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CONSOLIDATED INTERIM
FINANCIAL REPORT
AT 31 MARCH 2011

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This Consolidated Interim Financial Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

1 Report on operations at 31 March 2011

1.1 Introduction

The Ansaldo STS Group recorded a net profit of EUR 15,467 thousand at 31 March 2011 compared with EUR 14,392 thousand recorded at 31 March 2010; revenue totalled EUR 278,177 thousand against EUR 265,003 thousand recorded in the first quarter 2010, with a Group's return on sales equal to EUR 9.2% substantially in line with the figure recorded in the same period last year (9.1%).

The net financial position was equal to EUR 295,402 thousand, below the figure reported at 31 December 2010 (EUR 318,150 thousand; EUR 283,858 thousand at 31 March 2010).

Orders came to EUR 551,393 thousand compared with EUR 293,021 thousand at 31 March 2010.

The value of *backlog* is equal to EUR 4,793,266 thousand, increased from that for the end of 2010, which amounted to EUR 4,551,127 thousand (EUR 3,836,761 thousand at 31 March 2010).

In the period from **30 December to 31 March 2011**, the official price of the stock moved from EUR 10.67 to EUR 10.34, with a decrease of 3.2%.

The stock reached a peak for the period of EUR 11.21 (official closing price of 14 January 2011) and a low of EUR 9.67 (official closing price of 15 March 2011).

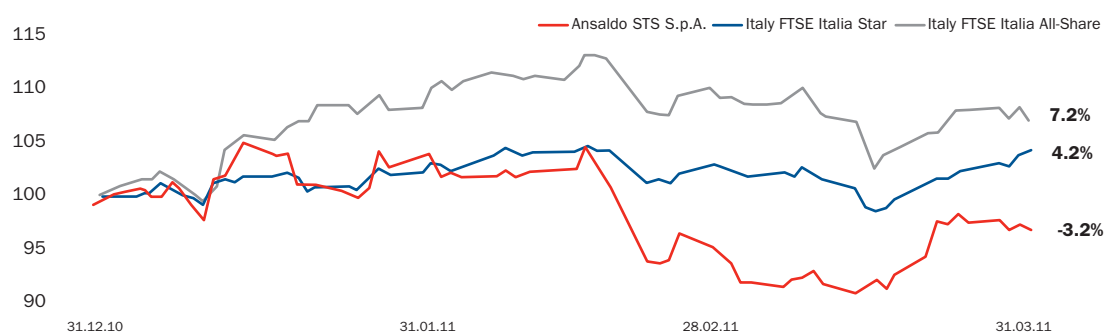
The daily average volumes for the period at issue amounted to 608,980 shares exchanged.

Since 21st February the stock has been affected by the Libyan crisis.

In the period under review, the FTSE All Share Italy index earned 7.2%, while the FTSE Italia STAR index earned 4.2%.

The analysts' evaluations, at 31 March 2011, achieved consensus in terms of price objective equal to EUR 12.3.

Share performance vis-à-vis the main indices (basis 100)



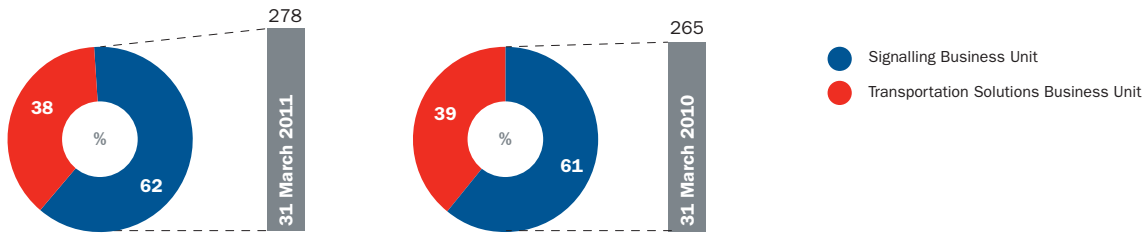
1.2 Group key figures

(EUR thousand)	31.03.2011	31.03.2010	Change
Orders	551,393	293,021	258,372
Order backlog	4,793,266	3,836,761	956,505
Revenue	278,177	265,003	13,174
EBIT	25,522	24,018	1,504
Adjusted EBITA	25,588	24,208	1,380
Net profit	15,467	14,392	1,075
Net working capital	(130,653)	(168,120)	37,467
Net invested capital	92,700	42,179	50,521
Net financial position (liquidity)	(295,402)	(283,858)	(11,544)
Free Operating Cash Flow	(15,133)	2,481	(17,614)
R.O.S.	9.2%	9.1%	+0.1 p.p.
R.O.E.	26.9%	29.4%	-2.5 p.p.
E.V.A.	13,411	14,161	(750)
Research and Development	10,945	6,927	4,018
Workforce (no.)	4,192	4,345	(153)

Revenue rose from EUR 265,003 thousand at 31 March 2010 to EUR 278,177 thousand at 31 March 2011 with an increase of EUR 13,174 thousand.

Specifically, the Signalling Business Unit closed the First Quarter 2011 with revenue of EUR 176,988 thousand, an increase of EUR 6,815 thousand compared with the same period of the previous financial year (EUR 170,173 thousand) and the Transportation Solutions Business Unit recorded revenue for EUR 104,764 thousand, with a slight increase of EUR 1,636 thousand compared to 31 March 2010 (EUR 103,128 thousand).

Revenue by Business Unit at 31 March 2011 – 2010 (EUR millions)

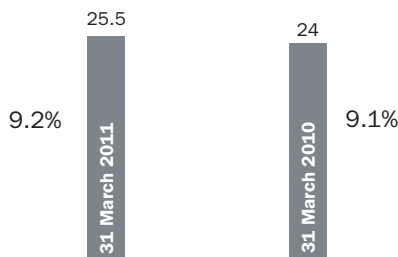


EBIT at 31 March 2011 amounted to EUR 25,522 thousand, with a slight increase of some EUR 1,504 thousand over the same period of the financial year 2010 (EUR 24,018 thousand at 31 March 2010); the profit margin was 9.2%, as compared with 9.1% in the previous financial year.

More specifically:

- the Signalling Business Unit ended the First Quarter 2011 with an operating profit of EUR 20,208 thousand, increasing by EUR 2,573 thousand over the same period last year (EUR 17,635 thousand).
- the Transportation Solutions Business Unit posted an operating profit of EUR 8,273 thousand, with a slight decrease of EUR 633 thousand from the same period last year (EUR 8,906 thousand).

EBIT and ROS at 31 March 2011 – 2010 (EUR millions)



Consolidated **Net Invested Capital** was EUR 92,700 thousand, compared with EUR 63,311 thousand recorded at 31 December 2010; the difference of EUR 29,389 thousand is essentially attributable to the change in **Net Working Capital**, which went from a negative EUR 154,253 thousand at 31 December 2010 to a negative EUR 130,653 thousand at 31 March 2011. The change is due the increase in work in progress and in trade receivables partially offset by the increase in advances from customers.

The Group's **net financial position** (mainly financial receivables and cash and cash equivalents on borrowings) at 31 March 2011 was EUR 295,402 thousand compared with liquidity of EUR 318,150 thousand at 31 December 2010, a decrease of EUR 22,748 thousand.

The net financial position includes EUR 70,643 thousand for the advance payment collected from the Russian customer Zarubezhstroytehnology for the project, signed in August 2010 and suspended up to 21 February 2011, for the construction of signalling, automation, telecommunications, power supply, security and ticketing systems on the line linking Sirth to Benghazi in Libya.

Cash and cash equivalents at 31 March 2011 amounted to EUR 121,254 thousand compared with EUR 153,320 thousand at 31 December 2010. The reduction is mainly attributable to the reclassification under financial receivables of the current account, denominated in Libyan dinars, with Sahara Bank in Libya for a countervalue of EUR 28,442 thousand, reclassification triggered by the blocking of the account following the riots and instability of the country.

Free Operating Cash Flow (FOCF) before strategic investments showed a cash flow used for EUR 15,133 thousand compared with a cash flow generated for EUR 2,481 thousand at 31 March 2010; this is mainly explained by the change in the working capital.

At 31 March 2011, **Research and Development costs** stood at EUR 10,945 thousand, an increase compared to the same period last year (EUR 6,927 thousand).

The activities developed by the Signalling Business Unit, totalling EUR 10,611 thousand and accounting for 97% of the total, were associated with the following companies:

- Ansaldo STS SpA: EUR 5,402 thousand
- Ansaldo STS France: EUR 3,514 thousand
- Ansaldo STS USA: EUR 1,695 thousand

The activities developed by the Transportation Solutions Business Unit came to EUR 334 thousand, with a decrease of EUR 403 thousand compared with what recorded in the same period last year.

The Group's **workforce** at 31 March 2011 stood at 4,192, a decrease of 153 units compared with 4,345 units at 31 March 2010 (4,217 at 31 December 2010).

The **average size** of the Group workforce at 31 March 2011 was equal to 4,172 resources against 4,311 resources at 31 March 2010 (4,299 resources at 31 December 2010).

2 Alternative non-GAAP performance indicators

Ansaldo STS' management assesses the Group's earnings and financial performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs.

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

- **EBIT:** the aggregate signifies earnings before taxes and finance income and costs, with no adjustments. EBIT also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as "finance income (costs)" or, for the results of equity investments accounted for with the equity method, under "Share of profit (loss) of equity accounted investments".
- **Adjusted EBITA:** it is arrived at by eliminating from EBIT (as defined above) the following items:
 - any impairment in goodwill;
 - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
 - restructuring costs that are a part of significant, defined plans;
 - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

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

(EUR thousand)	For the three months ended 31 March	
	2011	2010
Earnings before income taxes, net of finance income and costs and of share of results of equity accounted investments (EBIT)	25,522	24,018
<i>Impairment of goodwill</i>	-	-
Amortisation of intangible assets acquired through a business combination	-	-
Restructuring costs	(66)	(190)
Total exceptional costs (income)	-	-
EBIT Adjusted	25,588	24,208

- **Free Operating Cash-Flow (FOCF):** this is the sum of the cash flow generated from (used in) operating activities and the cash flow generated from (used in) investment and divestment of intangible assets, tangible assets, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods concerned is presented in the reclassified Statement of Cash Flows shown in section 7.
- **Funds From Operations (FFO):** this is cash flow generated from (used in) operating activities, net of changes in working capital. The calculation of FFO for the periods concerned is presented in the reclassified Statement of Cash Flows shown in section 7.
- **Economic Value Added (EVA):** this is calculated as EBIT net of taxes and the cost of the average value of invested capital for the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.
- **Operating Working Capital:** includes trade receivables and payables, inventories, work in progress, advances from customers and provisions for risks and charges.
- **Net Working Capital:** this is represented by operating working capital less other current assets and liabilities.
- **Net Invested Capital:** this is the algebraic sum of non-current assets, non-current liabilities and Net Working Capital.
- **Net financial debt (liquidity) or Net financial position:** the template for calculation is consistent with the one in section 127 of the CESR/05-054b recommendations implementing EC Regulation 809/2004.
- **Orders:** this is the sum of the contracts executed with contractors during the year which have the contractual characteristics for being booked to the order book.
- **Order backlog:** this is the difference between the orders acquired and revenue for the period of reference, net of the change in contract work in progress. This difference is added to the portfolio of the prior period.
- **Workforce:** this is the number of employees reported on the last day of the period concerned.
- **Return on Sales (ROS):** this is the ratio between EBIT and revenues.
- **Return on Equity (ROE):** this is calculated as the ratio between the net profit and the average value of shareholders' equity for the two periods concerned.
- **Research and Development costs:** this is the sum of costs sustained for R&D expensed and sold. The costs for research expensed are normally referable to so-called "basic technology", i.e. rights to the attainment of new scientific knowledge and/or techniques applicable to different new products and/or services. The costs of research sold are those commissioned by the customer against which a specific sale order exists and which have accounting and operational treatment identical to ordinary supply (sale contract, profitability, invoicing, advances, etc.).

3 Performance

3.1 Market conditions and business climate

3.1.1 Signalling Business Unit

The **orders acquired** at 31 March 2011 came to EUR 363.0 million with an increase from the same period of the previous year (EUR 65.0 million at 31 March 2010).

The most significant events are detailed below.

ITALY

The most important order acquired refers to the Turin-Padua main line with RFI (EUR 193.6 million); the purpose of the contract is to modernize the infrastructure of this section belonging to the European D corridor (Lisbon-Kiev). The supply includes two traffic management systems (Centralized Traffic Control Systems/Multistation) with line diagnostic integrated systems and four multi-station interlocking systems (Automatic Centre Control/ Multistation), that will run the operation of the Turin junction, the Chivasso-Novara line, the Milan junction, the Novara-Rho line, the Pioltello-Brescia line and the Brescia-Padua line, generating a significant advantage to the intercity and local railway traffic as well as more effective maintenance services and lower infrastructure running expenses.

Other orders acquired in the period include the update of the Fornovo Centralized Traffic Control Systems (EUR 1.5 million), the second tranche of the LRU SCMT/STB Repairs Contract with Trenitalia (some EUR 0.9 million) and the SSB-SCMT Logistic Assistance for 19 Flirt Trains (some EUR 0.7 million).

