

Genoa, 2nd August 2006

ANSALDO STS, SECOND QUARTER 2006:
ORDERS, PROFITABILITY AND CASH FLOW CONTINUE TO RISE
Value of production rises to EUR 236 million (+12% compared with the same period of 2005)

The Board of Directors of Ansaldo STS, chaired by Mr Alessandro Pansa, approved the quarterly report at 30 June 2006 and examined the preliminary results for the first half of the year.

- **Acquired orders rose by 9.4%** in the period, bringing the total order backlog to EUR 2.4 billion. Growth in the first half came to 21.9%.

- The **value of production** rose from EUR 210 million to EUR 235.7 million, an increase of 12% on the year-earlier period. For the first half of 2006 the expansion amounted to 19.1%, from EUR 374.6 million to EUR 444.8 million.

- The income statement for the second quarter of 2006 shows stable operating results (EBIT), raising operating performance for the first half from EUR 33.5 million to EUR 42.3 million, an increase of 26.3% net of listing costs.

- **Free operating cash flow** rose from EUR 77.7 million to EUR 133.8 million in the second quarter this year, with the net financial position increasing from EUR (161.3) million to EUR (181.6) million, or 12.6%.

Key figures (EUR m)	Second quarter 2006	Second quarter 2005	% chg.	First half 2006	First half 2005	% chg.
<i>Acquired orders</i>	428.2	391.5	9.4%	821.9	674.4	21.9%
Order backlog	2,446.0	2,210.0	11.0%	2,446.0	2,210.0	11.0%
<i>Production Revenues</i>	235.7	210.3	12.0%	444.8	373.6	19.1%
<i>EBIT*</i>	23.1	23.3	-	42.3	33.5	26.3%
EBIT margin*	9.8%	11.1%	-1.3%	9.5%	8.9%	0.6%
Working capital	(278.0)	(138.7)	100.4%	(278.0)	(138.7)	100.4%
Net financial position	(181.6)	(161.3)	12.6%	(181.6)	(161.3)	12.6%
R&D	10.9	8.6	26.7%	19.9	15.0	32.7%
Total staff	3,808	3,495	9.0%	3,808	3,495	9.0%
EPS	0.11	-		0.16	-	

* Net of listing costs of EUR 6.8 million for the first half of 2006 and EUR 2.1 million accruing in the second quarter

RESULTS FOR THE FIRST HALF OF 2006

The Ansaldo STS Group reports stronger performance at 30 June 2006 compared with the year-earlier period, net of non-recurring costs associated with the stock exchange listing of the company.

Consolidated net profit for the first half amounted to EUR 16 million, compared with EUR 17 million at 30 June 2005.

Net of listing costs of EUR 6.8 million, Group net profit would come to EUR 22.8 million, an increase of EUR 5.8 million on the previous year.

The rise of EUR 5.8 million is attributable to the increase in operating profitability (EBIT), which excluding listing costs would be EUR 8.9 million, and a rise of EUR 0.8 million in financial income, offset by an increase of EUR 3.9 million in income taxes.

At 30 June 2006 income taxes totalled EUR 20.9 million (EUR 17 million at 30 June 2005), of which EUR 3.4 million for IRAP (regional business tax), EUR 13.6 million for IRES (corporate income tax) and EUR 3.8 million for taxes paid by foreign subsidiaries and other taxes.

RESULTS FOR THE SECOND QUARTER OF 2006

The second quarter of 2006 ended with a **consolidated net profit** of EUR 11.3 million, compared with EUR 11.5 million in the same quarter of 2005.

Excluding the costs of the stock market listing, equal to EUR 2.1 million, net profit would have been EUR 13.4 million, up EUR 1.9 million on the second quarter of 2005.

Income taxes for the second quarter of 2006 totalled EUR 10.4 million (EUR 12.2 million in the second quarter of 2005), of which EUR 1.7 million for IRAP, EUR 7.3 million for IRES and EUR 1.4 million for taxes paid by foreign subsidiaries.

The **value of production** rose from EUR 210.3 million to EUR 235.7 million, an increase of 12% on the year-earlier period. The rise of EUR 25.4 million is attributable to:

- **Signalling** in the amount of EUR 21.2 million (net of revenues generated with the Transport Systems Unit), with Asia/Pacific contributing EUR 10.7 million, America EUR 7.9 million and France EUR 1.7 million;
- **Transport Systems** in the amount of EUR 4.2 million.

EBIT amounted to EUR 21 million in the second quarter of 2006 (EUR 23.1 million excluding listing costs), compared with EUR 23.3 million in the corresponding period of 2005.

