AnsaldoSTS

A Finmeccanica Company

FINANCIAL STATEMENTS AT 31 DECEMBER 2009

Financial Statements at 31 December 2009

These 2009 financial statements have been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the financial statements and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

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Boards and Committees

BOARD OF DIRECTORS
(for the 2008/2010 three-year period)

ALESSANDRO PANSA
Chairman

SANTE ROBERTI
Deputy Chairman

SERGIO DE LUCA
Chief Executive Officer

MAURIZIO CEREDA[1 2]

GERLANDO GENUARDI[2]

GREGORIO GITTI[1]

FRANCESCO LALLI[2]

EUGENIO PINTO[1]

ATTILIO SALVETTI[1]

MARIO ORLANDO
Secretary of the Board of Directors

BOARD OF STATUTORY AUDITORS
(for the 2008/2010 three-year period)

GIACINTO SARUBBI
Chairman

MASSIMO SCOTTON

FRANCESCA TRIPODI

ALTERNATE AUDITORS
(for the 2008/2010 three-year period)

BRUNO BORGIA

PIETRO CERASOLI

INDEPENDENT AUDITORS
(for the 2006/2014 period)

PRICEWATERHOUSECOOPERS S.p.A.

1. Member of Internal Audit Committee.
2. Member of Remuneration Committee.

Report on operations at 31 December 2009

Fellow Shareholders,

the year 2009 of Ansaldo STS SpA ended with net profit of EUR 56.8 million; the results are satisfactory overall and in line with expectations, in a year that can be defined as the first operating year of the new corporate strategy.

During the accounting period the production and administrative area was substantially changed; formerly an industrial holding company with central consolidation and control staff, Ansaldo STS became an operating company with two business units, Signalling and Transportation Solutions, an operating development unit named Supply chain, and production, and central staff functional to the operating activities which also consolidate a number of subsidiaries.

The transactions that in 2009 determined this substantial change in your Company were:
- The merger of Ansaldo Segnalamento Ferroviario SpA from 1 January 2009
- The merger of Ansaldo Trasporti Sistemi Ferroviari SpA from 1 January 2009
- The merger of Ansaldo Signal N.V. from 1 October 2009.

The Company's equity (EUR 249.9 million) essentially changed due to a different equity structure resulting from the aforesaid transactions, including in particular a significant net merger surplus of EUR 69.5 million.

These transactions underlie a business management strategy aimed at recovering efficiency and profitability by adopting a new organisation model that is no longer based on a breakdown of activities in regions significantly independent in industrial and commercial decisions, but is now based on a strong centralisation of the decision-making process and of the strategic guidelines by business units, to which local companies become a market implementation and control tool.

The restructuring project, named "Fast Forward Driven by Business" ("FFDB") was determined in 2008, then developed and defined during the year 2009; the new resulting organisation structure started operations on 1 January 2010.

Significant events in the January-December 2009 period

The activities of your Company during 2009 were concentrated on the process of greater integration between the organization structure of the Company and the staff structures of the two Italian subsidiaries, with the objective of catching all the possible operating synergies, control group structure costs and to ensure the maximum coordination and timeliness in business governance. This action of progressive concentration and centralisation of certain functions and activities led to the merger into the listed Parent Company Ansaldo STS SpA (i) of the two subsidiaries Ansaldo Trasporti Sistemi Ferroviari SpA and Ansaldo Segnalamento Ferroviario SpA with civil law, accounting and tax efficacy from 1 January 2009 and (ii) of the Dutch sub-holding company Ansaldo Signal N.V. with date of efficacy 1 October 2009.
Regarding this latter transaction that developed in 2009, the proposed merger project was approved on 5 March 2009 by the Board of Directors of Ansaldo Signal N.V. and on 6 March 2009 by the Board of Directors of Ansaldo STS SpA. Since it is a cross-border merger operation, it was completed in compliance with Directive 2005/56/EC regarding cross-border merger operations of limited liability companies, implemented in Italy by Legislative Decree no. 108/2008.
The merger was achieved by cancelling all the shares making up the share capital of Ansaldo Signal N.V. and with no share capital increase of the merging company Ansaldo STS SpA, as it is a wholly-owned company of Ansaldo STS. The most significant effect of this transaction was the transfer to the direct control of Ansaldo STS SpA of all the equity investments that were previously held by the merged company Ansaldo Signal N.V..
This progressive concentration and centralisation of certain functions and activities therefore also involved the foreign subsidiaries and focused on more complicated and strategic issues, such as research and development and industrial production. The final goal is to ensure the utmost Group efficiency and efficacy in relation with common interest activities, avoiding the duplication of roles and efforts and reducing the relevant costs.

Following the aforesaid merger of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari, effective from 1 January 2009, the Consolidated taxation mechanism was interrupted for the purposes of the application of the IRES tax (Corporate Income Tax). It was opted for on 15 June 2007. Interrupting the adoption of this mechanism does not change the benefits acquired when the option was exercised, as Article 124 of the Income Tax Code does not apply here.

Since 30 November 2009 the Italian Inland Revenue Service - Campania Regional Direction has been carryng out a tax audit on the merged company Ansaldo Trasporti Sistemi Ferroviari SpA for the year ended 31 December 2006. At the reporting date, no exceptions or matters have come up as having a significant impact on the net profit (loss) for the period.

In order to obtain a consistent comparison between key figures of 2009 and 2008, the amounts shown for 2008 were obtained by aggregating and later consolidating the data of Ansaldo Trasporti Sistemi Ferroviari SpA, Ansaldo Segnalamento Ferroviario SpA and Ansaldo STS SpA.

The year 2009 was very successful in both marketing and production and, as a result, in terms of economic and financial results.

The fundamental strategic issue, the diversification of customers and markets – to which management has been paying attention for a while now – was pursued through intense commercial action and had exceptional results in terms of acquisitions and orders.
The successes abroad in Libya, Riyadh, Taipei in both the railway market with ERTMS technology and the mass transit market with CBTC technology strengthen the group's technological leadership and pave the way to the future development of the business.
On the other hand, the relationship with Ferrovie dello Stato, which was once almost exclusively linked to the signalling business, is at a critical stage, because the great investment programmes under way are nearing completion and because due to the condition of the public finances a significant recovery of investments in that sector cannot be expected.

The commercial activity was intense in the Italian market, where certain tenders and formalisations were postponed to 2010, but even more so in the foreign market, where the initiatives proposed were numerous, also in close collaboration with the other companies of the group.

The overall value of acquisitions in the year amounted to EUR 1,273 million, far more than in 2008 (EUR 645 million).
The order backlog at 31 December 2009 came to EUR 3,041 million (EUR 2,478 million at the end of 2008), and ensures production for the next three years.

The productive activity was marked mainly by the delivery of some facilities of the Signalling Business Unit and in particular the ACS line in Italy, by the progress of works for the Line 6 and Metro C projects for the Transportation Solutions Business Unit, and by the delivery and closing of the works on the Bologna-Florence and Rome-Naples lines of the High-Speed line project.
In December, with the maiden voyage between Turin and Salerno, the representatives of the major national and local institutions and of the industrial and financial world officially started commercial operations.
The Customer defined the HS/HC system as "Italy's fast metro", because it goes the distance linking the major cities of our Country, where 40 per cent of Italians live; Turin, Milan, Bologna-Florence, Rome, Naples will be closer, almost a sole big metropolitan city.
This implementation, for which Ansaldo STS basically supplied all the signalling system, based on the new Multistation technology, confirmed and strengthened the undisputed technological leadership in the sector.

At the same time, as previously stated, during the year the managerial action of upgrading processes and organisation structures to the business complexity continued. In particular, the guidelines of a new operational and control model to be applied to all the group companies were defined, and as a result it was aligned with the new SAP IT system requirements. Based on the operational implementation programme of the new information system, a pilot project will commence at the Italian company, a subsequent roll-out will be made in mid-2010 in Australia and the project will then commence at the French and American companies by the end of the year.

The total production volume amounted to EUR 716.8 million, markedly greater than in 2008 (EUR 621.1 million), due to the increase in the volumes of the Transportation Solutions Business Unit, which was substantially marked by the production development of the huge order backlog existing.

EBIT of EUR 82.7 million is lower than in 2008 (EUR 89.1 million). However, it includes the costs for the project of improvement of the operating and control system and SAP, which is operating from the start of 2010, as planned, amounting to EUR 5.2 million.

Positive results were also achieved on the financial front. The year ended with net financial position of EUR 199.3 million, which reduced to EUR 77.0 million as a result of the merger of the subsidiary Ansaldo Signal NV in liquidation, relating to intra-bank account financial receivables (EUR 239.9 million at the end of 2008); the net cash flow for the period amounted to EUR 40.5 million (EUR 12.8 million in 2008), after dividends of EUR 27.0 million were paid out (EUR 20.0 million in 2008).

Analysis of the Income Statement and the Balance Sheet

The key data of the economic and financial performance of the Company is shown in the table below.

(EUR 000)	31.12.2009	31.12.2008 Pro-forma[1]
Orders	**1,273,198**	644,733
Order backlog	**3,041,100**	2,477,882
Revenue	**716,817**	621,143
Turnover	*687,187*	*630,503*
Gross Profit	**148,227**	140,573
Gross Profit %	*20,7%*	*22,6%*
EBIT	**82,745**	89,053
ROS	*11,5%*	*14,3%*
Net profit	**56,785**	63,944
Net debt	**(199,341)**	(239,887)
Net Cash Flow	**(40,546)**	(12,836)
EVA	**52,019**	56,823
Workforce	**1,515**	1,456

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

In general the economic performance of 2009 is slightly down over the levels of the previous year, even with an increase in production volumes. It should also be noted that the net profit for the year is affected by the expenses for the project for the new operating and control system, whose external costs alone amounted to EUR 5.2 million, which is basically the reduction in EBIT. Net cash flow rose, while net financial position substantially decreased as a result of the accounting effect of the merger of the subsidiary Ansaldo Signal N.V., which at the time of the merger had a negative net financial position of EUR 77.0 million.

The key figures of the two Business Units are shown below:

Transportation Solutions

(EUR 000)	31.12.2009	31.12.2008 Pro-forma[1]
Orders	**586,062**	167,124
Order backlog	**1,872,033**	1,675,449
Revenue	**392,633**	301,583
Turnover	*412,143*	*306,940*
Gross Profit	**55,098**	43,376
Gross Profit %	*14,0%*	*14,4%*
EBIT	**35,149**	28,070
ROS	*9,0%*	*9,3%*
Operating working capital	**(82,137)**	(103,183)
Free Operating Cash Flow	**24,551**	2,726
Workforce	**397**	376
Research and Development	**2,844**	1,995

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The volume of new orders markedly rose due to the commercial successes explained in detail below.
The production volume rose due to the huge order backlog existing which, with the same average profitability, led to the increase in EBIT.

Signalling

(EUR 000)	31.12.2009	31.12.2008 Pro-forma[1]
Orders	**745,176**	480,545
Order backlog	**1,269,449**	860,661
Revenue	**343,191**	319,758
Turnover	*292,985*	*327,170*
Gross Profit	**95,198**	98,606
Gross Profit %	*27,7%*	*30,8%*
EBIT	**64,647**	68,471
ROS	*18,8%*	*21,4%*
Operating working capital	**(70,262)**	(48,400)
Free Operating Cash Flow	**79,946**	28,442
Workforce	**1,042**	1,005
Research and Development	**11,227**	10,259

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The volume of new orders also in the Signalling Business Unit had a marked increase, due to the relevant order from Libya, which is explained in detail below.
The production volume slightly rose, with a reduction in average operating profitability, due to the different combination of orders in the period, with greater incidence of orders from abroad as compared with the previous year. This led to the reduction in EBIT.

Income Statement

In order to provide complete information on the financial condition of Ansaldo STS SpA, appropriate reclassification statements were drawn up, as if the merger with Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari had date of efficacy 1 January 2008; in particular, the statements shown were those breaking down by nature and on a functional basis the figures of the results of 2009 and the comparison with 2008 and the pro-forma 2008, in order to disclose significant comparative data.

(EUR 000)	31.12.2009	Pro-forma[1] 31 Dec. 2008	31 Dec. 2008
Income Statement by Nature			
Revenue (*)	**716,817**	**621,143**	**18,266**
Raw materials and consumables used and personnel costs (**)	(639,550)	(536,808)	(21,784)
Change in work in progress, semi-finished and finished goods	1,504	(1,754)	0
Amortisation, depreciation and impairment	(6,748)	(5,423)	(1,884)
Restructuring costs	0	0	0
Other net operating income (expenses) (***)	10,722	11,895	(2,086)
Adjusted EBITA	**82,745**	**89,053**	**(7,488)**
Restructuring costs	0	0	0
EBIT	**82,745**	**89,053**	**(7,488)**
Net finance income (costs)	2,460	9,070	13,540
Income taxes	(28,420)	(34,179)	1,549
Net profit (loss) before discontinued operations	**56,785**	**63,944**	**7,601**
Net profit (loss) from discontinued operations			
Net profit	**56,785**	**63,944**	**7,601**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Notes for the reconciliation between restated income statement and income statement:
(*) Includes “Revenue” and “Revenue from related parties”.
(**) Includes “Costs from related parties”, “Raw materials and consumables used”, “Purchase of services” and “Personnel costs” (less restructuring costs), less “Work performed by the Company and capitalised”.
(***) Includes the net amount of “Other operating income”, “Other operating income from related parties” and “Other operating expenses” (less restructuring costs).

In 2009 revenue of EUR 716,817 thousand rose by EUR 95,674 thousand as compared with 2008 (15.4%) due to the development of the significant order backlog; revenue was mainly generated in the domestic market (EUR 561,209 thousand from EUR 519,163 thousand in 2008), while the revenue generated from abroad was EUR 155,608 thousand, markedly higher than the figure for 2008 (EUR 101,980 thousand).
The total amount of raw materials and consumables used and personnel costs, due to the greater volumes developed, rose by EUR 102,742 thousand and accounted for 89.2% of revenue (86.4% in 2008), up 2.8%.
EBIT amounted to EUR 82,745 thousand (11.5% of revenue) in 2009 as compared with EUR 89,053 thousand (14.3%) in 2008. The reduction is due to the lower average profitability of the job orders in the period at issue and to the costs relating to the aforesaid FFDB project.
Net finance income/costs fell from EUR 9,070 thousand (1.5% of revenue) in 2008 to EUR 2,460 thousand (0.3% of revenue) in 2009, due to the lower average and the reduction of average rates for the year.
Income taxes amounted to EUR 28,420 thousand (4.0% of revenue) from EUR 34,179 thousand (5.5% of revenue) in 2008. When compared with the net profit (loss) before taxes, income taxes accounted for 33.4% (34.8% in 2008). The decrease in the percentage incidence is mainly attributable to the recognition of the contra-entry of an IRES tax receivable posted in the company's accounts following the reimbursement requests made by the companies individually before the merger for 10% of the IRAP tax, which was not deducted from the IRES tax for the years from 2004 to 2007 (EUR 884) thousand).
The net profit (loss) after taxes was EUR 56 785 thousand (7.9% of revenue) from EUR 63 944 thousand (10.3% of revenue) in 2008.

The income statement on a functional basis is as follows:

(EUR 000)	**31.12.2009**	Pro-forma[1] 31 Dec. 2008
Revenue	**716,817**	621,143
Production costs	**(568,590)**	(480,570)
Production gross margin	**148,227**	140,573
% margin on revenue	*20,68%*	*22,63%*
Structure costs	**(66,251)**	(61,405)
Balance of Costs (-)/ Income (+)	**769**	9,885
EBIT	**82,745**	**89,053**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The amounts disclosed on a functional basis reveal a marked increase in revenue as compared with the same period of 2008 mainly due to the increase in volumes of the Transportation Solutions Business Unit for the works posted on the Line 6 and Metro C projects, while average profitability fell mainly in the Signalling Business Unit due to the different combination of projects, which can be substantially attributed to lower volumes on the projects of the main customer FS and to greater volumes on orders from foreign customers.
Structure costs rose in absolute terms by EUR 4,846 thousand for greater expenses, less grants for Research and Development activities (EUR 1,756 thousand), for greater outsourced services and a different allocation of common costs as compared with the pro-forma allocation calculated for 2008.
The decrease in the balance of costs/income (EUR 9,116 thousand) as compared with 2008 mostly relates to the recognition as a cost of the expenses relating to the activities carried out for the new operating and control model based on the new IT system, SAP (EUR 5,204 thousand), to EUR 1,200 thousand accrued to the provision for doubtful account against items considered to be non-collectable and to EUR 2,144 thousand of lower costs charged over to the subsidiaries in connection with the General Service Agreement due to the greater production achieved by the Parent Ansaldo STS as compared with that of the subsidiaries.

Balance Sheet

The table below contains the balance sheet at 31 December 2009 compared with the figures at 31 December 2008, both pro-forma and of Ansaldo STS:

(EUR 000)	**31.12.2009**	31.12.2008 Pro-forma[1]	31.12.2008
Non-current assets	264,675	202,573	173,335
Non-current liabilities	(25,778)	(27,753)	(1,359)
	238,897	**174,820**	**171,976**
Inventories	67,267	52,770	0
Contract work in progress (net)	66,684	87,664	0
Trade receivables	443,456	290,631	4,392
Trade payables	(218,138)	(180,874)	(6,935)
Advances from customers (net)	(513,217)	(404,317)	0
Working Capital	**(153,948)**	**(154,126)**	**(2,543)**
Provisions for short-term risks and charges	(8,166)	(5,347)	(2,130)
Other net current assets (liabilities) (*)	(26,191)	(22,864)	(1,504)
Net working capital	**(188,305)**	**(182,337)**	**(6,177)**
Net invested capital	50,592	(7,517)	165,799
Shareholders' equity	**249,933**	**232,370**	**147,963**
Net financial debt (liquidity)	**(199,341)**	**(239,887)**	**17,836**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.
Notes for the reconciliation between restated balance sheet and the balance sheet:
(*) Includes "Tax receivables", other current receivables from related parties (carried under "Current receivables from related parties") and "Other current assets", less "Tax payables", other current payables from related parties (carried under "Current payables from related parties"), "Other current liabilities", except for financial receivables from related parties (carried under "Current receivables from related parties").

Regarding the main changes from the previous period, net non-current assets and liabilities showed a marked increase of EUR 64,077 thousand due to the recognition of the equity investments in the foreign subsidiaries of the Group that were previously included in the accounts of Ansaldo Signal N.V. in liquidation.
Working capital is in line due to the combined effect of a marked increase in trade receivables, which is the effect of some receivables from customers in Campania, offset by a marked increase in advances from customers, mainly due to the recognition of the amounts due from the Libyan railways.
Net working capital fell by EUR 5,968 thousand, substantially due to the increase in other current liabilities as a result of the recognition of a VAT payable of EUR 2,199 thousand as compared with amounts receivable of EUR 913 thousand in 2008 and the increase in the provisions for risks of EUR 2,819 thousand.
The rise in Shareholders' Equity of EUR 17,563 thousand was mainly due to the recognition of net profit for the year of EUR 56,785 thousand, to the payment of the dividend of EUR 26,971 thousand and the recognition of the deficit resulting from the merger with the subsidiary Ansaldo Signal N.V. in liquidation.

Financial Situation

Below is the net financial debt at 31 December 2009, with the figures at 31 December 2008, both pro-forma and of Ansaldo STS only, for comparison:

(EUR 000)	31.12.2009	31.12.2008 Pro-forma[1]	31.12.2008
Short-term borrowings	2,298	2,213	15
Medium/long-term borrowings	2,881	4,056	0
Cash and cash equivalents	(105,615)	(57,255)	(5,155)
Bank borrowings	**(100,436)**	**(50,986)**	**(5,140)**
Financial receivables from related parties	(190,765)	(266,061)	(266,061)
Other financial receivables	0	0	0
Financial receivables	**(190,765)**	**(266,061)**	**(266,061)**
Borrowings from related parties	90,164	75,303	289,037
Other borrowings	1,696	1,857	0
Borrowings	**91,860**	**77,160**	**289,037**
Net financial debt	**(199,341)**	**(239,887)**	**17,836**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Net financial debt at 31 December 2009 was positive amounting to EUR 199,341 thousand from EUR 239,887 thousand (pro-forma) at 31 December 2008, a decrease of EUR 40,546 thousand due to the net cash flow positive amounting to EUR 48,360 thousand, the payment of a dividend of EUR 26,971 thousand, and the acquisition of the net payable of Ansaldo Signal of EUR 77,031 thousand.

In particular, the financial receivable from related parties of EUR 190,765 thousand at 31 December 2009 (EUR 266,061 thousand at 31 December 2008, pro-forma) includes current accounts with the subsidiaries Ansaldo STS Malaysia and Ansaldo STS Usa Inc. and a time deposit with the related concern Finmeccanica Finance.

Below is the reclassified statement of cash flows at 31 December 2009 compared with the pro-forma one at 31 December 2008 and with that of Ansaldo STS.

(EUR 000)	31.12.2009	31.12.2008 Pro-forma[1]	31.12.2008
Cash and cash equivalents - opening balance	**57,255**	**44,324**	**537**
Gross cash flow from operating activities	94,368	95,981	-5,022
Changes in other operating assets and liabilities	(21,325)	(34,672)	8,897
Fund From Operations	**73,043**	**61,309**	**3,875**
Change in operating working capital	(178)	(25,389)	1,314
Cash flow generated from (used in) operating activities	**72,865**	**35,920**	**5,189**
Cash flow from ordinary investing activities	(4,384)	(228)	(666)
Dividends received			14,544
Free operating cash-flow	**68,481**	**35,692**	**19,067**
Strategic investments	(5,025)	(28,045)	(25,584)
Other changes in investing activities		1,339	1,006
Cash flow generated from (used in) investing activities	**(9,409)**	**(26,934)**	**(10,700)**
Dividends paid	(26,971)	(19,992)	(19,992)
Effect of merger of Ansaldo Signal N.V. in liquidation	(77,031)		
Cash flow from financing activities	88,906	23,937	30,121
Cash flow generated from (used in) financing activities	**(15,096)**	**3,945**	**10,129**
Increase (decrease) in cash and cash equivalents	**48,360**	**12,930**	**4,618**
Cash and cash equivalents - closing balance	**105,615**	**57,255**	**5,155**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The performance of Free Operating Cash Flow in the periods under comparison is mainly due to the cash flow generated from the advance payment from the Libyan railways as envisaged in the agreement. This more than offset the increase in working capital due to the progress of the contract which determined extremely positive cash flows in previous years.

