be qualified as finance leases are:

Lessee

(EUR 000)	<i>Operating leases</i>	<i>Finance leases</i>
Within 1 year	242	-
2 to 5 years	583	-
Over 5 years	-	-
	825	-

The amount includes the contract for the lease from Finmeccanica Group Service SpA for the local unit in Rome of Ansaldo STS SpA and the amount of the rent of the company fleet.

The amount that until the year 2007 had included the rental fees of the building located in Via Mantovani 3/5 Genoa, applied to the subsidiaries Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento SpA has been cancelled as a result of the merger through incorporation into Ansaldo STS SpA with effect as of 1 January 2009.

Guarantees

At 31 December 2008, the Company had the following outstanding guarantees:

(EUR 000)	31.12.2008	31.12.2007
Sureties in favour of related parties	205,290	94,183
Sureties in favour of third parties	-	-
Endorsements in favour of third parties	-	-
Other unsecured guarantees given to third parties	42,670	49,480
Unsecured guarantees issued	-	-
	247,960	143,663

Sureties in favour of related parties are basically given by Ansaldo STS SpA to Ansaldo Trasporti Sistemi Ferroviari SpA and to Ansaldo Signal NV in liquidation and some subsidiaries thereof. These sureties were counter-guaranteed by Ansaldo STS SpA.

6.24. Transactions with related parties

Below are all transactions with related parties of the Group for the financial years 2008 and 2007:

Year 2008 (EUR 000)	Revenues	Other operating income	Costs	Financial income	Financial costs	Other operating costs
Parent company						
Finmeccanica S.p.A.	-	-	1,836	3	201	-
Subsidiaries						
Ansaldo Signal N.V. in liquidation	-	-	259	157	322	-
Ansaldo Segnalamento Ferroviario S.p.A.	4,895	1,504	(444)	77	33	(7)
Ansaldo STS Sweden AB	237	-	(42)	-	10	-
Ansaldo STS Ireland Ltd	98	-	(16)	-	6	-
Ansaldo STS UK Ltd	364	-	(64)	-	7	-
Ansaldo STS USA Inc	2,507	-	(454)	60	-	-
Ansaldo STS USA Int.Co.	-	-	(2)	19	-	-
Union Switch and Signal Inc. - Canada	-	-	(14)	-	-	-
Ansaldo STS France S.A.	2,607	-	147	-	23	-
Ansaldo STS Espana S.A.	-	-	(25)	45	-	-
Ansaldo STS Australia PTY Ltd	3,237	-	(415)	6	34	-
Ansaldo STS Malaysia Sdn Bhd	-	-	-	4	-	-
Ansaldo STS Transportation Systems India Pvt Ltd	683	-	(24)	-	-	-
Ansaldo Trasporti Sistemi Ferroviario S.p.A.	3,638	321	(717)	14,555	421	(2)
Other Group companies						
Finmeccanica Finance SA	-	-	-	9	-	-
Elsag Datamat S.p.A.	-	-	951	-	-	-
Finmeccanica Group Service S.p.A.	-	-	1,342	-	-	4
Selex Communications S.p.A.	-	-	(2)	-	-	-
So.ge.pa. S.p.A.	-	-	-	-	-	-
HR Gest S.p.A.	-	-	37	-	-	-
Total	18,266	1,825	2,353	14,935	1,057	(5)

Notes to the Financial Statements
at 31 December 2008

Transactions with related parties

Year 2007 (EUR 000)	Revenues	Other operating income	Costs	Financial income	Financial costs	Other operating costs
Parent company						
Finmeccanica S.p.A.	-	-	1,812	4,168	-	-
Subsidiaries						
Ansaldo Signal N.V. in liquidation	-	-	850	36,368	2,504	-
Ansaldo Segnalamento Ferroviario S.p.A.	4,226	2,009	103	15	-	(63)
Ansaldo STS Sweden AB	184	24	(29)	-	-	-
Ansaldo STS Ireland Ltd	77	8	(8)	-	-	-
Ansaldo STS UK Ltd	179	25	(8)	-	-	-
Ansaldo STS USA Inc	2,372	246	(650)	1	-	-
Ansaldo STS USA Int.Co.	-	-	(4)	5	-	-
Ansaldo STS France S.A.	1,941	233	(56)	-	-	-
Ansaldo STS Australia PTY Ltd	1,690	179	(169)	1	-	-
Ansaldo STS Transportation Systems India Pvt Ltd	562	55	(61)	-	-	-
Ansaldo Trasporti Sistemi Ferroviario S.p.A.	2,769	718	(514)	14,251	3,716	(75)
Other Group companies						
Ansaldo Energia S.p.A.	-	-	(3)	-	-	-
Elsag Datamat S.p.A.	-	-	417	-	-	-
Finmeccanica Group Service S.p.A.	-	-	311	-	-	4
Selex Communications S.p.A.	-	-	(1)	-	-	-
So.ge.pa. S.p.A.	-	-	19	-	-	-
HR Gest S.p.A.	-	-	15	-	-	-
Total	14,000	3,497	2,024	54,809	6,220	(134)

(*) of which dividends:

- from ASNV EUR 36,000 thousand
- from ATSF EUR 14,241 thousand

The main relationships with related parties refer to:

- services rendered by the parent company Ansaldo STS SpA in relation to the "General Service Agreement" (Revenues for EUR 18,266 thousand);
- rental fee for the building located in Genoa, Via Mantovani 3/5, owned by Ansaldo STS SpA, which hosts the offices and production units of Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA, controlled by Ansaldo Trasporti Sistemi Ferroviari SpA. This property was leased after being sold by Finmeccanica SpA to Ansaldo STS SpA on 28 December 2005 (Other revenues for EUR 1,825 thousand);
- bill relating to the 2008 portion for the right to use the "Ansaldo" trademark and the "Globo" trademark (Resolution of the Board of Directors of 19 December 2007) (Revenues for EUR 1,729 thousand);
- charges for services rendered by Finmeccanica SpA (EUR 195 thousand);
- costs relating to the 2008 portion for the right to use the 'Ansaldo' trademark for 20 years (EUR 1,615 thousand) from Finmeccanica SpA and relevant current and non-current deferred expense of EUR 25, 753 thousand;
- fees for the management and use of the general services of the Genoa headquarters, charged by the Italian subsidiary of Ansaldo Trasporti Sistemi Ferroviari SpA (Ansaldo Segnalamento Ferroviario SpA), costs for HR services, costs for seconded personnel charged by Ansaldo Trasporti Sistemi Ferroviari SpA, less recoveries for insurance costs (Income for EUR 240 thousand);
- costs for staff seconded, less recoveries for insurance costs (Revenues for EUR 115 thousand);
- costs for Directors' fees and remuneration of staff of Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 11 thousand;
- recovery of costs for other operating costs from the subsidiaries Ansaldo Segnalamento Ferroviario SpA (EUR 7 thousand) and Ansaldo Trasporti Sistemi Ferroviari SpA (EUR 2 thousand);
- charges for treasury services rendered by Ansaldo Signal NV in liquidation (Costs for EUR 262 thousand);
- for ITC supplies by Elsag Datamat SpA (Costs for EUR 951 thousand);
- costs of software development and maintenance, maintenance on leased assets, property leases with relevant services rendered by Finmeccanica Group Service SpA for EUR 1,342 thousand;
- dividends collected from the subsidiary Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 14,544 thousand;
- financial income relating to the current accounts mentioned above held with Finmeccanica for EUR 3 thousand and with Ansaldo Signal NV in liquidation and the subsidiaries thereof for EUR 221 thousand;
- financial income for the recovery of commissions on financial sureties relating to the subsidiaries Ansaldo Trasporti Sistemi Ferroviari SpA, Ansaldo Segnalamento Ferroviario and other companies of the Ansaldo Signal Group (EUR 158 thousand);
- financial costs on the above current account positions with Finmeccanica SpA for EUR 169 thousand and with the subsidiaries Ansaldo Signal NV in liquidation and Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 856 thousand.

