ANSALDO STS GROUP
CONSOLIDATED QUARTERLY REPORT
AT 30 SEPTEMBER 2007

CONTENTS

Attachment A: list of significant equity investments pursuant to CONSOB resolution no. 11971/1999, Article 125
Attachment B: Statement pursuant to Article 154-bis, paragraph 2 of Legislative Decree 58/1998

ANSALDO STS GROUP

1 Report on operations at 30 September 2007

1.1 Introduction

The Ansaldo STS Group recorded a net profit of EUR 36,739 thousand at 30 September 2007 compared with a pro-forma profit of EUR 24,952 thousand for the same period of 2006, net of non-recurring listing costs of EUR 6,893 thousand. Revenues grew from EUR 652,022 thousand at 30 September 2006 to EUR 666,291 thousand at 30 September 2007. The Group's profit margin went from 8.1% (9.2% net of listing costs) at 30 September 2006 to 9.3% at 30 September 2007.

Orders at 30 September 2007 came to EUR 1,151,923 thousand compared with EUR 1,079,154 thousand at 30 September 2006. This increase should be viewed in the context of the exceptional value of contracts obtained in the third quarter of 2007, primarily attributable to Systems.

The volume of orders obtained in the first nine months of 2007 was, therefore, more than satisfactory. Therefore, the value of the backlog of EUR 2,852 million at 30 September 2007 increased further over the considerable figure achieved at the end of 2006 of EUR 2,414 million and at the end of the first nine months of last year of EUR 2,491 million.

The share price grew by 8.2% (from €8.92, the official price at 29 December 2006, to €9.65, the official price at 28 September 2007) during the first nine months of the year. There was significant volatility in the share price which positively offset the negative trend in the European and global capital goods market over the last few months of the period. The European industrial indices for the transportation sector experienced a similar trend during the period.

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

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

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

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

The first nine months of 2007 ended with a net consolidated profit of EUR 36,739 thousand, up from EUR 24,952 thousand at 30 September 2006.

To make a meaningful comparison between the two periods, it is necessary to bear in mind the effect of the listing costs, which came to EUR 6,893 thousand.

The overall improvement of EUR 11,787 thousand is due to the increase in EBIT, which rose by EUR 9,208 thousand, to a EUR 752 thousand increase in financial income, and to lower taxes of EUR 1,827 thousand recorded for the period.

Taxes at 30 September 2007 came to EUR 27,988 thousand (EUR 29,815 thousand at 30 September 2006). Of this figure, EUR 5,765 thousand was IRAP (regional tax on business activities), EUR 22,498 thousand was IRES (corporate income tax) (this includes a consolidated tax gain by Ansaldo STS S.p.A.) and the balance was tax on overseas companies and others (deferred taxes and taxes from previous periods).

On 14 June 2007, the board of directors approved a plan to change the corporate names and trademarks of the subsidiary companies.

As of the date of this report (12 November 2007), such subsidiaries have already adopted the new name, consisting of the words "Ansaldo STS" and the name of the geographic region of reference (e.g. "CSEE Transport" has become "Ansaldo STS France", "Union Switch & Signal PTY" has become "Ansaldo STS Australia", and so forth). Consequently, the subsidiaries shall be referenced in this report with the use of the new corporate name.

1.2 Results for the third quarter of the year

The third quarter ended with a net consolidated profit of EUR 8,380 thousand compared with EUR 8,992 thousand for the same period of 2006.

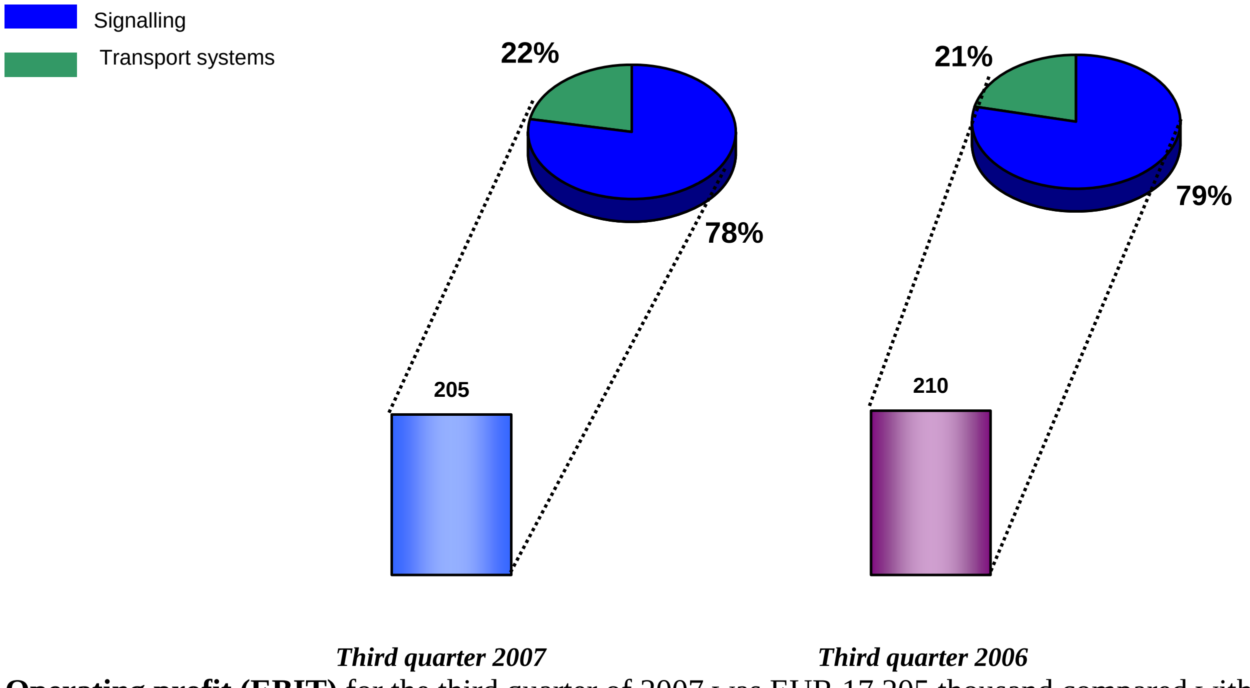
The EUR 612 thousand decline is due to the following changes: a EUR 66 thousand decrease in EBIT, a EUR 134 thousand increase in financial income and a EUR 680 thousand increase in taxes.

Taxes in the third quarter came to EUR 9,573 thousand (EUR 8,893 thousand in the third quarter of 2006). Of this figure, EUR 1,562 thousand was IRAP, EUR 5,826 thousand was IRES (this includes a consolidated tax gain by Ansaldo STS S.p.A.), and EUR 2,185 thousand was tax on overseas companies and others (deferred taxes and taxes from previous periods).

The **value of production** came to EUR 204,958 thousand, compared with EUR 209,659 thousand for the third quarter of 2006, a decrease in absolute terms of EUR 4,701 thousand (-2.2%). This decline is mainly attributable to the contribution of the Signalling Division during the two periods in question. Specifically:

- Signalling (net of transactions with the Transport Systems Division) decreased by EUR 4,314 thousand compared with the same period of the previous year,
- Transport systems (net of transactions with the Signalling Division) declined by EUR 387 thousand compared with the same period of the previous year.

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



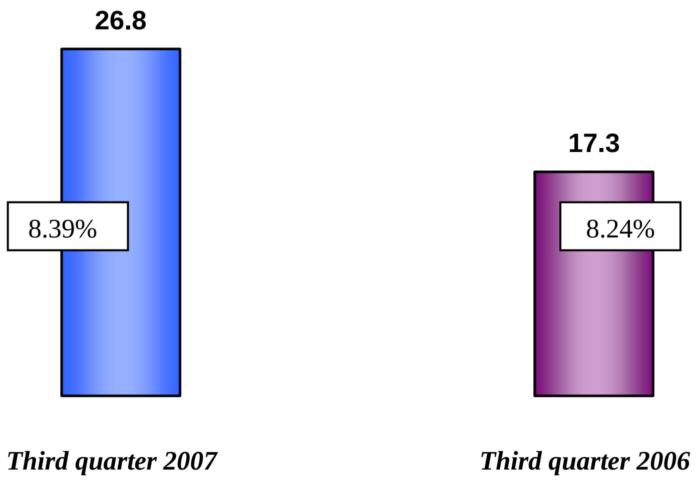
Operating profit (EBIT) for the third quarter of 2007 was EUR 17,205 thousand compared with EUR 17,271 thousand for the third quarter of 2006, an increase of EUR 66 thousand.

The Group's profit margin increased from 8.24% in 2006 to 8.39% in 2007.

Therefore:

- Signalling ended the third quarter of 2007 with an operating profit of EUR 16,387 thousand compared with EUR 19,617 thousand for the same period last year, a decrease of EUR 3,230 thousand.
- Transport Systems for the third quarter of 2007 showed an operating profit of EUR 1,806 thousand, compared with EUR 1,887 thousand for the same period last year, a reduction of EUR 81 thousand.

EBIT and ROS for the third quarter 2007 - 2006 (EUR millions)



At 30 September 2007 consolidated **net invested capital** was a negative EUR 2,993 thousand compared with a negative EUR 31,610 thousand at 31 December 2006. The difference of EUR 28,617 thousand is attributable to the change in **working capital** (from negative EUR 237,305 thousand at December 2006 to negative EUR 213,170 thousand at 30 September 2007) and the net increase in non-current assets and liabilities of EUR 4,482 thousand. The EUR 24,135 thousand increase in working capital is attributable to: the increase in inventories and works in progress excluding instalment payments partially offset by the decline in trade receivables (higher receipts from customers) and the increase in other net current assets and liabilities. The change in non-current assets and liabilities is attributable to the EUR 9,118 thousand increase in non-current assets (mainly a EUR 5,277 thousand increase in intangible fixed assets and a EUR 4,408 thousand increase in deferred tax assets) and in non-current liabilities of EUR 4,636

thousand (mainly a EUR 2,634 thousand increase in severance pay owed by the Italian subsidiaries due to curtailment and the EUR 2,002 thousand increase in other liabilities).

The Group's **net liquidity position** (excess of financial receivables and liquid assets over financial debt) at 30 September 2007 was EUR 163,688 thousand compared with EUR 158,249 thousand at 31 December 2006, an increase of EUR 5,439 thousand (this is explained in detail in the notes). Cash management activities were positive, thanks to pre-strategic investments free operating cash flow (FOCF) during the period of EUR 11,459 thousand, a decline from the EUR 99,905 thousand at 30 September 2006 that is considered to be wholly exceptional.

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

- receipt of EUR 196,000 thousand from Ferrovie dello Stato by our Italian subsidiary Ansaldo Segnalamento Ferroviario,
- receipt from clients of our Australian subsidiary Ansaldo STS Australia of EUR 69,000 thousand, particularly on the Rawang Ipoh, ARTC, Rio Tinto orders and by our French subsidiary Ansaldo STS France of EUR 19,200 thousand for the following orders: CTRL Phase II and ATP on-board China;
- payment for the acquisition of the RM STAR division by the subsidiary US&S for EUR 2,380 thousand;
- payment of VAT of EUR 12,639 thousand;
- payment of taxes of EUR 30,596 thousand;
- payment of investments in tangible and intangible assets of EUR 7,241 thousand;
- receipt of financial income of EUR 4,603 thousand.

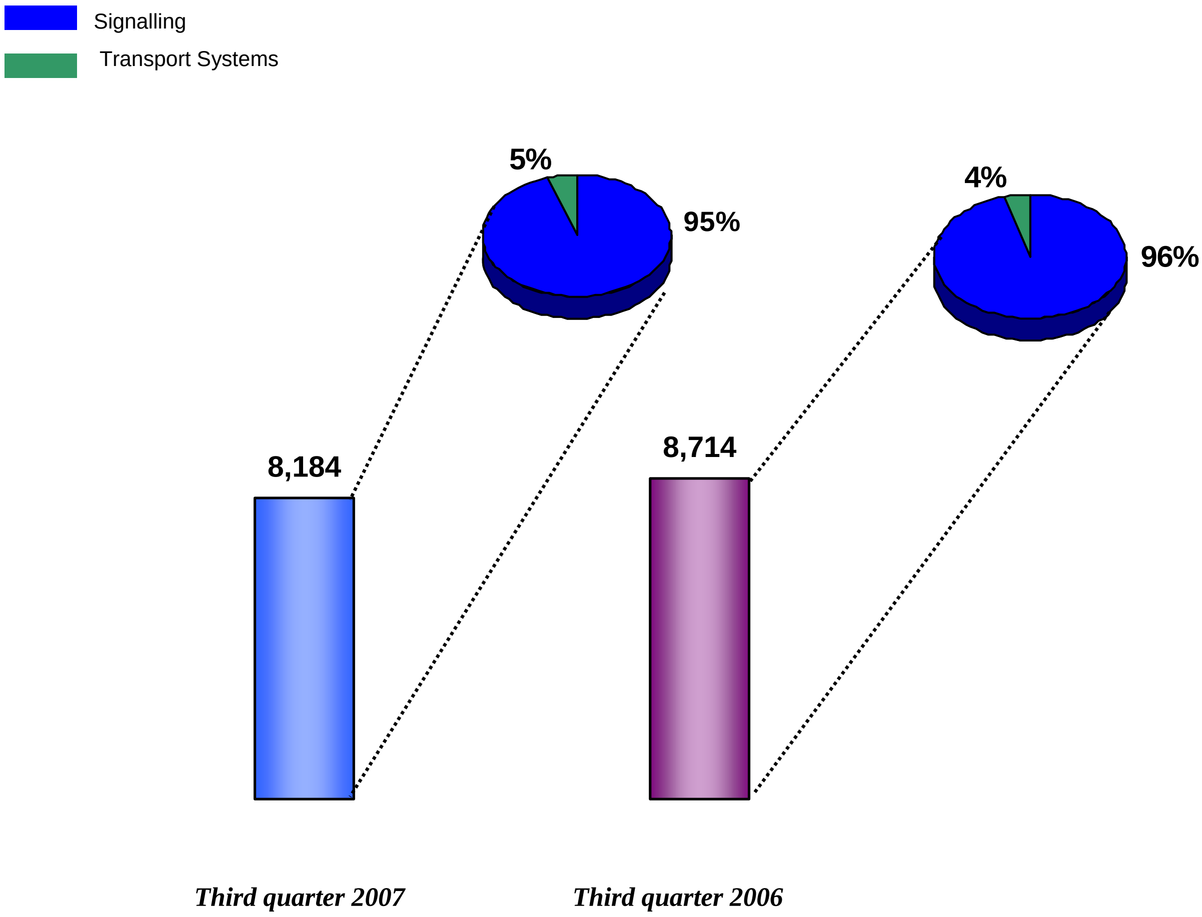
In the third quarter of 2007 **research and development spending** came to EUR 8,184 thousand compared with EUR 8,714 thousand in the same period of 2006, a reduction of EUR 530 thousand.

The activities of the Signalling Division, totalling EUR 7,483 thousand and accounting for 91% of the total, were principally associated with the following companies (figures in euros):

- Ansaldo Segnalamento Ferroviario SpA (ASF) : 1,408 thousand
- Ansaldo STS France: 3,190 thousand
- Union Switch & Signal Inc. (US&S): 1,908 thousand

The activities of the Transport Systems Division came to EUR 402 thousand an increase of EUR 38 thousand compared with the third quarter of 2006.

Research & Development by division for the third quarter 2007 –2006 (EUR 000).



