ANSALDO STS GROUP CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 SEPTEMBER 2008

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 30 September 2008

1.1 Introduction

At 30 September 2008, the Ansaldo STS Group posted a net profit of EUR 50,025 thousand, a marked increase over the EUR 36,739 thousand for the same period of 2007. Revenues at 30 September 2008 came to EUR 775,707 thousand, compared with EUR 666,291 thousand at 30 September 2007. The Group's profit margin went from 9.45% at 30 September 2007 to 10.24% at 30 September 2008.
Orders at 30 September 2008 totalled EUR 808,676 thousand, compared with EUR 1,151,923 thousand at 30 September 2007. This decrease (of EUR 343,247 thousand) is to be viewed in relation to the exceptionally high level of new orders for the third quarter of 2007 pertaining primarily to the Transport Systems Business Unit (Naples metro Line 6). The order backlog at 30 September 2008, in the amount of EUR 2,988 million, increased further compared with the balance at 31 December 2007 of EUR 2,980 million, which, in turn, was higher than the EUR 2,852 million at 30 September 2007.

These figures show fully satisfactory performance for the first nine months of 2008 in terms of the company's growth, profitability and financial soundness.
The actions taken and results achieved during the prior year laid the groundwork for the continuation of growth for the company for the immediate future, as well.
As concerns the Transport Systems Business Unit in particular, the exceptional level of new orders in past years, supported by a solid level of new orders for the current period, such as the Malaysia contract in the amount of roughly EUR 135 million, result in a backlog of around EUR 1,900 million, which is equal to approximately seven and a half years of production. This has paved the way for significant development for this business over the next three years. With regard to the Signalling Business Unit, in line with the previous year, the first nine months were characterized by significant geographic growth in the potential market, which has already led to the first important results in terms of new orders in particularly important countries and business segments.
The solid experience already acquired (ERTMS and driverless ATC) and currently being consolidated (CBTC) in strategic technologies within the industry, as well as the Group's particular geographic distribution throughout the world and further efforts to penetrate new, high-growth areas (central and eastern Europe, the Middle East and the Far East), confirm the Company's favourable competitive position, and enable us to look to the future with a fair degree of confidence.

Over the period from **28 December 2007 to 30 September 2008**, the official price of the company's stock went from EUR 8.618 to EUR 9.797, for an increase of 13.7%.
This increase was achieved during a difficult period for the European and world's financial markets, which only worsened in the first part of the fourth quarter of 2008.
Thanks to the Company's performance and our constant contact with the market, our stock continued to hold its own against the MIBTEL and ALLSTAR indexes, which lost 33.64% and 25.32%, respectively.

During the quarter under review (**1 July 2008 - 30 September 2008**), the official price of the Company's stock went from EUR 9.212 to EUR 9.797, for an increase of 6.5% and reaching a record high of EUR 11.08 on 2 September 2008.
Average market capitalization for the quarter was EUR 977,975,385 (compared with EUR 976,703,125 for the same quarter of 2007) on average daily trading volumes of 403,079 shares (compared with 220,856 shares for the same quarter of the prior year.).

It should be noted that:
- compared with the figures provided in the consolidated quarterly report for the Group at 30 September 2007, these figures have been remeasured to take account of the changes in accounting standards applied for this current report. In particular, beginning with the 2007 financial year, the Company has adopted the equity method (as allowed by IAS 19) in measuring defined-benefit plans. Consequently, the classification criteria for the individual cost components attributable to these plans have been changed, both for the Income Statement and the Balance Sheet. See section 6.4.1 for a description of the accounting standards adopted and the effects of these changes on the comparative financial statements and the explanatory notes to this consolidated interim financial report;
- beginning with the report at 31 March 2008, in order for the information on the Balance Sheet to comply with the requirements of IAS 1, the items "Direct tax receivables" and "Direct tax payables" have been added in place of "Tax receivables" and "Tax payables", with indirect tax receivables and payables now being classified under "Other assets" and "Other liabilities". The comparative statements have been adjusted accordingly.

For the period 2007-2009, the Group parent, Ansaldo STS S.p.A., as the consolidating entity, has exercised the option for the Italian national consolidated taxation mechanism with the Italian companies of the Group (i.e. Ansaldo Segnalamento Ferroviario S.p.A. and Ansaldo Trasporti Sistemi Ferroviari S.p.A.) for the purposes of corporate income tax (or "I.Re.S."). This option was exercised on 15 June 2007, therefore, the effects began with the 2007 half-year financial statements.

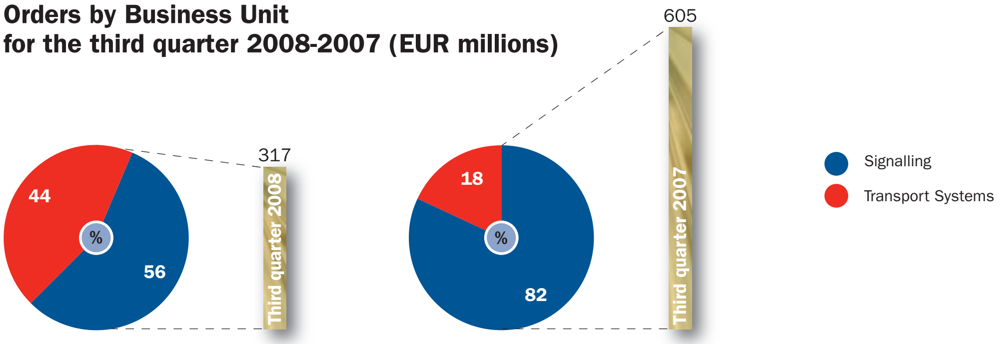
1.2 Results for the third quarter

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**30.09.2008**	30.09.2007	31.12.2007
Orders	**317,120**	605,179	**808,676**	1,151,923	1,532,452
Order backlog	**2,987,633**	2,852,255	**2,987,633**	2,852,255	2,980,009
Production revenues	**273,146**	204,958	**775,707**	666,291	973,094
EBIT	**28,587**	17,133	**79,424**	62,957	100,294
Net profit/(loss)	**18,912**	8,380	**50,025**	36,739	58,278
Working capital	**(170,472)**	(213,170)	**(170,472)**	(213,170)	(216,689)
Net invested capital	**35,807**	(3,024)	**35,807**	(3,024)	(6,820)
Net financial position	**(175,674)**	(163,688)	**(175,674)**	(163,688)	(184,521)
Free operating cash flow	**14,782**	11,459	**14,782**	11,459	26,896
R.O.S.	**10.47%**	8.36%	**10.24%**	9.45%	10.31%
R&D	**8,079**	8,184	**29,844**	32,179	41,236
Workforce (no.)	**4,281**	4,258	**4,281**	4,258	4,243

The third quarter of 2008 closed with consolidated net profit of EUR 18,912 thousand, as compared with the EUR 8,380 thousand for the third quarter of 2007.
The overall improvement of EUR 10,532 thousand may be attributed to the increase in EBIT, which rose by EUR 11,454 thousand, and to the EUR 2,479 thousand increase in net financial income, which was partially offset by the increase in tax expense in the amount of EUR 3,401 thousand.
Taxes for the third quarter came to EUR 12,974 thousand (EUR 9,573 thousand for the third quarter of 2007), including EUR 6,525 thousand in corporate income tax, EUR 1,829 thousand for the regional tax on productive activities (IRAP), and the balance in taxes on foreign companies and deferred taxes.

New **orders acquired** for the Ansaldo STS Group for the third quarter of 2008 totalled EUR 317,120 thousand, as compared with the EUR 605,179 thousand for the same period of the previous year, for a decline of EUR 288,059 thousand due, as mentioned above, to the extraordinary level of new orders for the third quarter of 2007.

Orders by Business Unit for the third quarter 2008-2007 (EUR millions)



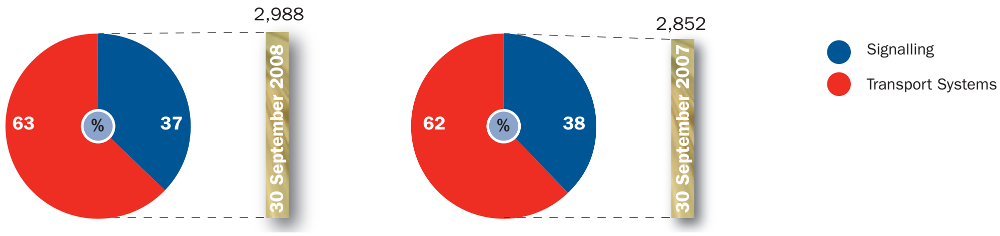
The **order backlog** at 30 September 2008 totalled EUR 2,987,633 thousand, for an increase of EUR 136,378 (+4.75%) over 30 September 2007 (EUR 2,852,255 thousand).

The order backlog for the Signalling Business Unit at 30 September 2008 came to EUR 1,351,338 (including transactions with the Transport Systems Business Unit), EUR 679,027 thousand of which for the Italian subsidiary Ansaldo Segnalamento Ferroviario, EUR 287,899 thousand for the subsidiary Union Switch & Signal, EUR 227,138 thousand for the French subsidiary Ansaldo STS France, and EUR 133,603 thousand for the companies in the Asia/Pacific region.

The order backlog for the Transport Systems Business Unit at 30 September 2008 totalled EUR 1,878,928 and concerned the following main projects:

- High-speed trains (EUR 91,454 thousand);
- Copenhagen metro (EUR 93,180 thousand);
- Construction of the Naples and Genoa metros (EUR 595,314 thousand);
- Driverless metros for Brescia and Milan (EUR 300,245 thousand);
- Rome metro Line C (EUR 336,482 thousand);
- Thessaloniki (EUR 158,750 thousand);
- Alifana (EUR 110,435 thousand);
- Malaysian North Ipoh - Pedang Besar railway line (EUR 135,000 thousand);
- Other projects (EUR 58,068 thousand).

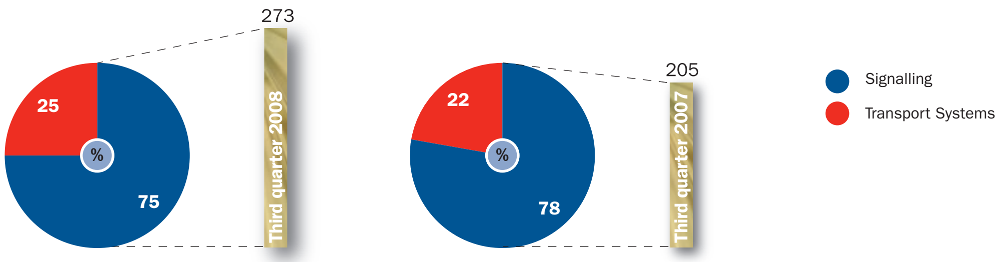
Order backlog by Business Unit at 30 September 2008-2007 (EUR millions)



Production revenues for the third quarter came to EUR 273,146 thousand, up EUR 68,188 thousand (+33.27%) year-on-year (compared with EUR 204,958 thousand) due primarily to the contribution of the Signalling Business Unit for the two periods concerned, given that:

- Signalling (net of transactions with the Transport Systems Business Unit) increased by EUR 43,834 year-on-year;
- Transport Systems (net of transactions with the Signalling Business Unit) increased by EUR 24,354 year-on-year.

Production revenues by Business Unit in the third quarter 2008-2007 (EUR millions)

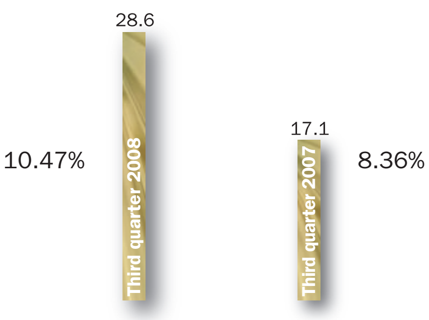


EBIT for the third quarter of 2008 came to EUR 28,587 thousand, compared with EUR 17,133 thousand for the third quarter of 2007, for an increase of EUR 11,454 thousand.
The EBIT margin is 10.47% for 2008, up from the 8.36% of 2007.

In that regard, it should be noted that:

- Signalling closed the third quarter of 2008 with EBIT of EUR 24,769 thousand, for an increase of EUR 8,409 thousand year-on-year (EUR 16,360 thousand);
- Transport Systems posted EBIT of EUR 6,482 thousand for the third quarter of 2008, for an increase of EUR 4,725 thousand year-on-year (EUR 1,757 thousand).

EBIT and ROS for the third quarter 2008-2007 (EUR millions)



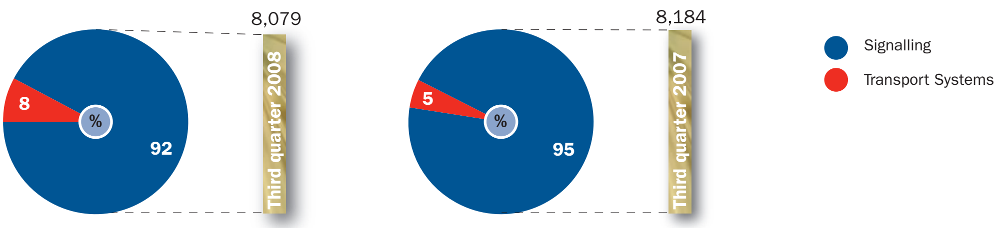
Consolidated **net invested capital** at 30 September 2008 came to EUR 35,807 thousand, compared with the negative net invested capital of EUR 6,820 thousand at 31 December 2007. This difference, in the amount of EUR 42,627 thousand, is primarily attributable to the change in **working capital**, which went from the EUR (216,689) thousand at 31 December 2007 to EUR (170,472) thousand at 30 September 2008, for a change of EUR 46,217 thousand. The change in working capital was due to the increase in work in progress net of invoices for instalment payments and to the decline in trade payables, which was partially offset by the decline in inventories and trade receivables.

The Group's **net financial position** (prevalence of financial receivables and cash/cash equivalents over financial payables) at 30 September 2008 came to EUR 175,674 thousand, compared with a net creditor position at 31 December 2007 of EUR 184,521 thousand, for a decline of EUR 8,847 thousand. Cash flow from operating activities is positive, with free operating cash flow (FOCF) before strategic investments at 30 September 2008 generating cash flow of EUR 14,782 thousand, compared with the EUR 11,459 thousand of cash generated at 30 September 2007. This change, in the amount of EUR 3,323 thousand, may be attributed to the lower level of ordinary investments for the first nine months of 2008.

For the third quarter of 2008, **research and development spending** totalled EUR 8,079 thousand, compared with EUR 8,184 thousand for the third quarter of 2007, for a decline of EUR 105 thousand.
Development activities for the Signalling Business Unit, amounting to EUR 7,282 thousand and accounting for 90% of the total, were primarily related to the development of the CBTC project, which involves the US and French subsidiaries.

Development activities for the Transport Systems Business Unit came to EUR 640 thousand, for an increase of EUR 238 thousand over the third quarter of 2007.

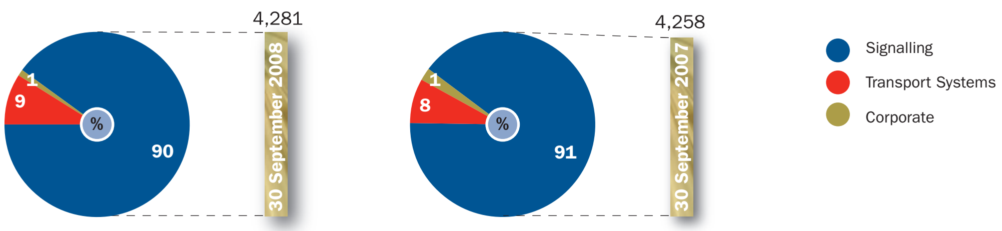
Research & Development by Business Unit in the third quarter 2008-2007 (EUR thousands)



The Group's **workforce** at 30 September 2008 numbered 4,281 employees, for an increase of 23 (+0.5%) over the 4,258 employees at 30 September 2007.
The breakdown by business unit is as follows:
- Signalling Business Unit: 3,849 employees
- Transport Systems Business Unit: 366 employees
- Other areas (Corporate): 66 employees

The Group's **average workforce** at 30 September 2008 came to 4,212 employees, divided into the following categories:
- Senior management: 120
- Middle management: 339
- Office workers: 3,197
- Production workers: 556

Workforce by Business Unit at 30 September 2008-2007 (number)



2 Market conditions and business climate

Signalling

Orders for the third quarter of 2008 totalled EUR 142,446 thousand (EUR 557,259 thousand at 30 September 2008), increasing by EUR 27,215 over the third quarter of 2007 (EUR 492,532 thousand at 30 September 2007).
The order backlog at 30 September 2008 totalled EUR 1,351,338 thousand, as compared with EUR 1,231,932 thousand for the prior year.

Below is a description of the significant events for the first nine months of 2008 for the Signalling Business Unit.

ANSALDO SEGNALAMENTO FERROVIARIO S.P.A.