Alternative non-GAAP performance indicators

Ansaldo STS' management assesses the Group's earnings and financial performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs.
As required by Communication CESR/05-178 b, below is a description of the components of each of these indicators:

- ***EBIT:*** the aggregate signifies earnings before taxes and financial income and costs, with no adjustments.
- ***Adjusted EBITA:*** It is arrived at by eliminating from EBIT (as defined above) the following items:
  - any impairment in goodwill;
  - amortisation of the portion of the purchase price allocated to intangible assets in relation to business combinations, as required by IFRS 3;
  - restructuring costs that are a part of significant, defined plans;
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.
- ***Free Operating Cash-Flow (FOCF):*** This is the sum of the cash flow generated by (used in) operating activities and the cash flow generated by (used in) investment and divestment of intangible assets, tangible assets, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments". The calculation of FOCF for the periods concerned is presented in the reclassified statement of cash flows shown under "Financial Situation".
- ***Funds From Operations (FFO):*** This is cash flow generated by (used in) operating activities, net of changes in working capital. The calculation of FFO for the periods concerned is presented in the reclassified statement of cash flows shown under "Financial Situation".
- ***Economic Value Added (EVA):*** This is calculated as EBIT net of taxes and the cost of the average value of invested capital for the two periods concerned and measured on a weighted-average cost of capital (WACC) basis.
- ***Working Capital:*** Includes trade receivables and payables, work in progress and advances from customers.
- ***Net Working Capital:*** This is represented by working capital less the provision for current risks and other current assets and liabilities.
- ***Net Invested Capital:*** This is the algebraic sum of non-current assets, non-current liabilities and Net Working Capital.
- ***Net financial debt:*** The template for calculation is consistent with the one in section 127 of the CESR/05-054b recommendations implementing EC Regulation 809/2004.
- ***Orders:*** This is the sum of the contracts executed with contractors during the year which have the contractual characteristics for being booked to the order book.
- ***Order backlog:*** This is the difference between the orders acquired and production revenues for the period of reference, net of the change in contract work in progress. This difference is added to the portfolio of the prior period.
- ***Workforce:*** This is the number of employees reported on the last day of the period concerned.
- ***Return on Sales (ROS):*** This is the ratio between EBIT and revenues.
- ***Research and Development costs:*** This is the sum of costs sustained for R&D expensed and sold. The costs for research expensed are normally referable to so-called "basic technology", i.e. rights to the attainment of new scientific knowledge and/or techniques applicable to different new products and/or services. The costs of research sold are those commissioned by the customer against which a specific sale order exists and which have accounting and operational treatment identical to ordinary supply (sale contract, profitability, invoicing, advances, etc.). In consideration of the rapid development within the productive sector in which the company operates, this type of costs is generally not capitalised.

Commercial performance

The value of the new orders in 2009 of the two Business Units, Transportation Solutions and Signalling, amounted to EUR 1,273.2 million (EUR 644.7 million in 2008), a marked growth as compared with the previous years.

Below is a breakdown of the two business units:

Transportation Solutions

In terms of prospects, the market growth trend is confirmed worldwide, which however is the result of the dynamics of the various national markets, each with its own cycles.

At product level, the driverless metro segment is increasingly revealing its importance and is becoming a relevant element of competition on the overall urban transport market, allowing an important advantage, in terms of image as well, for the owners of the technological know-how and the related system skills.

The value of the orders for the Transportation Solutions Business Unit in the January-December 2009 period amounted to EUR 586.1 million, compared with EUR 167.1 million posted in the same period last year by Ansaldo Trasporti Sistemi Ferroviari.

In detail:

- the contract for the Riyadh Metro, Women's University, together with AnsaldoBreda. The scope of the work includes: the designing, construction, operation and maintenance of the Automated People Mover System (APM) inside the Campus of the Riyadh Women's University. It is a driverless system, 11.3 km long with 17 stations and 1 depot. The contractual value for Ansaldo STS is EUR 148.9 million;
- the first phase of the Taipei Metro Circular Line includes the construction of the Electrical and Mechanical Works and the supply of Rolling Stock for a 15.5 km-long driverless Line, with 14 stations (13 in viaduct and 1 underground), 17 vehicles and one depot, together with AnsaldoBreda. The scope of work of ASTS's contract includes the designing, supply, assembling and operation of an integrated system consisting of: Rolling Stock, Signalling, Telecommunications, Operating Central Station, Electrification, Third Track, Platform Screen Doors, Automatic Fare Collection, Track Laying and Depot equipment. The amount was EUR 214.2 million;
- the contract with Metropolitana di Napoli SpA, concession-holder for the Municipality of Naples, was signed for the construction designing and construction of the electrical/rail systems of Line 1 of the Naples Metro for the piazza Dante – piazza Garibaldi line. The value of the job order is EUR 59.6 million. Ansaldo will take care of the works for the contact line, power supply, telecommunications, signalling and automation and the protection systems on the 5-km line entirely in the tunnel;
- the amount of EUR 44.3 million for the order in Libya, acquired by the Signalling Business Unit, for the power supply of the Sert-Ras Ejder line and the Al Hishah-Sabha line;
- additional variations to the High-Speed line business, in particular to the second functional lot for the Rome-Naples line. The overall value for the works performed through the Saturno and Iricav Uno Consortiums amounted to EUR 38.6 million;
- variations, mainly related to technological works for the Line C of the Rome Metro, whose overall value is EUR 30 million;
- the contract for the technological works for the Pompeii underground station through Consorzio Ferroviario Vesuviano for an overall amount of EUR 25.9 million;
- extra-works recognised by the customer on the Copenhagen Operation & Maintenance project for an amount of EUR 10 million;
- a variation to the Thessaloniki contract concerning the common expenses of the joint venture, which originally were not considered to be paid by the partners, for an amount of EUR 10 million.

Also noteworthy are the variations on the Brescia, Milano, Alifana contracts for an overall amount of EUR 4.5 million.

In 2008 the value of new orders substantially related to a portion of works for Rome Line C and to the execution of addendums regarding the Alifana railway.

Regarding opportunities, in Italy expectations are confirmed, although slowed down, regarding expansion programmes, in the medium- and long-term, of the transport network for all the main Italian cities, which help keep steady the market development estimates. In the next decade Milan, Rome, Naples, Palermo, Catania, Bologna will commence the construction of new metro lines and extensions of the existing ones.
In particular, the tender for the award of the First Lot of Line 4 of the Milan metro is expected for the first half of 2010 and, regarding Line 5 of the Milan metro, it is possible that it may be extended south and west to S. Siro.
Likewise, the award of the D Line of the Rome Metro has not received the final approval and the award of public budgets yet and therefore will be delayed to the end of 2010.
With regard to the extension of the Rome Line B for the Rebibbia – Casalmonastero segment, the bid was postponed to the first half of 2010.

Abroad, in general, in the global macroeconomic scenario following the financial crisis commenced in 2008 some projects were delayed, in particular in the Eastern European area, where the development programmes driven by the European Community do not seem adequate to fully finance the major expansion projects for transport networks.
In a partial counter-trend performance compared with the above trends, the development of the "turnkey" market in Northern Africa and in the Middle East did hold fairly good as compared with the market volumes of the last few years. To that regard, it is worth noting the commencement of some initiatives and infrastructural projects in Kuwait, Bahrain, Qatar, Saudi Arabia, Libya, Tunisia and Algeria.
Libya has important financial resources and several projects are expected to be carried out in both the Mass Transit and the railway segments. In that scenario, it is important to highlight the participation in the bid for the construction of a driverless metro system in Tripoli, for which the offer was submitted in a grouping with some Italian companies and AnsaldoBreda. The award is expected in the first half of 2010.

In the Middle East, Qatar is one of the Gulf Countries with more ambitious infrastructural plans: several projects are planned in the coming years for the construction of heavy and light metros (LRT).

Regarding the European market, Denmark plays a strategic role due to the strong presence in the country. The Copenhagen Metro project, where ASTS also is the Operator, remains one the best references for ASTS worldwide. In the first months of 2010 the company won the contract for the extension of the operation and maintenance of the Copenhagen driverless metro.
Another European country of interest is Greece. Although this country is going through a period of financial crisis due to a marked increase in public debt, interest is held for the businesses developed in the past and possible future occasions, related to the extension of the Thessaloniki driverless metro now under construction.
Regarding the technological solutions adopted, the demand in driverless metros is still growing (driverless CBTC), in particular in Italy, Central and Northern Europe and the Middle East.

Signalling

The value of acquisitions of the Signalling Business Unit in 2009 amounted to EUR 745.2 million (EUR 480.5 million in 2008 of Ansaldo Segnalamento Ferroviario), a strong growth compared with the acquisitions of the previous years.
This amount, clearly an exceptional one, is the result of the results achieved in the foreign market consistently with the strategic objectives of market diversification pursued by the company and the group.
The signing of the order from the Libyan railways for EUR 541 million (of which EUR 44 million relates to the power supply to be realised by the Transportation Solutions Business Unit), the most important value acquired by Ansaldo STS, confirms the trend that commenced in 2008 (with the signing of the contract in Germany) and continued last year with the award of important orders in Turkey, Tunisia and China.

In particular in the domestic market, new orders totalled EUR 187.3 million (EUR 169.4 million in 2008) including:
- the order for the Palermo ACC for EUR 19.4 million and variations to the ACC contracts for the Naples junction, the Pisa ACC and the Messina – Patti line of EUR 3.4 million;
- variations to the orders for the HS/HC lines for an overall amount of EUR 47.2 million, including EUR 16.9 million for the Bologna-Florence line (fire system and SCC variation), EUR 7.0 million for the Turin-Milan line (including the Milan-Certosa variation – Milan entrance), EUR 8.9 million for the Milan-Bologna line (including the interconnections of Melegnano and Lavino), EUR 4.1 million for the Rome-Naples line (second functional lot – Naples entrance) and EUR 11.0 million for monetary adjustments on the various lines;
- the signing with Trenitalia of the Third Addendum to the STB/SCMT Master Agreement and some minor variations for an overall amount of EUR 9.1 million; at the same time the decrease in the supply of diesel rolling stock (EUR 17.0 million allocated to various Application Contracts) for on-board equipment, as well as the formalisation with RFI of a variation to the development contract for EUR 3.1 million;
- variations and reconfigurations to the line SCMT amounting to EUR 13.2 million;
- orders totalling EUR 19.8 million, including: new CTCs (Taranto-Brindisi), unifications or upgrades of Central Points (Battipaglia-Potenza, CTC Pavia-Vercelli, etc.), SCC variations, security;
- various orders for regional railway lines for a total amount of EUR 20.4 million:
  - from Firema for the new Alifana 2 rolling stock for Metrocampania NORDEST;
  - from Ferrovia Adriatico Sangritana;
  - from Ferrovie Centrali Umbre;
  - from Trentino Trasporti;
  - from Metropolitana Milanese for an extension of line 3;
  - and from Consorzio Ferroviario Vesuviano for the works for the underground Pompeii station;
- orders for spare parts and equipment from RFI, Trenitalia and some Railways under Concession for a total EUR 7.9 million;
- Service and Upgrade orders amounting to EUR 38.5 million including:
  - contracts for the assistance to Wayside ACC,SCMT, HS systems amounting to EUR 15.8 million from RFI;
  - two-year contract for the repair of STB/SCMT and other supplies and repair from Trenitalia amounting to EUR 4.7 million;
  - contracts for the assistance to supervision and remote control systems amounting to EUR 4.2 million;
  - contract for the multi-year assistance to on-board SSB, ERTMS/HS of ETR 500 rolling stock amounting to EUR 12.3 million from Trenitalia;
  - various contracts for assistance from regional railway lines and metros amounting to EUR 1.5 million.
- internal orders from the Transportation Solutions Business Unit for EUR 13.8 million, of which EUR 11.0 million relates to the signalling in the Dante-Garibaldi line of Metronapoli and EUR 2.8 million for a variation to the Piscinola-Aversa line of the Alifana railway;
- orders from Ansaldobreda for the supply of electronic boards for a total of EUR 7.1 million.

In the foreign market new orders amounted to EUR 557.9 million (compared with EUR 311.2 million of 2008), among which:
- The order from the Libyan railways for the signalling, telecommunications and power supply system for EUR 541 million; the contract relates to the supply of a Signalling system (Interlocking, CTC, ERTMS Level 1 and Level 2), Telecommunications and Power Supply for the Ras Ajdir - Sirt line (650 kms) and the Al Hishah - Sabha line (800 kms).
- the order from the Russian railways (RZD through NIIAS) for the implementation of the pilot project of the new ITARUS ATC railway signalling system based on ERTMS solutions for EUR 7.4 million.

• An order from Hollysys (China) for an amount of EUR 1.8 million.
• Orders from Stadler and Vossloh for SCMT on-board equipment for a total amount of EUR 2.8 million.
• Orders from companies of the Ansaldo STS Group (France, UK) for a total amount of EUR 5.0 million.

Regarding commercial activities, the slow-down phase that commenced a few years ago continued.
In the last three years the targets of the main national customer RFI focused on the completion of the high–speed, high-capacity (HS/HC) lines linking Turin, Milan, Bologna, Florence, Rome and Naples and the programme for the rail traffic safety through the rail traffic management system (SCMT) and secondary command and control system (SSC).
The tenders for new investments: interoperable European corridors, technological upgrade for the main junctions and lines, extension of the HS/HC network, were further delayed. Due to this, the first tenders are expected to be called only in 2010. Among these, the most important are:
• ERTMS laying of the Italian section of the Genoa – Rotterdam corridor;
• technological upgrade of the Turin – Venice – Trieste line;
• technological upgrade of the Genoa railway junction.

The tenders for the extension of the HS line are most likely to be postponed to later years.
Some opportunities, with smaller but significant volumes, can still be referred to the completion of ongoing programmes, such as High Speed, Service & Maintenance, and unification of the departmental Central Control Points and of the traffic control systems in the large stations already equipped with computer-based interlocking (ACC).
Regarding the market of on-board signalling equipment, Trenitalia has finally started some tenders for rolling stocks; of these, the most important one is that for 50 additional High Speed trains.
For Regional Railways the commercial goal is the promotion of Wayside and On-board SCMT systems and ACCs, which can be proposed individually or in an integrated manner, depending on the track laying status of the various railway lines.
Some developments were started with regard to innovative products and components and new market segments (such as diagnostics and homeland security).
We are expecting the first tender for the supply of diagnostic portals to be installed to protect the main tunnels of the RFI's network.
Following the considerable investments made by FS from 2002 to 2006, new competitors have entered the market and competition has increased.

Outside of Italy, the railway market is now markedly oriented to the adoption of the ERTMS solution, whereas the metro market mainly requires CBTC solutions sometimes with driverless alternatives.
A considerable effort is underway in the new Libyan market, where, in addition to the aforesaid success, the negotiations are taking place with the Russian Railways (ZST, a subsidiary of RZD), which already signed the contract for the turnkey construction of the entire line, for the supply of the signalling, driverless and security system for the Sirth - Benghazi line (550 kms). Offers are being prepared for railway systems using the ERTMS technology in Central and Eastern Europe (Croatia, Bosnia, Poland, Romania, Czech Republic).
At the same time commercial activity in Germany continued through the subsidiary Ansaldo STS Deutschland GmbH, where an order for Level 2 ERTMS onboard equipment was received for Siemens high-speed new-generation trains (Velaro D) of the value of EUR 16.8 million. This is particularly relevant because it allows Ansaldo STS to be the first company in Germany holding contracts for the entire ERTMS range (wayside and onboard). A contract was also signed for the supply of spare parts in relation with the above order.
Also in Germany bid prequalifications are under way for the supply of ERTMS Level 1 and 2 Wayside/On-board and for the NEUPRO project.
In Egypt the company is working on the important tender for the signalling (CTC, IXL) of the Cairo-Alexandria line and is expecting the outcome of the prequalification for the Cairo – High Dam tender. Both tenders are expected to finish in 2010.
In Austria negotiations are under way with Siemens for the supply of SCMT standard on-board equipment and STM/SCMT.

Order backlog

The company's order backlog at 31 December 2009 amounted to EUR 3,041 million as compared with EUR 2,478 million in 2008.

In particular:
- the Transportation Solutions Business Unit's order backlog came to EUR 1,872 million (EUR 1,675 million at 31 December 2008). It chiefly relates to the following projects: the Riyadh Metro (7.8%); the Taipei Metro (11.2%); the High-Speed projects (2.4%); Copenhagen Metro (1.7%); the concessions for the construction of the Metros of Naples and Genoa (25.0%); the driverless metros of Brescia and Milan, (12.9%); the construction of the Rome Metro Line C (16.0%); Alifana (5.9%); the Thessaloniki project (8.3%);
- the Signalling Business Unit's order backlog came to EUR 1,269 million (EUR 861 million at 31 December 2008). It chiefly relates to the following projects: ACS projects (57.2%) (including Libya and Turkey Mersin-Toprakkal), Metros (12.8%), On-board SCMT (12.1%), High-Speed projects (6.2%), SCCs (4.7%), Maintenance & Service (4.4%), Wayside SCMT (2.6%).

Production performance

Production revenues from the Transportation Solutions and the Signalling Business Units amounted to EUR 716.8 million (EUR 621.1 million in 2008), up EUR 95.7 million, substantially attributable to the Transportation Solutions Business Unit.

Below is a breakdown of the results of the two business units:

Transportation Solutions

Production revenues for the Transportation Solutions Business Unit at 31 December 2009 amounted to EUR 392.6 million (EUR 301.6 million in 2008 posted by Ansaldo Trasporti Sistemi Ferroviari).
It amounted to EUR 326.2 million in the Italian market (EUR 230.6 million in 2008) and EUR 66.4 million in the foreign market (EUR 71.0 million in 2008).
In particular, production developed on the projects for high-speed trains, the Rome Metro Line C, Copenhagen Metro, Milan Metro, Genoa Metro, Thessaloniki, Alifana, Naples Metro Line 6, Naples Metro Line 1, Brescia Metro, Riyadh and Taipei Metros.

The most significant production activities are as follows:

High Speed Railways (production revenue EUR 51.2 million):
Regarding the High–Speed Railways, for the works carried out through the Saturno consortium, for the Rome-Naples line, the section of the Second Functional Lot began commercial operations in December 2009 following the completion of testing, the favourable outcome of the Technical Control Commissions and the favourable outcome of the preliminary activity for bringing the line into service made in November. Some non-essential activities are to be completed for the commercial operation within the first quarter 2010 and the completion of some activities required by the Technical Control Commissions.
Given that the Novara-Milan and Bologna-Florence lines were already delivered to the final client RFI and that commercial operations are already under way on the Milan-Bologna line since December 2008, as of today we can claim that all the High-Speed Turin-Milan-Rome-Naples line is basically operating.
As regards works made through the Iricav Uno Consortium on the Rome-Naples section, the truck laying works of Operational Lot 2 were completed, including grinding and check of the track geometry. Only some finishing works are left.

On both the Rome–Naples and Milan-Bologna lines, completion times were agreed upon regardless of the outcome of the arbitration under way; to that regard the developments of the works of the existing Arbitration Panels are expected.

Genoa Metro (production revenue EUR 27.5 million):
Activities are focussed on the De Ferrari – Brignole line; in particular, regarding the tunnel operations, after the excavation was completed in December 2008, activities for the construction of the concrete slab and the platform laying started and will be completed on the entire line by the first quarter of 2010. The construction of Brignole station still faces some implementation difficulties; variations, times, methods and future works have been included in a Master Agreement that was approved with resolution dated 30 December 2009 by the Municipality and that states the willingness to activate the section by March 2012.
This agreement includes the basis for future addendums regarding a new depot in Dinegro (awarding of two working lots, one of which is in the short term, and the completion by the end of 2010) and the supply of seven 3rd-generation trains.
From the implementation point of view, in 2009 90% of the excavation was completed at the Brignole station and the extensions of the two existing underpasses are being made (expected to finish in the first half of 2010). These will connect the railway station and the Metro platforms.
At the end of this work, a part of the Post Building will be demolished, as it interferes with the station project and the works for its construction will commence.
Last but not least, in 2009 the remaining activities for the S.Giorgio-Sarzano and Sarzano-De Ferrari lines ended.

Brescia Metro (production revenue EUR 21.7 million):
With reference to the Company's works, the development of construction planning is continuing. Tests continued in particular on the sub-supply systems, ATC, third rail and Telecommunications. The platform screen doors for the first stations were tested and delivered on-site. Installation activities started for cable paths and equipment in the technical rooms of the stations and along the line in the entire Southern area.
The depot area is entering operation.
With regard to the civil works to be made by the partner, the line, station and shaft construction activities along the line are proceeding, while the finishing work is just about to be completed at the depot area, and the first level finishing work is being carried out in the stations where the TBM does not pass. The track laying was completed along the Southern area and started in the Northern area, where non-system plants are being installed. Cable paths are also being prepared and Ansaldo STS's relevant activities will begin.
With reference to the rolling stock for which AnsaldoBreda is responsible, the first vehicle arrived in Brescia in the month of August. Activities for the completion of the train are being carried out at the Brescia depot, making the train available to run integration tests with the sub-systems supplied by ASTS. Factory tests of the second train are being completed at the Ansaldo Breda facilities in Naples. The arrival of the second train is expected by the end of the month of February. System fitting out is under way on five more trains and carriages are available for three more trains. Carpentry work on the carriages is in process at the Reggio Calabria plant, where carriages for three trains under construction are ready and five more trains are to be worked on.
There is no new information regarding the dispute between ATI (with particular reference to the civil partner Astaldi) and Brescia Mobilità; as of today, there are no critical matters regarding the dispute.

Alifana Regional Line (production revenue EUR 28.1 million):
In April the Giugliano – Aversa Centro line (Second Functional Action) was opened to the public with two double configuration trains. Activities are under way for the implementation of the second stage of the Scampia underpass, and the related link to the Piscinola Station, whose completion is scheduled by the first quarter 2011; the implementation of the integrated telecommunications system and the A lot of the new Melito station will be completed by mid-year.
The Licensor has not announced yet that it has found the financial resources for the implementation of the B lot of the Melito station (which makes it usable by the public) and the integrated telecommunications system, which was actually starting works. This announcement was expected for September 2009 and is now scheduled for the first half of 2010 with the approval of the Campania Region.
At the end of the year, by Department Decree of the General Area for the Coordination of Transport and Roads, Track laying was financed with ATPc/d and TELOC 2500 equipment of three additional Traction Units of the Licensor; the relevant Addendum will be signed shortly.
Regarding the Integrated Contract for the Piscinola – Capodichino line, the Lot A areas were not delivered, although they were due last July by contract.
The delivery of the areas and contractual terms are being renegotiated.

Naples Metro Line 6 (production revenue EUR 79.4 million):
There were important developments concerning both implementation and management issues.
Regarding the implementation activities, works on the main Line building sites continued. In particular for the Tunnel building site, after the completion of the drilling and safety works at the face excavation, the main elements of the tunnel boring machine were cabled.
At the same time the main activities for testing and operation of the individual site plans started. Thanks to the completion of the last activities, the excavation of the line tunnel can start during the first quarter of 2010. Regarding the Line stations, during the last quarter of the year the works for the Municipio Station were delivered to the Licensor. Therefore works started in this area, where there will be the interchange of Line 6 and Line 1 of the Naples Metro, for the construction of the containment bulk heads of the station shaft using a hydromill. For the Piazza Municipio site works are carried out at the same time as well-known archaeological excavations, therefore activities are planned in order to take account of the inevitable interferences.
The main works for the construction of the containment bulk heads continued at the site of the Arco Mirelli station; bulk heads for both foreshafts, for the winze on the Villa Comunale side and almost all of those for the station shaft.
From September, archaeological excavations started for the winze on the Villa Comunale side, named "Kollohoff Shaft".
For the site of the San Pasquale station, works were characterised by two separate stages. During the first half of the year all the activities for the structural works of the station shaft and the foreshafts were completed; in the second half of the year the start of the archaeological excavation slowed down our activities. The finding of some historical remains dating back to the 1500s affected the pace of works and now we are awaiting an authorisation from the Archaeological Heritage Office to have these remains removed.
For the Chiaia station site, after the completion of the construction of the sheet-piled bulkheads of Shaft 1 and Shaft 2, the archaeological excavations started in May at this site as well. In November the Archaeological Heritage Office officially announced the completion of the archaeological excavations of Shaft 1; as a result, the excavation continued up to foundation using mechanical means and beams were also assembled. This activity is expected to be completed by February 2010. Archaeological excavations continue in the Shaft 2 areas.