1.3 Profit and loss account

Profit and loss account *(EUR 000)*	*Third quarter 2007*	*Third quarter 2006*	*Value at 30.09.2007*	*Value at 30.09. 2006*
Revenue	204,958	209,659	666,291	652,022
Value of production	**204,958**	**209,659**	**666,291**	**652,022**
Purchases and staff costs	(183,393)	(189,232)	(598,670)	(591,863)
Changes in work in progress, semi-finished products and finished goods	212	504	3,106	2,939
Amortization and depreciation	(2,400)	(2,460)	(7,017)	(7,267)
Writedowns	22	(1)	(56)	(151)
Reorganization costs	(245)	(120)	(245)	(120)
Other net operating revenues (costs)	(1,949)	(1,079)	(1,364)	(2,723)

EBIT	**17,205**	**17,271**	**62,045**	**52,837**
Financial income and expense, net	748	614	2,682	1,930
Income tax	(9,573)	(8,893)	(27,988)	(29,815)
Net profit	**8,380**	**8,992**	**36,739**	**24,952**
Group	8,345	8,945	36,650	24,889
Minority interests	35	47	89	63

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

1.4 Reclassified balance sheet

Balance sheet *(EUR 000)*	***30.09.2007***	***31.12.2006***	***30.09.2006***
Non-current assets	259,672	250,554	233,688
Non-current liabilities	49,495	44,859	43,452
	210,177	205,695	190,236
Inventory	106,824	96,540	91,379
Contract work in progress	137,228	78,292	89,033
Trade receivables	265,707	311,145	268,418
Trade payables	165,753	166,289	161,272
Advances from customers	462,849	475,124	434,503
Short-term provisions for risks and charges	23,445	22,310	26,249
Other current assets (liabilities), net	(70,882)	(59,559)	(56,898)
Net working capital	**(213,170)**	**(237,305)**	**(230,092)**
Net invested capital	**(2,993)**	**(31,610)**	**(39,856)**
Group shareholders' equity	160,323	126,279	106,631
Minority interests	372	360	359
Total shareholders' equity	**160,695**	**126,639**	**106,990**
Financial debt (liquidity), net	**(163,688)**	**(158,249)**	**(146,846)**

1.5 Statement of Cash Flow

Cash Flow *(EUR 000)*	***30.09.2007***		***31.12.2006***		***30.09.2006***	
Cash and cash equivalents – opening balance	48,580		35,973		35,973	
Gross cash flow from operations	63,397		100,209		57,640	
Change in working capital	(27,639)		93,773		79,899	
Changes in other operating assets and liabilities	(11,031)		(53,098)		(20,372)	
Cash flow from (for) operations	24,727		140,884		117,167	
Cash flow from investing activities	(13,268)		(21,627)		(17,262)	
Free operating cash flow		**11,459**		**119,257**		**99,905**
Strategic investments	(2,380)		(60,371)		(54,805)	
Cash flow from (for) for investing activities	(15,648)		(81,998)		(72,067)	
Dividends paid	-		(32,000)		(32,000)	
Capital increases	-		60,169		-	
Cash flow from financing activities	8,699		(74,609)		(5,874)	
Cash flow from (for) financial activities	8,699		(46,440)		(37,874)	
Foreign exchange translation differences	(132)		161		190	
Cash and cash equivalents at period	**66,226**		**48,580**		**43,389**	

2 Market conditions and business climate

The operational data referring to the results from 31 December 2006 are pro-forma figures.

<u>Signalling</u>

During the first nine months of 2007, the market position of the Signalling Division was confirmed throughout the world, with production volumes rising compared with the same period of last year, although the value of new orders decreased by approximately 15% while still exceeding EUR 490 million.

This figure is particularly significant if one considers that Ansaldo Segnalamento Ferroviario S.p.A. experienced a 30% drop in the value new orders due to the slowdown in investments by RFI and Trenitalia, which began in the second half of last year as a result of the impact of saturation and reduced funds for investment.
During the period, Ansaldo Segnalamento Ferroviario S.p.A. intensified its commercial activities abroad in order to diversify its activities geographically towards markets where the company has development responsibilities within the Ansaldo STS Group.

Of particular relevance are the commercial activities in China with the Minister of Railway (MOR) and CRSC (the MOR company which is the technological integrator for signalling), even though the contract for supplying wayside and onboard equipment for the Wuhan-Canton line was recently awarded to our competitor, Bombardier. Negotiations are currently underway with the Chinese to obtain other contracts.

In May, the heads of Finmeccanica, the Russian Railways (RZD) and the Russian National Science Institute (VNIIAS) signed an agreement for a new railway signalling system built by Ansaldo STS to be used on existing Russian railway lines and stations. This innovative system, which has already been installed on Italy's high-speed network, can be adapted to the entire Russian railway network and may be used for any type of traffic. Trains will remain in constant communication with the command centres using radio systems manufactured by other Finmeccanica companies with localisation made possible using satellite technologies.
The signing is the latest in a series of agreements signed since 2005 in the transportation sector between Finmeccanica and the Russian Federation, the most recent of which dates back to last March when, in Bari during the Italian-Russian summit, the heads of the two companies signed an industrial collaboration agreement providing for the involvement of other Finmeccanica companies in the installation of various systems on the Russian railway line, including safety and electricity supply systems.

The natural by-product of these agreements is the development of significant synergies between the Finmeccanica group companies and the Russian Railways. Specific note should be taken of the qualification of the Mecca Medina Rail Link Consortium (composed of Saudi Oger Ltd, El

Seif Engineering Contracting Co Ltd, Ansaldo Trasporti Sistemi Ferroviari S.p.A., Ansaldobreda S.p.A., Selex Sistemi Integrati S.p.A., Ferrovie dello Stato S.p.A., and JSC "Russian Railways") to participate in the tender held by the Saudi Railway Organization.

The DBOT (Design Built Operate and Transfer) project involves the design, building, installation and management for the concession period of a high-speed railway link between the holy cities of Mecca and Medina, consisting of approximately 450 km of electrified line. The project is estimated to be worth USD 5-6 billion (excluding operating costs).

Penetration of new foreign markets continued throughout the year. Specifically, this was based on the references ASF has received concerning SCMT, ERTMS L2 and interlocking systems. These products form the basis of numerous projects aimed at modernizing certain lines in Europe belonging to the trans-European network that receive heavy financing from the EC and other international bodies.

The activities focused on the railway administrations of Germany, Eastern Europe and Greece. Initial important results include the receipt of the Greek order to supply onboard equipment as well as the Romanian order related to the Bucharest–Brasov line..

Our French subsidiary, Ansaldo STS France, however, saw a confirmation of the volumes of new orders it reported in the first nine months of 2006. Among the key orders were the three contracts in Korea, respectively, the change of the order for the Daegu-Busan section and the two supply contracts for Rotem for Bistandard equipment, the change in order for the CTRL Phase 2 contract, the Los Gavilanes order in Spain, together with a sizeable volume of components.

Our American subsidiary Union Switch & Signal acquired orders worth approximately EUR 98 million, substantially confirming the increase in volumes over the same period of 2006. Among the primary orders were the first contract in China for CBTC technology on the Shenyang line, the extension of the Binhai contract and the Shanghai Line 2 CAB, both in China. Commercial activities on the internal market generated modest component sales and the Chambers Street order for New York.

The orders acquired by our Australian subsidiary Ansaldo STS Australia, the lead company in the Asia/Pacific area, were once again of particular importance.
Our leadership position in the Indian market was confirmed in 2006 by the acquisition of a substantial order in the signalling and telecommunications area for the Ghaziabad-Kanpur line, as well as by the first contracts for the construction of an ATP system based on European technological standards. The Australian market was highly dynamic in the first nine months of 2007, and our subsidiary Ansaldo STS Australia acquired a significant volume of orders, including resignalling for the ARTC contract, based on innovative onboard solutions.

Commercial activity in other markets where our subsidiaries operate directly, such as the United Kingdom, Malaysia and the Northern European countries, reflected the sluggish trends in these areas, although the foundations were laid for future opportunities.
We believe the global signalling products and systems market is continuing the upwards trend, which is nevertheless dependent on the dynamics of the various national markets, themselves subject to their own cycles.
The Chinese and Indian markets, which are fairly different from each other, present excellent growth prospects both in the rail and metro sectors, which are of great interest to our Group.
There should also be new opportunities in the Indonesian, Malaysian and Australian markets in the short-medium term.

At a European level it should be noted that the long period of large-scale investments by Ferrovie Italiane is inevitably slowing down, both due to saturation (for example on the SCMT on-board ATP system) and due to reduced investment capacity.
Other European rail markets such as Spain and the United Kingdom, and to a lesser extent Germany, France and the Northern European countries, will provide significant opportunities for our Group, which already operates in all these markets and has a portfolio of solutions suited to the most complex applications, such as those for high speed lines. Growth in the urban railway segment is expected in high-tech applications such as driverless metro systems, both for architecture based on track circuits and on radio solutions (CBTC).

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

Transport Systems

The significant events for the first nine months of the year reinforce the validity of corporate and Group strategies and confirm the Group's leading position in Italy in the area of transport systems.

Orders acquired came to EUR 670.0 million at 30 September 2007, compared with EUR 508.3 million for the corresponding period of 2006.

The most important event, which was mentioned in the introduction to this report, regarded the completion of negotiations with the City of Naples concerning the Rider Contract to the concession regarding Line 6 of the Naples Metro for EUR 533.0 million (excluding VAT) for the completion of the line from Mostra to Municipio, including the section through S. Pasquale, which had already been covered by a previous contract. The Mostra–Mergellina section of the Naples Metro Line 5 has been open to the public since early February.

Also noteworthy is the Rome Line C project. In June, the shareholders' meeting of Metro C, having reached an agreement on the subdivision of the work, approved the transformation of the company from a joint-stock company (S.p.A.) to a consortium denominated by shares (S.c.p.a.). The by-laws of the consortium envisage that costs and revenues will be passed on to the shareholders and, therefore, that the Transport System Division's backlog will include the first portion of work financed to date, in the amount of EUR 150.2 million. In September, contracts were signed under which Metro C assigned to the Transport Systems Division the technological works for a total amount of EUR 55.2 million.

At the end of July, the City of Milan and Progetto Metro 5 S.p.A. (of which the subsidiary ATSF is a 24.6% shareholder) signed the Rider Contract concerning changes to the Garibaldi station for a total amount of EUR 55.8 million. The Transport Systems Division's share is EUR 7.2 million.

Other orders are as follows: EUR 6.9 million for Business Alifana Inferiore for the fitting out of 15 MA100 electric trains owned by Metrocampania Nordest with ATPc and ATPd signalling system, EUR 10.5 million for adjustments to the Milan-Bologna high speed line obtained through the Saturno Consortium and to the reconstruction of the electric traction system of the Gricignano junction on the Rome-Naples section, EUR 2.6 million for recognition of changes relating to the Vesuviane business on the Ponticelli – Cercola section, and, finally, EUR 4.9 million in changes to the Copenhagen project related to Phase 3 Operation & Maintenance.

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

Other important events for the Group include the acceptance of the "Impregilo SpA-AEGEK-SELI SpA-Ansaldo Trasporti Sistemi Ferroviari" joint venture to participate in the RFP 149/06 tender for the construction of the "extension of line 3 of the HAIDARI-PIRAEUS section of the Athens metro".

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

For the entire ASTS Group, **orders acquired** in the third quarter of 2007 totalled EUR 605,179 thousand, compared with EUR 257,222 thousand for the same period of last year, representing an increase of EUR 347,957 thousand.

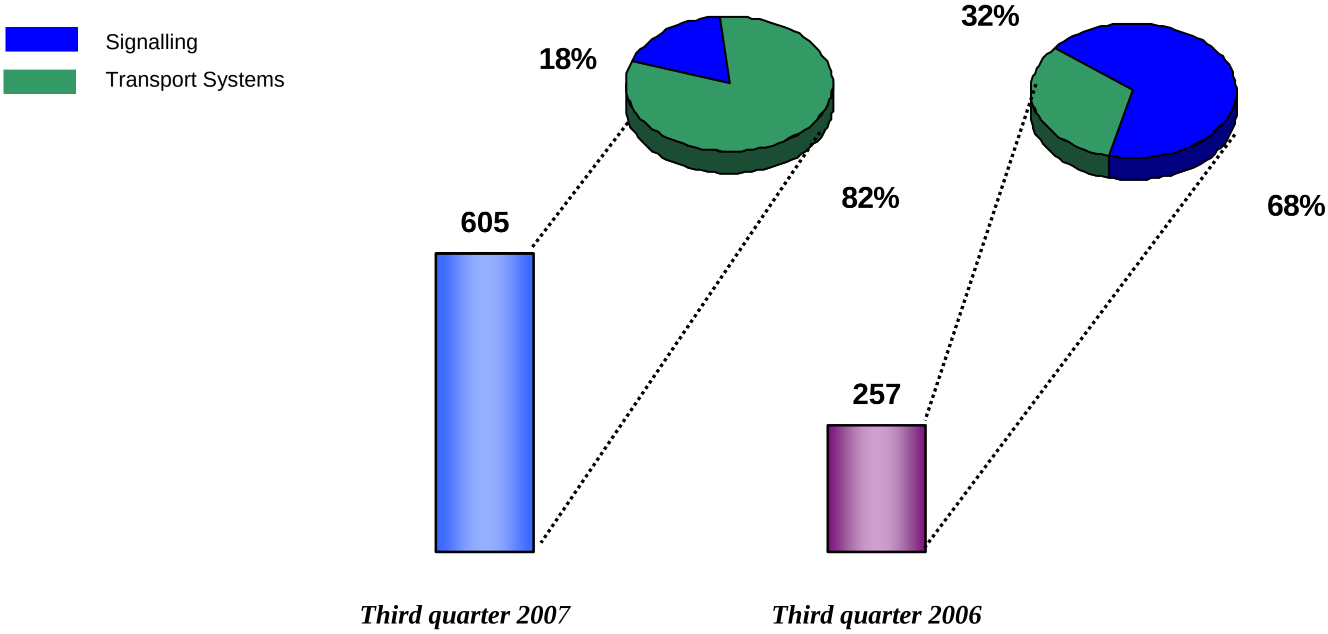
Specifically, orders acquired by the Signalling Division totalled EUR 115,231 thousand (EUR 110,287 thousand excluding orders from the Transport Division), while the Transport Division acquired orders worth EUR 494,892 thousand. The main orders acquired by the Signalling Division in the third quarter of 2007 were the following:

Country	Project	Customer	Value (EUR millions)
Australia	Rio Tinto project	Rio Tinto	13.8
USA	Components, service and maintenance	Various	11.8
Italy	ACS - Rebaudengo	RFI	11.5
France	CTRL - variation order	URN	9.0
Spain	Los Gavilanes	ADIF	7.4
France	Maintenance	RATP	6.3
Italy	Components, service and maintenance	Various	5.9
Italy	SCMT onboard	Gargano railways	5.7
France	Components, service and maintenance	Various	4.3
Australia	ARTC Projects	ARTC	1.0

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

Country	Project	Customer	Value (EUR millions)
Italy	Naples Metro Line 6	Naples Metro	426.0
Italy	Rome Line C	Rome Metro	55.2
Italy	High-speed railway	TAV	4.1

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



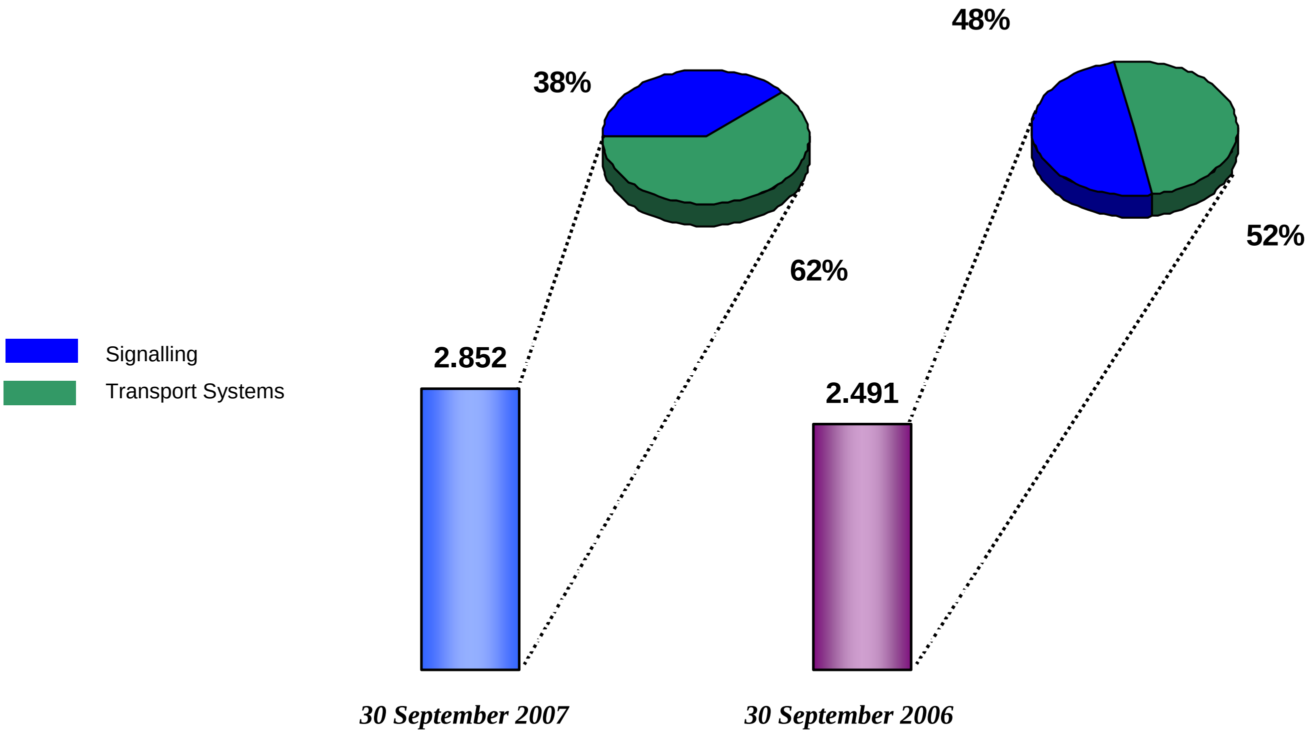
The **order backlog** at 30 September 2007 stood at EUR 2,852,255 thousand, an increase of EUR 360,996 thousand (14.49%) compared with EUR 2,491,259 thousand at 30 September 2006.
The Signalling Division's order backlog at 30 September 2007 totalled EUR 1,231,932 thousand, (including transactions with the Transport Systems Division).
Of this figure, EUR 602,274 thousand related to the Italian subsidiary ASF, EUR 257,705 thousand to the US subsidiary US&S, EUR 224,183 thousand to the French subsidiary Ansaldo STS France and EUR 166,209 thousand to the subsidiaries in the Asia/Pacific region.