The slowdown of the domestic market, which began two years ago, continues. The investments by the FS group (RFI and Trenitalia) that were expected at the start of 2008 were reduced and further delayed. Although to a lesser extent, the same trend has been seen for regional railways and metropolitan transit.
For the moment, all of RFI's available funds are being directed to completion of the high-speed/high-capacity (AV/AC) Turin-Milan-Bologna-Florence-Rome-Naples lines and the traffic safety programme for the commercial (SCMT) and secondary (SSC) networks.
The tenders related to new investment (European interoperability corridors with ERTMS, technology upgrades for the primary nodes, extension of the AV/AC network) are being postponed to future years.
The current opportunities lie in completion of the FS programmes currently under way, which still have significant volumes of business to offer, such as variants/integrations to the AV/AC network, service and maintenance for AV/AC and SCMT, and aggregation of the *section control rooms* and the traffic monitoring systems in the larger stations already equipped with ACCs (computer-based interlocking systems).
For the regional railways and metropolitan transit systems, we are continuing to promote the SCMT system (both wayside and on-board), which has already been provided to FS, thereby providing continuity in production.
At the same time, development has begun regarding both innovative products and components and new market segments, such as diagnostics and homeland security.
New competitors have entered this market, which will increase the level of competition.
Internationally, we are expecting opportunities both in the railway segment (modernizing existing lines and an increasing use of ERTMS solutions) and in urban transit, where demand is increasing for CBTC and driverless metros. Ansaldo STS's efforts in the German market are continuing, with the intention being to establish roots within the broader European market and in Russia with RZD and VNIIAS for the application of the new ITARUS rail signalling system (based on ERTMS components).
In Turkey and Saudi Arabia, a number of projects are under way regarding the railway networks (equipping them with ERTMS technology) and larger cities where there is a great deal of interest in light and heavy metro systems, all with cutting-edge technology (CBTC and/or driverless).
On 16 October, an important contract was awarded by the Turkish railway system, TCDD, which represents a significant consolidation in new markets, thereby confirming the trend that began during the year with new orders received in Tunisia and China.
In the Italian market, the company is currently working on a series of bids for variants to the work on the Milan-Bologna and Bologna-Florence sections of the high-speed railway, which include work on the fire-safety and climate-control systems and modifications to traffic monitoring systems.
Also of note is the bid submitted to RFI for the installation in Palermo of a computer-based interlocking system (ACC).
Internationally, the company's bids concern the ERTMS Level 2 installations for the Nuremberg-Ingolstadt-Munich line in Germany and the pilot project for the ITARUS signalling system (with ERTMS components) in Russia.
In Turkey, a bid has been submitted for the installation of the following systems: signalling, interlocking, CTC, ATP and Lev. 2 ERTMS Level 2 for the Bogarzkopru-Yenice and Mersin-Toprakkale lines; and interlocking, CTC, ATP and CBTC for Lines 2,2,4 of the Ankara metro and for Line 4 of the Istanbul metro.
In Saudi Arabia, a bid has been submitted for the installation of ERTMS Level 2 systems and station control systems for the North-South railway line.
A bid has also been submitted to install a CTC system on the southern portion of the Tunisian network (Lines 5 and 13).

Orders acquired at 30 September 2008 amounted to EUR 201.5 million, for an increase over the same period of the previous year.

ANSALDO STS FRANCE

Opportunities in the French railway market (RFF) are on the rise thanks to renovation projects under way on conventional lines, and this is benefiting Ansaldo STS France.
Ansaldo STS France has a very strong position in the high-speed market, and the company has been awarded the contract to provide the signalling system for the eastern section of the new Rhin-Rhône high-speed line and is currently in negotiations for the contract regarding the Tours-Bordeaux line.
The possibilities for projects in the French transport system are increasing, and we already have a clear view of a number of interesting targets.
In Spain, the high-speed programme is developing quickly and offers several opportunities. A number of cities that are ready to adopt urban transit systems - and trams in particular - have already been identified.
In Portugal, REFER and RAVE are consolidating their plans to implement ETCS and have given priority to a pilot project and a new high-speed line connecting the leading cities to the Spanish border.
In Asia, a close partnership in Korea is generating new orders on a regular basis, although the construction of new lines has been held up by the new government.
In China, Ansaldo STS France is progressing in the implementation of the first SEI interlocking system in compliance with the Chinese CTCS-2 standard (the Shitai Project), thereby creating opportunities over the medium term.
In the Maghreb, and in Algeria in particular, Ansaldo STS is engaged in an intensive series of tenders for new lines and for renovations in the rail sector, although thus far no projects have been awarded or executed.

Ansaldo STS is a pioneer in ETCS in the UK (Cambrian pilot line) and Sweden (Ester pilot line), ensuring the company a position of strength in the markets of northern Europe that will develop ETCSs in the future.

In France, proposals have been submitted for the Tours-Bordeaux (SEA) high-speed line, a decision on which is expected by the end of 2008, as well as for the European Lev. 1 ERTMS Corridors, and Ansaldo STS France has been awarded the contract to supply the signalling system for the Rhin-Rhône (SEI-DBC) high-speed line. A proposal has also been submitted to SNCF to provide regional trains for the French conventional network with on-board ERTMS equipment (project "Porteur Polyvalent"), for which a decision is expected to be reached by the end of 2009.
On the Iberian peninsula, ADIF has been provided with the project for the RBC update to the high-speed Madrid-Lerida line. Negotiations are also under way for the renewal of the Madrid-Lerida maintenance contract, which includes 4 years of maintenance plus the option for a further two years. A decision is expected by the end of 2008.
A proposal for financing has been submitted for the TA-L5 line in Tunisia.
In Morocco, on 27 February 2008, a proposal was submitted for the implementation of the Lev. 1 ERTMS system.
In Algeria, a design has been submitted for the installation of the signalling, telecommunications and electrification systems on the Annaba-Tebessa line and the ERTMS system for the Birtouta-Zeralda and Thenia-BBA lines.
In China, a proposal has been submitted to Hollysis for 210 unified databases to equip a variety of lines (Zhenzhou-Xian and others).
In Korea, a proposal has been submitted to Rotem for 18 on-board bi-standard devices for KTX high-speed trains.
In the UK, negotiations are under way for the renovation of the signalling systems for the Macclesfield station using Ansaldo Segnalamento Ferroviario's ACC. A decision is expected to be reached in 2009.
In Sweden, 100 on-board ATP systems have been proposed for Norwegian commuter trains.

Orders acquired totalled EUR 146 million and related primarily to the Western Europe region, which is coordinated by Ansaldo STS France and which also includes the following subsidiaries in the Signalling Business Unit: Ansaldo STS Ireland, Ansaldo STS Sweden and Ansaldo STS United Kingdom.

UNION SWITCH & SIGNAL INC.

As fuel prices have continued to rise, the local transport system has been experiencing a steady increase in passengers. The American Public Transportation Association has reported that the number of passengers is now the highest it has been in 50 years, with increases as large as 30%.
The Federal Railroad Administration has guaranteed funding for USD 30 million for 15 projects aimed at reducing delays and increasing capacity on passenger train lines.
The US House of Representatives has approved a bill (HR 2095) for the railway industry which includes provisions authorizing USD 1.5 billion in federal funding for the Washington, D.C., metro transit system over a period of 10 years to be used for improvements and critical maintenance. The bill also includes USD 250 million for Positive Train Control (the new ATP system for cargo traffic, which could be extended to certain passenger lines in response to the recent fatal incident in California), providing USD 2 billion in investment funding for railway projects and extending Amtrak's authorization to operate for 5 years, while providing the company with USD 13 billion in funding. The bill will need to be signed by the President in order to become law.
In Canada, the Toronto Metrolinx has released its plans concerning new projects totalling USD 50 billion over 25 years.
In Sao Paolo, Brazil, the government is continuing to develop its plans to extend and modernize the metropolitan transit system through projects totalling USD 10 billion. A study has also begun for a new connection between the city and its airport.
In Korea, Taiwan and China, work continues on their mass transit systems.
Union Switch & Signal has submitted proposals for system engineering for Ui-Sinseoul, negotiations for which are to take place at the end of 2008.
Proposals have been submitted for Line 1 in Chengdu, Line 2 in Shenyang and Xian, Lines 2 and 3 in Shenzen, and for the change in the East Extension order.
The company is also awaiting specific revisions to the Central Florid Commuter Rail project, and a proposal has been submitted for resignalling for PATH and South Yonge (TTC) and for the installation of the interlocking system (LIRR Harold).

Orders acquired at 30 September 2008 amounted to EUR 75.3 million (USD 114.5 million), a decline from the same period of the previous year.

ANSALDO STS ASIA PACIFIC REGION

The recent global economic crisis may have a marginal impact on certain projects in this region, but the outlook is sufficiently strong to be able to face the consequences.
The trends in recent years in the various segments of the region should continue over the short term. The local company and its subsidiaries are well positioned in each of the leading markets in order to take advantage of any opportunities that should present themselves.
Australia is benefiting from a stable economy and political system and a transport sector that is rich with opportunities. In particular, the strong demand for exports of Australian resources is expected to continue over the next 3 years, which will require improvements in transport capacity and reliability. In the same manner, the passenger segment is receiving a strong political push for increases in security, capacity and punctuality.
A proposal has been submitted for the Australian mining railway Rio Tinto concerning Phase 3 of the Automatic Train Operation (ATO) project, and a project has been presented to Hamersley Iron, a company owned by Rio Tinto, for the construction of a wide-area data network (WARDN) that will seek to increase the scope of the communications network.
In Southeast Asia, **Malaysia** also has a strong, stable economy and political system and transport industry with a wealth of opportunity, while **Thailand**, although economically strong, is showing recurring symptoms of political instability. Nonetheless, its transport industry is rich with opportunity.

Of particular note is the revitalization of the project for the Trans-Asian railway line, which would create a true logistical connection with Southeast Asia and significant political pressure to develop high-capacity passenger services in densely populated urban areas.
The transport industry in **India** is showing signs of great development opportunities, thanks to the country's strong economy and stable political system.
The primary objectives in this country concern efficiency in logistics services, with a focus on customer-oriented improvements in capacity and punctuality. The Indian Railways are currently asking the German bank KFW to finance an important purpose-specific change to the Ghaziabad-Kanpur project in order to install the signalling system for a new third rail and to overlay an axel counter system on the AFTC train tracking system that ASTS is already providing.
With regard to passenger transport, ASTS is continuing to benefit from a large share of projects of station modernization, which have continued to support a stable, recurring workload for the local company. The same phenomenon is being seen in Bangladesh.
The emerging market in **South Africa**, together with the economic recovery in this nation after years of instability, is opening up interesting opportunities both in the cargo segment, with the revitalization of the mining industry, and in passenger transport, where the government has acknowledged the need for the network to be extended and modernized after years of lack of investment, particularly with a view towards the global media exposure South Africa will be receiving during the 2010 FIFA World Cup.
Finally, a maintenance contract bid has been submitted to **Botswana**, which may be awarded to ASTS's newly established local company and which includes the signalling and communications services for the regions entire railway network.

Orders acquired at 30 September 2008 amounted to EUR 145.2 million (AUD 242.3 million), for a marked increase over the same period of the previous year.

Transport systems

In **Italy**, the tender to award the contract for Line 4 of the Milan metro system has been postponed to 2009. Nonetheless, at the macroeconomic level, we are still seeing positive growth in the target market in the area covered by ASTS Italy. This trend is expected to continue over the next five years, driven by the demand for transport services in the leading Italian cities and by programmes to expand transport networks, particularly in the Middle East.
In Italy, traffic and environmental issues are driving the now-established need to develop an adequate urban transit network, which would feed expansion projects in all of the leading metropolitan areas. Over the next 5-10 years, Milan, Turin, Rome, Naples and Palermo will all develop new mass transit lines. The peak of development for the Italian market is expected in 2009, followed by a decline characteristic of the cyclical pattern that has now clearly emerged.
The expectations for steady growth in demand for turnkey solutions are finding significant confirmation in the Balkans (Turkey and Greece), in the Mediterranean and in the **Middle East**, where we are seeing attractive capacity for turnkey solutions both in the mass-transit market and in the traditional and high-speed rail markets.

Over the next 5-10 years, thanks to development programmes being pursued by the European Union, a period of expansion should begin in the transport networks of the leading cities of Eastern Europe, where the current infrastructures are insufficient to meet the potential transit demand of the local residents and visiting tourists. At the moment, this market is only partially visible, and the outlook for its development remains uncertain.

Another opportunity is the transport development programme in **Russia**, with the electrification of the national railway network and the development of urban and suburban transit systems in the Moscow area. A significant initiative in which this Business Unit could be involved is the Sochi project in connection with the 2014 Winter Olympics. This project involves a 58 km two-track line (2x25 kV) with characteristics similar to those of a metropolitan transit network (30,000 pphpd, headway 2 min.). Ansaldo STS could be a sub-contractor for RZD for signalling, telecommunications and security technologies (contract terms to be defined). Selex Communication, Selex Sistemi Integrati and Elsag Datamat will act as sub-contractors to Ansaldo STS, which will play the role of system integrator. The signalling systems will be based on the ITARUS-ATC technology.
At the end of August, an agreement was signed that calls for the Russian government to fund development and testing for ITARUS, and it was agreed to form mixed Finmeccanica-RZD working groups for the development of the Sochi project.
Demand in the market for driverless metro systems remains steady, particularly in Italy, north-central Europe and the Middle East. With certain exceptions, the countries of Eastern Europe, together with Turkey, remain outside this market segment, likely owing to their need for significant expansion programmes and relative lack of resources, which could impact on technology decisions, thereby restricting them to cheaper, less innovative solutions, which could also have an effect on prices. The segment of conventional heavy metro systems could, for this reason, remain of substantial importance in this region for the next few years. The characteristics of these markets are leading to increased aggressiveness by the market players that are able to offer low-tech solutions at highly competitive prices.
In **Australia**, the Gold Coast Light Rail and North West Rail Link (Sydney) mark the start of construction of transport systems in the Australian market. In the past, systems integration and risk management for these projects was managed directly by the customer.
In **Malaysia** and **Thailand**, emphasis has been primarily on improvements to the light rail service in Kuala Lumpur and on two monorail systems (in Penang and Putra Jaya) for which the Business Unit is well positioned. In **Malaysia**, there are also a number of opportunities to establish local relations/alliances with the main contractors, such as SCOMI, which are participating in tenders for the transport systems in nearby countries (e.g. the monorail in Mumbai, India).
In **India**, projects connected with driverless metro systems are largely being awarded to Indian conglomerates that are willing to accept the severity of the related risks and trading terms. Ansaldo STS is preparing to enter into relations with the leading players (e.g. Reliance, Larsen & Toubrou, etc.), while placing emphasis on selecting the projects to follow.
In **South Africa**, we are seeing the first signals of a market of this sort (e.g. the Capetown Airport Rail Link). Ansaldo STS - InfraDEV South Africa is well positioned in this emerging market.
In Italy, it should be noted that proposals have been submitted for the Dinegro Depot in the Genoa transit system, as well as for the Dante-Garibaldi (Line 1) and Mostra-Arsenale Depot (Line 6) in Naples.
Also in the Campania region, a proposal has been submitted for the Vesuvian lines, San Giorgio-Volla, and for moving the Torre Annunziata-Pompei line underground.
Finally, a proposal has been presented for the contractualisation of electrification variants between Saturno and the general contractor.

Orders acquired at 30 September 2008 amounted to EUR 256.5 million, down on the same period of the previous year.

3 Performance by segment

3.1 Signalling

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**30.09.2008**	30.09.2007	31.12.2007
Orders	**142,446**	115,231	**557,259**	492,532	822,328
Order backlog	**1,351,338**	1,231,932	**1,351,338**	1,231,932	1,389,818
Production revenues	**206,935**	165,707	**595,638**	521,178	750,093
EBIT	**24,769**	16,360	**67,417**	56,922	86,507
R.O.S.	**11.97%**	9.87%	**11.32%**	10.92%	11.53%
Working capital	**(38,184)**	(65,474)	**(38,184)**	(65,474)	(68,659)
Net invested capital	**45,573**	13,979	**45,573**	13,979	11,152
R&D	**7,282**	7,483	**27,101**	29,882	37,835
Workforce (no.)	**3,849**	3,890	**3,849**	3,890	3,866

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

The Signalling Business Unit operates at an international level, designing and building railway and urban railway signalling components and systems worldwide through four companies: the Italian company Ansaldo Segnalamento Ferroviario S.p.A. with offices in Genoa, Naples, Turin, and Tito; the American subsidiary Union Switch & Signal with branches in Pittsburgh, Pennsylvania, and Batesburg, South Carolina; Ansaldo STS France, a French company with offices in Paris and Riom; and the Australian company Ansaldo STS Australia Ltd based in Eagle Farm, Australia.
The Group also has small and medium-sized companies in Germany, Sweden, Finland, Ireland, United Kingdom, Spain, China, India, Malaysia, South Africa and Botswana. The Group also has a number of long-standing collaboration agreements with organizations in other countries, especially in Korea and Brazil.
Most of the Group's work is carried out by companies headquartered in Italy, the USA, and France, which together account for about 77% of the Business Unit's revenues.

The main projects the Business Unit is working (or has worked) on, either carrying them out in their entirety or doing part of the work, include:
- the installation of computerized interlocking systems at the Roma Termini and Manchester South stations and at the Sandback-Winslow link (UK);
- building the automatic signalling systems for the driverless metros of Copenhagen and Brescia, for the New York and Los Angeles (Green Line) subways, and the metros of Shanghai (Line 2) and Tianjin/Binhai (China);
- installation of the electrical systems for Line 3 of the Milan metro system and the complete signalling systems for the Rawan Ipoh (Malaysia) and Hammersley Iron (Australia) railway lines;
- installation of the signalling systems for high-speed trains on the French (TGV) lines, the Madrid-Lerida line in Spain, the Seoul-Taegu line in Korea, and the Quinhuangdao-Shenyang line in China; whereas in Italy the Group is currently involved in construction of the high-speed lines (Milan-Bologna and Turin-Novara sections), supplying signalling systems via the Saturno consortium.

Orders acquired in the third quarter of 2008 totalled EUR 142,446 thousand.

The following is a list of the main new orders for the Signalling Business Unit:

Country	Project	Customer	Value (EUR millions)
Brazil	CPTM Lines A & F	CPTM	14.8
Australia	Mesa A Signal Construction	Robes River Mining	14.3
Australia	Brockman 4 Construction	Hamersley Iron	12.5
United States	Total component/ Service & Maintenance	Various	10.2
France	Total Other component/ Service & Maintenance	Various	8.6
Canada	South Yonge Resignalling	TTC	8.2
Australia	Various ARTC Small Projects (n.8 orders)	ARTC	7.6
Italy	Total component/ Service & Maintenance	Various	5.3
Australia	Various Rio Tinto Projects (N.5 orders)	Rio Tinto	4.2
Italy	HSL MI - BO	CEPAV 1	0.6

At 30 September 2008, new orders totalled EUR 557,259 thousand, an increase of EUR 64,727 thousand (13.14%) over the same period of 2007, attributable primarily to the companies in the Asia/Pacific region and to the Italian subsidiary Ansaldo Segnalamento Ferroviario S.p.A..