Outstanding bids include those relating to the railway line Brescia-Treviglio through Consortium Saturno, plants for the metro lines in Milan (Line 4) and Rome (Lines B and B1), the outsourced IT network management services of RFI, onboard SCMT systems (Train running control system) inclusive of GSM-R for regional trains and for maintenance and repair of onboard SCMT systems for Trenitalia.

REST OF EUROPE

The main order acquired in the period was reported in Sweden and refers to the Stockholm Red Line (EUR 85 million); its objective is to fully update the current signalling system of both the wayside line (41 Km, 36 stations) and the onboard systems (30 trains). Other orders acquired in France refer to the maintenance contracts with RATP (EUR 18.4 million), to orders for relays and TVM430 onboard equipment to SNCF (EUR 3.9 million) and relating to Oullins PCC for the Lyon metro (EUR 2 million). Some variations to the project relating to the Cambrian Line "stage 2&3" were acquired in the UK (EUR 2.3 million).

Outstanding bids include the tenders relating to wayside and onboard equipment in Denmark, the tenders for the high-speed line Albacete-Alicante in Spain, whose awarding may be deferred to 2012 and for the high-speed line Bretagne-Pays de Loire and LGV SEA in France. Particular mention should be given to the opportunities in Slovenia in the conventional railway sector (wayside equipment for ERTMS level 1 for D corridor) and in the high-speed railway sector (wayside equipment for ERTMS level 2); in Belgium, in relation to the conventional railway network with ERTMS level 1 equipment and the management of over 4,000 signals, in Turkey in the sector of conventional railways, where assignment is expected for Marmaray projects and the lines Balikesir-Eskisier and Gebze-Kosekoy to be equipped with ERTMS level 1. In Romania, activities are under way for a few opportunities in the conventional railway sector, specifically on the Buftea-Krivinia lines (ERTMS lev. 2) and on the four sections belonging to the Curatici-Simeria line.

NORTH AMERICA

The main orders acquired in the period refer to the sale of components (EUR 9.5 million) and to the order variations on the Washington Metro Red Line (WMATA) for EUR 4 million and for EUR 2.2 million on sundry minor projects.

Outstanding bids refer in the USA to the extension of the Los Angeles Metro Gold Line (LACMTA); those for onboard equipment to Ansaldo Breda for Metro BART; and at Long Island (LIRR) for changes to 250 trains. Always in the USA, particular attention should be given to several opportunities in the metro sector for the second half of the year.

NORTH AFRICA AND THE MIDDLE EAST

No orders were acquired in this geographical area at the end of March, while several initiatives are under way. In North Africa, these refer to the high-speed line (Tenia-BBA) and the conventional railway line (Tlalat-Tlemcen) in Algeria; while in Morocco, an opportunity refers to the interlocking system for the conventional railway line Tangeri-Casablanca and several opportunities to the high-speed segment in the second half of the year.

In Kazakhstan, bids are being called for the awarding of a Training Center and in the course of the year for the high-speed line between Astana and Osakarovka (100 Km, dual track). Lastly, in the United Arab Emirates, activities have been carried out for a conventional railway line GCC-Abu Dhabi (section 1 on 220 Km).

ASIA PACIFIC AND SOUTH AFRICA

The main orders acquired in the period have been reported in Australia; specifically, those relating to the AANCSA Alliance in New South Wales (NSW) equal to EUR 12.6 million, in addition to EUR 4.1 million for sundry orders in West Australia, EUR 1.6 million from other alliances of NSW, EUR 1.7 million from non-alliance customers of NSW and EUR 1.3 million from the sale of components.

Outstanding bids include in Australia those relating to the Roy Hill project and to the Oakajee Port and Rail project and Aquila Iron Ore Railway, whose tenders should be called in the last part of 2011 and awarded in 2012. In Malaysia, the activity mainly regarded the expansion of the fleet for the Monorail line in Kuala Lumpur, while in Indonesia the main activity is focused on the PT Freeport opportunity. In Botswana, activities are continuing to obtain a contract for maintaining the railway lines, while in South Africa opportunities are expected for the railway lines Ladysmith-Clavis and Kamfersdam-Postmasburg. In Singapore, efforts have been directed to the "East-West / North-South" line, while in Vietnam are relative the Ho Chi Minh Metro Line 1. In India, opportunities refer to the metro segment, which includes the Hyderabad, Delhi, Jaipur and Calcutta metro lines, as well as TPWS projects and other changes in orders on outstanding projects in the sector of conventional railways.

In China, outstanding opportunities include those in the high-speed railway sector relating to 160 pieces of on board ATP equipment in addition to opportunities in the metro sector for Zheng Zhou and Shanghai.

SOUTH AMERICA

Present bids include those for the Valencia Metro in Venezuela.

3.1.2 Transportation Solutions Business Unit

The orders acquired at 31 March 2011 came to EUR 189.2 million with a decrease of 17% compared with the same period of the previous year (EUR 228.4 million at 31 March 2010).

The most significant events relating to the First Quarter 2011 are detailed below by geographical area:

ITALY

In Italy, the most significant acquisition traces back to February and refers to the extension of the Milan Metro Line 5 (extension to South West from Garibaldi up to San Siro) for a value of EUR 105.2 million.

With regard to opportunities, the bid was submitted in December 2011 for the tender relating to the Milan Metro Line 4 (S. Cristoforo-Linate), whose outcome is expected in the first part of the year.

With regard to the extension of the Rome Line B for the Rebibbia – Casalmonastero segment, the bid was submitted in July 2010 and is being evaluated.

Expectations are confirmed, though almost entirely delayed and partially weakened by the shortage of funds, regarding expansion programmes, in the medium/long-term, of the transport network for all the main Italian cities.

REST OF EUROPE

No significant acquisitions are reported.

With regard to opportunities, the most important is expected in the second half of 2011 and is represented by the tender for the construction of a LRT system in Saint Petersburg, which links the city and the new airport.

NORTH AFRICA AND THE MIDDLE EAST

In the Middle East, Qatar is one of the Gulf Countries with the most ambitious infrastructural plan which envisages in the next few years several projects for the construction of the metro and LRT. Ansaldo STS is taking part in the tender relating to the Lusail tramway, for which the “tramwave” solution will be applied.

Following the success obtained at Riyadh last year, Saudi Arabia also represents a market of great interest where several initiatives are looming on the horizon.

In Tunisia, the recent critical events that have been affecting the country brought to a deferment of the tender called by Société du Réseau Ferroviaire Rapide de Tunis for the construction of the first two lines of the Tunis suburban railway network, for which ASTS has already submitted the technical bid and is awaiting the call for the economic bid.

ASIA PACIFIC AND SOUTH AFRICA

In Australia, the first application contract of the framework agreement relating to the extension of the Rio Tinto Freight Railway was awarded in March for a value of EUR 70 million. Further application contracts relating to the same framework agreement are expected in the future.

In India, several projects are expected this year in both the mass transit and freight railway segments.

For the future business prospects in the Asia Pacific area, Taiwan is one of the strategic markets for ASTS. The tender is expected for the extension of the Taipei Circular Line, project currently under way. Also in Malaysia, some mass transit initiatives are expected in the coming months, where the Group will be involved.

NORTH AMERICA

In this region, Ansaldo STS has been selected as Core Systems Contractor, in joint-venture with Ansaldo Breda, for the construction of the driverless metro in Honolulu; the contract should be signed in the coming months. It provides for the construction of the technological plants of the entire system, the related entry into operation and maintenance up to 2024. Moreover, the customer will have the faculty to exercise an option for additional five years of Operational & Maintenance (O&M) up to 2029.

In the USA, with regard to the high-speed market, some delays have been reported following the difficulties of financing very burdensome projects. However, Ansaldo STS follows carefully the development of the initiatives under way.

SOUTH AMERICA

With regard to South America, Brazil is a country of great interest; tenders are expected for the next months in the mass transit segment, i.e. the tender relating to the construction of a metro system in Fortaleza.

Several projects have been planned in the mass transit segment also in Colombia; in this context, a tender for the construction of a driverless metro is expected in Bogotá.

In the coming months, a tender is expected in Chile for the construction of a driverless metro in Santiago.

3.2 Business information

The **orders acquired** at 31 March 2011 totalled EUR 551,393 thousand as compared with EUR 293,021 thousand recorded in the same period of the 2010 financial year, with a significant increase of EUR 258,372 thousand (+88%).

The orders acquired by the Signalling Business Unit came to EUR 362,988 thousand, while the Transportation Solutions Business Unit acquired orders for EUR 189,239 thousand.

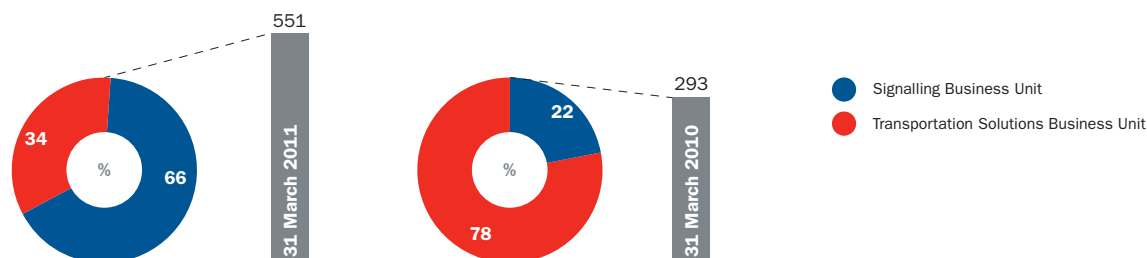
The main orders acquired by the Signalling Business Unit in the course of the first three months of 2011 were the following:

Country	Project	Customer	Value (EUR mln)
Italy	Direttrice TO-PD	RFI	193.6
Sweden	Stockholm Red line	S L	85.0
France	RATP Metro Paris Maintenance	RATP	17.8
Australia	ARTC various projects	ARTC	12.6
USA	WMATA Track Circuit	WMATA	3.8
USA	Components, Service & Maintenance	Various	11.3
France	Other Components, Service & Maintenance	Various	8.4
Italy	Components, Service & Maintenance	Various	2.0

The main orders acquired by the Transportation Solutions Business Unit in the course of the first three months of 2011 were the following:

Country	Project	Customer	Value (EUR mln)
Italy	Milan Line 5 ext. Garibaldi - San Siro	Milan Municipality	105.2
Australia	Rio Tinto RAFA phase 1	Rio Tinto	70.0
Saudi Arabia	Riyadh - PNU variation	SBG	9.2
Australia	Various Rio Tinto small projects	Rio Tinto	3.4

Orders by Business Unit – First Quarter 2011 – 2010 (EUR millions)

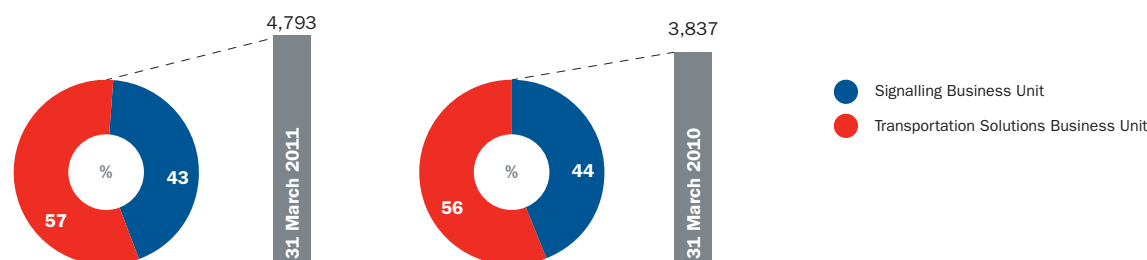


The **order backlog** at 31 March 2011 totalled EUR 4,793,266 thousand, with an increase of EUR 956,505 thousand over 31 March 2010 (equal to 25%). It should be noted that EUR 655,396 thousand refer to the Libyan projects currently suspended.

The order backlog of the Signalling Business Unit at 31 March 2011 amounted to EUR 2,244,035 thousand (EUR 2,075,317 thousand, net of transactions with the Transportation Solutions Business Unit).

The order backlog of the Transportation Solutions Business Unit at 31 March 2011 amounted to EUR 2,797,431 thousand (EUR 2,717,949 thousand, net of transactions with the Signalling Business Unit).

Order backlog by Business Unit at 31 March 2011 – 2010 (EUR millions)



3.3 Signalling - Performance by Business Unit

(EUR thousand)	31.03.2011	31.03.2010	Change	31.12.2010
Orders	362,988	64,974	298,014	890,205
Order backlog	2,244,035	1,901,061	342,974	2,090,584
Revenue	176,988	170,173	6,815	841,831
EBIT	20,208	17,635	2,573	104,232
R.O.S.	11.4%	10.4%	+1.0 p.p.	12.4%
Operating working capital	103,318	(15,761)	119,079	300
Research and Development	10,611	6,190	4,421	33,053
Workforce (no.)	3,290	3,494	(204)	3,315

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

Revenue at 31 March 2011 amounted to EUR 176,988 thousand, reflecting an increase compared with the previous financial year (EUR 170,173 thousand).

