



ANSALDO STS GROUP
CONSOLIDATED QUARTERLY REPORT
AT 30 JUNE 2007

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Attachment A: list of significant equity investments pursuant to CONSOB resolution no. 11971/1999, Article 125

Attachment B: Statement pursuant to Article 154-bis, paragraph 2 of Legislative Decree 58/1998

ANSALDO STS GROUP

1 Report on operations at 30 June 2007

1.1 Introduction

The Ansaldo STS Group recorded a net profit of EUR 28,359 thousand at 30 June 2007 compared with a pro-forma profit of EUR 15,960 thousand for the same period of 2006, net of non-recurring listing costs of EUR 6,806 thousand. Revenues grew from EUR 442,363 thousand at 30 June 2006 to EUR 461,333 thousand at 30 June 2007. The Group's profit margin went from 8.04% (9.57% net of listing costs) at 30 June 2006 to 9.71% at 30 June 2007.

Orders at 30 June 2007 came to EUR 546,744 thousand compared with EUR 821,932 thousand at 30 June 2006. This reduction should be viewed in the context of the exceptional value of contracts obtained in the first half of last year. The volume of orders obtained in the first half of 2007 was, however, satisfactory, as well as higher than the revenues for the period. Therefore, the value of the backlog of EUR 2,448 million at 30 June 2006 increased further over the considerable figure achieved at the end of 2006 of EUR 2,414 million and at the end of the first half of last year of EUR 2,446 million.

The share price fell by 0.6% (from €9.88 to €9.78) during the first half of the year. There was significant volatility in the share price as a result of the negative trend in the European capital goods market. The European industrial indices for the transportation sector experienced a similar trend during the period.

The figures for 30 June 2006 and 31 December 2006 included for the purpose of comparison in the tables in this report only take into account the consolidation of the subsidiaries Ansaldo Trasporti Sistemi Ferroviari S.p.A. and Ansaldo Signal N.V. from the date of acquisition (24 February 2006). However, in order to make the information comparable and consistent with that made available to the market during the listing and in 2006, and in consideration of the negligible significance of the comparative figures presented, the report on operations includes the pro forma figures of the companies that currently fall within the scope of consolidation for the figures at 30 June 2006 and 31 December 2006. Therefore, in order to facilitate

understanding of the businesses' performance, the operational data explained contains a comparison with the pro forma figures.

Ansaldo STS S.p.A., the Group parent company, exercised the option to use the Consolidated Taxation Mechanism for the Group's Italian subsidiaries (Ansaldo Segnalamento Ferroviario S.p.A. and Ansaldo Trasporti Sistemi Ferroviari S.p.A.) for the 2007-2009 period for IRES (corporate income tax). Specifically, this mechanism allows companies to calculate a single IRES tax base for the Group's Italian companies by summing the taxable incomes (fully considered) of the parent company and the subsidiaries (only the "Italian" subsidiaries).

The main financial benefits of using this mechanism are as follows:

- in the event one of the participating companies reports a tax loss, its use shall not depend upon the subsequent generation of taxable income since the immediate transfer of the loss to the Group would allow quicker offsetting within the context of the consolidated results, thus creating clear financial advantages at a minimum to which is added economic benefits if the company—in the five tax periods following that in which the tax loss arises—has no expectations of its use due to lack of expected taxable income;
- dividends that are distributed among the companies participating in the Consolidated Tax Mechanism shall be fully tax exempt instead of subject to the 5% tax provided for under the ordinary rules;
- there is the possibility to transfer assets that generate a taxable capital gain within the scope of consolidation on a tax-deferred basis (for IRES purposes only);
- there is the possibility to transfer not just IRES credit carryforwards but also other tax credits (IRAP, VAT, social security contributions, etc.) to the Group thereby allowing their use and immediate receipt.

The first six months of 2007 ended with a net consolidated profit of EUR 28,359 thousand, up from EUR 15,960 thousand at 30 June 2006.

To make a meaningful comparison between the two periods, it is necessary to bear in mind the effect of the listing costs, which came to EUR 6,806 thousand.

The overall improvement of EUR 12,399 thousand is due to the increase in EBIT, which rose by EUR 9,274 thousand, to a EUR 618 thousand increase in financial income, and to lower taxes of EUR 2,507 thousand recorded for the period.

Taxes at 30 June 2007 came to EUR 18,415 thousand (EUR 20,922 thousand at 30 June 2006). Of this figure, EUR 4,203 thousand was IRAP (regional tax on business activities), EUR 16,672 thousand was IRES (corporate income tax) (this includes a consolidated tax gain by Ansaldo

STS S.p.A.), EUR (2,460) thousand was tax on overseas companies and others (deferred taxes and taxes from previous periods).

1.2 Results for the second quarter of the year

The second quarter ended with a net consolidated profit of EUR 19,520 thousand compared with EUR 11,280 thousand for the same period of 2006.

The EUR 8,240 thousand improvement is due to the following changes: a EUR 5,741 thousand increase in EBIT, a EUR 130 thousand decrease in financial income and a EUR 2,630 thousand decline in taxes.

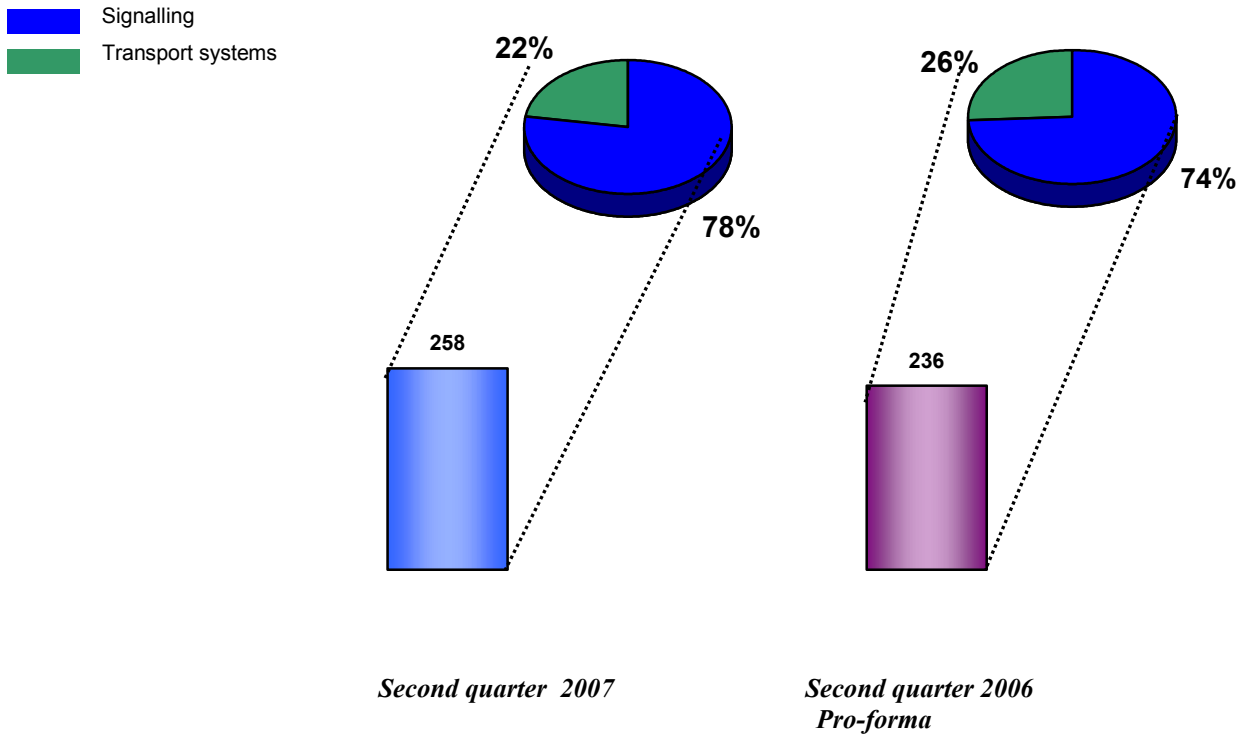
Taxes in the second quarter came to EUR 7,804 thousand (EUR 10,434 in the second quarter of 2006). Of this figure, EUR 2,564 thousand was IRAP, EUR 10,996 thousand was IRES (this includes a consolidated tax gain by Ansaldo STS S.p.A.), EUR (5,756) thousand was tax on overseas companies and others (deferred taxes and taxes from previous periods).

In line with Group growth targets, the **value of production** increased by 9.22% from EUR 235,891 thousand for the second quarter of 2006 to EUR 257,659 thousand for the second quarter of 2007. The increase, in absolute terms, came to EUR 21,768 thousand. This rise is attributable to the contribution of the Signalling Division during the two periods in question. Specifically:

- Signalling (net of transactions with the Transport Systems Division) expanded by EUR 25,266 thousand compared with the same period of the previous year,
- Transport systems (net of transactions with the Signalling Division) expanded by EUR 3,498 thousand compared with the same period the previous year.

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Value of production by division for the second quarter 2007 – 2006 (EUR millions.)

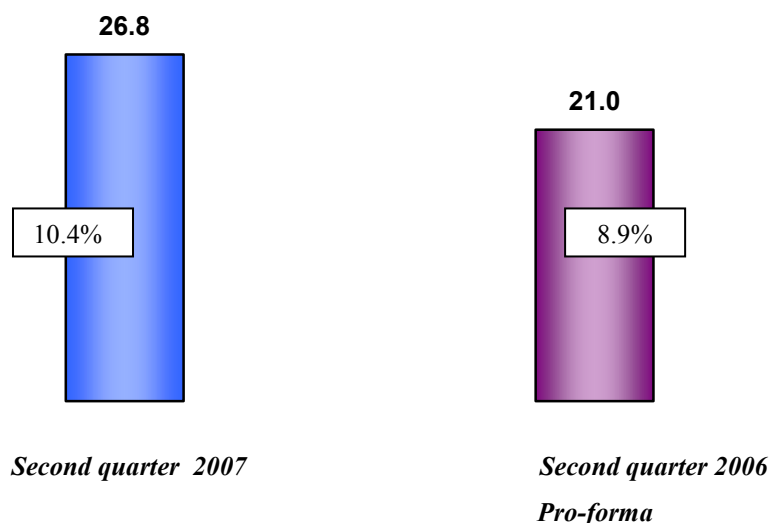


Operating profit (EBIT) for the second quarter of 2007 was EUR 26,764 thousand compared with EUR 21,023 thousand for the second quarter of 2006, an increase of EUR 5,741 thousand. The Group's profit margin increased from 8.9 % in 2006 to 10.38% in 2007.

Therefore:

- Signalling ended the second quarter of 2007 with an operating profit of EUR 25,101 thousand compared with EUR 17,304 thousand for the same period last year, an increase of EUR 7,797 thousand.
- Transport Systems for the second quarter of 2007 showed an operating profit of EUR 7,231 thousand, compared with EUR 7,422 thousand for the same period last year, a reduction of EUR 191 thousand.

EBIT and ROS for the second quarter 2007 –2006 (EUR millions)



At 30 June 2007 consolidated **net invested capital** was a negative EUR 28,563 thousand compared with a negative EUR 31,610 thousand at 31 December 2006. The difference of EUR 3,047 thousand is essentially attributable to the EUR 6,738 thousand increase in non-current assets (mainly a EUR 4,148 thousand increase in intangible fixed assets and a EUR 3,278 thousand increase in deferred tax assets), the EUR 3,833 thousand increase in non-current liabilities (mainly a EUR 1,692 thousand increase in severance pay owed by the Italian subsidiaries due to curtailment and the EUR 2,213 thousand increase in other liabilities) and, to a lesser extent, to EUR 142 thousand in **working capital** which rose from negative EUR 237,305 thousand at 31 December 2006 to negative EUR 237,163 thousand at 30 June 2007, substantially in line with the figures at December 2006, since the decline in trade receivables (higher receipts from customers) and the increase in trade payables were offset by the increase in inventories and works in progress excluding instalment payments.

The Group's **net liquidity position** (excess of financial receivables and liquid assets over financial debt) at 30 June 2007 was EUR 184,714 thousand compared with EUR 158,249 thousand at 31 December 2006, an increase of EUR 26,465 thousand (this is explained in detail in the notes). Cash management activities were positive, thanks to pre-strategic investments free operating cash flow (FOCF) during the period of EUR 28,470 thousand, a decline from the EUR 133,810 thousand at 30 June 2006 that is considered to be wholly exceptional.

The main factors that affected the change in the Group's liquidity are the following:

- receipt of EUR 130,582 thousand from Ferrovie dello Stato by our Italian subsidiary Ansaldo Segnalamento Ferroviario,
- receipt from clients of our Australian subsidiary Union & Switch PTY of EUR 35,300 thousand, particularly on the Rawang Ipoh, ARTC, Rio Tinto orders and by our French subsidiary CSEE Transport of EUR 12,900 thousand for the following orders: CTRL Phase II and ATP on-board China;
- payment for the acquisition of the RM STAR division by the subsidiary US&S for EUR 2,380 thousand;
- payment of VAT of EUR 10,073 thousand;
- payment of taxes of EUR 29,339 thousand;
- payment of investments in tangible and intangible assets of EUR 4,489 thousand;
- receipt of financial income of EUR 3,344 thousand.



In the second quarter of 2007 **research and development spending** came to EUR 11,459 thousand compared with EUR 10,881 thousand in the same period of 2006, a reduction of EUR 578 thousand.

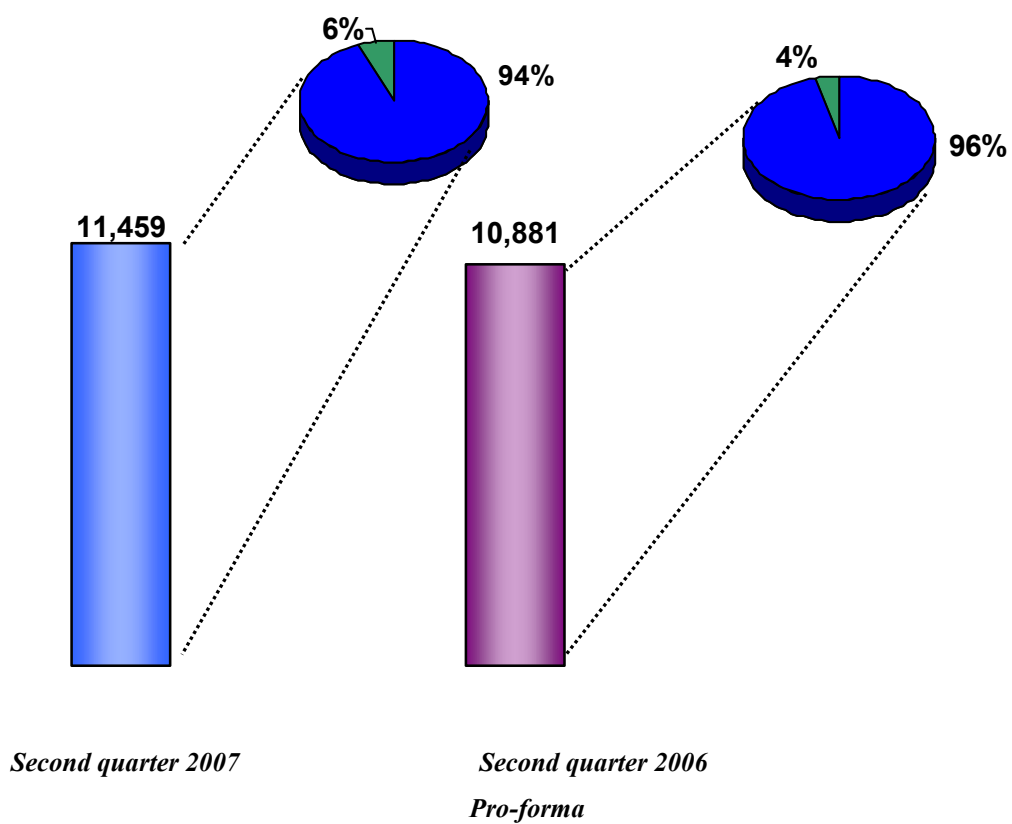
The activities of the Signalling Division, totalling EUR 10,543 thousand and accounting for 92% of the total, were principally associated with the following companies (figures in euros):

- Ansaldo Segnalamento Ferroviario SpA (ASF) : 3,033 thousand
- CSEE Transport (CSEE) : 4,817 thousand
- Union Switch & Signal Inc. (US&S) : 1,982 thousand

The activities of the Transport Systems division came to EUR 679 thousand an increase of EUR 245 thousand compared with the second quarter of 2006.

Research & Development Second Quarter 2007 –2006 (EUR millions) and contributions from the divisions.

 Signalling
 Transport Systems



1.3 Profit and loss account

	<i>Second quarter 2007</i>	<i>Second quarter 2006</i>	<i>First half 2007</i>	<i>First half 2006 Pro-forma</i>
Profit and loss account (EUR 000)				
Revenue	257,659	235,891	461,333	442,363
Value of production	<u>257,659</u>	<u>235,891</u>	<u>461,333</u>	<u>442,363</u>
Purchases and staff costs	(228,092)	(211,023)	(414,277)	(402,631)
Changes in work in progress, semi-finished products and finished goods	(72)	(163)	2,894	2,435
Amortization and depreciation	(2,625)	(2,343)	(4,617)	(4,807)
Writedowns	(78)	(135)	(78)	(150)
Reorganization costs	-	-	-	-
Other net operating revenues (costs)	(28)	(1,204)	(415)	(1,644)
EBIT	<u>26,764</u>	<u>21,023</u>	<u>44,840</u>	<u>35,566</u>
Financial income and charges, net	560	691	1,934	1,316
Income tax	(7,804)	(10,434)	(18,415)	(20,922)
Net profit	<u>19,520</u>	<u>11,280</u>	<u>28,359</u>	<u>15,960</u>
<i>Group</i>	19,498	11,259	28,305	15,944
<i>Minority interests</i>	22	21	54	16

The figures contained in this section of the quarterly report for 2006 refer to the pro forma situation. They are obtained by aggregating the figures of the companies that fall within the current scope of consolidation and making all the consolidation adjustments performed to prepare this quarterly report and reflect the results as if they had operated as a single Group prior to the date of acquisition of control by Ansaldo STS (24 February 2006).