From the management point of view, the following must be noted:
1. On 5 March 2009, with City Council Resolution 256, the "Technical and economic variation to the final project of the stations referred to in the 6th A.I. for the Mergellina - S.Pasquale – Municipio line under construction, as prescribed by the Interministerial Committee for Economic Planning, and to the works to be done ahead of schedule for the second shaft passenger exit (Villa Comunale side) of the A. Mirelli station" was approved; this variation did not lead to an increase in expenses as compared with the overall amount of the Economic Framework of the 6th Addendum;
2. The survey with the Municipality and the Works Department was completed regarding the technical and economical variation for the full passage of the line tunnel at the station shafts and the line variation. Thanks to this, the Licensor Municipality of Naples will be able to formalise these variations with contracts in the first months of 2010.
3. The format of the 7th Addendum is being defined with the Licensor. This Addendum will regard the construction of the structural works of the tunnels linking the Mostra station and the depot/workshop located in the area of the former military armoury in Via Campagna and the detour to the Campegna station, as well as the completion (plants and civil fitting out) of the A. Mirelli and Chiaia stations and the supply of four new vehicles.
4. Finally, following the extension of the Concession to Ansaldo STS for the designing and construction of the extension of Line 6 in the Bagnoli/Coroglio area (through Town Council Resolution 1234 of 17 July 2009), with Town Council Resolution dated November 2009 the Licensor, the Municipality of Naples approved the Preliminary Project for the "Campagna - Porta del Parco" line for the extension of Line 1234 to Bagnoli, authorising the Licensor to the development of the detailed engineering pending the approval of CIPE (Interministerial Committee for Economic Planning) of the preliminary project.

Copenhagen (production revenue EUR 55.9 million):
Production during the period was almost exclusively marked by activities relating to the operation & maintenance of the system. Noteworthy was the strong effort made in the offering, which was successfully closed in January, of a contract for five additional years (plus an option for three more years).

Rome Metro Line C (production revenue EUR 62.0 million):
Regarding the activities of the consortium company Metro C, the first couple of TBMs completed the excavation of the tunnels at the entrance of Torrenova (between Centocelle and Mirti). In the last quarter, the TBMs were taken back after maintenance to the Malatesta shaft to resume excavations in the September-November 2010 period. In this way it will be possible to enlarge the platforms of the Giglioli, Torre Spaccata, Alessandrino, Centocelle stations. Works for the civil works of the Depot and the entire T7 Section continued, and technology assembling started. Regarding the activities for which Ansaldo is directly responsible, the SERs at the Depot and the three SERs relating to the T7 section and the CDB – all enabling the start of the assembling part – were transferred to the US subsidiary.

Thessaloniki Metro (production revenue EUR 3.3 million):
At the end of the prior year, technical and management meetings were held by the Management of Ansaldo and the Customer in relation with a proposal developing the technical solution on the signalling system architecture that was formerly submitted, in order to settle a dispute on this matter. The Customer basically accepted the solution and the company started the detailed study of the proposal, whose preliminary documentation was already submitted to the Customer in September. No official comments have been received so far.
Regarding the other sub-systems, during the last part of the year the Customer commented on most of the documentation of the General Final Design 2 (GFD2), except for the SCADA and System Documentation.
At the moment, the complete approval of the GFD 2 by the first half of 2010 is critical, also because several technical differences are still open and must be overcome.
As a result of the change to the Assignment between the JV and the Partners, from 2009 the common costs of the Joint Venture and the relevant revenues were allocated pro-rata.

Milan Metro Line 5 (production revenue EUR 26.6 million):
The issue of the documents relating to the Detailed Engineering was completed during the year with the relevant approval, and the documents for the Detailed Construction are being prepared. Some 80% of materials was tested, the remaining 20% relating to the Garibaldi Variation will be tested in 2010. The assembling activities for which Ansaldo is responsible commenced in October 2009. These activities focussed on two out of the nine stations, because the delivery of the areas has been postponed by the civil partners.
The ATI partners agreed upon a new work programme of reference which envisages the completion of the Functional Section by the end of 2011 and the complete line by the start of 2013. At the moment this programme is being discussed with the customer.
The line construction activities proceed with a light delay now estimated at three months as compared with the latest work plan (rev. 6.5); technical variations, as demanded by the operator and the customer, and a number of reserves, currently under negotiation, were also submitted to the customer.

Naples Metro Line 1 (production revenue EUR 9.2 million):
The works substantially concerned the initial activities for the contract signed at the start of the year with Metropolitana di Napoli SpA, concession–holder for the Municipality of Naples, for the construction designing and construction of the electrical/rail systems of Line 1 of the Naples Metro for the piazza Dante – piazza Garibaldi line. The value of the contract, including the amounts included in the contract at the end of 2009, amounted to EUR 60.0 million. Ansaldo STS will take care of the works for the contact line, power supply, telecommunications, signalling and automation and the protection systems on the 5-km line entirely in the tunnel. The works completion is expected by 2013 and the works assigned to ASTS are part of the fourth application contract to the master agreement for the construction of Line 1 of the Naples Metro.

Riyadh Automated People Mover System (APM)(production revenue EUR 3.0 million):
Regarding the Riyadh Metro project, during 2009 all the activities for the Preliminary Design were completed. The documents were all forwarded within the month of October, as envisaged in the Contract Annex. Engineering started to work on the Construction Design and the Track Laying-Civilian Works interface documents. During the year letters of intent and supply contract were signed with the main suppliers and sub-contractors of the project. Specifically, the supply contracts with the US subsidiary were finalised for the ATC (Automatic Train Control) system and with another Telecommunications package provider. In the last months of 2009 FATs (Factory Acceptance Tests) commenced on some of the main objects included in the supply of the Power Supply sub-system.
Logistically, massive work was carried out with DHL's support to organise the shipping of all the supplies of all the sub-systems included in the scope of work.
Finally, all the procedures for the opening of a branch in Saudi Arabia started.

Circular Line Taipei Metro (production revenue EUR 4.3 million):
The Contract was signed on 31 March, and on 6 April the Customer set the Notice to Proceed, based on which the phase of the preparation of the project activity named Interface Control Documents (ICD) started and is subject to penalties. This activity includes the submission to the Customer of the design technical documentation interfacing with civil issues, in order for the Customer to finalise the contract for the civil works included in the development of the project. All the penalising milestones of this activity were successfully achieved. The Taiwanese regulations (International Cooperation Programme – ICP) require that some limits be met regarding the awarding of sub-supplies to local suppliers. ASTS started the supplier selection process in accordance with local regulations in order to implement the customer plan. This activity is ongoing and letters of intent were signed with most of the main suppliers.
ASTS finalised the formation of its own Local Office (Taiwan Brach) in order to operate in the territory of Taiwan, partly in response to specific indications of the Customer.

Signalling

Production revenue for the Signalling Business Unit at 31 December 2009 amounted to EUR 343.2 million (EUR 319.8 million in 2008 posted by Ansaldo Segnalamento Ferroviario).
Production activities in Italy were made in Italy for EUR 254.0 million (EUR 288.8 million at 31 December 2008) and abroad for EUR 89.2 million (EUR 31.0 million at 31 December 2008).
In the domestic market, the volumes realised in the High-Speed line business, with the delivery of the lines, and the activities for the fitting out of the rolling stock using the on-board SCMT system are to be noted. Production on the construction of ACS (Automated Control System) grew significantly and even more markedly than in the metro segment.
Activities in China, Turkey, Germany are notable.

High Speed Railways (production revenue EUR 88.6 million):
With regard to the High–Speed Railways at the end of 2009, as it was planned, the Bologna – Florence, Novara – Milan sections and the second lot of the Rome – Naples were delivered. In particular, the delivery of the Bologna – Florence line brings to less than two interconnections (Parma and Fidenza) the activities on the main line of the Italian High Speed Railways.
The two-year guarantee period started in January 2010.
With regard to new works, through the Saturno consortium the detailed engineering and offers for the Brescia – Treviglio and the Milan – Genoa lines were prepared.
For the systems being built abroad, the Paris-Ostfrankreich-Sudwestdeutschland (POS) project in Germany saw the closing of the re-negotiation of the scope of work and, in line with the activation objectives, works were completed for the ZhengXi project in China, where commercial traffic is expected to start in the first quarter of 2010.

ACS (production revenue EUR 69.4 million):
The production on the national territory particularly concerned the activation of the systems in Mestre (phase 1) in June, the one of Rho-Pero and Rebaudengo at the same time at the end of September, the goodwill of the cargo phase in Rogoredo at the start of September, the completion of the retrofit activities on the Safe Commands in the Messina-Patti line and the start of activities for the job order in Palermo.
Particularly important and challenging also is the reconfiguration of the Rome Termini system achieved at year-end. The Addendums for the Naples junction, Rho fiera and Messina-Patti are being defined. Due to its possible future technological and innovation repercussions, attention should be paid to the migration to the QMR technology of the Central Station of the ACC in Pisa. The migration was successfully performed in September.
Activities abroad regarded the contracts acquired in Romania, Tunisia and Turkey.

Metro (production revenue EUR 18.0 million):
Regarding the activities for metro systems, production was developed mainly on the contracts for Ankara Metro (designing, production and factory testing of the 1st Lot equipment) abroad, for Alifana the Piscinola–Aversa centro line, Alifana CBTC Experimental Line and the recent order for the extension of Line 1 of the Naples Metro (Dante–Garibaldi) in Italy, with strong overall increase over the volume of the previous year.
Factory testing activities also continued for the equipment of Line 6 of Naples, of Alifana Piscinola Capodichino. Works for the Genoa Metro and activities relating to the recent order for the systems of the Alifana’s Melito station also continued. The activation of the latter is expected to occur during the next year.

Wayside SCMT (production revenue EUR 57.1 million):
The truck relating to the installation programme for the Train Speed Control System for RFI is nearing completion, as pointed out in the past. The production revenues resulting from the numerous reconfigurations requested by the Customer for systems formerly constructed and activated remains significant. With a view to this, interesting master agreements are being formalized with the various segments concerned. These agreements are a flexible and easily-applicable instrument to ease the implementation of such reconfigurations.
Addendums to individual contracts are being defined. These contracts constitute the programme through which the final amount of the works to be done and the final amount of works done and of works done in pursuance of the original contractual provisions.
At the same time, activities were completed for the introduction of SCMT technology in the Circumvesuviana railway.

On-Board SCMT (production revenue EUR 58.1 million):
Production mainly regarded the continuation of the supply for the equipment of the Trenitalia’s rolling stock under the applicable Master Agreement.
The equipment for the rolling stock of Metrocampania Nordest, Ferrovie del Gargano, Ferrovia Adriatico Sangritana, Ferrovia Centrale Umbra were also supplied. As part of the contract with the latter, the Authorisation to Operate was obtained for a rolling stock equipped with the SCMT/SSC/BL3 system.
Other significant portions of the production volumes related to the existing contracts with some rolling stock constructors (AnsaldoBreda, Firema, Stadler, Vossloh).
Abroad, the progress of the works for the equipment of rolling stock in Greece with ERTMS Level 1 equipment is in difficulty due to the interaction with rolling stock constructors on lines and assembly (global competitors), in order to obtain the technical information necessary to continue works properly.

SCC (production revenue EUR 17.2 million):
The activities on the historical SCCs, which are now nearing completion, continued as scheduled. However, several reconfigurations are to be expected in the future, due to the normal development of the underlying systems. For these activities, as for the SCMT segment, the creation of master agreements as contractual management instruments can be expected as well.

Contractually the Addendums to the Bologna Brenner line (activities are completed as with the Venice Junction) and the Adriatic Line were defined and signed for 2010. Operationally, in the third quarter some of the orders for the unification/renovation of Central Points of some CTC in Piemonte, Campania and Puglia were delivered. The effects on production are expected to be greater in 2010.

Maintenance & Service and Spare Parts (production revenue EUR 29.3 million):
During the year contracts were formalised for assistance on the Wayside SCMT system; for repairs of On-Board SCMT for Trenitalia; for first-level assistance on the High-Speed Milan-Bologna line; for assistance for various CTCs, and for the first-level assistance with Trenitalia on the ETR 500 fleet for the ERTMS system, with positive effects on production.
In the near future business is expected to grow basically due to contracts connected with the end of the guarantee period for the ACC and SCC systems delivered, the renewal of some existing contracts, now expiring, for the same technology, and the signing of contract for assistance on HS lines.
Further business opportunities for the on-board SCMT technology are expected regarding the contract for assistance with some secondary railway companies, with foreign customers using RFI's network and/or with specific rolling stock constructors.
Finally, for the spare parts, contracts are under negotiation with RFI for Boe and accessories for the management of SCMT installations and for spare parts dedicated to the HS lines that entered operations in 2009. Regarding Trenitalia, the supply of On-Board SCMT spare parts is being negotiated.

Investments

In the January-December 2009 period, technical investments and costs benefiting several years were recognised amounting to EUR 4.8 million.

These break down as follows:

• Buildings	EUR 0.2 million
• Light constructions	EUR 0.2 million
• Plants	EUR 0.7 million
• Equipment	EUR 0.8 million
• Fittings	EUR 0.3 million
• Computer equipment	EUR 0.4 million
• Licences & software	EUR 0.5 million
• Assets under development	EUR 1.7 million

As for the complex project realised in 2009:
1. In June 2009 the restructuring was completed for the building in via salita della grotta in Naples to be used as offices for Line 6 of the Naples Metro amounting to EUR 201 thousand;
2. In August 2009 the weather lab in Tito was finished, amounting to EUR 170 thousand;
3. In December 2009 the new vibrant electro-dynamic anti-seismic system was released in production at the Tito facility for an overall amount of EUR 376 thousand.

Capitalisations relate to the realisation of the new documentation system PLM or Teamcenter and the implementation of the new SAP release.

Main risks and uncertainties

The Parent Company AnsaldoSTS has been operating since 1 January 2009, following the merger of the Italian subsidiaries (Ansaldo Trasporti-Sistemi Ferroviari and Ansaldo Segnalamento Ferroviario) and is therefore exposed to the risks and uncertainties deriving from markets and the operating activities performed.
The risks described below, as previously stated, stem from the consideration of the features of the market and business of AnsaldoSTS, together with the main results of a Risk Assessment activity, carried out in 2009, involving the process owners with a view to the new more integrated organisation effective from 1 January 2010. This Risk Assessment activity is part of a project that aims at making Process Risk Management an integral part of management processes.

The Risk Assessment was carried out using the approach of Enterprise Risk Management approach of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report) in the version updated in September 2004.

The main risks and uncertainties of AnsaldoSTS are presented below according to the classification adopted by the company (strategic, operating, financial and disclosure risks). There may be risks that are unidentified or that have not been considered as being significantly material at the moment but which could however have an impact on the company's business.

For the management of financial risks, reference should be made to the Notes.

Strategic risks
A) Competition in an international market, with high levels of technology innovation, with a small number of operators
The businesses where the company operates – transportation solutions and signalling – are marked by an international competitive scenario, based on technological innovation and where a small number of industrial groups are operating. This competitive scenario puts on the company a constant commitment to technological innovation in pursuing efficiency and new market penetration. It is therefore

paramount that AnsaldoSTS has the ability to support the present investment policy and to evaluate in an appropriate manner innovative solutions, which were one of the Group's success factors in the last few years and allowed the company to be successfully competitive with bigger operators which had more investment abilities.

Over the last few years the company has successfully achieved important commercial goals in new markets. The new market penetration policy, especially for higher developed markets, exposes the company to these risks: the risk of political, social and economic instability, of an incorrect evaluation of local regulations (business, tax, signalling system validation regulations), the difficulty of protecting intellectual property, the fluctuation of exchange rates and the credit standing of the counterparties. The internationalisation policy also exposes the company to a bigger risk of not considering in an appropriate manner the market opportunities and positioning of competitors.

Said risks might lead to weakening the company's competitive position, the loss of commercial opportunities, the waste of resources in investments with low economic return and a negative impact on the order backlog and the company's financial condition.
To mitigate these risks the company has prepared a new five-year Strategic Plan (2010-2014) focused on greater selectivity in choosing the markets in which to operate and on technological innovation. The company also defined a new organisation and operational structure creating the conditions for greater commercial efficiency, more careful intelligence marketing and innovation activities and greater operational efficiency.

B) Changes in the macroeconomic scenario
AnsaldoSTS, as said above, operates in an international market and is therefore exposed to risks resulting from changes in the global macroeconomic scenario and in the markets in which it operates or is willing to operate. Various macroeconomic factors may have an impact on the company's activities, such as growth rates in reference markets and public programmes of infrastructure investments. Considering the development of these macroeconomic factors in an non-appropriate manner may compromise the company's competitive ability.
The present economic recession period could have a negative impact on the company's performance in the event of annulment or delays of contracts, delays in payments, less favourable conditions in new contracts.

To mitigate these risks, the company has prepared an assessment of the development trend in markets in the Strategic Plan 2010-2014 and a country risk assessment. Moreover, the company has a strong financial condition and a significant order backlog (orders for four years) which allow to address the present recession period. The company also adopts processes for evaluating offers and for negotiating new contracts in order to maintain the reference parameters to create order value.

Finally, the economy supporting policies developed by many countries may become an opportunity for the company in the medium- and long-term, since significant investments in infrastructures are embedded.

C) Acquisitions and other external growth operations
As part of its development strategy, the company may consider opportunities for purchases or other external growth operations, such as Joint Ventures. The company may be exposed to the risk of analysing in an inadequate manner potential opportunities or the risks resulting from the difficulty in evaluating other companies' assets and liabilities, and the risks deriving from the integration of people, activities, technologies, products.

To mitigate this risk, the company follows strict processes for the assessment of these operations with specific relevant functions.

Operating risks
D) Public administration companies and contracts lasting several years
The company's business mostly depends on public administration companies and, in particular in the transportation solution business, on significant contract lasting several years.

Any delays, changes, reviews or cancellation of one or more acquired relevant contracts lasting several years may adversely affect business and the economic and financial condition of the company.

Moreover, the evaluation of the contracts lasting several years is based on the state-of-completion method and therefore uses estimates of the costs to be incurred in order to complete activities, of the project risks (technical, legal, tax and commercial) and of the state of completion of the activities.

To mitigate these risks, the following should be noted
- market diversification and monitoring of country and regulation risk;
- adoption of Risk Management processes at the offer stage and during the project implementation, and adoption of Lifecycle Management processes based on the constant comparison of physical and accounting progress and phase review processes.

E) Third parties (sub-contractors, sub-suppliers and partners)
In both the businesses in which the company operates sub-contractors are widely used to supply sub-systems or assembling and installation services and sub-suppliers of goods or services. The company's ability to meet its obligations to the customers is then subject to the good performance of the contractual obligations on part of both sub-contractors and sub-suppliers. Their non-performance may cause AnsaldoSTS non-performance, with negative impacts on reputation and, unless compensation is possibly sought through remedy actions against sub-contractors and sub-suppliers, on the company's financial condition.

The company also completes some orders in partnership with other operators, especially in the transportation solution business. In these forms of partnership, generally each partner is jointly liable to the customer for the construction of the entire work. In case of breach or of damage caused to the customer by one associated operator, AnsaldoSTS may have to replace the breaching or damaging party and to fully repay the damage caused to the customer, without prejudice to the right of recourse against the defaulting partner. Any inefficiency or continuation of actions of recourse against the defaulting partners liable for any damages might adversely affect the company's business and financial condition.

Moreover, as part of the company's internationalisation strategy, the preliminary assessment of partners, sub-contractors and sub-suppliers in new markets might be inefficient, with negative impacts on orders, reputation, financial condition and efficacy of partnership governance (such as difference of partners' opinions, misalignments of risks and costs/benefits for partners individually).
To mitigate this risk, there are processes for selecting and qualifying sub-contractors and sub-suppliers, collaboration with known partners of proven standing, the definition, execution and management of adequate contractual and grouping clauses, risk management processes and the demand, where applicable, of specific guarantees. In selecting sub-contractors and partners in foreign markets, these processes are followed with even greater attention, and the commercial function is also involved in the partners selection.

F) Adequacy of product portfolio and technical references
The company may not assess in an appropriate manner the innovation and development priorities, defining an inadequate product portfolio with the risk of not being in line with market needs, of a low economic return on the investment in innovation and on the project and the loss of commercial opportunities. Under certain circumstances, the company may not have adequate references for some new products, with the risk of losing commercial opportunities or incur non-compliance in performing the project, with negative effects on the project's profitability and company's reputation.

To mitigate these risks, there are corporate processes for the definition of the product portfolio that have been recently strengthened and rationalised. The risk of not having adequate references for some new products is carefully assessed during the offer and managed with recovery plans during the construction phase.

G) Customer or third party liability for defects in the products sold or delays in delivery
The technological complexity and the narrow timelines for the delivery of the company's products and systems might expose the company to liability for delayed or lack of supply of products or services in the contract, for their non-compliance with customer requests (for example due to defects in design and construction), to defaults and/or delays in marketing, after-sale services and product maintenance and review.

The supply of defective products might require additional activities or the recall of such products. This may occur in particular with new products for which the company has not acquired significant operational experience yet.

These liabilities may depend on causes that are directly attributable to the company or third parties, such as sub-suppliers or sub-contractors. In the event that these risks may occur, there could be negative effects on the business and the economic and financial condition and reputation of the company. In the event of product defects, even in the case where specific insurance coverage is applicable, the limit of liability might be exceeded or, when claim occurs, insurance premiums might be increased, with a negative impact on the company's financial condition.

To mitigate these risks, the company takes out specific insurance coverage, carefully oversees the engineering, validation and monitoring of returns, in concert with the Risk Management process, identifies mitigation actions for each project and includes appropriate contingencies in the order estimate.

H) Legal disputes
The complexity of relations with third parties (customers, sub-contractors/sub-suppliers and partners), of the content of the systems and products made, and the risks inherent in the business expose the company to a significant risk of legal disputes. The legal dispute may also concern the tender awards. The definition of disputes might be complex and be completed in the long-term, causing delays in the implementation of projects with negative effects on the business and the economic and financial condition of the company.

To mitigate this risk, there risk management processes during the offer and during the management phase, contractual clauses are carefully checked with the support of the legal function and a prudential approach is taken when recognising specific items as a cost of orders and a provision for risks.

I) Human resources management
The company provides products and systems with high technological content. To build them, it is necessary to use human resources with specific preparation that is hard to gather from the market. The success of the business development plans, in particular in new markets, also depends on the ability to attract, retain and develop the expertise of human resources, especially in order to operate in an international scenario.

To mitigate this risk, human resources management policies are defined that are strictly related with the business needs, in particular at the present stage of business integrated management and expansion in new markets.