The most significant production activities are summarised below:

ITALY

HIGH-SPEED RAILWAYS

Production is mainly based on these projects:

- Bologna-Florence High-Speed: the final report of ancillary works was signed and the definition of the activities for the Bologna By-Pass is under negotiation (20-Km long HS stretch linking the Milan - Bologna section to the Bologna – Florence section);
- Milan-Bologna High-Speed: the activities directed to the activation of the second phase of Parma and Fidenza interconnection continued in the course of the First Quarter 2011;
- Rome-Naples High-Speed: the activities directed to modify the switches control equipment are continuing; further opportunities are expected as a result of the order variations necessary to the customer;
- With regard to the Itarus project in Russia, the Radio Block Center (RBC) will be tested in the coming months while the simulator was tested in the course of the quarter.

The project for the ZhengXi Line in China, after the successful completion of the first phase, is currently developing the software functionalities of the second phase.

RAILWAYS - ONBOARD SCMT (TRAIN RUNNING CONTROL SYSTEM)/ ERTMS (EUROPEAN RAIL TRAFFIC MANAGEMENT SYSTEM)

Production mainly regarded activities for the supply of equipment to the Trenitalia fleet and the continuation of the equipping activities for other Italian railway companies such as Metrocampania Nord Est, Ferrovie del Gargano, Ferrovia Trento-Malè, Ferrovia Adriatica Sangritana and Ferrovia Centrale Umbra.

Other portions of the results for the period derive from the supplies for the new Vivalto double-decker carriages and for other vehicle manufacturers such as AnsaldoBreda, Stadler, Vossloh, Siemens.

Activities also continued for the design of onboard systems for high-speed trains; while activities started for the new V300 Zefiro trains.

RAILWAYS – ACC (COMPUTER-BASED INTERLOCKING)

Production mainly regarded the major projects, such as Pisa, Mestre, Rogoredo, Naples junction, Trento – Malè and the new Genoa junction. As regards the CTC upgrading programme, which involves several RFI segments, particular mention should be given to the delivery of the new Central control point of the Battipaglia – Potenza CTC. The coming months will see the execution of works for rebuilding the Central control points of: Ovada CTC, Ferraia CTC, Siena CTC, Fornovo CTC and Salerno Irno – Avellino CTC.

The activities on the foreign projects based on both traditional technology and ERTMS continued during the quarter, in particular:

- in Turkey, the Mersin-Toprakkale project continued with the execution of detailed engineering activities and production of equipment, as well as the start of on-site installation works;
- in Tunisia, delays were reported in the activities for the Electrical Drive System automation and protection because of the well-known problems affecting the African area;
- in Romania, operation activities continued for the remaining stations;
- in Germany, with regard to the POS project, activities started with the installation of balises and the Interlocking changes, while continued with the configuration of the Radio Block Centre (RBC);
- in Kazakhstan, detailed engineering activities are being defined and, during the quarter, the tender for the civil works was awarded and the supply of materials from outside suppliers was launched; some lots of internally built materials arrived on-site and are nearing installation.

With regard to Libya, it should be reported that the on-site activities relating to the Ras Ajdir-Sirth, Al Hisha-Sabha project were suspended in February 2011 following the critical situation experienced by the country. The design and training activities carried out in Italy continued at a slower pace owing to the lack of interfacing with the Customer.

With regard to the second project relating to the Sirth-Benghazi line, the Russian customer Zarubezhstroytekhology (ZST) ordered to suspend the works due to Force Majeure starting from 21 February 2011. All the supply activities have been suspended since that date and efforts have been made to complete functional design activities to the greatest extent possible.

MASS TRANSIT

Foreign production was mainly based abroad on the contract of Ankara Metro; domestic production was based on these projects: extension of the Naples Metro Line 1 (Dante-Garibaldi), Naples Metro Line 6 and Milan Metro. Specifically, configuration activities for Interlocking (IXL) were carried out in the Ankara Metro.

In Italy additional CBTC tests were carried out on the Piscinola Aversa Centro–Alifana experimental line. The construction designing activities continued for the Extension of Line 1 of the Naples Metro and the driverless project further developed, as well as activities for the provisional operation of the shuttle on the Dante – Garibaldi section.

The activities for the partial activation of the Milan Metro Line 3 project (Supervision) were carried out and the maintenance contract of the Genoa Metro project came into force.

With regard to the Naples Metro Line 6, activities were carried out on the Signalling project for the Mostra – Mergellina section.

SPARE PARTS, ASSISTANCE AND MAINTENANCE

With regard to the spare parts business of the Italian company, we report the supply of equipment for on-board systems for the Chinese market through the local subsidiary. With regard to the assistance part, we report the acquisition of the order for the revamping of the peripherals of information to the public on the Bologna-Brennero CCS, the stipulation of contracts of logistic assistance and maintenance of SCMT/STB on-board systems with AnsaldoBreda, MA.FER and FLIRT/Swiss Federal Railways.

The contracts of Assistance and Maintenance came into force for the Palermo junction CCS and for the prototype of the Multifunction portal at Sezze Romano (TCCS).

FRANCE

RAILWAYS

Below are the main existing projects in the Railways segment:

- *Ester project*: the first dynamic tests of integration with the wayside systems were successfully completed and the customer expressed favourable opinion in this respect. Further tests have been planned in the course of the year to allow the entry into operation of the first part of the line;
- *Cambrian project*: the commissioning was successfully carried out in the first quarter and the project should be completed in the course of the second quarter.
- *TGV Rhin Rhône*: contracts have been delivered and the related activities are under way.

RAILWAYS - ON BOARD EQUIPMENT

- *Velaro Project*: Static and dynamic tests are under way, on-site tests have been planned in Germany in the course of the second quarter; the homologation of train remains the critical objective to achieve.
- *Thalys*: activities continued for the development of an on-board system suitable to be interfaced with the various national systems; the first version entered operations and was stabilised, while a new version was formalised with order by the customer in the course of the quarter.

Contracts abroad include:

KOREAN HIGH-SPEED TAEGU – BUSAN LINE

The implementation of the Testing and Commissioning strategy in Gimcheon received the final approval from the Customer. The project has been suspended for two years until the completion of the last phase of the works relating to section 2.3 (customer's decision).

MASS TRANSIT

Production mainly related to the *Octys* (ex. *Ouragan*) project; this project relates to the development, supply and installation of equipment for the speed and driverless control for Line 3 of the Paris metro. The first partial commissioning was executed during the year since changes to the systems have been made in accordance with the customer's requirements. The final commissioning is scheduled for the next quarter. Activities continued for the supply of CBTC to Ansaldo STS USA for projects in China.

AMERICAS

Revenue regarded both the standard assistance activities on the outstanding projects and the delivery and sale of components that characterised the remarkable performance reported in the previous financial year.

The main projects on which production for the First Quarter 2011 focused are the following:

NYC - 5th AND LEXINGTON

During the first quarter, wayside equipment for the 5th Avenue Line was produced and delivered including signals, track circuits and switch machines.

The manufacturing of cabinets related to the 5th Avenue was completed; cabinets for location 1157 were delivered; and the Code System and the logics of Lexington Avenue were completed. The Factory Acceptance Testing in the Batesburg plant started and will be completed in the course of the second quarter.

CHENGDU LINE 1

The CBTC test on the test track was completed except for some platforms subject to restrictions. The Microlok software and the upgrades necessary to start the injection test of CBTC were completed, while those using the V3.1 version got started.

SHENYANG LINE 1 (CBTC)

The opening of the entire Shenyang Line 1 in manual mode and the entry into operation of the iATP mode took place at the end of the previous financial year. During the period, the CBTC on-site test with the V3.0.3 version was almost completed on the test track and the Microlok software and the upgrades necessary to start the CBTC injection test were completed.

CPTM - SAO PAULO, BRAZIL

In the course of the First Quarter 2011, significant progress was made in the engineering field. The control lines relating to Line 7 were approved and the hardware designs of Line 12 were updated. The Microlok application logic for Line 12 is under way, as well as the FAT relating to the first domain. Operation is scheduled for 2012.

ASIA PACIFIC

RAILWAYS - MICROLOK

Production for the Railways segment related to these projects:

- *Newcastle Alliance*: the main objective of the activity was to shorten the delay accumulated and speed up the works relating to the Maitland-Minimbah section;
- *Atms Project*: with regard to the Train Control and Display project, the Customer decided to hand over the works related to Stage 2. Stage 1 was entirely delivered. Works started in Stage 2, whose costs have been reimbursed by the customer.

Activities in India on the Railways segment concerned these projects:

KFW

The project was updated after some clarifications with the Customer generated a review of the original scope of work and, together with technical reasons, contributed to a deferment that will have an impact on the execution of works.

Variations have been submitted for approval to the customer that will have to approve some innovative technical solutions.

TPWS NORTH

Activities continued, in cooperation with the other Group companies, in order to solve some reliability issues of on-board equipment and interfaces with braking systems, which have caused a shift of the contractual dates. Due to substantial progress made in the resolution of technical problems, a demonstration of full operation to the customer should be achieved soon. In the course of the First Quarter 2011, the installation of on-board systems was completed on seven vehicles while awaiting the delivery of the remaining sites by the Indian railways to continue with the installations.

TPWS SOUTH

The construction and installation works of the on-board and wayside part of the line were completed while tests are under way. Some technical problems are nearing solution to improve the performance of the system in compliance with the contractual requirements. Some changes have been already made and the performance of the system has significantly improved.

JUHI

RSDO expressed favourable opinion on the trackside commissioning with the Hot Standby EI system made in the course of the First Quarter 2011. Moreover, changes related to Panel C have been made, the final simulation test has been conducted and the training programme is continuing.

EBIT for the Signalling Business Unit at 31 March 2011 came to EUR 20,208 thousand (11.4% of revenue), with an increase over the figure reported in the same period of 2010 (EUR 17,635 thousand, 10.4% of revenue).

Operating working capital at 31 March 2011 amounted to EUR 103,318 thousand compared with EUR 300 thousand reported at 31 December 2010. This change is attributable to the increase in inventories, work in progress and trade receivables.

Research and development costs at 31 March 2011 amounted to EUR 10,611 thousand, increasing over the value recorded in 2010, equal to EUR 6,190 thousand.

The **workforce** at 31 March 2011 came to 3,290 units, decreasing by 204 units over the previous financial year (3,494 units), also in the light of the reclassifications among functional bodies to the already mentioned corporate reorganisation under way.

3.4 Transportation Solutions - Performance by Business Unit

(EUR thousand)	31.03.2011	31.03.2010	Change	31.12.2010
Orders	189,239	228,355	(39,116)	1,142,756
Order backlog	2,797,431	2,187,363	610,068	2,721,540
Revenue	104,764	103,128	1,636	504,448
EBIT	8,273	8,906	(633)	46,294
R.O.S.	7.9%	8.6%	-0.7 p.p.	9.2%
Operating working capital	(169,066)	(95,952)	(73,114)	(105,299)
Research and Development	334	737	(403)	1,774
Workforce (no.)	459	368	91	449

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

Revenue at 31 March 2011 amounted to EUR 104,764 thousand (EUR 103,128 thousand at 31 March 2010).

The most significant production activities are summarised below:

HIGH-SPEED RAILWAYS

With regard to the high-speed line, for the works carried out through Consortium Saturno, on the Rome-Naples section the “as-built” stage of the project is being completed and some activities are being completed as demanded by the Technical Control Commissions; only assistance covered by guarantee is to be performed yet for the Novara-Milan and the Bologna–Florence sections.

On the Milan-Bologna section, a system for the Modena interconnection is under construction and will be delivered soon.

As regards the works realised through Consortium Iricav Uno on both the Rome-Naples and the Milan-Bologna sections, completion times depend on the outcome of the existing arbitration proceedings; on that matter, we are awaiting the final awards of the Arbitration Panel in relation to the definition of the SUD (Substantial Ultimate Deadline).

GENOA METRO

In February 2011, a change was approved to the De Ferrari-Brignole functional section. This allowed to resume the works relating to the Corvetto archaeological site and the finishing activities of the Brignole station and of the waiting and depot sidetracks. A new time schedule was submitted, in agreement with the Civil companies, that sees to the conditioning of the activities caused by the archaeological findings. This programme leads to the conclusion of the activities and to the opening to the public of the functional section in August 2012, compared to the month of March 2012, previously set. The programme is currently being discussed with the customer. With regard to the Dinegro Depot, the customer may hand over to Ansaldo ASTS part of the work already assigned to third parties. The contractual programme is being revised following the accumulated delays; in particular, the convention with RFI has been not ratified yet for the utilization of part of its areas in the construction plane of Genova-Brignole.

ALIFANA REGIONAL LINE

A price review arrangement should be undersigned within May 2011 in relation to the increases in the price of the construction materials, recorded in the previous years. Following the recent developments, the Grantor Metrocampania Nordest prepared and submitted a new Addendum which replaces the one made in March 2010. In the light of the outlined scenario, the Grantee Temporary Business Grouping recorded the appropriate reserves in the book of accounts to cover the main charges and damages unduly suffered.