1.4 Reclassified balance sheet

	<i>30/06/2007</i>	<i>31/12/2006</i>	<i>30/06/2006</i>
<i>(EUR 000)</i>	<u> </u>	<u><i>Pro-forma</i></u>	<u><i>Pro-forma</i></u>
Non-current assets	257,292	250,554	234,519
Non-current liabilities	<u>48,692</u>	<u>44,859</u>	<u>41,820</u>
	<u>208,600</u>	<u>205,695</u>	<u>192,699</u>
Inventory	104,166	96,540	89,041
Contract work in progress	127,099	78,292	90,047
Trade receivables	277,738	311,145	233,373
Trade payables	206,016	166,289	179,730
Advances from customers	461,781	475,124	431,172
Short-term provisions for risks and charges	23,245	22,310	25,454
Other current assets (liabilities), net	<u>(55,124)</u>	<u>(59,559)</u>	<u>(54,132)</u>
Net working capital	<u>(237,163)</u>	<u>(237,305)</u>	<u>(278,027)</u>
	<u> </u>	<u> </u>	<u> </u>
Net invested capital	<u>(28,563)</u>	<u>(31,610)</u>	<u>(85,328)</u>
Group shareholders' equity	155,809	126,279	95,942
Minority interests	<u>342</u>	<u>360</u>	<u>371</u>
Total shareholders' equity	<u>156,151</u>	<u>126,639</u>	<u>96,313</u>
	<u> </u>	<u> </u>	<u> </u>
Financial debt (liquidity), net	<u>(184,714)</u>	<u>(158,249)</u>	<u>(181,641)</u>

1.5 Cash Flow

<i>(EUR 000)</i>	<i>30/06/2007</i>	<i>31/12/2006</i> <i>Pro-forma</i>	<i>30/06/2006</i> <i>Pro-forma</i>
Cash and cash equivalents – opening balance	<u>48,580</u>	<u>35,973</u>	<u>35,973</u>
Gross cash flow from operations	42,792	100,209	54,690
Change in working capital	16,316	93,773	124,080
Changes in other operating assets and liabilities, taxes, and interest	<u>(22,298)</u>	<u>(53,098)</u>	<u>(31,516)</u>
Cash flow from (for) operations	<u>36,810</u>	<u>140,884</u>	<u>147,254</u>
Cash flow from investing activities	(8,340)	(21,627)	(13,444)
Free operating cash flow	<u>28,470</u>	<u>119,257</u>	<u>133,810</u>
Strategic investments	<u>(2,380)</u>	<u>(60,371)</u>	<u>(54,805)</u>
Cash flow from (for) for investing activities	<u>(10,720)</u>	<u>(81,998)</u>	<u>(68,249)</u>
Dividends paid	0	(32,000)	(32,000)
Capital increases	0	60,169	60,169
Cash flow from financing activities	<u>(32,624)</u>	<u>(74,609)</u>	<u>(80,790)</u>
Cash flow from (for) financial activities	<u>(32,624)</u>	<u>(46,440)</u>	<u>(52,621)</u>
Foreign exchange translation differences	267	161	(510)
Cash and cash equivalents at period-end	<u><u>42,313</u></u>	<u><u>48,580</u></u>	<u><u>61,847</u></u>

2 Market conditions and business climate

The operational data referring to flows and results from 30 June 2006 and 31 December 2006 are pro-forma figures.

Signalling

During the first half of 2007 production volumes for the Signalling division were largely unchanged from the same period last year.

The value of new orders, which came to EUR 377.3 million is in line with the same period of last year (EUR 399.2 million).

Ansaldo Segnalamento Ferroviario SpA was able to offset the decline in the volume of new domestic orders for the period, due to the continued slowdown in investments by RFI and Trenitalia, which began last year (from about EUR 113 million in the first half of 2006 to about EUR 100 million in the first half of 2007), by intensifying its commercial activities abroad in order to diversify its activities geographically towards markets where the company has development responsibilities within the Ansaldo STS Group.

Foreign orders in the first half of 2006 improved over the same period of 2007, rising from EUR 5.7 million to EUR 21.0 million.

The most significant current foreign initiatives include:

- The acquisition of initial orders in:
 - Romania (worth about EUR 4.2 million) for ERTMS wayside equipment;
 - Greece (worth about EUR 12.5 million) for on-board equipment for trains that will be used within that country on lines equipped with ERTMS Level 1 technology.
- The pending bid in China for the Wuhan-Canton high speed line which also includes a technology transfer. The result is expected to be announced in September.
- Entry in:
 - the German market with the submission of the bid for the Saarbrücken Mannheim high speed line in Germany. The result will be announced in September.
 - the Russian market where the first part of an analysis by a working group in which the Russian railways also participated was completed during the first half

of this year. The working group's task was to precisely identify a common solution (based on ERTMS and Russian devices) for application on all types of lines in Russia. This activity falls under the protocol of understanding signed between Finmeccanica and RZD aiming for a stable presence in the Russian signalling market including through the possible formation of an industrial joint venture.

- the Polish market with ongoing negotiations for an interlocking pilot programme.

Our French subsidiary CSEE Transport experienced a slight decline from the first half of 2006. Among the key orders for the period was the supply contract for Rotem for Bistandard equipment for Korea, the change of the order for the Daegu-Busan section of the Korean high speed line, together with a sizeable volume of components.

Our American subsidiary Union Switch & Signal acquired orders worth approximately EUR 80 million, including the extension of the Binhai, Shanghai Line 2 CAB and Shenyang contracts in China. Commercial activities on the internal market generated good component sales and the Chambers Street order for New York.

The orders acquired by our Australian subsidiary Union Switch & Signal PTY, the lead company in the Asia/Pacific area, were once again of particular importance.

Our leadership position in the Indian market was confirmed in 2006 by the acquisition of a substantial order in the signalling and telecommunications area for the Ghaziabad-Kanpur line, as well as by the first contracts for the construction of an ATP system based on European technological standards. The Australian market was highly dynamic in the first quarter of 2007 and our subsidiary Union Switch & Signal PTY acquired a significant volume of orders, including signalling and telecommunications systems for use in a mining operation and extensions to the ARTC contract.

Commercial activity in other markets where our subsidiaries operate directly, such as the United Kingdom, Malaysia and the Northern European countries, reflected the sluggish trends in these areas, although the foundations were laid for future opportunities.

We believe the global signalling products and systems market will continue the upwards trend, which is nevertheless dependent on the dynamics of the various national markets, themselves subject to their own cycles.

The Chinese and Indian markets, which are fairly different from each other, present excellent growth prospects both in the rail and metro sectors, which are of great interest to our Group. There should also be new opportunities in the Indonesian, Malaysian and Australian markets in the short-medium term.

At a European level it should be noted that the long period of large-scale investments by Ferrovie Italiane is inevitably slowing down, both due to saturation (for example on the SCMT on-board ATP system) and due to reduced investment capacity.

Other European rail markets such as Spain and the United Kingdom, and to a lesser extent Germany, France and the Northern European countries, will provide significant opportunities for our Group, which already operates in all these markets and has a portfolio of solutions suited to the most complex applications, such as those for high speed lines. Growth in the urban railway segment is expected in high-tech applications such as driverless metro systems, both for architecture based on track circuits and on radio solutions (CBTC).

Market areas that until recently had not been of interest to our Group, such as North Africa, the Middle East and South America, are now showing interest in investing in both rail and metro transport systems.

Transport Systems

Orders acquired in the first half of 2007 came to EUR 175 million, compared with EUR 425 million at 30 June 2006, which mainly related to the three-year extension of the Copenhagen operation and maintenance contract, as well as the acquisition of the Milan metro Line 5 and the Thessaloniki metro). The most important acquisition for the period regarded the Rome Line C project. In June, the shareholders' meeting of Metro C, having reached an agreement on the subdivision of the work, approved the transformation of the company from a joint stock company (S.p.A.) to consortium denominated by shares (S.c.p.a.). The bylaws envisage that costs and revenues will be passed on to the shareholders and, therefore, that the Company will recognise the share of works relating to just that part currently financed in the backlog. Specifically, in June the Inter-ministerial Economic Planning Committee-CIPE approved a technical and financial change in the work which raises the overall amount to be paid and the related financed portion. We are waiting for the bureaucratic process to be completed with publication in the *Gazzetta Ufficiale* to recognise the further share. In addition, negotiations on the formalisation of direct work orders from the consortium to ATSF are nearing completion.

Other orders are as follows: EUR 6.9 million for Business Alifana Inferiore for the fitting out of 15 MA100 electric trains owned by Metrocampania Nordest with ATPc and ATPd signalling system, EUR 8.3 million for adjustments to the Milan-Bologna high speed line obtained through the Saturno Consortium, EUR 2.6 million for recognition of changes relating to the Vesuviane business on the Ponticelli – Cercola section, and, finally, EUR 4.9 million in changes to the Copenhagen project related to Phase 3 Operation & Maintenance.

We believe the global transport systems market will continue the upwards trend, which is nevertheless dependent on the dynamics of the various national markets, themselves subject to their own cycles.

In May, the heads of Finmeccanica, the Russian railways (RZD) and the Russian National Science Institute (VNIIS) signed an agreement for a new railway signalling system built by Ansaldo STS to be used on existing Russian railway lines and stations. This innovative system, which has already been installed on Italy's high-speed network, can be adapted to the entire Russian railway network and may be used for any type of traffic. Trains will remain in constant communication with the command centres using radio systems manufactured by other Finmeccanica companies with localisation made possible using satellite technologies.

This aforementioned agreement is the latest in a series of agreements signed since 2005 in the transportation sector between Finmeccanica and the Russian Federation. In the agreement of last March signed in Bari during the Italian-Russian summit, the heads of the two companies signed an industrial collaboration agreement providing for the involvement of other Finmeccanica companies in the installation of security and electricity supply systems. Specifically, as to the Company, it provides that the first portion of the equipment for an electrical substation will be purchased in early August.

The development of significant synergies between the Finmeccanica group companies and the Russian railways is the natural result of this agreement.

This led to one of the most important events in the first half of 2007, the qualification of the Mecca Medina Rail Link Consortium (composed of Saudi Oger Ltd, El Seif Engineering Contracting co ltd, Ansaldo Trasporti Sistemi Ferroviari SpA, AnsaldoBreda SpA, Selex Sistemi Integrati SpA, Ferrovie dello Stato SpA, and JSC “Russian Railways”) to participate in the tender held by the Saudi Railway Organization.

The DBOT project involves the design, building, installation and management for the concession period of a high-speed railway link between the holy cities of Mecca and Medina, consisting of approximately 450 km of electrified line. The project is estimated to be worth \$US 5 to \$US 6 billion (excluding operating costs). The winning consortium is required to have a sound financial structure backed by an international bank, as well as superior technological leadership. Should the consortium win, work is expected to begin at the end of 2008.

Other important events for the Company include the acceptance of the “Impregilo SpA-AEGEK-SELI SpA-Ansaldo Trasporti Sistemi Ferroviari” joint venture to participate in the RFP 149/06 tender for the construction of the “extension of line 3 of the HAIDARI-PIRAEUS section of the Athens metro”. The competition should begin in October.

With regard to the competition for the Rome Line D project, the customer has designated the team consisting of the Condotte and Pizzarotti companies as the Promoter, which will enjoy pre-emptive rights during the competition, namely the right to match any better offers made by other competitors.

Within the framework of the concession for the Naples Metro Line 6 project, progress had been made in negotiations with the City of Naples to define a 6th supplementary contract to the Concession regarding the completion of the line from Mostra to Municipio, including the section through S. Pasquale, which is already covered by a previous 5th supplementary contract. The City of Naples has approved the draft contract and is awaiting final authorisation on financing from

the Inter-ministerial Economic Planning Committee-CIPE for the final signing. The contract amount is about EUR 588 million (VAT included). Excluding the uncompleted portion of the previous supplementary contract, the additional order is worth around EUR 425 million.

For the entire ASTS Group, **orders acquired** in the second quarter of 2007 totalled EUR 384,004 thousand, compared with EUR 428,242 thousand for the same period last year, representing a decline of EUR 44,238 thousand.

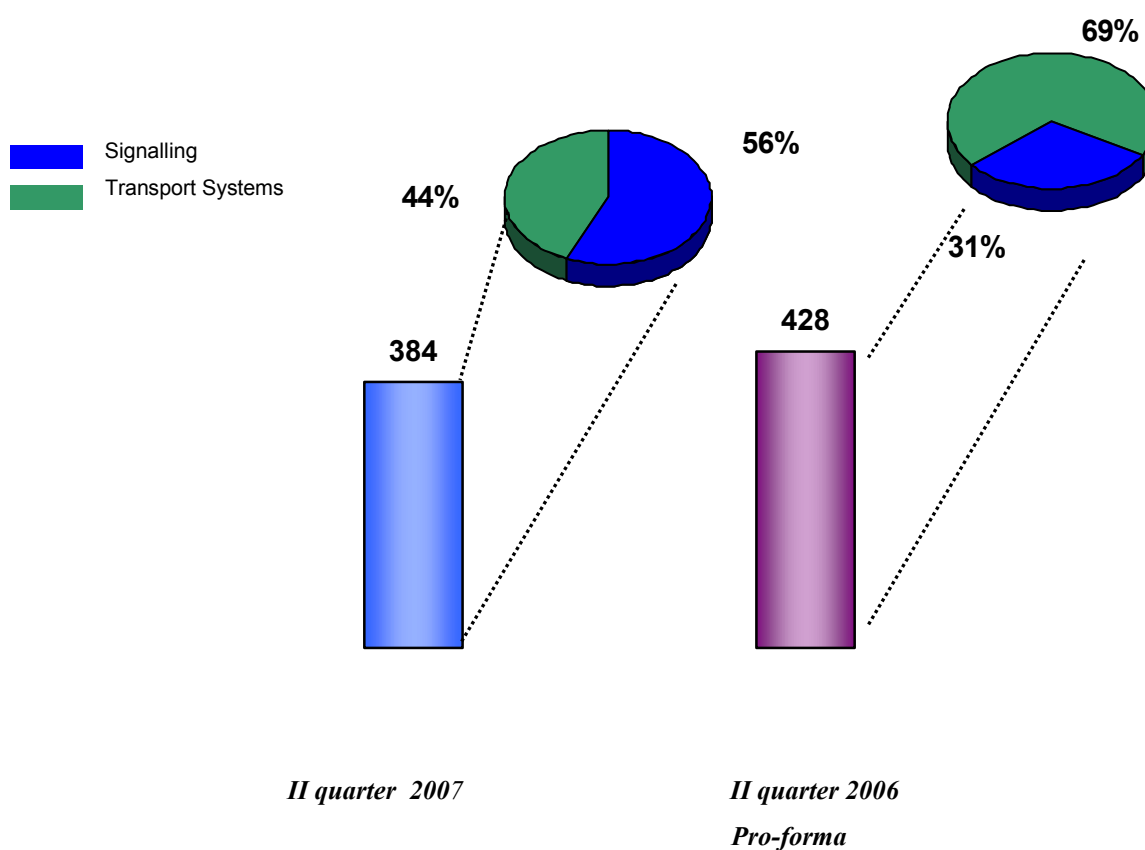
Orders acquired by the Signalling Division totalled EUR 215,816 thousand, while the transport Division acquired orders worth EUR 168,188 thousand. The main orders acquired by the Signalling Division in the second quarter of 2007 were the following:

Country	Project	Customer	Value (EUR millions)
Italy	SCMT wayside	RFI	45.6
USA	Components, service and maintenance	Various	15.9
France	Components, service and maintenance	Various	13.4
Italy	Components, service and maintenance	Various	11.4
Australia	ARTC Projects	ARTC	13.0
Greece	ETCS lev 1 Wayside	ERGA-SE	12.5
China	Shenyang Line 1	Chinese railway	9.1
Korea	HSL Daegu Busan	KRNA	8.8
Australia	TIDC Cleareways 3 Kingrove	TIDC	7.3
Australia	Dalrympol Bay 3rd Ballon Loop	QR	6.2
Korea	Loco 8200	Rotem	5.9
Australia	Rio Tinto project	Rio Tinto	4.3
Romania	Bucharest – Brazov Line	CFR	4.2
Netherlands	HSA V2.3.0.	Ansaldo Breda	3.8
Sweden	STM-N Sweden/Norway	BV	3.5
Spain	Perpignan-Figueras	IFP	2.9
France	SCMT for TGV	SNCF	2.8

The main orders acquired by the Transport Division in the second quarter of 2007 were the following:

Country	Project	Customer	Value (EUR millions)
Italy	Rome Line C	Roma Metro	150.2
Italy	High-speed railway	TAV	10.5
Italy	Vesuviane	Circ. Vesuviana	2.6
Denmark	Copenhagen	Orestad	4.9

Orders by division for the second quarter 2007-2006 (EUR millions)



The **order backlog** at 30 June 2007 stood at EUR 2,487,738 thousand, an increase of EUR 42,202 (1,72%) compared with EUR 2,445,536 thousand at 30 June 2006.

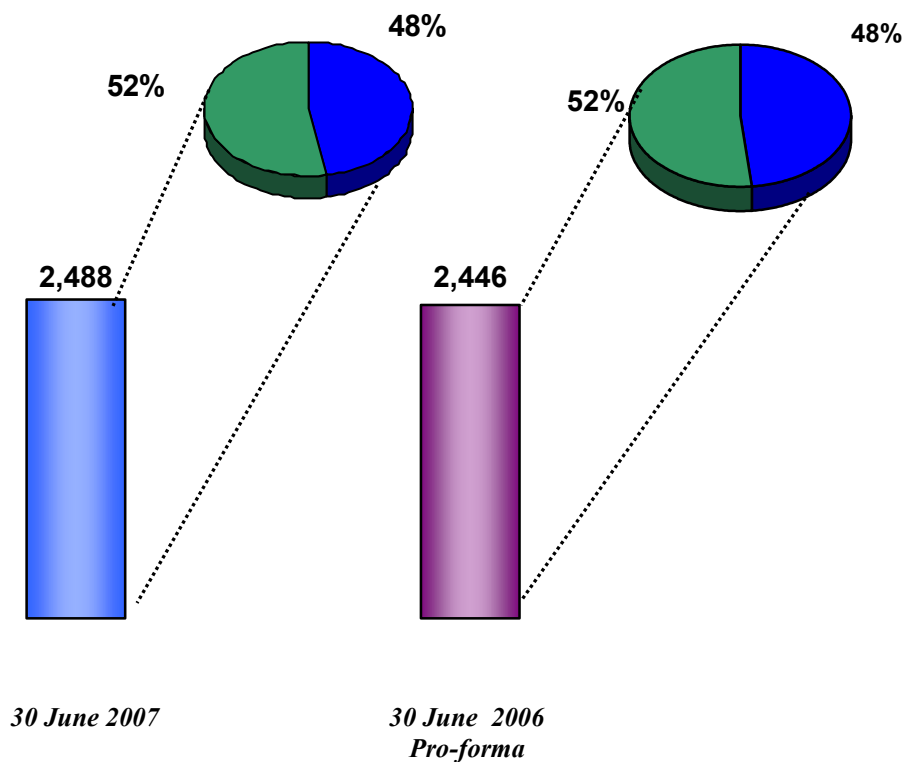
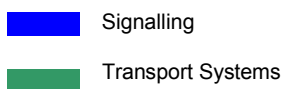
The Signalling Division's order backlog at 30 June 2007 totalled EUR 1,313,579 thousand (including transactions with the Transport Systems Division).

Of this figure, EUR 631,874 thousand related to the Italian subsidiary ASF, EUR 293,262 thousand to the US subsidiary US&S, EUR 221,185 thousand to the French subsidiary CSEE and EUR 175,975 thousand to the subsidiaries in the Asia/Pacific region.