J) Health, safety and environment compliance
The company is subject to health, safety and environment regulations in the various countries in which it operates.

The non-compliance with these rules as a result of operating processes that are not adequately monitored or, in particular in new markets, of a non-adequate evaluation of these compliance requirements might expose the company to risks with significant impacts on the business, the economic and financial condition and the reputation of the company.

To mitigate this risk, the company adopts health, safety and environment management systems aiming at ensuring the stringent compliance with rules in accordance with best practices and subject to internal and external monitoring. These management systems are certified - in compliance with the OHSAS 18001 standard on work safety and the ISO14001 standard on environment. A specific structure aiming at the integrated management of these requirements was recently introduced. This will ensure a more efficient assessment of compliance requirements in new markets.

Financial risks
K) Ability to finance a high level of current assets and to obtain guarantees
To perform contracts the company requires:
- the financing of an adequate level of current assets;
- the issue of bank and/or insurance guarantees in favour of the customer during the various stages of the projects (bid bond, advance payment bond, performance bond, retention money bond, warranty bond) and/or guarantees issued by the Parent Company (parent company guarantee).

Current assets are normally financed using the sums paid by the customer as advance and payment related with the state of progress of works.

The ability to obtain guarantees at cheap conditions depends on the economic and financial assessment of the company. This is generally linked to various assessment indices including the analysis of the balance sheet, the income statement and the cash flow statement of the company, the analysis of the risk of the order, the expertise and competitive positioning in the business. Ansaldo STS believes it can comply with the relevant assessment indices. At 31 December 2009 the company's exposure for guarantees amounted to EUR 1,447,577 thousand (EUR 1,200,818 thousand pro-forma at 31 December 2008).

In the case of difficulties in negotiating adequate financial conditions, delays and/or interruptions in payments and the worsening of the terms of payment agreed, or if the company is no longer able to obtain guarantees at low cost conditions or if these are limited, the company's business and economic and financial condition would be adversely affected.

To mitigate these risks, there are order commercial and management policies dealing with financial aspects, treasury centralised management allowing the optimisation of the financial flows at group level, the economic and financial standing of the company and the monitoring of the indices assessing the order. These policies are applied from the offer stage.

Disclosure risks
L) Management of information systems
Information systems represent an essential component of the company operating structure and are required to be managed in line with the company's strategic objectives. IT solutions that do not meet the business needs, in particular in the present stage of change of the operational model, based on a more integrated management of the business, or delayed upgrades of these IT solutions, as well as a non-efficient system management might impair the efficient performance of the company's business.

Moreover, the non-availability or interruption of IT services, the loss of data due to intentional and non-intentional actions, disasters, system failure, etc, might adversely affect the company's business.

To mitigate this risk, IT policies are defined in correlation with change management initiatives and the company has a governance system that is based on best practices and follows structured and monitored processes for the management of the infrastructure and the applications.

Research and development activities

At 31 December 2009 the overall costs for the Research and Development activities carried out by the Transportation Solutions and Signalling Business Units, coordinated at a central level, amounted to EUR 16.0 million (EUR 15.0 in 2008), with revenue from contributions and services of EUR 0.7 million (EUR 1.4 million in 2008).

Transportation Solutions

Research and development costs for the Transportation Solutions Business Unit at 31 December 2009 amounted to EUR 3.1 million (EUR 0.2 million in 2008 for contributions for the period) (in 2008 R&D costs were EUR 2.9 million and contributions amounted to EUR 0.9 million).

Below are the main activities developed:

Existing research projects financed:

- The projects co-financed by the Ministry of Education, of University and Research (MIUR) commenced in previous years continued:
  - SITI (*SIcurezza in Tunnel Intelligenti*, Intelligent Tunnel Safety), in which Ansaldo is involved as part of the TRAIN consortium, with the objective of developing new methodologies for project and technologies for the safety of railway and metropolitan system (e.g.: ventilation and evacuation routes);
  - SAFER (Active Safety in Railway Systems, *Sicurezza Attiva nei sistemi FERroviari*) – of which Ansaldo is coordinator – with the objective to study and test advanced sensors, telecommunication systems and a control centre in order to prevent and effectively respond to threats to people safety due to voluntary actions (security).

- In December 2008, with Decree of the Ministry of Productive Activities (bid Industria 2015, Sustainable Mobility), the SITRAM project, for which ASTS is coordinator, was admitted to financing. The project's objective is the study of innovative tramway systems characterised by high levels of efficiency and safety and ensuring at the same time low environmental impact. This project involves both the Signalling and the Transportation Solutions Business Units. The latter aims at constructing ecological ergonomical, economic, safe and interconnected road urban vehicles for the transport of people and/or goods with advanced technological solutions for energy captation without catenaries (*TRAMWAVE*), the increase in efficiency of the energy cycle, the raising of security and diagnosticability.
- As part of the TramWave project in particular, tests for the feeding modules on the Naples test track were successfully completed and paved the way for some possible improvements to be added to the industrialised version to be used in 2010 to equip 600 mts of the Naples-Poggioreale experimental line.
- As part of the 6th EC framework programme, the INTEGRAIL (Intelligent Integration of Railway Systems) project regarding the creation of an architecture integrating the several components of diagnostics and maintenance of vehicles and railway infrastructures and their operation. ASTS especially helped the development and experimentation of a decision-making support system for operations.
- In Europe, all the activities connected with the TRIPS project were closed. The project aims at the development of terrorism protection instruments for railway infrastructures.

Regarding self-financed projects:

- Fire Experiment: a fire test on a carriage of the metro in a tunnel was made. Thanks to the test, the thermal power curve issued by the vehicle was measured, the parameters of the combustion products were checked, the project methods selected were checked, especially those for the tunnel fire emergency systems.
- Metro radio transmission technologies: recently new radio transmission requirements are coming up, due to the introduction of new technology (Wi-Fi), new needs of the passengers onboard. The aim of the research project is: Experimentation of the Wi-Fi technology on a real metro line, acquisition of know-how relating to GSM/UMTS and public service radio systems architecture, identification of a technical integration solution for the installation of different radio systems in the same tunnel.

Signalling

Research and development costs for the Signalling Business Unit at 31 December 2009 amounted to EUR 11.7 million (EUR 0.5 million of contributions for the period). In 2008 R&D costs were EUR 10.8 million and contributions amounted to EUR 0.5 million).

Below are the main activities developed:

Existing research projects financed:

- Regarding the activities of the Ligurian District on Research as part of the SIIT (Liguria region) in collaboration with the Ministry for University and research (MUR) using the funds under Law 297, these project were accepted: the SINTESIS project (Integrated System for Distributed-Intelligence Security, *Sistema Integrato per la Sicurezza ad Intelligenza Distribuita*) with the coordination of Elsag and the ACIS project (Advanced Cooperative Infomobility System) coordinated by Selex Communication. The company is also collaborating on the presentation of the Process project as part of the Security project.

- These projects of the Ministry of Productive Activities (bid Industria 2015, Sustainable Mobility) were admitted to financing in December 2008:
  - *SISTEMA* - project presented by the RINA – Grimaldi Armatori where ASTS will perform an activity relating to the railway handling inside ports;
  - *SLIMPORT* – Extended port – project presented by Elsag Datamat for which ASTS is coordinator of the Slim Rail Sub-project, study of a container transfer system on track linking the and the cargo storage area. The contract was already signed with the Ministry of Economic Development (Mise).

- As part of the projects presented on the 7th EC framework programme, these projects were financed:
  - *INESS Integrated European Signalling System*, with the aim of standardising train handling systems inside the station. The proprietorship of the project is of Ansaldo STS;
  - *GREENTRANSPORT-TV* Enhancing public awareness on the results of European research actions on Climate Friendly Transport Systems through the professional use of television media (proposal submitted to the European Commission - DG RTD Transportation);
  - *CESAR (Cost-efficient methods and processes for safety relevant embedded systems).* The project, submitted together with other Finmeccanica companies, Siemens and CRF, involves Ansaldo for V&V innovative systems (Verification & Validation);
  - *DEMASST* - whose main objective is to develop a strategic road-map for a demonstrator for mass transportation protection;
  - *ERRAC Roadmap* – defines the priority issues for railway transportation.

These security projects, in Europe, are under negotiation:
- PROTECTRAIL, The Railway-Industry Partnership for Integrated Security of Rail Transport, where ASTS is the coordinator of a group including Finmeccanica, Selex Sistemi Integrati and Elsag Datamat, with the objective of developing an integrated system to improve the safety of rail transport consistently with the European systems;
- ALARP - *A railway automatic track warning system based on distributed personal mobile terminals.* The objective of the project is to develop a railway automatic track warning system in order to improve the safety of workers.
  Both proposals are financed by the European Commission - DG ENT – Security.

Regarding self-financed projects:
- *RBC:*
  - The evolution of the demand for the ERTMS system, also outside of Europe, highlighted the need for increasingly modular designing/ configuration and simulation instruments for the RBC product. The first phase of analysis ended and some prototypes were realised:
    - Simulators interfacing the real RBC system with the IOP European simulation system.
    - Configuration systems for logic debug.
    - Designing instruments for the automated preparation of cenelec-compliant documentation (at the prototype stage).
    - In particular, the German, Chinese and Swedish markets highlighted new needs linked to specific functionalities of the operator interface. These changed the basic RBC components regarding “heavy” controls. The implementation of the safe control procedure, with the elimination of the heavy keyboard is completed and is now at the validation stage.
    - Studies started for the upgrade of software for Level 3 implementation.
    - Studies started for the upgrade of software for Subset039 implementation.
    - 3rd-generation RBC studies continue for the optimisation of costs to be achieved by reducing the number of cabinets and boards, with the possibility of further increasing service (up to 120 trains), as long-distance interfacing (periphery connection on open networks).

- *CBTC:*
  - The relevant activities are under way with the other companies of the group;
  - The analysis for the product DMI realisation are being completed;
  - The application software on DMI ERTMS ASTS-I is being developed, so that the first version of DMI for CBTC can be released, consistently with ASTS’s specifications;
  - Integration tests for the zone controller software are continuing;
  - The IXL integration is continuing using CBTC requirements;
  - The adjustment of interlocking for zone controller interface is finished.
  - The simulation system for CBTC integrated tests was developed.

- *Standard BALISE:*
  - In order for the balise to be programmed without being removed from the sleeper, a specific logic was designed so that it can be programmed via Air-Gap. This logic was introduced as additional in order to limit the changes to hardware.
  - A detailed review of the Boaf board was made, in order to eliminate the critical issues of the Spain HS system. These critical issues are attributable to the specific types of disturbances on the Line.

- *Reduced-size BALISE:*
  - Project documents are being completed;
  - The first prototypes with “air-gap programming” will be available by mid-2009;
  - The first prototypes of the programming unit for the balise are in progress.

- *RADIO IN FILL:*
  - With regard to the Line equipment a prototype was realised and experimented and tests preliminary to type tests are now being assessed. All the requirements currently established by RFI were met. The product documentation is being completed. The antennas/ filters set for line equipment is now being studied in order to find a solution that is optimised for installation;
  - The line equipment is being revised to make it compliant with new technologies in terms of performance and costs;
  - Regarding the Station equipment, hardware and software developments are starting out based on the new RFI’s requirements.

- *SIGNAL ENCODER:*
  - the development of the prototype was completed with a configuration that is suitable to the POS project in Germany;
  - Type tests were successfully run on this prototype;
  - Radiated and driven EMC stress tests were successfully run;
  - Verification and Validation activities are under way;
  - The Tito plant manufactured the first pre-series samples in order to check that serial production can be carried out properly.

- *HP SSB:*
  Improvements were identified to the odometric algorithm and MATLAB simulations were carried out successfully and in line with the theoretical findings.

- *New Generation QMR*
  Development is continuing as scheduled; after tests were carried out on the HS Milan-Bologna line, the upgrade of the old-generation system (TMR) with the new platform is continuing. Product preliminary control activities are under way, and relevant documents will be issued for software, hardware and firmware. Activities for the development and testing of the new generation in “box” format are continuing.

- *High and Low LED Signals*
  - Development activities are under way for LED signals (High and Low) for Italy and the UK market. Tests were performed by a British organisation for the valuation of the LED lightness and results are positive in Italy; additional changes to LED lightness will be made for the UK signal, followed by additional tests. Assessment and evaluation activities are under way for a new (generic) entity controller for relay devices. Tests and assessments are being carried out by RFI for the LED signals, High and Low.

- *MULTI-FUNCTION PORTAL:* (for the diagnostics of rolling stock at the entrance of tunnels):
  - the prototype was made in Sezze Romano and tests started;
  - the final test was run with the customer in July 2009;
  - the system was delivered to the customer and is currently in the pre-operation phase.

- *SW FOR THE SECURITY CENTRE:*
  - Activities relating to the project for the software for the management of security centres will support offers/supplies of security plants for railways and metropolitan;
  - The development was completed and lab test activities started; customisation activities are also under way.

Personnel

Workforce

Consistently with the business restructuring process deriving from the FFDB project, aiming at transforming Ansaldo STS and its subsidiaries into one integrated organisation driven by business prospects and not by geographical presence, from 1 January 2009 the resources of Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Segnalamento Ferroviario were transferred to Ansaldo STS following the aforesaid merger.

Workforce at 31 December 2009 numbered 1,515, of which 32 work for foreign branches.
It breaks down as follows: 69 executives, 278 middle managers, 1,091 clerical workers, 77 manual workers.
Workforce increased by 59 people, (+4.1%) as compared with workforce at 31 December 2008 of 1,456 (of which 5 work for foreign branch offices), breaking down as follows: 73 executives, 245 middle managers, 1,046 clerical workers, 92 manual workers.
The increase of 59 is the result of 105 new hires and 46 terminations.

The 105 new hires included employees with a University degree (59) and with a high school diploma (46) and break down as follows:
- 67 resources hired on an open-end contract from the outside market;
- 11 resources hired on a contract for a limited period;
- 27 resources hired at branches as a result of contracts acquired during the year.

For the 46 terminations:
- 25 resources were terminated by mutual consent;
- 19 resources were terminated by resignation;
- 2 resources were terminated for the end of the term of the contract.

Training

Training activities involved courses attended by 1,015 people (1,949 in 2008) for a total 47,834 hours (42,027 hours at 31 December 2008). The per-capita training figure calculated on the basis of attendees is 4 days.
The major training activities in 2009 were as follows:

Technical and Specialistic Training
- PMP Finmeccanica Project;
- Technical and specialistic courses for engineering staff;
- Courses for knowledge and use of the Primavera Tool.

Managerial Training

- *"Leading in Fast Forward" Meeting, w*hose main objective was to strengthen the sense of being a part of the company and underline the importance of leadership in a global organisation driven by business;
- *cascading Communication Workshop* with a twofold objective: to resolve any doubt about the new organisation and provide details and updates about the change project;
- Finmeccanica training course: Clab *(Competency Lab)* to support the Group's managerial expertise;
- *"Training Manager"* project;
- Finmeccanica's *Best master.*

Regulatory Training

- E-learning on safety and environment to the Work Safety Code no. 81 of 2008;
- e-learning on regulations on the administrative liability of companies, pursuant to Legislative Decree 231 of 2001;
- training courses on safety for site staff as part of the *"365 SafetyDays 365 SafetYes"* Campaign, also promoted outside of the company.

Language Training

- English language project in a classroom (individually) or blended courses (mixed, classroom and online).
- Individual courses of German, French, Chinese and Arabic.

As part of the development policies realised, 6 assessment sessions were organised and attended by 48 employees. The objective of these meetings is to identify high-potential resources and to define suitable courses for the professional development and the growth of expertise.

Industrial relations

The year 2009 was marked by discussions with the national trade unions for the definition of the new supplementary agreement which had expired in 2007 and in 2006 for Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Segnalamento Ferroviario respectively.
The agreement was signed on 15 December 2009, has a duration of 4 years and will expire on 31 December 2012.
The most important issues of the agreement were:

a) Performance Bonus 2009 – 2012

With the agreement of 15 December 2009, a new Performance Bonus was defined. It relates to the valorisation of company's achievements.
These will be measured using these parameters:

- PROFITABILITY (linked to the company's economic results), accounting for 60%. The objective to pursue is the achievement of the budget value of ROS and/or EBIT;
- EFFICACY (linked to meeting order programmes), accounting for 40%. The objective to pursue is the improvement in meeting delivery times.

Moreover, regarding profitability only, an additional bonus was established in the event that the budget value set for that parameter is exceeded.

b) Harmonisation of regulations and remunerations

Another important issue considered in the agreement of 15 December 2009 relates to the harmonisation of the various regulations in force until then at the various company's sites and deriving from the past situations of the merged companies ASF and ATSF.
In particular these were harmonised:

- Working hours in all the offices;
- Daily flexibility for the various levels;
- Lunch break;
- Holidays and other leaves (in particular, extra time worked later taken as leave).

As new regulations were being defined, remunerations were simplified and harmonised by eliminating some of the existing rules.

c) Temporary transfers

With the agreement of 15 December 2009, many issues were considered regarding the temporary transfer in Italy and abroad. Specifically, new amounts for travel and living allowance were set out.

Regarding temporary transfers abroad, new regulations were introduced on return to the office, compensatory rest day. New policies were also introduced regarding these issues: tax assistance, healthcare, legal assistance, work and environment safety, security.

In January 2010 a survey was carried out during the meeting among all of ASTS employees. With a 95% approval rate, they approved the agreement.

Incentive Plans

Ansaldo STS has developed and set the rules for:

- a medium-term stock grant incentive plan;
- a long-term cash incentive plan.

The plans are part of an array of short, medium and long-term incentives that represent a significant component of total management compensation.

The incentive plans are furthermore structured so as to tie significant portions of a manager's compensation to the achievement and improvement of financial parameters and to strategic objectives particularly important for the creation of value at Group level.

1. Stock grant plan
With reference to the stock grant plan, the Group proceeded with verifying the achievement of the objectives to which the assignment of the quota related to 2008 had been tied.
The three objectives in relation to EVA, FOCF and share performance vis-à-vis the Mibtel Index for the year 2008 were achieved in full.

As a result, consistent with the plan rules, all of the shares originally provided were assigned to the persons entitled thereto.
The Company thus proceeded with the assignment of 183,435 shares on 1 December 2009.

2. 2006-2008 Cash incentive plan – 2008 Tranche
The 2006-2008 cash plan for 2008 involves six managers of Ansaldo STS and its subsidiaries, who are keys to the achievement of the Group's strategic and business/financial objectives.
The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.
Based on the review made, the objectives assigned in 2008 were fully achieved.
The plan also has access thresholds, identified as the net profit (loss) of individual companies and of the group, that are obviously different for the various managers. 5 assignees out of 6 exceeded such thresholds and, as a result, in accordance with the plan regulation, in the first half of 2009 the incentive portions accrued for the 2008 tranche were paid to them.

3. 2007-2009 Cash incentive plan – 2008 Tranche
The 2007-2009 cash plan for 2008 involves five managers of Ansaldo STS and its subsidiaries, keys to the achievement of the Group's strategic and business/financial objectives.
The three-year plan provides for the payment of a cash sum, up to a maximum annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.
Based on the review made, the objectives assigned in 2008 were fully achieved.
The plan also has access thresholds, identified as the net profit (loss) of individual companies and of the group, that are obviously different for the various managers. 4 assignees out of 5 exceeded such thresholds and, as a result, in accordance with the plan regulation, in the first half of 2009 the incentive portions accrued for the 2008 tranche were paid to them.

4. Piano cash 2008-2010 – Tranche 2008
The 2008-2010 cash plan for 2008 involves three managers of Ansaldo STS and its subsidiaries, keys to the achievement of the Group's strategic and business/financial objectives.
The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.
Based on the review made, the objectives assigned in 2008 were achieved. The plan also has access thresholds, identified as the net profit (loss) of individual companies and of the group, that are obviously different for the various managers. 2 assignees out of 3 exceeded such thresholds and, as a result, in accordance with the plan regulation, in the first half of 2009 the incentive portions accrued for the 2008 tranche were paid to them.

Equity investments held by the directors

Within the purchase programme of treasury stocks to serve the 2008-2010 stock grant plan authorised by the Shareholders' Meeting of 28 April 2009, Ansaldo STS SpA purchased in the period from 13 October 2009 through 14 October 2009 85,000 ordinary shares of Ansaldo STS SpA (corresponding to 0.085% of the share capital). On 1 December 2009 the shares awarded for the year 2008 were actually delivered: of the 183,435 total shares assignable, 132,979 shares were transferred into individual deposit securities specified by the beneficiaries, while the remaining 50,456 shares were withheld, as requested by the beneficiaries, to meet the tax requirements as withholding agent connected with the Plan.

Surname and Name	Investee company	Number of shares held at previous year-end	Number of shares purchased	Number of shares sold	Number of shares held at current year-end
Sergio De Luca	Ansaldo STS	14,293[1]	7,821[2]	-	22,114
Sante Roberti	Ansaldo STS	8,977[1]	-	8,977	-

1. Assigned free of charge for the years 2006-2007 in compliance with the 2006-2007 Stock Grant Plan.
2. Assigned free of charge for the year 2008 in compliance with the 2008-2010 Stock Grant Plan.

Company establishments

Situation at 31 December 2009:

GENOA	VIA MANTOVANI 3-5 - 16151	Registered office
NAPLES	VIA ARGINE 425 - 80147	Secondary offices

The Company has offices abroad through permanent establishments in Prague (Czech Republic), Bucharest (Romania), Athens and Thessaloniki (Greece), Tunis (Tunisia), Copenhagen (Denmark) Taipei (Taiwan) and Ankara (Turkey).
Branch offices are being established in Saudi Arabia and Libya.