With regard to the Integrated Contract for the Piscinola–Capodichino section, the Grantor Metrocampania Nordest delivered with delay the areas and works of Lot A, the Temporary Business Grouping (that includes the company) formalized a specific reserve against the main charges and damages unduly suffered as a result of the delayed delivery of the areas and works.

NAPLES METRO LINE 6

The First Quarter 2011 saw the prosecution of civil works on the main work-sites of the line relating to the VI Rider Contract (Mergellina – Municipio functional section).

In particular, as regards the Line Tunnel, some 1.4 Km was excavated traditionally using TBM/EPB. In February, the second intermediate milestone of the programme was achieved with the “full” crossing of the San Pasquale station. It should be noted that since production per week reached optimum levels, the deadlines for the construction programmes were maintained and the production targets for the quarter were entirely achieved.

With regard to the stations S. Pasquale, Chiaia and Municipio, activities continued slowly because of interferences with the archaeological excavations. In particular, with regard to the work-site of the San Pasquale station, archaeologists started the second Stage of the surveys following the construction of the floor covering the station shaft.

Also for the Chiaia and Municipio stations, construction activities are subject to the progress of archaeological excavations that continued on the entire work-site area.

A different situation is reported for the Arco Mirelli station, where archaeological excavations came to an end; as a consequence, works have been carried out for the construction of the floor covering the station shaft and for the completion of the internal parts of the shaft on the Villa Comunale side.

Lastly, particular mention should be given to the execution of all the activities directed to the opening of the work-sites in the areas of the former military armoury in Via Campegna, in the scope of the VII Rider Contract undersigned with the Grantor Municipality of Naples in June 2010.

COPENHAGEN

The preliminary engineering activities and the definition of sub-suppliers relating to the recent undersigned contract commenced; the orders for the main sub-suppliers were issued and the remaining ones are being negotiated and defined. At the same time, the documents submitted at the offer stage and attached to the contract are being reviewed; this phase will be concluded within May 2011, date on which the "Verification of Contract" milestone takes place.

Following an agreement undersigned with the Customer in March 2011, the construction activities should terminate in December 2017.

ROME METRO LINE C

Works are in progress in all the stations of the first strategic phase. Specifically, the installations relating to the Pantano – Borghesiana experimental section were completed and the tests of the main sub-systems are being conducted; with regard to the ATC, wayside test procedures relating to the sections of SERs of Pantano and Bolognetta are under way.

Civil works have been substantially completed in the Pantano Depot, except for the finishing activities in the PCO (Operational Central Point) and some other buildings; MIS activities of electro-railway plants have been carried out, in particular for the ATC, the trackside Commissioning is under way.

The first four vehicles were delivered at the Pantano Depot, while the construction of the remaining 9 trains is continuing by AnsaldoBreda. Specific tests are being run on the trains located in Rome.

THESSALONIKI METRO

In the First Quarter 2011, technical and management meetings continued between the Management of Ansaldo and the Customer regarding the differences of opinion on the technical interpretation of the design. Specifically, in order to settle the dispute regarding the signalling system architecture, at the end of 2010 the Customer had relaunched a request previously discussed regarding a solution based on the CBTC architecture. The company is preparing the related documentation; after the technical approval by the Customer, a negotiation process will begin, favoured by a marked inclination of the Customer for the CBTC, and by a broader opportunity related to the recognition of a variation for a possible route extension (*Kalamaria* variation), which would result in an increase of Ansaldo's scope of work.

With regard to the formal claim to the Customer for the damages incurred in the past by the Partners during the designing phase (GFD1 and GFD2) due to the approval procedure developed by the Customer, which was often slow and discontinued, Ansaldo, after giving the Joint Venture all the necessary data and information, together with the partners, is preparing the formal letter to be submitted to the Customer.

MILAN METRO LINE 5

With the end of the detailed engineering, supplies are ready for installation, while construction engineering is continuing regularly. In this quarter, the activities mainly related to assembling (Depot-Zara) and to the start of commissioning activities (trial runs).

At present, all efforts have been focused on the opening of the Functional section (Depot-Zara) within July 2012. This date takes into account the delay of three months compared with the last programme attached to the II Rider Contract, attributable to the overflow of the Seveso River.

The activation of the full section (Zara-Garibaldi) has been confirmed for March 2014. The funds related to banks are currently blocked since the waiver submitted by the Grantee Metro 5 is under discussion.

RIYADH AUTOMATED PEOPLE MOVER SYSTEM (APM)

Engineers were working on the field for civil works interfacing during the quarter. All the supply contracts were formalised with the main suppliers and sub-contractors involved in the project.

Logistically, with the support of the shipping company DHL, the shipping of the supplies of all the sub-systems included in the scope of work were organised and finalised for the most part. At the moment, most materials are stocked in the warehouse of the Riyadh work-site. The assembling works of the technological system commenced in the second part of 2010 are under way. These activities continue on many fronts in spite of the difficulties caused by the delayed, uneven and sometimes partial delivery of sites by the company in charge of the civil works.

In the First Quarter 2011, the first activities of the commissioning of the sub-system commenced, with reference to the power supply and traction power systems.

At the beginning of March, a change to the contract was signed, whereby the Customer recognises an increase in revenue of some EUR 9.2 million against an extension of time that shifts the delivery of the plant to the end of June 2012 with two new intermediate milestones: Ceremonial Opening and Start of Reduced Service.

In particular, the ceremonial opening is expected for the beginning of May; a rehearsal took place successfully in early April with the Saudi Vice-Minister of Finance, as special guest.

TAIPEI METRO CIRCULAR LINE

Engineering activities and those activities necessary for the preparation of the CBS continued in the course of the quarter.

NAPLES METRO LINE 1

The end of March saw the inauguration of the Università station, in particular the first section (Dante-Università); this service has been made available through the activation of a shuttle, since only one track can be utilised (odd tunnels) as required by the Customer.

All the technological works were completed in the period in relation to the Università station and to the Dante station upgrade.

BRESCIA METRO

The construction planning is being completed while the equipment is being tested before the on-site preparation. The installation of the platform screen doors was completed along the entire functional line, and the cable paths were laid down at the stations and along the line of the central area. The installation of the third track and of power supply equipment in the Northern area was completed and operations are being made progressively.

The installation of signalling and telecommunications equipment was completed, except for small equipment, along the entire functional section and activities for operation are continuing in the Northern area. Test activities for the Vehicle and the various technological subsystems continue to be run on the Test Track and on the functional line.

With reference to the civil works pertaining to the partner, activities are continuing for the construction of the line, stations and shafts.

The activities of the central area that are on the critical route comply with the programme. As regards the rolling materials pertaining to AnsaldoBreda, 4 out of 18 vehicles forming the fleet are in the work-site; the related completion is expected for December 2011.

There is no new information regarding the dispute between ATI (with particular reference to the civil partner Astaldi) and Brescia Mobilità; an agreement was reached among the members of ATI regarding the allocation of consideration, if any, by Brescia Mobilità; however, as of today, there are no critical matters regarding the dispute.

AUSTRALIA

Most of the revenues were generated in relation with the Start-up phase of the Framework agreement of Rio Tinto. The activities carried out in the quarter mainly regarded the internal costs of the project management and engineering bodies.

MALAYSIA

With regard to the Malaysia North Double Tracking project, a dispute is under way with the Customer for the signalling project, in relation to the final technological solution to be provided.

EBIT for the Transportation Solutions Business Unit at 31 March 2011 came to EUR 8,273 thousand (7.9% of revenue) compared with EUR 8,906 thousand at 31 March 2010 (8.6%).

Operating working capital at 31 March 2011 rose to a negative EUR 169,066 thousand, from a negative EUR 105,299 thousand at 31 December 2010; this change is essentially due to the increase in advances from suppliers.

Research and development costs amounted to EUR 334 thousand, with a slight decrease over 31 March 2010 (EUR 737 thousand).

The **workforce** at 31 March 2011 was equal to 459 units, up by 91 units compared with 31 March 2010 (368 units). This change is attributable to the reallocation of the resources made in the scope of the Group reorganisation project under way.

4 Main transactions during the period and events subsequent to 31 March 2011

With regard to the trend of the commercial activities, in the month of March, Ansaldo STS, in consortium with Ansaldo Breda – a Finmeccanica company – won the contract for the construction of the Honolulu metro.

The contract includes the design and construction of the plants for an amount of USD 548 million (of which USD 350 million for Ansaldo STS and USD 198 million for Ansaldo Breda) and the O&M activities for the years 2015-2024, for an additional amount of USD 483 million. The offer includes an option for additional 5 years of O&M (USD 303 million). It should be pointed out that some competitors submitted an appeal against the outcome of the tender.

In February 2011 the Temporary Business Grouping (RTI), led by Ansaldo STS, was awarded the works for the technological upgrade of the conventional lines on the Turin – Padua main line, for a total value of some EUR 486 million.

The share of Ansaldo STS amounted to some EUR 193.6 million.

The Turin - Padua line falls within the European project for the interoperability of railway lines and is an integral part of the D corridor (Lisbon – Kiev), which envisages the construction of ERTMS/ETCS L 2 systems. In particular, the order relates to the supply of two Command and Control Systems/Multistation which run the operation of circulation and the integrated diagnostics on the systems of the Turin-Padua main line.

The rapid change in the political scenario in the North African area, in particular riots in Libya, caused a halt of the activities for the orders acquired by the company in this country. In this respect, the customer Zarubezhstroytechnology notified us of the suspension, starting from 21 February 2011, of the works for the contract signed on 12 August 2010 for the construction of signalling systems on the line linking Sirth to Benghazi in Libya.

5 Accounting statements

5.1 Consolidated Income Statement

(EUR thousand)	For the three months ended 31 March			
	2011	of which from related parties	2010	of which from related parties
Revenue	278,177	8,915	265,003	14,877
Other operating income	5,686	49	3,259	-
Raw materials and consumables used	(48,887)	(1,022)	(48,367)	(893)
Purchase of services	(129,234)	(5,912)	(119,923)	(15,837)
Personnel costs	(75,865)	-	(74,486)	-
Amortisation, depreciation and impairment	(3,258)	-	(3,150)	-
Other operating expenses	(4,140)	-	(3,243)	-
Changes in inventories of work in progress, semi-finished and finished goods	2,905	-	4,758	-
(-) Work performed by the Group and capitalised	138	-	167	-
EBIT	25,522		24,018	
Finance income	8,344	269	13,732	218
Finance costs	(8,379)	(48)	(15,306)	(10)
Share of profit (loss) of equity accounted investments	4	-	937	-
Profit (loss) before taxes	25,491		23,381	
Income taxes	(10,024)	-	(8,989)	-
Net Profit (loss)	15,467		14,392	
Equity holders of the Company	15,355		14,451	
Minority interests	112		(59)	
Earnings per share				
Basic and diluted	0.13		0.12*	

* Redetermined following the share capital increase of 5 July 2010.

5.2 Consolidated Statement of comprehensive income

Consolidated Statement of comprehensive income (EUR thousand)	For the three months ended 31 March	
	2011	2010
Profit (loss) for the year	15,467	14,392
Other comprehensive income		
- Actuarial gains (losses) on defined-benefit plans	1,117	(131)
- Changes in Cash Flow Hedges fair value adjustment	(7,532)	3,292
transferred to income statement	712	-
- Tax on expense/(income) recognised in equity	2,171	(1,145)
- Translation differences	(6,086)	7,570
Other comprehensive income, net of tax	(9,618)	9,586
Total comprehensive income (expense) for the year	5,849	23,978
Attributable to:		
- Equity holders of the Company	5,801	24,000
- Minority interests	48	(22)

5.3 Consolidated Statement of Financial Position

(EUR thousand)	31.03.2011	of which from related parties	31.12.2010	of which from related parties
Non-current assets				
Intangible assets	50,647	-	50,231	-
Property, plant and equipment	95,959	-	98,653	-
Equity investments	37,367	-	31,230	-
Receivables	15,457	1,621	15,249	1,006
Deferred tax assets	42,397	-	45,138	-
Other assets	24,773	-	23,246	-
	266,600		263,747	
Current assets				
Inventories	139,424	-	127,632	-
Contract work in progress	270,643	-	216,928	-
Trade receivables	627,761	73,734	624,808	85,007
Current financial assets at fair value	25,540	-	-	-
Income tax receivables	9,988	-	8,705	-
Financial receivables	162,972	115,879	170,362	149,150
Derivatives	2,368	-	9,027	-
Other assets	39,157	1,560	45,041	1,564
Cash and cash equivalents	121,254	-	153,320	-
	1,399,107		1,355,823	
Total Assets	1,665,707		1,619,570	
Shareholders' equity				
Share capital	59,708	-	59,708	-
Reserves	327,296	-	320,703	-
<i>Capital and reserves attributable to equity holders of the Company</i>	<i>387,004</i>		<i>380,411</i>	
<i>Minority interests in equity</i>	<i>1,098</i>	-	<i>1,050</i>	-
Total Shareholders' equity	388,102		381,461	
Non-current liabilities				
Borrowings	1,354	-	1,621	-
Severance pay and other employee liabilities	29,639	-	31,332	-
Deferred tax liabilities	3,697	-	4,525	-
Other liabilities	9,911	-	10,326	-
	44,601		47,804	
Current liabilities				
Advances from customers	743,004	-	657,150	-
Trade payables	351,141	44,503	403,133	54,119
Borrowings	13,010	-	3,911	-
Income tax payables	18,378	-	11,225	-
Provisions for risks and charges	17,947	-	22,417	-
Derivatives	6,689	-	7,739	-
Other liabilities	82,835	27	84,730	27
	1,233,004		1,190,305	
Total Liabilities	1,277,605		1,238,109	
Total Liabilities and Shareholders' equity	1,665,707		1,619,570	