The Transport Systems Division order backlog at 30 June 2007 came to EUR 1,311,005 thousand, chiefly relating to the following projects:

- High-speed trains (EUR 121,923 thousand)
- Copenhagen metro (EUR 158,632 thousand)
- Concessions relating to the construction of the Naples, Rome and Genoa metros (EUR 388,057 thousand)
- Brescia and Milan driverless metro (EUR 322,507 thousand)
- Thessaloniki (EUR 162,564 thousand)
- Alifana (EUR 120,612 thousand)
- Other (EUR 36,708 thousand)

Order backlog by division at 30 June 2007-2006 (EUR 000)

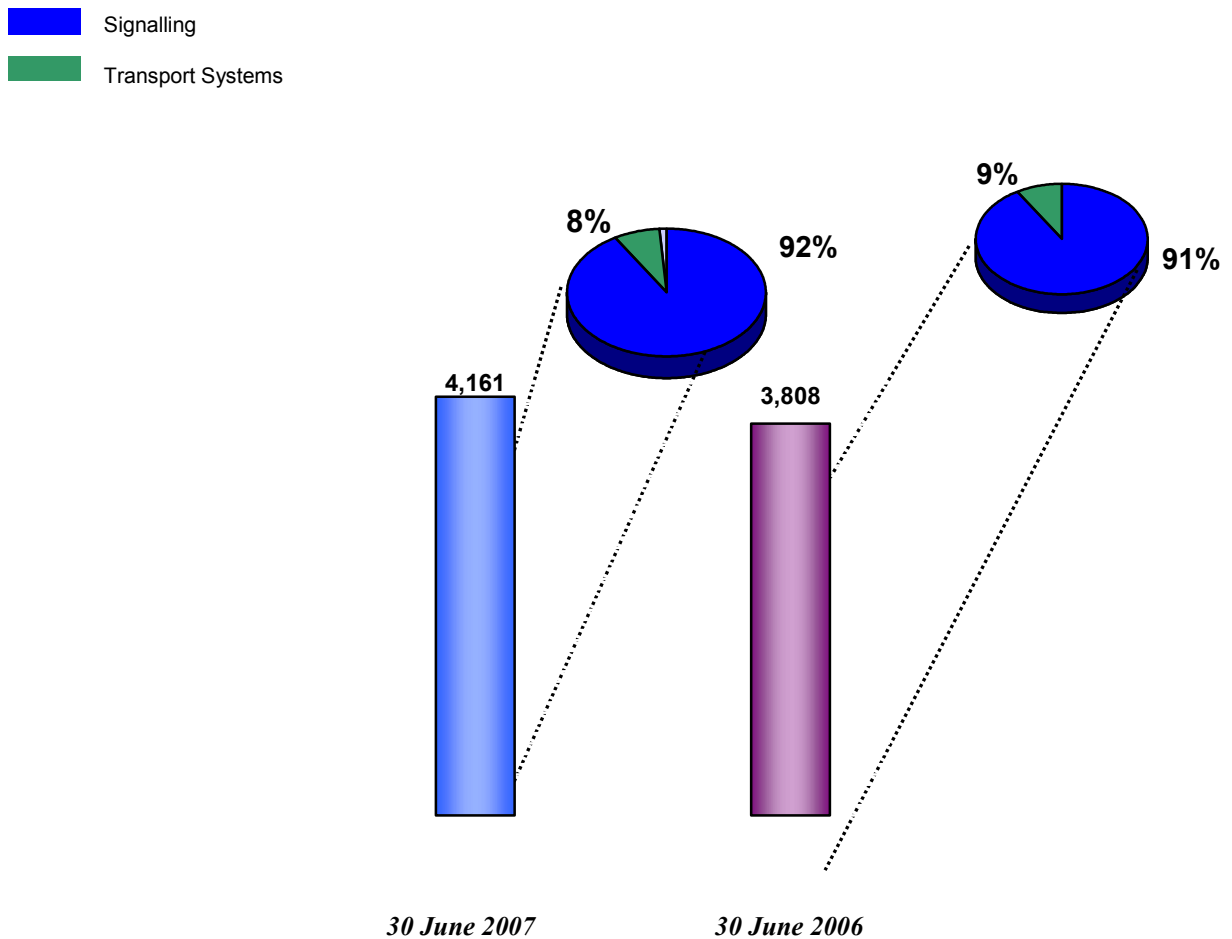


The Group's **headcount** at 30 June 2007 stood at 4,161, an increase of 353, or 9.26 %, compared with the 3,808 at 30 June 2006.

By company, this broke down as follows:

- Signalling: 3,797 staff
- Transport Systems: 316 staff
- Other (Corporate): 48 staff

Headcount by division at 30 June 2007-2006 (number)



3 Main transactions during the quarter and subsequent events

On 6 July 2007, the agreement for the merger of Ansaldo Segnalamento Ferroviario S.p.A. and Ansaldo Trasporti - Sistemi Ferroviari S.p.A. was signed following the acquisition of the entire share capital of Ansaldo Segnalamento Ferroviario S.p.A from Ansaldo Signal NV. As a result of the acquisition, Ansaldo Trasporti - Sistemi Ferroviari S.p.A. has complete and direct control of Ansaldo Segnalamento Ferroviario S.p.A.

The acquisition occurred on 29 June 2007, through the signing of a share purchase agreement between Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and the Dutch company Ansaldo Signal N.V. concerning the transfer of shares of Ansaldo Segnalamento Ferroviario S.p.A.. The shares were transferred effective 1 July 2007 with profit-sharing effective as of 1 January 2007. The final value of the shares transferred, EUR 76,297,621, is equal to the shareholders' equity of the company based on the balance sheet computed at 12:00 a.m. on 30 June 2007 in accordance with the IAS/IFRS, approved by the board of directors of the company.

On 6 July 2007, Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A. signed the agreement for the merger through acquisition of Ansaldo Segnalamento Ferroviario S.p.A. into Ansaldo Trasporti - Sistemi Ferroviari S.p.A., in execution of the merger plan approved by the board of directors on 19 April 2007. The merger will occur through the cancellation of all the shares of Ansaldo Segnalamento Ferroviario S.p.A. by Ansaldo Trasporti - Sistemi Ferroviari S.p.A., without any capital increase. The merger operation will have legal effect as of 1 November 2007, although its accounting and tax effects will be retroactive to 1 July 2007.

The integration of the railway signalling and transport systems businesses is motivated by consideration that the synergy between the two sectors could lead to growth in size and overall profitability, expansion in international markets and entry into new business segments.

Greater integration could allow us to more effectively take advantage of the following strategic opportunities:

- with regard to railway transport systems, more direct, immediate and visible access to safety technology, the possession of which is a decisive, qualifying factor for operating as a technological integrator, results in improved credibility, reputation, expertise and, therefore, business opportunities;
- with regard to signalling, greater commercial effectiveness in those market segments in which signalling technology is increasingly managed using a technological integrator,

both as to the immediate availability of a strong marketing and sales vehicle and as to greater awareness of the customer and its needs;

- for both, the more direct utilisation of reciprocal synergies arising from the presence of one or the other in particular countries and/or business segments; strategic coordination of their respective activities, and reduction in transaction times and costs;
- for the group, greater speed and efficacy in carrying out the original mission of the individual businesses, responding to new market requirements, for example security, that they may encounter only within the context of an integrated view of the railway system.

There are considerable business opportunities for transport systems in railway markets traditionally covered by the Signalling Division, especially with regard to the Ferrovie dello Stato, in terms of the systematic provision and integration of accessory technologies (electricity supply lines, transformer substations, tunnel safety). The regional and/or low-traffic density market, which is currently underserved by transport systems and signalling promise interesting expansion rates for the future. Additionally, the merger will allow us to concentrate the experience of the two original companies with relative benefits in terms of synergies and will permit us to contain costs due to the greater structural efficiency of the two companies and the optimisation of corporate processes.

The American subsidiary of the Signalling Division, Union Switch & Signal International, signed an industrial and commercial cooperation agreement with the Chinese company Zhejiang Zheda Company Ltd. (“Insigma”), specialising in application software and IT networks and infrastructure, for the construction of metro lines in China. The first contract awarded within the scope of this agreement is for Line 1 of the Shenyang metro.

Also during the period, US&S acquired the division of RM Star in consideration of the strategic importance of expanding its range of products.

Within the framework of the concession for the Naples Metro Line 6 project, progress had been made in negotiations with the City of Naples to define a 6th supplementary contract to the Concession regarding the completion of the line from Mostra to Municipio, including the section through S. Pasquale, which is already covered by a previous 5th supplementary contract. The City of Naples has approved the draft contract and is awaiting final authorisation on financing from the Inter-ministerial Economic Planning Committee-CIPE for the final signing. The contract

amount is about EUR 588 million (VAT included). Excluding the uncompleted portion of the previous supplementary contract, the additional order is worth around EUR 425 million.

On 14 June 2007, Ansaldo STS's board of directors approved the rebranding of the Group centring around the use by all companies of the ANSALDO STS name and brand.

Specifically, all the companies will adopt, starting July, the name "Ansaldo STS" followed by a geographical designation. The Italian company will change its name at the end of 2007 following the merger. Union Switch & Signal will change its name as of 1 January 2009.

In July 2007 Roberto Gagliardi resigned as Managing Director of Ansaldo STS Spa for personal reasons. He was replaced by Sergio De Luca, who also holds the position of Managing Director of ASF and of ATSF.

3.1 Atypical and/or unusual operations

In the second quarter of 2007 the Ansaldo STS Group did not take any positions or enter into transactions resulting from atypical and/or unusual operations.

4 Report on operations by segment

4.1 Signalling

EUR 000	Second quarter 2007	Second quarter 2006	First half 2007	First half 2006 (Pro-forma)	31/12/2006 (Pro-forma)
Orders	220,973	133,499	377,301	399,242	833,066
Backlog	1,313,579	1,257,280	1,313,579	1,257,280	1,319,579
Value of production	204,872	176,232	355,471	329,765	702,139
EBIT	25,101	17,304	39,813	32,257	73,901
ROS	12.3%	9.8%	11.2%	9.8%	10.5%
Working capital	(86,802)	(108,472)	(86,802)	(108,472)	(69,987)
Net invested capital	(9,716)	(35,053)	(9,716)	(35,053)	8,558
Research and development	10,543	10,447	22,399	19,113	33,232
Headcount	3,797	3,481	3,797	3,481	3,606

(The figures in the above table include transactions with other segments).

The Signalling division operates at an international level, designing and building railway and urban railway signalling components and systems worldwide through four companies: the Italian company Ansaldo Segnalamento Ferroviario Spa with offices in Genoa, Naples, Turin, and Tito; the American subsidiary Union Switch & Signal with branches in Pittsburgh, Pennsylvania, and Batesburg, South Carolina; CSEE Transport, a French company with offices in Paris and Riom; and the Australian company Union Switch & Signal Pty Ltd based in Eagle Farm, Australia.

The Group also has smaller companies in Sweden (Ansaldo Signal Sweden AB), Finland (Ansaldo Signal Finland OY), Ireland (Ansaldo Signal Ireland Ltd), the United Kingdom (Ansaldo Signal UK Ltd), Spain (Ansaldo Signal Espana S.A.), India (Union Switch & Signal PVT Ltd), and Malaysia (Union Switch & Signal Sdn Bhd). The Group also has a large number of long-standing collaboration agreements with organizations in other countries, especially in China, Korea, and Brazil. On 26 March 2007 a new company was formed, Ansaldo STS Deutschland GmbH, with headquarters in Monchengladbach, Germany.

Most of the Group's work is carried out in Italy, the USA, and France, which together account for about 80% of the division's revenue.

The main projects the division is working (or has worked) on, either carrying them out in their entirety or doing part of the work, include:

- installation of computerized interlocking systems at the stations of Rome Termini, Manchester South, and the Sandbach-Wilmslow link (United Kingdom)
- building the automatic signalling systems for the driverless metros of Copenhagen and Brescia, for the New York and Los Angeles (Green Line) subways, and the metros of Shanghai (Line 2) and Tianjin/Binhai (China),
- installation of the electronic equipment for the Milan metro's Line 3 and complete signalling systems for the railways of Rawang Ipoh (Malaysia) and Hammersley Iron (Australia),
- installing signalling systems on high-speed trains on French (TGV) lines, on the Madrid-Lerida line, Spain, the Seoul-Taegu line, Korea, and the Qinhuangdao-Shenyang line in China. In Italy the Group is working on the Milan-Bologna and Turin-Novara high-speed lines, supplying signalling systems via the Saturno consortium.

The Group intends to pursue a strategy of strengthening the Signalling Division's presence in the areas where it already operates and entering new markets, as well as consolidating its product portfolio and continuing to focus on business improvement.

Orders acquired in the second quarter of 2007 came to EUR 220,973 thousand.

The following are the primary orders acquired by the Signalling Division:

Country	Project	Customer	Value (EUR millions)
Italy	SCMT wayside	RFI	45.6
USA	Components, service and maintenance	Various	15.9
France	Components, service and maintenance	Various	13.4
Italy	Components, service and maintenance	Various	11.4
Australia	ARTC Projects	ARTC	13.0
Greece	ETCS level 1 Wayside	ERGA-SE	12.5
China	Shenyang Line 1	Chinese railway	9.1
Korea	HSL Daegu Busan	KRNA	8.8
Australia	TIDC Cleareways 3 Kingrove	TIDC	7.3
Australia	Dalrympol Bay 3rd Ballon Loop	QR	6.2
Korea	Loco 8200	Rotem	5.9
Australia	Rio Tinto project	Rio Tinto	4.3
Romania	Bucharest – Brazov Line	CFR	4.2
Netherlands	HSA V2.3.0.	Ansaldo Breda	3.8
Sweden	STM-N Sweden/Norway	BV	3.5
Spain	Perpignan-Figueras	IFP	2.9
France	SCMT for TGV	SNCF	2.8

Compared with the first half of 2006, there was a decline of around 5% in the volume of new orders, due mainly to the lack of confirmation of volumes by CSEE and the Asia/Pacific area which had benefited in 2006 from high volumes of orders in the Australian and, especially, Indian markets. The confirmation in the Italian market, which, as noted above, has shown significant signs of recovery for second half of the year, is of great importance.

In particular, ASF still benefits from significant orders for SCMT wayside, combined with additional small orders for on-board SCMT train control systems, initial key orders, especially from a strategic point of view, in Greece and Romania, with an as yet unsatisfying contribution

in the area of components and services; CSEE received several contracts for the supply of on-board equipment and the change in the Korean high-speed railway order, together with a good volume of components; during the period US&S reported the Chambers Street contract for the New York metro, the first orders for CBTC technology in China on the Shenyang line, another two orders in China, respectively, for the extension of the contracts for Binai and Shanghai Line 2, combined with a small volume of orders for component; PTY received orders for nine ARTC projects and two substantial orders for Rio Tinto (Hope Downs and ATO); finally, PVT benefited from the signing of a contract for the upgrade of the signalling in 15 stations, thereby reaching the total of over 300 stations for the Indian railways.

The **order backlog** at 30 June 2007 stood at EUR 1,313,579 thousand.

Of this total, 48% related to the Italian subsidiary Ansaldo Segnalamento Ferroviario, and was made up of wayside SCMT projects, on-board SCMT projects, interlocking projects for Rogoredo, Mestre and Pisa and for work on the Novara-Milan and Milan-Bologna high speed lines.

The **value of production** for the second quarter of 2007 came to EUR 204,872 thousand, an increase of EUR 28,640 thousand (+16.25%) compared with the same period of last year. The main changes are as follows:

- EUR 16,260 thousand for the Asia/Pacific region subsidiaries (Union Switch & Signal PTY, Union Switch & Signal Malaysia and Union Switch & Signal PVT), a net change due to increases for the following projects: the ARTC project (EUR 11,015 thousand), the Rawang Ipoh project (EUR 6,874 thousand), the Rio Tinto project (EUR 2,262 thousand), the Q R Projects (EUR 2,765 thousand), and other minor projects (EUR 385 thousand) and due to decreases for the following projects: the O'Donnell Griffin project (EUR 1,278 thousand), the Botswana Railways project (EUR 1,549 thousand), the WAPS project (EUR 739 thousand), the Pilbara project (EUR 321 thousand), and other projects (EUR 3,154 thousand).
- EUR 2,174 thousand for the American subsidiary US&S, a net change resulting from the increase for the following projects: the Shanghai Line 2 Cabs project (EUR 878 thousand), the Thessaloniki project (EUR 864 thousand), the WMATA Track Circuit project (EUR 709 thousand), the DART SE Extension project (EUR 1,306 thousand), the QN&L project (EUR 2,252 thousand) the UP CAD X/OTP project (EUR 1,536 thousand) the Copenhagen PH III project (EUR 2,423 thousand) and the CTA Dearborn project

(EUR 1,461 thousand) and the decrease for the following projects: the LIRR M-& Cab project (EUR 3,965 thousand), the Charlotte project (EUR 2,867 thousand), the CTA Dan Ryan project (EUR 1,780 thousand), and other minor projects for EUR 697 thousand.

- EUR 8,817 thousand for the French subsidiary CSEE due to increases in CTRL phase 2, TMV 430/Bi standard, SNCFT, Eurocab and HSL Korea activities.

The further EUR 1,389 thousand change concerned other minor Group companies.

The most significant production activities for the quarter are as follows:

ANSALDO SEGNALAMENTO FERROVIARIO SpA (ASF)

HIGH-SPEED RAILWAYS

In the first half of 2007 commercial operation continued on the Rome-Naples and Turin-Novara lines with good overall results in terms of the reliability and punctuality of the system.

In parallel with this, work continued on the type-approval of ERTMS on-board equipment, with test runs on the Rome-Naples line that ended in the issuance by the certifying body of authorization to install our Eurocab on this high-speed line also. Commercial operations with passengers of trains fitted with ERTMS Ansaldo on-board equipment continued on the Turin-Novara line. In this case, too, good results were achieved in terms of overall reliability.

In addition, work continued on the design, construction and field installation of equipment for fitting out the Milan-Bologna high-speed line. The new generation of multistation computerised central apparatus —about which we have high hopes in terms of market potential—is also expected to be installed on this line.

Finally, note should be taken of the failure this half year to allocate finances for the new high speed sections due to the government body's desire to review its priorities and, more generally, to re-examine the draft of the contract for these works.

In fact, the jobs that had been assigned to the General Contractor (and, as a result, to the Saturno Consortium) concerning the Milan-Genoa (*Terzo Valico*), Milan-Verona and Verona-Padua lines have been removed.

As a result, any design and budgeting by ASF in preparation for the signing of contracts for the lines is currently suspended.

With regard to the Saturno Consortium, of which ASF is a member, an examination of actions for recognising costs incurred thus far and the damages suffered due to the failure to assign these lines is being carried out.

SCMT WAYSIDE

The value of production benefited by an increase in the profitability of contracts entered into by the districts of Naples and Reggio Calabria for building the Ionian Axis.

Our ability to design, produce and install wayside systems was confirmed even compared with the remarkable results achieved in the second half of 2006. Thanks to the considerable commitment of all the companies involved and our partners, the necessary preliminary steps have been completed to achieve the important objectives set by the RFI business plan for 2007.

The planned interventions on RFI's old network will be substantially completed with the work scheduled for 2007.

SCMT ON-BOARD

The first half of 2007 was characterised by the consolidation of production of SCMT equipment at the levels achieved in 2006. Specifically, 156 carriages were outfitted and returned to service, largely in line with the figures for the same period of 2006.

During the period, work began on a significant contract acquired in Greece for the supply of on-board equipment for high-speed trains that will be used within that country as well as for the fitting out of certain TGV trains for the French railways to be placed in service on France-to-Italy routes with SCMT equipment.

On a technological level, it should be noted that the placing in service of several ETR500 carriages on the Rome-Naples high-speed/high-capacity line equipped with ERTMS devices has been completely developed and approved by the company.

In-service operation of SCMT and ERTMS equipment is currently deemed satisfactory.

LARGE NETWORK SCC (8 CONTRACTS)

During the period, there was an increase of about 70% in the generation of revenues compared with the first half of 2006.

Work on the contracts for the command and control system (SCC) lines and junctions (including Palermo and the CTC SCCs) is about 80% completed.

Also of note during the period is the activation of the Mestre-Sacile-Tarvisio sections with regard to the Secure Commands system technology for the Venice junction of the SCC and the

Molfetta-Bari P.Nord-Montenero segment for the Adriatic Axis SCC. Two reconfigurations of the Venice junction of the SCC were also carried out at the request of Ferrovie dello Stato.

