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A Finmeccanica Company

PRESS RELEASE

Genoa, 22 March 2007

THE BOARD OF DIRECTORS OF ANSALDO STS APPROVES DRAFT FINANCIAL STATEMENTS FOR 2006

- **NET PROFIT OF EUR 45.8 MILLION**
- **NEW ORDERS OF EUR 1,271.2 MILLION (+25.2%) IN 2006**
- **ANSALDO STS DEUTSCHLAND TO BE CREATED**
- **PROPOSED STOCK GRANT PLAN APPROVED**

The Board of Directors of Ansaldo STS (STS.MI), meeting today under the chairmanship of Alessandro Pansa, approved the draft financial statements for 2006, which will be submitted to the shareholders' meeting called for 21-22 May 2007.

The Board has also approved the 2007 budget and the budget plan for 2008-2009, which provide the basis for the economic and financial guidelines which will be explained tomorrow to the financial community.

The provisional business perspective for the 2007-2009 period shows a positive outlook for profit growth.
Considering the good results of 2006 the business growth is sustainable by improving the profitability and by leveraging on the new opportunities offered by the geographical expansion and the reinforcement of the product portfolio.

The development plan is based upon the completion of the geographical reorganization and through the integration and growth of the two business units (Signalling and Transportation Systems) which will allow further penetration in markets characterised by strong demand.

The Board of Directors also approved the formation of a new company, named **Ansaldo STS Deutschland GmbH**, which will operate in the highly competitive German signalling and transport systems market.

Negotiations for the entry of a major local partner in the new company are at an advanced stage. This new partner will bring specific commercial and technical expertise to the new organisation, enhancing the chances for success in the German market.

A proposed stock grant plan for 2006 – 2007 was also approved. Under the plan, shares will be granted free of charge to a specified number of Group directors and managers upon achievement of certain targets set by the Board of Directors, as detailed in the attachment.

RESULTS FOR 2006 (PRO-FORMA FIGURES)

PriceWaterhouseCoopers SpA, the independent auditors of Ansaldo STS SpA for the 2006-2011 period, is currently auditing the information presented in this press release. The findings of the audit announced in line with the timetable for the approval of the financial statements.

In order to enable an accurate comparison with the figures for the previous year, this release contains pro-forma figures that reflect, for the entire year, the effect of the acquisition of the equity investments in Ansaldo Signal and Ansaldo Trasporti Sistemi Ferroviari on 24 February 2006. The attached schedules also report figures that reflect the effects of the equity investments as from the acquisition date.

In 2006 the Ansaldo STS Group posted a **value of production** of EUR 928.2 million (+10.1% on 2005), **EBIT** of EUR 84.5 million (EUR 79.8 million in 2005), which rises to EUR 91.4 million (+14.6%) excluding listing costs, and a **ROS** of 9.8%, up from 9.5%. **Net profit** in 2006 came to EUR 45.8 million, which rises to EUR 52.6 million net of listing costs, compared with EUR 44.3 million the previous year.

The **net financial position** at 31 December 2006 showed a net creditor position of EUR 158.2 million, compared with EUR 120.8 million at year-end 2005.

Key figures (EUR m)	PRO FORMA FIGURES		
	2006	2005 (1)	% chg.
Acquired orders	1,271.2	1,015.5	25.2%
Order backlog	2,413.6	2,091.8	15.4%
Value of production	928.2	842.6	10.1%
EBIT	84.5	79.8	5.9%
	91.4*		14.6%*
ROS	9.1%	9.5%	(0.4%)
	9.8%*		0.3%*
Net profit	45.8	44.3	3.4%
	52.6*		18.7%*
Working capital	(237.3)	(123.6)	92.0%
Net financial position	(158.2)	(120.8)	30.9%
R&D	35.9	34.7	3.4%
Total staff	3,962	3,622	9.4%
EPS	0.46	-	

**Net of listing costs (EUR 6.8 million at 31 December 2006).*
(1) The pro-forma figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing.

Acquired orders came to EUR 1,271.2 million in 2006, of which EUR 736.9 million for the ***Signalling Unit*** and EUR 534.3 million for the ***Transport Systems Unit***.