5.4 Consolidated Statement of Cash Flows

(EUR thousand)	31.03.2011	of which from related parties	31.03.2010	of which from related parties
<i>Cash flow from operating activities:</i>				
Gross cash flow from operating activities	30,682	-	25,982	-
Change in working capital	(39,103)	1,657	(25,714)	51,051
Changes in other operating assets and liabilities	(2,287)	(612)	6,313	(14)
Net finance costs paid	795	221	1,449	208
Income taxes paid	(2,356)	-	(4,360)	-
Net cash generated from (used in) operating activities	(12,269)		3,670	
<i>Cash flow from investing activities:</i>				
Acquisitions of subsidiaries, net of cash acquired	-	-	-	-
Purchase of property, plant and equipment and intangible assets	(2,852)	-	(1,259)	-
Strategic investments	(6,150)	-	-	-
Proceeds from sale of property, plant and equipment and intangible assets	(12)	-	70	-
Dividends received	-	-	-	-
Other investing activities	-	-	-	-
Net cash generated from (used in) investing activities	(9,014)		(1,189)	
<i>Cash flow from financing activities:</i>				
Net change in other financing activities	(9,166)	33,271	5,207	7,510
Share capital increases	-	-	-	-
Dividends paid to minority interests	-	-	-	-
Net cash generated from (used in) financing activities	(9,166)		5,207	
Net increase (decrease) in cash and cash equivalents	(30,449)	-	7,688	-
Translation differences	(1,617)	-	1,414	-
Cash and cash equivalents at 1. January	153,320	-	128,541	-
Cash and cash equivalents at period-end	121,254		137,643	

5.5 Consolidated Statement of changes in equity

The following table shows the changes in Shareholders' equity:

(EUR thousand)	Share capital	Retained earnings/ losses carried forward	Cash Flow Hedge reserve	Stock grant reserve	Translation reserve	Other reserves	Total capital and reserves attributable to equity holders of the Company	Minority interests in equity	Total shareholders' equity
Shareholders' equity at 1 January 2010	49,194	273,219	(3,763)	1,812	(16,041)	(3,524)	300,897	639	301,536
Reclassification from/to "other reserves"	-	(57,954)	-	-	-	57,954	-	-	-
Change in scope of consolidation	-	(440)	-	-	-	-	(440)	21	(419)
Change in consolidation reserves	-	-	-	-	-	-	-	-	-
Net change in the reserve for stock grant plans	-	-	-	1,455	-	-	1,455	-	1,455
Other comprehensive income (expense), net of tax	-	(908)	1,377	-	15,558	(1,652)	14,375	74	14,449
Free share capital increase with issue of no. 20,000,000 shares	10,000	-	-	-	-	(10,000)	-	-	-
Allocation of the period result to legal reserve	-	(6,550)	-	-	-	6,550	-	-	-
Dividends	-	(30,982)	-	-	-	-	(30,982)	-	(30,982)
Allocation of the profit to the "reserve for adjustments to legal reserve"	-	(10,000)	-	-	-	10,000	-	-	-
Net change in treasury shares	514	-	-	-	-	-	514	-	514
Other movements	-	-	-	71	(71)	-	-	-	-
Net profit (loss) at 31 December 2010	-	94,592	-	-	-	-	94,592	316	94,908
Shareholders' equity at 1 January 2011	59,708	260,977	(2,386)	3,338	(554)	59,328	380,411	1,050	381,461
Net change in the reserve for stock grant plans	-	-	-	856	-	-	856	-	856
Other comprehensive income (expense), net of tax	-	1,117	(6,820)	-	(6,086)	2,171	(9,618)	(64)	(9,682)
Net profit (loss) at 31 March 2011	-	15,355	-	-	-	-	15,355	112	15,467
Shareholders' equity at 31 March 2011	59,708	277,449	(9,206)	4,194	(6,640)	61,499	387,004	1,098	388,102

6 Notes to the Consolidated Interim Financial Report at 31 March 2011

6.1 General information

Ansaldo STS is a company limited by shares based in Genoa, Via Paolo Mantovani 3/5 with a branch establishment in Naples, Via Argine 425; it has been listed on Borsa Italiana SpA (Star segment) since 29 March 2006 and has been included on the FTSE MIB index since 23 March 2009. Ansaldo STS SpA is a subsidiary of Finmeccanica SpA - whose headquarters are in Rome, Piazza Monte Grappa 4 - which manages and co-ordinates the activities of the Company.

The Ansaldo STS Group operates on a worldwide scale in the design, creation, marketing and sale of solutions, systems, products, components and services in the "Signalling" and "Transportation Solutions" sectors for inter-city and urban railways.

In the course of 2010 Ansaldo STS SpA increased freely its share capital through the issue of 20 million ordinary shares; therefore, the share capital of Ansaldo STS SpA amounts to EUR 60,000,000.00, represented by no. 120,000,000 ordinary shares having a nominal value of EUR 0.50 each.

6.2 Form, content and applicable accounting standards

The Consolidated Interim Financial Report of the Ansaldo STS Group at 31 March 2011 has been prepared in compliance with Art. 154 ter paragraph 5 of Legislative Decree no. 58/98 - T.U.F. and integrations and amendments thereof and is drawn-up in accordance with IAS 34 "Interim Financial Reporting", issued by the International Accounting Standard Board (IASB).

The explanatory notes, in accordance with IAS 34, are reported in condensed form and do not include all the information required for the preparation of the annual report, being referred exclusively to those components, which by amount, composition or variations result to be fundamental to the comprehension of the financial position of the Group. Therefore, this Report should be read in conjunction with the 2010 Consolidated Annual Report.

The accounting standards and criteria used in the preparation of this Consolidated Interim Financial Report are the same as used in the preparation of the Consolidated Annual Report at 31 December 2010.

All figures are in thousands or millions of euros unless otherwise indicated.

Preparation of the Consolidated Interim Financial Report required Management to make certain estimates.

6.3 Scope of consolidation

The Consolidated Interim Financial Report includes the accounts at 31 March 2011 of the companies/entities included in the scope of consolidation ("consolidated entities"), which have been prepared in accordance with the IFRSs adopted by the Ansaldo STS Group. Below is a list of the consolidated entities included in the scope of consolidation and the relevant Group ownership percentage (direct or indirect):

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

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Indirect	Solna (Sweden)	4,000	SEK	100
ANSALDO STS FINLAND OY	Indirect	Helsinki (Finland)	10	EURO	100
ANSALDO STS UK LTD	Direct	London (United Kingdom)	1,000	GBP	100
ANSALDO STS IRELAND LTD	Direct	Tralee (Ireland)	100	EURO	100
ACELEC Société par actions simplifiée	Indirect	Les Ulis (France)	168	EURO	100
ANSALDO STS ESPANA SA	Indirect	Madrid (Spain)	1,500	EURO	100
ANSALDO STS BEIJING LTD	Indirect	Beijing (China)	837	EURO	80
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EURO	100
UNION SWITCH & SIGNAL INC	Indirect	Greenville (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Kingstone (Canada)	0	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	0.1	USD	100
ANSALDO STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS USA INT.PROJECTS CO	Indirect	Wilmington (Delaware USA)	25	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD (*)	Indirect	Bangalore (India)	1,312,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EURO	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) Ltd	Direct	Beijing (China)	1,500	USD	100
ANSALDO STS SOUTH AFRICA PTY LTD	Indirect	Sandton (South Africa)	2	ZAR	100
ANSALDO STS SOUTHERN AFRICA PTY LTD	Indirect	Gaborone (Botswana)	0.1	BWP	100

(*) the share capital has been increased from 12,915,050 to 1,312,915,050 Indian rupees in the course of the 2010 financial year with the first tranche paid-in in February 2010 and the second one in November 2010.

List of companies consolidated by proportionate method

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Indirect	Selangor Darul Ehsan (Malaysia)	6,000	MYR	40
KAZAKHSTAN TZ-ANSALDO STSITALY LLP	Direct	Astana (Kazakhstan)	22,000	KZT	49

List of companies accounted for using the equity method

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
ECOSAN CA (VENEZUELA)	Indirect	Caracas (Venezuela)	1,310	VEF	48
ALIFANA SCARL	Direct	Naples (Italy)	26	EURO	65.85
ALIFANA DUE SCARL	Direct	Naples (Italy)	26	EURO	53.34
PEGASO SCARL	Direct	Rome (Italy)	260	EURO	46.87
METRO 5 SpA (*)	Direct	Milan (Italy)	50,000	EURO	24.6
ANSALDO STS Sistemas de Transporte e Sinalização Limitada	Direct	Santana de Parnaíba (Brazil)	1,000	REAL	100
INTERNATIONAL METRO SERVICE Srl	Direct	Milan (Italy)	700	EURO	49

(*) On 28 February 2011 the ordinary Shareholders' Meeting resolved to increase the share capital to EUR 50,000,000.00.

List of companies accounted for at cost

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
I.M. INTERMETRO SpA	Direct	Rome (Italy)	2,461	EURO	16.67
SOCIETÀ TRAM DI FIRENZE SpA	Direct	Florence (Italy)	7,000	EURO	3.8
METRO C ScpA	Direct	Rome (Italy)	150,000	EURO	14

6.4 Exchange rates adopted

The exchange rates applied in the translation of financial statements and balances in currencies other than the euro at 31 March 2011 and 2010 were as follows:

	At 31/03/2011	At 31/03/2010	12-month average at 31/03/2011	12-month average at 31/03/2010
USD	1.4207	1.3479	1.3680	1.3847
CAD	1.3785	1.3687	1.3484	1.4402
GBP	0.8837	0.8898	0.8539	0.8874
HKD	11.0559	10.4653	10.6535	10.7412
SEK	8.9329	9.7135	8.8641	9.9520
AUD	1.3736	1.4741	1.3614	1.5323
INR	63.3450	60.5140	61.9255	63.5758
MYR	4.2983	4.3968	4.1668	4.6670
BRL	2.3058	2.4043	2.2799	2.4942
CNY	9.3036	9.2006	9.0028	9.4410
VEB	3,689.2000	3,500.2000	3,552.1600	3,528.7667
BWP	9.2675	9.1375	9.1083	9.4036
ZAR	9.6507	9.8922	9.5875	10.3932
KZT	206.9500	198.2020	200.2324	204.44270
JPY	117.6100	-	112.5703	-

7 Segment Information

7.1 Primary segment

With regard to the indicators used by the management to assess the Group's financial performance, please refer to paragraph 2 of the Report on operations.

The Group operates in two different segments: Signalling, for inter-city and urban railways, through the **Signalling Business Unit** and Transport Systems through the **Transportation Solutions Business Unit**. For more detailed analysis of the main programmes, outlook, and management indicators for each unit, see the Report on operations by segment.