The Transport Systems Division order backlog at 30 September 2007 came to EUR 1,760,886 thousand, chiefly relating to the following projects:

- High-speed trains (EUR 121,501 thousand)
- Copenhagen metro (EUR 149,675 thousand)
- Concessions relating to the construction of the Naples, Rome and Genoa metros (EUR 656,810 thousand)
- Brescia and Milan driverless metro (EUR 324,003 thousand)

- Rome Metro Line C (EUR 195,458 thousand)
- Thessaloniki (EUR 162,001 thousand)
- Alifana (EUR 116,218 thousand)
- Other (EUR 35,220 thousand)

Order backlog by division at 30 September 2007-2006 (EUR millions)

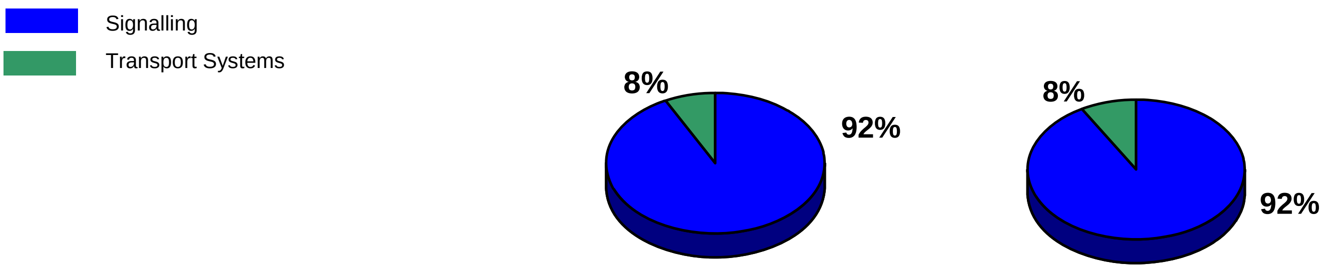


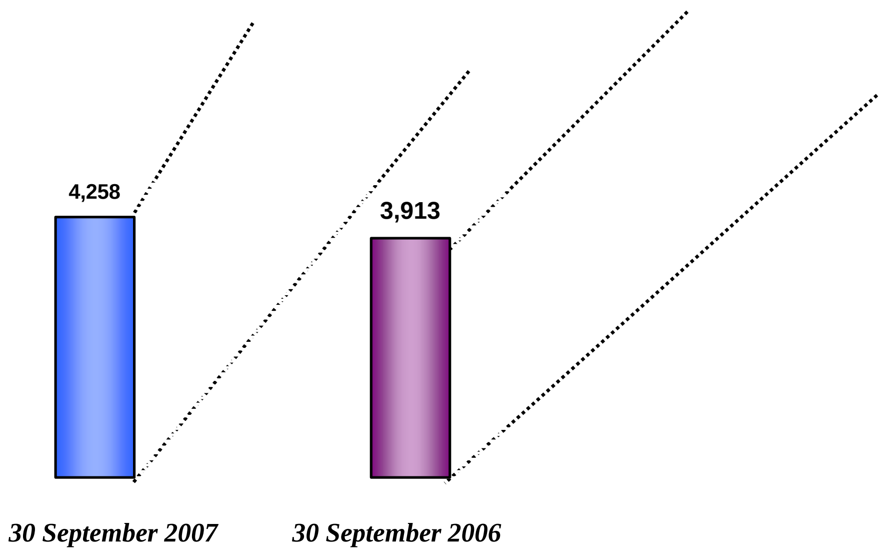
The Group’s **headcount** at 30 September 2007 stood at 4,258, an increase of 345, or 8.82%, compared to 3,913 at 30 September 2006.

By company, this broke down as follows:

- Signalling: 3,890 staff
- Transport Systems: 321 staff
- Other (Corporate): 47 staff

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





3 Main transactions during the quarter and subsequent events

On 6 July 2007, Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A. signed the agreement for the merger through acquisition of Ansaldo Segnalamento Ferroviario S.p.A. into Ansaldo Trasporti - Sistemi Ferroviari S.p.A., in execution of the merger plan approved by the board of directors on 19 April 2007.

Previously, on 29 June 2007, effective as of the first hour of 1 July 2007, Ansaldo Trasporti – Sistemi Ferroviari S.p.A. bought all the shares of Ansaldo Segnalamento Ferroviario S.p.A from Ansaldo Signal N.V. The price of EUR 76,297,621 paid for this acquisition is equal to the shareholders' equity of the company based on the balance sheet computed at 12:00 a.m. on 30 June 2007.

The merger will occur through the cancellation of all the shares of Ansaldo Segnalamento Ferroviario S.p.A. by Ansaldo Trasporti - Sistemi Ferroviari S.p.A., without any capital increase. The merger operation will have legal effect as of 31 December 2007, although its accounting and tax effects will be retroactive to 1 July 2007.

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

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

- with regard to railway transport systems, more direct, immediate and visible access to safety technology, the possession of which is a decisive, qualifying factor for operating as a technological integrator, results in improved credibility, reputation, expertise and, therefore, business opportunities;
- with regard to signalling, greater commercial effectiveness in those market segments in which signalling technology is increasingly managed using a technological integrator, both as to the immediate availability of a strong marketing and sales vehicle and as to greater awareness of the customer and its needs;
- for both, the more direct utilisation of reciprocal synergies arising from the presence of one or the other in particular countries and/or business segments; strategic coordination of their respective activities, and reduction in transaction times and costs;
- for the group, greater speed and efficacy in carrying out the original mission of the individual businesses, responding to new market requirements, for example security, that they may encounter only within the context of an integrated view of the railway system.

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

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

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

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

Also in July, Emmanuel Viollet, Senior Vice President Business Development of Ansaldo STS, was named CEO of the US subsidiary US&S Inc. to replace Kenneth Burk, who resigned. Mario Orlando, Secretary General of Ansaldo STS, was named Sole Managing Director of the Dutch sub-holding company Ansaldo Signal N.V.

It should also be noted that the parent company Finmeccanica currently holds 40,065,641 shares.

In December 2007, Ansaldo STS will assign the first instalment under the 2006-2007 Stock Grant Plan.

3.1 Atypical and/or unusual operations

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

4 Report on operations by segment

4.1 Signalling

(EUR 000)	Third quarter 2007	Third quarter 2006	30.09.2007	30.09.2006 Pro-forma	31.12.2006 Pro-forma
Orders	115,231	177,595	492,532	576,839	833,066
Order backlog	1,231,932	1,264,937	1,231,932	1,264,937	1,319,579
Value of production	165,707	169,281	521,178	499,046	702,139
EBIT	16,387	19,617	56,201	51,874	73,901
ROS	9.9%	11.6%	10.8%	10.4%	10.5%
Working capital	(65,474)	(62,847)	(65,474)	(62,847)	(69,987)
Net invested capital	14,067	9,032	14,067	9,032	8,558
R&D	7,483	8,162	29,882	27,275	33,232
Headcount	3,890	3,556	3,890	3,556	3,606

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

The Signalling Division operates at an international level, designing and building railway and urban railway signalling components and systems worldwide through four companies: the Italian company Ansaldo Segnalamento Ferroviario 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 Sweden, Finland, Ireland, the United Kingdom, Spain, China, India and Malaysia. The Group also has a large number of long-standing collaboration agreements with organizations in other countries, especially in Korea and Brazil. On 26 March 2007 a new company was formed, Ansaldo STS Deutschland GmbH, with headquarters in Berlin, Germany.
Most of the Group's work is carried out by companies headquartered in Italy, the USA, and France, which together account for about 79% of the division's revenue.

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

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

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

Orders acquired in the third quarter of 2007 came to EUR 115,231 thousand.

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

Country	**Project**	**Customer**	**Value (EUR millions)**
Australia	Rio Tinto project	Rio Tinto	13.8
USA	Components, service and maintenance	Various	11.8
Italy	ACS - Rebaudengo	RFI	11.5
France	CTRL - variation order	URN	9.0
Spain	Los Gavilanes	ADIF	7.4
France	Maintenance	RATP	6.3
Italy	Components, service and maintenance	Various	5.9
Italy	SCMT onboard	Gargano railways	5.7
France	Components, service and maintenance	Various	4.3
Australia	ARTC Projects	ARTC	1.0

Compared with the same period of 2006, orders at 30 September 2007 totalled EUR 492,532 thousand for a decline of around 15% in the volume of new orders, due mainly to the lack of confirmation of volumes by ASF, which was affected by the mentioned slowdown in investments by the Italian railways, and the Asia/Pacific area, which had benefited in 2006 from high volumes of orders in the Australian and, especially, Indian markets.
In particular, ASF still benefits from significant orders for SCMT wayside, combined with additional small orders for on-board SCMT train control systems, initial key orders, especially from a strategic point of view, in Greece and Romania, with an as yet unsatisfying contribution in the area of components and services; Ansaldo STS France received several contracts for the supply of on-board equipment and the change in the Korean high-speed railway order, the change in order for the CTRL Phase 2 contract, the Spanish Los Gavilanes contract, together with a good volume of components; during the period US&S reported the Chambers Street contract for the New York metro, the first orders for CBTC technology in China on the Shenyang line, another two orders in China, respectively, for the extension of the contracts for Binai and Shanghai Line 2, combined with a small volume of orders for component, although they were below expectations; Ansaldo STS Australia received orders for nine ARTC projects and three substantial orders for Rio Tinto (Hope Downs, ATO and Western Creek).

The **order backlog** for the Signalling Division came to EUR 1,231,932 thousand at 30 September 2007 (including transactions with the Transport Division).

Of this total, 49% related to the Italian subsidiary Ansaldo Segnalamento Ferroviario, and was made up of wayside SCMT projects, on-board SCMT projects, interlocking projects for Rogoredo, Mestre and Pisa and for work on the Novara-Milan and Milan-Bologna high speed lines.

The **value of production** for the third quarter of 2007 came to EUR 165,707 thousand, a decrease of EUR 3,574 thousand (- 2%) compared with the same period of last year. The main changes consist of increases of EUR 14,041 thousand and decreases of EUR 17,615 thousand.

The increases are mainly attributable to:

- EUR 11,032 thousand for the Asia/Pacific region subsidiaries (Ansaldo STS Australia PTY, Ansaldo STS Malaysia), a change due to increases for the following projects: the ARTC project (EUR 5,637 thousand), the Rio Tinto project (EUR 2,336 thousand), the Robe River Mining – Western Creek Cape Lambert project (EUR 2,735 thousand), the FMG – Infrastructure Project (EUR 2,276 thousand), the Sinclair Knights Merz – DPU Phase B project (EUR 1,124 thousand), the Abi Group - Port River Expressway project (EUR 1,545 thousand) and due to decreases for the following projects: the Siemens – Rawang Ipoh project (EUR 3,040 thousand), the QR – Macquarie Generation project (EUR 701 thousand), the O'Donnell Griffin project (EUR 774) and other minor projects (EUR 106 thousand);
- EUR 3,009 thousand for the French subsidiary Ansaldo STS France due to increases in TVM 430 / Bi standard - SNCF, Siemens, and electronic treadles – SNCFT activities.

The decreases are mainly attributable to:

- EUR 8,572 thousand for the Italian subsidiary Ansaldo Segnalamento Ferroviario due to the completion of significant orders;
- EUR 8,548 thousand for the American subsidiary US&S, a net change resulting from the increase for the following projects: the NYTC Chambers project (EUR 2,325 thousand), the Thessaloniki project (EUR 291 thousand), the DART SE Extension project (EUR 2,237 thousand), the QN&L project (EUR 455 thousand), the Shanghai Line 2 West project (EUR 737 thousand), and the decrease for the following projects: the CTA Dearborn project (EUR 1,666 thousand), the LIRR M-& Cab project (EUR 953 thousand), the Charlotte project (EUR 690 thousand), the Montreal project (EUR 2,825 thousand), the UP CAD X/OTP project (EUR 6,077 thousand), the WMATA Track Circuit project (EUR 235 thousand), the Shanghai Line 2 Cabs project (EUR 303 thousand), the CTA Dan Ryan project (EUR 211 thousand) and other minor projects (EUR 1,633 thousand).
- The further EUR 495 thousand change concerned other minor Group companies.

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

ANSALDO SEGNALAMENTO FERROVIARIO S.p.A. (ASF)

HIGH-SPEED RAILWAYS

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

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

In addition, work continued on the design, construction and field installation of equipment for fitting out the Milan-Bologna high-speed line. Supplying and installing this line constitutes the greatest undertaking for the current year since installation of the primary line (excluding links with the existing line) is scheduled to be completed and testing of the new line with trains running at the maximum speed (350 km/h) is expected to begin. Finally, the new generation of multistation computerised central apparatus —about which we have high hopes in terms of market potential—is also expected to be installed on this line (domestic and foreign).

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

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

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

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

SCMT WAYSIDE

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

The programme to install the SCMT system on the railway network is nearing completion with the outfitting of the final kilometres of the line on which the system is not yet installed.

The 2007 work load for designing, building, testing and validating SCMT activities is similar to that for 2006. In 2007, ASF has scheduled activities that will result from the imminent acquisition of a significant order for retrofitting lines built and placed into service in the past, the completion of the plan to outfit the remaining kilometres of the line (about 500 km) not yet protected with SCMT, and, finally, the reconfiguration of the devices (about 350 km) dependent on the modernization of the railway infrastructure.

SCMT ON-BOARD/ERTMS

The year 2007 was characterised by the consolidation of production of SCMT equipment at the levels achieved in 2006.

Commitments regarding this line of business are of two types: development and mass production.

Development was characterised by implementation of operation of ERTMS L1 provided in the contract received from ERGA OSE (Greek railways) and collaboration with RFI in setting the requirements for the SSC/SCMT BL3 (a variation on the SCMT).

Mass production continued with Trenitalia on electric traction carriages, but there was an abrupt slowdown for diesel-powered carriages on which the SSC/SCMT BL3 system will probably be installed. In any event, during the year 270 carriages were outfitted.

By contrast, the pace of work to fit out the “top” rolling stock ordered by railway companies not part of the Ferrovie dello Stato or by vehicle manufacturers picked up considerably. The amounts are not significant with regard to Trenitalia, but are rather burdensome due to the variety of technical problems involved. In this regard, mention should be made of the orders by SNCF (the French railway) for 6 TGV trains and by Vossloh (Germany) and Stadler (Switzerland).

LARGE NETWORK SCC (8 CONTRACTS)

During the period, there was an increase of about 50% in the generation of revenues compared with the same period of 2006.

The primary activities concerned the Palermo contract for which activation of the first section is expected this year. There is a natural decrease in volumes related to original contracts for which negotiations are currently under way for recognition of changes and commitments related to the contract extension (concerning orders for the Venice, Genoa and Naples SCC junctions and the Adriatic Axis).

ACC (9 CONTRACTS)

The main activities regard the activation of systems in Venice, Mestre and Pisa, scheduled for 2008, which require considerable planning and production effort, along with the completion of works on the Naples junction and the Messina – Patti line (for which devices are expected to be activated 2007 and early 2008).

ANSALDO STS FRANCE

CTRL SECTION II

During 2006 all of the signalling and designing of the RBC, including the FAT, were completed on time. In general, the contract is progressing as scheduled and currently 96% of the work has been completed.

The Installation – Test & Commissioning activities were completed at all the stations.

Commercial operations up to the new St. Pancras station are currently expected to begin by November.

ATP ON BOARD CHINA

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

In accordance with the commitments undertaken by Ansaldo STS France with MOR and despite the scarcity of test sites built, the TVM and CTCS 2 versions have been in service on three Alstom trains since the start of July and on a Kawasaki train since the end of September.

Despite some improvements over the summer, the system still suffers from problems of instability that may lead to sudden braking of the trains. It should be noted that the project has been plagued by conflict and a high degree of irrationality. MOR refuses to admit that before a train can be put into service there are a minimum number of tests to be performed and adjustments to be made before it can achieve the level of use required, even though this is clearly provided in the contract. The final CTCS 2 version, with the stability corrected, is currently projected for December 2007.

SPANISH HIGH-SPEED LINE

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

With regard to ERTMS Level 2, after the completion of the test phase in June 2006, the final safety case was achieved in June 2007. Spanish authorities continue to maintain the target of opening it to the public in the fourth quarter of 2007, even though there is a lack of available trains and other political priorities make like objective unlikely according to the French subsidiary Ansaldo STS France.