More specifically:

- **Signalling** closed the period with operating income of EUR 17.3 million, compared with EUR 16.9 million a year earlier.
- **Transport Systems** posted operating income of EUR 7.4 million, compared with EUR 6.3 million in the year-earlier quarter.

In addition, **R&D** expenditure increased by EUR 2.3 million with respect to the year-earlier period.

At 30 June 2006 **consolidated net invested capital** was a negative EUR 85.3 million, compared with positive invested capital of EUR 38.6 million at 31 December 2005. The difference of EUR 123.9 million is essentially attributable to working capital, which stood at EUR (278) million at 30 June 2006, compared with EUR (123.6) million at 31 December 2005.

The change is largely due to a decrease in net inventories caused by the growth in invoicing on account, the decrease in trade receivables (increased payments from customers) and the rise in current liabilities in respect of trade payables.

The Group's **net financial position** at 30 June 2006 showed a net creditor position of EUR 181.6 million, compared with a net creditor position of EUR 120.8 million at 31 December 2005, up EUR 60.8 million. **Free operating cash flow** for the period amounted to EUR 133.8 million, a rise of EUR 56.1 million on the EUR 77.7 million posted at 30 June 2005.

The main factors in the change in the group's cash position were as follows:

- acquisition of equity investments for EUR 100.1 million
- dividend payments to Finmeccanica SpA for EUR 32.0 million
- receipt of funds from capital increase for EUR 10.0 million and payment of EUR 50.2 million in capital grants
- recovery of VAT credit for EUR 19.2 million
- payment of taxes for EUR 33.7 million
- remainder from the positive developments in operating cash flow

Acquired orders amounted to EUR 428.2 million in the second quarter of 2006, compared with EUR 391.5 million in the year-earlier period, an increase of EUR 36.7 million, or 9.4%.

The Signalling Unit acquired orders worth EUR 131.6 million, while the Transport Systems Unit acquired orders totalling EUR 296.7 million.

The main orders acquired by the **Signalling Unit** in the second quarter of this year involved the following projects:

Country	Project	Customer	Value (EUR m)
Netherlands	Eurocab HSA	Ansaldo Breda	11.8
Spain	Eurocab CAF	CAF	5.9
Spain	HSL-Perpignan - Figueras	IFP Cobra	7.9
Australia	Line CTC	ARTC	11.1
Australia	ICSS Ioso Futout x 10	Pilbara Iron	3.4
India	Gooty –Pullanpet – Doubling of line	Leighton Emrail	10.7
Other	Components & Services	Other	51.4

The main orders acquired by the **Transport Systems Unit** in the second quarter of this year involved the following projects:

Country	Project	Customer	Value (EUR m)
Greece	Thessalonica	Attiko Metpo A.E.	166
Italy	Milan metro	Metro 5	118
Italy	Alifana and High-Speed Rail	Other	12

The order backlog at 30 June 2006 totalled EUR 2,446 million, an increase of EUR 235.5 million, or 11%, on 30 June 2005 (EUR 2,210 million).

The order backlog of the *Signalling Unit* at 30 June 2006 came to EUR 1,185 million (net of orders with the Transport Systems Unit).

Of the total, EUR 645 million regards the Italian subsidiary, EUR 251 million the US subsidiary, EUR 203 million the French subsidiary and EUR 152 million the companies in the Asia/Pacific area.

The order backlog of the *Transport Systems Unit* at 30 June 2006 amounted to EUR 1,257 million and mainly regarded the following projects:

- High-Speed Rail Italy (EUR 138 million)
- Copenhagen metro (EUR 214 million)
- Concessions for the construction of the metro systems of Naples, Rome and Genoa (EUR 290 million)
- Automated metro of Brescia (EUR 213 million)
- Automated metro of Milan Line 5 (EUR 118 million)
- Automated metro of Thessalonica (EUR 164 million)
- Alifana metro (EUR 63 million)

OUTLOOK

The situation of Ansaldo STS's core market remained positive in the first six months of 2006. The strong performance in both the Signalling and Transport Systems businesses boosted the Group's order backlog, which has expanded with the execution of the contracts for the automated metro system in Thessalonica (which took place in April) and Line 5 in Milan (June) and will grow even further with the contract for Line C in Rome, expected to be formalized in the coming months. Taking account of profit (net of listing costs) for the period, we confirm expectations for an improvement in economic and financial performance compared with the already positive results posted in 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Ansaldo STS