The **order backlog** for the Signalling Business Unit at 30 September 2008 came to EUR 1,351,338 thousand (including transactions with the Transport Systems Business Unit).
Of this total, 50.25% concerns Ansaldo Segnalamento Ferroviario and is comprised primarily of projects related to the wayside and on-board SCMT, ACS, high-speed rail, SCC, metro transit, and maintenance and services.

Production revenues for the third quarter of 2008 for the Signalling Business Unit came to EUR 206,935 thousand, increasing by EUR 41,228 thousand (24.88%) year on year.

The most significant events for the quarter are summarized below.

ANSALDO SEGNALAMENTO FERROVIARIO S.P.A.

HIGH-SPEED RAILWAYS

Production primarily concerned contracts related to the Milan-Bologna, Rome-Naples, Bologna-Florence and Turin-Milan lines, increasing by 41.2% over the corresponding figure for 2007.
During the period, commercial operations continued on the two sections Rome-Naples and Turin-Novara, again with solid results in terms of overall system reliability and punctuality.
Equipment commissioning was completed for the Milan-Bologna high-speed railway. On 30 September 2008 partial testing for the system was completed, and the pre-operations phase for the line formally began on the following day. By mid-December, commercial operations should begin with numerous trains being scheduled throughout the day.
The remaining activities concerning the work to be done for substantial completion of the project, which are to be carried out by the general contractor and the Saturno consortium during the pre-operating period, were deemed by TAV and RFI to be insignificant for the general contractor.
The remaining systems related to the Milan-Bologna section (essentially most of the interconnections with the existing line) continue to represent a significant commitment both for year-end and throughout 2009.
With regard to the Bologna-Florence section, work continued to install the fire-safety and climate-control systems for the various buildings along the route.
Despite signs that it should come to an end, the agreements with established with the general contractors continue to be suspended for the new high-speed sections that have not yet been contractualised.
As concerns the Paris-Ostfrankreich-Sudwestdeutschland (POS) North project in Germany, during the period, work aimed at defining the detailed design for the system has largely been completed, including in relation to the joint working groups together with the customer. The sub-contracting orders with the main German partners have also been completed.
Installation in the field is expected to begin by year-end.

WAYSIDE SCMT

Production concerned completion of the work to reconfigure the systems that have been installed and activated. The overall decline compared to the corresponding volumes for 2007 was 24.9%. During the period, work began concerning the introduction of train control technology (SCMT) for the Circumvesuviana railway (Naples) following the receipt of an experimental contract for the wayside subsystem, which is expected to be completed during the current year.
The installation schedule for the train control system for the railway network has been completed with the installations for the final few kilometres in the last year, although the recent launch by RFI of the programme to speed up the network resulted in production revenues that were higher than originally expected, as well as in a significant level of in-house activities.
Work is continuing on the definition of supplemental amendments to the individual contracts, which will establish the final amount of work done and the definitive extent of the work in application of original contract provisions.

ON-BOARD SCMT/ERTMS

Production has been developed primarily in Italy with the supply of the rolling stock provided for in the framework agreement with Trenitalia (six implementing contracts), as well as in Greece with the supply of level 1 ERTMS equipment for rolling stock. Volumes declined by 8.7% from 2007.
In terms of operations, work is continuing successfully on both the installation of rolling stock and the specific development of the contracts. Installations continue to benefit from the issuance by RFI of the approval for operation of the E402B onboard system for rolling stock and the contribution related to the retrofit activities called for by contract.
The company is highly committed to the development and validation of the ERTMS, and the new software version in particular, the features of which will be suited to traffic on the Milan-Bologna high-speed line. This version of the software will also provide more advanced performance for the interlinking sections between the high-speed and traditional lines.
Another challenging area of development concerning SCMT technology concerns the SSC/SCMT BL3 on-board system that Trenitalia intends to adopt for its diesel rolling stock by the latter part of this year. Furthermore, the authorization to operate issued by the Italian Railway Safety Agency, which the company hopes to receive by the end of the year, will make it possible to participate in tenders that the railways operated on a concession basis will hold in the coming months in application of the Italian technology upgrade plans.

ACS (COMMAND AND CONTROL ROOM)

Production primarily regarded the Rogoredo, Mestre and Pisa contracts and the recent new orders for Rebaudengo, Rho/Pero and Rho, for an overall increase in volumes of 45.5% over the first nine months of the previous year. International production saw the start of activities concerning the contracts acquired in Romania and Tunisia, the later of which should provide significant numbers during the current year.
The main activities carried out during the period concerned the plant at Venice Mestre and Rogoredo, which involved, respectively, activation of the first phase and a significant reconfiguration of the system related to the Milan bypass.
Finally, work continues on the Rebaudengo and Rho/Pero double-junction contracts, and work is progressing at a rapid pace on the design and implementation of the Pisa ACC, which is expected to be activated by year-end. Also of note is the continuation of the activities needed to complete the work related to the Naples node and the Messina-Patti line.

LARGE NETWORK SCC

Production was developed primarily on the contracts concerning the systems in Palermo, the Bologna-Brennero line, the Tirrenica line, the Adriatica line, and the Genoa, Naples and Venice nodes. The main activities carried out regarded the contract in Palermo, for which the new control room was activated during the first half of the year, and the necessary work was done to activate the second section by year-end. Volumes are experiencing a natural decline in relation to the originating contracts, for which negotiations are under way to define the rider contracts governing changes, separate agreements and costs (related to the Venice, Genoa, Naples and Adriatica orders).

ANSALDO STS FRANCE

CHINA ON-BOARD ATP

In accordance with the commitments undertaken by Ansaldo STS France with MOR and despite the scarcity of test sites built, thirty-eight trains have been equipped and, of these, thirty are ready to be put into service, using the new Chinese CTCS standard. The I.60 version of the software has also been released to the satisfaction of MOR. In order to resolve a number of malfunctions in the BTM, the vendor ASF has decided to replace 140 sets. An initial batch of 80 sets is already being installed on the Chinese trains, while the second batch of 60 sets will be delivered in early December 2008.
Efforts are continuing to make up for delays in payment due to recent technical problems. The project is currently 85% complete, and the next major milestone concerning installation of the BTM retrofit is currently scheduled for February 2009.

SPANISH HIGH-SPEED LINE

The Level 1 ERTMS wayside system began commercial operations in May 2006, demonstrating a high degree of reliability, leading to an increase of speed from 250 to 280 km/h, with a letter of satisfaction from the customer. In May 2007, speed was raised to 300 km/h.
With regard to the Level 2 ERTMS, after completion of the test phase in June 2006, the final safety case was achieved in June 2007.
The project is currently 96% completed.
Finally, negotiations for the financial settlement of a number of contract items being disputed with the customer have been successfully completed, and the stipulation of the related contract change is expected in December 2008.

SHITAI CHINA

In November 2007, Ansaldo STS France received an order from the Chinese Ministry of Railways for the supply of a railway signalling system for a new line in northern China. With a total value of just over EUR 32 million, the contract involves the design and installation of the new Chinese Train Control System (CTCS 2), which will enable passenger trains to be controlled at speeds of up to 300 km/h on the new 190 km Shijazhuang-Taijuan line and will interface with the existing railway line in the area.
The contract is currently 40% completed, and an advance payment of about EUR 6 million was made in April.
Commercial operation of the line is currently expected to begin in July 2009.

UNION SWITCH & SIGNAL INC.

UP CADX

The project, which is highly important for the US subsidiary US&S, involves the development and installation of a “Next-Generation Computer Aided Dispatch (CAD) System” and an “Optimizing Traffic Planner (OTP) System”. These systems are to be installed on all 33,000 miles of the Union Pacific’s North American railway network. The contract also covers maintenance of the CAD system through 2021.
With regard to the development of the OTP, a demonstration was run with UP senior management at the end of August, showing that good progress has been made, but there are still a number of issues to be resolved in order to achieve production-level functioning.

As concerns the CAD system program management, US&S’s commercial strategy entails continuing discussions with the customer in order to agree upon and ultimately formalize contract changes, mainly including:
- payment of USD 6.4 million upon reaching the FAT (Factory Acceptance Test) for the OTP;
- finalizing separation between the core CADX and full CADX and realignment of the payment milestones;
- UP taking over the remaining hardware issues;
- agreeing on a number of points concerning the maintenance agreement and definition of “final acceptance” and the start of the “warranty” period;
- payment of the significant extra project costs.

To this end, in 2008 the process by which “core CADX” and “full CADX” versions were defined was agreed with the customer, as required by Union Switch & Signal management. The reason for this comes from the efforts to streamline implementation of the most needed aspects of the planned system for the customer’s site. Some 92% of the requirements have thus far been classified as “core” requirements, with priority delivery compared with the remaining 8%.
Finally, as concerns maintenance, it should be noted that the system continues to demonstrate a high degree of stability throughout 2008, as well.

CTA DEARBORN

On this project, Union Switch & Signal is a subcontractor of Aldridge Electric Inc. (AE). The contract calls for the design, supply and testing of a new automated train control system and an optional communication system to replace the one currently installed on Chicago’s Blue Line/Dearborn-Congress from the Forest Park terminal to the Jefferson Park station on the O’Hare Service/Kennedy Line.
This project involves wayside equipment for 22 miles of line, which is expected to be completed in September 2009.
With regard to the work status, it should be noted that 19 of the 24 scheduled locations have been completed, 16 of which have begun commercial operations. As concerns the section related to “Block 37”, after the customer considered the option of eliminating it due to delays by the civil construction contractors, it was decided to replace the supplier for the new tunnel, although a new completion date has yet to be established.
The related materials have already been prepared and will be ready for delivery in the fourth quarter.
On the whole, the project, which is currently 91% complete, is on schedule in terms of the provision of material and design of the circuit; however, delays in payment by the prime contractor are having a negative impact on the project’s cash flows.

NYCT CHAMBERS STREET
On this project, Union Switch & Signal is a subcontractor of RWKS Comstock. The contract involves the modernization of the signalling system of three interlockings and the construction of the station apparatus at Chambers Street, World Trade Center and Canal Street on the New York Eighth Avenue Line.
Completion is currently projected for April 2010. The contract value for US&S is USD 15.9 million, and the project is currently 80% completed.
Circuit design has been completed for the Chambers Street station, as well as for the other two stations. Generally speaking, the project is progressing according to schedule. The factory inspection has been completed, and the equipment was delivered to LKC on 5 March 2008.
Circuit design for Canal Street was completed in March 2008.
The wayside equipment has also been completed on schedule.
Finally, with regard to training, a sub-contracting agreement was signed with CTC&S during the period.

EBIT for the third quarter of 2008 for the Signalling Business Unit totalled EUR 24,769 thousand, as compared with the EUR 16,360 thousand of the third quarter of 2007, for an increase of EUR 8,409 thousand (51.4%).
This change is primarily attributable to the Italian subsidiary Ansaldo Segnalamento Ferroviario for the increase in average margins on contracts worked on during the period, as well as to the French subsidiary as a result of the increased production for components (RDO) and signalling projects (Shitai), which provided greater margins.
The notes provided below present an analysis of the overall figures for the group and, therefore, include transactions the companies of the Signalling Business Unit.

Developments in the contribution margin during the nine months reflected the following:
- the Italian subsidiary Ansaldo Segnalamento Ferroviario posted a slight increase in volumes over September 2007 (EUR 3 million or 1%) primarily attributable to the increase in work on FS projects, particularly for the Milan-Bologna high-speed line and ACS, as wall as to the fact that, in response to significant commercial efforts that began in 2007 and continued in 2008, recent international contracts are beginning to generate significant volumes of production. It terms of average profitability, the period saw an improvement over the previous year due to the different mix of orders handled and, in particular, to the effect of contracts such as the wayside SCMT, which is currently being completed;
- the French subsidiary Ansaldo STS France posted a significant increase in volumes over September 2007 (EUR 20 million or 21%), which was fairly evenly distributed across orders for systems and for components and services, largely confirming average margins for the period;
- the US subsidiary Union Switch & Signal posted higher production values (in dollars) year on year (roughly USD 12 million, or +9%), due essentially to the fairly positive trend in orders for signalling systems, with orders for components and services confirming the volumes of the previous year. Average profitability for the period worsened slightly from September 2007 due to an adverse change in the order mix for signalling systems;
- the subsidiaries in the Asia/Pacific area posted marked increases in production volumes (up AUD 80 million or 49%) due primarily to the increase in business in Australia on the North-West (FMG infrastructure), ARTC and QR Alliance projects, together with an increase in materials delivered for the KFW and Gooty projects in India. Conversely, average margins for the period declined slightly from September 2007 due, primarily, to the change in order mix.

As regards other structural costs, the increase over September 2007 is attributable solely to the increase in proposals and commercial efforts in general, in that administrative and other such costs fell year on year.

Working capital at 30 September 2008 for the Signalling Business Unit came to a negative EUR 38,184 thousand, for an increase over 31 December 2007 of EUR 30,475 thousand (from the negative EUR 68,659 thousand of 31 December 2007). This change can be attributed primarily to Union Switch & Signal as a result of the increase in payments to suppliers and decrease in the fair value of derivatives for hedging transactions, as well as to the French subsidiary due to the increase in trade receivables as a result of both the increase in production and delays in collections, which should be corrected by the end of the year.

Net invested capital as at 30 September 2008 for the Signalling Business Unit, in the amount of EUR 45,573 thousand, posted an increase of EUR 34,421 thousand over 31 December 2007 (EUR 11,152 thousand), which was essentially due to the change in working capital.

Research and development spending at 30 September 2008 totalled EUR 27,101 thousand, compared with EUR 29,882 thousand at 30 September 2007.
The projects in which the companies of the Signalling Business Unit were involved concerned the following market segments:
- HSL/ERTMS Lev 2
- Main Lines/ERTMS Lev 1 & 3
- Wayside
- Mass Transit
- Components
- Security/New Initiatives

As at 30 September 2008, the **workforce** numbered 3,849, 41 fewer than at 30 September 2007 and 17 fewer than at 31 December 2007.
This reduction is primarily the net result of the 154 increase in employees in the Asia Pacific area in response to the current and expected increase in business, offset by a 130-employee decrease for the US subsidiary as a result of the reorganization plan currently under way, the primary objective of which is tot rationalize production at the Badesburg facilities.

3.2 Transport Systems

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**30.09.2008**	30.09.2007	31.12.2007
Orders	**179,164**	494,892	**256,539**	670,015	802,728
Order backlog	**1,878,928**	1,760,886	**1,878,928**	1,760,886	1,809,872
Production revenues	**69,366**	45,012	**184,367**	157,260	241,438
EBIT	**6,482**	1,757	**18,896**	14,352	21,986
R.O.S.	**9.34%**	3.90%	**10.25%**	9.13%	9.11%
Working capital	**(121,267)**	(136,322)	**(121,267)**	(136,322)	(143,324)
Net invested capital	**(3,595)**	(17,083)	**(3,595)**	(17,083)	(20,842)
R&D	**640**	402	**1,814**	1,561	2,276
Workforce (no.)	**366**	321	**366**	321	327

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

The Transport Systems Business Unit designs and builds integrated transport systems, namely studies, designs and plans how to integrate the activities of designing and building the equipment that goes into a system, i.e. the track, signalling, power supply, telecommunications and vehicles (whether for inter-city or urban railways), as well as any other technological works which, collectively, constitute an integrated transport system. The final product, whether an inter-city railway or urban line, is then delivered as a turnkey solution to the customer. However, the Group can also offer the expertise of the Signalling and Transport Systems Business Units separately, according to specific customer needs.

The following are some of the main projects on which the Transport Systems Business Unit is working or has worked:
- the driverless metro systems of Copenhagen, Brescia and Thessaloniki;
- Naples metro Line 1, and Rome metro Lines A, B and C;
- light rail systems for Genoa and Naples Line 6 (on these two projects the Group is acting as concessionaire and is thus responsible for completion of the whole project including civil works) and Lima;
- tram systems in Florence, Sassari, Birmingham (Midland Metro), Manchester (Metrolink), and Dublin (Lines A, B and C);
- the STREAM system in Trieste;
- part of the electrical rail systems for Line 1 of the Milan metro system;
- construction, installation, testing and commissioning of signalling, telecommunications and electrification for the 330km double-track line between Ipoh and Padang Besar, Malaysia.

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

Orders acquired by the Transport Systems Business Unit in the third quarter of 2008 totalled EUR 179,164 thousand and mainly concerned the following:

Country	Project	Customer	Value (EUR millions)
Malaysia	Extension Contract North Ipoh to Pedang Besar	MMC Gamuda	135.0
Italy	Alifana - variation order	Metro Campania	27.6
Denmark	Copenhagen - variation order	Orestadsselsk abet	6.9

During the same period of the previous year, new orders totalled EUR 494,892 thousand.

The **order backlog** at 30 September 2008 totalled EUR 1,878,928 thousand (EUR 1,760,886 thousand at 30 September 2007). These orders are mainly connected with the following projects:
- High-speed rail (EUR 91,454 thousand);
- Copenhagen metro (EUR 93,180 thousand);
- Construction of the Naples and Genoa metro systems (EUR 595,314 thousand);
- Brescia and Milan driverless metros (EUR 300,245 thousand);
- Rome Line C (EUR 336,482 thousand);
- Thessaloniki (EUR 158,750 thousand);
- Alifana (EUR 110,435 thousand);
- Malaysia North Ipoh - Pedang Besar railway line (EUR 135,000 thousand);
- Other projects (EUR 58,068 thousand).

Production revenues for the Transport Systems Business Unit for the third quarter of 2008 totalled EUR 69,366 thousand (EUR 45,012 thousand for the third quarter of 2007). This marked increase on the year-earlier period can be attributed to the significant growth in the order backlog. Of the total volume, 76% was developed in Italy and 24% abroad, and 78% concerned metro transit. This was generated by the projects relating to high-speed rail, Line C of the Rome subway system, Copenhagen, Metrogenova, Alifana, Line 6 of the Naples metro system, and MetroBrescia.