Finally, negotiations for the “Liquidacion” are nearing a successful conclusion and the related changes to the contract are due to be made between the end of 2007 and the start of 2008.

UNION SWITCH & SIGNAL INC.

UP CADX

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

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

With regard to the development of the OTP and the preparation of the FAT, work in moving ahead towards the March 2008 deadline when the milestone for completing the FAT is to be met.

The final portions of the new development will be completed by November when official testing is scheduled to start.
With regard to the specifications for the CAD-X architecture and the analysis of the system requirements, the second release of the specifications was issued to the customer in June as scheduled. Official acceptance by the customer is currently expected for November.
The degree of complexity of the CAD-X architecture, along with the development of the OTP, could cause delays forcing renegotiation of certain contractual milestones with the customer.
As to system maintenance activities, a certain level of stability was apparent through September 2007.

CHARLOTTE

On this project US&S is a subcontractor of the Mass-Aldrige Joint Venture (MAJV). The contract involves the supply of a completely integrated system, including wayside signalling, on-board ATP and TWC equipment, the central office and all the communications systems. The on-board equipment is due to be installed on 16 new LRV locomotives supplied by Siemens and on 4 other existing locomotives. The central office and all communications and related equipment will be designed and supplied by the A&IS business unit of US&S.
The sub-supply contract between Mass Electric Construction and US&S was signed in December 2005. As to the scheduling, the Charlotte Area Transit System (CATS), following further delays in civil works, acknowledged the impossibility of completing the entire system in October and, in any event, before the start-up of commercial operations in November. Two of the stations on the north line are currently far from completion and will not be ready until the end of 2007. The result of these delays in civil works obviously translated into an extension of work by US&S beyond the projected period of November 2007.
With regard to design activities, all the initial activities have been completed, even though the customer’s lack of qualified staff has been a problem in the matter of software development and threatens to frustrate all US&S’s efforts.
As to the manufacture and supplying of materials, all deliveries were made in accordance with contractual requirements and the FAT was approved by the customer. All ten signal houses have

been delivered to Charlotte and installed. All remaining signalling equipment has been processed for delivery to Charlotte.

CTA DEARBORN

On this project, US&S is a subcontractor of Aldridge Electric Inc. (AE). The contract calls for the design, supply and testing of a new automatic train control system and an optional communication system to replace the system currently installed on Chicago's Blue Line/Dearborn-Congress from the Forest Park Terminal to the Jefferson Park station on the O'Hare Service/Kennedy Line.
This project involves ground equipment for 22 miles of line, which is expected to be completed in September 2009.
With regard to work status, the Western and Kedzie locations were completed as scheduled. In July, work began on fitting out the O'Hare line between Jefferson Park and downtown Chicago and is expected to continue until March 2008. Overall, the project is currently 71% complete and is on-target with regard to the supply of materials and circuit designing.

EBIT came to EUR 16,387 thousand in the third quarter of 2007, compared with EUR 19,617 thousand in the third quarter of 2006, a 16.5% decrease (EUR 3,230 thousand).
This change is mainly attributable to the Italian subsidiary, Ansaldo Segnalamento Ferroviario (a decrease of EUR 2,024 thousand). This decline is due to lower production volumes from the SCMT (trackside subsystem) and high-speed projects.

Working capital at 30 September 2007 is a EUR (65,474 thousand), an increase of EUR 4,513 thousand over 31 December 2006 (EUR (69,987 thousand) at 31 December 2006). This is mainly due to the increase in inventories and net works in progress (EUR 52,882 thousand), the increase in the net tax position due to advance payments made (EUR 10,549 thousand) only partially offset by the decline in trade receivables (EUR (36,955 thousand)) and the increase in other liabilities and provisions (EUR (21,963 thousand)). The reduction in trade receivables is primarily attributable the Italian subsidiary of the Signalling Division, Ansaldo Segnalamento Ferroviario S.p.A.

Net invested capital at 30 September 2007 came to EUR 14,067 thousand, compared with EUR 8,558 thousand, representing a change of EUR 5,509 thousand, largely due to the abovementioned change in working capital.

Research and development spending stood at EUR 29,882 thousand at 30 September 2007, compared with EUR 27,275 thousand at 30 September 2006.
The main projects are:

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

The **headcount** at 30 September 2007 was 3,890, an increase of 334 compared with the same period of the previous year and of 284 compared with 31 December 2006.

The growth is largely attributable to the Asia/Pacific area subsidiaries, as a result of the increase in the current and forecast activities, and to a lesser extent to the American subsidiary US&S, which is developing CBTC (Communication Based Train Control), a strategically important project for the entire Ansaldo STS Group.
The reduction by the Italian subsidiary is also the result of the transfer of many employees to the Group Parent Ansaldo STS S.p.A.
The headcount for the French subsidiary has remained almost steady, with a slight decline.

4.2 Transport Systems

(EUR 000)	**Third quarter 2007**	**Third quarter 2006**	**30.09.2007**	**30.09.2006 Pro-forma**	**31.12.2006 Pro-forma**
Orders	494,892	83,701	670,015	508,335	534,340
Order backlog	1,760,886	1,299,518	1,760,886	1,299,518	1,248,130
Value of production	45,012	45,389	157,260	161,748	236,753
EBIT	1,806	1,887	14,179	14,146	21,446
ROS	4.0%	4.2%	9.0%	8.7%	9.1%
Working capital	(136,322)	(165,251)	(136,322)	(165,251)	(171,949)
Net invested capital	(17,166)	(127,239)	(17,166)	(127,239)	(124,304)
R&D	402	364	1,561	1,238	1,985
Headcount	321	328	321	328	327

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

- The Transport Systems Division, consisting of Ansaldo Trasporti Sistemi Ferroviari S.p.A., studies, designs and plans how to integrate the activities of designing and building the equipment that goes into a system – that is, the track, signalling, power supply, telecommunications and vehicles (whether for inter-city or urban railways) as well as any other technological works which, collectively, constitute an integrated transport system. The final product – an integrated transport system, whether an inter-city line or an urban one – is then delivered as a “turnkey” project to the customer. However, the Group can also offer the expertise of the Signalling or Transport Systems Division separately, according to specific customer needs.

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

- the driverless metros of Copenhagen, Brescia and Thessaloniki,
- Naples metro line 1, and Rome metro lines A, B and C,

- light metro 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 civilian works) and Lima,
- tram systems for Florence, Sassari, Birmingham (Midland Metro), Manchester (Metrolink), and Dublin (lines A, B, C),
- STREAM of Trieste,
- parts of the electronic rail systems of line 1 of the Milan metro

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

Orders acquired during the third quarter of 2007 totalled EUR 494,892 thousand and relate to:

Country	Project	Customer	Value (EUR millions)
Italy	Naples Metro Line 6	Napoli Metro	426.0
Italy	Rome Line C	Roma Metro	55.2
Italy	High-speed railway	TAV	4.1

During the same period of last year, new orders acquired came to a total of EUR 83,071 thousand.

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

The **order backlog** at 30 September 2007 totalled EUR 1,760,886 thousand, compared with EUR 1,299,518 thousand at 30 September 2006, and EUR 1,248,130 thousand at December 2006).

These orders are mainly connected with products involving the following:

- high speed trains
- Copenhagen metro

- Concessions relating to the building of the Naples, Rome and Genoa metros
- Brescia and Milan driverless metro
- Rome Line C
- Thessaloniki
- Alifana

The **value of production** in the third quarter of 2007 totalled EUR 45,012 thousand, compared with EUR 45,389 thousand in the third quarter of 2006. This was generated by the projects concerning high-speed rail, Copenhagen, Metrogenova, Alifana, Line 6 of the Naples metro and MetroBrescia.

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

High-speed Railways

With regard to projects in course through the Saturno consortium, responsible for high-speed technological activities on the Rome-Naples section, comments were received from Italferr for the project to execute Operational Lot 2 (the bid was submitted). The planning phase continues for the Novara-Milan section and the General Contractor has given delivery of the sites. Installations on the Milan-Bologna section are almost complete and negotiations are under way relating to the bid submitted for certain changes.

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

With regard to the second lot, the supply of crushed stone at the Gricignano storage area continued. Discussion with customer is under way to redefine the new works programme that will implement the change for technological works.

Metrogenova

During the period, work concentrated mainly on the new De Ferrari-Brignole section.

Excavations are being conducted for the third service shafts for the Corvetto-Acquasola work site in preparation for the excavation to enlarge the station, which will begin in January 2008. To make up for stoppage of work on the Brignole service shaft due to the discovery of archaeological finds of special national significance which it expected to continue through December, in June, it was decided to go forward with the excavation of the train tunnel on the Brignole station–Brignole shaft section, across from the Brignole station/RFI area, contrary to what is provided in the contract schedule.

Upgrades to the land-train radio system on the Brin-De Ferrari section have been completed.

As to other Metrogenova-related orders, the final invoice for the delivery of ten second-generation vehicles was issue and the final invoices for work on the S.Giorgio-Sarzano and Sarzano-De Ferrari sections will be issued by the end of the year.

ALIFANA REGIONAL LINE

Construction is largely completed on the sub-section from Giugliano to Aversa Centro (not affected by delivery of areas by the Grantor), both in terms of line installations and equipment. Installation of the Aversa Centro station is also essentially completed. Work on the Aversa Ippodromo and Giugliano stations is at an advanced stage and should be completed by the end of November due to a number of changes requested by the Grantor.

The Customer formally notified ATI of problems it is encountering in building the Piscinola – Miano – Rampe line and requested that it prepare a proposal for placing just the Piscinola/Scampia – Aversa Centro line into service by 2008. The proposal is being prepared by ATI.

NAPLES METRO LINE 6

Final activities for compliance with certain technical requirements contained in the USTIF testing committee’s certification have been completed on the Mostra-Mergellina sub-section as were a series of interventions related to works fully reimbursed by the City of Naples.

With regard to strictly contractual matters, the adjustment survey of the 1st Rider Contract through the 5th Rider Contract, which shall determine the value of the final state of completion report, is being defined with the Works Supervisor.

As to the works relating to the extension of Line 6, as already mentioned, on 28 September 2007 the City of Naples and the Grantee ATSF signed the 6th Rider Contract to the original agreement of July 1986 for the total amount of around EUR 588 million (VAT included). This Rider, which regards the drawing up of plans and the carrying out works on the Mostra/Mergellina-S.Pasquale-Municipio line, removes the constructive and administrative restrictions imposed by the record of delivery of pre-contractual works and the service order which authorised the realisation and consequent accounting of 80% of the value of the work performed.

Work on the construction of the shaft for the San Pasquale station is scheduled to begin by the end of the year.

METRO BRESCIA:

The company has completed about 96% of the planning and is continuing tests of technological works, specifically on electricity supply systems, the fittings, and the plant area for the third-rail sub-system and the telecommunications sub-systems.

With regard to the civil works for which the partner is responsible, the shield tunnel boring machine arrived at the railway station on 25 September. Scheduled maintenance work is now being conducted, with work set to resume in mid-November. With regard to the area in which archaeological finds have been made, work is continuing on relocating the sub-systems near the San Faustino station and relocation of the sub-systems and consolidations in the Vittoria station area is being carried out. Along the entire line, work continues on relocating sub-systems and building the almost completed structures in the plant area where work has begun to add the first-level finishing touches and the installation of the underground installations. Raw materials have been delivered to the plant area and, in October, the first fitting sub-contractor arrived on site. Main supply activities are under way for the portion of rolling stock for which Ansaldobreda is responsible and assembly of the carriage bodies at the Reggio Calabria site is scheduled to start in November.

COPENHAGEN

In 2007, work continued on the building and installation of the signalling and obstacle detection system for the extension of the metro towards Copenhagen airport which opened to the public on 28 September (phase 3).

EBIT for the third quarter of 2007 was EUR 1,806 thousand (4.0% of revenue), substantially in line with the EUR 1,887 thousand for the same period of last year (4.2% of revenue).

Working capital at 30 September 2007 came to EUR (136,322 thousand), a change of EUR 35,627 thousand compared with the EUR (171,949 thousand) registered at 31 December 2006, attributable to growth in work in progress and a decline in advances from customers relating to increased production and reduced billing during the period.

Net invested capital at 30 September 2007 was negative EUR 17,166 thousand, an increase of EUR 107,138 thousand compared with negative EUR 124,304 thousand at 31 December 2006. This change is due to the change in working capital mentioned above, and especially due to the increase in investments in subsidiaries as a result of the acquisition of Ansaldo Segnalamento Ferroviario in July for EUR 76,298 thousand.

Research and development spending stood at EUR 1,561 thousand at 30 September 2007, a slight increase (up EUR 323 thousand) on the same period of the previous year (EUR 1,238 thousand).

The **headcount** at 30 September 2007 was 321, while the average for the period came to 313.

This is a decrease of 7 on the same period the previous year, a portion of whom were transferred to the parent company Ansaldo STS S.p.A..

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

5 Financial statements and explanatory notes to the consolidated quarterly report

5.1 Financial Statements

5.1.1 Profit and loss account

(EUR 000)	***Third quarter 2007***	***Third quarter 2006***	***Value at 30.09.2007***	***Value at 30.09.2006***
Revenue	186,984	168,976	599,910	469,265
Revenues from related parties	17,974	40,683	66,381	64,225
Other operating revenues	951	1,412	7,255	5,498
Other operating revenues from related parties	14	672	1,364	876
Purchases	(30,568)	(23,730)	(149,868)	(109,135)
Service costs	(82,734)	(95,929)	(231,500)	(200,605)
Costs from related parties (net of recoveries)	(10,943)	(14,661)	(29,798)	(37,625)
Staff costs	(59,469)	(54,912)	(187,992)	(133,304)
Changes in inventories, semi-finished products and finished goods	212	504	3,106	3,713
Amortisation and depreciations	(2,379)	(2,461)	(7,073)	(6,082)
Other operating costs	(2,913)	(3,283)	(9,983)	(9,946)
Capitalised costs for internally produced assets	76	-	243	197
EBIT	**17,205**	**17,271**	**62,045**	**47,077**
Financial income	1,222	635	4,626	3,418
Financial income with respect to related parties	1,376	1,445	4,421	2,697
Financial expense	(1,842)	(1,305)	(6,271)	(4,291)
Financial expense with respect to related parties	(43)	(161)	(129)	(540)
Effect of valuation of equity investments accounted for using equity method	35	-	35	-
Profit (loss) before taxes	**17,953**	**17,885**	**64,727**	**48,361**
Income tax	(9,573)	(8,893)	(27,988)	(26,093)
Net profit (loss)	**8,380**	**8,992**	**36,739**	**22,268**
Group	8,345	8,958	36,650	22,205
Minority interest	35	34	89	63
Earnings per share				
Basic and diluted	0.08	0.09	0.37	0.22

5.1.2 Balance sheet

Balance sheet *(EUR 000)*	***30.09.2007***	***31.12.2006***	***30.09.2006***
Non-current assets			
Intangible fixed assets	50,370	45,093	41,819
Tangible fixed assets	91,839	91,770	93,997
Equity investments	28,975	28,582	28,503
Receivables	15,692	15,494	8,612
Non-current receivables from related parties	-	-	-
Deferred taxes	44,383	39,975	30,764
Other assets	28,413	29,640	29,993
	259,672	250,554	233,688
Current assets			
Inventory	106,824	96,540	91,379
Contract work in progress	137,228	78,292	89,033
Trade receivables	248,529	266,522	244,802
Current receivables from related parties	131,804	176,830	139,901
Tax credits	12,215	7,698	18,152
Financial receivables	-	-	-
Derivatives	821	282	78
Other current assets	16,512	24,910	19,708
Cash and cash equivalents	66,226	48,580	43,389
	720,159	699,654	646,442
Total assets	**979,831**	**950,208**	**880,130**
Shareholders' equity			
Share capital	49,950	49,950	42,988
Other reserves	110,373	76,329	63,643
Group's shareholders' equity	160,323	126,279	106,631
Minority interests	372	360	359
Total shareholders' equity	**160,695**	**126,639**	**106,990**
Non-current liabilities			
Non-current payables to related parties	-	-	-
Financial debt	8,041	8,475	9,753
Severance pay and other staff provisions	33,023	30,612	30,203
Provisions for risks and charges	-	-	-
Deferred taxes	7,681	7,337	6,639
Other liabilities	8,791	6,910	6,610
	57,536	53,334	53,205
Current liabilities			
Advances from customers	462,849	475,124	434,503
Trade payables	154,035	143,536	146,194
Current payables to related parties	16,528	27,682	15,682
Short-term financial payables	9,099	13,984	2,989
Taxes payable	23,232	23,114	32,734
Provisions for risks	23,445	22,310	26,249
Derivatives	8,149	1,540	604
Other current liabilities	64,263	62,945	60,980
	761,600	**770,235**	**719,935**
Total liabilities	**819,136**	**823,569**	**773,140**
Total liabilities and shareholders' equity	**979,831**	**950,208**	**880,130**