Negotiations are currently under way for recognition of the contract extension and for the contract-end adjustments/divisions concerning the Venice, Genoa and Naples SCC junctions and the Adriatic Axis.

ACC (9 CONTRACTS)

The activities developed in this business segment during the period laid the ground work for the activation during the second half of the year of several systems delivered or in the process of being delivered to RFI. Construction is continuing at a healthy pace on the Mestre and Pisa devices as can be seen in the individual values of production. Also of note is the reconfiguration of a number of sets of equipment which had begun some time ago to adjust them for new operational use. Of these, the activities relating to equipment to be modified for installation of the SCMT wayside system is of particular importance.

CSEE TRANSPORT

CTRL SECTION II

During 2006 practically all of the signalling and designing of the RBC, including the FAT, were completed on time. In general, the contract is progressing as scheduled and currently 94% of the work has been completed.

The Installation – Test & Commissioning activities were completed at the stations of Wennington, Dagenham, Ebbsfleet and Stratford and are close to completion at St. Pancras.

Work on all activities should be completed by July 2007 and operations are due to begin in November 2007.

ATP ON BOARD CHINA

On 6 April 2007 the Chinese government decided to increase the maximum speed, following strong pressure from the MOR for the use of ATP 200 for this purpose.

In accordance with the commitments undertaken by CSEE with MOR and despite the scarcity of test sites built, the TVM + CTCS 2 version was safely constructed and installed on a train which has been in service since June 17.

The system still suffers from problems of instability that may lead to sudden braking of the trains. It should be noted that the project has been plagued by conflict and a high degree of irrationality. MOR refuses to admit, for internal reasons, that before a train can be put into service there are a minimum number of tests to be performed and adjustments to be made before it can achieve the level of use required, even though this is clearly provided in the contract.

As a result, MOR is continuing to block payment until the instability problems have been resolved.

SPANISH HIGH-SPEED LINE

The ERTMS Level 1 wayside system was put into service starting in May 2006, demonstrating a high rate of reliability, leading to an increase of speed from 250 to 280 Km/h, with a letter of satisfaction sent by the customer. Starting in May 2007, the speed of 300 Km/h was achieved.

With regard to ERTMS Level 2, after the completion of the test phase in June 2006, the final safety case was achieved in June 2007. Spanish authorities have announced that it will be open to the public in the fourth quarter of 2007.

Finally, negotiations for the “Liquidacion” were successfully completed and the related changes to the contract are due to be made by the end of 2007.

UNION SWITCH & SIGNAL INC.

UP CADX

The project, which is highly important for the US subsidiary US&S, involves the development and installation of a “Next Generation Computer Aided Dispatch (CAD) System” and an “Optimising Traffic Planner System”. These systems must be installed on all 33,000 miles of the Union Pacific’s North American railway network. The contract also covers maintenance of the CAD system through 2021.

As to the OTP, the specifications for the system requirements (SRS) were signed by the customer. The OTP architecture specifications were completed at the end of September 2006 using version 1.0 as planned. The customer was fully satisfied.

Integration tests are currently under way and the US&S team is giving priority to fixing SPRs, where progress is reported to the customer on a monthly basis during testing of the OTP system.

During the period UP conducted an audit on the project which confirmed the correct choice of approach by US&S without indicating any particular problems. UP expects production to commence in the first quarter of 2008.

Some project deadlines have been deferred due to problems in the tests of the integration system and in the coordination activities on the OTP that will lead to a postponement of the FAT, initially scheduled for June 2007, to March 2008.

With regard to the specifications for the CAD-X architecture and the analysis of the system requirements, the second release of the specifications was issued to the customer in June as scheduled.

The completion of the design phase, initially scheduled for June 2007, has been postponed to September 2007.

CHARLOTTE

On this project US&S is a subcontractor of the Mass-Aldrige Joint Venture (MAJV). The contract involves the supply of a completely integrated system, including wayside signalling, on-board ATP and TWC equipment, the central office and all the communications systems. The on-board equipment is due to be installed on 16 new LRV locomotives supplied by Siemens and on 4 other existing locomotives. The central office and all communications and related equipment will be designed and supplied by the A&IS business unit of US&S.

The sub-supply contract between Mass Electric Construction and US&S was signed in December 2005. As to the scheduling, the Charlotte Area Transit System (CATS) publicly announced, without any modifications being made to the contract, a delay of about six to eight months due to problems with civil works and notified US&S at the same time to estimate the impact of such delays.

The impact was estimated and in April this led to a change in the order of \$520,000 and an extension of 30 months to the delivery time.

Other requested changes in the order and two claims are being discussed with MAJV and CATS. A resolution is expected in the final quarter of 2007.

With regard to design activities, the final planning of all ten communication houses was approved by the customer and the planning of the Software Centre was completed. The customer's lack of qualified staff has been a problem in the matter of software development and threatens to frustrate all US&S's efforts.

As to the manufacture and supplying of materials, all deliveries were made in accordance with contractual requirements and the FAT was approved by the customer. Nine of the ten signal

houses have been delivered to Charlotte and installed. The last signal house is still at the Batesburg plant and will remain there until July. All remaining signalling equipment has been delivered to Charlotte.

CTA DEARBORN

On this project, US&S is a subcontractor of Aldridge Electric Inc. (AE). The contract calls for the design, supply and testing of a new automatic train control system and an optional communication system to replace the system currently installed on Chicago's Blue Line/Dearborn-Congress from the Forest Park Terminal to the Jefferson Park station on the O'Hare Service/Kennedy Line.

This project involves ground equipment for 22 miles of line, which is expected to be completed in September 2009.

With regard to work status, the Western and Kedzie locations were completed as scheduled. In July, work began on fitting out the O'Hare line between Jefferson Park and downtown Chicago. Overall, the project is currently 62% complete and is on-target with regard to the supply of materials and circuit designing.

Testing of the entire integration system is scheduled for August 2007.

EBIT came to EUR 25,101 thousand in the second quarter of 2007, compared with EUR 17,304 thousand in the same period of 2006, a 45.1% increase (EUR 7,797 thousand).

This change is due to the increase in the operating margin mainly attributable to the Italian subsidiary, Ansaldo Segnalamento Ferroviario, which, despite lower production volumes, benefited from a marked increase in average profitability due to the revision of estimates for SCMT wayside, soon-to-be-completed, and to good performance in orders for components.

Working capital at 30 June 2007 is a negative EUR 86,802 thousand, an improvement of EUR 16,815 thousand over 31 December 2006 (negative EUR 69,987 thousand at 31 December 2006). This is essentially attributable to the change in trade receivables (negative EUR 39,815 thousand) mainly due to the Italian signalling subsidiary Ansaldo Segnalamento Ferroviario Spa from third parties (EUR 11,632 thousand) and the Saturno Consortium (EUR 18,831 thousand) and to the Asia/Pacific area subsidiaries for EUR 10,345 thousand.

Net invested capital at 30 June 2007 came to EUR (9,716 thousand), compared with EUR 8,558 thousand, representing a change of EUR 18,274 thousand, largely due to the abovementioned change in working capital.

Research and development spending stood at EUR 22,399 thousand at 30 June 2007, compared with EUR 19,113 thousand at 30 June 2006.

The main projects are:

- ERTMS level 2– RBC and Caraibi for Ansaldo Segnalamento Ferroviario;
- Ouragan, the on-board product line, track-side engineering and Chinese ATP for the French subsidiary CSEE Transport;
- On-board activities (including CBTC and Next-Generation Cab, Microlok II and III S/W and H/W and OTP).

The **headcount** at 30 June 2007 was 3,797, an increase of 316 compared with the same period of the previous year and of 191 compared with 31 December 2006.

The growth in headcount was necessary in the vital areas of RAMS engineering and development and in planning and logistics as a result of the increase in the current and forecast order backlog for US and Asia /Pacific area activities.

The increase for the US subsidiary also derives from the development of Communication Based Train Control (CBTB), a strategically important project for the Signalling Division and thus for the Ansaldo STS Group.

4.2 Transport Systems

EUR 000	Second quarter 2007	Second quarter 2006	First half 2007	First half 2006 (Pro-forma)	31/12/2006 (Pro-forma)
Orders	168,188	296,667	175,123	425,264	534,340
Order backlog	1,311,005	1,260,698	1,311,005	1,260,698	1,248,130
Value of production	57,921	61,376	112,248	116,359	236,753
EBIT	7,231	7,422	12,374	12,259	21,446
ROS	12.5%	12.1%	11.0%	10.5%	9.1%
Working capital	(138,136)	(166,063)	(138,136)	(166,063)	(171,949)
Net invested capital	(94,784)	(127,965)	(94,784)	(127,965)	(124,304)
R&D	679	434	1,159	874	1,985
Headcount	316	327	316	327	327

(Figures in the table above include transactions with other segments)

- The Transport Systems division, consisting of Ansaldo Trasporti Sistemi Ferroviari SpA, studies, designs and plans how to integrate the activities of designing and building the equipment that goes into 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 Division separately, according to specific customer needs.

The main projects the Transport Systems Division is working, or has worked, on include:

- the driverless metros of Copenhagen and Brescia and Thessaloniki,
- Naples metro line 1, and Rome metro lines A, B and C,
- light metro systems at Genoa and Naples line 6 (on these two projects the Group is acting as concessionaire, and is thus responsible for completion of the whole project including civilian works) and Lima,
- tram systems at Florence, Sassari, Birmingham (Midland Metro), Manchester (Metrolink), and Dublin (lines A, B, C),

- STREAM of Trieste,
- parts of the electronic rail systems of line 1 of the Milan metro

Finally, in Italy the division is working on high-speed rail lines through the IRICAV UNO consortium (responsible for the Rome-Naples section), and the IRICAV DUE consortium (responsible for the Verona-Padua section), and Saturno.

Orders acquired during the second quarter of 2007 totalled EUR 168,188 thousand and relate to:

Country	Project	Customer	Value (EUR millions)
Italy	Rome Line C	Roma Metro	150.2
Italy	High-speed railway	TAV	10.5
Italy	Vesuviane	Circ. Vesuviana	2.6
Denmark	Copenhagen	Orestad	4.9

During the same period of last year, new orders acquired came to a total of EUR 296,667 thousand.

In this quarter, too, these developments confirm the effectiveness of the strategies adopted both at a company and at a Group level, and demonstrate our leadership in transport systems in Italy.

The **order backlog** at 30 June 2007 totalled EUR 1,311,006 thousand, compared with EUR 1,260,698 thousand at 30 June 2006, and EUR 1,248,130 thousand at December 2006).

These orders are mainly connected with products involving the following:

- high speed trains
- Copenhagen metro
- Concessions relating to the building of the Naples, Rome and Genoa metros
- Brescia and Milan and Thessaloniki driverless metro
- Alifana

The **value of production** in the second quarter of 2007 totalled EUR 57,921 thousand, compared with EUR 61,376 thousand in the second quarter of 2006. This was generated by the projects

concerning high-speed rail, Copenhagen, MetroGenova, Alifana, Line 6 of the Naples metro and MetroBrescia.

The most significant production activities for the quarter are as follows:

HIGH-SPEED RAILWAYS:

Work conducted through the Saturno consortium, responsible for technological activities on the Rome-Naples section, has received comments from Italferr for the project to execute Operational Lot 2 (the bid is in the process of being submitted). The planning phase continues for the Novara-Milan section ahead of the concession of the sites by the General Contractor. Installations on the Milan-Bologna section are almost complete and negotiations are under way relating to the bid submitted for certain changes.

In relation to the first lot for the Rome-Naples section - already in service - where the company participates both as General Contractor (Iricav Uno Consortium) and technology supplier (Saturno Consortium), on 30 January 2007 the testing committee issued an Addendum to the final testing certificate, applying an overall deduction to the General Contractor.

With regard to the second lot, the supply of crushed stone at the Gricignano storage area continued. The comparison with TAV/ITF is under way for the redefinition of the new works programme that will implement the change for technological works.

METROGENOVA

In the first half work concentrated mainly on the De Ferrari-Brignole section.

Excavations were completed for the first and second service shafts for the Corvetto-Acquasola work site. After delays in 2006 due to the discovery of archaeological finds, works are now running according to schedule.

Upgrades are being made to the land-train radio system on the Brin-De Ferrari section.

Finally, in June the delivery of spare parts for ten second-generation vehicles was completed permitting the drawing up and issuing of the final invoice.

ALIFANA REGIONAL LINE

Construction is largely completed for the sub-section from Giugliano to Aversa Centro (not affected by delivery of areas by the Grantor), both in terms of line installations and equipment. Installation of the Aversa Centro station is essentially completed and the fittings will be finished by the end of August. Work on the Aversa Ippodromo and Giugliano stations is at an advanced

stage and should be completed between the end of September and October due to a number of changes requested by the Grantor.

NAPLES METRO LINE 6

In the first half of 2007, work was completed on the Mostra-Mergellina sub-section and, following the completion of testing and operational checks on the installations between October and December, the Naples USTIF interministerial committee certified that the system is ready for public use. Therefore, on 11 January 2007, the sub-section was opened in the presence of the most important ministers from the Italian government, led by Prime Minister Romano Prodi.

The installations have been in operation for about five months and have proved satisfactory with regard to the level of ensured service and the number of passengers transported. Certain operational windows during this period through August were agreed with the operator, Metronapoli S.p.A., in order to comply with the remaining requirements contained on the aforementioned USTIF certification.

As to the works relating to the completion of the Mostra-Mergellina/S. Pasquale-Municipio section of Line 6, object of the signing of the 6th Rider Contract to the original agreement of July 1986, an agreement was reached with the Grantor City of Naples on the calculation of the amount to be paid under the contract. On 8 June 2007, the City government approved, through City Council resolution no. 2229, the draft of the 6th Rider Contract and the related costs schedules for the total amount of around EUR 588 million (VAT included).

In the meantime, on 29 June 2007, in delivering pre-contractual works on 28 July 2006, and following the Grantor's note of 27 June 2007 in which it expressed its willingness to continue to carry out works in preparation for those contained in the new supplementary agreement, the Works Supervisor formalised a service order which, given the delays in the signing of the 6th Rider Contract, ordered the Grantee to initiate certain works in accordance with pre-arranged plans.

METRO BRESCIA

The company has completed about 96% of planning for its part of the contract. Tests have been carried out on electricity supply systems, the fittings, and the plant area for the third-rail sub-system and the telecommunications sub-systems.

With regard to the civil works for which the partner is responsible, the shield tunnel boring machine left at the beginning of July and is expected to arrive at the railway station by the end of September. With regard to the area in which archaeological finds have been made, work has begun on relocating the sub-systems near the San Faustino station and the Ministry of Cultural Heritage has given its approval for the removal of finds in the Vittoria station area. Along the entire line, work continues on relocating sub-systems and building the almost completed structures in the plant area where work has begun to add the first-level finishing touches and the installation of the underground installations. Fitting is due to begin by September. Main supply activities are under way for the portion of rolling stock for which AnsaldoBreda is responsible.

COPENHAGEN

During the first half of the year, the design and supply of materials for the signalling and obstacle detection systems for the extension of the metro towards the Copenhagen airport (phase 3), which will be open to the public in late 2007, were completed.

ROMA LINEA C

Since the transformation of the company into a consortium denominated by shares through today, the work done has essentially been in preparation for the opening of the work sites, the performance of archaeological investigations and the initiation of designing changes to the project that were approved during the June meeting of the Inter-ministerial Economic Planning Committee-CIPE.

EBIT for the second quarter of 2007 was EUR 7,231 thousand (12.5% of revenue), a decrease on EUR 7,422 thousand registered in the same period of last year (12.1% of revenue). The decrease is mainly attributable to the lower margin due to the different volume and mix of orders.

Working capital at 30 June 2007 was negative EUR 138,136 thousand, a change of EUR 33,813 thousand compared with EUR 171,949 thousand registered at 31 December 2006, attributable to a growth in work in progress and a positive change in advances from customers relating to increased production and reduced billing during the period.

Net invested capital at 30 June 2007 is a negative EUR 94,784 thousand, a decrease of EUR 29,520 thousand compared with EUR 124,304 thousand at 31 December 2006. This change reflects the change in working capital.

Research and development spending stood at EUR 1,159 thousand at 30 June 2007, a slight increase (up EUR 285 thousand) on the same period the previous year (EUR 874 thousand).

The **headcount** at 30 June 2007 was 316, while the average for the period came to 315.

This is a decrease of 11 on the same period the previous year, a portion of whom were transferred to the parent company Ansaldo STS S.p.A..

**Financial statements and explanatory notes to the consolidated quarterly
report at 30 June 2007**

5 Financial statements and explanatory notes to the consolidated quarterly report

5.1 Financial statements

5.1.1 Profit and loss account

	<i>Second quarter</i> <u>2007</u>	<i>Second quarter</i> <u>2006</u>	<i>First half</i> <u>2007</u>	<i>First half</i> <u>2006</u>
<i>(EUR 000)</i>				
Revenue	257,659	235,891	461,333	323,831
Other operating revenues	4,700	2,404	7,655	4,290
Purchases	(63,844)	(64,035)	(123,546)	(87,909)
Service costs	(96,435)	(89,842)	(163,375)	(125,136)
Staff costs	(65,945)	(57,225)	(127,523)	(78,392)
Change in inventories, semi-finished products and finished goods	(72)	(163)	2,894	3,209
Amortization and depreciations	(2,703)	(2,478)	(4,695)	(3,621)
Other operating costs	(4,728)	(3,608)	(8,070)	(6,663)
Capitalised costs for internally produced assets	(1,868)	79	167	197
EBIT	<u>26,764</u>	<u>21,023</u>	<u>44,840</u>	<u>29,806</u>
Financial income and charges, net	560	691	1,934	670
Effect of valuation of equity investments accounted for using equity method	-	-	-	-
<i>Profit (loss) before taxes</i>	<u>27,324</u>	<u>21,714</u>	<u>46,774</u>	<u>30,476</u>
Income tax	(7,804)	(10,434)	(18,415)	(17,200)
<i>Net profit (loss) o</i>	<u>19,520</u>	<u>11,280</u>	<u>28,359</u>	<u>13,276</u>
<i>Group</i>	19,498	11,259	28,305	13,247
<i>Minority interest</i>	22	21	54	29
Earnings per share				
<i>Basic</i>	0.19	0.11	0.28	0.13
<i>Diluted</i>	0.19	0.11	0.28	0.13