The most significant events for the period are summarized below.

HIGH SPEED RAIL

With regard to the work on the Rome-Naples section through the Saturno consortium, the detailed engineering for Operational Lot 2 has been approved by the customer, and the building plan, for which the consortium will be reissuing a proposal by the end of October, is currently being prepared. For the Novara-Milan section, construction is expected to be completed in November, while electrification up to the Rho PPS has yet to be arranged. On 30 September, the pre-operations phase for the Milan-Bologna section began. Finally, the Bologna-Florence section has been electrified in order to start train testing on the line.

As concerns the work done through the IRICAV UNO and Pegaso consortia concerning Operational Lot 1 for the Rome-Naples line, which is already operational, activities regarding the second phase for the sound barriers is currently being completed. With regard to Operational Lot 2, track-laying works are being completed, including the Afragola dispatching station.
In August, the last impediment was resolved. Therefore, the access date for track completion at the end of the lot is expected to be set within the first ten days of November. Installation is expected to be completed early next year.
It should also be noted that the attempted amicable settlement, which the consortium requested in relation to alleged delays and non-compliance billed to the General Contractor by the customer, was not successful. As a result, the consortium has begun arbitration proceedings.

GENOA METRO

Activities during the period primarily concerned the civil engineering works related to the De Ferrari-Brignole section. After the obstacles encountered in previous years due to the numerous archaeological finds, in May it was again possible to start excavating the Brignole shaft (the future ventilation shaft for the line), and in September digging for the entire shaft was completed. Work is currently under way to consolidate the two fronts of the line and to remove the barriers to the tunnel entrances.
At the moment, three tunnel excavation fronts are active: for Brignole-Brignole shaft, the goal is to complete this section of the line by year-end; for Allargo Corvetto-Brignole shaft, digging is expected to continue until May-June 2009; while 237 metres of the Allargo Corvetto-De Ferrari shaft have been excavated thus far.
The final accounts have been prepared for the S. Giorgio-Sarzano and Sarzano-De Ferrari sections, and the formal documentation is expected to be completed in the third quarter of 2009.
Work continues with the City of Genoa in preparation for the signing of a supplemental document regarding the new Dinegro Depot.

ALIFANA REGIONAL LINE

Construction of the sub-section from Giugliano to Aversa Centro has essentially been completed, and the test phase has begun.
The external work is in an advanced stage of completion, and the Giugliano sub-station has been activated.
Construction for the Mugnano-Giugliano sub-section is being completed for both signalling and the installation of the technical systems for the ventilation shaft located in this section. The first train engine has run on the section in order to begin integrated testing.

NAPLES METRO LINE 6

During the third quarter, work began on the containment structures for the Arco Mirelli and S. Pasquale stations.
At the former of these sites, the work site for the area has been finalized, and work has begun to remove the Scugnizzo Monument in Piazza della Repubblica, which is expected to be completed by the end of October. At the same time, following technical approval by the works director, the first phase of land pre-consolidation began in order to proved greater stability to the areas affected. In September, the guides were installed for the shaft head on the side of the town hall, as well as a portion of the shaft on the Mergellina side. This made it possible to start work on the slurry walls using a hydromill, all the components and related equipment of which were brought to and installed at the work site.
Similarly, land pre-consolidation work began for the S. Pasquale station during the quarter, and work has begun on the containment walls. Here, too, work continues to bring the equipment needed for the hydromill that will be used to build the slurry walls for the station's shaft beginning in November.
For the Chiaia station, deviation work continued during the third quarter within the station area, as did construction of the micropile walls to protect the existing buildings following establishment of the work site. Completion of these activities, which are being conducted in the manner of an archaeological dig, is expected by the end of the year.
With regard to the line tunnel, work was completed in August to widen the entrance shaft for the TBM, and the work site is being established in the area by the consortium responsible for the excavation. At the same time, work has begun on production of the lining walls for the metro tunnel.

BRESCIA METRO

As concerns the work for which the Company is responsible, development of the building plan is continuing, as is testing, particularly for the power systems, depot equipment, third-rail sub-system, ATC sub-system, and telecommunications sub-system.
At the depot, post-assembly testing is under way on the power sub-station, the third rail (support installation and power system), telecommunications and signalling, and electrification is expected by early November.
With regard to the civil engineering works being handled by our partner, the tunnel boring machine will soon be arriving at the Marconi station and has, therefore, gone through the entire historic centre of the city. Along the entire line, work continues to relocate underground utilities and to build the line and the stations, and the final touches are being completed in the area of the depot and are being started for the first two stations.
As concerns the rolling stock being provided by Ansaldo Breda, the first three carriage bodies have arrived at the Naples facilities, where fitting out and building the engines is under way, while carpentry work is continuing for the carriage bodies at the Reggio Calabria facilities, where the middle car for the second train will be tested in October.

COPENHAGEN

During the period, production focused almost exclusively on system operation and maintenance, as well as on a number of extra works requested by the customer.

ROME METRO LINE C

During the period, civil engineering works continued on sections T4, T5 and T6a and in the depot. The first boring machine has completed roughly 600 metres of tunnel at an average rate of approximately 20 metres per day. At the end of September, the second machine began excavating the second shaft.
At the work sites for the stations, work is under way on the retaining structures and/or the perimeter excavations. At the Graniti depot, work has also begun on the maintenance and operating centre buildings.
During the period, the customer also approved - with comments - the detailed engineering for the T6a and T7 sections and for the depot, and an agreement was also reached for the definition of a new general contract schedule for the first operational section, including the specification of a number of modifications connected with the new programme.
Archaeological surveys are also ongoing for the T2 and T3 sections, as is final design work for the T3 section through to the Fori Imperiali station, with delivery of the design expected by the end of the first quarter of 2009. Planning is also under way concerning the executive work schedule modification and the S. Giovanni modification.

THESSALONIKI METRO

Submission of the General Final Design 2 (GFD2) has been completed, and the project documentation related to the various electro-mechanical systems is being reviewed by the customer. As a result of delays by the customer in the review process, attributable to the customer's organisational constraints, completion of the GFD2 approval process was delayed from December 2007 to November 2008. Procurement activities are ongoing, and suppliers have begun manufacturing the signalling and telecommunications systems, the first batch of which is expected to be tested at the factory during the fourth quarter of 2008.

EBIT of the Transport Systems Business Unit for the third quarter of 2008 came to EUR 6,482 thousand (9.34% of revenues), an increase over the same figure for the previous year of EUR 1,757 thousand (3.90% of revenues) as a result of the increase in volumes.

Working capital for the Transport Systems Business Unit came to a negative EUR 121,267 thousand at 30 September 2008, a change of EUR 22,057 thousand over 31 December 2007 (a negative EUR 143,324 thousand), which is attributable both to contract work in progress and advances from customers due to greater production compared with amounts invoiced.

Net invested capital as at 30 September 2008 amounted to a negative EUR 3,595 thousand, an increase of EUR 17,247 thousand over 31 December 2007 (a negative EUR 20,842 thousand), which was due to the aforementioned change in working capital and the decline in non-current assets related to the allocation of a portion of the advance related to the Thessaloniki Metro project to joint expenses, which led to a reduction in the balance compared with December 2007.

Research and development spending totalled EUR 1,814 thousand at 30 September 2008, an increase of EUR 253 thousand over the previous year (EUR 1,561 thousand).

The **workforce** at 30 September 2008 numbered 366 employees, with an average of 358 for the period.

4 Corporate Governance (Articles 36 and 37 of the Market Rules)

On 14 October 2008, the Board of Directors of Ansaldo STS, having acknowledged the favourable opinion of the Board of Statutory Auditors, confirmed that Ansaldo STS is in compliance with the provisions of Articles 36 and 37 of the Market Rules concerning the implementation of Legislative Decree 58 on 24 February 1998 (CONSOB resolution 16191 of 29 October 2007, as amended). On the same date, a press release was issued in order to inform the market of said confirmation.

5 Significant events during the period and subsequent events after the closure of the quarter ending 30 September 2008

In execution of previous resolutions reported earlier, and in line with the reorganization of the Company approved on 20 June 2008, the boards of directors of ASTS, ATSF and ASF (pursuant to and for the purposes of Article 2505(2) of the Italian Civil Code) approved the merger of ASF and ATSF into ASTS. Consequently, on 26 September 2008, ASTS, ATSF and ASF signed the merger instrument establishing the effective date of the merger for legal, accounting and tax purposes at 1 January 2009.

The merger of ATSF and ASF into ASTS will involve the cancellation of all of the shares of Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Segnalamento Ferroviario with no increase in share capital by Ansaldo STS, the surviving company, given that these companies are wholly-owned subsidiaries. The purpose of the merger is to rationalize Group operations in Italy by concentrating them into a single company, thereby simplifying the current chain of control of the subsidiaries and reducing costs connected with the Group's corporate structure. Therefore, the merger seeks to increase the efficiency of the Group's shareholding structure, as well as to develop activities by focusing the core industrial and financial business within the publicly listed Ansaldo STS S.p.A., in line with the role and industrial objectives of the latter.

As concerns the liquidation and winding up of the Dutch sub-holding, Ansaldo Signal NV, as authorized by the Board on 8 May 2008, it should be noted that this process began on 16 June 2008.

During the period under review, Ansaldo STS S.p.A. also started up two new companies in South Africa in order to promote new business opportunities in Botswana, South Africa and other bordering nations. The new subsidiaries are Ansaldo STS Southern Africa, located in Botswana and a wholly-owned subsidiary of Ansaldo STS Australia, and Ansaldo STS - InfraDEV South Africa, an incorporated joint venture with registered offices in South Africa, 50.7% of which is held by Ansaldo STS Australia, with the remainder held by a local partner - a solution that was necessary, in part, for the purposes of compliance with local laws and regulations.

During the period, Ansaldo STS received the following orders:
- through the subsidiary Ansaldo STS Malaysia, which is involved in a joint venture with Balfour Beatty, the Transport Systems project for the provision and start of operations for signalling, telecommunications and electrification systems for the new 330km railway line connecting Ipoh and Padang Besar in northern Malaysia. The value of the order for Ansaldo STS is EUR 135 million;
- through a consortium established by the subsidiary Union Switch & Signal International Co. and Portuguese Energy and Telecommunications Group EFACEC, an order for the provision of the new signalling, telecommunications, and command and control system for Lines 7 and 12 of the metro system of Sao Paolo, Brazil. The total value of the contract is USD 120 million, of which Ansaldo STS's share is 30%, or USD 36 million;
- through Union Switch & Signal Inc., an order valued at USD 13.9 million for the design, provision and installation of a new signalling system along the tracks for the South Yonge area of the Yonge-University-Spadina (YUS) line, which is Toronto's oldest and most used metro line.

Subsequently, in October 2008, Ansaldo STS was awarded the following:
- through the subsidiary Ansaldo STS Australia, construction of railway signalling infrastructure for the Queensland Railway used to transport coal. The agreement, which will entail a number of orders, has a duration of five years and a total value for Ansaldo STS and its partners of roughly EUR 130 million;
- through a joint venture between the two Italian subsidiaries ASF and ATSF, an order valued at EUR 126 million for signalling and telecommunications equipment for the two railway lines Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale in Turkey;
- through the subsidiary Ansaldo STS France, an order for the provision of the signalling system for the eastern section of the new Rhin-Rhône high-speed line valued at EUR 23 million.

5.1 Atypical and/or unusual operations

During the third quarter of 2008, the Ansaldo STS Group did not take any positions or enter into transactions resulting from atypical and/or unusual operations.

6 Analysis of the Income Statement and the Balance Sheet of the Group

6.1 Financial statements

6.1.1 Income Statement

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**Value at 30.09.2008**	Value at 30.09.2007	Value at 31.12.2007
Revenues	235,912	186,984	677,156	599,910	857,982
Revenues from related parties	37,234	17,974	98,551	66,381	115,112
Other operating income	2,846	951	9,086	7,255	12,186
Other operating income from related parties	(40)	14	159	1,364	1,867
Purchase	(62,817)	(30,568)	(178,471)	(149,868)	(221,259)
Purchase of services	(73,672)	(82,734)	(257,387)	(231,500)	(338,669)
Costs from related parties	(38,068)	(10,943)	(58,875)	(29,798)	(50,651)
Cost of labour (*)	(62,172)	(59,541)	(195,874)	(187,080)	(250,666)
Amortization, depreciation and write-downs	(2,935)	(2,379)	(7,952)	(7,073)	(10,949)
Other operating costs	(2,584)	(2,913)	(7,171)	(9,983)	(16,066)
Other operating costs from related parties	-	-	-	-	(4)
Changes in inventories of work in progress, semi-finished and finished goods	(5,378)	212	(297)	3,106	953
Capitalized costs for internally produced assets	261	76	499	243	458
EBIT	**28,587**	**17,133**	**79,424**	**62,957**	**100,294**
Financial income	1,889	1,222	6,911	4,626	5,506
Financial income from related parties	1,352	1,376	3,550	4,421	6,302
Financial costs (*)	160	(1,770)	(7,801)	(7,183)	(8,159)
Financial costs from related parties	(102)	(43)	(207)	(129)	(173)
Effects of valuation of equity investments accounted for using equity method	-	35	(23)	35	90
Profit (Loss) before taxes	**31,886**	**17,953**	**81,854**	**64,727**	**103,860**
Income taxes	(12,974)	(9,573)	(31,829)	(27,988)	(45,582)
Net Profit (Loss)	**18,912**	**8,380**	**50,025**	**36,739**	**58,278**
Group	18,932	8,345	50,002	36,650	58,172
Minority interests	(20)	35	23	89	106
Earnings per share					
Basic and Diluted	0.19	0.08	0.50	0.37	0.58

(*) The figures relating to the periods referred to 2007 have been modified as a result of the IAS 19 restatement (ref.§ 6.4.1).

6.1.2 Balance Sheet

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Non-current assets			
Intangible Assets	48.704	47.987	50.370
Tangible Assets	96.259	94.208	91.839
Equity investments	29.097	29.071	28.975
Receivables	11.345	15.153	15.692
Deferred taxes (*)	39.432	42.590	44.599
Other assets	26.513	28.055	28.413
	251.350	**257.064**	**259.888**
Current assets			
Inventories	93.637	98.305	106.824
Contract work in progress	186.835	151.895	137.228
Trade receivables	240.672	269.851	248.529
Current receivables from related parties	161.283	199.743	131.804
Receivables for direct taxes (**)	5.659	4.155	5.893
Derivatives (***)	583	211	821
Other current assets (**) (***)	25.323	24.297	22.834
Cash and cash equivalents	100.221	63.385	66.226
	814.213	**811.842**	**720.159**
Total Assets	**1.065.563**	**1.068.906**	**980.047**
Shareholders' equity			
Share capital	49.668	49.668	49.950
Reserves (*)	161.367	127.647	110.342
Group's shareholders' equity	211.035	177.315	160.292
Minority interests	446	386	372
Total Shareholders' Equity	**211.481**	**177.701**	**160.664**
Non-current liabilities			
Financial debt	6.327	6.968	8.041
Severance pay and other employee liabilities (*)	30.486	31.314	33.099
Deferred taxes (*)	5.720	6.654	7.852
Other liabilities	8.865	9.227	8.791
	51.398	**54.163**	**57.783**
Current liabilities			
Advances from customers	480.054	506.802	462.849
Trade payables	165.381	174.725	154.035
Current payables to related parties	28.813	24.590	16.528
Financial payables	15.843	12.601	9.099
Payables for direct taxes (**)	11.293	7.827	16.338
Provisions for risks and charges	26.804	26.215	23.445
Derivatives (***)	4.087	9.982	8.149
Other current liabilities (**) (***)	70.409	74.300	71.157
	802.684	**837.042**	**761.600**
Total Liabilities	**854.082**	**891.205**	**819.383**
Total Liabilities and Shareholders' Equity	**1.065.563**	**1.068.906**	**980.047**

(*) The figures relating to the periods referred to 2007 have been modified as a result of the IAS 19 restatement (ref.§ 6.4.1).
(**) The figures relating to the periods referred to 2007 have been modified as a result of the new classification ex IAS1 (ref.§ 6.4.2).
(***) The figures relating to the periods referred to 2007 have been modified as a result of the introduction of the item "Derivatives" (ref.§ 6.4.3).