5.1.3 Statement of cash flow

Cash Flow *(EUR 000)*	***30.09.2007***	***31.12.2006***	***30.09.2006***
Cash flow from operations			
Gross cash flow from operations	63,397	78,092	49,440
Change in working capital	(27,639)	(30,987)	37,088
Changes in other operating assets and liabilities, taxes, and interest	(11,031)	(37,831)	(25,487)
Cash flow from (for) operations	24,727	9,274	61,041
Cash flow from investing activities			
Company acquisitions, net of cash acquired	(639)	(58,639)	(86,805)
Investments in tangible and intangible fixed assets	(12,986)	(13,578)	(9,858)
Sale of tangible and intangible fixed assets	18	139	-
Dividends received	339	397	397
Other investments	(2,380)	228	(6,788)
Cash flow from (for) investing activities	**(15,648)**	**(71,453)**	**(103,054)**
Cash flow from financing activities			
Net change in other financial debts	8,699	50,240	91,062
Capital increases	-	60,169	60,169
Dividends paid	-	-	(66,043)
Dividends paid to minority shareholders	-	-	
Cash flow from (for) financing activities	**8,699**	**110,409**	**85,188**
Net decrease in cash and cash equivalents	17,778	48,230	43,175
Foreign exchange translation differences	(132)	326	190
Cash and cash equivalents at 1 January	48,580	24	24
Cash and cash equivalents at period-end	**66,226**	**48,580**	**43,389**

5.1.4 Changes in shareholders' equity

Shareholders' Equity	**Share capital**	**Retained earnings/losses carried forward**	**Other reserves**	**Total Group shareholders' equity**	**Minority interests**	**Total shareholders' equity**
(EUR 000)						
Shareholders' equity at 31 December 2005	**39,950**	**(2,490)**	**37**	**37,497**	**-**	**37,497**
Changes in the basis of consolidation and other minor items	-	(84,406)	74,093	(10,313)	320	(9,993)
Foreign exchange translation differences	-	-	(2,300)	(2,300)	(24)	(2,324)
Income (expense) recognized directly in equity	-	-	(853)	(853)	-	(853)
Net change in the reserve for stock grant plans	-	-	226	226	-	226
Profit at 30 September 2006		22,205		22,205	63	22,268
Capital increase/coverage of loss	10,000	2,490	47,679	60,169	-	60,169
Shareholders' equity at 30 September 2006	**49,950**	**(62,201)**	**118,882**	**106,631**	**359**	**106,990**
Shareholders' equity at 31 December 2006	**49,950**	**101,413**	**(25,084)**	**126,279**	**360**	**126,639**
						-
Changes in the basis of consolidation and other minor items	-	-	(945)	(945)	(66)	(1,011)
Foreign exchange translation differences	-	(66)		(66)	(11)	(77)
Income (expense) recognized directly in equity	-	-	(3,845)	(3,845)	-	(3,845)
Profit at 30 September 2007		36,650		36,650	89	36,739
Net changes for stock grant plans	-	-	2,250	2,250	-	2,250
Other changes	-	(909)	909	-	-	-
Shareholders' equity at 30 September 2007	**49,950**	**137,088**	**(26,715)**	**160,323**	**372**	**160,695**

5.2 General Information

Ansaldo STS is a company limited by shares based at Via Paolo Mantovani 3/5, Genoa, and has been listed on the Italian stock exchange (Star segment) since 29 March 2006. Ansaldo STS S.p.A. is a subsidiary of Finmeccanica S.p.A., whose headquarters are at Piazza Monte Grappa 4, Rome, is listed on the Italian stock exchange (S&P/MIB), and directs and supervises the activities of Ansaldo STS.

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

The Ansaldo STS Group grew out of the transport signalling and systems operations which, until the second half of the 1990s, were carried out by Ansaldo Trasporti within the Finmeccanica group. The formation of Ansaldo Signal in 1996 and of Ansaldo Trasporti Sistemi Ferroviari in 2001 (together with the formation of AnsaldoBreda, for the vehicles segment, the same year) produced a reorganization of the entire Transport Division, as a result of which Finmeccanica held a 100% stake in Ansaldo Signal, Ansaldo Trasporti Sistemi Ferroviari and AnsaldoBreda.

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

Following Finmeccanica's strategic decision in the second half of 2005 to list its signalling and transport systems companies on the stock exchange (having previously put in place a unitary management structure to enhance their business and commercial synergies) the EuroSkyway Srl shareholders' meeting, through its sole shareholder, Finmeccanica, decided at the end of 2005 to revoke the company's state of liquidation and transform it into a company limited by shares, to change its own name to Ansaldo STS SpA, and to change its business object, focusing on signalling and transport systems for railways and urban rail systems.

To complete the above reorganization, in February 2006 Ansaldo STS, as already stated, acquired from Finmeccanica the entire share capital of Ansaldo Signal NV and Ansaldo

Trasporti Sistemi Ferroviari SpA. From 29 March 2006 Ansaldo STS was listed on the stock exchange.

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

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

The Signalling Division designs and builds signalling systems, subsystems and components, whereas the Transport Systems Division designs and builds integrated transport systems, of which signalling is an essential part. Moreover, the Transport Systems Division studies, designs and plans how to integrate the activities of designing and building the technological equipment that goes to make up a system - that is, the track, signalling, power supply, telecommunications, and vehicles (whether for inter-city or urban railways) as well as any other technological works which, collectively, constitute an integrated transport system. The final product - an integrated transport system, whether an inter-city line or an urban one - is then delivered as a “turnkey” project to the customer. However, the Group can also offer the expertise of the Signalling or Transport Systems Division separately, according to specific customer needs.

5.3 Basis of preparation

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

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

The quarterly consolidated report of the Ansaldo STS Group at 30 September 2007, as required by Article 82 of the Issuers Regulation 111971/99 and subsequent amendments, has been prepared in accordance with IAS 34 'Interim Financial Reporting', issued by the International Accounting Standard Board ("IASB"), as endorsed on the date of this report.

In preparing this consolidated report, management made use of estimates.

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

All figures are in thousands of euros unless otherwise indicated.

5.4 Accounting standards adopted

Consolidation method

For the purposes of consolidation, the accounts of the companies controlled, directly or indirectly, by Ansaldo STS, prepared in accordance with the IFRS as used by the Ansaldo STS Group, were used. In this instance control may be exercised either through the possession - direct or indirect - of a majority of shares with voting rights, or through the exercise of a dominant influence, the power to determine, even indirectly via legal or contractual agreements, companies' financial and management decisions and thus enjoy the relevant benefits, even without any shareholding being involved. The existence of potential voting rights that may be exercised as at the reporting date is taken into account in determining where control lies.

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

- assets and liabilities, costs and revenues of the consolidated companies are incorporated line by line in the consolidated accounts allotting, where applicable, to minority shareholders the portion of shareholders' equity and net profit due to them in the period in question. Minority interests are listed separately in the consolidated shareholders' equity and profit and loss account;
- Business combinations that result in the gaining of control of a given entity are entered using the purchase method. The cost of acquisition corresponds to fair value, as at the date of acquisition, of the assets taken over, the liabilities taken on, the equity securities issued and all other charges applicable. The difference between the cost of acquisition and the current value of the assets and liabilities obtained at the date of acquisition, if a

positive figure, is entered as an asset under “goodwill”; if it is a negative figure, after review of the current values of assets and liabilities acquired, it is entered in the profit and loss account;

- Unrealised profits and losses deriving from transactions conducted between Group companies and third parties are eliminated if they are significant, as are reciprocal debts and credits, costs and revenues, and financial expense and income deriving from transactions between fully consolidated companies;
- Profits or losses deriving from the sale of shareholdings in consolidated companies are entered in the profit and loss account. The amount entered is the difference between the sale price and the corresponding shareholding sold.

Ansaldo STS’s acquisition of 100% of Ansaldo Signal and of Ansaldo Trasporti-Sistemi Ferroviari was, under IFRS 3, a “common control” transaction, that is, a business combination in which all the companies or operations concerned are controlled by the same company or companies both before and after the merger, and in which this control is not temporary. The manner in which such transactions appear in the accounts is not, at present, regulated by IFRSs, and therefore, as indicated by international financial reporting standards, we have adopted a “similar” set of accounting standards. In the event, it was decided that such operation should be recognized in the accounts of the company surviving the merger, using the figures in the accounts of the controlling company. Therefore, the carrying values of the businesses reflect the figures of the three above-mentioned companies that appear in Finmeccanica’s accounts at the date of acquisition. In calculating these figures, the following accounting operations were carried out:

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

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

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

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

- Assets and liabilities are translated using the exchange rates prevailing at the reporting date of these financial statements;
- Costs and revenues are translated using the average exchange rate during the period;
- The "translation reserve" covers exchange rate differences generated by both the translation of operating results at an exchange rate different from the closing and/or purchase exchange rate and the translation of opening shareholders' equity at an exchange rate different from the exchange rate prevailing at the closing of the reporting period;
- Goodwill and adjustments deriving from fair value relating to the acquisition of a foreign company are treated as assets and liabilities of the foreign company, and converted at the closing exchange rate for the period;

- In preparing the consolidated accounts, average exchange rates for the period have been used for translating cash flows of foreign subsidiaries.

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

	At 30/09/2007	**At 30/09/2006**	**9-month average at 30/09/2007**	**9-month average at 30/09/2006**
US$	1.4179	1.2660	1.3896	1.2435
CAD	1.4122	1.4136	1.4273	1.4092
GBP	0.6968	0.6777	0.6889	0.6844
HK$	11.0060	9.8640	10.8151	9.6549
SEK	9.2147	9.2797	9.2835	9.3050
AU$	1.6073	1.6992	1.6445	1.6670
INR	56.4060	58.0000	55.8954	56.2321
MYR	4.8320	4.6684	4.8250	4.5753
BRL	2.6150	2.7515	2.6464	2.7116
CNY	10.6430	10.0308	10.4666	9.9595
VEB	3,044.66	2,728.46	2,987.76	2,668.37

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

List of companies accounted for using the equity method

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

List of companies accounted for at cost

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

Summary of accounting policies and measurement criteria

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

The following are the main accounting policies adopted.

Tangible fixed assets

These are valued at cost or production cost, net of accumulated depreciation and any impairment. The cost includes every charge directly incurred in using them, as well as any charges relating to decommissioning or removal that will be sustained as a result of contractual obligations that demand that the asset be returned to its original state. Any interest charges relating to the construction of tangible fixed assets are charged to the profit and loss account.

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

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

The depreciation periods used are as follows:

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

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

If an asset to which depreciation is applied is made up of identifiable elements whose useful life is significantly different from that of other parts that make up the asset, depreciation is calculated separately for each part that makes up the asset, in keeping with the “component approach”.

Profits and losses deriving from the sale or disposal of assets are calculated as the difference between the proceeds from the sale and the net accounting value of the asset disposed of, and are entered in the profit and loss account for the year in question.

Civil buildings are valued according to the revalued cost method stipulated by IAS16. This consists of revaluing assets so that they are brought in line with fair value at the date of the revaluation, less accumulated depreciation and any loss of value. The revaluation is entered in an equity reserve and transferred directly to retained earnings when the revalued amount is realized.

Intangible fixed assets

These are made up of non-monetary elements, which are identifiable and not physical, and which are capable of generating future economic benefits. These elements are entered as their cost of acquisition and/or production, including expenses directly attributable to preparing the asset for use, net of accumulated amortization and any loss of value. Any interest charges accrued during and as a result of development of intangible fixed assets are charged to the profit and loss account. Amortization begins when the asset is ready for use and, and is expensed out on a straight-line basis in accordance with its estimated useful life.

(i) Goodwill

Goodwill posted under intangible assets relates to business combinations and represents the difference between the cost of acquisition of a company or a going concern and the algebraic sum of the values assigned, based on the values at the date of purchase, to each asset and liability of that company or going concern. Since goodwill has an indefinite useful life, it is not subject to amortisation, and is tested for impairment at least annually, except where the market and management indicators indicated by the Group show that goodwill should be tested for impairment in interim accounts as well. In order to conduct the impairment test, goodwill is allocated to individual cash generating units (CGUs), that is, to the smallest financially independent business units through which the Group operates.

(ii) Licenses and similar rights

For licenses and similar rights amortization is calculated on a straight-line basis, so that the cost borne in acquiring a right is allocated over the shorter between the period of expected use and the duration of the relevant contracts, starting from the time the acquired right can be exercised.

Licenses that are acquired and relate to software are capitalized on the basis of the costs sustained in acquiring them. Amortization is calculated on a straight-line basis over their expected useful life of 3 years.

(iii) Software costs

The costs related to the development and maintenance of software programs are recognized as costs when incurred. Costs that are directly connected with the production of unique, identifiable software controlled by the Group that generate future financial benefits over a period exceeding one year are entered as intangible assets. Direct costs include the costs related to employees who develop the software as well as any appropriate share of the general costs. Amortization is calculated on a straight-line basis over the expected useful life of the software (3 years) beginning when the asset is available and ready for use.

(iv) Research and development costs

Research costs are entered in the profit and loss account for the year in which they are incurred.

An intangible fixed asset that is generated internally and relates to development costs is entered in the accounts only if all the following conditions are simultaneously met:

- The asset can be identified;
- It is capable of generating future economic benefits;
- Its development cost can be reliably measured;
- There is a market for the product generated by such development.

If these conditions are not met, development costs are expensed as incurred. Development costs are capitalized only when the four conditions listed above are met and are amortized at on a straight-line basis over their entire useful life.

<u>Leased assets</u>

Assets held via finance leases, through which the risks and benefits pertaining to ownership are essentially transferred to the Group, are recognized as assets belonging to the Group at their current value or at the present value of the minimum payments owed to the lessor, whichever is lower. The corresponding liability towards the lessor is entered in the accounts as a financial debt. These goods are depreciated in accordance with the methods and criteria applicable to tangible fixed assets.
Leases in which the lessor essentially retains the risks and benefits incidental to ownership of the assets are recognized as operating leases. The costs relating to operating leases are entered on a straight-line basis in the profit and loss account throughout the leasing contract's duration.

<u>Impairments of assets</u>

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

Financial instruments

These include financial assets and liabilities whose classification is determined when they are first entered in the accounts according to the purpose for which they were acquired. Acquisitions and sales of financial instruments are entered in the accounts on the date of the transaction, or on the date on when the Group committed itself to buying or selling the assets.

Financial assets

Financial assets are classified, when first entered into the accounts, in one of the following categories, and valued as explained below:

Loans and receivables: these financial instruments chiefly relate to trade receivables, are non-derivative, are not listed on an organized exchange and do not yield fixed or foreseeable payments. They are reported as current assets, with the exception of those due beyond 12 months after the reporting date, which are classified as non-current assets. Such assets are valued at amortized cost on the basis of the effective interest rate method. If there has been objective evidence of loss of value, the asset is written down so as to equal the discounted value of future income. Impairment losses are entered in the profit and loss account. If in succeeding years the reasons for previous write-downs no longer apply, the value of such assets is restored up to the value they would have had if the amortized cost had been applied and the asset had not been written down:

Investments available for sale: these are non-derivative financial instruments that are designated as such, and fit in none of the above categories. Such instruments are reported at fair value, and the gains or losses from valuation are charged to an equity reserve and are reversed to profit and loss account only when the financial asset is effectively sold or, in the event of cumulative negative change, when it is clear that the loss of value already entered in the equity reserve cannot be recovered. Whether such assets are classified as current or non-current depends on strategic choices regarding the length of time the asset is owned and on whether it can be traded; assets that are expected to be sold within 12 months of the date of the accounts are reported as current.

Financial assets are removed from the balance sheet when the right to receive cash flow from an instrument expires and the Group has effectively transferred all the risks and benefits relating to the instrument, as well as control over it.

Financial liabilities

These relate to financing, trade payables, and other obligations to pay; they are valued at amortized cost, using the effective interest rate method. If there is a change in the expected cash flow and it is possible to estimate these reliably, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the internal rate of return originally determined. Financial liabilities are classified as current liabilities, except where the Group has an unconditional right to defer their payment for at least 12 months after the reporting date.

Financial liabilities are removed from the accounts when they are repaid, and the Group has transferred all the risks and charges relating to them.

Derivative instruments

The Group uses derivatives contracts to hedge exchange rate risk.

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

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

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

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

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

Determining fair value of financial instruments

The fair value of financial instruments listed on markets is set using the bid price on the last day of the reporting period. In the absence of an active market, fair value is set with reference to the prices provided by outside suppliers and using valuation models based chiefly on objective financial variables, while also taking into account, where possible, the prices paid in recent transactions and the listed prices of comparable financial instruments.

Inventory

Inventory is valued at the lower of cost or production cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and semi-finished products includes the cost of raw materials, direct labour costs, and indirect costs incurred in the course of normal production.
The net realizable value is determined on the basis of the estimated sale price under normal market conditions, net of direct sale costs.
Based on the value of inventory as determined above, provisions are made to allow for inventory that is considered obsolete or slow-moving.