Financial communication

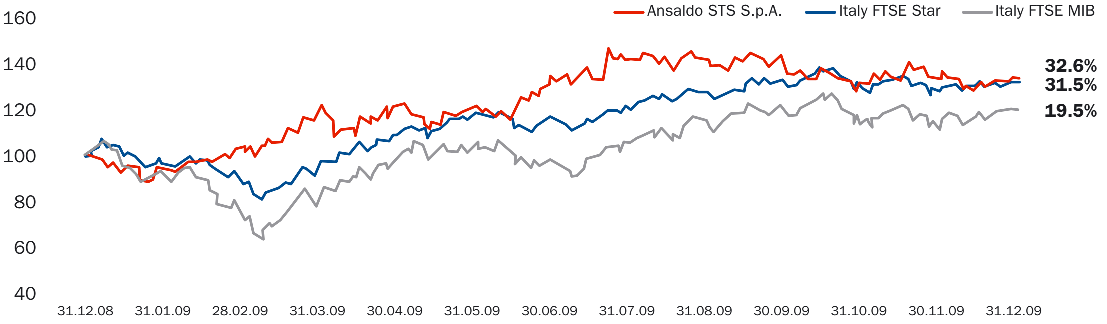
Relations with the financial market

The Investor Relations activity of Ansaldo STS is defined through the communication plan approved by the Top Management at the start of every year, in compliance with specific strategic principles.
In addition to the periodic mandatory disclosure to the market as envisaged by the law, the Ansaldo STS Group has always wanted to keep a line of consistency of the communication strategy with the objectives and the nature of the industrial model chosen.
Therefore, it is considered fundamental to create and maintain a relationship of trust with the financial community by means of regular disclosure, precautionary definition of the Management's objectives and measurement of results, and by being genuinely willing to analyse any differences in an objective manner.
Financial analysts are considered as an asset supporting the knowledge of the reference business and of the understanding of the Management's strategy.
The definition plan for the investor relations activities becomes the instrument for the development of financial communication, in which some of the distinctive features of Ansaldo STS are recognised.
First and foremost, the Management's willingness to meet with institutional shareholders regularly; therefore during 2009 many road shows, conferences and events were organised, during which the analyses, policies and strategies marking the Group industrial activity are disclosed.
The annual report has a key role in the company information system and is the qualified source of information for the company's interlocutors.
With that, for 2009, the Ansaldo STS group decided to develop the first sustainability report, relying on the reference industrial market in which it operates and on the vocational attention paid by Management in pursuing its industrial objectives.
Moreover, Ansaldo STS discloses all the projects awarded exceeding the amount of 10 million euros and only after the formalisation of the signing of the contract, which is necessary to include it in the order backlog.
By doing so, commercial performances are visible and measurable by the public.
Market analysis is updated on the annual Investor Day (in the last quarter).
The event has now become the point of reference not only to the financial community, but for the critical knowledge of the market in which Ansaldo STS operates.
The fact that the conference is always attended by business experts and specialists who are not part of the Ansaldo Group makes the understanding of the situation even more objective.
During this important appointment, the medium- and long-term plan is disclosed and expectations for the end of the present year are also provided with the publication of the previous year-end results.
In this way, quarterly results are continuously compared and the efficacy of strategies and the Management's efficiency in creating shareholder value are measured.
Finally, financial communication cannot be achieved without this mass information instrument: the recently renewed web site, through which the functions of formation and knowledge of the company are regularly exercised, as well as that of filing information sources.

Stock performance

In the period from **2 January to 30 December 2009**, the official price of the stock moved from €10.02 to €13.25 with an increase of 32% with a maximum of €14.42 (official closing price of 23 July 2009) and a minimum of €8.94 (22 January 2009).
The daily average volumes for the period at issue amounted to 413,389 shares exchanged.
The stock performance was almost always counter-trending compared with the reference indices, and ranked 16 in the FTSE Mib index, which earned 20%, against a 30% growth in the FTSE Italia STAR index.
In the fourth quarter of the year the stock performance revealed average closing values of €13.48 (maximum €14.32 and minimum €12.76) and a daily volume average of 357,925 shares exchanged.
The analysts' evaluations achieved average consensus in terms of price objective of €15.47, updated after Natixis Securities issued the new hedge report (9 December 2009).
The market still perceives Ansaldo STS stock as defensive and anti-cyclic, as is the reference business, in an ever growing segment, highlighting Management's capacity to collect new and important opportunities globally.

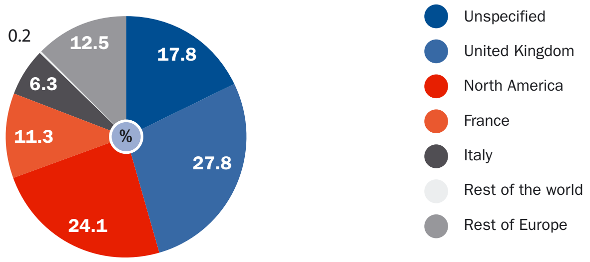
Share performance vis-à-vis the main indices (basis 100)



Major Shareholders

Investor	Position
Finmeccanica SpA	40,000,000
FIL Investments International Ltd.	4,863,659
Altrinsic Global Advisors LLC	2,092,442
Threadneedle Asset Management Ltd.	2,069,710
William Blair Capital Management LLC	2,034,601

Geographical breakdown of free float



Main Data per Share (2006-2009)

Earnings and dividend per Share (in euros)	**2009**	2008	2007	2006
Basic and Diluted EPS	**0.57**	**0.08**	**0.43**	**0.18**
Dividend per share	0.31*	0.27	0.20	N.A.

* as proposed to the Shareholders' Meeting.

Ansaldo STS started paying out dividends in the year 2007, a year after it was listed on 29 March 2006.
The distribution of the dividend has always been slightly higher than the profit realised, from 46% in 2007 to 55% in 2009 (see the Section Proposals to the Shareholders' Meeting).

Litigation

As to litigation in general, the following applies:

1. Litigation Ferrovia Pomigliano-S.Vitaliano, ASTS vs Ministry of Transport Government Management of Circumvesuviana, now Circumvesuviana srl

An arbitration award obtained at the end of a proceeding initiated by Ansaldo Trasporti SpA for a claim for greater compensatory costs and damages had sentenced that the plaintiff be paid EUR 18.1 million; in 2001, based on an unfavourable ruling by the Naples Court of Appeal, a court-appointed expert's report had reduced this amount to EUR 15.5 million. In 2003 the same Court of Appeal found in favour of the company the amount of EUR 0.6 million plus interest, basing the ruling on the late and lacking quantification of the reserves posted.
The company, together with Finmeccanica, had therefore filed an appeal with the Court of Cassation.
Circumvesuviana srl served the company with a counter-appeal, demanding that the appeal be denied and the ruling issued by the Court of Appeal of Naples be confirmed.
The Court of Cassation, with ruling of March 2009 published on 21 July 2009, upheld the appeal of Ansaldo STS and Finmeccanica, quashing the ruling of the Court of Appeal of Naples and referring the suit, including fees, to the same Court of Appeal of Naples.

2. Genoa Underpass - Municipality of Genoa vs ASTS and Civil Enterprises and Others

For the Concession of the works for the Underpass, in 2001 the Municipality of Genoa claimed economic damages amounting to EUR 13 million, plus interest and non-economic damages against the company and the Temporary Business Grouping (ATI) that performed the works.
The company, awardee of the contract, started proceedings.
By ruling issued in June 2007, the Court of Genoa put the case to the investigation stage, specifically appointing an expert and requesting a report to assess the real value of the work and adjourned the case for the filing of the court-appointed expert. Following the filing of the expert's report, Ansaldo filed critical observations in response to the court-appointed expert's report. After the completion of the investigation phase, the case was postponed to the end of 2010 for the pre-trial hearing.
With Resolution dated 30 December 2009, the Municipality approved a master agreement stating the conditions for future addendums, the willingness of the parties to reach a friendly settlement of the existing judicial and out-of-court disputes by using the provisions allocated by Ansaldo in the accounts of the works done on the lines completed and agreeing to a settlement for the dispute. This will be done using the customary proceedings identified by the counsel of the parties with full payment of fees.
Ansaldo is waiting for the Temporary Business Grouping of civil contractors to fully agree on the text of said master agreement.

3. Concession of works former L.T.R. of Naples – Ruling of the Regional Attorney's Office of the Court of Auditors of vs ATR, now Finmeccanica

In 1995 the Court of Auditors initiated proceedings against Ansaldo Trasporti SpA, as concession-holder for the works for the "L.T.R." of Naples, for compensatory damages of EUR 100 million, plus interest and revaluation. This suit was suspended, pending the settlement of a related criminal proceeding that was later ruled in favour of the executives then involved in the matter, and is now continuing against Finmeccanica SpA, which absorbed Ansaldo Trasporti SpA.
The company, awardee of the contract, did not appeal to the ruling, now pending, before the Jurisdictional Section of the Court of Auditors because the encumbrance rules out its involvement in the matter. In March 2006, the discussion hearing took place at the Central Section II of Rome and the case became *res judicata*.
In March 2007 ruling no. 51/2007/A of the Court of Auditors – Section II of the Central Appellate Court was filed. The Court upheld the appeal of the Regional Attorney's Office for Campania, reversed the ruling of the court of first instance no. 38/03 of 11 March 2003 issued by the Jurisdictional Section for the Campania Region, and stated the jurisdiction of the Accounting Judge to hear the directors and employees of ATAN and Ansaldo Trasporti SpA, and denied the incidental appeals filed for the reinstatement of the trial judgement.
The proceedings were then referred to the Territorial Section of first instance for a decision on the merits.
Finmeccanica challenged the ruling by appealing to the Court of Cassation in October 2007, arguing the lack of jurisdiction of the Accounting Judge.
Following the hearing of 2008, with ruling no. 19815/2008 the Joined Sections of the Court of Cassation denied Finmeccanica's appeal against the decision of the Court of Auditors, Central Jurisdictional Section II, which upheld the accounting jurisdiction in relation with the construction of the line.
By deed of reinstatement served on Finmeccanica in March 2008, the Regional Attorney's Office of the Court of Auditors sued Finmeccanica before the Jurisdictional Section of the Court of Auditors for Campania for e decision on the merits.
The hearing was later postponed to mid-2010.

4. Arbitration - ICLA vs Consorzio Iricav Uno (in which ASTS has an interest)

At the end of December 2004 the Arbitration Board issued the final award denied the appeal filed by ICLA Costruzioni Generali SpA (in liquidation) against Consorzio Iricav Uno (Ansaldo STS share: 17.44%), for the order excluding ICLA, but declared to have no jurisdiction on certain compensatory claims of the parties. ICLA objected to the award for partial voidness before the Court of Appeal of Rome, and Consorzio Iricav Uno filed proceedings.
In October 2005, ICLA initiated a new arbitration against Consorzio Iricav Uno based on these requests. The Consortium demanded that ICLA, in relation with the claims for which the Arbitration Board declared to lack jurisdiction, pay amounts as compensatory damages. The parties' mutual claims are for the same amount of EUR 50 million. The Arbitration Board was set up on 19 January 2006.
In June 2007 the Arbitration Board issued a non-final partial award whereby ICLA's compensatory claims were found to be grounded, and referred to the future final award the economic quantification for ICLA and any other decision regarding the other claims of the parties, since the arbitrators believed that further insight be required.

In 2008 the Arbitration Board issued its final award, whereby ICLA's claims were only partially upheld, and granted to ICLA:

- EUR 10.9 million plus interest and revaluation, as payment of the amount due to ICLA on the total provisions settled by the Consortium and TAV;
- EUR 3.2 million as compensatory damages for the delayed testing of the works contracted to ICLA attributable to and fault of the Consortium;
- EUR 0.6 million as compensatory damages and/or refund for not contracting out and/or reducing the sureties of the consortium agreement.

By writ of summons served on ICLA in July 2008, Consorzio IRICAV UNO objected by voidness to both the partial and the final arbitration award, and requested that it be declared void and/or radically reversed and its enforceability be suspended.
The relevant case was submitted to the Court of Appeal of Rome (Section II, Roll 8922/2008). The first hearing was set for 21 January 2009. At that hearing the Arbitration Board upheld Consorzio IRICAV Uno's claim to suspend the enforceability of the award.
The next hearing is set in February 2012 for final arguments.

5. Dispute against Azienda Consorziale Trasporti Trieste

In 2002 Azienda Consorziale Trasporti of Trieste (A.C.T.) expressed its will to withdraw from a contract made with Ansaldo Trasporti SpA in 1998 for the supply and installation of an innovative electrified transport system named STREAM due to the impossibility of performing services.
After efforts were made to settle the matter but to no avail, the company sought remedy for payment of services rendered and compensation of damages.
In September 2007 the ruling was filed and the Court of Trieste, acting as Sole Judge of the Civil Section, upheld ACT's counter-claim and:

- Denied the claims of the plaintiff Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS SpA) regarding the payment of the unpaid services rendered and the compensation for damages following the early termination of the contract;
- Upheld ACT's counterclaim that the contract of March 1998 be terminated for impossibility;
- Sentenced the plaintiff Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS SpA) to return the price paid until then by ACT for the portion of works carried out in pursuance of the contract plus legal interest;
- Sentenced Ansaldo to pay the fees of the suit.

Ansaldo filed an appeal with the Court of Trieste against the sentence of September 2007 and the first hearing was set for February 2008.
Meanwhile ACT, with claim filed in October 2008, requested to the Court of Trieste that the trial judgement be amended to the extent of the part where the amount to be returned by Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS SpA) (EUR 3.1 million) was not indicated.
By order of December 2007, the Court of Trieste accepted ACT's claim for amendment and amended the sentence accordingly.
Ansaldo filed a new appeal against the amended trial judgement. The two proceedings before the Court of Appeal were joined and the first hearing was set for February 2008.
At that hearing the Court of Appeal ordered that the parties prepare their final arguments and postponed the case to July 2009; it was postponed ex officio to mid-2010.

In the meantime, Ansaldo initiated a new lawsuit against ACT before the Court of Trieste on 10 January 2008, demanding the assessment of the termination of the contract for impossibility of performing its service attributable to ACT due to the determination taken by ACT in July 2002.
The lawsuit was initiated in order to set a date for the termination for ACT's fault prior to the order whereby in February 2006 the Trieste Town Council resolved to re-confirm the resolution of September 2002 which, in the meantime, had been reversed by the Regional Administrative Tribunal, TAR. The claim was obviously filed after the denial of the appeal.
At the hearing of 21 April 2008 the Judge set a time for filing the briefs under Article 183 of the Code of Civil Proceeding and postponed the hearing to 19 November 2008.
At that hearing the Judge postponed again the case to 18 January 2009 to complete the investigation phase. After the completion of that phase, the case was postponed to 15 December 2010 for the final arguments.

At the same time Ansaldo sued the Municipality of Trieste for unlawful conduct. The writ is due to the denial of the claim filed with the Court of Trieste to assess the termination of the contract for impossibility ascribable to ACT.
The first hearing was in 2008. During the investigation phase, pending negotiations, at the hearing of 10 November 2009 the Parties requested a postponement and the Court did not rule on the claim of the parties.

Finally on 28 April 2008 Ansaldo filed an appeal before the Friuli Venezia Giulia Regional Administrative Tribunal (TAR) to assess Ansaldo STS SpA's right to the compensation of the damage caused as a result of and by the resolution of the Municipality of Trieste, and demanded: (i) the assessment of its own entitlement to the compensatory damages caused as a result of and by Town Council resolution no. 28 of 20 February 2006, whereby the Municipality of Trieste expressed its lack of interest in continuing the project for the construction of an electrical drive system named STREAM and (ii) that the Municipality of Trieste be sentenced to pay damages in an amount that is not lower than EUR 25.0 million.
The date of the hearing has to be set yet.

6. Dispute Tecnocostruzioni Costruzioni Generali SpA vs Ansaldo STS

Tecnocostruzioni SpA, as member of the Temporary Business Grouping (ATI) that was awarded by Ansaldo Trasporti SpA the contract for the performance of the civil works of Line 6 of the Naples Metro (formerly L.T.R.), started proceedings to obtain the payment for alleged default of the company in that it did not perform the obligation undertaken in 1998 to the ATI to settle the deed signed by it with ANM and the Municipality of Naples due to the late payment of the last instalment agreed. The compensatory claim amounted to EUR 17.4 million, plus interest and revaluation. At the hearing of 25 May 2006 final arguments were heard and at the moment the terms for filing final and defence briefs have not expired yet and later the case will be ruled on.
On 25 October 2006 the ruling of the Court of Naples denying Tecnocostruzioni's claim was published, and the legal fees were allocated equally between the parties.

By writ of summons served on Ansaldo Trasporti Sistemi Ferroviari (now Ansaldo STS) on 11 December 2007 Tecnocostruzioni challenged that ruling before the Naples Court of Appeal and the first hearing was set for 2 April 2008.
At that hearing the Judge requested the parties to prepare their final arguments and set the next hearing for 9 November 2011.

7. Dispute Brescia - Una SpA/Italease SpA vs ATI (agent Ansaldo STS)
An appeal was filed before the TAR Lombardia by UNA SpA and Banca ITALEASE SpA - respectively tenant and owner of a property complex concerned by the works for the construction of the Brescia Metrobus. By this appeal, served to the customer Brescia Mobilità, to the Municipality of Brescia and the company as agent of the Temporary Business Grouping (ATI) which won the contract for the works, the plaintiffs objected to the deeds and the resolution approving the final project of the work and requested that they be declared void because they were allegedly adopted in breach of applicable laws on public works. Ansaldo STS (agent for ATI) and Astaldi (agent for the ATI), together with Brescia Mobilità and the Municipality of Brescia, filed a suit against the claim of the counterparties. On 21 March 2006 the TAR Lombardia - Brescia noted the waiver of the interlocutory proceeding of Una SpA and Banca Italease SpA, and the hearing on the merits has not been set yet.

8. Dispute Consorzio Iricav Due vs TAV- Treno Alta Velocità SpA
In January 2007 the Italian Government revoked the concessions released to TAV by Ente Ferrovie dello Stato for the Milan-Verona, Verona-Padua and Milan-Genoa lines to the General Contractors.
The decree establishes that, with respect to the termination of contract, the parties involved will be entitled to compensation to the extent of the actual loss. Consorzio Iricav due had formerly initiated arbitration proceedings to obtain the termination of the Agreement due to serious default of TAV and had complained about the failure to perform acts of cooperation, including the development of the preliminary design and the raising of financial resources, and following the revocation, filed an appeal before the Lazio TAR.
The objective was to obtain the cancellation of the orders of the Ministry of Transportation and RFI SpA and the preliminary ruling from the Court of Justice of the European Communities. In April 2007 TAV SpA had already formally presented to the Consortium a claim for the repayment of the advance and the related interest accrued to the date of payment and for the delivery of all project documents presented during the concession period.
The Lazio TAR suspended the effectiveness of the orders, issued after the law, with which RFI SpA revoked the concession to TAV SpA and with which TAV SpA terminated contracts with the three General Contractors. The Lazio TAR also transferred the case to the European Court of Justice to verify, as requested by the appellant firms, the alleged incompatibility with European regulations.
TAV SpA appealed 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.
In 2007 the Ministry for Infrastructures proposed creating technical round tables to the plaintiffs to settle the dispute. These round tables were never created.
The State Council, with Order dated 10 October 2007, accepted the appeals filed by the Prime Minister's Office and the Ministry for Transport, TAV SpA and RFI SpA reversing the Order of the Lazio TAR and confirmed the legitimacy of referring to the Court of Justice of the European Communities the valuation of the compatibility of the revocation order with EC rules.
In September 2008 the General Advocate of the Court of Justice of the EC filed its final arguments and acknowledged the legitimacy of the orders revoking the concessions. As a result, Consorzio Iricav Due served a deed to waiver continuation of the administrative proceeding, which was suspended and is awaiting the ruling of the Court of Justice of the European Communities.
Following the waiver of the administrative proceedings filed by Consorzio Iricav Due, the Lazio TAR issued a ruling that acknowledges the Consortium's waiver.
This waiver was forwarded to the Court of Justice of the European Communities, and should terminate the prejudicial case before it without even ruling on the compatibility with EC regulations.
On 21 August 2008 Law 133 of 6 August 2008 was published. This law converted Law Decree 112 of 25 June 2008. This Law Decree repealed Article 13 of Law Decree 7 dated 31 January 2007, which was transposed into Law 40 of 2 April 2007 which from 1 January 2009 dismissed the concessions (agreements) between TAV and the respective General Contractors.
Consorzio IRICAV DUE determined not to apply Article 12 of Law 133 of 6 August 2008 converting Law Decree 112 of 25 June 2008 which reinstated the Concessions. In its own interest, it determined to continue the Arbitration, also because, should it quit the arbitration proceeding, it would not be possible to re-open it later for the same reasons for which termination for TAV's default was claimed.
During 2009 the Arbitration Board ordered a court-appointed expert's report, which should be ready in 2010.

9. Metro C Società Consortile per Azioni vs Roma Metropolitane srl
On 4 October 2007 Società Consortile per Azioni Metro C (owned by Ansaldo STS SpA at 14%), contractor for the works, designing and construction of the Line C of Rome Metro, served on Roma Metropolitane srl an arbitration claim for the payment of greater fees and greater times due to delays on the validation of the detailed project of the T4 and T5 sections for a total amount of EUR 100 million.
At the hearings of 2009 the Parties agreed to demand the issue of a partial arbitration award on the costs of the General Contractor and the postponement of the deadline for issuing the award at the end of 2009, except for a Court-Appointed Expert Report that may be requested by the Arbitration Board regarding further matters.
By order of the Chairman of the Arbitration Board, the date for the issue of the arbitration award was postponed to mid-2010.

10. Dispute Consorzio Cepav Uno vs TAV SpA
Consorzio CEPAV UNO, as general contractor for the works for the construction of the Milan-Bologna line, initiated arbitration proceedings against TAV alleging TAV's default of the obligations to CEPAV UNO and Consorzio Saturno. As part of the Consorzio Cepav Uno, the performance of the activities for the technological works was contracted out to Consorzio Saturno, in which Ansaldo STS SpA has an interest of 26.67%. Based on the contractual transparency in the agreements between Consorzio Saturno and Cepav Uno, the latter is bound to assert the claims of Consorzio Saturno against TAV. Therefore, Cepav Uno's claims in the arbitration proceeding relate to claims of Cepav and of Consorzio Saturno (value of the claim EUR 1 billion, of which EUR 85 million for Consorzio Saturno).
On 11 April 2008 Consorzio Saturno entered the arbitration proceeding.
TAV filed a counterclaim against Cepav Uno demanding the assessment of Cepav Uno's default of its obligations and that Cepav Uno be sentenced to pay EUR 781 million, plus revaluation and interest for "protracted unavailability of the work".

The Arbitration Board admitted the court-appointed expert's report, which was submitted on 30 May 2009.
The Arbitration Board reviewed the expert's report and set the terms for the parties to file their notes and briefs. It also set the hearing for 25 November 2009, which was later postponed to the first half of 2010.
The company assessed the potential liabilities that may derive from the pending disputes and it accrued sums to a provision for possible non-recoveries for work in progress for each of the contracts under dispute based on prudential principles. No positive effects were considered for open disputes and, in accordance with IASs/IFRSs, potential liabilities were only highlighted.
The company also accrued a provision for risks against minor potential liabilities due to pending disputes on contracts performed. The amount accrued to the risks and charges of the pending dispute is EUR 0.8 million.
At the reporting date the company believes that the sums accrued to the provision for risks and charges and those accrued to each contract in the provision for possible non recoveries for work in progress against liabilities for pending or potential disputes are sufficient overall.

Corporate governance and shareholding structure of the company in compliance with art. 123 of legislative decree no. 58 of 24 February 1998 and subsequent amendments (finance code)

The Ansaldo STS shares have been trading since 29 March 2006 on the STAR segment of the markets organized and managed by Borsa Italiana SpA.
On 19 December 2006 the Ansaldo STS SpA Board of Directors adopted the Corporate Governance Code adopted by Borsa Italiana SpA in March 2006 (C.A.). During 2007 the Company completed the adjustments to the requirements of the Corporate Governance Code, based on the conviction that these recommendations contribute significantly to the realization of the key points of the Company's corporate governance policy. Specifically, the corporate governance system implemented has as its primary goal the creation of shareholder value, in recognition of the importance of transparency in the company decision-making process, and the need for an efficient internal control system.

The members of the Board of Directors of Ansaldo STS, appointed by the Shareholders' meeting of Ansaldo STS of 1 April 2008 are: Alessandro Pansa (Chairman), Sante Roberti (Deputy Chairman), Sergio De Luca (CEO), Maurizio Cereda, Gerlando Genuardi, Gregorio Gitti, Francesco Lalli, Eugenio Pinto and Attilio Salvetti. The Board will be in office for three years, therefore until the date of the Ordinary Shareholders' Meeting for the approval of the financial statements for the year 2010. The members of the Board of Statutory Auditors, also appointed during the Shareholders' meeting of 1 April 2008, are Giacinto Sarubbi (Chairman), Massimo Scotton and Francesca Tripodi; Bruno Borgia and Pietro Cerasoli were appointed as alternate auditors.