6.25. Revenues

(EUR 000)	2008	2007
Revenues from sales	-	-
Revenues from services	-	-
	-	-
Revenues from related parties	18,266	14,000
Total revenues	18,266	14,000

These refer to the services rendered by the parent company Ansaldo STS SpA in relation to the General Service Agreement (see breakdown in paragraph 6.24).

6.26. Other operating income and costs

(EUR 000)	2008		2007	
	Revenues	Costs	Revenues	Costs
Grants for research and development spending	-	-	-	-
Other operating grants	-	-	-	-
Gains on sale of tangible and intangible fixed assets	-	-	-	-
Allocations/Reversals of provisions for risks and charges	-	2,130	-	-
Reversal of impairment of receivables	-	-	-	-
Exchange rate differences on operating items	3	17	1	2
Adjustment of receivables and payables in foreign currency to the year-end exchange rate	-	-	-	-
Insurance reimbursements	-	-	-	-
Restructuring costs	-	-	-	-
Indirect taxes	-	631	-	217
Other operating income (costs)	2	1,143	1	913
Other operating income (costs) from third parties	5	3,921	2	1,132
Other operating income (costs) from related parties	1,825	(5)	3,497	(134)
Total	1,830	3,916	3,499	998

Other net operating costs from third parties at 31 December 2008 amounted to EUR 3,916 thousand with an increase of EUR 2,786 compared with the financial year 2007 (EUR 1,130 thousand).

The change is mainly attributable to:

- allocation to provision for risks and charges for EUR 2,130 thousand;
- gifts for EUR 363 thousand;
- donations in favour of third parties for EUR 571 thousand;
- indirect taxes for EUR 631 thousand;
- Association dues for EUR 145 thousand;
- books, newspapers, magazines and sundry for EUR 81 thousand.

6.27. Costs for purchases and services

(EUR 000)	2008	2007
Materials	39	36
Materials purchased from related parties	-	-
Change in inventory	-	-
Services	10,443	12,488
Rent and operating leases	14	35
Rental fees	145	131
Costs for purchases and services from third parties	10,641	12,690
Costs for purchases and services from related parties	2,353	2,024
Total costs for purchases and services	12,994	14,714

Costs for purchases and services from third parties at 31 December 2008 came to EUR 10,641 thousand, a decrease of EUR 2,049 thousand from 31 December 2007 (EUR 12,690 thousand).

With regard to costs for purchases and services from related parties, please refer to the comments contained in paragraph 6.21.

6.28. Cost of labour

(EUR 000)	2008	2007
Payroll	6,916	6,364
Costs for stock grant plans	426	633
Pension and social security expenses	2,180	1,679
Severance pay provision costs	126	102
Costs relating to other defined-benefit plans	-	-
Costs relating to other defined-contribution plans	-	-
Disputes with employees	-	-
Restructuring costs	-	-
Recovery of cost of labour	(1,342)	(1,129)
Other costs	484	475
Total cost of labour	8,790	8,124

Cost of labour of Ansaldo STS SpA amounted to EUR 8,790 thousand and relates to the costs of the 75 units headed by Ansaldo STS SpA at 31 December 2008. The increase in cost of labour compared with the financial year 2007 amounting to EUR 666 thousand is due to the increase in the units that form the company's workforce.

The average workforce at 31 December 2008 stood at 61, compared with 45 units at 31 December 2007.

Below is a breakdown of average workforce by category:

	2008	2007	Changes
Managers	21	18	3
Middle managers	16	11	5
White-collar workers	24	16	8
Total	61	45	-

The cost of labour of Ansaldo STS SpA includes the costs and expenses for the financial year 2008 of the "Stock Grant Plan" of Ansaldo STS approved by the Board of Directors and the Remuneration Committee for EUR 426 thousand.

6.29. Amortisation, depreciation and write-downs

(EUR 000)	2008	2007
Amortisation/Depreciation		
- intangible assets	218	214
- tangible assets	1,666	1,649
	1,884	1,863
Write-downs:		
- operating receivables	-	-
- other assets	-	-
	-	-
Total amortisation, depreciation and write-downs	1,884	1,863

Amortisation exclusively relates to 'software applications' that are necessary to the performance of company operations. These are assets with definite useful lives, to be amortised over 3 years. Depreciation is mainly attributable to the property owned by Ansaldo STS SpA located in Via Mantovani 3/5 for EUR 1,591 thousand. The investment is depreciated on a straight-line basis over a useful life of 33 years.

6.30. Financial income (costs)

(EUR 000)	2008			2007		
	Income	Costs	Net	Income	Costs	Net
Income from equity investments and securities	-	-	-	-	-	-
Discounting of receivables, payables and provisions	-	-	-	-	-	-
Interest and commissions	70	371	(301)	75	190	(115)
Interest on severance pay provision	-	30	(30)	-	28	(28)
Exchange rate differences	5,288	5,802	(514)	-	-	-
Income from fair value measurement recognised in profit and loss	773	266	507	-	-	-
Value adjustments to equity investments	-	-	-	-	-	-
Other financial income (costs)	-	-	-	-	-	-
Foreign exchange optional instruments and swaps	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Total net financial income (costs)	6,131	6,469	(338)	75	218	(143)
Dividends	14,544	-	14,544	50,241	-	50,241
Interest and other financial income (costs)	391	1,057	(666)	4,568	6,220	(1,652)
Total financial income (costs) from related parties	14,935	1,057	13,878	54,809	6,220	48,589
Total	21,066	7,526	13,540	54,884	6,438	48,446

Financial income and costs are composed of as follows:

- dividends collected from the subsidiary Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 14,544 thousand;
- interest income: on bank current accounts, on the current account held with Finmeccanica SpA, with Finmeccanica Finance SA, with Ansaldo Signal NV in liquidation and subsidiaries thereof, and recovery of costs relating to commissions on sureties in favour of related parties;
- interest expense on current accounts held with the subsidiaries Ansaldo Signal NV in liquidation (ASNV in liq.) and Ansaldo Trasporti Sistemi Ferroviari (ATSF) and Finmeccanica SpA, commissions and bank expense; interest expense on Severance pay provision and on amounts due to tax authorities.
- realised exchange gains for EUR 2,551 thousand;
- exchange losses due to conversion for EUR 3,065 thousand;
- income from fair value measurement on foreign exchange rate hedging transactions for EUR 507 thousand.

6.31. Income taxes

At 31 December 2008 the Company reported deferred tax assets for EUR 1,549 thousand (EUR 2,975 thousand at 31 December 2007). Specifically, this item represents the algebraic sum of:

(EUR 000)	2008	2007
IRES (corporate income tax)	-	-
IRAP (regional tax on productive activities)	204	88
Income from consolidation	(641)	(2,111)
Other taxes on profit (foreign companies)	-	-
Taxes relating to previous years	46	-
Provisions for disputes over taxes	-	-
Net deferred taxes	(1,158)	(952)
Total	(1,549)	(2,975)

The above income is composed of as follows:

- EUR 641 thousand relating to gain from consolidation deriving from the use of the Consolidated Taxation Mechanism with the Group's Italian subsidiaries (Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA) for the purposes of the IRES (corporate income tax) application opted by the Company as the Group parent company since the year 2007. Specifically, this amount represents 27.5% of the tax loss incurred by the company in the financial year ended 31 December 2008. The tax loss is mainly ascribable to the decrease due to the tax exemption of the dividends received from Ansaldo Trasporti Sistemi Ferroviari SpA (95% untaxed, in accordance with Art. 89 paragraph 2 of TUIR);
- EUR 1,158 thousand from the recognition of net deferred tax assets calculated as shown in the table below, of which EUR 1,168 thousand relating to IRES offset by EUR 10 thousand representing the utilisations in the year of deferred tax assets relating to IRAP (recognised in previous financial years); moreover, the company has not considered appropriate to recognise deferred tax assets on past losses referred to the years 2004, 2005 and 2006;
- EUR 204 thousand from the charge relating to IRAP;
- EUR 46 thousand from taxes relating to the previous financial year not recorded in the financial statements (EUR 45 thousand relating to IRES and EUR 1 thousand relating to IRAP).