Work in progress

Work in progress is entered using the degree of completion (or percentage of completion) method, in which revenue is counted on the basis of how far advanced work is. The criterion applied by the Group is that of the percentage of completion in the “cost to cost” application procedure.

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, other highly liquid short-term investments (which can be converted into cash within 90 days) and the current account overdraft (the last is entered among current liabilities). Cash and cash equivalents are recognised at fair value.

Shareholders' equity

Share capital

The share capital is represented by capital subscribed and paid-up. Costs closely connected with the issue of shares are classified so as to decrease share capital, net of deferred taxes, if any, if they are directly attributable to capital transactions.

Treasury stock

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

Retained earnings/(losses) carried forward

These include earnings and losses for the year and the previous years in respect of the portion that has not been distributed nor accrued to a reserve (in the case of profits) or that is to be made good (in the case of losses). This also includes transfers from other equity reserves when the underlying obligation is discharged, as well as the effects of the recognition of changes in accounting standards and material errors.

Other reserves

These also include the fair value reserve in respect of items accounted for at fair value through equity, the cash flow hedge reserve regarding the recognition of the effective portion of hedges and the stock option /grant reserve in respect of the recognition of defined-benefit plans as holdings of capital.

Employee benefits

The Group uses a variety of retirement or supplementary pension that may be classified as follows:

- *Defined-contribution plans* in which the company pays a set amount to a separate entity (e.g. a fund) and has no legal or constructive obligation to pay additional contributions in the event the appointed entity has insufficient assets to pay the benefits relating to the service rendered during the period of employment. The company only recognises the contribution to the plan once the employees have rendered their services in exchange for these contributions;

- *Defined-benefit plans* in which the company is required to provide agreed benefits for current and former employees and to assume the actuarial and investments risks related to the plan. Therefore, the cost of the plan cannot be determined based on the contributions owed in exchange for work, but rather is recalculated based on actuarial, financial and economic assumptions. The "projected unit credit" method is used. Severance pay ("trattamento di fine rapporto" or T.F.R.), as described in Article 2120 of the Italian Civil Code, is treated as a defined-benefit plan.

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

With regard to severance pay, which was recognised as a defined-benefit plan through 31 December 2006, Law 296 of 27 December 2006 ('2007 Finance Law') and subsequent Decrees and Regulations issued in 2007 introduced, as part of the reform of the social security system, significant changes as to where to allocate the severance pay provision.
Specifically, the employee may choose to put the new accruals to the severance pay provision in supplementary pension schemes of his choice, or to keep them at the company (for companies with less than 50 employees), or to transfer them to INPS (for companies with more than 50 employees). Based on these regulations, and on the generally accepted interpretations, the Group believed that:

- for the severance pay accrued at 31 December 2006, the provision is a defined-benefit plan to be measured using actuarial rules but without including future pay increases. The resulting difference was treated as a curtailment in accordance with the provisions of Section 109 of IAS 19 and, as a result, was recognised in the profit and loss account together with previously unrecognised actuarial gains and losses in compliance with the corridor approach. The estimated effects of this curtailment are described in Section 6.3. To this regard, the effect has been estimated based on the information now available, which is still incomplete and uncertain, given that the option appears to have been exercised mainly in the final days of the half–year 2007;

- for the severance pay accruing after 31 December 2006, the nature of supplementary pension funds and of funds allocated to the INPS treasury fund is that of a defined-contribution plan, without including actuarial estimates in the determination of the portion of cost attributable to the period.

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

Equity compensation benefits

The Company compensates its top managers through stock grant plans as well. in these cases, the theoretical benefit of the persons concerned is charged to the profit and loss accounts for the years of the plan through an equity reserve. This benefit is quantified by measuring the fair value of the awarded instrument also through financial valuation techniques, including market conditions, if necessary, and adjusting the number of rights that are expected to be awarded at each reporting date or interim reporting date.

Provisions for risks and charges

These are entered as a result of losses and charges of a particular type. These are either certain or probable but cannot, at the reporting date, be quantified, and/or their timing cannot be foreseen.

These are entered only when there is a current obligation (legal or implicit) for future cash outlays as a result of past events and it is likely that such outlays will be demanded in fulfilment of the obligation. The provision made represents the best estimate of the present value of the expenditure required to meet the obligation. The discount rate used in setting the present value of the liability reflects current market values and includes the further effects of the specific risk associated with each liability.

Risks for which a liability is only a possibility are mentioned in the relevant information section on commitments and risks. No provision is made for these.

Translation of accounting entries in currencies other than the euro

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

Revenue recognition

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

Grants

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

Costs

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

Financial income and expense

Interest income and expense are recognised on the accrual basis of accounting using the effective interest method, i.e. using the interest rate through which all the inflows and outflows (including any income, unamortised discounts, commissions, etc.) of a given transaction are made financially equivalent. Financial expense is not charged as an asset.

Dividends

These are recognised when the shareholders' right to receive payment is established; this normally happens when the shareholders' meeting authorises the distribution of dividends. Distribution of dividends is thus entered as an asset in the year in which it is approved by the shareholders' meeting.

Taxes

Income taxes are recognised based on estimated taxable income in accordance with applicable provisions, taking into account applicable exemptions, if any, and the relevant tax credits.

Deferred taxes are assessed on all the temporary differences that arise between the taxable amount of an asset or liability and its book value, with the exception of goodwill and those relating to temporary differences resulting from shareholdings in subsidiaries, when the timescale governing the reversal of such differences is within the Group's control and it is likely that they will not be reversed within a reasonable time. Deferred tax assets, including tax loss carryforwards, for the portion that is not offset by deferred tax liabilities, are recognized to the extent that it is probable that there will be future taxable income against which they can be applied. Deferred taxes are assessed using tax rates that will be applicable to the years in which temporary differences will be realized or cancelled out.

Current and deferred taxes are entered in the profit and loss account, with the exception of those relating to accounting entries that are directly debited or credited to equity, in which case the tax effect is applied directly to shareholders' equity. Current and deferred taxes are offset when the income tax is applied by the same tax authority, there is a legal set-off right and the net balance is expected to be collected.

Transactions with related parties

Related party transactions are made at arm's length.

Critical accounting estimates and assumptions

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

Risk provisions and estimates of final costs of long-term contracts: the Group operates in business segments with especially complex contractual frameworks, which are entered in the accounts via the percentage of completion method. The operating margins in the profit and loss account are a function both of the progress on a particular contract and of the operating margins that are expected to be recognized once the whole project is complete. Therefore, the correct assessment of work in progress and the operating margins expected from unfinished work requires a correct estimate on the part of management of the final costs and the estimated increases, as well as of the delays, cost overruns, and penalties that may reduce the expected operating margins. To provide a sounder basis for management estimates, the Group has equipped itself with procedures for managing and analysing contract risks, which aim to identify, monitor, and quantify the risks relating to the carrying out of these contracts. The figures entered in the accounts are management's best estimate at the time, made with the help of the above-mentioned procedures. Moreover, the Group operates in segments and markets where many problems are resolved only after a significant time-lag, especially in cases where the customer is a public body, which obliges management to forecast the results of such disputes. Estimates of final costs depend on factors that may change over time and which could therefore produce a significantly different outcome from that expected by directors at the time the consolidated quarterly figures are drawn up.

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

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

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

6 Segment reporting

6.1 Primary segment

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

The results of the divisions for the third quarter of 2007, compared with those for the same period the previous year, are as follows:

(EUR 000)	***Third quarter at 30 September 2007***				
	Signalling Division	*Transport Systems Division*	*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 revenue	885	64	2	-	951
Other operating revenue from related parties	19	60	859	(924)	14
Purchases	(25,550)	(4,804)	(6)	(208)	(30,568)
Service costs	(55,022)	(25,700)	(3,101)	1,089	(82,734)
Costs with respect to related parties (net of recoveries)	(12,888)	(7,356)	12	9,289	(10,943)
Staff costs	(52,811)	(5,087)	(1,133)	(438)	(59,469)
Changes in work in progress, semi-finished products, finished products, and goods	212	-	-	-	212
Amortization, depreciation and write-downs	(1,737)	(170)	(472)	-	(2,379)
Other operating costs	(2,504)	(213)	(196)	-	(2,913)
(+) Capitalized costs of internally produced assets	76	-	-	-	76
EBIT	**16,387**	**1,806**	**(988)**	**-**	**17,205**
Financial income	1,785	(2)	2	(563)	1,222
Financial income with respect to related parties	1,128	1,019	37,154	(37,925)	1,376
Financial expense	(2,586)	(120)	(55)	919	(1,842)
Financial expense with respect to related parties	(82)	(6)	(1,524)	1,569	(43)
Effects of valuation of shareholding with equity method	35	-	-	-	35
Profit (loss) before taxes	**16,667**	**2,697**	**34,589**	**(36,000)**	**17,953**
Income tax	(8,371)	(1,103)	(99)	-	(9,573)
Net profit	**8,296**	**1,594**	**34,490**	**(36,000)**	**8,380**
Group	8,261	1,594	34,490	(36,000)	8,345
Minority interest	35	-	-	-	35
Investments	4,735	104	88	-	4,927

(EUR 000)	Third quarter at 30 September 2006				
	Signalling Division	*Transport Systems Division*	*Other operations*	*Eliminations*	*Total*
Revenues	133,957	37,436	-	(2,417)	168,976
Revenues from related parties	35,324	7,953	1,915	(4,509)	40,683
Other operating revenue	972	441	(1)	-	1,412
Other operating revenue from related parties	926	76	444	(774)	672
Purchases	(18,282)	(5,415)	(2)	(31)	(23,730)
Service costs	(70,332)	(23,508)	(2,089)	-	(95,929)
Costs with respect to related parties (net of recoveries)	(12,150)	(9,418)	(972)	7,879	(14,661)
Staff costs	(47,515)	(5,045)	(2,204)	(148)	(54,912)
Changes in work in progress, semi-finished products, finished products, and goods	504	-	-	-	504
Amortization, depreciation and write-downs	(1,860)	(153)	(448)	-	(2,461)
Other operating costs	(1,927)	(480)	(876)	-	(3,283)
(+) Capitalized costs of internally produced assets	-	-	-	-	-
EBIT	**19,617**	**1,887**	**(4,233)**	**-**	**17,271**
Financial income	1,301	378	32	(2,471)	(760)
Financial income with respect to related parties	104	1,047	813	(1,595)	369
Financial expense	(1,264)	(140)	(76)	31	(1,449)
Financial expense with respect to related parties	(17)	(7)	(1,596)	1,564	(56)
Effects of valuation of shareholding with equity method	-	-	-	-	-
Profit (loss) before taxes	**19,741**	**3,165**	**(5,060)**	**(2,471)**	**15,375**
Income tax	(7,541)	(1,352)	-	-	(8,893)
Net profit	**12,200**	**1,813**	**(5,060)**	**(2,471)**	**6,482**
Group	12,166	1,813	(5,060)	(2,471)	6,482
Minority interest	34	-	-	-	-
Investments	3,318	115	25		3,458

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

	30 September 2007			
	Signalling Division	*Transport Systems Division*	*Other operations*	*Total*
Total Assets	540,715	278,972	160,144	979,831
Total Liabilities	543,749	267,416	7,971	819,136

	30 September 2006			
	Signalling Division	*Transport Systems Division*	*Other operations*	*Total*
Total Assets	375,648	203,626	300,856	880,130
Total Liabilities	351,304	192,952	228,884	773,140

	31 December 2006			
	Signalling Division	*Transport Systems Division*	*Other operations*	*Total*
Total Assets	424,723	207,894	317,591	950,208
Total Liabilities	420,703	192,278	210,588	823,569

6.2 Secondary segment

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

	Third quarter 2007	*Third quarter 2006*	*Value at 30/09/2007*	*Value at 30/09/2006*
Italy	84,454	107,151	302,200	283,814
Rest of Western Europe	42,984	37,178	148,453	105,856
North America	28,548	31,098	84,807	76,884
Asia / Pacific	46,956	32,813	119,558	62,247
Others	2,016	1,419	11,273	4,689
	204,958	**209,659**	**666,291**	**533,490**

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

	Value at 30.09.2007	*Value at 31.12.2006*	*Value at 30.09.2006*
Italy	528,070	549,841	469,008
Rest of Western Europe	388,369	228,726	237,107
North America	22,890	86,889	117,634
Asia / Pacific	38,935	84,752	56,381
Others	1,567	-	-
	979,831	**950,208**	**880,130**

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

	Value at 30.09.2007	*Value at 31.12.2006*	*Value at 30.09.2006*
Italy	3,151	4,512	2,773
Rest of Western Europe	2,478	1,672	1,141
North America	6,342	5,223	4,554
Asia / Pacific	1,280	1,761	1,030
Others	3	-	-
	13,254	**13,168**	**9,498**

6.3 Notes to the quarterly accounts at 30 September 2007

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

The following table gives consolidated profit and loss amounts for the third quarters of 2007 and 2006 as well as the amounts for the first nine months of 2007 and 2006 :

Profit and loss account *(EUR 000)*	***Third quarter 2007***	***Third quarter 2006***	***Value at 30.09.2007***	***Value at 30.09.2006***
Revenue	204,958	209,659	666,291	533,490
Value of production	**204,958**	**209,659**	**666,291**	**533,490**
Purchasing and staff costs	(183,393)	(189,232)	(598,670)	(480,472)
Changes in work in progress, semi-finished products, finished products, and goods	212	504	3,106	3,713
Amortisation/depreciation	(2,400)	(2,460)	(7,017)	(5,931)
Writedowns	22	(1)	(56)	(151)
Restructuring costs	(245)	-	(245)	-
Other net operating revenue (costs)	(1,949)	(1,199)	(1,364)	(3,572)
EBIT	**17,205**	**17,271**	**62,045**	**47,077**
Net financial income and expense	748	614	2,682	1,284
Income tax	(9,573)	(8,893)	(27,988)	(26,093)
Net Profit	**8,380**	**8,992**	**36,739**	**22,268**
Group	8,345	8,958	36,650	22,205
Minority interests	35	34	89	63
Earnings per share				
Basic and diluted	0.08	0.09	0.37	0.22

Total “**value of production**” for the third quarter of 2007 stood at EUR 204,958 thousand, broken down as follows: EUR 165,707 thousand attributable to the Signalling Division and EUR 45,012 thousand to the Transport Systems Division.

“Purchasing and staff costs” and “change in semi-finished products and finished goods” came to EUR 183,393 thousand and relate to costs incurred during the period by the Signalling and Systems Divisions and by Ansaldo STS. Staff costs relate to the cost for an average of 4,258 employees at 30 September 230 June 2007.

Staff costs include EUR 411 thousand (EUR 2,250 thousand over nine months), the amount allocated for 3/12ths of the “Stock Grant Plan” authorized by the Group parent ASTS and the impact of the curtailment of severance pay (EUR 2,634 thousand) following regulatory changes introduced by the 2007 Finance Law. Due to these regulatory changes, the severance pay portion pursuant to Art. 2120 of the Civil Code accrued in the first nine months of 2007 shall be treated as a defined-contribution plan. The average headcount at 30 September 2007 was 4,095.

	Third quarter 2007	***Third quarter 2006***	***Value at 30.09.2007***	***Value at 30.09.2006***
Materials	34,884	21,934	164,157	105,211
Change in inventory	(4,316)	1,796	(14,289)	3,924
Services	77,810	91,175	220,444	191,175
Rent and operating leases	4,679	4,754	10,811	9,430
Total purchasing and service costs	**113,057**	**119,659**	**381,123**	**309,740**
Total costs with respect to related parties	10,943	14,661	29,798	37,625
Total purchasing and service costs	**124,000**	**134,320**	**410,921**	**347,365**
Payroll	43,002	41,637	136,714	101,715
Costs relating to stock grant plans	411	226	2,250	226
Pension and social security expenses	12,178	10,767	38,331	25,776
Severance pay fund	846	771	3,560	1,779
Costs relating to other defined-benefit plans	78	231	237	463
Costs relating to other defined-contribution plans	20	1,195	2,204	2,725
Other costs	2,934	85	4,696	620
Total staff costs	**59,469**	**54,912**	**187,992**	**133,304**
Capitalised costs for internally produced assets	(76)	-	(243)	(197)
Total	**183,393**	**189,232**	**598,670**	**480,472**

“Amortisation and depreciation” came to EUR 2,400 thousand, broken down as follows: EUR 1,760 thousand attributable to the Signalling Division, EUR 170 thousand to the Transport Systems Division and EUR 470 thousand to the holding company, ASTS.

“Other revenues and costs” amounted to a net cost of EUR 1,949 thousand and relate, especially, to allocations for warranties for Signalling Division products.