5.1.2 Balance sheet

<i>EUR 000</i>	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
<i>Non-current assets</i>			
Intangible fixed assets	49,241	45,093	41,810
Tangible fixed assets	91,188	91,770	92,954
Equity investments	28,949	28,582	28,503
Receivables	15,902	15,494	8,413
Non-current receivables from related parties	-	-	-
Deferred taxes	43,253	39,975	32,540
Other assets	28,759	29,640	30,299
	<u>257,292</u>	<u>250,554</u>	<u>234,519</u>
<i>Current assets</i>			
Inventory	104,166	96,540	89,041
Contract work in progress	127,099	78,292	90,047
Trade receivables	259,225	266,522	217,372
Current receivables from related parties	175,205	176,830	150,686
Tax credits	10,918	7,698	19,446
Financial receivables	-	-	-
Other current assets	26,330	25,192	17,037
Cash and cash equivalents	42,313	48,580	61,847
	<u>745,256</u>	<u>699,654</u>	<u>645,476</u>
<i>Total assets</i>	<u>1,002,548</u>	<u>950,208</u>	<u>879,995</u>
<i>Shareholders' equity</i>			
Share capital	49,950	49,950	49,950
Other reserves	105,859	76,329	45,992
<i>Group's shareholders' equity</i>	<u>155,809</u>	<u>126,279</u>	<u>95,942</u>
<i>Minority interests</i>	342	360	371
<i>Total shareholders' equity</i>	<u>156,151</u>	<u>126,639</u>	<u>96,313</u>
<i>Non-current liabilities</i>			
Non-current payables to related parties	-	-	-
Financial debt	8,196	8,475	10,272
Severance pay and other staff provisions	32,304	30,612	29,816
Provisions for risks and charges	-	-	-
Deferred taxes	7,265	7,337	5,811
Other liabilities	9,123	6,910	6,193
	<u>56,888</u>	<u>53,334</u>	<u>52,092</u>
<i>Current liabilities</i>			
Advances from customers	461,781	475,124	431,172
Trade payables	191,173	143,536	158,868
Current payables to related parties	19,661	27,682	21,014
Short-term financial payables	6,076	13,984	4,331
Taxes payable	14,129	23,114	26,352
Provisions for risks	23,245	22,310	25,454
Other current liabilities	73,444	64,485	64,399
	<u>789,509</u>	<u>770,235</u>	<u>731,590</u>
<i>Total liabilities</i>	<u>846,397</u>	<u>823,569</u>	<u>783,682</u>
<i>Total liabilities and shareholders' equity</i>	<u>1,002,548</u>	<u>950,208</u>	<u>879,995</u>

5.1.3 Statement of cash flow

<i>(EUR 000)</i>	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
<i>Cash flow from operations</i>			
Gross cash flow from operations	42,792	78,092	46,490
Change in working capital	16,316	(30,987)	81,269
Changes in other operating assets and liabilities, taxes, and interest	(22,298)	(37,831)	(36,631)
Cash flow from (for) operations	<u>36,810</u>	<u>9,274</u>	<u>91,128</u>
<i>Cash flow from investing activities</i>			
Company acquisitions, net of cash acquired	(8,340)	(58,639)	(86,805)
Investments in tangible and intangible fixed assets	-	(13,578)	(6,040)
Sale of tangible and intangible fixed assets	-	139	-
Dividends received	-	397	397
Other investments	(2,380)	228	(6,788)
Cash flow from (for) investing activities	<u>(10,720)</u>	<u>(71,453)</u>	<u>(99,236)</u>
<i>Cash flow from financing activities</i>			
Net change in other financial debts	(32,624)	50,240	10,272
Capital increases	-	60,169	60,169
Dividends paid	-	-	-
Dividends paid to minority shareholders	-	-	-
Cash flow from (for) financing activities	<u>(32,624)</u>	<u>110,409</u>	<u>70,441</u>
Net decrease in cash and cash equivalents	(6,534)	48,230	62,333
Foreign exchange translation differences	267	326	(510)
Cash and cash equivalents at 1 January	48,580	24	24
Cash and cash equivalents at period-end	<u><u>42,313</u></u>	<u><u>48,580</u></u>	<u><u>61,847</u></u>

5.1.4 Changes in shareholders' equity

Shareholders' Equity	Share capital	Retained earnings/losses carried forward	Other reserves	Total Group shareholders' equity	Minority interests	Total shareholders' equity
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(EUR 000)

Shareholders' equity at 31 December 2005	39,950	(2,490)	37	37,497	-	37,497
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Changes in the basis of consolidation and other minor items		(84,406)	74,093	(10,313)	320	(9,993)
Foreign exchange translation differences			(2,514)	(2,514)	22	(2,492)
Income (charges) recognized directly in equity			(2,144)	(2,144)		(2,144)

Net (profit) loss at 30 June 2006		13,247		13,247	29	13,276
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Capital increase /coverage of loss	10,000	2,490	47,679	60,169		60,169
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Shareholders' equity at 30 June 2006	49,950	(71,159)	117,151	95,942	371	96,313
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Shareholders' equity at 31 December 2006	49,950	101,413	(25,084)	126,279	360	126,639
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Changes in the basis of consolidation and other minor items			126	126	(74)	52
Foreign exchange translation differences			1,033	1,033	2	1,035
Income (charges) recognized directly in equity			(1,773)	(1,773)		(1,773)

Net (profit) loss at 30 June 2007		28,305		28,305	54	28,359
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Net changes in the reserve for the Stock Grant plan			1,839	1,839		1,839
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Other changes		(909)	909			-
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Shareholders' equity at 30 June 2007	49,950	128,809	(22,950)	155,809	342	156,151
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5.2 General Information

Ansaldo STS is a company limited by shares based at Via Paolo Mantovani 3/5, Genoa, 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, is listed on the Italian stock exchange (S&P/MIB), and directs and supervises the activities of Ansaldo STS.

The Ansaldo STS Group is a major player in the signalling and rail transport systems market segments. Ansaldo STS SpA is the parent company, carrying out the functions of business and strategic management, coordinating the operations of its subsidiaries (which together are known as “Ansaldo STS Group” or “the Group”).

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 in 1996 and of Ansaldo Trasporti Sistemi Ferroviari in 2001 (together with the formation of AnsaldoBreda, for the vehicles segment, the same year) produced a reorganization of the entire transport division, as a result of which Finmeccanica held a 100% stake in Ansaldo Signal, Ansaldo Trasporti Sistemi Ferroviari and AnsaldoBreda.

Meanwhile, in 1996 Finmeccanica had acquired SIC Società Italiana Comunicazioni Srl (SIC), renamed EuroSkyway Srl in 1997. In April 2005 the company was put into liquidation.

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, 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 reorganization, in February 2006 Ansaldo STS, as already stated, acquired from Finmeccanica the entire share capital of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari SpA. From 29 March 2006 Ansaldo STS was listed on the stock exchange.

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

In organizational terms, Ansaldo STS SpA operates through two business divisions: Ansaldo Signal N.V. (“Signalling Division”), and Ansaldo Trasporti-Sistemi Ferroviari SpA (“Transport Systems Division”).

The Signalling Division designs and builds signalling systems, subsystems and components, whereas the Transport Systems Division designs and builds integrated transport systems, of which signalling is an essential part. Moreover, the Transport Systems Division 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 Division separately, according to specific customer needs.

5.3 Basis of preparation

As noted previously, Ansaldo STS S.p.A. acquired stakes in Ansaldo Signal NV and ATSF from Finmeccanica on 24 February 2006. The figures for 31 March 2006 and 30 June 2006 included for the purpose of comparison in the tables in this report only take into account Ansaldo STS S.p.A. and the subsidiaries Ansaldo Trasporti Sistemi Ferroviari S.p.A. and Ansaldo Signal N.V. from the date of acquisition (24 February 2006). In order to make the information comparable and consistent with that made available to the market during the listing, and in consideration of the negligible significance of the comparative figures presented, the report on operations includes the pro forma figures at 30 June 2006 and 31 December 2006 of the companies that currently fall within the scope of consolidation for the periods presented. Therefore, in order to facilitate understanding of the businesses’ performance, the operational data explained contain a comparison with the pro forma figures.

Based upon the foregoing, the balance sheet and profit and loss figures at 30 June 2006 and 31 December 2006 are not comparable with the comparative accounts presented. Therefore, please refer to Sections 1.1 and 1.2 of the report on operations for the analysis of the changes in the balance sheet and profit and loss statement for the period compared.

In compliance with Regulation (EC) no. 1606/2002 of 19 July 2002, the Ansaldo STS Group's consolidated accounts at 30 June 2007 have been prepared in accordance with the IAS/IFRSs (hereafter IFRSs), endorsed by the European Commission, and the interpretations of the IFRSs by the Standing Interpretations Committee ("SIC") and the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standard Board ("IASB") at the reporting date.

The Ansaldo STS Group's quarterly consolidated report at 30 June 2007, as required by Article 81 of the Regulation implementing Legislative Decree 58 of 24 February 1998 and subsequent amendments (CONSOB resolution no. 15520 of 27 July 2006), has been prepared in accordance with IAS 34 "Interim reports", issued by the International Accounting Standard Board (IASB), as endorsed at the reporting date. More specifically, the standards used are those approved by the European Union and contained in EU Regulations nos. 1725/2003, 707/2004, 2236/2004, 2237/2004, 2238/2004, 2086/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 2106/2005, 108/2006, 708/2006 and 1329/2006.

All figures are in thousands of euros unless otherwise indicated.

In preparing these financial statements, management made use of estimates.

5.4 Accounting standards adopted

Consolidation method

For the purposes of consolidation, the accounts of the companies controlled, directly or indirectly, by Ansaldo STS were used. In this instance control may be exercised either through the possession - direct or indirect - of a majority of shares with voting rights, or through the exercise of a dominant influence, the power to determine, even indirectly via legal or contractual agreements, companies' financial and management decisions and thus enjoy the relevant

benefits, even without any shareholding being involved. The existence of potential voting rights that may be exercised as at the reporting date is taken into account in determining where control lies.

The criteria adopted for consolidation of subsidiary companies are the following:

- assets and liabilities, costs and revenues of the consolidated companies are incorporated line by line in the consolidated accounts allotting, where applicable, to minority shareholders the portion of shareholders' equity and net profit due to them in the period in question. Minority interests are listed separately in the consolidated shareholders' equity and profit and loss account;
- Business combinations that result in the gaining of control of a given entity are entered using the purchase method. The cost of acquisition corresponds to fair value, as at the date of acquisition, of the assets taken over, the liabilities taken on, the equity securities issued and all other charges applicable. The difference between the cost of acquisition and the current value of the assets and liabilities obtained at the date of acquisition, if a positive figure, is entered as an asset under "goodwill"; if it is a negative figure, after review of the current values of assets and liabilities acquired, it is entered in the profit and loss account;
- Unrealized profits and losses deriving from transactions conducted between Group companies and third parties are eliminated if they are significant, as are reciprocal debts and credits, costs and revenues, and financial charges and income deriving from transactions between fully consolidated companies;
- Profits or losses deriving from the sale of shareholdings in consolidated companies are entered in the profit and loss account. The amount entered is the difference between the sale price and the corresponding shareholding sold.

Ansaldo STS's acquisition of 100% of Ansaldo Signal and of Ansaldo Trasporti-Sistemi Ferroviari was, under IFRS 3, a "common control" transaction, that is, a business combination in which all the companies or operations concerned are controlled by the same company or companies both before and after the merger, and in which this control is not temporary. The manner in which such transactions appear in the accounts is not, at present, regulated by IFRSs, and therefore, as indicated by international financial reporting standards, we have adopted a "similar" set of accounting standards. In the event, it was decided that such operation should be

recognized in the accounts of the company surviving the merger, using the figures in the accounts of the controlling company. Therefore, the carrying values of the businesses reflect the figures of the three above-mentioned companies that appear in Finmeccanica's accounts at the date of acquisition. In calculating these figures, the following accounting operations were carried out:

- derecognition of goodwill of EUR 12,687 thousand in 2001 relating to the transfer of the systems division by Ansaldo Trasporti SpA (a Finmeccanica group company) to Ansaldo Trasporti-Sistemi Ferroviari;
- recognition of goodwill relating to the acquisition of Ansaldo Signal by the parent company, Finmeccanica.

Shareholdings in associated companies, over which the merged companies have significant influence (which is assumed to exist where a shareholding is between 20% and 50%), are valued with the equity method (IAS 28). This method is as follows:

- The accounting value of such shareholdings corresponds to the shareholders' equity as adjusted, where necessary, to reflect the application of IFRSs, and includes any goodwill identified at the time of acquisition;
- Group profits or losses are entered in the profit and loss account of the consolidated accounts from the date when significant influence began until the date when it ceased. In the event that the loss attributable to the Group exceeds the shareholding of the associated company, taking account of any non-secured credits, the carrying value of the shareholding is eliminated and any excess is allocated to a special fund, if the shareholding company is committed to meeting legal or other obligations of the investee company, or at least to covering its losses. Variations in the value of companies valued with the equity method and not reflected in the profit and loss account are entered directly as an adjustment to equity reserves;
- Unrealized profits and losses generated by transactions conducted between the parent company or its subsidiaries and associated companies are eliminated in proportion to the value of the Group's shareholding in the associated company. Unrealized losses are eliminated except where they represent an impairment.

The rules for the translation of company accounts in foreign currency other than the euro, which is our functional currency, are the following:

- Assets and liabilities are translated using the exchange rates prevailing at the reporting date of these financial statements;
- Costs and revenues are translated using the average exchange rate during the period;
- The “translation reserve” covers exchange rate differences generated by both the translation of operating results at an exchange rate different from the closing and/or purchase exchange rate and the translation of opening shareholders’ equity at an exchange rate different from the exchange rate prevailing at the closing of the reporting period;
- Goodwill and adjustments deriving from fair value relating to the acquisition of a foreign company are treated as assets and liabilities of the foreign company, and converted at the closing exchange rate for the period;
- In preparing the consolidated accounts, average exchange rates for the period have been used for translating cash flows of foreign subsidiaries.

The exchange rates applied in the translation of financial statements and balances in currencies other than the euro at 30 June 2007 and 2006 were as follows:

	At 30 June		6-month average at	4-month average at
	2007	2006	30/06/2007	30/06/2006
US\$	1.3505	1.2713	1.3419	1.2428
CAD	1.4245	N/A	1.4293	N/A
GBP	0.6740	0.6921	0.6756	0.6885
HK\$	10.5570	9.8745	10.4854	9.6420
SEK	9.2525	9.2385	9.3290	9.3256
AU\$	1.5885	1.7117	1.5930	1.6755
INR	55.0150	58.0000	54.4888	55.9240
MYR	4.6630	4.6714	4.6238	4.5476
BRL	2.5970	2.7535	2.5954	2.7049
CNY	10.2820	10.1895	10.2439	9.9650
VEB	2,899.93	2,734.37	2,882.40	2,666.17

Scope of consolidation

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

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
ANSALDO TRASPORTI SISTEMI FERROVIARI SPA	Direct	Naples (Italy)	30,300	EURO	100.00
ANSALDO SIGNAL N.V.	Direct	Amsterdam (Netherlands)	100	EURO	100.00
ANSALDO SEGNALAMENTO FERROVIARIO SPA	Indirect	Tito Scalo (Italy)	45,240	EURO	100.00
ANSALDO SIGNAL SWEDEN AB	Indirect	Solna (Sweden)	4,000	SEK	100.00
ANSALDO SIGNAL FINLAND OY	Indirect	Helsinki (Finland)	10	EURO	100.00
ANSALDO SIGNAL UK LTD	Indirect	London (UK)	1,000	GBP	100.00
ANSALDO SIGNAL IRELAND LTD	Indirect	Tralee (Ireland)	100	EURO	100.00
ACELEC S.A.	Indirect	Les Ulis (France)	168	EURO	100.00
ANSALDO SIGNAL ESPANA S.A.	Indirect	Madrid (Spain)	1,500	EURO	100.00
BEIJING CS. SIGNAL CONTR. SYST. CO. LTD	Indirect	Beijing (China)	7,558	YUAN	80.00
CSEE HONG KONG LTD	Indirect	Hong Kong (China)	100	\$ HK	100.00
CSEE TRANSPORT S.A.	Indirect	Les Ulis (France)	5,000	EURO	100.00
TRANSCONTROL CORPORATION	Indirect	Wilmington (Delaware USA)	1	\$	100.00
UNION SWITCH & SIGNAL SDN BHD	Indirect	Kuala Lumpur (Malaysia)	300	RM	100.00
UNION SWITCH & SIGNAL INC. CANADA	Indirect	Burlington Ontario (Canada)	400	\$CAN	100.00
UNION SWITCH & SIGNAL INC. (USA)	Indirect	Dover (Delaware USA)	1	\$	100.00
UNION SWITCH & SIGNAL INT.CO	Indirect	Dover (Delaware USA)	1	\$	100.00
UNION SWITCH & SIGNAL INT.PROJECTS CO.	Indirect	Dover (Delaware USA)	25	\$	100.00
UNION SWITCH & SIGNAL PRIVATE LTD	Indirect	Bangalore (India)	12,915	RUPIA	100.00
UNION SWITCH & SIGNAL PTY LTD	Indirect	Eagle Farm (Australia)	5,026	\$AUS	100.00

List of companies accounted for using the equity method

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
ECOSEN C.A.	Indirect	Caracas (Venezuela)	240,000	BS	48.00
Alifana S.c.a.r.l.	Indirect	Naples (Italy)	26	EURO	65.85
Alifana due S.c.a.r.l.	Indirect	Naples (Italy)	26	EURO	53.34
Pegaso S.c.r.l.	Indirect	Rome (Italy)	260	EURO	46.87
Metro 5 S.p.A.	Indirect	Milan (Italy)	25,000	EURO	24.60

List of companies accounted for at cost

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
I.M. Intermetro S.p.A.	Indirect	Rome (Italy)	2,461	EURO	16.67
Società Tram di Firenze S.p.A.	Indirect	Florence (Italy)	7,000	EURO	3.80
Metro C S.p.A.	Indirect	Rome (Italy)	150,000	EURO	14.00
Cadic Gombert S.A.	Indirect	Bruxelles (Belgium)	992	EURO	4.38
Union Switch & Signal Inc. Chile	Indirect	Santiago (Chile)	45,000	PESO C.	68.00
Ansaldo STS Deutschland GmbH	Indirect	Monchengladbach (Germany)	26	EURO	100.00
International Metro Service S.r.l.	Indirect	Milan (Italy)	344	EURO	49.00

Summary of accounting policies and measurement criteria

The Group's consolidated quarterly report has been drawn up using the cost principle, except in cases specifically mentioned in the following notes, where fair value has been applied, quoted in euros.

The following are the main accounting policies adopted.

Tangible fixed 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. Any interest charges relating to the construction of tangible fixed assets are charged to the profit and loss account.

Charges incurred for routine and/or regular maintenance and repair are directly entered in the profit and loss account for the year when they were incurred. Capitalization of the costs relating to expansion, modernization, or improvement of elements owned or leased by the Group is carried out only in so far as these meet the requirements for being classified separately as assets or parts of assets when the "component approach" criterion is applied. Any capital grants that relate to buildings, plant, and machinery are entered as a direct deduction from the asset to which they relate.

The value of tangible fixed assets entered is depreciated on a straight-line basis from the date when the asset is available and ready for use, in accordance with its estimated useful life.

The depreciation periods used are as follows:

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

The useful life and residual value of tangible fixed assets are reviewed annually and updated, where applicable, at the end of every year. Land is not subject to depreciation.

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 of the asset disposed of, and are entered in the profit and loss account for the year in question.

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 when the revalued amount is realized.

Intangible fixed assets

These are made up of non-monetary elements, which are identifiable and not physical, 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 use, net of accumulated amortization and any loss of value. Any interest charges accrued during

and as a result of development of intangible fixed assets are charged to the profit and loss account. Amortization begins when the asset is ready for use and, and is expensed out on a straight-line basis in accordance with its estimated useful life.

(i) Goodwill

Goodwill is the cost of acquisition less net fair value, at the date of acquisition, of the assets and liabilities of companies or company assets. It is not subject to amortization but it is tested for impairment periodically. In order to conduct the impairment test, goodwill is allocated to individual cash generating units (CGUs), that is, to the smallest financially independent business units through which the Group operates.

(ii) Licenses and similar rights

For licenses and similar rights amortization 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 capitalized on the basis of the costs sustained in acquiring them. Amortization is calculated on a straight-line basis over their expected useful life of 3 years.

(iii) Software costs

The costs related to the development and maintenance of software programs are recognized as costs when incurred. Costs that are directly connected with the production of unique, identifiable software controlled by the Group 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. Amortization 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.