The new Board of Directors met on 1 April 2008 as well, and confirmed Sante Roberti as Deputy Chairman, Sergio De Luca as CEO and Mario Orlando, Secretary General of the Company, as Secretary of the Board. The Board also appointed the members of the Internal Control Committee (Gregorio Gitti - Chairman -, Maurizio Cereda, Eugenio Pinto and Attilio Salvetti), of the Remuneration Committee (Maurizio Cereda - Chairman-, Gerlando Genuardi and Francesco Lalli), and also appointed the executive in charge of the preparation of the corporate accounting documents as Jean Paul Giani, Chief Financial Officer of the Company. Later, starting from 1 August 2009 the office of Chief Financial Officer and executive in charge of the preparation of the corporate accounting documents was taken by Alberto Milvio, replacing Jean Paul Giani after he took up another significant position in the Finmeccanica Group.
Members Maurizio Cereda, Gerlando Genuardi, Gregorio Gitti, Eugenio Pinto and Attilio Salvetti certified upon their appointment that they meet the independence requirements of applicable laws and the Corporate Governance Code. The existence of these requirements for the Directors was ascertained again, as prescribed by the Corporate Governance Code. Accordingly, the Board of Directors of the Company presently includes five independent directors out of nine. Likewise, pursuant to the Corporate Governance Code, the members of the Board of Statutory Auditors Giacinto Sarubbi, Massimo Scotton and Francesca Tripodi also confirmed that they meet the independence of applicable laws.
During the meeting of 27 January 2010, the Board of Directors reviewed the regular study carried out with the Company's Directors, in order to report Director or Statutory Auditor positions held in other listed financial, banking, insurance or significant-size companies, acknowledging the offices disclosed by each member of the Board and the fact that no Director has disclosed carrying out activities in competition with the issuer. During the first half of 2009 the Board, pursuant to the provisions of the Corporate Governance Code, also completed the regular evaluation on the size, members and functioning of the Board itself and its committees, checking that they are compliant with the principles and application criteria of the Corporate Governance Code of Borsa Italiana and with Italian and international best practices.

Following is a list of the Company's main corporate governance instruments:
- By-laws
- Code of ethics
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01
- Regulation of the Board of Directors
- Regulation of the Internal Audit Committee
- Regulation of the Remuneration Committee
- Guidelines and Principles for identifying significant transactions with Related Parties – Principles of conduct

- Regulation for managing privileged information and setting up a register of persons who have access to that information
- Internal Dealing Code
- Regulations for shareholders' meetings.

For more details on corporate governance, see the "Report on Corporate Governance", which also contains the information required by Article 123 bis of TUF, available on the Company's web site www.ansaldo-sts.com.

Certification pursuant to article 2.6.2, Paragraphs 12 and 13 of the Borsa Italiana Market Regulations

The Board of Directors of the Company certifies the existence of the conditions referenced in Article 36, Letters a), b) and c) and Article 37 of the regulations for the implementation of Legislative Decree no. 58 of 24 February 1998 on the subject of markets, adopted by Consob with Resolution no. 16191 of 29 October 2007 and subsequent amendments and integrations.

Security policy statement

In accordance with the requirements under Legislative Decree 196/2003 (Personal Data Protection Code), it is noted that the Company has undertaken the activity of analysing and updating the Security Policy Statement in relation to the electronic process of personal data. This activity will be completed by 31 March 2010 consistent with the deadline provided by the regulations.

Environment

Ansaldo STS SpA directs and coordinates companies operating on the international markets as suppliers of complete rail transport systems and the related auxiliary systems for signalling, control and security. As such, Ansaldo STS SpA is committed to environmental protection on two fronts:

- The Company pursues a policy for continuously improving the environmental performance of its processes;
- The Company markets increasingly sophisticated, secure and reliable transport systems, in order to provide incentives for their use.

Strategic guidelines and management approach

For this purpose, the Company has adopted an environmental policy and implemented an environmental management system, defining the organization, the responsibilities, the operating means and the investments necessary, thereby committing itself to the achievement of the following objectives:

- Ensuring compliance with regulations applicable to its processes by formalizing procedures that facilitate the awareness of the regulatory framework of reference;
- Identifying direct and indirect environmental aspects significant for the reduction and the control of the related environmental impact, both its own and that of its suppliers and partners;
- Defining key indicators for easily checking performance.

The ISO 14001 standard and the EMAS Regulation represent the model indicated by Ansaldo STS to develop management systems whose certification is the tool used to develop a durable environmental conscience with its own people and with sub-contractors.

Innovation and disclosure of best practices

Market requirements and the resulting expertise led to the development of environmental management systems, with the subsequent achievement of the ISO 14001 and the EMAS Regulation certification. With this latest form of certification, in the EMAS III revision, it will be possible, if so decided, to have one EMAS certification for all the sites.

Communication, education and training

All employees and external associates (suppliers/contractors) involved in operations at the head offices of Ansaldo STS are required to participate in a training/information programme about environmental management when they become affiliated with the Company.
Depending on the specific processes of each company and the related environmental aspects, subsequent training sessions are conducted in order to instruct the personnel in relation to the environmental management system requisites applicable to their activity.
The Company holds a register of all training programmes administered to personnel operating in the various companies.
The training sessions are held by personnel knowledgeable in the field involved, and are documented by the personnel responsible for their execution.

General environmental information

The activities performed by Ansaldo STS mainly include office business, for which Ansaldo STS ensures total control, including environmental issues.
Also production sites are managed in full harmony with the environmental protection concepts.
The Italian production site is also EMAS (Environmental Management and Audit Scheme) certified.

Water resources management
The consumption of water resources is exclusively linked to sanitary use, and is controlled.

Production and management of special waste
The activity carried out at the offices is not the type that generates special waste materials. Photocopiers and office machines under lease require the owner to provide for the management of waste materials (toner, broken or obsolete equipment, spare parts). In addition, the service maintenance is contracted to an external company that operates with its own stable personnel, and provides for the disposal of substitute components (e.g. neon tubes).

Energy consumption, CO_2 emissions, emissions trading and other emissions
Essentially related to heating, lighting and electric motive force, the consumption of energy is controlled and is in line with the levels of consumption registered for similar activities.

Management of hazardous substances
The hazardous substances used in the process management are environmentally friendly, by taking all the possible precautions envisaged by technical casebooks, and are used in compliance with the REACH Community Regulation.

Ozone depleting substances
Plans are in place to phase out R22 conditioning facilities at the offices.

Information on the direction and coordination activities of the company and relations with related parties

Pursuant to the provisions of Article 2497 bis of the Italian Civil Code, the Company is subject to the direction and coordination of Finmeccanica SpA. The key figures of the latest financial statements approved of Finmeccanica SpA are shown in the relevant table under Note no. 39.

Pursuant to Article 2497 bis, last paragraph of the Italian Civil Code, below are the statements summarising the relations between the company performing direction and coordination activities and the other companies that are subject to it, in 2009 and 2008.

The other companies subject to the direction and coordination of Finmeccanica were identified by the companies included in the consolidated financial statements of Finmeccanica SpA, pursuant to the assumption referred to in Article 2497 sexies of the Italian Civil Code, so they are, in addition to Finmeccanica, all the subsidiaries of Ansaldo STS and of Finmeccanica. This information is also required pursuant to Article 2428, paragraph 2 (2) of the Italian Civil Code, together with that for subsidiaries and related concerns and companies subject to the control of the subsidiaries and related concerns of the company.

The statements under Notes 10 and 26 also provide the detailed information relating to the entities that are related parties in the consolidated financial statements of Finmeccanica SpA due to the sum of the equity investments held by the companies in the Finmeccanica group. Moreover, Note 38 of the Notes provides the fees to directors and statutory auditors and executives with strategic responsibilities, with an indication of the cumulative amounts and the names.

The information on relations with the enterprise that performs direction and coordination activity and with the other companies subject to it, together with the direction and coordination over the companies that are related entities in the consolidated financial statements of Finmeccanica, and the fees of directors and statutory auditors and executives with strategic responsibilities constitutes related party disclosures as prescribed by IAS 24 “Related party disclosures”.

Year 2009

Receivables at 31 Dec 2009 (EUR 000)	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Parent Companies	1,281	0	336	1,617
Subsidiaries	37,974	11,032	0	49,006
Related concerns	151,510	37,825	55	189,390
Consortiums	0	84,633	1,364	85,997
Total	**190,765**	**133,490**	**1,755**	**326,010**
Incidence of related parties on the total amount for the year	**100%**	**30%**	**9%**	

Payables at 31 Dec 2009 (EUR 000)	**Borrowings**	**Trade payables**	**Other current payables**	**Total**
Parent Companies	0	324	0	324
Subsidiaries	90,164	26,449	403	117,016
Related concerns	0	13,968	14	13,982
Consortiums	0	1,538	24	1,562
Total	**90,164**	**42,279**	**441**	**132,884**
Incidence of related parties on the total amount for the year	**97%**	**19%**	**1%**	

At 31 Dec 09 (EUR 000)	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Parent Companies	0	0	2,343	0	0	1	139
Subsidiaries	14,733	7,595	50,568	2,949	0	2,071	323
Related concerns	34,415	93	69,640	65	17	1,937	0
Consortiums	85,375	0	4,450	9	0	0	0
Total	**134,523**	**7,688**	**127,001**	**3,023**	**17**	**4,009**	**462**
Incidence of related parties on the total amount for the year	**19%**	**55%**	**23%**		**1%**	**17%**	**2%**

Year 2008 Pro-forma

Receivables at 31 Dec 08 pro-forma[1] (EUR 000)	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Parent Companies	0	5	0	5
Subsidiaries	126,552	10,453	1,049	138,054
Related concerns	139,509	23,852	872	164,233
Consortiums	0	58,413	1,360	59,773
Total	**266,061**	**92,723**	**3,281**	**362,065**
Incidence of related parties on the total amount for the year	**100%**	**32%**	16%	

Payables at 31 Dec 08 pro-forma[1] (EUR 000)	**Borrowings**	**Trade payables**	**Other current payables**	**Total**
Parent Companies	151	52	0	203
Subsidiaries	75,152	21,083	722	96,957
Related concerns	0	16,583	3,218	19,801
Consortiums	0	1,292	40	1,332
Total	**75,303**	**39,010**	**3,980**	**118,293**
Incidence of related parties on the total amount for the year	**97%**	**22%**	**8%**	

At 31 Dec 08 Pro-forma[1] (EUR 000)	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Parent Companies	0	4	2,041	0	0	3	201
Subsidiaries	15,278	9,750	29,970	813	0	9,164	359
Related concerns	25,646	267	68,456	0	4	342	0
Consortiums	112,419	0	5,933	0	0	0	0
Total	**153,343**	**10,021**	**106,400**	**813**	**4**	**9,509**	**560**
Incidence of related parties on the total amount for the year	**25%**	**55%**		**24%**	**1%**	**55%**	**7%**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009

Year 2008

Receivables at 31.12.2008 (EUR 000)	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Parent Companies	0	0	0	0
Subsidiaries	126,552	4,388	1,049	131,989
Related concerns	139,509	0	14	139,523
Consortiums				
Total	**266,061**	**4,388**	**1,063**	**271,512**
Incidence of related parties on the total amount for the year	**100%**	**99%**	**27%**	

Payables at 31.12.2008 (EUR 000)	**Borrowings**	**Trade payables**	**Other current payables**	**Total**
Parent Companies	151	42	0	193
Subsidiaries	288,886	377	4,957	294,220
Related concerns	0	1,240	0	1,240
Consortiums				
Total	**289,037**	**1,659**	**4,957**	**295,653**
Incidence of related parties on the total amount for the year	**99%**	**24%**	**46%**	

At 31.12.2008 (EUR 000)	**Revenue**	**Other operating income**	**Costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Parent Companies	0	0	1,836	0	3	201
Subsidiaries	18,266	1,825	(1,811)	(9)	14,923	856
Related concerns	0	0	2,328	4	9	0
Total	**18,266**	**1,825**	**2,353**	**(5)**	**14,935**	**1,057**
Incidence of related parties on the total amount for the year	**100%**	**99%**	**18%**	**-1%**	**71%**	**14%**

Receivables from and payables to Finmeccanica SpA mainly relate to:
- current accounts (EUR 1,281 thousand at 31 December 2009) used to offset trade receivables and payables with Finmeccanica SpA and the enterprises of the Finmeccanica group. Finance costs relating to this transaction amounted to EUR 45 thousand for 2009;
- current receivable due to the submission of an IRES repayment claim for the 10% flat-rate deduction of IRAP paid in 2004 to 2007 under the provisions of Law Decree 185/2008 – anti-crisis Decree – and commented on by the Italian Inland Revenue Service with circular no. 16/E of 14 April 2009. The receivable from Finmeccanica relates to the years 2004 and 2005 period when the merged companies Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari adhered to the consolidated taxation mechanism of the parent company Finmeccanica;
- current payables for services rendered to the company and not liquidated yet (EUR 324 thousand at 31 December 2009);
- costs for EUR 2,343 thousand, mainly relating to recharges for surety commissions of EUR 286 thousand and the right to use the "Ansaldo" trademark for 20 years (EUR 1,616 thousand). In connection with this transaction, current prepaid expenses of EUR 1,610 thousand and non-current prepaid expenses of EUR 24,143 thousand.

Receivables from and payables to subsidiaries are as follows:

Financial

Ansaldo STS has current accounts with the subsidiaries to offset trade receivables and payables with the enterprises of the Ansaldo STS Group and of Finmeccanica Group. The finance income and costs shown in the table relate to these financial transactions.
The balance of the current accounts with the subsidiaries at 31 December 2009 includes EUR 35,371 thousand receivable from Ansaldo STS Usa and EUR 2,603 thousand receivable from Ansaldo STS Malaysia, EUR 33,312 thousand payable to Ansaldo STS Australia, EUR 37,749 thousand payable to Ansaldo STS France, EUR 4,275 thousand payable to Ansaldo Signal Ireland, EUR 5,297 thousand payable to Ansaldo STS UK and EUR 9,531 thousand payable to ASTS Sweden. The conditions applied to the current accounts with the companies of the Ansaldo STS group are as follows.
For contracts denominated in euros (France, Ireland):
- the debit interest rate applied by the parent company to the subsidiary on every debit balance on the current account is the EURIBOR 1 month + 100 basis points;
- the credit interest rate applied by the parent company to the subsidiary on every credit balance on the current account is the EURIBOR 1 month - 25 basis points.

For contracts denominated in foreign currency:
- the debit interest rate applied by the parent company to the subsidiary on every debit balance on the current account is the LIBOR 1 month of the reporting currency + 100 basis points;
- the credit interest rate applied by the parent company to the subsidiary on every credit balance on the current account is the LIBOR 1 month of the reporting currency - 25 basis points.

Commercial and non-commercial

- Commercial transactions with subsidiaries include the supply of spare parts for the subsidiary Ansaldo STS France (EUR 2,613 thousand);
- important contracts were signed with the subsidiary Ansaldo STS Usa International Co. for the projects in Brescia, Rome and Milan;
- other operating revenue mainly relate to amounts recharged for services rendered by the parent company Ansaldo STS to all the companies of the ASTS group in relation with the General Service Agreement for EUR 7,544 thousand;
- recovery of costs mainly relates to the amount for the year of the right to use the "Ansaldo" and the Globo trademarks (EUR 745 thousand) charged over to all the companies of the Ansaldo STS group, the costs for insurance coverage (EUR 1,183 thousand) charged over for policies whose premium was paid in advance by Ansaldo STS under agreements made by Finmeccanica with insurance companies, and costs (EUR 815 thousand) charged over for the supply of a centralised international videoconference service.

Transactions with the other related concerns mainly relate to commercial activities, for the sale of systems, components or spare parts and the purchase of materials.

The most significant non-commercial transactions with related concerns were as follows:

- Leasing fee and charge for the management and use of common facilities at the Naples offices, to AnsaldoBreda. The leasing fee for 2009 amounted to EUR 804 thousand (EUR 788 thousand in 2008 for ASF and ATSF) and the amount charged over for office services was EUR 1,881 thousand (EUR 1,657 thousand in 2008 for ASF and ATSF).
- Supply of ITC services under a contract for ordinary activities for EUR 5,359 thousand (EUR 5,197 thousand in 2008) charged over from Elsag Datamat.
- The cost from Fata Logistic System relates to services for the management of the company warehouses.
- The cost from HR Management relates to outsourced personnel administration services.

Financial transactions with related concerns include the deposit contracts with Finmeccanica Finance of EUR 151,510 thousand, with an interest rate equal to the Euribor for the year +0.05 Bp (determined on an arm's length basis). The eight deposits were made in December 2009 and expire between 8 January 2010 and 31 March 2010.

As regards consortiums, they were established for the construction of works, in particular Consorzio Saturno is dedicated to the performance of the works for the High-Speed line.
Other current assets of EUR 1,360 thousand to Consorzio Saturno relate to a penalty under dispute for delays claimed by TAV for some activities on the Rome-Naples line envisaged in the addendum.

Information on financial risk management and financial instruments

Reference should be made to the relevant section in the Notes for the information on the financial instruments and financial risks referred to in Article 2428, paragraph 2, point 6 bis of the Italian Civil Code, that is also relevant for the purposes of IFRS 7 "Financial instruments: disclosures".

Subsequent events

Ansaldo STS won the contract for the extension of the operation and maintenance of the Copenhagen driverless metro.
The amount of the 5-year contract was EUR 180 million with an option for three more years.
Ansaldo STS continues the collaboration with Metroselskabet, the owner of Metro Copenhagen, a collaboration that started in 1996 when Ansaldo STS won the contract for system engineering and integration and the supply of the electrical and railway systems and vehicles for the driverless metro of the Danish capital.
The driverless metro of Copenhagen was opened in October 2002 and Ansaldo STS is in charge of its operation.
In 2009, 50 million passengers used Copenhagen Metro and the 12,000 trains per day had a punctuality rate of 98.6%; the service is operating 24 hours per day 365 days a year. These high quality services were achieved also because the operation and maintenance over the last three years was performed with the involvement of Metro Service, an investee of ATM Milano and Ansaldo STS.
The railway driverless system of Ansaldo STS has now achieved full success worldwide thanks to the construction of the Copenhagen metro, the works for the Brescia metro, for Line C of the Rome metro, the Thessaloniki metro, Line 5 of the Milan metro, Taipei's Circular Line and the internal transportation system of Riyadh's Women's University.

Outlook

The economic and financial performance for the year 2010 is expected to be in continuity with the development of the order backlog.
The combination of orders is less favourable, therefore overall profitability, even though it remains very positive, is expected to decrease slightly.

Proposals to the shareholders' meeting

Fellow Shareholders,
the 2009 financial statements, which we submit to your approval, showed a Net Profit of EUR 56,785,284.88:

Our proposal hereby submitted to you for approval is as follows: (i) the statutory allocation to the *Legal Reserve*; (ii) an additional allocation to the *Legal Reserve* to increase the overall amount up to the maximum limit set by Article 2430 of the Italian Civil Code, equal to 20% of the share capital; (iii) the distribution to the Shareholders of a dividend of EUR 0.31, including withholdings, for each of the shares with a par value of EUR 0.50 now existing and entitled to the dividend; (iv) the formation of a reserve of EUR 10,000,000.00 to be automatically converted into *Legal Reserve* when the free share capital increase from EUR 50 to 100 million is effective; the share capital increase will be achieved by charging reserves to capital; (v) the remaining amount will be carried forward.

Therefore we propose that the net profit be allocated as follows:
- EUR 2,839,264.24, corresponding to 5% of profit itself, to the Legal Reserve;
- EUR 3,710,058.53 to the *Legal Reserve* in order to increase its amount to EUR 10 000 000.00, equal to 20% of the current share capital;
- EUR 30,981,656.99 to the Shareholders by paying out a dividend of EUR 0.31, including withholdings, for each of the 99,940,829 shares now existing and entitled to the dividend, with the exclusion of the 59,171 treasury shares held by the company, with coupon on 24 May 2010 and payment from 27 May 2010;
- EUR 10,000,000.00 to the *Reserve for adjustments to the Legal Reserve*, to be converted automatically into Legal Reserve when the free share capital increase from EUR 50 to 100 million is effective; the share capital increase will be achieved by charging reserves to capital. It is understood that the entire amount of EUR 10,000,000.00 allocated to that reserve will be released if the free share capital increase is not approved;
- EUR 9,254,305.12 thousand carried forward.

The total amount of the dividend proposed for distribution is equal to 62% of the share capital, 55% of the net profit for the year 2009 of Ansaldo STS SpA and more than 35% of the Group consolidated net profit for the year 2009, amounting to EUR 87,755,977.47.

The amount of the dividend proposed and its increase over that paid out in 2009 (+15%) are based on the growth of the Group consolidated result for the last year and are consistent with the cash flow generated from ordinary activities.

The proposal for the allocation to the *Legal Reserve* of the overall amount of EUR 6,549,322.77, which brings the *Legal Reserve* to EUR 10,000,000.00, equal to one fifth of the share capital (maximum amount permitted under Article 2430 of the Italian Civil Code), aims to strengthen the Company's assets and the function of surety for which it is intended. Consistently with this proposal, there is also a proposal to allocate an additional EUR 10,000,000.00 to the *Reserve for adjustments* to the *Legal Reserve*, considering the resolution of the Board of Directors that a free share capital increase from EUR 50 to 100 million achieved by charging reserves to capital be proposed to the extraordinary Shareholders' Meeting. The objective is to keep the Legal Reserve equal to one fifth of the Share Capital in the future as well.

Fellow Shareholders,
If you approve the above proposals, we invite you to approve the following resolution:
"The ordinary shareholders' meeting of Ansaldo STS SpA of April 2010
- having seen the Report on Operations;
- having seen the Board of Statutory Auditors' Report;
- having seen the financial statements as at 31 December 2009;
- taking due note of the Report of PricewaterhouseCoopers SpA

resolves

A) to approve the Report on Operations and Financial Statements at 31 December 2009;
B) to approve the proposal prepared by the Board of Directors to allocate the Net Profit of EUR 56,785,284.88 as follows:
- *EUR 2,839,264.24, corresponding to 5% of the profit itself, to the Legal Reserve;*
- *EUR 3,710,058.53 to the Legal Reserve in order to increase its amount to EUR 10,000,000.00, equal to 20% of the current share capital;*
- *EUR 30,981,656.99 to the Shareholders by paying out a dividend of EUR 0.31, including withholdings, for each of the 99,940,829 shares now existing and entitled to the dividend, with the exclusion of the 59,171 treasury shares held by the company, with coupon on 24 May 2010 and payment from 27 May 2010;*
- *EUR 10,000,000.00 to be allocated to the Reserve for adjustments to the Legal Reserve, to be converted automatically into Legal Reserve when the free share capital increase from EUR 50 to 100 million is effective; the share capital increase will be achieved by charging reserves to capital. It is understood that the entire amount of EUR 10,000,000.00 allocated to that reserve will be released if the free share capital increase was not approved;*
- *EUR 9,254,305.12 thousand carried forward.*

C) to authorize severally the Chairman of the Board of Directors and the CEO, in the event that treasury shares are bought or sold before the detachment of coupons, to allocate and/or withdraw from profits carried forward and/or from the remaining Merger Surplus the amount of the dividend attached to such shares.