	Third quarter 2007	*Third quarter 2006*	*Value at 30.09.2007*	*Value at 30.09.2006*
Research and development spending	374	32	1,194	562
Royalties	290	816	2,250	1,558
Net exchange rate differences on operating items	(98)	17	40	4
Indirect taxes	(815)	(693)	(2,557)	(2,291)
Revenues from property investments	(21)	(369)	(4)	-
Settlement of insurance claims	-	(34)	2	-
Use of (allocations to) provisions	(1,469)	(964)	(2,046)	(3,013)
Other operating revenues (costs)	(224)	(676)	(1,607)	(1,268)
Other revenues and costs	**(1,962)**	**(1,871)**	**(2,728)**	**(4,448)**
Other revenues and costs from related parties	14	672	1,364	876
Total	**(1,949)**	**(1,199)**	**(1,364)**	**(3,572)**

“EBIT” for the third quarter of 2007 came to EUR 17,205 thousand, of which EUR 16,387 thousand is attributable to Signalling, EUR 1,806 thousand to Transport Systems, while the parent company Ansaldo STS incurred an operating loss of EUR 988 thousand.

"Net financial income" amounted to EUR 748 thousand, detailed as follows:

	Third quarter 2007	*Third quarter 2006*	*Value at 30.09.2007*	*Value a 30.09.20*
Dividends	-	-	339	3
Interest and commissions	(1,214)	729	(947)	2
Exchange-rate differences	(588)	740	(1,405)	1,1
Income from fair-value measurement recognised in profit and loss	425	(123)	393	(63
Other net financial income (expense)	757	(2,016)	(25)	(2,04
Total net financial income (expense)	**(620)**	**(670)**	**(1,645)**	**(87**
Total net financial income (expense)—related parties	1,368	1,284	4,327	2,1
Total	**748**	**614**	**2,682**	**1,2**

"Income taxes" amounted to EUR 9,573 thousand.

Specifically, the entry represents the algebraic sum of:

	Third quarter 2007	*Third quarter 2006*	*Value at 30.09.2007*	*Value at 30.09.2006*
IRES (corporate income tax)	6,021	5,660	24,303	17,301
IRAP (regional tax on productive activities)	1,562	1,633	5,765	4,213
Gains from IRES consolidation	(195)	-	(1,805)	604
Other tax on profits of foreign companies	674	(3,066)	954	281
Taxes relating to previous years	(1)	2,403	1	264
Provisions for disputes over taxes	-	-	80	3,430
Net deferred taxes	1,512	2,263	(1,310)	-
Total	**9,573**	**8,893**	**27,988**	**26,093**

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

With regard to Ansaldo STS, the application of the Consolidated Taxation Mechanism has permitted the entry of current taxes such as gains from consolidation for the nine months in the amount of EUR 1,805 thousand and deferred tax assets in the amount of EUR 1,026 thousand in the consolidated profit and loss account.

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

Balance sheet

(EUR 000)	***30.09.2007***	***31.12.2006***	***30.09.2006***
Non-current assets	259,672	250,554	233,688
Non-current liabilities	49,495	44,859	43,452
	210,177	205,695	190,236
Inventory	106,824	96,540	91,379
Contract work in progress	137,228	78,292	89,033
Trade receivables	265,707	311,145	268,418
Trade payables	165,753	166,289	161,272
Advances from customers	462,849	475,124	434,503
Short-term provisions for risks and charges	23,445	22,310	26,249
Other current assets (liabilities), net	(70,882)	(59,559)	(56,898)
Net working capital	**(213,170)**	**(237,305)**	**(230,092)**
Net working capital	**(2,993)**	**(31,610)**	**(39,856)**
Group shareholders' equity	160,323	126,279	106,631
Minority interests	372	360	359
Shareholders' equity	**160,695**	**126,639**	**106,990**
Financial debt (liquidity), net	**(163,688)**	**(158,249)**	**(146,846)**

At 30 September 2007 “net current assets” came to EUR 259,672 thousand, broken down as follows:

	30.09.2007	*31.12.2006*	*30.09.2006*
Intangible fixed assets	50,370	45,093	41,819
Tangible fixed assets	91,839	91,770	93,997
Equity investments	28,975	28,582	28,503
Receivables	15,692	15,494	8,612
Deferred taxes	44,383	39,975	30,764
Other assets	28,413	29,640	29,993
Total	**259,672**	**250,554**	**233,688**

Specifically:

- Intangible assets related mainly to the goodwill of Group companies (EUR 38,649 thousand), which has increased by EUR 262 thousand over 31 December 2006 as a result of the goodwill generated by the acquisition of a division of RM Star by the American subsidiary of the Signalling Division.
- Tangible fixed assets mainly include the value of the premises owned by the parent company, Ansaldo STS, located at Via Mantovani 3/5-16151 in Genoa and purchased in December 2005 from its parent company Finmeccanica S.p.A. for EUR 62,378 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”.
- Equity investments at 30 September 2007 came to EUR 28,975 thousand and are almost entirely attributable to the Transport Systems Division: EUR 21,000 thousand for the purchase of a 14% stake in Metro C S.p.A., a company formed on 3 April 2006 to design and build the new C line of the Rome metro; EUR 6,150 thousand to purchase 24.6% of Metro 5 S.p.A., a company formed on 5 September 2006 to design, build and operate the new Line no. 5 of the Milan metro. With regard to the Signalling Division, on 26 March 2007 Ansaldo STS Deutschland GmbH was formed. Its share capital was fully subscribed by the Italian subsidiary Ansaldo Segnalamento Ferroviario. With regard to the Transport Systems

Division, the increase for the period is mainly due to the acquisition of 49% of International Metro Service S.r.l., which was formed with ATM to carry out part of the operation and maintenance for the Copenhagen project (EUR 344 thousand).

- Non-current receivables at 30 September 2007 came to EUR 15,692 thousand essentially attributable to the Signalling Division and its American subsidiary Union Switch & Signal in relation to the "Pittsburgh facilities lease" receivable of EUR 6,247 thousand and to the Transport Systems Division in the amount of EUR 6,766 thousand regarding the advance paid to "Thessaloniki metro".
- "other assets" amounted to EUR 28,413 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.
- "deferred tax assets" came to EUR 44,383 thousand and relate to the Signalling Division in the amount of EUR 31,021 thousand, to Ansaldo STS's deferred taxes in the amount of EUR 12,718 thousand as a result of the application of the Consolidated Taxation Mechanism, and to the Transport Systems Division in the amount of EUR 644 thousand.

"Non-current liabilities" were EUR 49,495 thousand at 30 September 2007. Specifically:

	30.09.2007	***31.12.2006***	***30.09.2006***
Severance pay and other liabilities towards staff	33,023	30,612	30,203
Provisions for risks and charges	-	-	-
Deferred taxes	7,681	7,337	6,639
Other liabilities	8,791	6,910	6,610
Total	**49,495**	**44,859**	**43,452**

During the first nine months of 2007 the accounting effects of the changes brought by the 2007 Finance Law to the regulation of severance pay were recognised, as discussed further on.

Specifically, the provision accrued at 31 December 2006 in companies with more than 50 employees was redetermined (which maintains its nature as a defined-benefit plan), except for future salary increases, as was the subsequent curtailment effect, which was recognised in the profit and loss account under section 109 of IAS 19 (EUR 2,634 thousand). Also, the portion of cost attributable to the year was recognised according to the rules for defined-contribution plans, without any actuarial valuation. The other movements mainly relate to the reclassification to other current liabilities of the portion to be transferred to the treasury fund managed by INPS.

- "deferred taxes" are attributable to the Signalling Division for EUR 4,012 thousand, mainly relating to the Italian subsidiary Ansaldo Segnalamento Ferroviario, for EUR 2,384 thousand, to the Transport Systems Division, for EUR 1,975 thousand, and to Ansaldo STS S.p.A. for EUR 1,694 thousand.

- "current liabilities" amounted to EUR 8,791 thousand, primarily related to liabilities towards staff.

"**Net working capital"** amounted to EUR (213,170 thousand), broken down as follows:

- "inventory" stood at EUR 106,824 thousand, broken down as follows:

	30.09.2007	***31.12.2006***	***30.09.2006***
Raw materials	40,755	28,258	26,870
Work in progress and semi-finished products	22,503	22,117	19,279
Finished products and goods	8,267	6,619	6,827
Advances to suppliers	35,299	39,546	38,403
Total	**106,824**	**96,540**	**91,379**

- "work in progress" stood at EUR 137,228 thousand and "advances from customers" amounted to EUR 462,849 thousand:

	30.09.2007	***31.12.2006***	***30.09.2006***

Work in progress (gross)	961,083	944,429	1,043,152
Advances from customers	(823,855)	(866,137)	(954,119)
Work in progress (net)	**137,228**	**78,292**	**89,033**
Advances from customers (gross)	3,178,747	3,220,461	3,114,257
Work in progress	(2,715,898)	(2,745,337)	(2,679,754)
Advances from customers (net)	**462,849**	**475,124**	**434,503**

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

	30.09.2007		**31.12.2006**		**30.09.2006**	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Receivables/payables in respect of customers/suppliers	248,529	154,035	266,522	143,536	244,761	147,645
Total in respect of customers/suppliers	**248,529**	**154,035**	**266,522**	**143,536**	**244,761**	**147,645**
Receivables/payables in respect of related parties	17,178	11,718	44,623	22,753	23,616	13,632
Total	**265,707**	**165,753**	**311,145**	**166,289**	**268,377**	**161,277**

The "provisions for risks and charges" stood at EUR 23,445 thousand. As regards provisions for risks, it should be pointed out that the companies of the Ansaldo STS Group work in sectors and markets where many issues – both when they sue or are sued - are resolved only after a considerable time-lag, especially where the party being dealt with is a government body. As to litigati0n, the following is noted:

- Ansaldo STS S.p.A. is not directly involved in any litigation;
- none of the subsidiaries of the Transport Systems Division or Signalling Division is involved in litigation that is so significant or risky as to require specific further disclosure other than that provided in these notes;
- 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.

Iricav Due Consortium/Treno Alta Velocità (TAV) S.p.A.

Ansaldo Trasporti Sistemi Ferroviari is part of the IRICAV DUE Consortium (with a 15% interest); the consortium is the general contractor for the work of building the Verona-Padua high-speed railway section.

On 25 January 2007 the Council of Ministers of the Italian Government approved a law decree that establishes, among its provisions, the revocation of the concessions released to T.A.V. by the Ente Ferrovie dello Stato for the Milan-Verona, Verona-Padua and Milan-Genoa lines. The effects of the revocation extended to all agreements and contracts made with General Contractors on 15 October 1991 and 16 March 1992.

Said decree also establishes that, with respect to the termination of contract, the General Contractors will be entitled to compensation to the extent of the actual loss.

On 26 January 2007 the consortium initiated arbitration proceedings to assess TAV's failure to perform its obligations under the Agreement of 15 October 1991. Specifically, the consortium complains about the failure to perform acts of co-operation, including the development of the preliminary design and the raising of financial resources. The Arbitration Panel, composed of three members, was formed in Rome on 16 May 2007.

In addition, upon petition of the Consortium, the Lazio Regional Administrative Court suspended the effectiveness of the orders with which RFI S.p.A. revoked the concession to TAV S.p.A. and with which TAV S.p.A. terminated contracts with the three General Contractors. The Lazio Regional Administrative Court also transferred the case to the European Court of Justice to verify, as requested by the appellant firms, the alleged incompatibility of the revocation of the concessions with European regulations. TAV S.p.A. could appeal against this ruling to the Council of State to obtain the revocation of the suspension of the ruling of the court of first instance, without prejudice to the ruling on the main issue expected following the ruling of the European Court of Justice.

Moreover, in April 2007 TAV S.p.A. formally presented to the Consortium a claim for the repayment of the advance and the related interest accrued to the date of payment (EUR 7,165,840) and for the delivery of all project documents presented during the concession period.

The effect of the repayment of the advances, if any, would have effects on cash flow only and not on earnings, since they have been recorded as payables to the customer.

- “other net liabilities towards third parties” amounted to EUR (66,096 thousand) at 30 September 2007:

	30.09.2007		31.12.2006		30.09.2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Due to staff	523	23,219	963	25,301	745	21,097
Current portion of deferred income	7,387	-	10,875	-	6,233	-
For direct taxes and other payments to tax authorities	12,215	23,232	7,698	23,114	18,152	32,734
To social security institutions	1,318	10,729	939	11,555	1,220	9,408
Research grants	3,413	-	3,284	-	-	-
Other receivables	3,871	-	8,849	-	5,656	-
Other payables	-	30,315	-	26,089	-	28,932
Derivatives	821	8,149	282	1,540	4,257	-
Others	-	-	-	-	1,675	2,147
Total other assets/liabilities	**29,548**	**95,644**	**32,890**	**87,599**	**37,938**	**94,318**
Total other assets/liabilities in respect of related parties	24	4,810	79	4,929	86	604
Total	**29,572**	**100,454**	**32,969**	**92,528**	**38,024**	**94,922**

The details of the main changes are as follows:

- “deferred income” essentially regards the current portion of the costs incurred in purchasing the license to use the “Ansaldo” brand for 20 years from Finmeccanica S.p.A.;
- the amount “receivable for direct taxes and other amounts due from the tax authorities” came to EUR 12,215 thousand and mainly related to the Signalling Division (especially the French and Indian subsidiaries) as a result of tax payments on account.
- “payables for direct taxes and other amounts due from the tax authorities” came to EUR 23,232 thousand and mainly related to the Signalling Division (EUR 12,228 thousand) and to Ansaldo STS S.p.A. (EUR 10,082 thousand) as a result of the adoption of the Consolidated Taxation Mechanism. This figure is net of payments on account at 30 September 2007.

- “other payables” stood at EUR 30,315 thousand of which EUR 15,750 thousand relates to the liability in respect of the 75% of the purchase price due for the acquisition of stakes in Metro C S.p.A. – Rome.

“Net invested capital” was negative for EUR 2,993 thousand and shareholders’ equity stood at EUR 160,695 thousand.

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

	30.09.2007	***31.12.2006***	***30.09.2006***
Short-term financial debts	9,099	13,984	2,901
Medium- and long-term financial debt	8,041	8,475	9,702
Cash and cash equivalents	(66,226)	(48,580)	(43,389)
BANK DEBT	**(49,086)**	**(26,121)**	**(30,786)**
Financial receivables from Group companies	(114,602)	(132,128)	(116,199)
Other financial receivables			
FINANCIAL RECEIVABLES	**(114,602)**	**(132,128)**	**(116,199)**
Financial debts to Group companies	-	-	88
Other short-term financial debt	-	-	51
Other medium- and long-term financial debt	-	-	
OTHER FINANCIAL DEBT	**-**	**-**	**139**
FINANCIAL DEBT (FINANCIAL RECEIVABLES), NET	**(163,688)**	**(158,249)**	**(146,846)**

At 30 September 2007 the Ansaldo STS Group had a net financial creditor position of EUR 163,688 thousand.

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

- receipts of EUR 196,000 thousand from Ferrovie dello Stato by our Italian subsidiary Ansaldo Segnalamento Ferroviario,

- receipt from clients of our Australian subsidiary Ansaldo STS Australia of EUR 69,000 thousand, particularly on the Rawang Ipoh, ARTC and Rio Tinto orders, and of our French subsidiary Ansaldo STS France of EUR 19,200 thousand for the following orders: CTRL Phase II, ATP Onboard China Est;
- payments for the purchase of the RM Star division by the subsidiary US&S for EUR 2,380 thousand;
- payment of VAT of EUR 12,639 thousand;
- payment of taxes of EUR 30,596 thousand;
- payment of investments in tangible and intangible assets of EUR 7,241 thousand;
- receipt of financial income of EUR 4,603 thousand.

Cash and cash equivalents at 30 September 2007 came to EUR 66,226 thousand.

Cash flow at 30 June was broken down as follows:

(EUR 000)	***30.09.2007***		***31.12.2006***		***30.09.2006***	
Opening balance cash and cash equivalents	48,580		24		24	
Cash flow from operations	63,397		78,092		49,440	
Change in working capital	(27,639)		(30,987)		37,088	
Change in other assets and liabilities	(11,031)		(37,831)		(25,487)	
Cash flow from (for) operations	24,727		9,274		61,041	
Cash flow from (for) ordinary investing activities	(13,268)		(12,814)		(16,249)	
Free operating cash flow		**11,459**	-	**(3,540)**	-	**44,792**
Strategic investments	(2,380)		(58,639)		(86,805)	
Cash flow from (for) investing activities	(15,648)		(71,453)		(103,054)	
Dividends paid	-		-		-	
Capital increase	-		60,169		60,169	
Cash flow from (for) financing activities	8,699		50,240		25,019	
Cash flow from (for) financing activities	8,699		110,409		85,188	
Foreign exchange translation differences	(132)		326		190	
Closing balance cash and cash equivalents	**66,226**		**48,580**		**43,389**	

- positive operating cash flow of EUR 24,727 thousand, attributable to receipts for the period from Ferrovie dello Stato and from the Rawang Ipoh, ARTC, Rio Tinto, CTRL Phase 2 and ATP Onboard China projects;

- cash flow for ordinary investing activities in the amount of EUR 15,648 thousand, attributable to investments in tangible and intangible fixed assets for the period (EUR 13,254 thousand) and to strategic investments of the US subsidiary of the Signalling Division for the merger of the RM STAR division (EUR 2,380 thousand).
- cash flow for financing activities in the amount of EUR 8,699 thousand mainly due to the changes in the current account held with the parent company Finmeccanica S.p.A.