Below is the analysis of the difference between the theoretical tax rate and the effective tax rate for the year:

(EUR 000)	2008			2007		
	Taxable amount	Tax	%	Taxable amount	Tax	%
Result before taxes	6,052	-		40,248	-	
Taxes calculated at the applicable tax rate	-	1,664	27,5%	-	13,282	33%
Deferred tax assets not recognised	-	-		(1,844)	(609)	-1,51%
Prior years' taxes	-	66	1,09%	-	-	
Permanent differences	-	-		-	-	
- non-deductible costs	1,108	305	5,03%	766	253	0,63%
- dividends and other non-taxable income	(13,817)	(3,800)	-62,78%	(48,460)	(15,990)	-39,73%
IRAP and other taxes calculated on a basis other than the pre-tax result	-	216	3,57%	-	89	0,22%
Total effective taxes carried to the Income Statement		(1,549)			(2,975)	

The Balance Sheet item relating to "deferred taxes" among non-current assets has included since 1 January 2008 only receivables for deferred taxes recognised by the company.

Though the Company has in fact opted for the Consolidated Taxation Mechanism since 2007 - as already mentioned in the previous paragraphs - following the already known merger through incorporation of the companies Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA in Ansaldo STS SpA, the Consolidated Taxation Mechanism will be not adopted starting from 1 January 2009; therefore deferred tax assets and liabilities, whose reversal was expected in the period covered by the said Mechanism, and that at 31 December 2007 were recognised under "non-current assets", are no longer shown in this item.

Deferred tax assets recognised by the Company amounted to EUR 2,124 thousand and are composed of as follows:

- IRES deferred tax assets: of which EUR 2,095 thousand through profit and loss and EUR 4 thousand through equity;
- IRAP deferred tax assets: EUR 25 thousand through profit or loss.

The Balance Sheet item relating to “deferred taxes” among non-current liabilities - similarly to the deferred tax assets item - includes only payables for deferred taxes relating to Ansaldo STS SpA.

Deferred tax liabilities recognised by the Company amounted to EUR 47 thousand - of which EUR 10 thousand through profit and loss and EUR 37 thousand through equity - are entirely attributable to IRES and refer entirely to deferred taxes on severance pay provision.

IRES deferred tax assets and liabilities have been calculated using the new 27.5% tax rate. For IRAP, since Production Revenues are realised in regions with different tax rates (Liguria and Piedmont 3.9%, Campania 4.82% in 2008), the new 3.9% nominal tax rate was raised to 4.24% based on the estimated effect of production revenues broken down by geographic area.

Deferred taxes and the related receivables at 31 December 2008 were generated by the following temporary differences:

(EUR 000)	Income Statement		Balance Sheet	
	Assets	Passive	Assets	Liabilities
Provisions for risks and charges	586	-	586	-
Severance pay provision, pension funds and seniority bonuses	4	10	27	47
Carrying amount of tangible assets	23	-	184	-
Carrying amount of intangible assets	(3)	-	10	-
Total carrying amount of fixed assets	20	-	194	-
Taxes	41	-	41	-
Finance leases	-	-	-	-
Contributions	-	-	-	-
Cost of labour	317	-	734	-
Stock Grant	7	-	188	-
Other	193	-	354	-
Offsetting	-	-	-	-
	1,168	10	2,124	47

Deferred tax liabilities include EUR 33 thousand for an adjustment to the severance pay made in relation with the equity method, as envisaged in IAS 19, whose contra-item was directly recognised in equity. The changes for the period for the equity item were as follows:

(EUR 000)	31.12.2007		Fair value adjustments	Other changes	31.12.2008
	Transferred to the Income Statement	Transferred to the Income Statement			
Deferred taxes recognised directly in equity	4	(41)	-	4	(33)
	31.12.2006		Fair value adjustments	Other changes	31.12.2007
Deferred taxes recognised directly in equity	-	-			

7 Earnings per share

Earnings per share (EPS) are calculated:

- by dividing the net profit attributable to the holders of ordinary shares by the average number of ordinary shares for the period, less treasury shares (*basic EPS*);
- by dividing the net result by the average number of ordinary shares and the shares that potentially result from the exercise of all the options under stock option plans, less treasury shares (*diluted EPS*).

Basic EPS	31.12.2008	31.12.2007
Average shares during the period	99,908,851	99,991,750
Net profit (Loss)	7,601	43,223
Result of continuing operations	-	-
Basic and diluted EPS	0.08	0.43

8 Cash flow from operating activities

(EUR 000)	For the 12 months ended 31 December	
	31.12.2008	31.12.2007
Net Profit (Loss)	7,601	43,223
Amortisation, depreciation and write-downs	1,884	1,863
Income taxes	(1,549)	(2,975)
Allocations to provisions	-	-
Costs of severance pay provision and other benefits	156	130
Costs of Stock Grant plans	426	633
Dividends collected from subsidiaries	(14,544)	(50,241)
Financial income and costs, net of adjustments to equity investments accounted for at cost, and other operating items	1,004	1,793
	(5,022)	(5,574)

Changes in working capital, net of the effects deriving from the acquisitions and disposals of companies and translation differences, break down as follows:

(EUR 000)	31.12.2008	31.12.2007
Trade receivables and payables	1,314	5,245
Changes in working capital	1,314	5,245

Changes in other operating items, net of the effects deriving from the acquisitions and disposals of companies and translation differences, break down as follows:

Payment of the provision for severance pay and other defined-benefit plans	(18)	(218)
Changes in provisions for risks	2,130	-
Changes in other operating items	6,785	(428)
	8,898	(646)

9 Management of financial risks

Financial risk factors

Ansaldo STS SpA (ASTS) mainly covered a strategic guidance role until December 2008, when in view of the merger with Ansaldo Signal NV in liquidation (ASNV in liquidation), the Group's treasury service, previously carried out by the Dutch sub-holding, was centralised in ASTS. The current account contracts outstanding between ASNV in liquidation and the Group subsidiaries were closed and re-opened towards the Group parent ASTS.

The new management of the intra-company current accounts denominated in foreign currencies together with the current accounts in functional currency opened with bank counterparts gave rise to the exposure to the exchange rate risk for the transactions denominated in currencies other than the functional one.

In order to mitigate the exchange rate fluctuation risks, ASTS resorts to the *natural hedge*, by offsetting the credit positions in a foreign currency with debit positions of equal amount and in case this is not applicable, by using *plain vanilla* instruments (forwards and swaps on foreign currencies).

The main issues related to risk factors at Ansaldo STS Group level are illustrated below.

In its operations the Group is exposed to various financial risks: market risk (including currency risk, treasury flow and fair value interest rate risk, and price risk), credit risk, liquidity risk.

The Group general programme for the risk management aims at managing the unpredictability of capital markets and minimising the possible negative effects on the financial performance of the Group. To reduce financial risk exposures, the Group uses derivative financial instruments - plain vanilla instruments.

The management of financial risks is duty of the Central Treasury (Group Treasury) in accordance with directives approved by the Chief Executive Officer (CEO). As previously mentioned, treasury operating activities have been put in place by ASTS since December 2008. The Group Treasury identifies, evaluates and hedges financial risks in close collaboration with the operating companies of the Group. The CEO issues written principles to be used as a basis for risk management in general, guidelines for specific areas, such as exchange rate risk, interest rate risk, credit risk, equity risk, the use of financial instruments, derivatives and non-derivatives, and investing excess liquid assets.

- Market risks

- Exchange rate risk

The Group operates at an international level and is exposed to the exchange rate risk due to the different currencies, especially the US dollar. The exchange rate risk arises from present and future commercial transactions, assets and liabilities recognised in the financial statements and net investments in foreign markets.