(iv) Research and development costs

Research costs are entered in the profit and loss account 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 capitalized only when the four conditions listed above are met and are amortized at 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 Group, are recognized as assets belonging to the Group 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 financial debt. These goods are depreciated in accordance with the methods and criteria applicable to tangible fixed assets.

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

Impairments of assets

At the date of each set of accounts, tangible and intangible fixed assets with a fixed lifespan are analyzed, so as to establish whether there are any indications, whether from within the Group or from outside sources, of a value impairment. In the event that such indications are identified, the

recoverable value of such assets is estimated, and any fall in value entered in the profit and loss account. An asset's recoverable value is the greater of two figures: either its fair value minus sales costs, or its value in use, where the latter is the present value of future cash, that is expected to flow from an asset or a cash-generating unit. In determining its value in use, expected future cash flow is discounted to present value using a pre-tax discount rate that reflects the current market value of the cost of money relating to the period of the investment and to the asset's specific risks. For an asset that does not generate independent cash flow, the value is calculated in relation to the cash-generating unit to which such asset belongs. An asset is written down via a charge to the profit and loss account if the book value of such asset, or of the cash-generating unit of which it is a part, is greater than the recoverable value. If the conditions for a previous write-down no longer apply, the asset's accounting value is reinstated by an entry in the profit and loss account, provided that such reinstated value does not exceed the net book value that the asset would have had if it had not been written down and depreciation had been applied.

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 on when the Group committed itself to buying or selling the assets.

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 organized 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 amortized 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 profit and loss account. 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 amortized cost had been applied and the asset had not been written down:

Investments 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 profit and loss account 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 Group has effectively transferred all the risks and benefits relating to the instrument, as well as control over it.

Financial liabilities

These relate to financing, trade payables, and other obligations to pay; they are valued at amortized 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 Group 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 the Group has transferred all the risks and charges relating to them.

Derivative instruments

The Group uses derivatives contracts to hedge exchange rate risk.

According to the financial policies adopted, the Group uses derivative contracts to manage exchange rate risks. Specifically, the Group uses derivative instruments as part of the hedging strategies that aim to mitigate the risk of cash flow variations caused by the future execution of obligations contractually entered into by a given reporting date. Essentially this is the risk connected to the variations in exchange rates relating to orders and purchase and sale orders denominated in currencies other than the company's functional currency ("cash flow hedge").

The note explains the procedures for identifying and hedging risks to which the Group has exposure.

Derivative instruments are initially entered in the accounts at fair value, on the date the contract was entered into. Subsequent variations in the derivative instruments' fair value which do not meet the requirements for hedge accounting are entered as financial income or expenses. In the case of derivative instruments that do meet these requirements, subsequent variations in fair value are entered in the accounts according to the specific criteria explained below. For the purpose of recognising derivatives qualifying for hedge accounting, documentation is kept for each instrument that demonstrates the hedge relationship and the purpose of the hedge, including the risk management objectives, the hedging strategy and the methods used for verifying the effectiveness of the hedge. The effectiveness of each hedge is checked when each derivative instrument is established as well as during its life. In general, a hedge is considered to be highly effective if, at the start of its life and during its life, changes in the expected future cash flows of the underlying asset are essentially offset by changes in the fair value of the hedging instrument..

In the case of a cash flow hedge, the variations in a derivative instrument's fair value that occur after initial measurement are recognized— up to the extent of the effective portion—in a special equity reserve, the "cash flow hedge reserve". The reserve is reversed to the profit and loss account when the economic effects of the risk hedged materialize. The economic effects of the release of the reserve are recognized where the corresponding effects originating from the underlying asset are entered. If the hedge is not perfectly effective, the variation in the fair value

of the hedging instrument attributable to the ineffective portion is immediately recognized under financial income and expense.

If during the life of a derivative financial instrument the expected cash flows being hedged are no longer considered highly likely to materialize, the portion of the cash flow hedge reserve relating to that instrument is immediately reversed to the profit and loss account as financial income or expense. Conversely, if the derivative instrument is sold, or no longer qualifies as an effective hedge, the cash flow hedge reserve recognized until then is kept as an equity component and is reversed to the profit and loss account according to the classification criterion described above as the effects of the underlying assets materialize.

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.

Inventory

Inventory is valued at the lower of cost or production cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and semi-finished products includes the cost of raw materials, direct labour costs, and indirect costs incurred in the course of normal production.

The net realizable value is determined on the basis of the estimated sale price under normal market conditions, net of direct sale costs.

Based on the value of inventory as determined above, provisions are made to allow for inventory that is considered obsolete or slow-moving.

Work in progress

Work in progress is entered using the degree of completion (or percentage of completion) method, in which revenue is counted on the basis of how far advanced work is. The criterion

applied by the Group is that of the percentage of completion in the “cost to cost” application procedure.

The valuation reflects the best estimate of work programmes carried out at the reporting date. The assumptions on which the valuations are based are updated periodically. Any economic effects are entered into the accounts for the year in which the updating takes place. If it is felt that completion of an order may lead to a loss that affects operating margins, this is entered in its entirety in the year in which it can reasonably be foreseen to happen.

Work in progress under contract is shown net of any allowance for inventory obsolescence, as well as of any advances and instalments paid relating to such contract work. This analysis is made contract by contract. Positive differences (when the value of the work in progress exceeds that of the advances paid) are shown on the asset side. Negative differences are reported as liabilities, in the entry “advances from customers”. Any amount entered in the advances still uncollected at the time the accounts (or interim reports) are drawn up, is offset by an entry under trade receivables.

Contracts for which payment is in foreign currency are valued by converting the portion that has been paid, determined using the percentage of completion method and the exchange rate at the end of the period in question.

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.

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 stock

Treasury stock is deducted from share capital. Gains or losses on the purchase, sale, issue or cancellation of own shares are not recognized in the profit and loss account.

Retained earnings/(losses) carried forward

These include earnings and losses for the year 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 and the stock option /grant reserve in respect of the recognition of defined-benefit plans as holdings of capital.

Employee benefits

The Group 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 actuarial, financial and economic assumptions. The “projected unit credit” method is used. Severance pay (“trattamento di fine rapporto” or T.F.R.), as described in Article 2120 of the Italian Civil Code, is treated as a defined-benefit plan.

In accordance with IAS 19, the Group applies the “corridor” method in recognising actuarial gains and losses related to defined-benefit plans. This allows it to dilute the effect of changes to certain measurement parameters across several periods. As a result, the Group recognises in the profit and loss account the portion of the net actuarial gains and losses at the end of the preceding period exceeding the higher of 10% of the present value of the commitments and 10% of the fair value of any assets that service the plan at that date divided by the residual working life of employees.

As a result of regulatory changes introduced by the Finance Law, severance pay contributions accruing as from 1 January 2007 are treated as defined-contribution plans for contribution purposes, with regard to both the option selected for supplemental pension plans and to contributions paid into a treasury account held with the National Social Security Institute – INPS). Severance pay contributions accrued as of 31 December 2006 shall, instead, continue to be treated as if under a defined-benefit plan. Therefore, the actuarial calculations made will exclude the component relating to future salary increases. The resulting difference between the new calculation and the amount recognised at 31 December 2006 will be treated as a curtailment in accordance with IAS 19 and will be recognised in the profit and loss account for the first half of 2007.

In the defined-benefit plans, the Group has undertaken to pay a specified level of benefits to the participants, making good any shortfall in the value of plan assets with respect to the agreed benefit obligation.

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 profit and loss accounts 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.

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.

Translation of accounting entries in currencies other than the euro

Transactions in foreign currency are translated into euros using the exchange rates prevailing on the date they were made. Gains and losses on foreign exchange transactions and resulting from the translation at end-of-year exchange rates of foreign-denominated assets and liabilities are entered in the profit and loss account.

Revenue recognition

Revenue is recognized at the fair value of the payment received, net of VAT, discounts, and quantity discounts. Revenue also includes changes to work in progress. Specifically, the Group enters into the accounts revenue from sale of goods at the moment that all the risks and benefits incidental to ownership are transferred to customers; in many cases, this moment coincides with the transfer of title or ownership to the buyer. Revenue from services rendered is entered, when it can be reliably estimated, on the basis of the percentage of completion.

Grants

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

Costs

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

Financial income and expense

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 expense is not charged as an asset.

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 year in which it is approved by the shareholders' meeting.

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 credits.

Deferred taxes are assessed on all the temporary differences that arise between the taxable amount of an asset or liability and its book value, with the exception of goodwill and those relating to temporary differences resulting from shareholdings in subsidiaries, when the

timescale governing the reversal of such differences is within the Group's control and it is likely that they will not be reversed within a reasonable time. Deferred tax assets, including tax loss carryforwards, for the portion that is not offset by deferred tax liabilities, are recognized to the extent that it is probable that there will be future taxable income against which they can be applied. Deferred taxes are assessed using tax rates that will be applicable to the years in which temporary differences will be realized or cancelled out.

Current and deferred taxes are entered in the profit and loss account, 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 and deferred 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.

Other taxes, not relating to income, such as property taxes, are entered under "operating charges".

Transactions with related parties

Related party transactions are made at arm's length.

New IFRSs and IFRIC interpretations

Over the last few months, IASB and IFRIC have issued new standards and interpretations. Despite the fact that currently these standards and interpretations are not yet mandatory or have not yet been adopted by the European Union, the Group has nevertheless considered their effects, indicating the potential impact of these standards and interpretations on its balance sheet and profit and loss account:

IFRS - IFRIC Interpretation		Effects on Group
IFRS 6 Amendment	Exploration for and evaluation of mineral resources	IFRS 6 Amendment
IAS 19 Amendment	Employee benefits	IAS 19 Amendment
IAS 39 Amendment	Financial instruments	IAS 39 Amendment
IFRS 4 Amendment	Insurance contracts	IFRS 4 Amendment
IFRS 7	Disclosures and modifications to IAS 1 – Presentation of financial statements	IFRS 7
IFRIC 4	Determining whether an arrangement contains a lease	IFRIC 4
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental funds	IFRIC 5
SIC 12 Amendment	Consolidation - special purpose entities	SIC 12 Amendment
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment	IFRIC 6
IFRIC 7	Applying the restatement approach under IAS 29. Financial reporting in hyperinflationary economies	Not applicable
IFRIC 8	Scope of IFRS 2	No significant effects are expected
IFRIC 9	Revaluation of embedded derivatives	The Group plans to apply the changes during 2007

Critical accounting estimates and assumptions

Described below are the accounting principles that demand greater judgement on the part of the directors in making estimates. For these principles a change in the principles underlying the assumptions made could have a significant impact on consolidated quarterly figures:

Risk provisions and estimates of final costs of long-term contracts: the Group operates in business segments with especially complex contractual frameworks, which are entered in the accounts via the percentage of completion method. The operating margins in the profit and loss account are a function both of the progress on a particular contract and of the operating margins that are expected to be recognized once the whole project is complete. Therefore, the correct assessment of work in progress and the operating margins expected from unfinished work

requires a correct estimate on the part of management of the final costs and the estimated increases, as well as of the delays, cost overruns, and penalties that may reduce the expected operating margins. To provide a sounder basis for management estimates, the Group has equipped itself with procedures for managing and analyzing contract risks, which aim to identify, monitor, and quantify the risks relating to the carrying out of these contracts. The figures entered in the accounts are management's best estimate at the time, made with the help of the above-mentioned procedures. Moreover, the Group operates in segments and markets where many problems are resolved only after a significant time-lag, especially in cases where the customer is a public body, which obliges management to forecast the results of such disputes. Estimates of final costs depend on factors that may change over time and which could therefore produce a significantly different outcome from that expected by directors at the time the consolidated quarterly figures are drawn up.

Goodwill: in accordance with the accounting standards adopted for the consolidated accounts, directors check goodwill annually, to establish whether there are any impairments to be entered in the profit and loss account. Most importantly, this test includes the allocation of goodwill to cash generating units, and the subsequent determination of the relative fair value. If fair value is lower than the accounting value of the cash generating units, the value of goodwill allocated is brought into line with the recoverable written-down value. The allocation of goodwill to cash generating units and the determination of the fair value of such CGUs involves making estimates that depend on factors that may change over time and which could therefore produce a significantly different outcome from that expected by directors at the time the consolidated quarterly accounts are drawn up.

Write-down of fixed assets: in accordance with the accounting standards applied by the Group, fixed assets are tested for impairment, which must be recorded via a write-down, when there are indicators that point to difficulties in recovering their net book value. Establishing whether such indicators exist demands that directors make subjective judgments based upon information available within the Group and in the market, as well as on experience. Moreover, if it is established that an impairment may have occurred, the Group proceeds to assess this, using the valuation techniques that are deemed appropriate. Proper identification of the elements that indicate a potential reduction in value, as well as the estimates for assessing such a reduction, depend on factors that may change over time and which could therefore produce a significantly

different outcome from that expected by directors at the time the consolidated quarterly accounts are drawn up.

Deferred tax assets are entered in the accounts on the basis of the expectation of taxable income in future years. The estimation of the expected taxable income, for the entering of deferred taxes into the accounts, depends on factors that may change over time and have a considerable effect on the extent to which deferred tax assets may be recoverable.

6 Segment reporting

6.1 Primary segment

The Group operates in two transport-related segments: signalling in railways and urban railways through the Signalling Division and transport systems through the Transport Systems Division. For more detailed analysis of the main programmes, outlook, and management indicators for each division, see the report on operations by segment.

The results of the divisions at 30 June 2007, compared with those for the same period the previous year, are as follows:

	<i>Second quarter at 30 June 2007</i>				<i>Total</i>
	<i>Signalling Division</i>	<i>Transport Systems Division</i>	<i>Other operations</i>	<i>Eliminations</i>	
<i>(EUR 000)</i>					
Revenues	174,158	45,989	-	6,961	227,108
Revenues from related parties	30,715	11,932	3,109	(15,205)	30,551
Other operating revenue	2,917	660	-	-	3,577
Other operating revenue from related parties	152	936	1,283	(1,250)	1,121
Purchasing costs	(69,975)	704	(10)	55	(69,226)
Service costs	(42,925)	(33,330)	(4,655)	-	(80,909)
Costs from related parties	(8,351)	(10,718)	(1,029)	9,956	(10,143)
Staff costs	(54,848)	(8,110)	(2,471)	(517)	(65,946)
Changes in work in progress, semi-finished products, finished products, and goods	(72)	-	-	-	(72)
Amortization, depreciation and write-downs	(2,058)	(181)	(463)	-	(2,702)
Other operating costs	(2,742)	(652)	(1,333)	-	(4,728)
Capitalized costs of internally produced assets	(1,868)	-	-	-	(1,868)
EBIT	25,102	7,231	(5,569)	(0)	26,764
Financial income	138	326	9	(20)	452
Financial income from related parties	995	1,674	1,717	(2,329)	2,056
Financial expense	(1,639)	(199)	(47)	(20)	(1,905)
Financial expense from related parties	(56)	(6)	(2,349)	2,369	(43)
Effects of valuation of shareholding with equity method					
Profit (loss) before taxes	24,539	9,025	(6,240)	(0)	27,324
Income tax	7,003	3,752	(2,950)	-	7,804
Net profit	17,537	5,274	(3,290)	(0)	19,520
<i>Group</i>					
<i>Minority interest</i>					

Second quarter at 30 June 2006

<i>(EUR 000)</i>	<i>Signalling Division</i>	<i>Transport Systems Division</i>	<i>Other operations</i>	<i>Eliminations</i>	<i>Total</i>
Revenues	164,907	47,404	-	(92)	212,219
Revenues from related parties	11,325	13,972	-	(1,625)	23,672
Other operating revenues	1,972	765	3	-	2,740
Other operating revenues from related parties	108	120	476	(1,040)	(336)
Purchasing costs	(56,845)	(7,693)	(1)	609	(63,930)
Service costs	(42,957)	(24,007)	(2,608)	-	(69,572)
Costs from related parties	(6,332)	(16,238)	47	2,148	(20,375)
Staff costs	(50,855)	(6,370)	-	-	(57,225)
Changes in work in progress, semi-finished products, finished products, and goods	(163)	-	-	-	(163)
Amortization, depreciation and write-downs	(1,978)	(158)	(342)	-	(2,478)
Other operating costs	(1,957)	(373)	(1,278)	-	(3,608)
Capitalized costs of internally produced assets	79	-	-	-	79
EBIT	17,304	7,422	(3,703)	-	21,023
Financial income	359	760	6	-	1,125
Financial income from related parties	835	920	937	(1,584)	1,108
Financial expense	(1,341)	(180)	(1)	(20)	(1,542)
Financial expense from related parties	(15)	(7)	(1,582)	1,604	-
Effects of valuation of shareholdings with equity method	-	-	-	-	-
Profit (loss) before taxes	17,142	8,915	(4,343)	-	21,714
Income tax	(7,022)	(3,412)	-	-	(10,434)
Net profit	10,120	5,503	(4,343)	-	11,280
<i>Group</i>					-
<i>Minority interests</i>					-
<i>Investment</i>					-

The segment assets and liabilities at 30 June 2007, 30 June 2006 and at 31 December 2006 are as follows:

30 June 2007

	<i>Signalling Division</i>	<i>Transport Systems Division</i>	<i>Other operations</i>	<i>Total</i>
Total Assets	437,843	212,716	351,989	1,002,548
Total Liabilities	409,427	202,251	234,718	846,396

30 June 2006

	<i>Signalling Division</i>	<i>Transport Systems Division</i>	<i>Other operations</i>	<i>Total</i>
Total Assets	340,946	219,851	319,198	879,995
Total Liabilities	330,261	210,990	242,431	783,682

31 December 2006

	<i>Signalling Division</i>	<i>Transport Systems Division</i>	<i>Other operations</i>	<i>Total</i>
Total Assets	424,723	207,894	317,591	950,208
Total Liabilities	420,703	192,278	210,588	823,569

6.2 Secondary segment

Geographically, Group revenues breaks down as follows (according to the countries where customers are based):

	<i>Second quarter</i> <u>2007</u>	<i>Second quarter</i> <u>2006</u>	<i>First half</i> <u>2007</u>	<i>First half</i> <u>2006</u>
Italy	62,335	131,590	182,554	176,663
Rest of Western Europe	111,882	48,458	141,218	68,678
North America	30,996	33,719	56,259	45,786
Asia / Pacific	44,464	21,007	72,602	29,434
Others	7,983	3,389	8,700	3,270
Total	<u>257,660</u>	<u>238,163</u>	<u>461,333</u>	<u>323,831</u>

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

	<i>First half</i> <u>2007</u>	<i>First half</i> <u>2006</u>
Italy	557,117	593,736
Rest of Western Europe	387,161	112,518
North America	14,681	119,525
Asia / Pacific	36,701	54,216
Others	6,888	-
Total	<u>1,002,548</u>	<u>879,995</u>

Investments are broken down on the basis of where they are made as follows:

	<i>First half</i> <u>2007</u>	<i>First half</i> <u>2006</u>
Italy	1,882	2,054
Rest of Western Europe	1,220	906
North America	4,422	2,416
Asia / Pacific	838	664
Others	-	-
Total	<u>8,362</u>	<u>6,040</u>

6.3 Notes to the quarterly accounts at 30 June 2007

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

The following table gives consolidated profit and loss amounts for the second quarter of 2007 and 2006 as well as the amounts for the first six months of 2007 and 2006 :

	<i>Second quarter 2007</i>	<i>Second quarter 2006</i>	<i>First half 2007</i>	<i>First half 2006</i>
Profit and loss account (EUR 000)				
Revenue	257,659	235,891	461,333	323,831
Value of production	257,659	235,891	461,333	323,831
Purchasing and staff costs	(226,224)	(211,102)	(414,444)	(291,437)
Changes in work in progress, semi-finished products, finished products, and goods	(72)	(163)	2,894	3,209
Amortisation/depreciation	(2,703)	(2,478)	(4,695)	(3,621)
Other net operating revenue (costs)	(1,896)	(1,125)	(248)	(2,176)
EBIT	26,764	21,023	44,840	29,806
Net financial income and charges	560	691	1,934	670
Income tax	(7,804)	(10,434)	(18,415)	(17,200)
Net Profit	19,520	11,280	28,359	13,276
<i>Group</i>	19,498	11,259	28,305	13,247
<i>Minority interests</i>	22	21	54	29
Earnings per share				
<i>Basic</i>	0.19	0.11	0.28	0.13
<i>Diluted</i>	0.19	0.11	0.28	0.13

Total “**value of production**” for the second quarter of 2007 stood at EUR 257,659 thousand, broken down as follows: EUR 204,873 thousand attributable to the Signalling division and EUR 57,921 thousand to the Transport Systems division.