Genoa, 1 March 2010

For the Board of Directors
The Chairman
Alessandro Pansa
Alessandro Pansa

Accounting statements and notes to the Financial Statements at 31 December 2009

Accounting statements and notes to the financial statements at 31 december 2009

Income Statement (€)	Note	31 December 2009	of which from related parties	31 December 2008 Pro-forma[1]	of which from related parties	31 December 2008	of which from related parties
Revenue	27; 26	716,816,857	134,522,840	621,142,883	153,338,649	18,265,965	18,265,965
Other operating income	28; 26	13,930,906	7,687,786	18,226,130	10,021,208	1,830,063	1,825,237
Raw materials and consumable used	29; 26	(137,116,194)	(41,312,298)	(130,302,119)	(26,818,922)	(38,928)	
Purchase of services	29; 26	(395,651,697)	(82,664,985)	(305,040,483)	(78,768,701)	(12,955,111)	(2,353,001)
Personnel costs	30	(106,782,496)		(101,465,144)		(8,789,957)	
Amortisation, depreciation and impairment	32	(6,748,130)		(5,422,934)		(1,883,573)	
Other operating expenses	28; 26	(3,208,146)	(17,209)	(6,330,856)	(3,521)	(3,916,175)	5,308
Changes in inventories of work in progress, semi-finished and finished goods	31	1,503,896		(1,754,033)			
(-) Work performed by the Company and capitalised		0		0			
EBIT		**82,744,996**		**89,053,443**		**(7,487,716)**	
Finance income	33; 26	23,949,024	4,009,263	17,359,968	9,509,232	21,065,711	14,934,961
Finance costs	33; 26	(21,488,408)	(461,798)	(8,290,722)	(560,448)	(7,525,890)	(1,057,152)
Profit before taxes and the effect of discontinued operations		**85,205,612**		**98,122,689**		**6,052,105**	
Income taxes	34	(28,420,327)		(34,179,032)		1,549,163	
(Loss) Profit from discontinued operations							
Net Profit (loss)		**56,785,285**		**63,943,656**		**7,601,268**	
Earnings per share (basic and diluted)	**35**	**0.57**		**0.64**		**0.08**	

Statement of comprehensive income (€)	31 December 2009	31 December 2008 Pro-forma[1]	31 December 2008
Profit (loss) for the year	**56,785,285**	**63,943,656**	**7,601,268**
- Financial assets available for sale			
- Actuarial gains (losses) on defined-benefit plans	1,253,396	(1,712,216)	134,887
- Changes in Cash Flow Hedges			
Tax effect related to other comprehensive income	(344,684)	470,859	(37,094)
Other comprehensive income, net of tax	**908,712**	**(1,241,357)**	**97,793**
Total comprehensive income (expense) for the year	**57,693,997**	**62,702,299**	**7,699,061**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Balance Sheet (€)	Note	31 December 2009	of which from related parties	31 December 2008 Pro-forma[1]	of which from related parties	31 December 2008	of which from related parties
Non-current assets							
Intangible assets	7	2,511,994		2,235,822		119,331	
Property, plant and equipment	8	74,462,498		75,504,124		531,539	
Investment properties		0		0		57,624,680	
Equity investments	9	144,148,123		78,964,032		87,103,974	
Financial assets at fair value		0		0		0	
Securities held to maturity		0		0		0	
Receivables	11	3,078,690		3,150,656		0	
Deferred tax assets	34	15,246,761		16,849,108		2,124,759	
Other assets	17	25,227,416		25,868,870		25,831,144	
		264,675,481		**202,572,612**		**173,335,427**	
Current assets							
Inventories	12	67,267,016		52,770,317		0	
Contract work in progress	13	66,684,383		87,664,328		0	
Trade receivables	14 - 10	443,455,801	133,489,953	290,631,414	92,722,526	4,391,094	4,388,290
Financial assets at fair value		0		0		0	
Securities held to maturity		0		0		0	
Income tax receivables	15	1,323,166		6,722,060		5,701,788	
Financial receivables	14 - 10	190,765,102	190,765,102	266,061,288	266,061,288	266,061,288	266,061,288
Derivatives	16	10,042,788		773,167		773,167	
Other assets	17 - 10	19,936,952	1,755,177	20,499,327	3,280,462	3,983,020	1,062,564
Cash and cash equivalents	18	105,615,361		57,254,706		5,155,070	
		905,090,569		**782,376,606**		**286,065,427**	
Total assets		**1,169,766,051**		**984,949,218**		**459,400,854**	
Shareholders' equity							
Share capital	19	49,193,946		49,256,884		49,256,884	
Other reserves	19	125,077,351		138,138,606		52,635,785	
Retained earnings (accum. losses) carried forward, inclusive of the profit for the year	19	75,661,714		44,974,166		46,070,125	
Total Shareholders' equity		**249,933,012**		**232,369,656**		**147,962,794**	
Non-current liabilities							
Borrowings	20	4,031,884		5,746,684		0	
Severance pay and other employee liabilities	22	21,039,638		23,043,174		1,155,245	
Provisions for risks and charges		0		0		0	
Deferred tax liabilities	34	2,201,510		2,244,053		47,583	
Other liabilities	23	2,536,579		2,465,356		156,017	
		29,809,610		**33,499,267**		**1,358,845**	
Current liabilities							
Advances from customers	13	513,216,928		404,318,404		0	
Trade payables	24 – 10	218,138,012	42,279,176	180,873,543	39,010,042	6,934,956	1,658,698
Borrowings	20 - 10	93,007,733	90,163,713	77,682,529	75,303,189	289,052,033	289,037,290
Income tax payables	15	1,451,915		1,172,946		913,514	
Provisions for risks and charges	21	8,165,753		5,347,075		2,130,000	
Derivatives	16	8,902,675		338,576		266,263	
Other liabilities	23 - 10	47,140,412	440,857	49,347,222	3,979,674	10,782,449	4,956,912
		890,023,429		**719,080,295**		**310,079,215**	
Total liabilities		**919,833,039**		**752,579,561**		**311,438,060**	
Total liabilities and Shareholders' equity		**1,169,766,051**		**984,949,218**		**459,400,854**	

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Statement of cash flows (€)	Note	31 December 2009	of which from related parties	31 December 2008 Pro-forma[1]	of which from related parties	31 December 2008	of which from related parties
Cash flow from operating activities:							
Gross cash flow from operating activities	36	94,368,074		95,980,615		(5,022,171)	
Change in working capital	36	(178,149)	(37,498,293)	(25,389,142)	(20,315,739)	1,314,184	(3,392,547)
Changes in other operating assets and liabilities	36	(10,524,014)	(2,013,532)	361,138	(6,649,387)	8,897,522	(3,806,652)
Net finance costs paid	36	9,634,339	3,547,465	11,232,278	9,281,641		
Income taxes paid	36	(20,434,792)		(46,264,418)			
Net cash generated from operating activities		**72,865,458**		**35,920,471**		**5,189,535**	
Cash flow from investing activities:							
Acquisitions of subsidiaries, net of cash acquired		(5,025,403)		(28,047,103)		(25,583,630)	
Purchase of property, plant and equipment and intangible assets		(4,024,356)		(4,352,596)		(255,829)	
Proceeds from sale of property, plant and equipment and intangible asset							
Dividends received						14,544,000	14,544,000
Purchases of treasury shares		(112,937)		(411,032)		(411,032)	
Other investing activities		(246,580)		5,876,720		1,006,283	
Net cash used in investing activities		**(9,409,276)**		**(26,934,011)**		**(10,700,208)**	
Cash flow from financing activities:							
Net change in financial receivables and borrowings		88,906,589	90,156,709	23,840,974	272,271,262	30,025,179	277,246,840
Effect of the merger of Ansaldo Signal NV in liquidation		(77,031,045)	(77,031,045)				
Share capital increases							
Loss coverage							
Dividends paid		(26,971,070)	(26,971,070)	(19,991,826)	(19,991,826)	(19,991,826)	(19,991,826)
Change in reserves				95,577		95,577	
Net change in other financing activities							
Net cash used in financing activities		**(15,095,526)**		**3,944,725**		**10,128,930**	
Net increase (decrease) in cash and cash equivalents		48,360,656		12,931,185		4,618,257	
Translation differences							
Cash and cash equivalents at 1 January [2]		57,254,705		44,323,520		536,813	
Cash and cash equivalents at 31 December		**105,615,361**		**57,254,705**		**5,155,070**	

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.
2. 2008 pro-forma includes cash and cash equivalents of ASF and ATSF for EUR 43,786,707.

Statement of changes in equity (€)

	Share capital	Retained earnings/ (losses) carried forward	Reserve for stock-option grant plans	Other reserves	Total Shareholders' equity
Shareholders' equity at 1 January 2008	**49,667,916**	**60,487,339**	**3,097,490**	**48,628,887**	**161,881,632**
Repurchase of treasury shares, less shares sold	(411,032)				(411,032)
Change in reserves for Ansaldo STS SpA SGP			(206,541)		(206,541)
Change in reserves for SGPs of other companies			(1,006,283)		(1,006,283)
Change in reserve from delivery of SGP shares			(96,502)		(96,502)
Change in reserve for SGPs relating to previous years			94,285		94,285
Dividends (99,961,215 x 0.20)		(19,992,243)			(19,992,243)
Net profit (loss) at 31 December 2008		7,601,268			7,601,268
Other comprehensive income for the year, net of tax		134,887		(37,094)	97,793
Allocation of the result to legal reserve		(2,161,126)		2,161,126	0
Other movements				417	417
Shareholders' equity at 31 December 2008	**49,256,884**	**46,070,123**	**1,882,449**	**50,753,336**	**147,962,792**
Revaluation reserve formed under Law 413/91 (former ASF)				832,179	832,179
Reserve formed under Law. 488/92 – 1st call for PIA Innovazione (former ASF)				854,000	854,000
Reserve formed under Law 488/92 – 2nd call for PIA Innovazione (former ASF)				145,000	145,000
Reserve created with ministerial grants under Law 219/81 (former ASF)				208,828	208,828
Deferred taxes recognised in equity (former ASF and ATSF)				301,388	301,388
Change in reserves for SGPs (former ASF and ATSF)			566,268		566,268
Change in reserves from delivery of SGP shares (former ASF and ATSF)			(262,760)		(262,760)
Change in reserve for SGPs relating to previous years (former ASF and ATSF)			187,234		187,234
Severance pay reserve for actuarial gains (losses) - (Equity method) (former ASF and ATSF)		(1,095,958)			(1,095,958)
Surplus from merger through incorporation of ASF and ATSF				83,236,951	83,236,951
Adjustments deriving from merger through incorporation of ASF and ATSF			(566,268)		(566,268)
Shareholders' equity at 31 December 2008 - Pro-forma	**49,256,884**	**44,974,165**	**1,806,923**	**136,331,682**	**232,369,654**
Repurchase of treasury shares, less of shares sold	(112,938)				(112,938)
Reclassification of costs for share capital increase	50,000			(50,000)	0
Other comprehensive income for the year, net of tax		1,253,396		(344,684)	908,712
Change in reserves for Ansaldo STS SpA SGP			(340,523)		(340,523)
Change in reserves for SGPs of other companies				943,028	943,028
Dividends (99,892,850 x 0.27)		(26,971,070)			(26,971,070)
Allocation of the result to legal reserve		(380,063)		380,063	0
Deficit from merger through incorporation of ASNV with effective date 1 October 2009				(13,649,137)	(13,649,137)
Net profit (loss) at 31 December 2009		56,785,285			56,785,285
Shareholders' equity at 31 December 2009	**49,193,946**	**75,661,714**	**1,466,400**	**123,610,952**	**249,933,012**

Notes to the financial statements at 31 december 2009

1. General Information

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

Ansaldo STS SpA, as Parent company, carries out the functions of business and strategic management, coordinating the operations of its subsidiaries (together known as the “Ansaldo STS Group” or the “Group”), which operate in the signalling and rail transportation systems sectors.
The Ansaldo STS Group grew out of the transport signalling and systems operations which, until the second half of the 1990s, were carried out by Ansaldo Trasporti within the Finmeccanica Group. The formation of Ansaldo Signal in 1996 and of Ansaldo Trasporti Sistemi Ferroviari in 2000 (together with the formation of AnsaldoBreda, for the vehicles segment, the same year) produced a reorganisation of the entire transport sector, 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 S.I.C. Società Italiana Comunicazioni Srl, renamed EuroSkyway Srl in 1997; the company was put into liquidation in April 2005.

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 inter-city and urban rail systems.
To complete the above reorganisation, in February 2006 Ansaldo STS, as already stated, acquired from Finmeccanica the entire share capital of Ansaldo Signal NV and of Ansaldo Trasporti Sistemi Ferroviari SpA and since 29 March 2006 Ansaldo STS has been listed on the stock exchange.

Specifically, Finmeccanica placed on the market 60 million shares of the Company, equal to 60% of its share capital, at EUR 7.80 per share, retaining the remaining 40 million, equal to 40% of the share capital. The so-called greenshoe option was exercised to the full, in view of the extremely large number of requests to purchase the shares.
Upon the acquisition of stakes in Ansaldo Signal NV in liquidation and in Ansaldo Trasporti Sistemi Ferroviari SpA (24 February 2006), all the companies operating worldwide for the Signalling-related activities were headed by Ansaldo Signal NV in liquidation; while the Transport Systems activities were centred on Ansaldo Trasporti Sistemi Ferroviari SpA.
Subsequently Ansaldo STS SpA, with the aim to create better synergy and co-ordination between the two activities, started a Group’s reorganisation process (which is still under way), according to which all the companies operating in the Signalling sector have internally formed a Transportation Solutions Business Unit as well, by using the know-how, skills and experience of Ansaldo Trasporti Sistemi Ferroviari SpA.
In Italy, the two companies which operate in the two different business units *(Signalling and Transportation Solutions)*, have merged, ex Art. 2505 of the Italian Civil Code, into the listed Parent company, through incorporation of Ansaldo Segnalamento Ferroviario SpA and of Ansaldo Trasporti Sistemi Ferroviari SpA into Ansaldo STS SpA. The merger through incorporation, as set forth in the merger deed stipulated by Ansaldo STS, Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Segnalamento on 26 September 2008, has had legal, accounting and tax effect since 1 January 2009.
In the scope of this corporate reorganisation, the Dutch *sub-holding* Ansaldo Signal NV in liquidation was merged through incorporation into Ansaldo STS SpA. The merger plan was approved on 5 March 2009 and 6 March 2009 by the Supervisory Board of Ansaldo Signal NV in liquidation and by the Board of Directors of Ansaldo STS SpA respectively. Since this is a cross-border merger, the same was executed in accordance with directive 2005/56/EC relating to the cross-border mergers of stock companies so as it is implemented in Italy through Legislative Decree no. 108/2008 and in Holland through Legislative Deed no. 260/261 of 27 June 2008, as well as with the related national regulations. The merger was executed through the cancellation of all the shares forming the entire capital of Ansaldo Signal NV in liquidation and without any capital increase on the part of the incorporating company Ansaldo STS SpA inasmuch as the incorporated companies were wholly owned subsidiaries.
In compliance with the merger deed stipulated by Ansaldo STS SpA and Ansaldo Signal NV in liquidation on 10 September 2009, the merger has had legal, accounting and tax effective date since 1 October 2009. As a result of this transaction, all the equity investments held by Ansaldo Signal NV in liquidation were transferred to Ansaldo STS SpA.

In order to support the development of the Group business in South America, a new company “Ansaldo STS Sistemas de Transporte e Sinalização Limitada” was formed, in which Ansaldo STS SpA has an interest of 99.99% and Ansaldo STS USA International Co. an interest of 0.01%.

As already said, Ansaldo STS SpA operates in two business units: Signalling and Transportation Solutions.
The "Signalling" Business Unit – whose main reference operating companies are Ansaldo STS SpA (as a result of the incorporation of Ansaldo Segnalamento Ferroviario SpA), Ansaldo STS France (France), Ansaldo STS Australia PTY Ltd (Asia Pacific) and Ansaldo STS USA Inc. (USA) – designs and builds signalling systems, subsystems and components.

The "Transportation Solutions" Business Unit carries out the following activities: design and creation of integrated transport systems, of which signalling is an essential part. In more detail, this activity studies, designs and plans how to integrate the activities of designing and building the technological equipment that goes to make up a system - that is, the track, signalling, power supply, telecommunications, and vehicles (whether for inter-city or urban railways) as well as any other technological works which, collectively, constitute an integrated transport system. The final product - an integrated transport system, whether an inter-city line or an urban one - is then delivered as a "turnkey" project to the customer. However, the Group can also offer the expertise of Signalling or Transport Systems separately, according to specific customer needs. The core competences of these activities are concentrated in Italy in the Group parent Ansaldo STS SpA, following the incorporation of the subsidiary Ansaldo Trasporti Sistemi Ferroviari SpA, which was the company dedicated exclusively to this sector; all the Group companies that operate abroad, born as Signalling-related companies, have undertaken to develop their competences and their commercial presence in the Transportation Solutions sector as well.

2. Form, content and applicable accounting standards

In application of EC Regulation 1606/2002 of 19 July 2002, the Financial Statements at 31 December 2009 were prepared in accordance with the IAS/IFRS international accounting standards (hereinafter IFRSs) endorsed by the European Commission, supplemented by the relevant interpretations (*Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC*) issued *by the International Accounting Standard Board (IASB)*.

The general principle used in preparing these Financial Statements is the cost method, except for the recognition of derivative instruments and of a few financial assets, for which IAS 39 obliges or – limited to financial assets – allows the valuation with the fair value method.

Among the options permitted by IAS 1, the Company has chosen to present the Balance Sheet separating current and non-current items and the Income Statement classifying the items by nature. The Statement of Cash Flows was instead prepared using the indirect method.

For comparative purposes, a column containing pro-forma data has been put in every statement and table, by making appropriate adjustments to the historical data of Ansaldo STS in order to reflect the effects of the mergers through incorporation of Ansaldo Segnalamento Ferroviario and of Ansaldo Trasporti Sistemi Ferroviari. Specifically, these effects have been reflected in the Income Statement and the Balance Sheet as if the mergers had been put into effect since 1 January 2008.
All figures are in thousands of euros unless otherwise indicated.
The Financial Statements at 31 December 2009 of Ansaldo STS SpA were approved on 1 March 2010 by the Board of Directors, that authorised the dissemination thereof.

These Financial Statements, prepared in accordance with IFRS, were audited by independent auditors PricewaterhouseCoopers SpA.

Preparation of the Financial Statements required Management to make certain estimates.

3. Accounting policies adopted

Identification of the functional currency: these Financial Statements have been prepared in euros, which is the functional currency of Ansaldo STS SpA.

Translation of items denominated in a foreign currency: items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and/or services, goodwill, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the Income Statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the Income Statement.

Intangible assets
These are made up of non-monetary elements without physical form, clearly identifiable and which are capable of generating future economic benefits. These elements are entered at their cost of acquisition and/or production, including expenses directly attributable to preparing the asset for operations, net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any loss of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset has been recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

(i) Licenses and similar rights
For licenses and similar rights amortisation 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 capitalised on the basis of the costs sustained in acquiring them. Amortisation is calculated on a straight-line basis over their expected useful life of 3 years.

(ii) Software costs
The costs related to the development and maintenance of software programs are recognised as costs when incurred. Costs that are directly connected with the production of unique, identifiable software controlled by the Company and 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. Amortisation 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.

(iii) Research and development costs
Research costs are charged to the Income Statement 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 requirements 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 requirements are not met, development costs are expensed as incurred. Development costs are capitalised only when the four conditions listed above are met and are amortised on a straight-line basis over their entire useful life.

Leased assets
Assets held via finance leases, through which the risks and benefits pertaining to ownership are essentially transferred to the Company, are recognised as assets belonging to the Company 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 borrowing. These goods are depreciated in accordance with the methods and criteria applicable to property, plant and equipment.
Leases in which the lessor essentially retains the risks and benefits incidental to ownership of the assets are recognised as operating leases. The costs relating to operating leases are entered on a straight-line basis in the Income Statement throughout the leasing contract's duration.

Property, plant and equipment
These are valued at purchase 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.

Charges incurred for routine and/or regular maintenance and repair are directly entered in the Income Statement for the year when they were incurred. Capitalisation of the costs relating to expansion, modernization, or improvement of elements owned or leased by the Company is carried out only in so far as these meet the requirements for being classified separately as assets or parts of assets. Any capital grants relating to property, plant and equipment are entered as a direct deduction from the asset to which they relate.

The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself. In the period in which the asset has been recognised for the first time, the depreciation rate applied takes into account the period of actual use of the asset. The estimated useful lives adopted by the Company for the various asset classes are as follows:

	Years
Land	Indefinite useful life
Building	33.33
Plant and machinery	6.45 – 10
Equipment	4
Other assets	4 – 8.33

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.

Impairment of intangible assets and property, plant and equipment
Assets with indefinite useful life are not depreciated or amortised, but are rather subject to impairment tests at least once a year to ascertain the recoverability of their book value.
For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess being recognised in the Income Statement.
If the conditions for a previous write-down no longer apply, the asset's accounting value is reinstated provided that such reinstated value does not exceed the net carrying value: the reinstatement is recorded in the Income Statement. However, the value of the previously written-down goodwill shall in no case be reinstated.

Equity investments
The Company classifies its equity investments as follows:
- "subsidiaries" in which the owner of the interest has the power to determine the financial and operating decisions and to receive the related benefits;
- "associates" in which the owner of the interest exercises significant influence (which is assumed to exist when owner can exercise at least 20% of the votes in the ordinary shareholders' meeting). This also includes companies subject to joint control (joint ventures);
- "parent companies", when the investee company holds shares in its own parent;
- "other companies", that do not fall under any of the categories above.

The cost value is maintained in subsequent Financial Statements except in the event of a loss of value, or any writeback, following a change in its economic use or capital transactions.

A list of investee companies is contained in Note 9 "Equity investments". With regard to subsidiaries, the figures contained are taken from the respective Financial Statements at 31 December 2009 approved by the Board of Directors; in the case of associates and other companies, the carrying amounts of the investments have been compared with the shareholders' equity of the investees, as appearing in the latest Financial Statements available.

Inventories
Inventories are valued at the lower of purchase or production cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and semi-finished products includes the costs of raw materials, direct labour costs, and indirect costs incurred in the course of normal production.

The net realisable value is the sales price in the course of normal operations, net of estimated costs to finish the goods and those needed to make the sale. Based on the value of inventory as determined above, provisions are made to allow for inventory that is considered obsolete or slow-moving.

Contract work in progress
Contract work in progress is entered using the degree of completion (or percentage of completion) method, in which costs, revenue and margins are recognised on the basis of how far advanced work is. The criterion applied by the Company 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 period 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 write-down provision, as well as of any advances and instalments paid relating to such contract work. This analysis is carried out contract by contract: when the value of the work in progress exceeds that of the advances paid, the positive difference is 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.
However, the Company's policy for exchange-rate risk calls for all contracts in which cash inflows and outflows are significantly exposed to exchange rate fluctuations to be hedged specifically.