The Board of Directors set out a directive requiring Group companies to manage the exchange rate risk associated with their functional currency. Therefore, Group companies must hedge all their exposure to the exchange rate risk through Group Treasury. To manage the exchange rate risk arising from the transactions above, Group entities use contracts with deferred performance entered into with the Group Treasury.

The line of conduct for the Group risk management is to hedge from 90% to 100% of estimated cash flows (mainly export sales and inventory purchases) in each of the most important foreign currencies throughout the duration of the estimated exposure. For hedge accounting purposes, some 95% of sales estimated in each of the most important currencies are recognised as a 'highly probable' transaction.

For segment reporting purposes, each subsidiary proposes contracts with the Group Treasury. These are fair value hedge and/or cash flow hedge contracts. At centralised level, similar contracts are entered into with companies external to the Group.

Since December 2008, Ansaldo STS SpA has been exposed to the variations in exchange rates related to bank current accounts and to intra-company current accounts in foreign currencies. This exposure is however mitigated by the use of *Fair Value Hedge strategies*.

Sensitivity analysis on exchange rates of Ansaldo STS SpA

IFRS 7 requires a sensitivity analysis, which is able to show the effects that reasonable changes in the most significant market variables would have on the Income Statement and the Balance Sheet.

With regard to Ansaldo STS SpA, the exchange rate risks originate from financial instruments denominated in a currency other than the functional currency.

A sensitivity analysis was carried out on financial instruments denominated in GBP at 31 December 2008, assuming an appreciation (depreciation) of the euro against the pound sterling in the range of +/- 5%.

This analysis revealed that in the case of appreciation or depreciation of the euro against the pound sterling these would have been the effects on the financial statements of the Company:

(EUR 000)	31.12.2008		31.12.2007	
	+5% - euro's appreciation against the pound sterling	-5% - euro's depreciation against the pound sterling	+5% - euro's appreciation against the pound sterling	-5% - euro's depreciation against the pound sterling
Income Statement	13	-15	-	-
Cash Flow Reserve	-	-	-	-
Translation reserve	-	-	-	-

At 31 December 2007, there were no impacts of the sensitivity analysis on the euro/pound sterling exchange rate since the Company did not have any exposure towards that currency.

A sensitivity analysis was also carried out assuming an appreciation (depreciation) of the euro against the US dollar in the range of +/- 5%. The analysis revealed the following impacts:

(EUR 000)	31.12.2008		31.12.2007	
	+5% - euro's appreciation against the US dollar	-5% - euro's depreciation against the US dollar	+5% - euro's appreciation against the US dollar	-5% - euro's depreciation against the US dollar
Income Statement	-3,91	4,28	0,89	-1,07
Cash Flow Reserve	-	-	-	-
Translation reserve	-	-	-	-

Compared with the previous financial year, it should be noted how the assumed variations in the exchange rates are more significant as a result of the greater exposure of the company in foreign currencies. However, it should be underlined how the natural hedge techniques and the utilisation of derivative instruments mitigate the risk linked to the exchange rate fluctuations.

- Interest rate risk

The interest rate risk of the Company arises from its financing activities. Floating rate credit facilities expose the Company to the interest rate risk connected with the treasury flow. The Company analyses dynamically its interest rate risk exposure. Various scenarios are simulated, including refinancing, the renewal of existing positions, alternative loans and hedges.

Most of the interest rate risk is concentrated on the majority shareholder, Finmeccanica SpA, where the Company has some financing activities.

31.12.2008

Counter-party	Outstanding	Average Weighted Interest % current outstanding
Finmeccanica S.p.A.	-151,509.22	5.27%
Ansaldo Signal N.V. in liquidation	89,246,077.25	3.45%
Ansaldo Trasp. Sist. Ferroviari S.p.A.	-48,933,779.56	4.09%
Ansaldo STS USA Inc.	31,367,055.92	2.90%
Ansaldo STS Malaysia SDN BHD	5,938,923.83	2.90%
Finmeccanica Finance SA	139,509,230.83	2.57%
Ansaldo STS Australia PTY Ltd	-31,847,254.27	4.88%
Ansaldo STS France S.A.	-29,589,636.40	3.62%
Ansaldo STS Sweden	-5,757,346.04	3.60%
Ansaldo STS UK Ltd	-4,543,452.60	3.01%
Ansaldo STS Ireland Ltd	-3,413,991.01	3.62%
Ansaldo Segnalamento Ferroviario S.p.A.	-164,800,321.03	3.62%

Sensitivity analysis on interest rates

A sensitivity analysis was carried out on the assets and liabilities that are subject to the risk of fluctuation in the interest rates assuming that at 31 December 2008 rates had had a parallel and symmetric shift of +(-) 50 basis points (0.5%).

The tables below show the effect that such assumption would have had on the company's financial statements at 31 December 2008, compared with 31 December 2007, considering that at 31 December 2007 the same originated exclusively from transactions with related parties:

(EUR 000)	31.12.2008		31.12.2007	
	+50 bps	-50 bps	+50 bps	-50 bps
Income Statement	-20.73	20.73	47.47	-47.47
Reserves	-	-	-	-

- Credit risk

Credit risk is connected with cash and cash equivalents, derivative financial instruments, deposits held with financing institutions, and credit exposure to the main customers (both held by the Government or not), including outstanding receivables due and commitment transactions. In the case of banks and financing institutions, only entities that obtained rating of at least 'BBB' by an independent agent can be accepted. If the counterparties were rated by an independent agent, that rating will be adopted. Otherwise, if no rating by an independent agent is available, the Group will check the creditworthiness of a counterparty, review such counterparty's financial condition, past experience and other factors. Individual risk limits are established based on an internal or external rating in accordance with the limits set forth in the directives. The compliance with the credit limits is regularly checked.

- Liquidity risk

The liquidity risk emerges when the obligations related to financial liabilities are not fulfilled.

A prudent management of liquid assets risk requires (i) that sufficient cash and cash equivalents are maintained, (ii) the possibility to access sufficient financing, and (iii) the ability to settle market positions. Given the dynamic nature of the companies using them, the Group Treasury ensures the flexibility of funds, maintaining cash and cash equivalents below a given credit facility.

At 31 December 2008, the Company shows a net financial debt of EUR 17,836 thousand.

At 31 December 2007, the Company showed a net financial liquidity of EUR 9,497 thousand.

- Equity risk

The Company manages equities with the purpose of protecting the continuity of the company itself in order to ensure shareholder return and stakeholder advantages and to retain an optimal capital structure reducing capital cost.

Recognition and fair value of financial assets and liabilities

The tables below give a breakdown of the financial assets and liabilities by the accounting categories under IAS 39. Financial liabilities are all recognised on the amortised cost method.