6.1.3 Cash Flow Statement

(EUR 000)	**30.09.2008**	**of which related parties**	31.12.2007	of which related parties	30.09.2007	of which related parties
Cash flow from operating activities:						
Gross cash flow from operating activities	79,527		112,295		63,397	
Change in working capital	(28,041)	(2,408)	(26,629)	18,314	(27,639)	13,060
Changes in other operating assets and liabilities, taxes and interest	(26,324)	1,158	(40,982)	935	(11,031)	3,288
Cash flow from (used in) operating activities	**25,162**		**44,684**		**24,727**	
Cash flow from investing activities:						
Company acquisitions, net of cash acquired	(287)		(683)		(639)	
Investments in tangible and intangible fixed assets	(10,154)		(17,430)		(12,986)	
Sale of tangible and intangible fixed assets	61		325		18	
Dividends received	-		339		339	
Other investments	(459)		(2,662)		(2,380)	
Cash flow from (used in) investing activities	**(10,839)**		**(20,111)**		**(15,648)**	
Cash flow from financial activities:						
Dividends paid	(19,992)		-		-	
Net change in other financial activities	43,164	43,082	(8,878)	(8,577)	8,699	17,526
Cash flow from (used in) financial activities	**23,172**		**(8,878)**		**8,699**	
Net variation in cash and cash equivalents	37,495		15,695		17,778	
Foreign exchange translation differences	(659)		(890)		(132)	
Cash and cash equivalents - opening balance	63,385		48,580		48,580	
Cash and cash equivalents - closing balance	**100,221**		**63,385**		**66,226**	

6.1.4 "Statement of recognised income and expenses" (SORIE)

(EUR 000)	**30.09.2008**	30.09.2007
Reserves of income (expense) recognised in equity		
- Actuarial gains (losses) related to defined-benefit plans	198	(76)
- Changes in cash-flow hedge	6,776	(6,463)
Tax effect on expense/(income) recognised in equity	(3,065)	2,848
Foreign exchange translation differences	675	(77)
Income/(expense) recognised in equity	4,584	(3,768)
Profit for the period	50,025	36,739
Total income (expense) for the period	**54,609**	**32,971**
Attributable to:		
- Group	54,547	32,893
- Minority interests	62	78

6.2 General information

Ansaldo STS is a company limited by shares based at Via Paolo Mantovani 3/5, Genoa, and has been listed on the Italian stock exchange (Star segment) since 29 March 2006. Ansaldo STS S.p.A. is a subsidiary of Finmeccanica S.p.A., whose headquarters are at Piazza Monte Grappa 4, Rome, listed on the Italian stock exchange (S&P/MIB), which manages and co-ordinates the activities of Ansaldo STS.
The Ansaldo STS Group is a major player in the signalling and rail transport systems market segments. Ansaldo STS S.p.A., as parent company, carries out the functions of business and strategic management, coordinating the operations of its subsidiaries (which together are known as the "Ansaldo STS Group" or "the Group"), which operate in the above-mentioned industrial sectors.
The Ansaldo STS Group grew out of the transport signalling and systems operations which, until the second half of the 1990s, were carried out by Ansaldo Trasporti within the Finmeccanica Group. The formation of Ansaldo Signal in 1996 and of Ansaldo Trasporti Sistemi Ferroviari in 2001 (together with the formation of AnsaldoBreda, for the vehicles segment, the same year) produced a reorganization of the entire Transport Systems Business Unit, as a result of which Finmeccanica held a 100% stake in Ansaldo Signal, Ansaldo Trasporti Sistemi Ferroviari and AnsaldoBreda.
Meanwhile, in 1996 Finmeccanica had acquired SIC Società Italiana Comunicazioni Srl (SIC), renamed EuroSkyway Srl in 1997.
In April 2005 the company was put into liquidation.
Following Finmeccanica's strategic decision in the second half of 2005 to list its signalling and transport systems companies on the stock exchange (having previously put in place a unitary management structure to enhance their business and commercial synergies) the EuroSkyway Srl shareholders' meeting, through its sole shareholder, Finmeccanica, decided at the end of 2005 to revoke the company's state of liquidation and transform it into a company limited by shares, to change its own name to Ansaldo STS S.p.A., and to change its business object, focusing on signalling and transport systems for railways and urban rail systems.
To complete the above reorganization, in February 2006 Ansaldo STS, as already stated, acquired from Finmeccanica the entire share capital of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari SpA. Since 29 March 2006 Ansaldo STS was listed on the stock exchange.
Finmeccanica placed on the market 60 million shares of the company, equal to 60% of its share capital, at EUR 7.80 per share, retaining the remaining 40 million, equal to 40% of the share capital.

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

Subsequently, a process for the corporate reorganization of the Group was put into action in order to (i) reduce and rationalize the current control chain of the subsidiaries and (ii) reduce the costs connected with the Group's corporate structure.
In the Asia/Pacific area, the reallocation of a few equity investments in Group companies was finalized in consideration of the ever-increasing importance that those markets are assuming for the Group and of the close industrial and commercial interaction among these companies. Consequently, since 1 January 2008, Ansaldo STS Australia PTY, which is responsible for the management of the Asia/Pacific region, has been controlling the Indian and Malaysian operating companies and has been put under the direct control of the Group parent Ansaldo STS S.p.A.. Furthermore, two companies have been established: Ansaldo STS Southern Africa (Botswana) and Ansaldo STS - InfraDEV South Africa, which, under the control of Ansaldo STS Australia PTY, operate on the expanding markets of Southern Africa.
In Italy, the two companies which operate in the two different Business Units (Signalling and Transport Systems) will merge, ex art. 2505 of the Italian Civil Code, into the listed Group parent, through incorporation of Ansaldo Segnalamento Ferroviario S.p.A. and of Ansaldo Trasporti Sistemi Ferroviari S.p.A. into Ansaldo STS S.p.A.. The merger through incorporation, as provided by the merger deed stipulated by Ansaldo STS, Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Segnalamento on 26 September 2008, will have legal, accounting and tax effective date as from 1 January 2009.
In the scope of this corporate reorganization, on 16 June 2008 the Dutch sub-holding Ansaldo Signal N.V. was put into liquidation; all the equity investments held by Ansaldo Signal N.V. will be transferred to Ansaldo STS S.p.A.
As already said, the Ansaldo STS Group operates through two Business Units: Signalling and Transport Systems.
The "Signalling" Business Unit - whose reference main operating companies are Ansaldo Segnalamento Ferroviario S.p.A. (Italy), Ansaldo STS France (France), Ansaldo STS Australia (Asia/Pacific) and Union Switch & Signal (Americas) - designs and builds signalling systems, subsystems and components.
The "Transport Systems" Business Unit - being developed in all the group companies - designs and builds integrated transport systems, of which signalling is an essential part. In more detail, this activity studies, designs and plans how to integrate the activities of designing and building the technological equipment that goes to make up a system - that is, the track, signalling, power supply, telecommunications, and vehicles (whether for inter-city or urban railways) as well as any other technological works which, collectively, constitute an integrated transport system. The final product - an integrated transport system, whether an inter-city line or an urban one - is then delivered as a "turnkey" project to the customer. However, the Group can also offer the expertise of the Signalling or Transport Systems Business Units separately, according to specific customer needs.

6.3 Basis of preparation

The interim financial report of the Ansaldo STS Group at 30 September 2008 has been prepared in compliance with Art. 154 ter paragraph 5 of Legislative Decree no. 58/98 - T.U.F. and subsequent integrations and amendments. This interim financial report is prepared in accordance with IAS 34 "Interim Financial Reporting", on the basis of the IASs/IFRSs endorsed by the European Commission at 31 March 2008 and supplemented with the related interpretations issued by the International Accounting Standard Board ("IASB").

The explanatory notes, in accordance with IAS 34, are reported in abridged 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 together with the Consolidated financial statements as at 31 December 2007.
Similarly, the Balance Sheet and the Income Statement are published in abridged form when compared with the annual report.
The reconciliation with the year-end statements is given in the related explanatory notes, for the items presented in the abridged statements.

The accounting standards and criteria used in the preparation of this quarterly report are the same as used in the preparation of the consolidated annual report at 31 December 2007 and of the quarterly report at 30 September 2007, except for what described in paragraph 6.4.1.

The statements herein have been also modified compared with the quarterly report at 30 September 2007, to take into account of the changes in the accounting treatment of defined-benefit plans (paragraph 6.4.1).

All figures are in thousands of euros unless otherwise indicated.

This consolidated interim financial report was not subject to audit.

6.4 Effects of the changes in the accounting principles adopted

6.4.1 Recognition of the defined-benefit plans according to the so-called "Equity Option" method

Up to the financial statements ended 31 December 2006, the Ansaldo STS Group applied the so-called "corridor approach" in recognising actuarial gains and losses related to "Defined-benefit plans". This method makes it possible to dilute the effects of changes in a few valuation parameters over a number of financial years, amortizing these components only when fixed quantitative parameters are overcome and in a period equal to the remaining useful life of the participants in the provision. Moreover, these components, together with the effects resulting as the expiry date of the liability comes closer and the effects of the financial assets in service of the pension plans, were classified as components of the item "cost of labour".

Starting from the consolidated financial statements as at 31 December 2007, the Group had adopted the method set forth in IAS19, as reviewed in 2006, in the recognition of actuarial gains and losses, known as "equity method". As a result of this option, the value of the liability recorded in the financial statements is aligned with that resulting from the actuarial valuation of the same, with full and prompt recognition of the actuarial gains and losses in the period in which they emerge, with direct counterpart in a specific reserve of the shareholders' equity ("reserve for actuarial gains (losses) in equity") with the following information benefits:

- the value of the liability recorded in the financial statements is now aligned with that resulting from the actuarial valuations, without any deferred recognition of the effects of the variations in estimates, demographic, actuarial and financial parameters;
- the entire amount of these effects is recorded immediately and in full, without however affect the Income Statement, in the specific reserve of the shareholders' equity already mentioned;
- the Income Statement no longer includes actuarial components only, reflected according to dynamics not connected with the actual value of the liability.

Moreover, interest costs as the expiry date of the liability comes closer are now more properly classified among financial income and costs.
As provided by IAS 8 *"Accounting policies, changes in accounting estimates and errors"*, the Group applied the method retrospectively, also modifying the comparative data presented: therefore, the comparative Income Statement and Balance Sheet have been modified to take into account the effects deriving from the adoption of the new principle.

6.4.2 Reclassification of receivables/payables for indirect taxes among "other assets", "other liabilities"

As to the Balance Sheet, in order to comply with the information required by IAS 1, the items "tax receivables" and "tax payables" have been replaced by the items "Receivables for direct taxes" and "Payables for direct taxes", with the resulting reclassification of the amounts relating to receivables/payables for indirect taxes among "Other assets" and "Other liabilities" respectively.

6.4.3 Introduction of the item "Derivatives"

Always at the Balance Sheet level, in compliance with the international best practice, we should report the introduction of a specific item relating to "Derivatives", previously included under item "other current liabilities", aligning consequently the comparative situations.

The effects of these changes can be seen on both the Income Statement and the Balance Sheet. The related comparative situations presented are the following:

Balance Sheet

(EUR 000)	30.09.2007	Effect due to the adoption of the "Equity Method" IAS 19	IAS 1 Reclassifications	30.09.2007 "Restated"
Non-current assets				
Intangible Assets	50,370			50,370
Tangible Assets	91,839			91,839
Equity investments	28,975			28,975
Receivables	15,692			15,692
Deferred taxes	44,383	216		44,599
Other assets	28,413			28,413
	259,672	**216**		**259,888**
Current assets				
Inventories	106,824			106,824
Contract work in progress	137,228			137,228
Trade receivables	248,529			248,529
Current receivables from related parties	131,804			131,804
Receivables for direct taxes	12,215		(6,322)	5,893
Derivatives	821			821
Other current assets	16,512		6,322	22,834
Cash and cash equivalents	66,226			66,226
	720,159	**-**		**720,159**
Total Assets	**979,831**	**216**		**980,047**
Shareholders' equity				
Share capital	49,950			49,950
Reserves	110,373	(31)		110,342
Group's shareholders' equity	*160,323*	*(31)*		*160,292*
Minority interests	*372*			*372*
Total Shareholders' Equity	**160,695**	**(31)**		**160,664**
Non-current liabilities				
Financial debt	8,041			8,041
Severance pay and other employee liabilities	33,023	76		33,099
Deferred taxes	7,681	171		7,852
Other liabilities	8,791			8,791
	57,536	247		57,783
Current liabilities				
Advances from customers	462,849			462,849
Trade payables	154,035			154,035
Current payables to related parties	16,528			16,528
Short-term financial payables	9,099			9,099
Payables for direct taxes	23,232		(6,894)	16,338
Provisions for risks and charges	23,445			23,445
Derivatives	8,149			8,149
Other current liabilities	64,263		6,894	71,157
	761,600	-		761,600
Total Liabilities	**819,136**	**247**		**819,383**
Total Liabilities and Shareholders' Equity	**979,831**	**216**		**980,047**

Balance Sheet

(EUR 000)	31.12.2007	IAS 1 Reclassifications	31.12.2007 "Restated"
Non-current assets			
Intangible Assets	47,987		47,987
Tangible Assets	94,208		94,208
Equity investments	29,071		29,071
Receivables	15,153		15,153
Deferred taxes	42,590		42,590
Other assets	28,055		28,055
	257,064	-	**257,064**
Current assets			
Inventories	98,305		98,305
Contract work in progress	151,895		151,895
Trade receivables	269,851		269,851
Current receivables from related parties	199,743		199,743
Receivables for direct taxes	10,835	(6,680)	4,155
Derivatives	211		211
Other current assets	17,617	6,680	24,297
Cash and cash equivalents	63,385		63,385
	811,842	-	**811,842**
Total Assets	**1,068,906**	-	**1,068,906**
Shareholders' equity			
Share capital	49,668		49,668
Reserves	127,647		127,647
Group's shareholders' equity	*177,315*	-	*177,315*
Minority interests	*386*		*386*
Total Shareholders' Equity	**177,701**	-	**177,701**
Non-current liabilities			
Financial debt	6,968		6,968
Severance pay and other employee liabilities	31,314		31,314
Deferred taxes	6,654		6,654
Other liabilities	9,227		9,227
	54,163	-	**54,163**
Current liabilities			
Advances from customers	506,802		506,802
Trade payables	174,725		174,725
Current payables to related parties	24,590		24,590
Short-term financial payables	12,601		12,601
Payables for direct taxes	17,169	(9,342)	7,827
Provisions for risks and charges	26,215		26,215
Derivatives	9,982		9,982
Other current liabilities	64,958	9,342	74,300
	837,042	-	**837,042**
Total Liabilities	**891,205**	-	**891,205**
Total Liabilities and Shareholders' Equity	**1,068,906**	-	**1,068,906**

Income Statement

(EUR 000)	Third quarter 2007	Effect due to the adoption of the "Equity Method" IAS 19	Third quarter 2007 "Restated"
Revenues	186,984		186,984
Revenues from related parties	17,974		17,974
Other operating income	951		951
Other operating income from related parties	14		14
Purchase	(30,568)		(30,568)
Purchase of services	(82,734)		(82,734)
Costs from related parties	(10,943)		(10,943)
Cost of labour	(59,469)	(72)	(59,541)
Amortization, depreciation and write-downs	(2,379)		(2,379)
Other operating costs	(2,913)		(2,913)
Other operating costs from related parties	-		-
Changes in inventories of work in progress, semi-finished and finished goods	212		212
Capitalized costs for internally produced assets	76		76
EBIT	**17,205**	**(72)**	**17,133**
Financial income	1,222		1,222
Financial income from related parties	1,376		1,376
Financial costs	(1,842)	72	(1,770)
Financial costs from related parties	(43)		(43)
Effects of valuation of equity investments accounted for using equity method	35		35
Profit (Loss) before taxes	**17,953**	**-**	**17,953**
Income taxes	(9,573)		(9,573)
Net Profit (Loss)	**8,380**	**-**	**8,380**
Group	*8,345*		*8,345*
Minority interests	*35*		*35*
Earnings per share			
Basic and Diluted	*0.08*		*0.08*

Income Statement

(EUR 000)	30.09.2007	Effect due to the adoption of the "Equity Method" IAS 19	30.09.2007 "Restated"
Revenues	599,910		599,910
Revenues from related parties	66,381		66,381
Other operating income	7,255		7,255
Other operating income from related parties	1,364		1,364
Purchase	(149,868)		(149,868)
Purchase of services	(231,500)		(231,500)
Costs from related parties	(29,798)		(29,798)
Cost of labour	(187,992)	912	(187,080)
Amortization, depreciation and write-downs	(7,073)		(7,073)
Other operating costs	(9,983)		(9,983)
Other operating costs from related parties	-		-
Changes in inventories of work in progress, semi-finished and finished goods	3,106		3,106
Capitalized costs for internally produced assets	243		243
EBIT	**62,045**	**912**	**62,957**
Financial income	4,626		4,626
Financial income from related parties	4,421		4,421
Financial costs	(6,271)	(912)	(7,183)
Financial costs from related parties	(129)		(129)
Effects of valuation of equity investments accounted for using equity method	35		35
Profit (Loss) before taxes	**64,727**	**-**	**64,727**
Income taxes	(27,988)		(27,988)
Net Profit (Loss)	**36,739**	**-**	**36,739**
Group	*36,650*		*36,650*
Minority interests	*89*		*89*
Earnings per share			
Basic and Diluted	0.37		0.37

6.4.4 Scope of consolidation

Below is a list of the companies 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 TRASPORTI SISTEMI FERROVIARI SPA	Direct	Naples (Italy)	30,300	EURO	100
ANSALDO SIGNAL N.V. IN LIQUIDAZIONE	Direct	Amsterdam (Holland)	100	EURO	100
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	$AUS	100
ANSALDO SEGNALAMENTO FERROVIARIO SPA	Indirect	Tito Scalo (Italy)	45,240	EURO	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	Indirect	London (GB)	1,000	GBP	100
ANSALDO STS IRELAND LTD	Indirect	Tralee (Ireland)	100	EURO	100
ACELEC S.A.	Indirect	Les Ulis (France)	168	EURO	100
ANSALDO STS ESPANA S.A.	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	$ HK	100
ANSALDO STS FRANCE S.A.	Indirect	Les Ulis (France)	5,000	EURO	100
TRANSCONTROL CORPORATION	Indirect	Greenville (Delaware USA)	1	$	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Kuala Lumpur (Malaysia)	3,000	RM	100
UNION SWITCH & SIGNAL INC. CANADA	Indirect	Kingstone (Canada)	0	$CAN	100
UNION SWITCH & SIGNAL INC.	Indirect	Wilmington (Delaware USA)	0,1	$	100
UNION SWITCH & SIGNAL INT.CO	Indirect	Wilmington (Delaware USA)	1	$	100
UNION SWITCH & SIGNAL INT.PROJECTS CO.	Indirect	Wilmington (Delaware USA)	25	$	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	12,915	RUPIA	100
ANSALDO STS DEUTSCHLAND GMBH	Indirect	Berlin (Germany)	26	EURO	100

List of companies accounted for using the equity method

Company	Direct/ Indirect control	Registered office	Share capital (/000)	Currency	Share owned %
Ecosen C.A.	Indirect	Caracas (Venezuela)	1,310	VEB Fuerte	48.00
Alifana S.c.a.r.l.	Indirect	Naples (Italy)	26	EURO	65.85
Alifana due S.c.a.r.l.	Indirect	Naples (Italy)	26	EURO	53.34
Pegaso S.c.r.l.	Indirect	Rome (Italy)	260	EURO	46.87
Metro 5 S.p.A.	Indirect	Milan (Italy)	25,000	EURO	24.60
International Metro Service S.r.l.	Indirect	Milan (Italy)	700	EURO	49.00