The results of the business units recorded in First Quarter 2011, compared with those for the same period of the previous year, are as follows:

EBIT by Business Unit

31.03.2011	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Revenue	176,988	104,764	-	(3,575)	278,177
Other operating income	2,646	585	6,889	(4,434)	5,686
External costs	(99,316)	(86,146)	6,575	3,809	(175,078)
Personnel costs	(57,414)	(10,068)	(8,383)	-	(75,865)
Other operating expenses	(1,023)	(756)	(6,795)	4,434	(4,140)
Amortisation, depreciation and impairment	(1,673)	(106)	(1,479)	-	(3,258)
EBIT	20,208	8,273	(3,193)	234	25,522

31.03.2010	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Revenue	170,173	103,128	-	(8,298)	265,003
Other operating income	3,202	526	24,191	(24,660)	3,259
External costs	(68,227)	(76,814)	-	(18,324)	(163,365)
Personnel costs	(57,635)	(8,300)	(8,386)	(165)	(74,486)
Other operating expenses	(28,202)	(9,448)	(17,040)	51,447	(3,243)
Amortisation, depreciation and impairment	(1,676)	(186)	(1,288)	-	(3,150)
EBIT	17,635	8,906	(2,523)	-	24,018

Working capital by Business Unit

31.03.2011	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Inventories	127,653	33,163	4,989	(26,381)	139,424
Contract work in progress, net	(252,424)	(246,318)	-	26,381	(472,361)
Trade receivables	376,575	294,913	4,930	(48,657)	627,761
Trade payables	(131,639)	(250,501)	(17,658)	48,657	(351,141)
Provisions for risks and charges	(16,845)	(325)	(777)	-	(17,947)
Working capital	103,318	(169,066)	(8,515)	-	(74,263)
Other net assets (liabilities)	-	-	(56,389)	-	(56,389)
Net working capital	103,318	(169,066)	(64,904)	-	(130,652)

31.12.2010	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Inventories	123,810	26,508	3,350	(26,036)	127,632
Contract work in progress, net	(273,203)	(193,054)	(1)	26,036	(440,222)
Trade receivables	357,543	324,864	4,097	(61,696)	624,808
Trade payables	(187,152)	(262,947)	(14,730)	61,696	(403,133)
Provisions for risks and charges	(20,698)	(670)	(1,049)	-	(22,417)
Working capital	300	(105,299)	(8,333)	-	(113,332)
Other net assets (liabilities)	-	-	(40,895)	(26)	(40,921)
Net working capital	300	(105,299)	(49,228)	(26)	(154,253)

7.2 Secondary segment

Geographically, Group revenues break down as follows:

(EUR thousand)	31.03.2011	31.03.2010
Italy	106,213	125,149
Rest of Western Europe	43,944	51,400
North America	35,104	20,770
Asia Pacific	70,542	57,303
Others	22,374	10,381
Total	278,177	265,003

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

(EUR thousand)	31.03.2011	31.03.2010
Italy	1,483	1,073
Rest of Western Europe	510	709
North America	176	154
Asia Pacific	37	393
Others	1	7
Total	2,207	2,336

8 Explanatory notes to the Consolidated Interim Financial Report at 31 March 2011

In order to provide additional information on the Group's operating results, financial condition and cash flow, the reclassified "Income Statement", "Balance Sheet", "Net financial debt", and "Statement of Cash Flows" are provided below. The following table gives consolidated profit and loss amounts of the First Quarter 2011 and 2010:

Income Statement (EUR thousand)	For the three months ended 31 March	
	2011	2010
Revenue (*)	278,177	265,003
Raw materials and consumables used and personnel costs (**)	(253,782)	(242,419)
Amortisation and depreciation	(3,234)	(3,128)
Impairment	(24)	(22)
Other net operating income (expenses) (***)	1,546	16
Changes in inventories of work in progress, semi-finished and finished goods	2,905	4,758
Adjusted EBITA	25,588	24,208
Restructuring costs	(66)	(190)
EBIT	25,522	24,018
Net finance income and (costs)	(31)	(637)
Income taxes	(10,024)	(8,989)
Net Profit (loss)	15,467	14,392
<i>Equity holders of the Company</i>	15,355	14,451
<i>Minority interests</i>	112	(59)
Earnings per share		
<i>Basic and diluted</i>	0.13	0.12 (***)

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

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

(**) Includes "Costs from related parties", "Raw materials and consumables used", "Purchase of services" and "Personnel costs", net of "Work performed by the Group and capitalised".

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

(****) Redetermined following the share capital increase of 5 July 2010.

"Revenue" for the First Quarter 2011 totalled EUR 278,177 thousand with an increase of EUR 13,174 thousand compared with the same period of the previous financial year (EUR 265,003 thousand).

"Raw materials and consumables used and personnel costs" amounted to EUR 253,782 thousand compared with EUR 242,419 thousand recorded in the same period last year, with an increase of EUR 11,363 thousand.

EBIT came to EUR 25,522 thousand, with an increase of EUR 1,504 thousand as a result of the higher volumes developed.

Net profit, equal to EUR 15,467 thousand, rose compared to last year (EUR 14,392 thousand) benefiting from an increased volume of activities.

Raw materials and consumables used and purchase of services (EUR thousand)	For the three months ended 31 March	
	2011	2010
Purchase of materials	46,138	43,178
Change in inventories	1,727	4,296
Purchase of services	119,323	100,078
Rent and operating leases	3,999	4,008
Total raw materials and consumables used and purchase of services from third parties	171,187	151,560
Total raw materials and consumables used and purchase of services from related parties	6,934	16,730
Total raw materials and consumables used and purchase of services	178,121	168,290

The increase of EUR 9,831 thousand is attributable to higher production volumes.

	For the three months ended 31 March	
	2011	2010
Personnel costs (EUR thousand)		
Wages and salaries	60,524	58,650
Costs for stock grant plans	828	765
Pension and social security	13,323	13,043
Pension and social security for stock grant	1	438
Severance pay provision costs	-	20
Costs related to other defined-benefit plans	79	109
Costs related to other defined-contribution plans	897	907
Restructuring costs	66	190
Other incentives to staff	131	126
Other costs	16	238
Total personnel costs	75,865	74,486

“Personnel costs” totalled EUR 75,865 thousand with an increase of EUR 1,379 thousand compared with the same period last year (EUR 74,486 thousand).

	For the three months ended 31 March	
	2011	2010
Work performed by the Group and capitalised (EUR thousand)		
Work performed by the Group and capitalised	(138)	(167)

	For the three months ended 31 March	
	2011	2010
Amortisation, depreciation and impairment (EUR thousand)		
Amortisation (no goodwill)	715	666
Depreciation	2,502	2,412
Depreciation of leased assets	17	50
Impairment	24	22
Total amortisation, depreciation and impairment	3,258	3,150

Other net operating income and expenses

“Other net operating income and expenses”, amounting to EUR 1,546 thousand, increased over the same period last year, substantially as a result of foreign-exchange gains on operating items. In details:

(EUR thousand)	For the three months ended 31 March	
	2011	2010
Allocations to provisions for risks and charges	64	1,750
Association dues	121	125
Capital loss on the disposal of property, plant and equipment and intangible assets	-	11
Foreign exchange charges on realization of operating items	573	77
Exchange rate alignment on operating items	1,261	131
Interest and other operating expenses	740	-
Indirect taxes	842	823
Other operating expenses	539	326
Total other operating expenses from third parties	4,140	3,243
Total other operating expenses from related parties	-	-
Total other operating expenses	4,140	3,243
Grants for research and development costs	-	5
Gains on disposal of property, plant and equipment and intangible fixed assets	-	-
Reversals to provision for doubtful accounts	50	3
Reversals to provisions for risks and charges	1,532	2,386
Insurance reimbursements	-	-
Royalties	303	(12)
Finance income and foreign-exchange gains on operating items	2,191	(10)
Tax receivable for R&D	750	750
Other operating income	811	137
Other operating income from third parties	5,637	3,259
Other operating income from related parties	49	-
Total other operating income	1,546	16

Net finance income and costs

“Net finance income and costs” are detailed in the table below; the change is mainly attributable to the combined effect of the exchange-rate differences recorded in the period under review and to the fair value recognised in income statement for outstanding hedging transactions:

(EUR thousand)	For the three months ended 31 March					
	2011			2010		
	Income	Cost	Net	Income	Cost	Net
Dividends	-	-	-	-	-	-
Interest and commissions	412	535	(123)	195	679	(484)
Exchange-rate differences	5,169	4,823	346	11,560	9,387	2,173
Income from fair-value measurement recognised in Income Statement	2,494	2,537	(43)	1,759	4,826	(3,067)
Interest on severance pay provision	-	159	(159)	-	179	(179)
Interest on other defined-benefit plans	-	109	(109)	-	99	(99)
Other finance income (costs)	-	20	(20)	-	126	(126)
Losses on FVTPL securities	-	148	(148)	-	-	-
Total net finance income and costs	8,075	8,331	(256)	13,514	15,296	(1,782)
Total finance income and costs from related parties	269	48	221	218	10	208
Total	8,344	8,379	(35)	13,732	15,306	(1,574)

Share of profit (loss) of equity accounted investments

(EUR thousand)	For the three months ended 31 March					
	2011			2010		
	Income	Cost	Net	Income	Cost	Net
Share of profit (loss) of equity accounted investments	4	-	4	937	-	937
Total	4	-	4	937	-	937

The share of profit of equity accounted investments amounted to EUR 4 thousand and mainly refers to the positive result of the investee company International Metro Service Srl.

Income taxes

“Income taxes” amounted to EUR 10,024 thousand at 31 March 2011 as detailed in the table below:

(EUR thousand)	For the three months ended 31 March	
	2011	2010
I.Re.S. (corporate income tax)	4,881	6,432
IRAP (regional tax on productive activities)	1,671	1,760
Other taxes	-	-
Income from consolidation	-	-
Other taxes on profit (foreign companies)	769	-
Taxes relating to previous years	10	-
Provisions for disputes over taxes	-	-
Net deferred taxes	2,693	797
Release of provision for taxes	-	-
Total	10,024	8,989

The rise in the item of EUR 1,035 thousand is mainly attributable to the increase of the tax burden related to income taxes.

Analysis of the statement of financial position

The following table gives a breakdown of the consolidated statement of financial position at 31 March 2011:

Balance Sheet (EUR thousand)	31.03.2011	31.12.2010
Non-current assets	266,600	263,747
Non-current liabilities	(43,247)	(46,183)
	223,353	217,564
Inventories	139,424	127,632
Contract work in progress	270,643	216,928
Trade receivables	627,761	624,808
Trade payables	(351,141)	(403,133)
Advances from customers	(743,004)	(657,150)
Working capital	(56,316)	(90,915)
Provisions for risks and charges	(17,947)	(22,417)
Other net assets (liabilities) (*)	(56,389)	(40,921)
Net working capital	(130,652)	(154,253)
Net invested capital	92,700	63,311
Capital and reserves attributable to equity holders of the Company	387,004	380,411
Minority interests in equity	1,098	1,050
Total Shareholders' equity	388,102	381,461
Net financial debt (liquidity)	(295,402)	(318,150)

Notes for reconciling the reclassified Balance Sheet and the Balance Sheet:

(*) Includes "Income tax receivables", "Other current receivables from related parties" (included under "Current receivables from related parties") and "Other current assets", net of "Income tax payables", of "Other current payables to related parties" (included under "Current payables to related parties"), "Other current liabilities" except for financial receivables from related parties (included under "Current receivables from related parties").

"Non-current assets" at 31 March 2011 came to EUR 266,600 thousand, detailed in the following table:

(EUR thousand)	31.03.2011	31.12.2010
Intangible Assets	50,647	50,231
Property, plant and equipment	95,959	98,653
Equity investments	37,367	31,320
Receivables	15,457	15,249
Deferred tax assets	42,398	45,138
Other assets	24,772	23,246
Total	266,600	263,837

Specifically:

- "Intangible assets" mainly refer to the Group goodwill (EUR 35,023 thousand). Investments for the period mainly referred to the Group Parent Ansaldo STS SpA for the implementation of a new release of the SAP information system as a result of the adoption of the new control model approved in the scope of the *Fast Forward Driven by Business* project (EUR 1,243 thousand).
- "Property, plant and equipment" include the value of the premises owned by the Parent company, located in Genoa, Via Mantovani 3/5-16151 and purchased in December 2005 from its parent Finmeccanica SpA for EUR 62,378 thousand. To the mentioned amount, in accordance with IAS 16, was applied the component approach and therefore the amount of EUR 9 million was reclassified under item "Land". Depreciation for the period amounted to EUR 2,502 thousand.
- "Equity investments" at 31 March 2011 totalled EUR 37,367 thousand and showed an increase of EUR 6,047 thousand compared with 31 December 2010, as a result of the purchase of no. 61,500 shares equal to EUR 6,150 thousand in Metro 5 SpA. This purchase was executed in March following the shareholders' meeting resolution of Metro 5 SpA dated 28 February 2011 that authorized the share capital increase in order to give the company a solid capital and financial structure such as to supervise, through the establishment of a new company, the execution of the works related to the extension of Line 5.
- "Other assets" amounted to EUR 24,772 thousand and are mainly attributable to the non-current portion of the costs incurred to purchase the license to use the "Ansaldo" trademark for 20 years from Finmeccanica SpA. Specifically, on 27 December 2005, Ansaldo STS SpA entered into a licensing agreement with Finmeccanica SpA to use the "Ansaldo" trademark under which the Company is known in the market. This agreement gives the Company exclusive use of the trademark for 20 years in the sectors the Group does business, in exchange for an up-front payment of EUR 32,213 thousand.

“Non-current liabilities” totalled EUR 43,247 thousand at 31 March 2011, specifically:

(EUR thousand)	31.03.2011	31.12.2010
Severance pay and other employee liabilities	29,639	31,332
Deferred tax liabilities	3,698	4,525
Other liabilities	9,910	10,326
Total	43,247	46,183

- Severance pay and other employee liabilities, equal to EUR 29,639 thousand, showed a decrease of EUR 1,693 thousand compared with 31 December 2010 as a result of a reduction in the workforce.
- Deferred tax liabilities amounted to EUR 3,697 thousand and are in line with the balance shown at 31 December 2010.

“Inventories” amounted to EUR 139,424 thousand at 31 March 2011, broken down as follows:

(EUR thousand)	31.03.2011	31.12.2010
Raw materials, supplies and consumables	31,980	34,626
Work in progress and semi-finished goods	19,589	17,335
Finished goods and merchandise	14,051	14,343
Advances to suppliers	73,804	61,328
Total	139,424	127,632

The increase of EUR 11,792 thousand is mainly attributable to advances to suppliers in the First Quarter 2011.