“Purchasing and staff costs” and “change in semi-finished products and finished goods” came to EUR 226,296 thousand and relate to costs incurred during the period by the signalling and systems divisions and by Ansaldo STS. Staff costs relate to the cost for an average of 4,161 employees at 30 June 2007.

Staff costs include EUR 920 thousand (EUR 1,839 thousand over six months), the amount allocated for 3/12ths of the “Stock Grant Plan” authorized by the Group parent ASTS and the impact of the curtailment of severance pay (EUR 2,633 thousand) following regulatory changes introduced by the 2007 Finance Law. Due to these regulatory changes, the severance pay portion pursuant to Art. 2120 of the Civil Code accrued in the first half of 2007 shall be treated as a defined-contribution plan. The average headcount at 30 June 2007 was 4,037.

	<i>Second quarter</i> <u>2007</u>	<i>Second quarter</i> <u>2006</u>	<i>Amounts at</i> <u>30/06/2007</u>	<i>Amounts at</i> <u>30/06/2006</u>
Materials	63,844	64,035	123,546	85,781
Change in inventory	72	163	(2,894)	2,128
Services	92,025	86,910	156,040	120,460
Rent and operating leases	4,410	2,932	7,335	4,676
Total purchasing and service costs	<u>160,351</u>	<u>154,040</u>	<u>284,027</u>	<u>213,045</u>
Payroll	41,779	43,919	88,002	60,078
Pension and social security expenses	13,060	11,227	26,153	15,009
Severance pay fund	1,828	633	2,614	1,008
Costs relating to other defined-benefit plans	80	126	159	232
Other costs	9,198	1,320	10,595	2,065
Total staff costs	<u>65,945</u>	<u>57,225</u>	<u>127,523</u>	<u>78,392</u>
Capitalised costs for internally produced assets	1,868	(79)	(167)	-
Total	<u>228,164</u>	<u>211,186</u>	<u>411,383</u>	<u>291,437</u>

“Amortisation and depreciation” came to EUR 2,703 thousand, broken down as follows: EUR 2,058 thousand attributable to the Signalling division, EUR 181 thousand to the Transport Systems division and EUR 463 thousand to the holding company, ASTS.

No write-downs were taken during the period.

“Other revenues and costs” amounted to a net cost of EUR 1,896 thousand and relate, especially, to allocations for warranties for Signalling division products.

	<i>Second quarter 2007</i>	<i>Second quarter 2006</i>	<i>First Half 2007</i>	<i>First Half 2006</i>
Research and development spending	659	454	820	530
Royalties	1,080	614	1960	1355
Net exchange rate differences on operating items		8	138	(13)
Indirect taxes	(966)	(904)	(1,742)	(1,598)
Revenues from property investments		4	5	369
Settlement of insurance claims	2	34	2	34
Use of (allocations to) provisions	(1,150)	(1,244)	(1,577)	(2,049)
Other operating revenues (costs)	(1,521)	(170)	146	(272)
Total	(1,896)	(1,204)	(248)	(1,644)

“EBIT” for the second quarter of 2007 came to EUR 26,764 thousand, of which EUR 25,102 thousand is attributable to Signalling, EUR 7,231 thousand to Transport Systems, while the parent company Ansaldo STS incurred an operating loss of EUR 5,569 thousand.

“Net financial income” amounted to EUR 560 thousand, detailed as follows:

	<i>Second quarter 2007</i>	<i>Second quarter 2006</i>	<i>First Half 2007</i>	<i>First Half 2006</i>
Interest owed by parent and associated companies	1,674	1180	2959	952
Dividends	339	397	339	397
Bank interest	73	(375)	267	(503)
Gains on foreign exchange transactions	(868)	(1,437)	(817)	445
Foreign exchange derivatives	(84)	(161)	(32)	(513)
Other net financial income (charges)	(574)	1,087	(782)	(108)
Total	560	691	1,934	670

“Income taxes” amounted to EUR 7,804 thousand. In detail, the entry represents the sum of:

	<i>Second quarter 2007</i>	<i>Second quarter 2006</i>	<i>First Half 2007</i>	<i>First Half 2006</i>
IRES (corporate income tax)	12,606	5,314	18,282	11,641
IRAP (regional tax on productive activities)	2,564	888	4,203	2,580
Gains from IRES consolidation	(1,610)	-	(1,610)	-
Other taxes on profit	(345)	2,862	280	3,670
Taxes relating to previous years	2	(2,292)	2	(2,122)
Provisions for disputes over taxes	-	264	80	264
Net deferred taxes	(5,413)	(324)	(2,822)	1,167
Total	7,804	6,712	18,415	17,200

Ansaldo STS S.p.A., the Group parent company, exercised the option to use the Consolidated Taxation Mechanism for the Group's Italian subsidiaries (Ansaldo Segnalamento Ferroviario S.p.A. and Ansaldo Trasporti Sistemi Ferroviari S.p.A.) for the 2007-2009 period for IRES (corporate income tax). Specifically, this mechanism allows companies to calculate a single IRES tax base for the Group's Italian companies by summing the taxable incomes (considered fully) of the parent company and the subsidiaries (only the "Italian" subsidiaries).

With regard to Ansaldo STS, the application of the Consolidated Taxation Mechanism has permitted the entry of current taxes such as gains from IRES consolidation in the amount of EUR 1,610 thousand and deferred tax assets in the amount of EUR 1,294 thousand in the consolidated profit and loss account

The following table gives a breakdown of the consolidated financial position at 30 June 2007 :

Balance sheet

<i>(EUR 000)</i>	<u>30/06/2007</u>	<u>31/12/2006</u> <i>Pro-forma</i>	<u>30/06/2006</u> <i>Pro-forma</i>
Non-current assets	257,292	250,554	234,519
Non-current liabilities	<u>48,692</u>	<u>44,859</u>	<u>41,820</u>
	<u>208,600</u>	<u>205,695</u>	<u>192,699</u>
Inventory	104,166	96,540	89,041
Contract work in progress	127,099	78,292	90,047
Trade receivables	277,738	311,145	233,373
Trade payables	206,016	166,289	179,730
Advances from customers	461,781	475,124	431,172
Short term provisions for risks and charges	23,245	22,310	25,454
Other current assets (liabilities), net	<u>(55,124)</u>	<u>(59,559)</u>	<u>(54,132)</u>
Net working capital	<u>(237,163)</u>	<u>(237,305)</u>	<u>(278,027)</u>
Net invested capital	<u>(28,563)</u>	<u>(31,610)</u>	<u>(85,328)</u>
Group shareholders' equity	155,809	126,279	95,942
Minority interests	<u>342</u>	<u>360</u>	<u>371</u>
Shareholders' equity	<u>156,151</u>	<u>126,639</u>	<u>96,313</u>
Financial debt (liquidity), net	<u>(184,714)</u>	<u>(158,249)</u>	<u>(181,641)</u>

At 30 June 2007 “non-current assets” came to EUR 257,292 thousand, broken down as follows:

	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
Intangible fixed assets			
Tangible fixed assets	49,241	45,093	41,810
Equity investments	91,188	91,770	92,954
Receivables	28,949	28,582	28,503
Deferred taxes	15,902	15,494	8,413
Other assets	43,253	39,975	32,540
	<u>28,759</u>	<u>29,640</u>	<u>30,299</u>
Total	<u>257,292</u>	<u>250,554</u>	<u>234,519</u>

The details are as follows:

- Intangible assets relate mainly to goodwill of Group companies (EUR 38,649 thousand).
- Tangible fixed assets mainly include the value of the premises owned by the parent company, Ansaldo STS, located at Via Mantovani 3/5-16151 in Genoa and purchased in December 2005 from its parent company Finmeccanica S.p.A. for EUR 62,378. In accordance with IAS 16, the component approach was applied to the above amount using estimates provided by experts and therefore the amount of EUR 9,353 thousand was reclassified among the item “Land”. Equity investments at 30 June 2007 came to EUR 28,949 thousand and are almost entirely attributable to the Transport Systems division: EUR 21,000 thousand for the purchase of a 14% stake in Metro C SpA, a company formed on 3 April 2006 to design and build the new C line of the Rome metro; EUR 6,150 thousand to purchase 24.6% of Metro 5 SpA, a company formed on 5 June 2006 to design, build and operate the new Line no. 5 of the Milan metro. In the Signalling division, a new German company was formed, Ansaldo STS Deutschland GmbH (EUR 26 thousand), held 100% by the Italian subsidiary Ansaldo Segnalamento Ferroviario and, in the Transport Systems division, the new company International Metro Service S.r.l. (EUR 344 thousand) was formed, of which the group holds 49 %.
- Non-current receivables at 30 June 2007 came to EUR 15,902 thousand essentially attributable to the Signalling division and its American subsidiary Union Switch & Signal in relation to the “Pittsburgh facilities lease” receivable of EUR 6,627 thousand and to the Transport Systems division in the amount of EUR 6,766 thousand regarding the advance paid to “Thessaloniki metro”.

- “other assets” amounted to EUR 28,759 thousand and are mainly attributable to the non-current portion of the costs incurred to purchase the license to use the “Ansaldo” brand for 20 years from Finmeccanica SpA. On 27 December 2005, Ansaldo STS S.p.A. entered into a licensing agreement with Finmeccanica to use the “Ansaldo” brand under which the Company is known in the market. The agreement gives the Company exclusive use of the brand for the next 20 years in the sectors the Group does business, in exchange for an up-front payment of EUR 32,213 thousand.
- “deferred tax assets” relate to the Signalling division in the amount of EUR 43,253 thousand and are largely attributable to Ansaldo STS’s deferred taxes in the amount of EUR 12,657 thousand as a result of the application of the Consolidated Taxation Mechanism, to the deferred taxes of the US subsidiary Union Switch & Signal Inc. (EUR 16,279 thousand), the French subsidiary CSEE Transport (EUR 4,916 thousand), the Italian subsidiary Ansaldo Segnalamento Ferroviario (EUR 1,849 thousand), and the Australian subsidiary Union Switch & Signal PTY (EUR 3,073 thousand). A total of EUR 637 thousand regard the Transport Systems division.

“Non-current liabilities” were EUR 48,692 thousand at 30 June 2007. Specifically:

	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
Severance pay and other liabilities towards staff	32,304	30,612	29,816
Provisions for risks and charges	-	-	-
Deferred taxes	7,265	7,337	5,811
Other liabilities	<u>9,123</u>	<u>6,910</u>	<u>6,193</u>
Total	<u><u>48,692</u></u>	<u><u>44,859</u></u>	<u><u>41,820</u></u>

The details are as follows:

As from 1 January 2007 the 2007 Finance Law (no. 296/2006) and the related implementing decrees introduced changes to the rules governing severance pay, including giving employees a choice in where their accruing entitlement should be invested. Specifically, new severance pay accruals can be invested in pension funds or left with the company (in which case the latter pays

severance pay contributions into a treasury account held with the National Social Security Institute - INPS).

Although there continues to be uncertainty regarding the interpretation of the impact of the legislation on the calculation of severance pay under IAS/IFRS, the following trend in interpretative is emerging:

- severance pay accruing under Article 2120 of the Italian Civil Code are treated as payments into a defined-contribution plan under the abovementioned law, whether designated for the supplementary pension or the treasury account held with INPS, without any further commitment on the part of the company to pay additional contributions in the event the entity appointed to pay out the benefit to employees has insufficient assets to meet its obligation;
- the severance pay fund accrued as of 31 December 2006 shall continue as a defined-benefit plan that is subject to actuarial calculation excluding the component relating to future salary increases. The resulting difference between the new calculation of the severance pay fund at 31 December 2006 and the preceding calculation made will be treated as a curtailment of a defined-benefit plan in accordance with paragraph 109 of IAS 19. The effect of the new calculation will therefore be recognised in the profit and loss account as will any actuarial gain or being released to profit and loss on the basis of the residual working life of the employees under the “corridor” method. Based on the actuarial calculation of the severance pay fund at 31 December 2006 in accordance with the new assumptions, a negative impact of EUR 2,633 thousand was recognised in the profit and loss account. This difference incorporates the actuarial losses being released to profit and loss from 1 January 2007. The severance pay fund at 31 December 2006 is therefore in line with actuarial value. As to the period from 1 January 2007 to 30 June 2007, no actuarial calculation could be made due to the lack of complete data on the options actually exercised by the deadline date of 30 June 2007. However, we believe that the impact on the actuarial calculation at 30 June 2007 will not be significant taking into account both the data resulting from the calculation made under previous legislation (i.e. using a prudential approach), and the fact that most employees exercised the option for the treasury account held with INPS, which had effect starting from 1 January 2007 regardless of when exercised in the first half of 2007. Therefore, considering the limited number of employees who have opted for a supplementary pension plan, which had effect as from the moment the option was exercised making it necessary to treat the fund

accrued in the past as a defined-benefit plan, the portion of severance pay pursuant to Article 2120 of the Civil Code accrued in the first half of 2007 was classified as a defined-contribution plan cost.

- “deferred taxes” are attributable to the Signalling division for EUR 3,257 thousand, mainly related to the Italian subsidiary Ansaldo Segnalamento Ferroviario, for EUR 2,090 thousand, to the Transport Systems division for EUR 2,048 thousand and to Ansaldo STS S.p.A. for EUR 1,959 thousand.
- “current liabilities” amounted to EUR 9,123 thousand, primarily related to liabilities toward staff.

“**Net working capital**” amounted to EUR (230,092 thousand), detailed as follows:

- “inventory” stood at EUR 104,166 thousand, broken down as follows:

	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
Raw materials	37,475	28,258	28,837
Work in progress and semi-finished products	23,249	22,117	18,524
Finished products and goods	8,613	6,619	6,877
Advances to suppliers	34,829	39,546	34,803
Total	<u>104,166</u>	<u>96,540</u>	<u>89,041</u>

- “work in progress” stood at EUR 127,099 thousand and “advances from customers” amounted to EUR 461,781 thousand:

	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
Work in progress (gross)	905,499	944,429	1,016,234
Advances from customers	(778,400)	(866,137)	(926,187)
Work in progress (net)	<u>127,099</u>	<u>78,292</u>	<u>90,047</u>
Advances from customers (gross)	3,145,502	3,220,461	3,035,676
Work in progress	(2,683,721)	(2,745,337)	(2,604,504)
Advances from customers (net)	<u>461,781</u>	<u>475,124</u>	<u>431,172</u>

- “trade receivables and payables” amounted to EUR 175,205 thousand and 191,173 thousand, respectively:

	30/06/2007		31/12/2006		30/06/2006	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Receivables / Payables in respect of customers / suppliers	259,225	191,173	266,522	143,536	228,538	171,804
Total	259,225	191,173	266,522	143,536	228,538	171,804

- the “provisions for risks and charges” stood at EUR 23,245 thousand. As regards provisions for risks, it should be pointed out that the companies of the Ansaldo STS Group work in sectors and markets where many issues – both when they sue or are sued - are resolved only after a considerable time-lag, especially where the party being dealt with is a government body.

We believe that, at the current state of knowledge, the various problems we are confronted with, for which no specific provisions have been made, can be satisfactorily resolved without a significant impact on profits.

Clearly, in compliance with the relevant accounting standards, provisions have been made for any liabilities that may arise from probable, quantifiable risks.

- “other net liabilities towards third parties” amounted to EUR (50,325 thousand) at 30 June 2007:

	30/06/2007		31/12/2006		30/06/2006	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Due to staff	514	28,003	963	25,301	653	23,895
Deferred income	9,146	133	10,875	-	6,832	-
For direct taxes and other payments to tax authorities	10,918	14,129	7,698	23,114	19,446	26,352
To social security institutions	1,282	12,469	939	11,555	1,036	10,240
Research grants	3,063	-	3,284	-	2,164	-
Other receivables	11,015	-	8,849	-	-	-
Other payables	-	28,667	-	26,089	-	-
Derivatives	191	4,172	282	1,540	1,331	3,052
Others	1,119	-	-	-	5,021	27,157
Total	37,248	87,573	32,890	87,599	36,483	90,696

The details of the main changes are as follows:

- “deferred income” essentially regards the current portion of the costs incurred in purchasing the license to use the “Ansaldo” brand for 20 years from Finmeccanica SpA;
- the amount “receivable for direct taxes and other amounts due from the tax authorities” came to EUR 10,918 thousand and mainly related to the Signalling division (especially the French and Indian subsidiaries) as a result of tax payments on account.
- “payables for direct taxes and other amounts due from the tax authorities” came to EUR 14,129 thousand and mainly related to the Signalling division (EUR 8,808 thousand) and to Ansaldo STS S.p.A. (EUR 4,305 thousand) as a result of the adoption of the Consolidated Taxation Mechanism. This figure is net of payments on account at 30 June 2007.
- “other payables” includes EUR 28,667 thousand of which EUR 15,750 thousand relates to the liability in respect of the 75% of the purchase price due for the acquisition of stakes in Metro C S.p.A. – Rome.

“**Net invested capital**” was negative for EUR 28,563 thousand and shareholders’ equity stood at EUR 156,151 thousand.

Below is the consolidated net financial position at 30 June 2007, with that at 30 June 2006 and 31 December 2006 for comparison:

	<u>30/06/2007</u>	<u>31/12/2006</u>	<u>30/06/2006</u>
Short-term financial debts	6,071	13,984	4,167
Medium- and long-term financial debt	8,025	8,475	10,218
Cash and cash equivalents	<u>(42,313)</u>	<u>(48,580)</u>	<u>(61,847)</u>
BANK DEBT	<u>(28,217)</u>	<u>(26,121)</u>	<u>(47,462)</u>
Financial receivables from Group companies	(156,673)	(132,128)	(134,397)
Other financial receivables	-	-	-
FINANCIAL RECEIVABLES	<u>(156,673)</u>	<u>(132,128)</u>	<u>(134,397)</u>
Financial debts to Group companies	-	-	-
Other short-term financial debt	133	-	164
Other medium- and long-term financial debt	<u>43</u>	<u>-</u>	<u>54</u>
OTHER FINANCIAL DEBT	<u>176</u>	<u>-</u>	<u>218</u>
FINANCIAL DEBT (FINANCIAL RECEIVABLES), NET	<u>(184,714)</u>	<u>(158,249)</u>	<u>(181,641)</u>

At 30 June 2007 the Ansaldo STS Group had a net financial creditor position of EUR 184,714 thousand.