List of companies accounted for at cost

Company	Direct/ Indirect control	Registered office	Share capital (/000)	Currency	Share owned %
I.M. Intermetro S.p.A.	Indirect	Rome (Italy)	2,461	EURO	16.67
Società Tram di Firenze S.p.A.	Indirect	Florence (Italy)	7,000	EURO	3.80
Metro C S.c.p.A.	Indirect	Rome (Italy)	150,000	EURO	14.00
Cadic Gombert S.A.	Indirect	Brussels (Belgium)	992	EURO	4.38
Union Switch & Signal Inc. Chile	Indirect	Santiago (Chile)	45,000	PESO C.	68.00
Ansaldo STS Infra DEV South Africa	Indirect	Johannesburg (South Africa)	2	ZAR	50.70
Ansaldo STS South Africa	Indirect	Gaborone (Botswana)	0.1	BWP	100

6.4.5 Exchange rates adopted

The exchange rates applied in the translation of financial statements and balances in currencies other than the euro at 30 September 2008 and 2007 were as follows:

	At 30/09/2008	At 30/09/2007	9-month average at 30/09/2008	9-month average at 30/09/2007
US$	1.4303	1.4179	1.5219	1.3896
CAD	1.4961	1.4122	1.5484	1.4273
GBP	0.7903	0.6968	0.7819	0.6889
HK$	11.1124	11.0060	11.8670	10.8151
SEK	9.7943	9.2147	9.4079	9.2835
AU$	1.7739	1.6073	1.6685	1.6445
INR	66.3760	56.4060	63.3464	55.8954
MYR	4.9240	4.8320	4.9580	4.825
BRL	2.7525	2.6150	2.5623	2.6464
CNY	9.7954	10.6430	10.5757	10.4666
VEB	3070.00	3044.66	3252.03	2987.76
BWP	9.84500	8.66290	9.86350	8.62230

7 Segment reporting

7.1 Primary segment

The Group operates in two segments: Signalling, in the railway and urban context, through the **Signalling Business Unit** and transport systems through the **Transport Systems 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, pertaining to the third quarter of 2008, compared with those for the same period of the previous year, are as follows:

	Third quarter ended 30 September 2008				
(EUR 000)	Signalling Business Unit	Transport Systems Business Unit	Other operations	Eliminations	Total
Revenues	180,366	56,071	-	(525)	235,912
Revenues from related parties	26,569	13,295	4,084	(6,714)	37,234
Other operating income	2,240	605	1	-	2,846
Other operating income from related parties	-	1,192	451	(1,683)	(40)
Purchase	(52,161)	(10,655)	(1)	-	(62,817)
Purchase of services	(58,485)	(10,106)	(4,961)	(120)	(73,672)
Costs from related parties	(9,367)	(37,520)	(716)	9,535	(38,068)
Cost of labour	(55,033)	(5,882)	(732)	(525)	(62,172)
Amortization, depreciation and write-downs	(2,281)	(183)	(471)	-	(2,935)
Other operating costs	(1,939)	(335)	(310)	-	(2,584)
Other operating costs from related parties	(23)	-	(9)	32	-
Changes in inventories of work in progress, semi-finished and finished goods	(5,378)	-	-	-	(5,378)
Capitalized costs for internally produced assets	261	-	-	-	261
EBIT	**24,769**	**6,482**	**(2,664)**	**-**	**28,587**
Financial income	1,447	441	2	(1)	1,889
Financial income from related parties	1,431	494	44	(617)	1,352
Financial costs	368	(125)	(58)	(25)	160
Financial costs from related parties	(507)	15	(253)	643	(102)
Effects of valuation of equity investments accounted for using equity method	-	-	-	-	-
Profit (Loss) before taxes	**27,508**	**7,307**	**(2,929)**	**-**	**31,886**
Income taxes	(10,736)	(2,531)	293	-	(12,974)
Net Profit (Loss)	**16,772**	**4,776**	**(2,636)**	**-**	**18,912**
Group	*16,792*	*4,776*	*(2,636)*	-	*18,932*
Minority interests	*(20)*	-	-	-	*(20)*
Capital expenditure	*3,767*	*83*	*85*	-	*3,935*

(EUR 000)	Third quarter ended 30 September 2007 Signalling Business Unit	Transport Systems Business Unit	Other operations	Eliminations	Total
Revenues	148,293	37,707	-	984	186,984
Revenues from related parties	17,414	7,305	3,047	(9,792)	17,974
Other operating income	885	64	2	-	951
Other operating income from related parties	19	60	859	(924)	14
Purchase	(25,550)	(4,804)	(6)	(208)	(30,568)
Purchase of services	(55,022)	(25,700)	(3,101)	1,089	(82,734)
Costs from related parties	(12,888)	(7,356)	12	9,289	(10,943)
Cost of labour	(52,838)	(5,136)	(1,129)	(438)	(59,541)
Amortization, depreciation and write-downs	(1,737)	(170)	(472)	-	(2,379)
Other operating costs	(2,504)	(213)	(196)	-	(2,913)
Other operating costs from related parties	-	-	-	-	-
Changes in inventories of work in progress, semi-finished and finished goods	212	-	-	-	212
Capitalized costs for internally produced assets	76	-	-	-	76
EBIT	**16,360**	**1,757**	**(984)**	**-**	**17,133**
Financial income	1,785	(2)	2	(563)	1,222
Financial income from related parties	1,128	1,019	37,154	(37,925)	1,376
Financial costs	(2,559)	(71)	(59)	919	(1,770)
Financial costs from related parties	(82)	(6)	(1,524)	1,569	(43)
Effects of valuation of equity investments accounted for using equity method	35	-	-	-	35
Profit (Loss) before taxes	**16,667**	**2,697**	**34,589**	**(36,000)**	**17,953**
Income taxes	(8,371)	(1,103)	(99)	-	(9,573)
Net Profit (Loss)	**8,296**	**1,594**	**34,490**	**(36,000)**	**8,380**
Group	*8,261*	*1,594*	*34,490*	*(36,000)*	*8,345*
Minority interests	*35*	-	-	-	*35*
Capital expenditure	4,735	104	88	-	4,927

The segment assets and liabilities at 30 September 2008 and at 30 September 2007 are as follows:

(EUR 000)	30 September 2008 Signalling Business Unit	Transport Systems Business Unit	Other operations	Total
Total assets	602,289	284,552	178,722	1,065,563
Total liabilities	569,244	246,935	37,903	854,082

(EUR 000)	30 September 2007 Signalling Business Unit	Transport Systems Business Unit	Other operations	Total
Total assets	540,918	278,972	160,157	980,047
Total liabilities	544,040	267,333	8,010	819,383

(EUR 000)	31 December 2007 Signalling Business Unit	Transport Systems Business Unit	Other operations	Total
Total assets	639,254	277,814	151,838	1,068,906
Total liabilities	628,504	262,056	645	891,205

8 Explanatory notes to the Consolidated Interim Financial Report at 30 September 2008

In order to provide additional information on the Group's operating results, financial condition and cash flow, the restated "Income Statement", "Balance Sheet", "Net financial debt", and "Cash flow" are provided below.
The following table gives consolidated profit and loss amounts for the third quarter of 2008 and 2007, the aggregate amounts at 30 September 2008 and at 30 September 2007, and the amounts at 31 December 2007:

Income Statement

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**Value at 30.09.2008**	Value at 30.09.2007	Value at 30.09.2007
Revenues	273,146	204,958	775,707	666,291	973,094
Production Revenues	**273,146**	**204,958**	**775,707**	**666,291**	**973,094**
Purchase and cost of labour	(236,375)	(183,710)	(688,632)	(598,003)	(860,787)
Amortization and depreciation	(2,727)	(2,400)	(7,686)	(7,017)	(10,355)
Write-downs	(208)	21	(266)	(56)	(594)
Restructuring costs	(93)	-	(1,476)	-	-
Other net operating income (costs)	222	(1,948)	2,074	(1,364)	(2,017)
Changes in inventories of work in progress, semi-finished and finished goods	(5,378)	212	(297)	3,106	953
EBIT	**28,587**	**17,133**	**79,424**	**62,957**	**100,294**
Net financial income (costs)	3,299	820	2,430	1,770	3,566
Income taxes	(12,974)	(9,573)	(31,829)	(27,988)	(45,582)
Net Profit (Loss)	**18,912**	**8,380**	**50,025**	**36,739**	**58,278**
Group	*18,932*	*8,345*	*50,002*	*36,650*	*58,172*
Minority interests	*(20)*	*35*	*23*	*89*	*106*
Earnings per share					
Basic and Diluted	*0.19*	*0.08*	*0.50*	*0.37*	*0.58*

"Production revenues" for the third quarter of 2008 totalled EUR 273,146 thousand, broken down as follows: EUR 203,780 thousand (net of transactions with the Transport Systems Business Unit) attributable to the Signalling Business Unit and EUR 69,366 thousand to the Transport Systems Business Unit.
"Purchase and cost of labour" amount to EUR 236,375 thousand and refer to the costs incurred in the period by the Signalling Business Unit, the Transport Systems Business Unit and the Group parent Ansaldo STS. Cost of labour is relative to 4,281 units at 30 September 2008.
Cost of labour include EUR 306 thousand (EUR 411 thousand at 30 September 2007), amount allocated for 3/12ths of the "Stock grant" plan authorized by the Group parent Ansaldo STS.
Cost of labour showed an increase of EUR 2,631 thousand compared with the same period of the previous year, mainly attributable to the increase in the workforce (+117 average units); the growth regards the Asia/Pacific region of the Signalling Business Unit.

The average workforce at 30 September 2008 came to 4,212, compared with 4,095 at 30 September 2007.

(EUR 000)	Third quarter 2008	Third quarter 2007	Value at 30.09.2008	Value at 30.09.2007	Value at 31.12.2007
Materials	53,402	34,884	171,856	164,157	236,914
Change in inventories	9,415	(4,316)	6,615	(14,289)	(15,655)
Services	67,889	78,055	244,309	220,689	324,308
Rent and operating leases	5,783	4,679	13,078	10,811	14,361
Purchase and purchase of services from third parties	**136,489**	**113,302**	**435,858**	**381,368**	**559,928**
Purchase and purchase of services from related parties	**38,068**	**10,943**	**58,875**	**29,798**	**50,651**
Total purchase and purchase of services	**174,557**	**124,245**	**494,733**	**411,166**	**610,579**
Payroll	45,619	43,002	146,566	136,714	188,663
Costs for stock grant plans	306	411	1,422	2,250	3,000
Pension and social security	13,023	12,178	39,059	38,331	45,264
Restructuring costs and other incentive departures (*)	93	-	1,476	-	-
Severance pay provision costs	32	1,009	80	2,922	258
Costs relating to other defined-benefit plans	84	(13)	255	(37)	(110)
Costs relating to defined-contribution plans	540	20	1,599	2,204	6,088
Other costs	2,475	2,934	5,417	4,696	7,503
Total cost of labour	**62,172**	**59,541**	**195,874**	**187,080**	**250,666**
Capitalized costs for internally produced assets	(261)	(76)	(499)	(243)	(458)
Total (*)	**236,468**	**183,710**	**690,108**	**598,003**	**860,787**

(*) The total also includes “Restructuring costs”.

“Restructuring costs” amount to EUR 93 thousand and refer to the “Reorganization Plan” carried out by the American subsidiary Union Switch & Signal Inc. of the Signalling Business Unit, which aims at a rationalization of the production structure in the Batesburg factory.

“Amortization and Depreciation” came to EUR 2,727 thousand, broken down as follows: EUR 2,074 thousand attributable to the Signalling Business Unit, EUR 182 thousand to the Transport Systems Business Unit and EUR 471 thousand to the Group parent Ansaldo STS.

"Other operating income (costs) from third parties" amounted to EUR 262 thousand, as shown in the table below and are mainly attributable to the Signalling Business Unit:

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**Value at 30.09.2008**	Value at 30.09.2007	Value at 31.12.2007
Grants for research and development	331	374	776	1,194	2,414
Royalties	1,160	290	2,348	2,250	3,075
Exchange rate differences on operating items	(186)	(98)	(23)	40	73
Indirect taxes	(1,083)	(815)	(3,236)	(2,557)	(3,626)
Gains (losses) on disposal of tangible and intangible assets	(4)	(21)	(14)	(4)	(13)
Insurance reimbursements	642	-	2,348	2	373
Provisions for risks and charges – accruals (utilisations)	110	(1,468)	349	(2,046)	(4,420)
Other operating income (costs)	(708)	(224)	(633)	(1,607)	(1,756)
Other operating income (costs) from third parties	**262**	**(1,962)**	**1,915**	**(2,728)**	**(3,880)**
Other operating income (costs) from related parties	**(40)**	**14**	**159**	**1,364**	**1,863**
Total	**222**	**(1,948)**	**2,074**	**(1,364)**	**(2,017)**

EBIT for the third quarter of 2008 came to EUR 28,587 thousand and is mainly attributable to the Signalling Business Unit for EUR 24,769 thousand, to the Transport Systems Business Unit for EUR 6,482 thousand, while the Group parent Ansaldo STS incurred a negative operating result of EUR 2,664 thousand.

Total net financial income and costs amounted to EUR 3,299 thousand, detailed as follows:

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**Value at 30.09.2008**	Value at 30.09.2007	Value at 31.12.2007
Interest and commissions	460	(1,214)	368	(947)	(500)
Exchange-rate differences	2,370	(588)	(97)	(1,405)	(516)
Results from fair-value measurement recognised in Income Statement	(1,200)	425	32	393	(52)
Interest on severance pay provision	(199)	163	(644)	(638)	(858)
Interest on other defined-benefit plans	(96)	(91)	(287)	(274)	(417)
Other financial income (costs)	714	757	(262)	(25)	(310)
Total net financial income (costs)	**2,049**	**(548)**	**(890)**	**(2,896)**	**(2,653)**
Total net financial income (costs) from related parties	**1,250**	**1,333**	**3,343**	**4,631**	**6,129**
Effect of valuation of equity investments with the net equity method	-	35	(23)	35	90
Total	**3,299**	**820**	**2,430**	**1,770**	**3,566**

"Income taxes" amounted to EUR 12,974 thousand.

Specifically, the entry represents the algebraic sum of:

(EUR 000)	**Third quarter 2008**	Third quarter 2007	**Value at 30.09.2008**	Value at 30.09.2007	Value at 31.12.2007
IRES (corporate income tax)	6,525	6,021	19,760	24,303	35,612
IRAP (regional tax on productivity)	1,829	1,562	4,784	5,765	7,429
Gains from consolidation	(1,190)	(195)	(1,966)	(1,805)	(2,111)
Other income tax (foreign companies)	5,142	674	7,402	954	5,005
Taxes relating to previous years	(65)	(1)	266	1	(207)
Provisions for disputes over taxes	2,000	-	2,300	80	520
Net deferred taxes	(1,267)	1,512	(717)	(1,310)	(666)
Total	**12,974**	**9,573**	**31,829**	**27,988**	**45,582**

Income taxes showed an increase of EUR 3,401 thousand compared with the same period of the previous year to be mainly attributable to the accruals made in the period following the fiscal assessments under way. It should be also reported that the increase in the taxes of the Group foreign subsidiaries was partially cancelled by lower deferred taxes of the Italian subsidiaries and by lower tax rates of the same, in force since 1 January 2008.

The following table gives a breakdown of the consolidated financial position at 30 September 2008:

Balance Sheet

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Non-current assets (**)	251,350	257,064	259,888
Non-current liabilities (**)	(45,071)	(47,195)	(49,742)
	206,279	**209,869**	**210,146**
Inventories	93,637	98,305	106,824
Contract work in progress	186,835	151,895	137,228
Trade receivables	296,529	326,537	265,707
Trade payables	(181,923)	(194,510)	(165,753)
Advances from customers	(480,054)	(506,802)	(462,849)
Provisions for risks and charges	(26,804)	(26,215)	(23,445)
Other net current assets (liabilities) (*)	(58,692)	(65,899)	(70,882)
Net working capital	**(170,472)**	**(216,689)**	**(213,170)**
Net invested capital	**35,807**	**(6,820)**	**(3,024)**
Group's shareholders' equity	211,035	177,315	160,292
Minority interests	446	386	372
Total shareholders' equity	**211,481**	**177,701**	**160,664**
Net financial debt (liquidity)	**(175,674)**	**(184,521)**	**(163,688)**

Notes for reconciling the Reclassified Balance Sheet and the Balance Sheet:
(*) Includes "Receivables for direct taxes", other current receivables from related parties (included under item "Current receivables from related parties") and "Other current assets", net of "Payables for direct taxes", of other current payables to related parties (included under item "Current payables to related parties"), "Other current liabilities" except for financial receivables from related parties (included under item "Current receivables from related parties").
(**) The items relating to the third quarter of 2007 have been modified as a result of the restatement due to the application of IAS 19 (ref § 6.4.1).