31.12.2008	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
<i>Non-current assets</i>						
Non-current receivables from related parties	-	-	-	-	-	-
<i>Financial assets at fair value</i>						
Receivables	-	-	-	-	-	-
<i>Current assets</i>						
Current receivables from related parties	-	271,512	-	-	271,512	271,512
Trade receivables	-	-	-	-	-	-
Financial assets at fair value (derivatives to hedge fair value)	773	-	-	-	773	773
Financial receivables	-	-	-	-	-	-
Other current assets	-	2,920	-	-	2,920	2,920

31.12.2008	Fair value through profit or loss	Amortised Cost	Total	Fair Value
<i>Non-current liabilities</i>				
Non-current payables to related parties	-	-	-	-
Non-current borrowings	-	-	-	-
Other non-current liabilities	-	156	156	156
<i>Current liabilities</i>				
Current payables to related parties	-	295,653	295,653	295,653
Trade payables	-	5,276	5,276	5,276
Financial liabilities at fair value (derivatives to hedge fair value)	266	-	266	266
Borrowings	-	15	15	15
Other current liabilities	-	5,826	5,826	5,826

31.12.2007	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
<i>Non-current assets</i>						
Non-current receivables from related parties	-	-	-	-	-	-
<i>Financial assets at fair value</i>						
Receivables	-	-	-	-	-	-
<i>Current assets</i>						
Current receivables from related parties	-	36,632	-	-	36,632	36,632
Trade receivables	-	-	-	-	-	-
<i>Financial assets at fair value</i>						
Financial receivables	-	-	-	-	-	-
Other current assets	-	1,768	-	-	1,768	1,768

31.12.2007	Fair value through profit or loss	Amortised Cost	Total	Fair Value
<i>Non-current liabilities</i>				
Non-current payables to related parties	-	-	-	-
Non-current borrowings	-	-	-	-
Other non-current liabilities	-	96	96	96
<i>Current liabilities</i>				
Current payables to related parties	-	21,598	21,598	21,598
Trade payables	-	7,352	7,352	7,352
Borrowings	-	38	38	38
Other current liabilities	-	3,185	3,185	3,185

10 Remuneration to key management personnel

Remuneration paid to persons who have power and responsibility over the planning, management and control of the Company, including executive and non-executive Directors, is as follows:

(EUR 000)	2008	2007
Compensation	1.299	1.518
Post-employment benefits	-	81
Other long-term benefits	-	-
Severance pay	-	791
Stock Grants	273	98
Total	1.572	2.488

Directors' fees amounted to EUR 1,572 thousand (EUR 2,488 thousand in the financial year 2007). Statutory Auditors' fees amounted to EUR 125 thousand and EUR 80 thousand for the financial years 2008 and 2007 respectively. These fees include emoluments and any other sum paid as compensation and social security for the office of Director or Statutory Auditor of the Company. Annual compensation to Directors and Statutory Auditors is broken down below:

- EUR 10 thousand to the Chairman of the Board of Directors;
- EUR 40 thousand to Directors;
- EUR 60 thousand to the Chairman of the Board of Statutory Auditors;
- EUR 40 thousand to the standing Statutory Auditors.

As to the stock grant plan, all of the objectives for the assignment of the 2007 shares were reached.

The objectives were achieved. As a consequence and consistently with the plan rules, 100% of the shares originally intended for assignment were assigned to those entitled.

In accordance with Art. 8 of the regulation then approved by the Remuneration Committee, on 1 December 2008 the company assigned 100% of the total shares for assignment, equal to 317,022 shares (the amount refers to all the staff being entitled).

	2008 (no. of shares)	2007 (no. of shares)
Rights at 1 January	-	-
New rights assigned	10,395	14,776
Rights exercised during the year	10,395	14,776
Rights forfeited during the year	-	-
Rights at 31 December	-	-

11 Significant non-recurring events and transactions

Ansaldo STS Spa did not record any significant non-recurring events and transactions in 2008.

12 Atypical and/or unusual operations

In the year 2008 Ansaldo STS SpA did not take any positions or enter into transactions resulting from atypical and/or unusual operations.

13 Subsequent events

The two Italian operating companies Ansaldo Trasporti – Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA merged through incorporation into Ansaldo STS SpA since 1 January 2009.

As a result of this transaction, Ansaldo STS SpA has assumed a new dimension and a different corporate configuration. In addition to its traditional industrial holding activities, the company now carries out the operative activities pertaining to the two incorporated companies. From an organisational point of view, certain staff activities, for which ATSF and ASF were equipped with their own structures, have been included in the already existing Directions/Functions of the Group parent since 1 January 2009:

- The Legal and Corporate Affairs activities of the two incorporated companies carried out up to 31 December 2008 as part of ATSF have been included in the **General Secretary's office**;
- The Administration, Finance and Control activities of the two incorporated companies carried out up to 31 December 2008 as part of ATSF have been included in the **Administration, Finance and Control Direction**;
- The activities of the two incorporated companies in relation to Quality Assurance and Management of Certification Systems have been included in the **Processes, Quality and Systems** function.

Moreover, always since 1 January 2009 the business activities already carried out by ATSF and ASF have been organised in the following new Direction/Functions of Ansaldo STS SpA. All of them will report directly to the Chief Executive Officer:

- The activities relating to the Transport Systems, Signalling and Technological Innovation in Italy have been organised respectively in "**Transport Systems Business Unit - Italy**", "**Signalling Business Unit - Italy**" and "**Innovation Business Unit - Italy**".
- The **Reliability, Availability, Maintainability and Safety (RAMS)** activities have been included in a specific function;
- The activities related to *Facility Management* and *Purchasing not pertaining to the productive processes* have been included in the "**Signalling Business Unit - Italy**", which will service the entire Ansaldo STS SpA structure.

Genoa, 6 March 2009

On behalf of the Board of Directors
The Chairman
Alessandro Pansa



14 Appendices

14.1. Equity investments

	31.12.2007			31.12.2008			31.12.2008		
	Cost	Write-down	Book value	Transfers/ Acquisitions of going concerns (a)	Other changes (d) (Stock grant)	Cost	Write-down	Book value	
(€)									
%									
31.12.2008									
Equity investments in parent companies									
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Equity investments in subsidiaries									
100%									
Ansaldo Signal NV in liq.	23,152,851	-	23,152,851	-	(682,244)	22,470,607	-	22,470,607	
100%									
Ansaldo Trasporti Sistemi Ferroviari Spa	39,373,776	-	39,373,776	-	(594,508)	38,779,268	-	38,779,268	
100%									
Ansaldo STS Australia PTY Ltd	-	-	-	25,583,620	270,469	25,854,089	-	25,854,089	
0,000001%									
Ansaldo STS Transportation India PVT	-	-	-	10	-	10	-	10	
	62,526,627	-	62,526,627	25,583,630	(1,006,283)	87,103,974	-	87,103,974	
Equity investments in associated companies									
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Equity investments in jointly-controlled enterprises									
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Consortia									
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Other enterprises									
	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Total Equity Investments	62,526,627	-	62,526,627	25,583,630	(1,006,283)	87,103,974	-	87,103,974	

	Parent companies	Subsidiaries	Associated companies	Joint Venture	Consortia
(a) Of which:					
Cost	-	25,583,630	-	-	-
Write-downs	-	-	-	-	-
		25,583,630	-	-	-
(b) Of which:					
Cost	-	-	-	-	-
Write-downs	-	-	-	-	-
(c) Of which:					
Cost	-	-	-	-	-
Write-downs	-	-	-	-	-
(d) Of which:					
Cost	-	(1,006,283)	-	-	-
Write-downs	-	-	-	-	-
		(1,006,283)	-	-	-

14.2. List of equity investments with the additional information required by CONSOB (communication no. Dem/6064293 of 28 July 2006)

Company Name (EUR 000)	Registered Office	Reporting date	Share capital	Currency	Shareholders' equity	Net Profit (Loss)	Ownership (%)	Equity reported in the financial statements	Book value
Equity investments in parent companies									
Equity investments in subsidiaries									
Ansaldo Signal N.V. in liq.	Amsterdam	31.12.2008	100	Euro	3,021	(54,298)	100%	3,021	22,471
Ansaldo Trasporti Sistemi Ferroviari Spa	Naples	31.12.2008	30,300	Euro	83,545	43,695	100%	83,545	38,779
Ansaldo STS Australia PTY Ltd	Brisbane	31.12.2008	2,479	Euro	34,543	10,499	100%	34,543	25,854
Ansaldo STS Transportation India PVT	Bangalore	31.12.2008	191	Euro	(546)	339	0.000001%	(546)	0,010
								87,104	
Equity investments in associated companies									
Equity investments in jointly-controlled enterprises									
Consortia									
Other enterprises									
								87,104	

14.3. Assets broken down by maturity

(€)	31.12.2008 Amounts falling due			31.12.2007 Amounts falling due		
	From 2 to 5 years	After more than 5 years	Total	From 2 to 5 years	After more than 5 years	Total
Non-current receivables from related parties						
Financial receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Receivables						
Financial receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Other current assets	8,130,984	17,700,160	25,831,144	8,186,062	19,315,223	27,501,285
Total non-current assets	8,130,984	17,700,160	25,831,144	8,186,062	19,315,223	27,501,285
Trade receivables	-	-	-	-	-	-