The main factors that affected the change in the Group's liquidity are the following:

- receipts of EUR 130,582 thousand from Ferrovie dello Stato by our Italian subsidiary Ansaldo Segnalamento Ferroviario.
- receipt from clients of our Australian subsidiary Union & Switch PTY of EUR 35,300 thousand, particularly on the Rawang Ipoh, ARTC and Rio Tinto orders, and of our French subsidiary CSEE Transport for the following orders: CTRL Phase II, ATP on Board Cina Est for EUR 12,900 thousand.
- payments for the purchase of the RM Star division by the subsidiary US&S for EUR 2,380 thousand
- payment of VAT of EUR 10,073 thousand
- payment of taxes of EUR 29,339 thousand
- payment of investments in tangible and intangible assets of EUR 4,489 thousand
- receipt of financial income of EUR 3,344 thousand

Cash and cash equivalents at 30 June 2007 came to EUR 42,313 thousand.

Cash flow at 30 June was broken down as follows:

<i>EUR 000</i>	<i>30/06/2007</i>	<i>31/12/2006</i>	<i>30/06/2006</i>
Opening balance cash and cash equivalents	<u>48,580</u>	<u>24</u>	<u>24</u>
Cash flow from operations	42,792	78,092	46,490
Change in working capital	16,316	30,987	81,269
Change in other assets and liabilities, taxes and interest	<u>(22,298)</u>	<u>(37,831)</u>	<u>(36,631)</u>
Cash flow from (for) operations	<u>36,810</u>	<u>9,274</u>	<u>91,128</u>
Cash flow from (for) ordinary investing activities	(8,340)	(12,814)	(12,431)
Free operating cash flow	<u>28,470</u>	<u>(3,540)</u>	<u>78,697</u>
Strategic investments	<u>(2,380)</u>	<u>(58,639)</u>	<u>(86,805)</u>
Cash flow from (for) investing activities	<u>(10,720)</u>	<u>(71,453)</u>	<u>(99,236)</u>
Dividends paid	0		
Capital increase	0	60,169	60,169
Cash flow from (for) financing activities	<u>(32,624)</u>	<u>50,240</u>	<u>10,272</u>
Cash flow from (for) financing activities	<u>(32,624)</u>	<u>110,409</u>	<u>70,441</u>
Foreign exchange translation differences	267	326	(510)
Closing balance cash and cash equivalents	<u><u>42,313</u></u>	<u><u>48,580</u></u>	<u><u>61,847</u></u>

- positive operating cash flow of EUR 36,810 thousand, attributable to receipts for the period from Ferrovie dello Stato, Malaysia on the Rawang Ipoh, ARTC, Rio Tinto, CTRL Phase 2 and ATP On-board China projects;
- cash flow for ordinary investing activities in the amount of EUR 10,720 thousand, attributable to investments in tangible and intangible fixed assets for the period (EUR 8,340 thousand) and to strategic investments of the US subsidiary of the Signalling Division for the merger of the RM STAR division (EUR 2,380 thousand).
- cash flow for financing activities in the amount of EUR 32,624 thousand mainly due to the changes in the current account held with the parent company Finmeccanica S.p.A.

7 Management of financial risks

In order to prevent exposure to changes in collections and payments relating to long-term construction contracts denominated in currencies other than the euro, the Group specifically hedges the individual cash flows expected from a contract. The management of exchange rate risk is governed by policies that envisage the systematic hedging of cash inflows and outflows deriving from contractual obligations that are certain, so as to guarantee the exchange rates prevailing on the date long-term contracts are signed and neutralize the effects of exchange rate variations. Hedges are established at the time commercial contracts are signed, through plain vanilla (swap and forward) instruments that are eligible for hedge accounting in accordance with IAS 39. These instruments are recognized on the basis of the cash flow hedge accounting model, considering the part relating to the premium or the discount as an ineffective component in the case of forward instruments and the part relating to the time value in case of options, which is recognized under financial income and expense. If, on the other hand, the hedge does not prove effective, the variations in fair value of such instruments are immediately recognized in the profit and loss account as financial items, while the underlying is valued as if it were not hedged, and reflects exchange rate fluctuations.

Hedging operations are primarily conducted with banks. At 30 June 2007, the Group had contracts relating to different currencies in the following notional amounts:

<i>(local currency /1000)</i>	31 December 2006	30 June 2007
Euro	105,082	105,385
US Dollar	22,936	46,960
GBP	4,722	4,817
Danish krone	-	-
SEK	33,419	18,804
YEN	-	-
Canadian dollar	22,374	25,178
Australian dollar	19,998	20,792

The positive net fair value of derivative financial instruments at 30 June 2007 came to about EUR 3.7 million.

Although the Group is exposed to interest rate risk, it has not adopted a policy to hedge against risks tied to interest rate fluctuations.

8 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. The most important figures are as follows:

<i>(figures in EUR 000)</i>	Non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
RECEIVABLES AT 30.06.2007					
<u>Parent company</u>					
Finmeccanica		156,673	1		156,674
<u>Subsidiaries</u>					
Alifana Due Scrl			1,718		1,718
Alifana Scrl			93		93
<u>Associated companies</u>					
I.M. Intermetro S.p.A.			400		400
Metro 5 S.p.A.			2,105		2,105
Pegaso Scrl			249		249
<u>Consortiums</u>					
Cons. Ascosa Quattro			342		342
Cons. Ferrov.S.Giorgio/Volla					
Cons. Ferrov.S.Giorgio/Volla 2			171		171
Cons. Ferroviario Vesuviano			1,068		1,068
Cons. Saturno			10,273		10,273
<u>Other Group companies</u>					
Alenia Aeronavali S.p.A.			133		133
Ansaldo Argentina S.A.			37		37
Ansaldo Energia S.p.A.			1		1
Ansaldo Breda S.p.A.			879	11	890
Electron Italia S.r.L.			698		698
ELSAG S.P.A			297		297
Fata Logistic Systems S.p.A.			1		1
Fata Spa				4	4
Finmecc Group Services S.p.A.			8		8
Orizzonte Sistemi Navali S.p.A.				3	3
Selex Sistemi Integrati Ltd			39		39
So.Ge.Pa. S.p.A.				1	1
Total	-	156,673	18,513	19	175,205

<i>(figures in EUR 000)</i>	Non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
RECEIVABLES AT 30.06.2006					
<u>Parent Company</u>					
Finmeccanica		134,397	77	387	134,861
<u>Subsidiaries</u>					
Alifana Due Scrl			1,812		1,812
Alifana Scrl			30		30
<u>Associated companies</u>					
I.M. Intermetro Spa			411		411
Metro 5 Spa					-
Pegaso Scrl			180		180
<u>Consortiums</u>					
Cons. Ascosa Quattro					-
Cons. Ferrov.S.Giorgio/Volla			343		343
Cons. Ferrov.S.Giorgio/Volla 2					-
Cons. Ferroviario Vesuviano			297		297
Cons. Saturno			10,604	97	10,701
<u>Other Group companies</u>					
Alenia Aeronavali S.P.A.					-
Ansaldo Argentina S.A.					-
Ansaldo Energia S.P.A.					-
Ansaldo S.P.A.			1,904		1,904
Electron Italia S.R.L.					-
Elsag S.P.A.					-
Fata Logistic Systems Spa					-
Fata Spa					-
Finmeccanica Group Services Spa			34	37	71
Orizzonte Sistemi Navali S.P.A.					-
Selex Sistemi Integrati Ltd				76	76
So.Ge.Pa. Spa					-
Total	-	134,397	15,692	597	150,686

PAYABLES AT 30/06/2007

	Non-current financial payables	Other non- current payables	Current financial payables	Trade payables	Other current payables	Total
<i>(figures in EUR 000)</i>						
Parent Company						
Finmeccanica				81	135	216
Subsidiaries						
Alifana S.c.r.l.					3	3
Alifana Due S.c.r.l.				3,249		3,249
Associated companies						
I.M. Intermetro S.p.A.				1		1
Metro 5 spa					4,613	4,613
Pegaso S.c.r.l.				1,142		1,142
Consortiums						
Saturno				435		435
Ascosa quattro				4		4
Team				31		31
SanGiorgio Volla 2				21	20	41
Cons. Ferroviario Vesuviano				158	8	166
SanGiorgio Volla				130	8	138
Filobus Vesuviano					10	10
Other Group companies						
Mecfin				74		74
Ansaldo Breda				4,173		4,173
Finmeccanica Finance					21	21
Elsag Gest				-	21	- 21
Elsag Spa				2,212		2,212
Ote Spa				2,738		2,738
Altre				58		58
Sogepa				3		3
Orizzonte Sistemi Navali						
Fata Logistic				354		354
Total	-	-	-	14,843	4,818	19,661

PAYABLES AT 30/06/2006

	Non-current financial payables	Other non- current payables	Current financial payables	Trade payables	Other current payables	Total
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(figures in EUR 000)

Parent Company

Finmeccanica				721		721
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Subsidiaries

Alifana S.c.r.l.				103		103
Alifana Due S.c.r.l.				1,537		1,537

CONT OTHER SUBSIDIARIES						-
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Associated companies

I.M. Intermetro S.p.A.						-
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Metro 5 spa						-
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Pegaso S.c.r.l.				27		27
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Consortiums

Saturno				12,158		12,158
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Ascosa quattro				15	1	16
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Team					24	24
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SanGiorgio Volla 2				11	7	18
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Cons. Ferroviario Vesuviano				656		656
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SanGiorgio Volla				59	4	63
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Filobus Vesuviano					1	1
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Other Group companies

Mecfin						-
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Ansaldo Breda				2,640		2,640
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Ansaldo Energia				8		8
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Finmeccanica Finance				161		161
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Elsag Gest				33		33
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Elsag Spa				2,396		2,396
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Ote Spa				23		23
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Selex						-
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Sogepa						-
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Orizzonte Sistemi Navali				17		17
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Fata Logistic				412		412
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Total	-	-	-	20,977	37	21,014
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Second quarter 2007

(figures in EUR 000)

	Revenues	Other operating revenues	Costs	Financial income	Financial expense
<u>Parent Company</u>					
Finmeccanica	-	-	551	1,717	43
<u>Subsidiaries</u>					
Alifana Due S.c.r.l.	2,877	-	742	-	-
<u>Associated companies</u>					
I.M. Intermetro S.p.A.	97	-	-	-	-
Pegaso S.c.r.l.	130	-	1,191	-	-
<u>Consortiums</u>					
Saturno	25,027	-	925	-	-
Ascosa quattro	115	-	1	-	-
Team	37	-	26	-	-
SanGiorgio Volla 2	58	853	-	-	-
Cons. Ferroviario Vesuviano	780	-	-	-	-
SanGiorgio Volla	166	-	-	-	-
<u>Other Group companies</u>					
Finmeccanica Service Group	-	-	144	-	-
Ansaldo Energia	-	-	- 1	-	-
Ansaldo Breda	4,638	58	1,283	-	-
Fata Logistic	-	1	497	-	-
Finmeccanica Finance	-	-	21	-	-
Elsag Spa	-	247	955	-	-
Ote Spa	-	-	2,929	-	-
Sogepa	-	-	7	-	-
Electron Italia S.r.l.	634	-	-	-	-
Selex sistemi integrati Ltd	-	55	-	-	-
Alenia	-	- 93	-	-	-
Metro SPA	484	-	- 43	-	-
Total	35,043	1,121	9,228	1,717	43

Second quarter 2006

Revenues

Other
operating
revenues

Costs

Financial
income

Financial
expense

(figures in EUR 000)

Parent Company

Finmeccanica	401	-	838	1,108	-
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Subsidiaries

Alifana Due S.c.r.l.	1,664	-	11,020	-	-
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Associated companies

I.M. Intermetro S.p.A.	79	-	-	-	-
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Pegaso S.c.r.l.	150	-	2,118	-	-
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Consortiums

Saturno	19,178	-	1,442	-	-
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Ascosa quattro	6	-	-	-	-
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Team	-	-	30	-	-
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SanGiorgio Volla 2	-	-	-	-	-
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Cons. Ferroviario Vesuviano	109	-	-	-	-
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SanGiorgio Volla	497	-	-	-	-
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Other Group companies

Mecfin	44	-	18	-	-
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Ansaldo Energia	-	-	6	-	-
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Ansaldo Breda	1,500	-	649	-	-
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Fata Logistic	-	-	362	-	-
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Finmeccanica Finance	-	-	26	-	-
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Finmeccanica Service group	-	-	-	-	-
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Elsag Spa	-	-	3,736	-	-
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Elsag Gest	-	-	153	-	-
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Ote Spa	-	-	20	-	-
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Sogepa	-	-	-	-	-
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Electron Italia S.r.l.	-	-	-	-	-
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Selex sistemi integrati Ltd	44	-	-	-	-
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Ansaldo Ricerche	-	-	12	-	-
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Orizzonte Sist Nav	-	-	17	-	-
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Total	23,672	-	20,375	1,108	-
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9 Significant non-recurrent events and transactions

None to report.

10 Positions or transactions arising from atypical and/or unusual operations

At 30 June 2007, the Ansaldo STS Group was not involved in any positions or transactions arising from atypical and/or unusual operations.

11 Net financial position

The following information is provided in accordance with Consob Notice DEM/60644293 of 28 July 2006.

	30/06/2007	31/12/2006
A. Cash	278	1
B. Other cash equivalents (including bank current accounts)	42,035	48,579
C. Securities held for trading	0	0
D Liquidity (A+B+C)	42,313	48,580
E Current financial receivables	156,673	132,128
F Current bank loans	5,241	13,984
G. Current portion of non-current debt	0	0
H Other current financial payables	963	0
I Current financial debt (F+G+H)	6,204	13,984
J Net current financial debt (I-E-D)	(192,782)	(166,724)
K Non-current bank loans	5,305	8,475
L. Bonds issued	0	0
M Other non-current payables	2,763	0
N Non-current financial debt (K+L+M)	8,068	8,475
O Net financial debt (J+N)	(184,714)	(158,249)

12 Outlook

Thanks to the commercial success achieved by the Transport Systems business and the good performance of orders in the Signalling division in the second half of 2006, the Group's order backlog for the first quarter of 2007 has expanded compared with the same period of 2006.

This has laid the foundation for growth in output at least in line with the strong performance posted last year (up 10% on the previous year). The programmes and initiatives to boost efficiency in order to increase profitability will continue.

The signalling and transport systems markets are still growing overall, although in certain countries, such as Italy, a number of rail investment programmes are coming to their natural end. The Group is continuing to pursue opportunities in high-growth countries with substantial capacity for infrastructure investment, such as China, India and Russia.

This year will also be characterised by the search for opportunities in the transport systems business around the world. This will be supported by the systems experience of Ansaldo Trasporti Sistemi Ferroviari SpA and the presence of the subsidiaries of our Signalling division in the various markets.

The Company's positive financial situation allows us to closely monitor happenings in the sector in order to search for and select any investment opportunities in support of growth, analyzing possible acquisitions or equity investments in companies offering a complementary presence in new markets of interest to Ansaldo or which have a product portfolio that would expand the Group's existing range of solutions.

On behalf of the Board of Directors
The Chairman
Alessandro Pansa

Attachment A: list of significant equity investments pursuant to CONSOB resolution no. 11971/1999, Article 125

<i>Subsidiary (name and legal form)</i>	<i>Country</i>	<i>% of total</i>	<i>% Indirect control</i>	<i>% Direct control</i>	<i>Through</i>	<i>Type of ownership (see key)</i>
Alifana-Società consortile a responsabilità limitata	Italy	65.850%	65.850%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A	1
Alifana due-Società consortile a responsabilità limitata	Italy	53.340%	53.340%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A	1
Automatismes Controles et Etudes Electroniques Acelec S.A.	France	99.999%	99.994%		CSEE Transport S.A.	1
			0.004%		CSEE Transport S.A.	9
			0.001%		CSEE Transport Hong Kong Ltd.	1
Ansaldo Segnalamento Ferroviario S.p.A.	Italy	100.000%	100.000%		Ansaldo Signal NV	1
Ansaldo Signal Espana S.A.	Spain	100.000%	100.000%		CSEE Transport S.A.	1
Ansaldo Signal Finland OY	Finland	100.000%	100.000%		Ansaldo Signal Sweden AB	1
Ansaldo Signal Ireland Ltd.	Ireland	100.000%	99.999%		Ansaldo Signal NV	1
			0.001%		Union Switch & Signal Inc.	1
Ansaldo Signal NV	Netherlands	100.000%		100.000%		1
Ansaldo Signal Sweden AB	Sweden	100.000%	100.000%		Ansaldo Signal NV	1
Ansaldo Signal UK Ltd.	UK	100.000%	100.000%		Ansaldo Signal NV	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
Beijing CS Signal Controlling System Co. Ltd.	China	80.000%	80.000%		CSEE Transport S.A.	1
CSEE Transport S.A.	France	100.000%	99.999%		Ansaldo Signal NV	1
			0.001%		Ansaldo Signal NV	9
CSEE Transport Hong Kong Ltd.	China	100.000%	99.999%		CSEE Transport S.A.	1
			0.001%		CSEE Transport S.A.	9
Ecosen S.A.	Venezuela	48.000%	48.000%		CSEE Transport 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

<i>Subsidiary (name and legal form)</i>	<i>Country</i>	<i>% of total</i>	<i>% Indirect control</i>	<i>% Direct control</i>	<i>Through</i>	<i>Type of ownership (see key)</i>
Metro 5 S.p.A.	Italy	24.600%	24.600%		Ansaldo Trasporti– Sistemi Ferroviari S.p.A.	1
Metro C. S.p.A.	Italy	14.000%	14.000%		Ansaldo Trasporti– Sistemi Ferroviari S.p.A.	1
Pegaso-Società consortile a responsabilità limitata	Italy	46.870%	46.870%		Ansaldo Trasporti– Sistemi Ferroviari S.p.A.	1
Transcontrol Corporation	USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Transit Safety Research Alliance (no profit corporation)	USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal Chile Ltda.	Chile	68.000%	67.000%		Transcontrol Corporation	1
			1.000%		Union Switch & Signal International Co.	1
Union Switch & Signal Inc.	Delaware-USA	100.000%	100.000%		Ansaldo Signal NV	1
Union Switch & Signal Inc. Canada	Ontario-Canada	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal International Co.	Delaware-USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal International Projects Co.	Delaware-USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal Private Ltd.	India	100.000%	99.9998%		Ansaldo Signal NV	1
			0.0002%		Transcontrol Corporation	1
Union Switch & Signal PTY Ltd.	Australia	100.000%	100.000%		Transcontrol Corporation	1
Union Switch & Signal (Malaysia) SDN BHD	Malaysia	100.000%	100.000%		Union Switch & Signal PTY Ltd.	1

Key: Types of share ownership or voting rights

- 1 Owned
- 2 Securities lender (riporto)
- 3 Securities borrower (riporto)
- 4 Registered owner on behalf of third party
- 5 Asset management
- 6 Pledge
- 7 Usufruct
- 8 Deposit
- 9 Voting rights under contractual agreements

**Attachment B: STATEMENT PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 2 OF
LEGISLATIVE DECREE 58/1998**

I, Jean Paul Giani, the manager responsible for the preparation of the financial reports of Ansaldo STS S.p.A.

certify

pursuant to Article 154-*bis*, second paragraph of Legislative Decree 58 of 24 February 1998 as amended, that the Consolidated Quarterly Report at 30 June 2007 of the Ansaldo STS Group corresponds with the information contained in the accounting documentation, books and records.

Genoa, 31 July 2007.

Manager responsible for financial reports

Jean Paul Giani