“Contract work in progress, net” came to EUR – 472,361 thousand, detailed as follows:

(EUR thousand)	31.03.2011	31.12.2010
Advances from customers	(11,769)	(14,359)
Invoices of instalments	(965,357)	(928,880)
Work in progress	1,247,769	1,160,167
Work in progress (net)	270,643	216,928
Advances from customers	(401,473)	(316,251)
Invoices of instalments	(3,926,540)	(3,843,148)
Work in progress	3,585,009	3,502,249
Advances from customers (net)	(743,004)	(657,150)
Total	(472,361)	(440,222)

The decrease of EUR 32,139 thousand is substantially attributable to the advance for the contract acquired at the end of 2010 for the new Copenhagen metro line (EUR 70,662 thousand).

“Trade receivables and payables” at 31 March 2011 are broken down as shown in the following table:

(EUR thousand)	31.03.2011		31.12.2010	
	Receivables	Payables	Receivables	Payables
Receivables/payables in respect of customers/suppliers	554,027	306,638	539,801	349,014
Total in respect of customers/suppliers	554,027	306,638	539,801	349,014
Receivables/payables in respect of related parties	73,734	44,530	85,007	54,119
Total	627,761	351,168	624,808	403,133

The item “provisions for risks and charges” came to EUR 17,947 thousand at 31 March 2011 with a decrease of EUR 4,470 thousand compared to 31 December 2010. This reduction is mainly due to the reversal of the provision for product warranties by the subsidiary Ansaldo STS France (EUR 808 thousand) and to the use of the provision relating to the reorganisation project (EUR 2,282 thousand).

As to litigation, no particular change has been reported compared to the analysis outlined in December 2010.

“Other net current assets (liabilities)” amounted to EUR -43,677 thousand at 31 March 2011 as detailed below:

(EUR thousand)	31.03.2011		31.12.2010	
	Assets	Liabilities	Assets	Liabilities
Current portions of prepaid expenses	9,873	(876)	14,870	49
Research subsidies	4,233	-	4,271	-
Receivables from employees	671	35,759	796	31,985
Receivables from social security institutions	1,113	13,799	187	13,570
Receivables for security deposits	1	-	8	-
Receivables for indirect taxes and other amounts due from tax authorities	12,468	7,838	11,973	11,641
Other assets	8,217	26,289	11,373	27,458
Total other assets	36,576	82,809	43,478	84,703
Other assets with respect to related parties	2,581	26	1,563	27
Total	39,157	82,835	45,041	84,730

The details of the main items are as follows:

- “Prepaid expenses” mainly referred to the current portion of costs incurred to purchase the license to use the “Ansaldo” brand for 20 years from Finmeccanica SpA and advance payments of insurance premiums;
- “Receivables for indirect taxes” amounted to EUR 12,468 thousand at 31 March 2011 compared with EUR 11,973 thousand at 31 December 2010;
- the item “Other payables” chiefly referred to the debt for the remaining 75% to be paid-in for the purchase of the investment in Metro C SpA – Rome;
- “Due to employees” increased by EUR 3,774 thousand as a result of the deferred remuneration in the quarter.

Below is the consolidated net financial position at 31 March 2011, with that at 31 December 2010 for comparison:

(EUR thousand)	31.03.2011	31.12.2010
Short-term borrowings	12,674	3,089
Medium/long-term borrowings	848	1,115
Cash and cash equivalents	(121,254)	(153,320)
BANK DEBT	(107,732)	(149,116)
Financial receivables from related parties	(115,879)	(149,150)
Other financial receivables	(72,633)	(21,212)
FINANCIAL RECEIVABLES	(188,512)	(170,362)
Borrowings from related parties	-	-
Other short-term borrowings	336	822
Other medium/long-term borrowings	506	506
OTHER BORROWINGS	842	1,328
NET FINANCIAL DEBT (LIQUIDITY)	(295,402)	(318,150)

The Ansaldo STS Group’s net financial liquidity at 31 March 2011 was EUR 295,402 thousand, compared with a net financial liquidity at 31 December 2010 of EUR 318,150 thousand with a decrease of EUR 22,748 thousand.

The Statement of Cash Flows at 31 March 2011 is presented below:

Cash Flow (EUR thousand)	31.03.2011	31.03.2010
Cash and cash equivalents - opening balance	153,320	128,541
Gross cash flow from operating activities	30,682	25,982
Changes in other operating assets and liabilities	(3,848)	3,402
Fund From Operations	26,834	29,384
Change in working capital	(39,103)	(25,714)
Cash flow from (used in) operating activities	(12,269)	3,670
Cash flow used in ordinary investing activities	(2,864)	(1,189)
Free operating cash-flow	(15,133)	2,481
Strategic investments	(6,150)	-
Other changes in investing activities	-	-
Cash flow used in investing activities	(9,014)	(1,189)
Dividends paid	-	-
Cash flow from (used in) financing activities	(9,166)	5,207
Cash flow from (used in) financing activities	(9,166)	5,207
Translation differences	(1,617)	1,414
Cash and cash equivalents - closing balance	121,254	137,643

Cash and cash equivalents at 31 March 2011 amounted to EUR 121,254 thousand, decreasing by EUR 16,389 thousand from the same period of 2010. This decrease is substantially due to:

- a reduction in cash flow for operating activities amounting to EUR -12,269 thousand at 31 March 2011 as a result of the change in working capital;
- increased cash flow used in investing activities;
- cash flow for financing activities, also negative in the First Quarter.

9 Transactions with related parties

9.1 Income Statement transactions

31 March 2011 (EUR thousand)	Revenue	Other operating income	Costs	Finance income	Finance costs	Other operating expenses
Parent company						
Finmeccanica SpA	-	-	536	-	26	-
Subsidiaries						
Alifana Scrl	-	-	-	-	-	-
Alifana Due Scrl	637	-	162	-	-	-
Associates						
International Metro Service Srl	-	-	-	-	-	-
Metro 5 SpA	1,860	49	128	-	-	-
Pegaso Scrl	10	-	960	-	-	-
Metro Service AS	-	-	1,881	-	-	-
J.V. (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	111	-	-	-	22	-
Kazakhstan TZ-Ansaldo STS Italy LLP	978	-	-	-	-	-
Consortiums						
Ascosa quattro	-	-	26	-	-	-
Cesit	-	-	-	-	-	-
Cons. Ferroviario Vesuviano	234	-	-	-	-	-
Cris	60	-	16	-	-	-
SanGiorgio Volla 2	256	-	-	-	-	-
SanGiorgio Volla	5	-	-	-	-	-
Saturno	2,438	-	571	-	-	-
Team in liquidation	-	-	-	-	-	-
Other Group companies						
Ansaldo Breda	2,274	-	733	-	-	-
Electron Italia Srl	37	-	-	-	-	-
Elsag Datamat	-	-	674	-	-	-
Fata SpA	-	-	54	-	-	-
Fata Logistic System SpA	-	-	44	-	-	-
Finmeccanica Finance	-	-	-	269	-	-
Finmeccanica Group Service	-	-	238	-	-	-
I.M. Intermetro SpA	1	-	-	-	-	-
Selex Communication	-	-	851	-	-	-
Selex Service Management SpA	-	-	60	-	-	-
Westland Industries Ltd	14	-	-	-	-	-
Total	8,915	49	6,934	269	48	-
% on the total for the period	3%	1%	4%	3%	1%	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

31.03.2010 (EUR thousand)	Revenue	Other operating income	Costs	Finance income	Finance costs	Other operating expenses
Parent company						
Finmeccanica SpA	-	-	471	218	33	-
Subsidiaries						
Alifana Scrl	-	-	(2)	-	-	-
Alifana Due Scrl	3,185	-	1,338	-	-	-
Associates						
Metro 5 SpA	2,939	-	-	-	-	-
International Metro Service Srl	7	-	-	-	-	-
Pegaso Scrl	38	-	470	-	-	-
Metro Service AS	-	-	9,627	-	-	-
Ecosen SA	-	-	-	-	-	-
J.V. (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	262	-	-	-	(23)	-
Consortiums						
Saturno	11,373	-	666	-	-	-
Ascosa quattro	31	-	-	-	-	-
Team in liquidation	-	-	-	-	-	-
SanGiorgio Volla 2	443	-	-	-	-	-
Cons. Ferroviario Vesuviano	1,031	-	28	-	-	-
Cesit	-	-	-	-	-	-
Cris	-	-	25	-	-	-
SanGiorgio Volla	45	-	-	-	-	-
Other Group companies						
Ansaldo Energia	-	-	17	-	-	-
Ansaldo Breda	(4,588)	-	1,081	-	-	-
Fata Logistic	-	-	433	-	-	-
Finmeccanica Finance	-	-	-	-	-	-
Finmeccanica Group Service	-	-	189	-	-	-
Elsag Datamat	(90)	-	1,827	-	-	-
Hr Gest	-	-	-	-	-	-
Selex Communication	-	-	500	-	-	-
Galileo Avionica	-	-	-	-	-	-
Electron Italia Srl	182	-	-	-	-	-
Selex Service Management SpA	-	-	60	-	-	-
I.M. Intermetro SpA	-	-	-	-	-	-
Oto Melara SpA	-	-	-	-	-	-
Westland Industries Ltd	19	-	-	-	-	-
Fata Group SpA	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	14,877	-	16,730	218	10	-
% on the total for the period	6%	-	10%	2%	0,1%	-

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

9.2 Balance Sheet transactions

Transactions with related parties are conducted at arm's length. Below are provided the amounts relating to the earnings and financial performance. The incidence on the financial flows of related-party transactions is instead reported directly in the Statement of Cash Flows.

Receivables at 31.03.2011 (EUR thousand)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Parent company						
Finmeccanica SpA	-	-	2,344	48	142	2,534
Subsidiaries						
Alifana Scrl	-	-	-	125	-	125
Alifana Due Scrl	-	-	-	3,010	-	3,010
Associates						
International Metro Service Srl	-	-	-	-	-	-
Metro 5 SpA	-	1,621	-	23,551	-	25,172
Pegaso Scrl	-	-	-	10	-	10
Metro Service	-	-	-	78	-	78
Ecosen	-	-	-	-	-	-
J.V. (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	572	-	572
Kazakhstan TZ-Ansaldo STS Italy LLP	-	-	-	1,928	-	1,928
Consortiums						
Cons. Saturno	-	-	-	19,111	1,360	20,471
Cons. Ascosa quattro	-	-	-	1,111	-	1,111
Cons. Ferroviario Vesuviano	-	-	-	13,811	-	13,811
San Giorgio Volla Due	-	-	-	1,491	4	1,495
San Giorgio Volla	-	-	-	1,421	-	1,421
Other Group companies						
Aeronautica Macchi	-	-	-	2	-	2
Ansaldo Breda SpA	-	-	-	7,186	-	7,186
Finmeccanica Finance	-	-	113,535	-	-	113,535
Elsag Datamat SpA	-	-	-	152	-	152
Fata Logistic Systems SpA	-	-	-	-	-	-
Selex Communication SpA	-	-	-	41	54	95
Galileo Avionica	-	-	-	-	-	-
I.M. Intermetro SpA	-	-	-	42	-	42
AnsaldoBreda Inc. ex Breda Transp Inc.	-	-	-	-	-	-
Westland Industries Ltd	-	-	-	44	-	44
Electron Italia Srl	-	-	-	-	-	-
Total	-	1,621	115,879	73,734	1,560	192,794
% on the total for the period		10%	71%	12%	4%	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

Receivables at 31.12.2010 (EUR thousand)	Non-current financial receivables	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Parent company						
Finmeccanica SpA	-	-	635	27	145	807
Subsidiaries						
Alifana Scrl	-	-	-	123	-	123
Alifana Due Scrl	-	-	-	4,886	-	4,886
Balfour Beatty Ansaldo Systems JV Sdn Bhd	-	-	-	691	-	691
Associates						
International Metro Service Srl	-	-	-	7	-	7
Metro 5 SpA	-	1,006	-	29,087	-	30,093
Metro Service	-	-	-	35	-	35
Consortiums						
Cons. Saturno	-	-	-	22,627	1,361	23,988
Cons. Ascosa quattro	-	-	-	1,111	-	1,111
Cons. Ferroviario Vesuviano	-	-	-	13,809	-	13,809
San Giorgio Volla Due	-	-	-	996	4	1,000
San Giorgio Volla	-	-	-	1,421	-	1,421
Other Group companies						
Ansaldo Breda SpA	-	-	-	8,411	-	8,411
Aeronautica Macchi SpA	-	-	-	1	-	1
Electron Italia srl	-	-	-	275	-	275
Finmeccanica Finance SA	-	-	148,515	-	-	148,515
Elsag Datamat SpA	-	-	-	474	-	474
Metro Service	-	-	-	863	-	863
Westland Industries LTD	-	-	-	39	-	39
Selex Communication SpA	-	-	-	19	54	73
Galileo Avionica	-	-	-	63	-	63
I.M. Intermetro SpA	-	-	-	42	-	42
Total	-	1,006	149,150	85,007	1,564	236,727
% on the total for the year		7%	92%	14%	4%	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