14.4. Assets denominated in foreign currency

(€)	31.12.2008			31.12.2007		
	Foreign currency	Euro	Total	Foreign currency	Euro	Total
Non-current receivables from related parties						
Financial receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Non-current financial assets at fair value						
Non-current securities held to maturity						
Receivables						
Financial receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Other non-current assets	-	25,831,144	25,831,144	-	27,501,285	27,501,285
Total non-current assets	-	25,831,144	25,831,144	-	27,501,285	27,501,285
Current receivables from related parties						
Financial receivables	37,305,980	228,755,308	266,061,288	-	20,637,291	20,637,291
Trade receivables	-	4,388,290	4,388,290	-	7,180,559	7,180,559
Other receivables	-	1,062,564	1,062,564	-	8,813,759	8,813,759
	37,305,980	234,206,162	271,512,142	-	36,631,609	36,631,609
Trade receivables	-	2,804	2,804	-	-	-
Current financial assets at fair value	773,167	-	773,167	-	-	-
Securities held to maturity	-	-	-	-	-	-
Financial receivables	-	-	-	-	-	-
Tax receivables	-	5,701,788	5,701,788	-	93,609	93,609
Other current assets	-	2,920,456	2,920,456	-	1,768,387	1,768,387
Cash and cash equivalents	-	5,155,070	5,155,070	-	536,813	536,813
Total current assets	38,079,147	247,986,280	286,065,427	-	39,030,418	39,030,418

14.5. Assets by geographic area

(€)	31.12.2008					31.12.2007				
	Italy	Western Europe	North America	Asia Pacific	Total	Italy	Western Europe	North America	Asia Pacific	Total
Non-current receivables from related parties										
Financial receivables	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Non-current financial assets at fair value	-	-	-	-	-	-	-	-	-	-
Non-current securities held to maturity	-	-	-	-	-	-	-	-	-	-
Receivables										
Financial receivables	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other non-current assets	25.831.144	-	-	-	25.831.144	27.501.285	-	-	-	27.501.285
Total non-current assets	25.831.144	-	-	-	25.831.144	27.501.285	-	-	-	27.501.285
Current receivables from related parties										
Financial receivables	-	228.755.308	31.367.056	5.938.924	266.061.288	283.152	20.354.138	-	-	20.637.290
Trade receivables	-	1.006.861	641.965	2.739.464	4.388.290	2.520.962	981.471	1.234.487	2.443.639	7.180.559
Other receivables	13.611	359.877	388.328	300.748	1.062.564	7.288.820	518.669	751.433	254.838	8.813.760
	13.611	230.122.046	32.397.349	8.979.136	271.512.142	10.092.934	21.854.278	1.985.920	2.698.477	36.631.609
Trade receivables	2.804	-	-	-	2.804	-	-	-	-	-
Current financial assets at fair value	-	280.805	146.084	346.278	773.167	-	-	-	-	-
Securities held to maturity	-	-	-	-	-	-	-	-	-	-
Financial receivables	-	-	-	-	-	-	-	-	-	-
Tax receivables	5.701.788	-	-	-	5.701.788	93.609	-	-	-	93.609
Other current assets	2.920.456	-	-	-	2.920.456	1.767.442	945	-	-	1.768.387
Cash and cash equivalents	80.258	5.074.812	-	-	5.155.070	527.972	8.840	-	-	536.812
Total current assets	8.718.917	235.477.663	32.543.433	9.325.414	286.065.427	12.481.957	21.864.063	1.985.920	2.698.477	39.030.417

14.6. Available and distributable reserves

(EUR 000)

Nature/description	Amount	Possibly used	Summary of uses in three prior years		
			Available	to cover losses	for other reasons
Share capital (*):					
Outstanding shares	50,000				
Charges for capital increase in 2005	(50)				
Treasury shares	(693)				
Capital reserves:					
Non-interest-bearing convertible loan	50,169	A,B	47,679	2,490	-
Coverage of losses	37	B	-	37	-
Share premium reserve	-	-	-	-	-
Merger surplus	-	-	-	-	-
Retained earnings					
Legal reserve	3,071	B	-	-	-
Extraordinary reserve	-	-	-	-	-
Statutory reserve	-	-	-	-	-
Fair value reserve	-	-	-	-	-
Cash flow hedge reserve	-	-	-	-	-
Reserve for assets available for sale	-	-	-	-	-
Reserve for stock grant plans					
- assignment	1,787	B	-	1,787	-
- negative delivery	95	A,B	95	-	-
Deferred taxes on items carried under Equity	(32)	-	-	-	(32)
Retained earnings:	38,468	A,B,C	38,468	-	-
Total	142,852		86,242	4,314	(32)
Non-distributable					
Remaining non-distributable			86,242		

Key:

(*): less treasury shares

A: for share capital increase

B: to cover losses

C: to be distributed to shareholders

14.7. Liabilities broken down by maturity

(€)	31.12.2008 Amounts falling due			31.12.2007 Amounts falling due		
	From 2 to 5 years	After more than 5 years	Total	From 2 to 5 years	After more than 5 years	Total
Non-current payables to related parties						
Borrowings	-	-	-	-	-	-
Other payables:	-	-	-	-	-	-
	-	-	-	-	-	-
Non-current borrowings	-	-	-	-	-	-
Other non-current liabilities	-	156,017	156,017	-	95,975	95,975
Total non-current liabilities	-	156,017	156,017	-	95,975	95,975
Trade payables	-	-	-	-	-	-
	-	-	-	-	-	-

14.8. Liabilities denominated in foreign currency

(€)	31.12.2008			31.12.2007		
	Foreign currency	Euro	Total	Foreign currency	Euro	Total
Non-current payables to related parties						
Borrowings	-	-	-	-	-	-
Other payables	-	-	-	-	-	-
	-	-	-	-	-	-
Non-current borrowings	-	-	-	-	-	-
Other non-current liabilities	-	156,017	156,017	-	95,975	95,975
Total non-current liabilities	-	156,017	156,017	-	95,975	95,975
Current payables to related parties						
Borrowings	42,148,053	246,889,237	289,037,290	-	11,638,941	11,638,941
Trade payables	-	1,658,698	1,658,698	19,637	1,038,776	1,058,413
Other payables	-	4,956,912	4,956,912	-	8,900,800	8,900,800
	42,148,053	253,504,847	295,652,900	19,637	21,578,517	21,598,154
Trade payables	-	5,276,258	5,276,258	-	7,352,481	7,352,481
Current financial liabilities at Fair Value	266,263	-	266,263	-	-	-
Borrowings	4,404	10,339	14,743	-	37,868	37,868
Tax payables	-	913,514	913,514	-	2,066,023	2,066,023
Provision for risks and charges	-	2,130,000	2,130,000	-	-	-
Other current liabilities	-	5,825,537	5,825,537	-	3,185,308	3,185,308
Total current assets	42,418,720	267,660,495	310,079,215	19,637	34,220,197	34,239,834