"Non-current assets" at 30 September 2008 came to EUR 251,350 thousand, detailed as follows:

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Intangible Assets	48,704	47,987	50,370
Tangible Assets	96,259	94,208	91,839
Equity investments	29,097	29,071	28,975
Receivables	11,345	15,153	15,692
Deferred taxes	39,432	42,590	44,599
Other assets	26,513	28,055	28,413
Total	**251,350**	**257,064**	**259,888**

Specifically:
- intangible assets, which mainly refer to the Group goodwill (EUR 38,842 thousand), increased over 31 December 2007 by EUR 717 thousand due to the acquisitions for the period equal to EUR 2,478 thousand (attributable almost entirely to the Signalling Business Unit for EUR 2,278 thousand, mainly relative to the investments of the Italian subsidiary and of the subsidiaries of the Asia/Pacific region), to the decreases for amortization equal to EUR 1,859 thousand and for EUR 98 thousand due to the effect of the exchange-rate differences generated by the translation of the subsidiaries in foreign currency;
- tangible assets mainly include the value of the premises owned by the parent company, Ansaldo STS, located at Via Mantovani 3/5-16151 in Genoa and purchased in December 2005 from its parent company Finmeccanica S.p.A. for EUR 62,378 thousand. In accordance with IAS 16, the component approach was applied to the above amount using estimates provided by experts and therefore the amount of EUR 9,353 thousand was reclassified among the item "Land". Tangible fixed assets increased by EUR 2,051 thousand, detailed as follows: increases for new acquisitions for EUR 7,863 thousand, depreciation for EUR 5,827 thousand, and EUR 15 thousand as a result of the exchange-rate differences generated by the translation of the subsidiaries in foreign currency. Investments for the period regard the Signalling Business Unit for EUR 7,466 thousand, the Transport Systems Business Unit for EUR 269 thousand and the Group parent for EUR 128 thousand;
- equity investments at 30 September 2008 came to EUR 29,097 thousand, of which EUR 6,844 thousand valued with the net equity method and EUR 22,253 thousand valued at cost.
  The equity investments valued at cost showed a negative variation of EUR 299 thousand, ascribable for EUR 419 thousand to the different consolidation method of the following shareholdings:
  - Ansaldo STS Deutschland GMBH, which is consolidated on a line-by-line basis being entirely held and already operating;
  - International Metro Service, which is consolidated using the net equity method.
  For EUR 117 thousand to the establishment by the Australian subsidiary of the Signalling Business Unit, of a new company Ansaldo STS - InfraDEV South Africa (Pty) Ltd. with a 50.7% interest.
  The value of the investments consolidated using the net equity method showed an increase of EUR 326 thousand referable to the transfer of International Metro Service for EUR 344 thousand partially offset by the negative value deriving from the adjustments of the period for EUR 18 thousand;
- non-current receivables at 30 September 2008 equal to EUR 11,345 thousand decreased by EUR 3,808 thousand over 31 December 2007; this decrease mainly refers to the Signalling Business Unit as a result of the reduction of the advance relating to the Thessaloniki metro due to the attribution to the Joint Venture of a portion of common expenses;
- deferred tax assets came to EUR 39,432 thousand and relate to the Signalling Business Unit in the amount of EUR 28,613 thousand, to the Group parent Ansaldo STS in the amount of EUR 9,276 thousand as a result of the application of the Consolidated Taxation Mechanism, and to the Transport Systems Business Unit in the amount of EUR 1,543 thousand;
- other assets amounted to EUR 26,513 thousand and are mainly attributable to the non-current portion of the costs incurred to purchase the license to use the "Ansaldo" brand for 20 years from Finmeccanica S.p.A.. On 27 December 2005, Ansaldo STS S.p.A. entered into a licensing agreement with Finmeccanica to use the "Ansaldo" brand under which the Company is known in the market.
  The agreement gives the Company exclusive use of the brand for the next 20 years in the sectors the Group does business, in exchange for an up-front payment of EUR 32,213 thousand. The same showed a decrease of EUR 1,542 thousand over December 2007, mainly as a result of the portion pertaining to the period of the license to use the brand.

"Non-current liabilities" totalled EUR 45,071 thousand at 30 September 2008, in particular:

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Severance pay and other employee liabilities	30,486	31,314	33,099
Deferred taxes	5,720	6,654	7,852
Other liabilities	8,865	9,227	8,791
Total	**45,071**	**47,195**	**49,742**

Severance pay and other employee liabilities, equal to EUR 30,486 thousand, showed a reduction of EUR 828 thousand.

The decrease is substantially due to the accounting effects deriving from the changes to the regulations of the Employee severance pay (TFR) brought by 2007 Finance Law. Up to the entry into force of the new regulation, in fact, the severance pay was considered as a defined-benefit plan and the related accrual included among the costs for current services related to defined-benefit plans. Due to these regulatory effects, the severance pay provision (in case of companies with more than 50 employees) accrued subsequently to the option date is now considered as defined-contribution plan: the cost is accordingly shown as relating to these defined plans. The severance pay provision kept in the company, accrued up to the date on which the employee opted for the supplementary pension schemes or the fund managed by INPS, is instead recognized, from an accounting point of view, as defined-benefit plan.

- Deferred taxes came to EUR 5,720 thousand and related to the Signalling Business Unit in the amount of EUR 3,192 thousand and mainly the Italian subsidiary Ansaldo Segnalamento Ferroviario for EUR 1,799 thousand, the Transport Systems Business Unit for EUR 1,371 thousand and Ansaldo STS S.p.A. for EUR 1,157 thousand.
- Other liabilities, equal to EUR 8,865 thousand, decreased by EUR 362 thousand; this variation is mainly attributable to the French subsidiary of the Signalling Business Unit for lower payables to employees.

"Net working capital" showed a net value of EUR (170,472 thousand), more specifically:
- "Inventories" amounted to EUR 93,637 thousand, broken down as follows:

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Raw materials, ancillary goods and consumables	36,747	42,426	40,755
Work in progress and semi-finished products	18,141	19,383	22,503
Finished products and goods	10,421	9,195	8,267
Advances to suppliers	28,328	27,301	35,299
Total	**93,637**	**98,305**	**106,824**

- "Contract work in progress" came to EUR 186,835 thousand and "advances from customers" totalled EUR 480,054 thousand:

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Advances from customers	(14,563)	(19,713)	(16,240)
Invoices of instalments	(911,080)	(551,995)	(807,615)
Work in progress (gross)	1,112,478	723,603	961,083
Work in progress (net)	**186,835**	**151,895**	**137,228**
Advances from customers (gross)	64,584	82,275	83,137
Invoices of instalments	3,516,719	3,585,304	3,095,610
Work in progress	(3,101,249)	(3,160,777)	(2,715,898)
Advances from customers (net)	**480,054**	**506,802**	**462,849**

- "Trade receivables and payables" in respect of third parties and related parties are broken down as shown in the following table.

	30.09.2008		31.12.2007		30.09.2007	
(EUR 000)	Receiv.	Payables	Receiv.	Payables	Receiv.	Payables
Receivables/payables in respect of customers/suppliers	240,672	165,381	269,851	174,725	248,529	154,035
Total in respect of customers/suppliers	**240,672**	**165,381**	**269,851**	**174,725**	**248,529**	**154,035**
Receivables/payables in respect of related parties	55,857	16,542	56,686	19,785	17,178	11,718
Total	**296,529**	**181,923**	**326,537**	**194,510**	**265,707**	**165,753**

- The "provisions for risks and charges" stood at EUR 26,804 thousand.

As regards provisions for risks, it should be pointed out that the companies of the Ansaldo STS Group operate in sectors and markets where many issues - both when they sue or are sued - are resolved only after a considerable time-lag, especially where the party being dealt with is a government body.
To the best of our current knowledge, the various disputes that could give rise to a liability on the part of the Group that are not covered by a specific provision can be resolved in a satisfactory manner without a significant impact on results.
Provisions have been made for any quantifiable liability that is likely to arise.
It should be also pointed out that after pending tax assessments, specific amounts have been set aside in order to cover potential risks.

As to litigation, the following is noted:
- Ansaldo STS S.p.A. is not directly involved in any litigation;
- none of the subsidiaries of the Transport Systems Business Unit or Signalling Business Unit is involved in litigation that is so significant or risky as to require specific further disclosure;
- for litigation in which a subsidiary is involved as a defendant and in which, on the basis of a prudent evaluation, an adverse outcome is likely, the relevant companies have established provisions to cover such eventuality.

- "Other net current assets (liabilities) in respect of third parties" amounted to EUR (54,224 thousand) at 30 September 2008:

	30.09.2008		31.12.2007		30.09.2007	
(EUR 000)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Due to employees	736	26,458	603	25,915	523	23,219
Current portion of deferred charges	7,296	296	7,168	1,689	7,387	-
For direct taxes and other amounts from/due to tax authorities	5,659	11,293	4,155	7,827	5,893	16,338
For indirect taxes and other amounts from/due to tax authorities	4,768	10,165	6,680	9,342	6,322	6,894
To social security institutions	1,263	12,617	891	13,476	1,318	10,729
Research grants	2,779	-	2,981	-	3,413	-
Other receivables	8,481	-	5,974	-	3,871	-
Other payables	-	20,873	-	23,878	-	30,315
Derivatives	583	4,087	211	9,982	821	8,149
Total other assets/liabilities	**31,565**	**85,789**	**28,663**	**92,109**	**29,548**	**95,644**
Total other assets/liabilities with respect to related parties	357	4,825	2,352	4,805	24	4,810
Total	**31,922**	**90,614**	**31,015**	**96,914**	**29,572**	**100,454**

The details of the main changes are as follows:
- "deferred charges" essentially regard the current portion of the costs incurred in purchasing the license to use the "Ansaldo" brand for 20 years from Finmeccanica S.p.A.;
- "receivables for direct taxes", equal to EUR 5,659 thousand, mainly related to the Signalling Business Unit and, in particular, the French and Indian subsidiaries as a result of tax payments on account;
- "payables for direct taxes", equal to EUR 11,293 thousand, refer for EUR 6,181 thousand to the Signalling Business Unit, for EUR 660 thousand to the Transport Systems Business Unit and for EUR 4,452 thousand to Ansaldo STS S.p.A., as a result of the adoption of the Consolidated Taxation Mechanism. This figure is net of payments on account;
- "other payables", equal to EUR 20,873 thousand, refer to the Transport Systems Business Unit and relate to the liability in respect of the remaining 75% of the purchase price due for the acquisition of stakes in Metro C S.p.A. - Rome;
- "other receivables" amounting to EUR 8,481 thousand, showed an increase of EUR 2,534 thousand over 31 December 2007, attributable primarily to the Signalling Business Unit as a result of advances to suppliers for the supply of services relating to the CPTM project.

"Net invested capital" was positive for EUR 35,807 thousand and shareholders' equity stood at EUR 211,481 thousand.

Below is the consolidated net financial position at 30 September 2008, with that at 31 December 2007 for comparison:

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Short-term financial debts	15,470	11,491	9,099
Medium/long-term financial debts	4,100	4,371	8,041
Cash and cash equivalents	(100,221)	(63,385)	(66,226)
Bank debt	**(80,651)**	**(47,523)**	**(49,086)**
Financial receivables from related parties	(105,069)	(140,705)	(114,602)
Other financial receivables		-	-
Financial receivables	**(105,069)**	**(140,705)**	**(114,602)**
Financial debts to related parties	7,446	-	-
Other short-term financial debts	373	1,110	-
Other medium/long-term financial debts	2,227	2,597	-
Other financial debts	**10,046**	**3,707**	**-**
Financial debt (liquidity) - net	**(175,674)**	**(184,521)**	**(163,688)**

At 30 September 2008 the Ansaldo STS Group had a net financial position of EUR 175,674 thousand compared with the creditor position at 31 December 2007 of EUR 184,521 thousand with a decrease of EUR 8,847 thousand.

The net financial position decreased mainly for the dividends paid equal to EUR 19,992 thousand, as per resolution of the Meeting held on 1 April 2008, only partially offset by the lower disbursements for the investments of the period.
Cash and cash equivalents at 30 September 2008 came to EUR 100,221 thousand.

Cash Flow Statement at 30 September was broken down as follows:

Cash Flow Statement

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
Cash and cash equivalents - opening balance	**63,385**	**48,580**	**48,580**
Cash flow from operating activities	79,527	112,295	63,397
Change in working capital	(28,041)	(26,629)	(27,639)
Change in other operating assets and liabilities	(26,324)	(40,982)	(11,031)
Cash flow from (used in) operating activities	**25,162**	**44,684**	**24,727**
Cash flow from (used in) ordinary investing activities	(10,380)	(17,788)	(13,268)
Free Operating cash flow	**14,782**	**26,896**	**11,459**
Strategic investments	(459)	(2,380)	(2,380)
Other changes in investing activities	-	57	-
Cash flow from (used in) investing activities	**(10,839)**	**(20,111)**	**(15,648)**
Dividends paid	(19,992)	-	-
Cash flow from (used in) financial activities	43,164	(8,878)	8,699
Cash flow from (used in) financial activities	**23,172**	**(8,878)**	**8,699**
Foreign exchange translation differences	**(659)**	**(890)**	**(132)**
Cash and cash equivalents - closing balance	**100,221**	**63,385**	**66,226**

- cash flow from operating activities for EUR 25,162 thousand; it is aligned to the corresponding period of the previous year but experienced a worsening compared with 31 December 2007, as a result of the decrease in the working capital as already shown in the Balance Sheet section;
- cash flow used in investing activities, equal to EUR 10,839 thousand, showed a decrease over the corresponding period in the previous financial year due to lower capitalizations - acquisitions for the period; the same period of the prior year saw the acquisition of the business concern RM Star (EUR 2,380 thousand) and the implementation of SAP activities by the American subsidiary of the Signalling Business Unit;
- cash flow from financial activities for EUR 23,172 thousand compared with EUR 8,699 thousand at 30 September 2007 and a cash flow used in financial activities of EUR 8,878 thousand over December 2007. This change is mainly due to the decrease of certain credit lines and to the payment of dividends for EUR 19,992 thousand.

9 Financial risks management

The Group is exposed to the following financial risks associated with its operations, specifically:
- market risks, related to exchange rate risk in respect of operations in areas using currencies other than the functional currency and to the risk of changes in interest rates;
- liquidity risks, relating to the availability of financial resources and access to the credit market;
- credit risks, arising in respect of normal commercial transactions or financing activities.

The Group specifically monitors each of these financial risks, with the objective of promptly minimising them using a variety of tools, including hedging derivatives. This section explains how the Ansaldo STS Group manages these risks based on internal directives.

Management of exchange rate risk

As indicated in the "Treasury Management" directive, the management of exchange risk by the Ansaldo STS Group focuses on the achievement of the following objectives:
- to limit potential losses due to adverse fluctuations in the exchange rate with regard to the functional currency for Ansaldo STS and its subsidiaries. In this case, the losses are defined in terms of cash flow rather than in accounting terms;
- to limit expected or actual costs connected with the execution of exchange rate risk management policies.

Exchange rate risk is hedged only if it could have a substantial impact on cash flows in the functional currency.
The costs and the risks connected with a hedging policy (hedge, no hedge, or partial hedge) must be financially and commercially acceptable.
The following 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: when cash flows occur earlier or later than expected, the forwards are moved up or postponed using currency swaps;
- foreign currency funding/lending: foreign currency funding and lending may be used to partially alter the currency of costs to obtain a natural hedge.

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 Ansaldo STS (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 costs.

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 period to period.

The Ansaldo STS Group hedges transaction risks in accordance with the "Treasury Management" directive, which provides for the systematic hedging of commercial flows resulting from the assumption of contractual commitments that are certain or highly probable as either buyer or seller, thereby ensuring current exchange rates at the date of acquisition of long-term contracts and neutralising the effects of exchange rate fluctuations.

Cash flow hedges

Hedges are established at the time commercial contracts are finalized using plain vanilla instruments (swap and forwards) 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 specific cash flow hedge reserve once the effectiveness of the hedge is demonstrated.
Should the hedges prove to be ineffective, i.e. they do not exceed the effective range of 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 the Income Statement.

Fair value hedges

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 mainly carried out with banks. At 30 September 2008, the Group had contracts regarding various currencies in the following notional amounts:

(local currency in thousands)	**30.09.2008**	31.12.2007
Euro	150,066	102,683
US dollar	59,697	69,653
GBP	3,980	7,109
Danish krone	-	-
Swedish krona	37,553	41,510
YEN	-	-
Canadian dollar	18,939	23,016
Australian dollar	25,782	35,262
Hong Kong dollar	4,970	-

At 30 September 2008 the net fair value of financial derivative instruments was a negative EUR 2,010 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 Ansaldo STS is designed to achieve the following objectives:
- to stabilize the weighted average cost of capital;
- to minimize the weighted average cost of capital of Ansaldo STS 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 2008, the Group managed this risk without the use of the derivatives due to the short-term maturities of the payables.
Thus, at 30 September 2008, 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 (cash pooling contracts with the Group companies) 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 30 September 2008 the Group had a net financial credit position of EUR 175,674 thousand.
At 31 December 2007 the net financial credit position was equal to EUR 184,521 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 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.