The main orders acquired by the ***Signalling Unit*** in 2006 involved the following projects:

Country	Project	Customer	Value (EUR m)
Italy	ATC on board – SCMT SSB	Trenitalia	96.7
India	Ghaziabad – Kanpur	IRPMU	55.7
Italy	ATC Wayside	RFI	47.5
Korea	HSL Taegu - Pusan	KRNA	37.0
Australia	ARTC Various Projects	ARTC	32.3
USA	Dearborn – Congress	CTA	24.1
Italy	ATC On Board	Trenitalia	23.0
Canada	Track Circuit / Cab Signal	STM Montreal	16.0
USA	GM/GC Buildout Phase 1	DART	13.0
Netherlands	Eurocab HSA	Ansaldo Breda	11.8
India	Gooty –Pullanpet - Doubling of Line	Leighton Emrail	10.7
Australia	Various Projects	Rio Tinto	10.1
USA	Resignal Main Line	QNSL	9.4

During 2006 the Signalling Unit acquired orders for “components and services” from various customers worth EUR **135.6** million.
The main orders acquired by the ***Transport Systems Unit*** in 2006 involved the following projects:

Country	Project	Customer	Value (EUR m)
Greece	Thessaloniki	Attiko Metpo A.E.	166.4
Denmark	Copenhagen	Ørestad Development Corporation	135.5
Italy	Metro Milano	Metro 5	118.4
Italy	Alifana	Metro Campania Nord Est	91.8
Italy	High-Speed Rail	R.F.I.	16.1

The **order backlog** at 31 December 2006 totaled EUR 2,413.6 million (+15.4% on 2005), of which EUR 1,165.5 million relates to the ***Signalling Unit***, compared with EUR 1,142.0 million in 2005 (net of intercompany transactions with the Transport Systems Unit), and EUR 1,248.1 million (compared with EUR 950.0 million in 2005) regards the order backlog of the ***Transport Systems Unit***.

ATTACHMENTS:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Ansaldo STS Group

Consolidated Profit and Loss Account (EUR m)	*PRO FORMA FIGURES (2) At 31/12*		*At 31/12/06 (1)*
	2006	*2005*	
Revenues	922.8	839.5	810.6
Change in inventories, semi-finished and finished products and goods	5.3	3.1	0.3
Value of production	**928.2**	**842.6**	**810.9**
Purchasing and staff costs	(834.8)	(748.3)	(723.4)
Depreciation and amortisation	(9.5)	(9.5)	(8.2)
Writedowns	(1.5)	(1.3)	(1.5)
Restructuring costs	-	(0.1)	-
Other net operating revenues (costs)	2.1	(3.6)	1.3
EBIT	**84.5**	**79.8**	**79.1**
Financial income (expense)	3.3	2.3	2.5
Income taxes	(42.0)	(37.8)	(38.5)
Net Profit	**45.8**	**44.3**	**43.2**
Earnings per share	0.46		

(1) 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006.
(2) The pro-forma figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing.

CONSOLIDATED FINANCIAL POSITION

Ansaldo STS Group

Consolidated Financial Position (EUR m)	*PRO FORMA FIGURES(1)*	
	at 31/12/06	*at 31/12/05*
Non-current assets	250.6	205.3
Non-current liabilities	44.9	43.1
	205.7	**162.1**
Inventories	96.5	91.5
Contract work in progress	78.3	64.8
Trade receivables	311.1	342.2
Trade payables	166.3	173.5
Advances from customers	475.1	406.1
Provisions for short-term risks and charges	22.3	19.8
Other current net assets (liabilities)	(59.6)	(22.6)
Net working capital	**(237.3)**	**(123.6)**
Net invested capital	**(31.6)**	**38.6**
Group shareholders' equity	126.3	159.0
Minority interests	0.4	0.4
Shareholders' equity	126.6	159.3
Net debtor (creditor) position	(158.2)	(120.8)

(1) The pro-forma figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing.

CASH FLOW (PRO-FORMA FIGURES)

Ansaldo STS Group

Cash Flow (EUR m)	PRO FORMA FIGURES Comparison 2006 / 2005			
	at 31/12/06		at 31/12/05	
Cash and cash equivalents-opening balance	**36.0**		**44.3**	
Gross cash flow from operating activities	100.2		102.9	
Change in working capital	93.8		18.4	
Change in other operating assets and liabilities, taxes and interest	(53.1)		(15.4)	
Cash flow generated (used) by operating activities	**140.9**		**105.9**	
Cash flow from ordinary investments	(21.6)		(107.6)	
Free operating cash flow		**119.2**		**(1.7)**
Strategic investments	(60.4)		-	
Cash flow generated (used) by investment activities	(82.0)		(107.6)	
Dividends paid	(32.0)		-	
Cash flow from financing activities	(14.4)		(6.2)	
Cash flow generated (used) by financing activities	(46.4)		(6.2)	
Translation difference	0.2		(0.4)	
Cash and cash equivalents-closing balance	**48.6**		**36.0**	