14.9. Liabilities by geographic area

(€)	31.12.2008					31.12.2007				
	Italy	Western Europe	North America	Asia Pacific	Total	Italy	Western Europe	North America	Asia Pacific	Total
Non-current payables to related parties										
Borrowings	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	-	-
Non-current borrowings	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	156,017	-	-	-	156,017	95,975	-	-	-	95,975
Total non-current liabilities	156,017	-	-	-	156,017	95,975	-	-	-	95,975
Current payables to related parties										
Borrowings	213,734,101	43,455,935	-	31,847,254	289,037,290	11,638,941	-	-	-	11,638,941
Trade payables	1,282,058	376,640	-	-	1,658,698	894,992	135,328	27,436	-	1,057,756
Other payables	4,956,912	-	-	-	4,956,912	8,901,457	-	-	-	8,901,457
	219,973,071	43,832,575	-	31,847,254	295,652,900	21,435,390	135,328	27,436	-	21,598,154
Trade payables	5,083,238	193,020	-	-	5,276,258	5,974,657	1,187,205	190,619	-	7,352,481
Current financial liabilities at Fair Value										
Borrowings	-	32,171	234,092	-	266,263	-	-	-	-	-
Tax payables	-	10,599	-	4,144	14,743	37,868	-	-	-	37,868
Provision for risks and charges	913,514	-	-	-	913,514	2,066,023	-	-	-	2,066,023
Other current liabilities	2,130,000	-	-	-	2,130,000	-	-	-	-	-
Total current liabilities	5,467,531	109,870	141,924	106,212	5,825,537	3,185,308	-	-	-	3,185,308
Total current liabilities	233,567,354	44,178,235	376,016	31,957,610	310,079,215	32,699,246	1,322,533	218,055	-	34,239,834

Appendices

Stock grants assigned to members of the board of directors, the general managers and managers with strategic responsibility

14.10. Remuneration paid to directors, statutory auditors, general managers and managers with strategic responsibility (article 78 of CONSOB regulation no. 11971/1999)

(€)

PERSON Name and Surname	OFFICE Office	Date of appointment	Term of office
Pansa Alessandro	Chairman of BoD	21/11/2005	Approval of 2010 Financial statements
Roberti Sante (7)	Vice-Chairman of BoD	21/11/2005	Approval of 2010 Financial statements
Sergio De Luca	Chief Executive Officer	14/06/2007	Approval of 2010 Financial statements
Lalli Francesco (2)	Director	21/11/2005	Approval of 2010 Financial statements
Carbone Sergio Maria (3)	Director	24/03/2006	01 April 2008
Salvetti Attilio (4)	Director	24/03/2006	Approval of 2010 Financial statements
Cereda Maurizio (1) (5)	Director	14/06/2006	Approval of 2010 Financial statements
Falciasecca Gabriele (2) (6)	Director	14/06/2006	01 April 2008
Genuardi Gerlando (8)	Director	27/09/2007	Approval of 2010 Financial statements
Pinto Eugenio (9) (10)	Director	01/04/2008	Approval of 2010 Financial statements
Gitti Gregorio (11)	Director	01/04/2008	Approval of 2010 Financial statements
Colombo Paolo	Chairman of BoSA	21/11/2005	01 April 2008
Rosina Antonio	Statutory Auditor	21/11/2005	01 April 2008
Tripodi Francesca	Statutory Auditor	21/11/2005	Approval of 2010 Financial statements
Sarubbi Giacinto	Chairman of BoSA	01/04/2008	Approval of 2010 Financial statements
Scotton Massimo	Statutory Auditor	01/04/2008	Approval of 2010 Financial statements

(1) Chairman of the Remuneration Committee - appointed 27/06/2006
(2) Member of the Remuneration Committee - appointed 27/06/2006
(3) Chairman of the Internal Control Committee - appointed 24/03/2006
(4) Member of the Internal Control Committee - appointed 24/03/2006
(5) Member of the Internal Control Committee - appointed 27/06/2006
(6) Chairman of Supervisory Body - appointed 27/06/2006
(7) Vice-Chairman of BoD - appointed 24/02/2006
(8) Member of the Remuneration Committee - appointed 01/04/2008
(9) Member of the Internal Control Committee - appointed 01/04/2008
(10) Chairman of Supervisory Body - appointed 01/04/2008
(11) Chairman of the Internal Control Committee - appointed 01/04/2008

(1) 12 months Chairman of BoD. Remuneration renounced since 1.4.2008
(2) 12 months BoD
(3) 3 months BoD + 3 months Chairman ICC
(4) 12 months BoD + 12 months ICC
(5) 12 months BoD +12 months Chairman of RC and ICC
(6) 3 months BoD + 3 months RC + 3 months Chairman of SB
(7) 12 months BoD + 12 months RC - Remuneration renounced since 1.4.2008
(8) Remuneration retroceded to Ansaldo STS SpA
(9) Remuneration paid to Finmeccanica SpA
(10) 12 months BoD + 9 months RC
(11) 9 months BoD + 9 months ICC + 9 months Chairman of SB
(12) 9 months BoD + 9 months Chairman ICC
(13) Remuneration retroceded to Ansaldo Trasporti Sistemi Ferroviari SpA for EUR 10,833
(14) Remuneration retroceded to Ansaldo STS SpA for EUR 23,279

14.11. Stock grants assigned to members of the board of directors, the general managers and managers with strategic responsibility

(A) Name and Surname	(B) Office	Options held at the start of the year			Options assigned during the year		
		(1) Number of options	(2) Average exercise price	(3) Average expiration	(4) Number of options	(5) Average exercise price	(6) Average expiration
Sergio De Luca	Chief Executive Officer	-	-	-	10,395	-	-
Roberto Sante	Vice-Chairman of BoD	-	-	-	8,977	-	-

Compensation paid to the person in charge in the company which prepares the financial statements in 2008	Non-monetary benefits	Bonuses and other incentives	Other remuneration
10,000 (1) (9)			
37,500 (2) (13) (14) (*)	9,581		351,056 (***)
37,500 (2) (8)	93,515	168,667	1,173,235 (**)
11,250 (7) (9)			
12,500 (3)			
52,500 (4)			
72,500 (5)			
16,250 (6)			
48,750 (10)			15,000
56,250 (11)			
45,000 (12)			
10,000			
5,000			
35,000			
45,000			
30,000			

(*) contributions included

(**) of which 11,000 from ATSF and 18,600 from ASF

(***) of which 15,102 from ATSF and 18,600 from ASF

Options exercised during the year			Options expired during the year	Options held at the end of the year		
(7)	(8)	(9)	(10)	(11)=1+4-7-10	(12)	(13)
Number of options	Average market price at exercise	Average market price at exercise	Number of options	Number of options	Average exercise price	Average expiration
10,395	-	-	-	-	-	-
8,977	-	-	-	-	-	-

15 Key figures of the latest financial statements approved by the company performing direction and co-ordination activities (article 2497-bis of the Italian civil code)

(EUR 000)

FINMECCANICA S.p.A.

Balance Sheet

Assets	
Non-current assets	8,328,754
Current assets	3,207,202
Non-current assets held for sale	-
Total assets	11,535,956
Liabilities	
Shareholders' equity	
- Share capital	1,864,380
- Reserves and profits (losses) carried forward	3,920,955
- Net Profit (Loss) for the year	44,810
	5,830,145
Non-current liabilities	1,618,801
Current liabilities	4,087,010
Liabilities directly correlated with assets held for sale	-
Total liabilities	11,535,956

Income Statement

Revenues	335,485
Costs	-225,319
Financial income and costs	-49,353
Income taxes for the year	-16,003
Profit (Loss) connected with discontinued operations	-
Net Profit (Loss) for the year	44,810

Finmeccanica SpA prepares the Consolidated Financial Statements

Finmeccanica SpA, whose headquarters are at Piazza Monte Grappa 4, Rome, listed on the Milan stock exchange, performs direction and co-ordination activities on the company. The key figures of the parent company Finmeccanica SpA shown in the summary paragraph required by Article 2497 bis of the Italian Civil Code have been taken from the related financial statements ended 31 December 2007.

For an adequate and complete understanding of the financial condition of Finmeccanica SpA at 31 December 2007 and of the results of its operations for the financial year closed at that date, reference should be made to the financial statements, which accompanied by the Auditors' Report, are available in the form and the manners provided for by the law.

16 Information pursuant to article 149-duodecies of the CONSOB issuer regulation

This statement was prepared in accordance with Article 149-duodecies of the Consob Issuer regulation and reports the fees for the year 2008 for auditing services and for services other than auditing provided by the same auditing firm. No services were provided by entities belonging to the auditing firm's network.