Payables at 31.03.2011 (EUR thousand)	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total
Parent company						
Finmeccanica Sede SpA	-	-	118	-	-	118
Subsidiaries						
Alifana Scrl	-	-	162	-	3	165
Alifana Due Scrl	-	-	3,465	-	-	3,465
Associates						
Metro 5 SpA	-	-	53	-	-	53
Pegaso Scrl	-	-	336	-	-	336
J.V. (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	2,033	-	-	2,033
Kazakhstan TZ-Ansaldo STS Italy LLP	-	-	1,176	-	-	1,176
Consortiums						
Consortium Saturno	-	-	149	-	-	149
Consortium Ascosa Quattro	-	-	68	-	8	76
Consortium San Giorgio Volla 2	-	-	105	-	-	105
Consortium Ferroviario Vesuviano	-	-	548	-	8	556
Consortium San Giorgio Volla	-	-	7	-	8	15
Cris	-	-	19	-	-	19
Other Group companies						
Finmeccanica Group Service SpA	-	-	289	-	-	289
AnsaldoBreda SpA	-	-	327	-	-	327
Finmeccanica Finance SA	-	-	-	-	-	-
Elsag Datamat SpA	-	-	1,682	-	-	1,682
Selex Communication SpA	-	-	33,709	-	-	33,709
Selex Service Management SpA	-	-	60	-	-	60
Finmeccanica North America Inc	-	-	-	-	-	-
Fata Logistic System SpA	-	-	132	-	-	132
Fata SpA	-	-	65	-	-	65
Hr Gest SpA	-	-	-	-	-	-
Galileo Avionica SpA	-	-	-	-	-	-
Other						
	-	-	-	-	-	-
Total	-	-	44,503	-	27	44,530
% on the total for the period			13%		0,1%	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

Payables at 31.12.2010 (EUR thousand)	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total
Parent company						
Finmeccanica Sede SpA	-	-	-	468	-	468
Subsidiaries						
Alifana Scrl	-	-	-	162	3	165
Alifana Due Scrl	-	-	-	5,841	-	5,841
Ansaldo Railway System Technical Service (Beijing) Ltd	-	-	-	-	-	-
Associates						
International Metro Service Srl	-	-	-	-	-	-
Metro Service	-	-	-	2,769	-	2,769
Metro 5 SpA	-	-	-	53	-	53
Pegaso Scrl	-	-	-	-	-	-
J.V. (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2,098	-	2,098
Kazakhstan TZ	-	-	-	3,356	-	3,356
Consortiums						
Consortium Saturno	-	-	-	253	-	253
Consortium Ascosa Quattro	-	-	-	154	8	162
Consortium San Giorgio Volla 2	-	-	-	105	-	105
Consortium Ferroviario Vesuviano	-	-	-	548	8	556
Consortium San Giorgio Volla	-	-	-	6	8	14
Cesit	-	-	-	26	-	26
Other Group companies						
Finmeccanica Group Service SpA	-	-	-	652	-	652
AnsaldoBreda SpA	-	-	-	385	-	385
Finmeccanica Finance SA	-	-	-	-	-	-
Elsag Datamat SpA	-	-	-	2,356	-	2,356
Selex Communication SpA	-	-	-	33,542	-	33,542
Selex Service Management SpA	-	-	-	191	-	191
Finmeccanica Inc	-	-	-	63	-	63
Fata Logistic System SpA	-	-	-	833	-	833
Fata SpA	-	-	-	258	-	258
Galileo Avionica SpA	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	-	-	54,119	27	54,146
% on the total for the year				15%	0.1%	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

10 Management of financial risks

The Group is exposed to financial risks associated with its operations, specifically related to these types of risks:

- market risks, relating to the operativity in foreign currencies other than the functional one (exchange rate risk) and relating to the risk of variation in interest rates;
- liquidity risks, relating to the availability of financial resources and access to the credit market;
- credit risks, resulting from normal commercial transactions or financing activities.

The Group specifically monitors each of these financial risks, with the objective of promptly minimising them, also through hedging derivatives. Below is an explanation of how the Ansaldo STS Group, based on its in-house directives, manages these types of risk.

Exchange rate risk management

As indicated in the directive “Treasury management”, the exchange rate risk management of the Ansaldo STS Group focuses on the achievement of these objectives:

- limiting potential losses due to adverse fluctuations in the exchange rate as compared with the reporting currency of Ansaldo STS SpA and its subsidiaries. In this case losses are defined in terms of cash flow rather in accounting terms;
- limiting estimated or real costs connected to the implementation of exchange rate risk management policies.

The exchange rate risk should be hedged only if it has a relevant impact on cash flows as compared with the reporting currency. The costs and risks connected with a hedging policy (hedge, no hedge, or partial hedge) should be acceptable both financially and commercially.

These instruments may be used to hedge exchange rate risk:

- Forward foreign exchange purchases and sales: exchange rate forwards are the most widely used instruments for cash flow hedges;
- Currency Swaps / Cross Currency Swaps: used together with exchange rate forwards, they are used to manage hedging dynamically by reducing the exchange rate risks of when cash flows occur earlier or later than expected in a currency other than the functional currency;
- Foreign currency funding/lending: foreign currency funding and lending is used to mitigate the exchange rate risk associated with the relevant credit or debit positions with bank counterparties or Group companies.

Using funding and lending in foreign currency as a hedging instrument must always be aligned with the overall treasury management and with the overall financial position of the Ansaldo STS Group (long and short term).

Generally, the purchase and sale of foreign currency is used in the case of exotic currencies where the capital market is not considered liquid or where alternative hedging instruments are not available or are only available at high cost.

Hedging of exchange rate risk

There are three types of exchange rate risk:

1. Economic risk - represented by the impact that currency fluctuations may have on capital budgeting decisions (investments, location of plants, procurement markets).
2. Transaction risk - the possibility that exchange rates could change during the period between the time at which a commitment to collect or pay in foreign currency at a future date (setting price lists, establishing budgets, preparing orders, invoicing) arises and the time at which such collection or payment occurs, thereby having a positive or negative impact on the exchange rate delta.
3. Translation risk - this relates to the impact that the translation of dividends or the consolidation of recognised assets and liabilities has on the financial statements of multinational companies whenever the consolidation exchange rates change from year to year.

The Ansaldo STS Group hedges transaction risks in accordance with the “Treasury Management” directive, which provides for the systematic hedging of commercial cash flows resulting from the assumption of contractual commitments of a specific nature as either buyer or seller, in order to ensure current exchange rates at the date of acquisition of long-term contracts and neutralising the effects of fluctuations in the reference exchange rates.

Cash Flow Hedge

Hedges are made at the time commercial contracts are finalised through plain vanilla instruments (swaps and forwards on foreign currencies) qualifying for hedge accounting under IAS 39. These hedges are carried as cash flow hedges. Accordingly, the changes in fair value of the hedging derivatives are recognised in a special cash flow hedge reserve once the effectiveness of the hedge is demonstrated. Should the hedges prove to be ineffective, i.e. they do not fall within the effective range between 80-125%, changes in the fair value of the hedging instruments are immediately recognised in the Income Statement as financial items and the cash flow hedge reserve accumulated up until the date of the last successful effectiveness test is reversed to profit and loss.

Fair Value Hedge

A fair value hedge involves the hedging of an exposure to changes in the fair value of a recognised asset or liability, an irrevocable unrecognised commitment or an identified portion of such asset, liability or irrevocable commitment, attributable to a specific risk and that could affect the Income Statement.

The Group hedges against changes in fair value with regard to the exchange rate risk for assets and liabilities. Hedging transactions are carried out predominantly with the banking system. At 31 March 2011 the Group had contracts referring to various currencies in the following notional amounts:

(local currency in thousands)	Sell 03 11	Buy 03 11	31.03.2011	Sell10	Buy10	31.12.2010
Euro	117,717	44,681	162,398	134,155	44,357	178,512
US dollar	32,923	3,943	36,867	56,555	25,722	82,278
GBP	6,875	-	6,875	7,986	-	7,986
Swedish krona	-	25,333	25,333	-	25,745	25,745
Canadian dollar	2,729	-	2,729	3,976	-	3,976
Australian dollar	20,347	9,114	29,461	11,023	6,580	17,603
Hong Kong Dollar	-	-	-	63	-	63
Japanese yen	-	-	-	3,506	-	3,506

At 31 March 2011, the net fair value of derivative financial instruments was negative in the amount of EUR 4,321 thousand.

Management of interest rate risk

The aforementioned directive states that the goal of the management of interest rate risk is to lessen the negative impact of changes in interest rates, which may affect the Group's income statement, the balance sheet and the weighted average cost of capital.

Interest rate risk management by the Ansaldo STS Group is designed to achieve the following objectives:

- to stabilise the weighted average cost of capital;
- to minimise the weighted average cost of capital of the Ansaldo STS Group over the medium to long term. To achieve this objective, interest rate risk management will focus on the impact of interest rates on debt funding and equity funding;
- to optimise the profit on financial investments within a general profit-risk trade-off;
- to limit the costs relating to the execution of interest rate risk management policies, including the direct costs tied to the use of specific instruments and indirect costs relating to the internal organisation needed to manage such risk.

In 2011, the Group managed this risk without the use of derivatives due to the short-term maturities of the payables. Thus, at 31 March 2011, the Group had no open hedge positions to reduce interest rate risk.

Management of liquidity risk

In order to support efficient management of liquidity and contribute to the growth in its businesses, the Ansaldo STS Group has established a set of tools to optimise the management of financial resources. This objective was achieved by centralising treasury operations and maintaining an active presence on financial markets to obtain adequate short and medium-term credit lines. Within this context Ansaldo STS has obtained short and long-term credit lines for endorsement facilities and for cash sufficient to meet the Group's needs.

At 31 March 2011, the Group shows a net financial liquidity of EUR 295,402 thousand.

At 31 December 2010, the Group showed a net financial liquidity of EUR 318,150 thousand.

Credit risk management

The Group is not exposed to significant credit risk, both as regards the counterparties of its commercial transactions and for financing and investing activities. Its primary customers are, in fact, government entities or off-shoots of such entities, concentrated in the euro area, the United States and Southeast Asia. The typical customer rating of the Ansaldo STS Group is therefore medium/high. Despite this, in the case of contracts with customers/counterparties with which the Group does not ordinarily do business, the customers' solvency is assessed at the time of the offer to highlight any future credit risks.

The nature of Ansaldo's customers means that collection times are longer (in some countries significantly longer) than in other businesses, creating significant outstanding past due positions.

11 Significant non-recurring events and transactions

The Ansaldo STS Group did not record any significant non-recurring events and transactions in the first three months of 2011.

12 Atypical and/or unusual operations

In the first three months of 2011, the Ansaldo STS Group did not take any positions or enter into transactions resulting from atypical and/or unusual operations.

13 Net financial position

Below is the financial information required under CONSOB communication no. DEM/60644293 of 28 July 2006.

(EUR thousand)	31.03.2011	31.12.2010
A. Cash	182	91
B. Other cash equivalents (bank accounts)	121,072	153,229
C. Securities held for trading	-	-
D. LIQUIDITY (A+B+C)	121,254	153,320
E. CURRENT FINANCIAL RECEIVABLES	188,512	170,362
F. Current bank borrowings	12,658	1,748
G. Current portion of non-current debt	-	-
H. Other current borrowings	352	2,163
I. CURRENT FINANCIAL DEBT (F+G+H)	13,010	3,911
J. CURRENT FINANCIAL DEBT, NET (I-E-D)	(296,756)	(319,771)
K. Non-current bank borrowings	848	1,115
L. Bonds issued	-	-
M. Other non-current payables	506	506
N. NON-CURRENT FINANCIAL DEBT (K+L+M)	1,354	1,621
O. NET FINANCIAL DEBT (LIQUIDITY) (J+N)	(295,402)	(318,150)

14 Earnings per share

Earnings per share (EPS) are calculated:

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

Basic EPS	31.03.2011	31.03.2010
Average shares during the period	119,971,447	119,928,995
Net profit (EUR thousand)	15,467	14,392
Profit from continuing operations	-	-
Basic EPS and diluted EPS	0.13	0.12*

* Redetermined following the free share capital increase of 5 July 2010

Outlook

15 Outlook

The business trend is expected to be positive in the course of 2011. However, the uncertainty on the riots occurred in Libya, where the company should have realised during the year a significant part of production and margins, makes it difficult to evaluate the related impacts.

Rome, 28 April 2011

On behalf of the Board of Directors
The Chairman
Alessandro Pansa

Attachment A: Statement pursuant to article art. 154 bis paragraph 2 of legislative decree no. 58/1998

The undersigned Alberto Milvio, the Manager in charge of the preparation of the company accounting documents of Ansaldo STS SpA, certifies in accordance with Art. 154-bis of the Consolidated Law on Finance that the Consolidated Interim Financial Report at 31 March 2011 of the Ansaldo STS SpA Group corresponds to the entries in the accounting documentation, books and records.

Rome, 28 April 2011

Manager in charge of the preparation
of company accounting documents
Alberto Milvio

Strategic Concept, Copywriting, Graphic Design and Execution by:



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A Finmeccanica Company