7 Management of financial risks

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

- *market risk*, related to operations in currency areas other than the reporting currency area (exchange rate risk);
- *liquidity risks*, relating to the availability of financial resources and access to the credit market;
- *credit risks*, resulting from normal commercial transactions or financing activities.

The Group specifically monitors each of these financial risks, with the objective of promptly minimising them, also through hedging derivatives.

Exchange rate risk

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

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

(local currency/1000)	**30 September 2007**	**31 December 2006**
Euro	102,792	105,082
US Dollar	63,134	22,936
GBP	6,034	4,722
Danish krone	-	-
SEK	52,962	33,419
YEN	-	-
Canadian dollar	24,729	22,374
Australian dollar	16,595	19,998

The negative fair value of derivative financial instruments at 30 September 2007 came to about EUR 7,000 thousand.

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

The Group is also exposed to the translation risk, i.e. the risk that assets and liabilities in consolidated companies whose reporting currency is not the euro (mainly US$) can have different values in euros depending on the performance of exchange rates, which affects the equity reserve named translation reserve. The Group monitors the performance of this exposure, for which at 30 September 2007 no hedging transactions were in place.
Although the Group is exposed to interest rate risk, no policy for hedging against exposure to interest rate fluctuation is in place.

Liquidity risk

The Group is exposed to the liquidity risk, i.e. the risk that it cannot manage efficiently the ordinary commercial and investment performance and that it cannot repay its payables at maturity. In order to support growth in its businesses, Ansaldo STS took on a set of tools with the aim of optimising the management of financial resources. Particularly relevant to that end is the decentralisation of treasury (achieved through cash pooling procedures with Group companies), and the subsequently easier maintenance of levels of sufficient cash and cash equivalents, also by unblocking receivables with longer collection times, and being in financial markets to obtain sufficient short- and long-term credit lines. Within this context Ansaldo STS has obtained short- and long-term non-revolving credit lines and guarantees sufficient to meet the Group needs.

Credit risk

The Group is exposed to credit risk, both to the counterparties of its commercial transactions and for financing and investing activities, as well as for the guarantees given on payables or third-party commitments.
Regarding commercial transactions, the most significant programmes are made with public administration companies or similar, mainly in the euro area, in the USA and South-East Asia.

The risks associated with the counterparty, for contracts with countries for which there are no usual commercial relations, are analysed and valued at the time of the offer in order to highlight insolvency risks, if any. Customers being public companies represents a guarantee for solvency, but, on the other hand, means that collection times are longer (in some countries they are significantly longer) than in other businesses, creating significant outstanding debts and the subsequent need for unblocking.

8 Transactions with related parties

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

RECEIVABLES AT 30.09.2007 *(figures in EUR 000)*	**Non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Parent company					
Finmeccanica S.p.A.	-	4,488	5	-	4,493
Subsidiaries					
Alifana S.c.r.l.	-	-	93	-	93
Alifana Due S.c.r.l.	-	-	2,153	-	2,153
Associated companies					
I.M. Intermetro S.p.A.	-	-	391	-	391
Metro 5 S.p.A.	-	-	6,686	-	6,686
Pegaso S.c.r.l.	-	-	77	-	77
Consortiums					
Saturno	-	-	3,869	-	3,869
Ascosa quattro	-	-	342	-	342
Cons. Ferroviario Vesuviano	-	-	1,314	-	1,314
Other Group companies					
Finmeccanica Group Service	-	-	25	-	25
Ansaldo Breda	-	-	1,123	17	1,140
Finmeccanica Finance	-	110,114	-	-	110,114
Elsag Datamat	-	-	299	-	299
Ansaldo Argentina S.A.	-	-	37	-	37
Selex Sistemi Integrati Ltd	-	-	66	-	66
Selex Sistemi IntegratiS.p.A.	-	-	-	-	-
Orizzonte Sistemi Navali	-	-	-	3	3
Fata Logistic	-	-	-	4	4
Electron Italia	-	-	698	-	698
Total	**-**	**114,602**	**17,178**	**24**	**131,804**

RECEIVABLES AT 31.12.2006 *(figures in EUR 000)*	**Non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Parent company					
Finmeccanica S.p.A.	-	132,128	130	79	132,337
Subsidiaries					
Alifana S.c.r.l.	-	-	161	-	161
Alifana Due S.c.r.l.	-	-	3,485	-	3,485
Associated companies					
I.M. Intermetro S.p.A.	-	-	411	-	411
Metro 5 S.p.A.	-	-	-	-	-
Pegaso S.c.r.l.	-	-	70	-	70
Consortiums					
Saturno	-	-	34,783	-	34,783
Ascosa quattro	-	-	-	-	-
Cons. Ferroviario Vesuviano	-	-	1,460	-	1,460
Cons. Ferrov. SanGiorgio Volla	-	-	1,421	-	1,421
Other Group companies					
Finmeccanica Group service	-	-	52	-	52
Ansaldo Breda	-	-	2,573	-	2,573
Finmeccanica Finance	-	-	-	-	-
Elsag Datamat	-	-	-	-	-
Ansaldo Argentina S.A.	-	-	37	-	37
Selex Sistemi Integrati Ltd	-	-	-	-	-
Selex Sistemi IntegratiS.p.A.	-	-	-	-	-
Orizzonte Sistemi Navali	-	-	-	-	-
Fata Logistic	-	-	40	-	40
Electron Italia	-	-	-	-	-
Total	**-**	**132,128**	**44,623**	**79**	**176,830**

PAYABLES AT 30.09.2007 *(figures in EUR 000)*	**Non-current financial payables**	**Other non-current payables**	**Current financial payables**	**Trade payables**	**Other current payables**	**Total**
Parent company						
Finmeccanica S.p.A.	-	-	-	100	135	235
Subsidiaries						
Alifana S.c.r.l.	-	-	-		3	3
Alifana Due S.c.r.l.	-	-	-	2,097		2,097
Associated companies						
I.M. Intermetro S.p.A.	-	-	-	1		1
Metro 5 S.p.A.	-	-	-		4,612	4,612
Pegaso S.c.r.l.	-	-	-	743		743
Consortiums						
Saturno	-	-	-	553	-	553
Ascosa quattro	-	-	-	4	7	11
Team	-	-	-	-	5	5
SanGiorgio Volla 2	-	-	-		9	9
Cons. Ferroviario Vesuviano	-	-	-	150	8	158
SanGiorgio Volla	-	-	-	132	10	142
Cesit	-	-	-	16	-	16
Cris	-	-	-	-	-	-
Other Group companies						
Finmeccanica Group service	-	-	-	137	-	137
Ansaldo Breda	-	-		3,397	-	3,397
Finmeccanica Finance	-	-	-	-	21	21
Elsag Gest S.p.A.	-	-		-	-	-
Elsag Datamat	-	-	-	1,634	-	1,634
Selex Communication	-	-	-	2,408	-	2,408
Ansaldo Ricerche S.p.A.	-	-	-	-	-	-
Fata Logistic	-	-	-	316	-	316
Electron Italia	-	-	-	-	-	-
Prodotti elettronici	-	-	-	-	-	-
Sogepa	-	-	-	-	-	-
Other	-	-	-	30	-	30
Total	**-**	**-**	**-**	**11,718**	**4,810**	**16,528**

PAYABLES AT 31.12.2006 *(figures in EUR 000)*	**Non-current financial payables**	**Other non-current payables**	**Current financial payables**	**Trade payables**	**Other current payables**	**Total**
Parent company						
Finmeccanica S.p.A.	-	-	-	521	230	751
Subsidiaries						
Alifana S.c.r.l.	-	-	-	521	3	524
Alifana Due S.c.r.l.	-	-	-	5,134	-	5,134
Associated companies						
I.M. Intermetro S.p.A.	-	-	-	1	-	1
Metro 5 S.p.A.	-	-	-	43	4,613	4,656
Pegaso S.c.r.l.	-	-	-	4,204	-	4,204
Consortiums						
Saturno	-	-	-	394	-	394
Ascosa quattro	-	-	-	6	-	6
Team	-	-	-	-	-	-
SanGiorgio Volla 2	-	-	-	29	10	39
Cons. Ferroviario Vesuviano	-	-	-	100	8	108
SanGiorgio Volla	-	-	-	122	8	130
Cesit	-	-	-	-	-	-
Cris	-	-	-	-	-	-
Other Group companies						
Finmeccanica Group service	-	-	-	9		9
Ansaldo Breda	-	-	-	5,534	-	5,534
Finmeccanica Finance	-	-	-	-	21	21
Hr Gest S.p.A.	-	-	-	-	-	-
Elsag Datamat	-	-	-	1,917	-	1,917
Selex Communication	-	-	-	3,748	-	3,748
Ansaldo Ricerche S.p.A.	-	-	-	-	-	-
Fata Logistic	-	-	-	426	-	426
Electron Italia	-	-	-	-	-	-
Prodotti elettronici	-	-	-	40	-	40
Sogepa	-	-	-	4	-	4
Other	-	-	-	-	36	36
Total	**-**	**-**	**-**	**22,753**	**4,929**	**27,682**

Third quarter 2007 *(figures in EUR 000)*	**Revenues**	**Other operating revenues**	**Costs**	**Financial income**	**Financial expense**
Parent company					
Finmeccanica S.p.A.	-	-	498	1,246	43
Subsidiaries					
Alifana Due S.c.r.l.	2,646	9	1,869	-	-
Associated companies					
I.M. Intermetro S.p.A.	19	-	-	-	-
Metro 5	1,756	-	43	-	-
Pegaso S.c.r.l.	(7)	-	1,057	-	-
Consortiums					
Saturno	11,025	-	994	-	-
Ascosa quattro	39	-	30	-	-
Team	-	-	-	-	-
SanGiorgio Volla 2	7	-	-	-	-
Cons. Ferroviario Vesuviano	413	-	-	-	-
Cesit	-	-	13	-	-
SanGiorgio Volla	26	-	-	-	-
Other Group companies					
Ansaldo Energia	-	-	(9)	-	-
Ansaldo Breda	2,010	5	563	-	-
Ansaldo ricerche S.r.l.	-	-	-	-	-
Fata Logistic	-	-	451	-	-
Finmeccanica Finance	-	-	21	130	-
Finmeccanica Group service	-	-	5	-	-
Elsag Datamat	-	-	2,585	-	-
Hr Gest	-	-	-	-	-
Selex Communication	-	-	2,825	-	-
Selenia Mobile	-	-	-	-	-
Sogepa	-	-	-	-	-
Electron Italia S.r.l.	-	-	(2)	-	-
Selex sistemi integrati Ltd	40	-	-	-	-
Alenia	-	-	-	-	-
Metro S.p.A.	-	-	-	-	-
Orizzonte Sist Nav	-	-	-	-	-
Other	-	-	-	-	-
Total	**17,974**	**14**	**10,943**	**1,376**	**43**

Third quarter 2006 *(figures in EUR 000)*	**Revenues**	**Other operating revenues**	**Costs**	**Financial income**	**Financial expense**
Parent company					
Finmeccanica S.p.A.	2	14	182	1,445	161
Subsidiaries					
Alifana Due S.c.r.l.	3,535	-	5,692	-	-
Associated companies					
I.M. Intermetro S.p.A.	70	-	-	-	-
Pegaso S.c.r.l.	-	-	2,628	-	-
Consortiums					
Saturno	31,377	620	682	-	-
Ascosa quattro	109	-	105	-	-
Team	-	-	30	-	-
SanGiorgio Volla 2	-	-	-	-	-
Cons. Ferroviario Vesuviano	499	-	553	-	-
SanGiorgio Volla	277	-	-	-	-
Other Group companies					
Ansaldo Energia	-	-	-	-	-
Ansaldo Breda	4,814	38	1,041	-	-
Ansaldo ricerche S.r.l.	-	-	-	-	-
Fata Logistic	-	-	368	-	-
Finmeccanica Finance	-	-	25	-	-
Finmeccanica Group service	-	-	49	-	-
Elsag Datamat	-	-	3,200	-	-
Hr Gest	-	-	138	-	-
Selex Communication	-	-	-	-	-
Selenia Mobile	-	-	78	-	-
Sogepa	-	-	-	-	-
Electron Italia S.r.l.	-	-	-	-	-
Selex sistemi integrati Ltd	-	-	(110)	-	-
Alenia	-	-	-	-	-
Metro S.p.A.	-	-	-	-	-
Orizzonte Sist Nav	-	-	-	-	-
Other	-	-	-	-	-
Total	**40,683**	**672**	**14,661**	**1,445**	**161**

9 Significant non-recurrent events and transactions

None to report.

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

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

11 Net financial position

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

	30.09.2007	**31.12.2006**
Cash	131	1
Other cash equivalents (including bank current accounts)	66,095	48,579
Securities held for trading	-	-
Liquidity (A+B+C)	**66,226**	**48,580**
Current financial receivables	**114,602**	**132,128**
Current bank loans	7,893	13,984
Current portion of non-current debt	-	-
Other current financial payables	1,206	-
Current financial debt (F+G+H)	**9,099**	**13,984**
Net current financial debt (I-E-D)	**(171,729)**	**(166,724)**
Non-current bank loans	5,433	8,475
Bonds issued	-	-
Other non-current payables	2,608	-
Non-current financial debt (K+L+M)	**8,041**	**8,475**
Net financial debt (J+N)	(163,688)	(158,249)

12 Outlook

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

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

The signalling and transport systems markets are still growing overall, although in certain countries, such as Italy, a number of rail investment programmes are coming to their natural end.

The Group is continuing to pursue opportunities in high-growth countries with substantial capacity for infrastructure investment, such as China, India and Russia.

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

Particular attention will be 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, 12 November 2007

On behalf of the Board of Directors
The Chairman
Alessandro Pansa

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

Subsidiary (name and legal form)	*Country*	*% of total*	*% Indirect control*	*% Direct control*	*Through*	*Type of ownership (see key)*
Alifana-Società consortile a responsabilità limitata	Italy	65.850%	65.850%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A	1
Alifana due-Società consortile a responsabilità limitata	Italy	53.340%	53.340%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A	1
Automatismes Controles et Etudes Electroniques Acelec S.A.	France	99.999%	99.994%		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 Ireland Ltd.	Ireland	100.000%	99.999%		Ansaldo Signal NV	1
			0.001%		Union Switch & Signal Inc.	1
Ansaldo Signal NV	Netherlands	100.000%		100.000%		1
Ansaldo STS Sweden AB	Sweden	100.000%	100.000%		Ansaldo Signal NV	1
Ansaldo STS UK Ltd.	Great Britain	100.000%	100.000%		Ansaldo Signal NV	1
Ansaldo Trasporti – Sistemi Ferroviari S.p.A.	Italy	100.000%		100.000%		1
Ansaldo STS Deutschland GmbH	Germany	100.000%	100.000%		Ansaldo Segnalamento Ferroviario S.p.A.	1
Beijing CS Signal Controlling System Co. Ltd.	China	80.000%	80.000%		Ansaldo STS France S.A.	1
Ansaldo STS France S.A.	France	100.000%	99.999%		Ansaldo Signal NV	1
			0.001%		Ansaldo Signal NV	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-Società consortile a responsabiltà limitata	Italy	46.870%	46.870%		Ansaldo Trasporti–Sistemi Ferroviari S.p.A.	1
Transcontrol Corporation	USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Transit Safety Research Alliance (no profit corporation)	USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal Chile Ltda.	Chile	68.000%	67.000%		Transcontrol Corporation	1
			1.000%		Union Switch & Signal International Co.	1
Union Switch & Signal Inc.	Delaware-USA	100.000%	100.000%		Ansaldo Signal NV	1
Union Switch & Signal Inc. Canada	Ontario-Canada	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal International Co.	Delaware-USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal International Projects Co.	Delaware-USA	100.000%	100.000%		Union Switch & Signal Inc.	1
Union Switch & Signal Private Ltd.	India	100.000%	99.9998%		Ansaldo Signal NV	1
			0.0002%		Transcontrol Corporation	1
Ansaldo STS Australia PTY Ltd.	Australia	100.000%	100.000%		Transcontrol Corporation	1
Ansaldo STS Malaysia SDN BHD	Malaysia	100.000%	100.000%		a Ansaldo STS Australia PTY Ltd.	1

Key: Types of share ownership or voting rights

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

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

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

certify

pursuant to Article 154-*bis*, second paragraph of the Consolidated law on Financial Intermediation, that the Consolidated Quarterly Report at 30 September 2007 of the Ansaldo STS S.p.A. corresponds with the information contained in the accounting documentation, books and records.

Genoa, 12 November 2007.

Manager responsible for financial reports
Jean Paul Giani