10 Transactions with related parties

In general, transactions with related parties are conducted at arm's length. Interest-bearing receivables and payables that are not governed by specific contractual conditions are treated in the same manner. The most important figures are as follows:

Receivables at 30.09.2008

(EUR 000)	Non-current receivables	Current financial receivables	Trade receivables	Other current receivables	**Total**
Parent company					
Finmeccanica S.p.A.	-	-	5	-	5
Subsidiaries					
Alifana S.c.r.l.	-	-	95	-	95
Alifana Due S.c.r.l.	-	-	644	11	655
Associated companies					
I.M. Intermetro S.p.A.	-	-	-	-	-
Metro 5 S.p.A.	-	-	11,432	-	11,432
International Metro Service S.r.l.	-	-	-	-	-
Pegaso S.c.r.l.	-	-	193	-	193
Consortia					
Cons.Saturno	-	-	35,195	332	35,527
Cons.Ascosa Quattro	-	-	357	-	357
Cons.Ferroviario Vesuviano	-	-	2,376	-	2,376
Cons.Ferrov.SanGiorgio Volla due	-	-	654	-	654
Cons.Ferrov.SanGiorgio Volla	-	-	1,421	-	1,421
Other Group companies					
Finmeccanica Group service	-	-	-	-	-
Ansaldo Breda S.p.A.	-	-	3,448	14	3,462
Finmeccanica Finance S.A.	-	105,069	-	-	105,069
Elsag Datamat S.p.A.	-	-	-	-	-
Ansaldo Energia S.p.A.	-	-	-	-	-
Ansaldo Argentina S.A.	-	-	37	-	37
Selex Sistemi Integrati Ltd	-	-	-	-	-
Selex Communication S.p.A.	-	-	-	-	-
Orizzonte Sistemi Navali	-	-	-	-	-
Fata Logistic Systems S.p.A.	-	-	-	-	-
Oto Melara S.p.A.	-	-	-	-	-
HR Gest S.p.A.	-	-	-	-	-
Total	**-**	**105,069**	**55,857**	**357**	**161,283**

Receivables at 31.12.2007

(EUR 000)	Non-current receivables	Current financial receivables	Trade receivables	Other current receivables	**Total**
Parent company					
Finmeccanica S.p.A.	-	283	205	-	488
Subsidiaries					
Alifana S.c.r.l.	-	-	123	-	123
Alifana Due S.c.r.l.	-	-	136	-	136
Associated companies					
International Metro Service S.r.l.	-	-	-	2,083	2,083
Metro 5 S.p.A.	-	-	6,759	-	6,759
I.M. Intermetro S.p.A.	-	-	455	-	455
Pegaso S.c.r.l.	-	-	116	-	116
Consortia					
Cons.Saturno	-	-	41,781	-	41,781
Cons.Ascosa quattro	-	-	342	-	342
Cons.Ferroviario Vesuviano	-	-	2,544	-	2,544
Cons.Ferrov.SanGiorgio Volla due	-	-	1,422	-	1,422
Cons.Ferrov.SanGiorgio Volla	-	-	748	-	748
Other Group companies					
Finmeccanica Group Service	-	-	-	-	-
Ansaldo Breda S.p.A.	-	-	1,785	23	1,808
Finmeccanica Finance S.A.	-	140,422	-	-	140,422
Elsag Datamat S.p.A.	-	-	230	239	469
Ansaldo Argentina S.A.	-	-	37	-	37
Selex Communication S.p.A.	-	-	2	-	2
Selex Sistemi Integrati Ltd	-	-	-	-	-
Orizzonte Sistemi Navali	-	-	-	3	3
Fata Logistic Systems S.p.A.	-	-	-	4	4
Ansaldo Energia S.p.A.	-	-	1	-	1
Total	**-**	**140,705**	**56,686**	**2,352**	**199,743**

Payables at 30.09.2008

(EUR 000)	Non-current financial debt	Other non-current payables	Short-term financial payables	Trade payables	Other current payables	**Total**
Parent company						
Finmeccanica S.p.A.	-	-	7,446	51	135	7,632
Subsidiaries						
Alifana S.c.r.l.	-	-	-	-	3	3
Alifana Due S.c.r.l.	-	-	-	2,284	167	2,451
Associated companies						
I.M. Intermetro S.p.A.	-	-	-	2	-	2
Metro 5 S.p.A.	-	-	-	553	4,465	5,018
Pegaso S.c.r.l.	-	-	-	8,173	-	8,173
Consortia						
Cons.Saturno	-	-	-	-	-	-
Cons.Ascosa Quattro	-	-	-	4	8	12
Cons.Team	-	-	-	-	5	5
Cons.Ferrov.SanGiorgio Volla 2	-	-	-	16	12	28
Cons. Ferroviario Vesuviano	-	-	-	83	8	91
Cons.Ferrov.SanGiorgio Volla	-	-	-	60	8	68
Cesit	-	-	-	-	-	-
Cons.Filobus Vesuviano	-	-	-	-	1	1
Other Group companies						
Finmeccanica Group Service S.p.A.	-	-	-	360	-	360
Ansaldo Energia S.p.A.	-	-	-	-	-	-
Ansaldo Breda S.p.A.	-	-	-	3,759	-	3,759
Finmeccanica Finance S.A.	-	-	-	-	13	13
Hr Gest S.p.A.	-	-	-	72	-	72
Elsag Datamat S.p.A.	-	-	-	636	-	636
Selex Sistemi Integrati S.p.A.	-	-	-	-	-	-
Selex Communication S.p.A.	-	-	-	30	-	30
Fata Logistic Systems S.p.A.	-	-	-	384	-	384
Galileo Avionica S.p.A.	-	-	-	19	-	19
Other	-	-	-	56	-	56
Total	**-**	**-**	**7,446**	**16,542**	**4,825**	**28,813**

Payables at 31.12.2007

(EUR 000)	Non-current financial debt	Other non-current payables	Short-term financial payables	Trade payables	Other current payables	**Total**
Parent company						
Finmeccanica S.p.A.	-	-	-	84	135	219
Subsidiaries						
Alifana S.c.r.l.	-	-	-	488	3	491
Alifana Due S.c.r.l.	-	-	-	799	-	799
Associated companies						
I.M. Intermetro S.p.A.	-	-	-	1	-	1
Metro 5 S.p.A.	-	-	-	76	4,612	4,688
Pegaso S.c.r.l.	-	-	-	2,569	-	2,569
Consortia						
Cons.Saturno	-	-	-	482	-	482
Cons.Ascosa Quattro	-	-	-	77	8	85
Cons.Team	-	-	-	32	5	37
Cons.Ferrov.SanGiorgio Volla 2	-	-	-	161	11	172
Cons. Ferroviario Vesuviano	-	-	-	203	8	211
Cons.Ferrov.SanGiorgio Volla	-	-	-	201	8	209
Cesit	-	-	-	-	-	-
Cons.Filobus Vesuviano	-	-	-	-	1	1
Other Group companies						
Finmeccanica Group Service S.p.A.	-	-	-	86	-	86
Ansaldo Energia S.p.A.	-	-	-	120	-	120
Ansaldo Breda S.p.A.	-	-		4,666	-	4,666
Finmeccanica Finance S.A.	-	-	-	-	14	14
Hr Gest S.p.A.	-	-	-	290	-	290
Elsag Datamat S.p.A.	-	-	-	3,437	-	3,437
Selex Sistemi Integrati S.p.A.	-	-	-	80	-	80
Selex Communication S.p.A.	-	-	-	5,476	-	5,476
Fata Logistic Systems S.p.A.	-	-	-	401	-	401
Other	-	-	-	56	-	56
Total	**-**	**-**	**-**	**19,785**	**4,805**	**24,590**

Third quarter of 2008

(EUR 000)	Revenues	Other operating income	Costs	Financial income	Financial costs	Other operating costs
Parent company						
Finmeccanica S.p.A.	-	-	487	-	102	-
Subsidiaries						
Alifana S.c.r.l.	-	-	(488)	-	-	-
Alifana Due S.c.r.l.	1,897	-	2,121	-	-	-
Associated companies						
I.M. Intermetro S.p.A.	(37)	-	-	-	-	-
Metro 5 S.p.A.	3,076	(41)	351	-	-	-
Metro Service			24,903			
Pegaso S.c.r.l.	-	-	5,401	-	-	-
Consortia						
Cons.Saturno	26,601	-	1,176	-	-	-
Cons.Ascosa Quattro	68	-	10	-	-	-
Cons.Team	-	-	10	-	-	-
Cons.Ferrov.SanGiorgio Volla 2	325	-	-	-	-	-
Cons.Ferroviario Vesuviano	444	-	22	-	-	-
Cesit	-	-	13	-	-	-
Cons.Ferrov.SanGiorgio Volla	(11)	-	-	-	-	-
Other Group companies						
Ansaldo Energia	-	-	-	-	-	-
Ansaldo Breda S.p.A.	4,810	1	809	-	-	-
Electron Italia S.r.l.	-	-	-	-	-	-
Fata Logistic Systems S.p.A.	-	-	460	-	-	-
Finmeccanica Finance S.A.	-	-	13	1,352	-	-
Finmeccanica Group Service S.p.A.	-	-	646		-	-
Elsag Datamat S.p.A.	-	-	1,951	-	-	-
Hr Gest S.p.A.	-	-	131	-	-	-
Ote S.p.A.	-	-	-	-	-	-
Selex Communication S.p.A.	-	-	27	-	-	-
Selenia Mobile	-	-	-	-	-	-
Selex Sistemi Integrati Ltd	-	-	-	-	-	-
Alenia	-	-	-	-	-	-
Orizzonte Sistemi Navali	-	-	-	-	-	-
Oto Melara S.p.A.	-	-	-	-	-	-
Aeronautica Macchi	61	-	-	-	-	-
Galileo Avionica S.p.A.	-	-	25	-	-	-
Other	-	-	-	-	-	-
Total	**37,234**	**(40)**	**38,068**	**1,352**	**102**	**-**

Third quarter of 2007

(EUR 000)	Revenues	Other operating income	Costs	Financial income	Financial costs	Other operating costs
Parent company						
Finmeccanica S.p.A.	-	-	498	1,246	43	-
Subsidiaries						
Alifana S.c.r.l.	2,646	9	1,869	-	-	-
Alifana Due S.c.r.l.	-	-	-	-	-	-
Associated companies						
I.M. Intermetro S.p.A.	19	-	-	-	-	-
Metro 5 S.p.A.	1,756	-	43	-	-	-
Pegaso S.c.r.l.	(7)	-	1,057	-	-	-
Consortia						
Cons.Saturno	11,025	-	994	-	-	-
Cons.Ascosa Quattro	39	-	30	-	-	-
Cons.Team	-	-	-	-	-	-
Cons.Ferrov.SanGiorgio Volla 2	7	-	-	-	-	-
Cons. Ferroviario Vesuviano	413	-	-	-	-	-
Cesit	-	-	13	-	-	-
Cons.Ferrov.SanGiorgio Volla	26	-	-	-	-	-
Other Group companies						
Ansaldo Energia	-	-	(9)	-	-	-
Ansaldo Breda S.p.A.	2,010	5	563	-	-	-
Fata Logistic Systems S.p.A.	-	-	451	-	-	-
Finmeccanica Finance S.A.	-	-	21	130	-	-
Finmeccanica Group Service S.p.A.	-	-	5	-	-	-
Elsag Datamat S.p.A.	-	-	2,585	-	-	-
Ote S.p.A.	-	-	-	-	-	-
HR Gest S.p.A.	-	-	-	-	-	-
Selex Communication S.p.A.	-	-	2,825	-	-	-
Selenia Mobile	-	-	-	-	-	-
Sogepa	-	-	-	-	-	-
Electron Italia S.r.l.	-	-	(2)	-	-	-
Selex Sistemi Integrati Ltd	40	-	-	-	-	-
Alenia	-	-	-	-	-	-
Metro S.p.A.	-	-	-	-	-	-
Orizzonte Sistemi Navali	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**17,974**	**14**	**10,943**	**1,376**	**43**	**-**

11 Significant non-recurrent events and transactions

The Ansaldo STS Group did not record any significant non-recurrent events and transactions at 30 September 2008.

12 Atypical and/or unusual operations

The Ansaldo STS Group was not involved in any positions or transactions arising from atypical and/or unusual operations at 30 September 2008.

13 Net financial position

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

(EUR 000)	**30.09.2008**	31.12.2007	30.09.2007
A Cash	902	49	131
B Other cash equivalents (including bank current accounts)	99,319	63,336	66,095
C Securities held for trading		-	-
D Liquidity (A+B+C)	**100,221**	**63,385**	**66,226**
E Current financial receivables	**105,069**	**140,705**	**114,602**
F Current bank loans	15,470	11,491	7,893
G Current portion of non-current debt	-	-	-
H Other current financial payables	7,819	1,110	1,206
I Current financial debt (F+G+H)	**23,289**	**12,601**	**9,099**
J Net current financial debt (I-E-D)	**(182,001)**	**(191,489)**	**(171,729)**
K Non-current bank loans	4,100	4,371	5,433
L Bonds issued		-	-
M Other non-current payables	2,227	2,597	2,608
N Non-current financial debt (K+L+M)	**6,327**	**6,968**	**8,041**
O Net financial debt (liquidity) (J+N)	**(175,674)**	**(184,521)**	**(163,688)**

14 Outlook

Thanks to the commercial success achieved by the Transport Systems Business Unit and the good performance of orders in the Signalling Business Unit in the second half of the financial year 2007, the Group's order backlog has expanded compared with the same period of the previous year.
This has laid the foundation, also in consideration of the results of these first nine months, to close the 2008 financial year with production volumes at least in line with, if not higher than, the strong performance posted in 2007. The programmes and initiatives to boost efficiency in order to increase profitability will continue.
The signalling and transport systems markets are still growing overall, although in certain countries, such as Italy, a few rail investment programmes are coming to their natural end. The Group is continuing to pursue opportunities in high-growth countries with substantial capacity for infrastructure investment, such as China, India and Russia, as shown by the recent acquisitions.
Over the past days, Ansaldo was awarded an order having a value of EUR 126 million, through a joint venture established by the two Italian subsidiaries ASF and ATSF; this contract regards the construction in Turkey of signalling and telecommunication systems for the two railway lines Bogazkopru-Ulukisla-Yenice and Mersin-Toprakkale;
Moreover, always over the past weeks Ansaldo was awarded an order for the supply of the signalling system for the eastern section of the new High-Speed line Rhin-Rhone, through the French subsidiary ASTS France, for a value of EUR 23 million.
This year will also be characterised by the search for opportunities in the transport systems business around the world. This will be supported by the systems experience of Ansaldo Trasporti Sistemi Ferroviari S.p.A. and the presence of the subsidiaries of our Signalling Business Unit in the various markets.

Particular attention is also given to managing the complexity of certain US&S contracts, deemed strategic due to their technological content.

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

Genoa, 11 November 2008.

On behalf of the Board of Directors
The Chairman
Alessandro Pansa

Appendix A: statement pursuant to Art.154 Bis (2) of legislative decree no. 58/1998

The undersigned Jean Paul Giani, the manager in charge of the preparation of the company accounting documents of Ansaldo STS S.p.A., certifies in accordance with Art.154-bis (2) of the Consolidated Act on Financial Intermediation that the consolidated interim financial report at 30 September 2008 of the Ansaldo STS Group corresponds to the entries in the accounting documentation, books and records.

Genoa, 11 November 2008.

The Manager in charge
Jean Paul Giani

Appendix B: list of relevant equity investment under Art.125 of Consob resolution no. 11971

Subsidiary (name and legal form)	Country	% of total	% Indirect control	% Direct control	Through	Type of ownership (see key)
Alifana - Limited-liability consortium	Italy	65.850%	65.850%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A	1
Alifana due - Limited-liability consortium	Italy	53.340%	53.340%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A	1
Automatismes Contrôles et Etudes Electroniques Acelec S.A.	France	99.999%	99.994%		Ansaldo STS France S.A.	1
			0.004%		Ansaldo STS France S.A.	9
			0.001%		Ansaldo STS Hong Kong Ltd.	1
Ansaldo Segnalamento Ferroviario S.p.A.	Italy	100.000%	100.000%		Ansaldo Trasporti Sistemi Ferroviari	1
Ansaldo STS Espana S.A.	Spain	100.000%	100.000%		Ansaldo STS France S.A.	1
Ansaldo STS Finland OY	Finland	100.000%	100.000%		Ansaldo STS Sweden AB	1
Ansaldo STS Infradev South Africa Pty Ltd.	South Africa	50.700%	50.700%		Ansaldo STS Australia Pty Ltd	1
Ansaldo STS Ireland Ltd.	Ireland	100.000%	99.999%		Ansaldo Signal NV in liquidazione	1
			0.001%		Union Switch & Signal Inc.	1
Ansaldo Signal NV in liquidation	Holland	100.000%		100.000%		1
Ansaldo STS Southern Africa Pty Ltd.	Botswana	100.000%	100.000%		Ansaldo STS Australia Pty Ltd	1
Ansaldo STS Sweden AB	Sweden	100.000%	100.000%		Ansaldo Signal NV in liquidazione	1
Ansaldo STS UK Ltd.	England	100.000%	100.000%		Ansaldo Signal NV in liquidazione	1
Ansaldo Trasporti - Sistemi Ferroviari S.p.A.	Italy	100.000%		100.000%		1
Ansaldo STS Deutschland GmbH	Germany	100.000%	100.000%		Ansaldo Segnalamento Ferroviario S.p.A.	1
Ansaldo STS Beijing Ltd.	China	80.000%	80.000%		Ansaldo STS France S.A.	1
Ansaldo STS France S.A.	France	100.000%	99.999%		Ansaldo Signal NV in liquidazione	1
			0.001%		Ansaldo Signal NV in liquidazione	9
Ansaldo STS Hong Kong Ltd.	China	100.000%	99.999%		Ansaldo STS France S.A.	1
			0.001%		Ansaldo STS France S.A.	9
Ecosen S.A.	Venezuela	48.000%	48.000%		Ansaldo STS France S.A.	1
I.M. Intermetro S.p.A.	Italy	16.666%	16.666%		Ansaldo Trasporti –Sistemi Ferroviari S.p.A.	1
International Metro Service S.r.l.	Italy	49.000%	49.000%		Ansaldo Trasporti –Sistemi Ferroviari S.p.A.	1

Subsidiary (name and legal form)	Country	% of total	% Indirect control	% Direct control	Through	Type of ownership (see key)
Metro 5 S.p.A.	Italy	24.600%	24.600%		Ansaldo Trasporti - Sistemi Ferroviari S.p.A.	1
Metro C. S.c.p.a.	Italy	14.000%	14.000%		Ansaldo Trasporti - Sistemi Ferroviari S.p.A.	1
Pegaso- Limited-liability consortium	Italy	46.870%	46.870%		Ansaldo Trasporti - Sistemi Ferroviari S.p.A.	1
Transcontrol Corporation	USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Transit Safety Research Alliance (no profit corporation)	USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal Chile Ltda.	Chile	68.000%	67.000%		Transcontrol Corporation	1
			1.000%		Union Switch & Signal International Co.	1
Union Switch & Signal Inc.	Delaware -USA	100.000%	100.000%		Ansaldo Signal NV in liquidazione	1
Union Switch & Signal Inc. Canada	Ontario - Canada	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal International Co.	Delaware -USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal International Projects Co.	Delaware -USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Ansaldo STS Transportation Systems India Private Limited.	India	100.000%	99.9999%		Ansaldo STS Australia PTY Ltd.	1
				0.0001%		1
Ansaldo STS Australia PTY Ltd.	Australia	100.000%		100.000%		1
Ansaldo STS Malaysia SDN BHD	Malaysia	100.000%	100.000%		Ansaldo STS Australia PTY Ltd.	1

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

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A Finmeccanica Company