RESULTS BY BUSINESS SEGMENT (PRO-FORMA FIGURES)

EUR M	SIGNALLING		TRANSPORT SYSTEMS	
	At 31/12/06	At 31/12/05	At 31/12/06	At 31/12/05
Acquired orders	833.0	796.5	534.3	240.1
Order backlog	1,319.6	1,223.4	1,248.1	950.1
Value of production	707.5	613.3	236.8	252.7
EBIT	73.9	63.9	21.5	18.4
ROS	10.4%	10.4%	9.1%	7.3%
Working capital	(70.0)	(7.9)	(171.9)	(133.7)
Net invested capital	8.6	64.3	(124.3)	(126.0)
R&D	33.2	33.3	2.0	1.4
Total staff	3,606	3,304	327	318

Notes to the table
The values reported in the table include transactions between segments.
The figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing

INCENTIVE PLANS

During 2006 the Ansaldo STS Group implemented:

- a medium-term stock grant plan (SGP);
- a long-term cash incentive plan (LTIP).

These two plans are part of a structured system of short-term (MBO), medium- and long-term incentive plans which form part of the overall remuneration of Group management.
The structure of incentive plans is based on the achievement of complementary performance objectives linked to the key economic, financial and commercial drivers of Group value.

Specifically, under the Stock Grant Plan, Company shares are granted free of charge following achievement of certain objectives over a given period of time, with an "accumulation" mechanism that allows the recovery at the end of the two years of the portion of the grant may have not been awarded during that period.

In 2006, the SGP had 50 participants (of whom 40 transferred from a similar stock grant plan of the parent Finmeccanica and 10 selected by the Remuneration Committee in 2006), broken down as follows:

- 6 are executive directors of the Company or subsidiaries;
- 44 are managers at the Company or subsidiaries considered to be key resources for the Group.

The Board of Directors established the maximum number of SGP shares at 1,000,000 (one million), while the maximum number of shares that can currently be awarded is 672,941, of which one third is the maximum number that can be issued in relation to the objectives for 2006, and two thirds is the maximum amount that can be issued in relation to the objectives for 2007.

The SGP will be served by treasury shares that will be acquired by Ansaldo on the regulated market in the manner established by Article 144-bis, paragraph 1, sub-paragraphs b) and c), of Consob Regulation no. 11971/1999. The price of the shares acquired shall not differ by more than 15% above or below the closing price of the shares in the trading session prior to each acquisition. These parameters are deemed sufficient to identify the range of values at which the Company is willing to make the acquisition. In any event, the price shall not exceed any limit that may be established under applicable national or EU regulations.

The maximum number of treasury shares to be acquired is 224,315 ordinary shares with a par value of EUR 0.50 each, equal to 0.224315% of share capital.

The Board of Directors deems it appropriate that the authorization to buy and the authorization to dispose of plan shares shall be granted for 18 months as from the date the relevant resolution is passed.

Neither Ansaldo nor any of its subsidiaries currently hold treasury shares.

The Long-Term Incentive Plan is a three-year plan (2006-2008) that envisages a cash payment upon achievement of specified objectives for the Ansaldo STS Group.

The plan is restricted to seven participants who are considered to be of strategic importance within the Group. Four of them (including the Managing Director Gagliardi) had previously participated in a similar plan of the parent Finmeccanica before Ansaldo STS was listed.

The objectives selected regard both market performance and economic and operational parameters: the annual performance of the Ansaldo STS share compared with that of the Mibtel index and Group retained cash flow. Actual payment of the cash award also depends on the plan being self-financing, which means achieving over-performance in net consolidated profit.

The award payable under the LTIP during the three-year period shall not exceed the gross annual remuneration of each participant, to be paid on a pro-rata basis after approval of the financial statements of the Ansaldo STS Group for the years for which the LTIP is applicable and after the achievement of the minimum threshold and the specific targets.
A reserve shall be established for the acquisition of treasury shares using the available funds reported in the company financial statements.

***Ansaldo STS confirms** that on 23 March at 10:30 a.m. management will be available to discuss the results for 2006 at:*

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