(EUR 000)

	Entity providing the service	To	Fees for the year 2008 for the engagement
Auditing services	PricewaterhouseCoopers S.p.A.	Ansaldo STS S.p.A.	394
Attestation services	PricewaterhouseCoopers S.p.A.	Ansaldo STS S.p.A.	-
Tax consulting services	PricewaterhouseCoopers S.p.A.	Ansaldo STS S.p.A.	-
Other services	PricewaterhouseCoopers S.p.A.	Ansaldo STS S.p.A.	10
			404

17 Appendix: list of relevant equity investment under article 125 of CONSOB resolution no. 11971

Subsidiary (name and legal form)	Country	% of total	% Indirect control	% Direct control	Through	Type of ownership (see key)
Alifana - Limited-liability consortium	Italy	65.850%	65.850%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Alifana due - Limited-liability consortium	Italy	53.340%	53.340%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Automatismes Contrôles et Etudes Electroniques Acelec S.A.	France	99.999%	99.994%		Ansaldo STS France S.A.	1
			0.004%		Ansaldo STS France S.A.	9
			0.001%		Ansaldo STS Hong Kong Ltd.	1
Ansaldo Railway System Technical Service (Beijing) Ltd	China	100.000%	100.000%		Ansaldo Segnalamento Ferroviario S.p.A.	1
Ansaldo Segnalamento Ferroviario S.p.A.	Italy	100.000%	100.000%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Ansaldo STS Espana S.A.	Spain	100.000%	100.000%		Ansaldo STS France S.A.	1
Ansaldo STS Finland OY	Finland	100.000%	100.000%		Ansaldo STS Sweden AB	1
Ansaldo STS Infradev South Africa Pty Ltd.	South Africa	50.700%	50.700%		Ansaldo STS Australia Pty Ltd	1
Ansaldo STS Ireland Ltd.	Ireland	100.00%	99.999%		Ansaldo Signal NV in liquidation	1
			0.001%		Ansaldo STS USA Inc. (*)	1
Ansaldo Signal NV in liquidation	Holland	100.000%		100.00%		1
Ansaldo STS Southern Africa Pty Ltd.	Botswana	100.000%	100.000%		Ansaldo STS Australia Pty Ltd	1
Ansaldo STS Sweden AB	Sweden	100.000%	100.000%		Ansaldo Signal NV in liquidation	1
Ansaldo STS UK Ltd.	England	100.000%	100.000%		Ansaldo Signal NV in liquidation	1
Ansaldo Trasporti Sistemi Ferroviari S.p.A.	Italy	100.000%		100.000%		1
Ansaldo STS Deutschland GmbH	Germany	100.000%	100.000%		Ansaldo Segnalamento Ferroviario S.p.A.	1
Ansaldo STS Beijing Ltd.	China	80.000%	80.000%		Ansaldo STS France S.A.	1
Ansaldo STS France S.A.	France	100.00%	99.999%		Ansaldo Signal NV in liquidation	1
			0.001%		Ansaldo Signal NV in liquidation	9
Ansaldo STS Hong Kong Ltd.	China	100.00%	99.999%		Ansaldo STS France S.A.	1
			0.001%		Ansaldo STS France S.A.	9
Ecosen S.A.	Venezuela	48.000%	48.000%		Ansaldo STS France S.A.	1
I.M. Intermetro S.p.A.	Italy	16.666%	16.666%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
International Metro Service S.r.l.	Italy	49.000%	49.000%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Metro 5 S.p.A.	Italy	24.600%	24.600%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Metro C. S.c.p.a..	Italy	14.000%	14.000%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Pegaso - Limited-liability consortium	Italy	46.870%	46.870%		Ansaldo Trasporti Sistemi Ferroviari S.p.A.	1
Union Switch & Signal Inc. (***)	USA	100.000%	100.000%		Ansaldo STS USA Inc. (*)	1
Transit Safety Research Alliance (no profit corporation)	USA	100.000%	100.000%		Ansaldo STS USA Inc. (*)	1
Union Switch & Signal Chile Ltda. ³	Chile	68.000%	67.000%		Union Switch & Signal Inc. (***)	1
			1.000%		Ansaldo STS USA International Co. (**)	1
Ansaldo STS USA Inc. (*)	Delaware -USA	100.000%	100.000%		Ansaldo Signal NV in liquidation	1
Union Switch & Signal Inc. Canada	Ontario – Canada	100.000%	100.000%		Ansaldo STS USA Inc. (*)	1
Ansaldo STS USA International Co. (**)	Delaware -USA	100.000%	100.000%		Ansaldo STS USA Inc. (*)	1
Ansaldo STS USA International Projects Co. (***)	Delaware -USA	100.000%	100.000%		Ansaldo STS USA Inc. (*)	1
Ansaldo STS Transportation Systems India Private Limited.	India	100.000%	99.999%		Ansaldo STS Australia PTY Ltd.	1
				0.001%		1
Ansaldo STS Australia PTY Ltd.	Australia	100.000%		100.000%		1
Ansaldo STS Malaysia SDN BHD	Malaysia	100.000%	100.000%		Ansaldo STS Australia PTY Ltd.	1

Key: Types of share ownership or voting rights
1 Owned
2 Securities lender
3 Securities borrower
4 Registered owner on behalf of third party
5 Asset management
6 Pledge
7 Usufruct
8 Deposit
9 Voting rights under contractual agreements

(*) The corporate name of the Company up to 31 December 2008 was "Union Switch & Signal Inc."
(**) The corporate name of the Company up to 31 December 2008 was "Union Switch & Signal International Co."
(***) The corporate name of the Company up to 31 December 2008 was "Union Switch & Signal International Projects Co."
(****) The corporate name of the Company up to 31 December 2008 was "Transcontrol Corporation"

3. Company no longer in business at 31 December 2008.

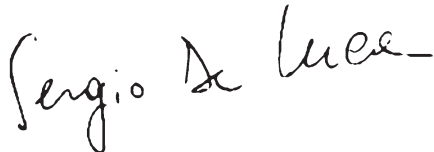
18 Attestation of the Company Financial Statements pursuant to art. 154 Bis, paragraphs 2 and 5 of legislative decree no. 58 Of 24 february 1998, to article 81-ter of CONSOB regulation no. 11971 Of 14 may 1999 and amendments and integration thereof

1. The undersigned Sergio De Luca, Chairman, and Jean Paul Giani, the manager in charge of the preparation of the company accounting documents of ANSALDO STS SpA, certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998 and amendments and integrations thereof:
 - the appropriateness of the financial statements with regard to the nature of the business and
 - the effective application of administrative and accounting procedures in preparing the financial statements for the period running from 1 January 2008 through 31 December 2008.
2. No significant issues have arisen in this regard.
3. It is also certified that these financial statements:
 - a) correspond to the entries in the books and the accounting records;
 - b) are prepared in accordance with the International Accounting Standards recognised by the European Union, in accordance with Regulation (EC) 1602/2002, and, to our knowledge, provide a true and fair view of the performance and financial position of the issuer;
4. We certify that the Directors' report contains a reliable analysis of the performance and the operating result, as well as the position of the issuer, together with a description of the main risks and uncertainties the issuer is exposed to.
5. This attestation is made pursuant to and for the purposes of Art. 154-bis, paragraphs 2 and 5, of Legislative Decree no. 58 of 1998.

Genoa, 6 March 2009

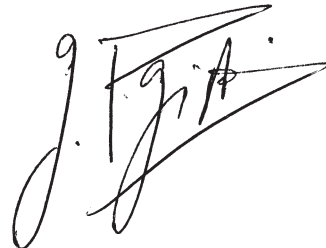
Signature of the Chief Executive Officer

Sergio De Luca




Signature of the Manager in charge of the
preparation of company accounting documents

Jean Paul Giani



Strategic concept, Copywriting, Graphic design and composition:

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