	Second quarter ending 30 June		First half ending 30 June	
	2006	2005	2006	2005
<i>Consolidated Profit and Loss Account (EUR m)</i>				
Revenues	235.9	205.8	442.4	369.4
Change in inventories, semi-finished and finished products and goods	(0.2)	4.5	2.4	4.2
	235.7	210.3	444,8	373.6
Purchasing and staff costs	(211)	(185.4)	(402.6)	(336.3)
Depreciation and amortisation	(2.3)	(2.4)	(4.8)	(4.5)
Writedowns	(0.1)	(0.2)	(0.1)	(0.1)
Restructuring costs	0	0	0	0
Other net operating revenues (costs)	(1.2)	0.9	(1.6)	0.9
EBIT	21.0	23.3	35.6	33.5
Financial income (expense)	0.7	0.4	1.3	0.5
Income taxes	(10.4)	(12.2)	(20.9)	(17.0)
NET PROFIT	11.3	11.50	15.9	17
Earnings per share	0.11		0.16	

The figures for 2005 (June and December) were drawn from the aggregate financial statements prepared at the time of the stock market listing

CONSOLIDATED FINANCIAL POSITION

Ansaldo STS

	30.06.06	31.12.05	30.06.05
<i>Consolidated Financial Position (EUR m)</i>			
Non-current assets	234.5	205.3	109.0
Non-current liabilities	41.8	43.1	41.1
	192.7	162.1	67.9
Inventories	89.0	91.4	82.1
Contract work in progress	90.0	64.8	82.6
Trade receivables	233.4	342.2	248.4
Trade payables	179.7	173.5	170.6
Advances from customers	431.2	406.1	337.3
Provisions for short-term risks and charges	25.5	19.8	10.8
Other current net assets (liabilities)	(54.1)	(22.6)	(33.0)
<i>Net working capital</i>	<i>(278.0)</i>	<i>(123.6)</i>	<i>(138.7)</i>
<i>Net invested capital</i>	<i>(85.3)</i>	<i>38.6</i>	<i>(70.8)</i>
Group shareholders' equity	95.9	158.9	90.1
Minority interests	0.4	0.4	0.3
<i>Shareholders' equity</i>	<i>96.3</i>	<i>159.3</i>	<i>90.4</i>
Net debtor (creditor) position	(181.6)	(120.8)	(161.3)

The figures for 2005 (June and December) were drawn from the aggregate financial statements prepared at the time of the stock market listing

CASH FLOW

Ansaldo STS

	30.06.06		31.12.05		30.06.05	
<i>Cash Flow (EUR m)</i>						
<i>Cash and cash equivalents at 1 January</i>	35.9		44.3		44.3	
<i>Gross cash flow from operating activities</i>	54.7		102.9		46.2	
<i>Change in working capital</i>	112.3		18.4		51.2	
<i>Changes in other operating assets and liabilities</i>	(19.7)		(15.4)		(13.8)	
<i>Cash flow generated (used) by operating activities</i>	147.2		105.9		83.7	
<i>Cash flow from ordinary investments</i>	(13.4)		(107.6)		(5.9)	
<i>Free operating cash flow</i>		133.8		(1.7)		77.7
<i>Strategic investments</i>						
<i>Cash flow generated (used) by investment activities</i>	(13.5)		(107.6)		(5.9)	
<i>Dividends paid</i>	(32.0)					
<i>Cash flow from financing activities</i>	(75.4)		(6.2)		(68.7)	
<i>Cash flow generated (used) by financing activities</i>	(107.4)		(6.2)		(68.7)	
<i>Translation difference</i>	(0.5)		(0.4)		(0.3)	
<i>Cash and cash equivalents at 30 June</i>	61.8		35.9		52.9	

The figures for 2005 (June and December) were drawn from the aggregate financial statements prepared at the time of the stock market listing

RESULTS BY BUSINESS SEGMENT

Key figures by segment	Second quarter 06 Signalling	Second quarter 06 Transport Systems	Second quarter 06 Tot	Second quarter 05 Signalling	Second quarter 05 Transport Systems	Second quarter 05 Tot
(EUR m)						
Acquired orders	133.5	296.7	430.2	215.2	195.6	410.8
Order backlog	1,257.3	1,260.7	2,518.0	1,253.4	1024.5	2,277.9
Value of production	176	61.4	237.4	157.8	57.3	215.1
EBIT	17.3	7.4	24.7	16.9	6.3	23.2
EBIT margin	9.8%	12%	8.9%	10.8%	11%	11.1%
Working capital	(108.5)	(166)	(274.5)	(16.3)	(122.4)	(138.7)
R&D	10.5	0.4	10.9	8.1	0.4	8.5
Total staff	3,481	327	3,808	3,179	316	3,495

Notes to the table

The values reported in the table include relations between segments

The figures for the second quarter of 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing

Ansaldo STS confirms that on 2 August 2006 a **conference call** will be held with management from 6 .00 pm (CET) to 7:00 pm (CET) to discuss the quarterly results.

In order to participate please call: **+39 02.802.0928**

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