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 or when the Company 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:

(i) Loans and receivables
These are financial instruments, chiefly relative to trade receivables, non-derivative and not listed on an active exchange, from which fixed or measurable payments are expected. These 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 amortised cost on the basis of the effective interest rate method. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset. Impairment losses are entered in the Income Statement. If in succeeding years the reasons for

previous write-downs no longer apply, the value of such assets is restored up to the amortised cost value it would have if no impairment had been recognised.

(ii) 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 Income Statement 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.

(iii) Financial assets at fair value through profit or loss
This category includes financial assets acquired for short-term trading purposes, or those that are designated as such by the management, in addition to derivative instruments, which are discussed in the next section. The fair value of these instruments is determined with reference to their end-of-period bid price. For unlisted instruments, the fair value is calculated using commonly adopted valuation techniques. Changes in the fair value of instruments belonging to this category are recognised immediately in the Income Statement.
The classification of assets as current or non-current reflects management expectations regarding their trading. Current assets include those that are planned to be sold within 12 months or those designated as held for trading purposes.

(iv) Financial assets held to maturity
These are non-derivative assets with pre-set maturities that the Company has the intention and ability to hold to maturity. Such assets are valued at amortised cost on the basis of the effective interest rate method. Those maturing within 12 months are carried under current assets. Should objective evidence of impairment emerge, the value of the asset is reduced to the value obtained by discounting the expected cash flows from the asset: the losses, determined through the impairment test, are entered in the Income Statement. If in succeeding years the reasons for previous write-downs no longer apply, the value of such assets is restored up to the amortised cost value it would have if no impairment had been recognised.
Financial assets are removed from the Balance Sheet when the right to receive cash flow from an instrument expires and the Company 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 amortised cost, using the effective interest rate method. If there is a change in the expected cash flows 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 Company 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 Company has transferred all the risks and charges relating to them.

Derivative instruments
Derivatives are still regarded as assets held for trading and stated at Fair value through the Income Statement unless they are deemed eligible for hedge accounting and effective in offsetting the risk in respect of underlying assets, liabilities or obligations undertaken by the Company.
In particular, the Company uses derivative instruments as part of hedging strategies to neutralize the risk of variations in the Fair value of assets or liabilities recognised in the Financial Statements or arising from contractually-defined obligations (Fair Value Hedge) or the risk of expected cash flow variations relating to contractually-defined or highly probably operations (Cash Flow Hedge).

The effectiveness of hedging operations is recorded at the start of the operation and regularly thereafter (at a minimum on the date of publication of the annual or interim financial statements) and is measured by comparing the changes in Fair value of the hedging instrument with those of the underlying (dollar offset ratio) or, in the case of more complex instruments, through a statistical analysis based on variation of risk.

Fair Value Hedge: the changes in the value of derivatives identified and qualifying as Fair Value Hedges are recognised in the Income Statement, as are changes in the fair value of the underlying assets or liabilities attributable to the risk neutralized through the use of hedging.

Cash Flow Hedge: the changes in the fair value of derivatives identified and qualifying as Cash Flow Hedges are recognised, to the extent of the effective portion, in a specific equity reserve (the “Cash Flow Hedge reserve”). This reserve is released to the Income Statement when the economic effects of the underlying materialise. The change in fair value relating to the ineffective portion is immediately recognised in the Income Statement for the period. If the derivative instrument is sold or no longer qualifies as an effective hedge against the relevant risk or if the underlying operation is no longer considered highly probably, the related portion of the "Cash Flow Hedge reserve" is immediately released to the Income Statement.

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, the 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.

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.

(i) Retained earnings/(losses) carried forward: these include earnings and losses for the period 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.

(ii) 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, the stock grant reserve in respect of the recognition of defined-benefit plans as holdings of capital and the reserve of actuarial effects on defined-benefit plans recognised directly in equity.

Deferred tax assets and liabilities
Deferred taxes are calculated based on temporary differences between the value of the assets and liabilities included in the company's Financial Statements and the value attributed to those assets/liabilities for tax purposes. Deferred tax assets and liabilities are calculated by applying the tax rate in force at the time the temporary differences will be reversed. Deferred tax assets are recognised to the extent that it is probable the Company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

Employee benefits
(i) Post-employment benefits plans: the Company uses a variety of retirement or supplementary pension schemes 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 contributions 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 and financial assumptions. The "projected unit credit" method is used.

The Company recognises the defined-benefit plans applying the so-called "equity method", which consists in the recognition of actuarial gains and losses related to all plans directly in the equity as they occur.
With reference to the classification of the costs related to defined-benefit plans, the costs for rendering service (current and past), as well as the costs relating to the curtailment recognition (where applicable) are recorded in the item "Personnel costs". On the contrary, interest costs, net of the expected return on the plan assets, are recorded under "finance costs". Moreover, the costs relating to defined-contribution plans are recognised under "personnel costs".

(ii) Other long-term benefits
The Company grants employees with other benefits, such as seniority bonuses after a given period of service with the company. These receive the same accounting treatment as defined-benefit plans, using the "projected unit credit method" and any actuarial gains or losses are recognised both immediately and in full as they occur.

(iii) Benefits payable for the termination of employment and incentive plans
Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefits to the enterprise and are therefore recognised immediately as expenses.

(iv) Equity compensation benefits
The Company compensates its Top Managers through stock grant plans established by the Parent company and related to shares of the same. In these cases, the theoretical benefit of the persons concerned is charged to the Income Statement 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.

Revenue recognition
Revenue is recognised at the fair value of the payment received, net of VAT, discounts, and quantity discounts. Revenue also includes changes to work in progress.
Revenue generated from the sale of goods is recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which in many cases coincides with the transfer of title or ownership to the buyer, or when the value of the revenue can be reliably determined.
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, grants are recognised on the basis of the matching principle, in direct correlation with the costs incurred. Operating grants are entered in the Income Statement as a direct reduction of the charge to which they refer. Capital grants are entered in the Income Statement in direct correlation to the depreciation process to which the goods or projects refer, and are deducted from depreciation itself.

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

Finance income and costs
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. Finance costs are not charged as an asset, in the absence of the requirements set forth in IAS23 *revised*.

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 period 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 receivables.
Current taxes are entered in the Income Statement, 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 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.

Other aspects
The Company shall prepare the Group's Consolidated Financial Statements.

New IFRSs and IFRIC interpretations
At the date of preparation of this report, the European Commission has endorsed certain standards and interpretations that are not compulsory which will be applied by the Company in the following financial periods. The amendments and potential effects for the Company are summarised below:

IFRS – IFRIC interpretation		**Effects for the Company**
IAS 32 *Amendments*	Financial instruments: Classification and presentation	The standard allows for the treatment as equity of rights issues on the occasion of a capital increase. The Company will apply such standard starting from 1 January 2010. No effects are expected for the Company.
IFRS1 *Revised*	First time adoption of IFRS	Not applicable to the Company.
IAS 27 Revised	Consolidated and separate financial statements	As of today the Company applies the "Parent company approach", which is no longer in the scope of amended IAS 27. Due to such new standard, transactions with minority interests will not imply in the future the recognition of gains, nor any additional goodwill on the consolidated financial statements. No effects are expected for the Company.
IFRS 3 *Revised*	Business combinations	The new version of IFRS 3 provides: (i) that *transaction costs* are recognised in the income statement; (ii) it is no longer compulsory to measure the assets and liability of the subsidiary at fair value in the acquisitions achieved in stages (step acquisitions); (iii) and the recognition at the acquisition date of the liabilities for conditional payments. No effects are expected for the Company's financial statements.
IFRIC 16	Hedges on a net investment in a foreign operation	The Company will apply such change starting from 1 January 2010. No significant effects are expected for the Company.
IFRIC 17	Distributions of non-cash assets to owners	The Company will apply such change starting from 1 January 2010. No significant effects are expected for the Company.
IFRIC 18	Transfers of assets from customers	The Company will apply such change starting from 1 January 2010. No significant effects are expected for the Company.

There are a number of standards or amendments to existing principles issued by the IASB or new interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval project is still under way. Among these, we note:

- IFRS9 – by this standard the IASB intends to amend significantly the treatment of financial instruments. During 2009 the IASB issued the first part of the new standard, which exclusively modifies the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39. Still in 2009 the IASB published a document on the principles for the measurement of the amortised cost of financial instruments and for recognising impairment, if any. The new overall approach to financial instruments is currently under discussion by the various competent bodies and for the time being the date of adoption is not foreseeable;
- IFRIC14 Amendment (minimum contributions to pension funds) – no significant effects are expected for the Company;
- IFRIC19 (extinguishing financial liabilities with equity instruments) – no significant effects are expected for the Company;
- IFRS2 Amendment (Company share-based payments) – no significant effects are expected for the Company;
- IFRS1 Amendment (additional exemptions for first-time adopters of IFRS, also in relation to the application of IFRS7) – not applicable to the Company;
- IAS24 Revised (related-party transactions) – the standard only relates to the disclosures to provide for related-party transactions. This will have no effects on the Balance Sheet, Income Statement and Statement of Cash Flows.

4. 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 Financial Statements:

<u>(i) Risk provisions and estimates of final costs of long-term contracts:</u> the Company 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 Income Statement are a function both of the progress on a particular contract and of the operating margins that are expected to be recognised 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 Company 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 Company 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, taken into consideration in the contract valuation. 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 Financial Statements are drawn up.

5. Effects of changes in accounting policies adopted

5.1. Changes in the accounting statements

With regard to the accounting statements, no changes have been reported compared with 31 December 2008.
As previously said, a column containing pro-forma data has been put in every statement and table, by making appropriate adjustments to the historical data of Ansaldo STS in order to reflect the effects of the mergers through incorporation of Ansaldo Segnalamento Ferroviario and of Ansaldo Trasporti Sistemi Ferroviari. Specifically, these effects have been reflected in the Income Statement and the Balance Sheet as if the mergers had been put into effect starting from 1 January 2008.

The amendments to IAS 1 and the introduction of IFRS 8 only entail different disclosures. In particular, IAS 1 revised requires that entities present in the Statement of changes in equity exclusively the changes deriving from transactions with owners. The Company opted for presenting movements from transactions with non-owners in two separate statements, i.e. the "Income Statement" and the "Statement of comprehensive income". IFRS 8 affects, on the one hand, segment information to provide, and, on the other, requires that this information is consistent with that adopted by management for operating decisions.
More specifically, the amendments to IAS 23 eliminated the option of recognising in the Income Statement finance costs attributable to the acquisition, construction or production of certain assets taking a substantial period of time to get ready for their intended use or sale (qualifying assets). The Company exercised the right to apply the new standard prospectively starting from 1 January 2009, without significant effects in the period.
The other changes to the accounting standards and interpretations applicable since 1 January 2009 had no effect on these Financial Statements.

6. Segment information

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

The results of the business units for the financial year 2009, compared with those for the same period of the previous year, are as follows:

EBIT by Business Unit (EUR 000)

31.12.2009	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Other operations**	**Eliminations**	**Total**
Revenue	343,191	392,633		(19,007)	**716,817**
Other operating income	4,823	1,160	16,270	(8,323)	**13,930**
Raw materials and consumables used	(73,386)	(63,730)			**(137,116)**
Purchase of services	(138,124)	(264,709)	(19,083)	26,265	**(395,651)**
Personnel costs	(67,425)	(27,678)	(11,680)		**(106,783)**
Amortisation, depreciation and impairment	(4,701)	(1,677)	(370)		**(6,748)**
Other operating expenses	(1,234)	(850)	(1,124)		**(3,208)**
Changes in inventories of work in progress, semi-finished and finished goods	1,504				**1,504**
(-) Work performed by the Company and capitalised					**0**
EBIT	**64,648**	**35,149**	**(15,987)**	**(1,065)**	**82,745**

31.12.2008 Pro-forma[1] (EUR 000)	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Revenue	319,758	301,583	18,266	(18,464)	**621,143**
Other operating income	5,608	8,157	1,830	2,631	**18,226**
Raw materials and consumables used	(71,782)	(58,481)	(39)		**(130,302)**
Purchase of services	(116,456)	(192,963)	(12,955)	17,334	**(305,040)**
Personnel costs	(62,616)	(28,542)	(8,790)	(1,517)	**(101,465)**
Amortisation, depreciation and impairment	(2,806)	(734)	(1,884)		**(5,424)**
Other operating expenses	(1,481)	(950)	(3,916)	16	**(6,331)**
Changes in inventories of work in progress, semi-finished and finished goods	(1,754)				**(1,754)**
(-) Work performed by the Company and capitalised					**0**
EBIT	**68,471**	**28,070**	**(7,488)**	**0**	**89,053**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Working capital by Business Unit (EUR 000)

31.12.2009	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Inventories	63,018	15,314		(11,065)	**67,267**
Contract work in progress, net	34,476	32,208			**66,684**
Trade receivables	192,156	270,514	6,408	(25,622)	**443,456**
Trade payables	(58,589)	(177,214)	(7,957)	25,622	**(218,138)**
Advances from customers (net)	(301,323)	(222,959)		11,065	**(513,217)**
Working capital	**(70,262)**	**(82,137)**	**(1,549)**	**0**	**(153,948)**
Short-term provisions for risks and charges	(5,190)	(845)	(2,131)		**(8,166)**
Other net current assets (liabilities)	(4,238)	(18,961)	(2,992)		**(26,191)**
Net working capital	**(79,690)**	**(101,943)**	**(6,672)**	**0**	**(188,305)**

31.12.2008 Pro-forma[1] (EUR 000)	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Inventories	34,477	18,877		(584)	**52,770**
Contract work in progress, net	60,361	27,303			**87,664**
Trade receivables	152,038	144,699	4,391	(10,497)	**290,631**
Trade payables	(63,040)	(121,396)	(6,935)	10,497	**(180,874)**
Advances from customers (net)	(232,236)	(172,665)		584	**(404,317)**
Working capital	**(48,400)**	**(103,182)**	**(2,544)**	**0**	**(154,126)**
Short-term provisions for risks and charges	(2,345)	(872)	(2,130)		**(5,347)**
Other net current assets (liabilities)	(2,485)	(18,875)	(1,504)		**(22,864)**
Net working capital	**(53,230)**	**(122,929)**	**(6,178)**	**0**	**(182,337)**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

An analysis of revenue, assets and investments detailed by geographical area is given below.

The break-down of revenue by geographical area is the following:

(EUR 000)	2009	2008 Pro-forma[1]	2008
Revenue:			
Italy	431,493	370,511	8,534
Rest of Western Europe	76,528	83,410	3,306
North America			2,507
Asia Pacific	26,411	4,273	3,919
Others	47,862	9,610	
Total revenue	**582,294**	**467,804**	**18,266**
Revenue from related parties:			
Italy	129,716	148,652	
Rest of Western Europe	3,818	3,440	
North America	13	1,228	
Asia Pacific	976	19	
Others			
Total revenue from related parties:	**134,523**	**153,339**	**0**
Total	**716,817**	**621,143**	**18,266**

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

(EUR 000)	2009	2008 Pro-forma[1]	2008
Assets:			
Italy	755,004	759,665	279,087
Rest of Western Europe	208,334	153,129	113,084
North America	93,974	33,648	32,397
Asia Pacific	64,567	34,851	34,833
Other[2]	47,887	3,656	
Total	**1,169,766**	**984,949**	**459,401**

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

(EUR 000)	2009	2008 Pro-forma[1]	2008
Investments:			
Italy	4,675	4,247	235
Rest of Western Europe	108	85	
North America		13	13
Asia Pacific			
Other[2]			
Total	**4,783**	**4,345**	**248**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.
2. Africa, South America, Eastern Europe.

7. Intangible assets

(EUR 000)	Goodwill	Development costs	Patents & similar rights	Concessions, licenses and trademarks	Other	Assets under development	Total
31 December 2008 broken-down as follows					**119**		**119**
Values at 1 January 2009[1] - Pro-forma							
Cost		10,324	1,090	2,040	2,948	0	16,402
Grants				(9)			(9)
Amortisation and impairment		(10,324)	(546)	(1,136)	(2,151)	0	(14,157)
Book value - pro-forma[1]		**0**	**544**	**895**	**796**	**0**	**2,236**
Investments			20	487	16	809	1,332
Sales							
Amortisation			(192)	(457)	(408)		(1,057)
Other changes:							
- write-off of historical cost			(118)	(2)	(3)		(123)
- write-off of accumulated amortisation			118	2	3		123
31 December 2009 broken-down as follows							
Cost		10,324	993	2,526	2,960	809	17,612
Grants				(9)			(9)
Amortisation and impairment		(10,324)	(620)	(1,591)	(2,256)	0	(15,091)
Book value	**0**	**0**	**372**	**926**	**404**	**809**	**2,512**

1. Pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Intangible assets showed a balance of EUR 2,512 thousand compared with EUR 2,236 thousand in 2008 on a pro-forma basis with a net increase of EUR 276 thousand.

The item "Development costs" reports the movement relative to the amount capitalised and subsequently charged to the Income Statement of the previous years concerning the "Stream" project of the *Transportation Solutions* Business Unit.

The item "Patents & similar rights" (EUR 372 thousand) showed an increase of EUR 20 thousand due to the purchase of software by Ente Sviluppo Infrastrutture Tecnologiche e dell'Ingegneria (Engineering and Technological Infrastructures Development Body) of the Signalling Business Unit.

The item "Concessions, licenses and trademarks" (EUR 926 thousand) refers to software licenses; the investments made in the year (EUR 487 thousand) mainly refer to the purchase of SAP unlimited licenses through the LULA agreement for EUR 390 thousand and of the *Websense* (*web security*) license for EUR 81 thousand. The historical cost of this item showed a decrease due to the grants related to the financial facilities in accordance with the 2nd call for PIA Innovazione for an amount of EUR 9 thousand.

It should be noted that as a result of the said grants, the fixed assets covered by the facility cannot be sold for a period of five years.
The historical cost for the concessions, licenses and trademarks subject to this obligation is equal to EUR 21 thousand.

The item "Other" (EUR 404 thousand) refers primarily to software purchased from third parties in support of the activities for designing and planning engineering lines and for the development of the internal process of planning, costs control, project management.
The investments for EUR 16 thousand refer to the capitalisations of costs connected with projects of internal improvement and software development.

The item "Assets under development" (EUR 809 thousand) refers to the implementation in progress of the new PLM or Teamcenter document management system for EUR 135 thousand and to the implementation of a new release of the SAP information system for EUR 674 thousand in order to put into operation the new control model of the ASTS Group based on the business needs and integration and standardisation logics within the *Fast Forward Driven by Business* project.

The amortisation charges resulting at 31 December 2008 in the incorporated companies have been eliminated as a result of the consolidation process.

The intangible assets completely amortised and without any future useful life have been eliminated in the course of the year.

8. Property, plant and equipment

(EUR 000)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
31 December 2008 broken-down as follows			**114**	**418**		**532**
Values at 1 January 2009[1] - Pro-forma						
Cost	78,967	14,227	8,978	8,432	18	**110,621**
Grants	(171)	(885)	(406)		0	**(1,462)**
Depreciation and impairment	(11,429)	(10,496)	(6,660)	(5,071)	0	**(33,655)**
Book value - pro-forma[1]	**67,367**	**2,846**	**1,913**	**3,361**	**18**	**75,504**
Investments	373	730	774	665	907	**3,449**
Sales						
Depreciation	(1,930)	(740)	(924)	(897)		**(4,491)**
Other changes						
- write-off of historical cost	88	4,066	2,171	1,286		**7,611**
- write-off of accumulated depreciation	(88)	(4,066)	(2,171)	(1,286)		**(7,611)**
31 December 2009 broken-down as follows						
Cost	79,252	10,891	7,581	7,811	925	**106,460**
Grants	(171)	(885)	(406)	0	0	**(1,462)**
Depreciation and impairment	(13,271)	(7,170)	(5,413)	(4,682)	0	**(30,536)**
Book value	**65,810**	**2,836**	**1,763**	**3,129**	**925**	**74,462**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Property, plant and equipment, net of accumulated depreciation, went from EUR 75,504 thousand at 31 December 2008 on a pro-forma basis to EUR 74,462 thousand at 31 December 2009.

The item "Land and buildings", equal to EUR 67,367 thousand at the beginning of the year (net of the related accumulated depreciation), refers for EUR 1,820 thousand to the real estate complex located in Naples, Via Salita della Grotta used by the *Transportation Solutions* Business Unit as offices for the staff involved in the "Line 6" project (the building was owned by the incorporated company Ansaldo Trasporti Sistemi Ferroviari), for EUR 7,922 thousand to the industrial buildings of the incorporated company Ansaldo Segnalamento Ferroviario relative to the Turin and Tito sites, and for EUR 57,625 thousand to the building located in Genoa, Via Paolo Mantovani 3/5 acquired in December 2005 from Finmeccanica for EUR 62,378 thousand.
It was recorded under investment properties until 31 December 2008 since most of the property had been leased out to the subsidiaries Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA that established in Via Mantovani their secondary offices. With the merger through incorporation of the said subsidiaries, starting from 1 January 2009, the building located in Via Mantovani has been entirely used by the Company and thus reclassified under property, plant and equipment.

The change recorded in the period is due to depreciation for EUR 1,930 thousand and additions for EUR 373 thousand with a balance of EUR 65,810 thousand; the investments for the period are relative for EUR 201 thousand to the renovation of the building in Via Salita della Grotta, Naples and for EUR 172 thousand to the Tito industrial building.

The item "Plant and machinery", that showed a balance of EUR 2,836 thousand net of accumulated depreciation, mainly refers to the Signalling Business Unit. Increases totalled EUR 730 thousand, the decrease is due to the depreciation for the period equal to EUR 740 thousand; investments refer amounting to EUR 598 thousand to the Tito production unit (EUR 322 thousand - electrodynamic vibrating system, EUR 65 thousand - upgrade of the Flaying Probe plant, EUR 154 thousand – aeration plants for production areas) and amounting to EUR 132 thousand to the Naples premises for the conditioning air system of the C building (EUR 82 thousand) and for the plant acquired in relation to the renovation projects of the building located in Via Salita della Grotta (EUR 50 thousand).

The item "Equipment" (EUR 1,763 thousand) increased by EUR 774 thousand and decreased by EUR 924 thousand as a result of the depreciation for the period; investments are mainly attributable to the Signalling Business Unit and refer to new equipment for Genoa premises amounting to EUR 95 thousand (Quality – EUR 33 thousand, Products development – EUR 55 thousand and Engineering – EUR 7 thousand), for Tito premises amounting to EUR 452 thousand (Test line – EUR 324 thousand, SCMT (Train Running Control System)/SST (Trackside Subsystem) Test line – EUR 60 thousand, Internal cards management Line – EUR 10 thousand, Security and Facility Mgnt – EUR 58 thousand), for Naples premises amounting to EUR 108 thousand (RAMS – EUR 75 thousand, MIS – EUR 33 thousand) and for Turin premises amounting to EUR 118 thousand (Quality – EUR 29 thousand, Products Development – EUR 89 thousand).

The item "Other" (EUR 3,129 thousand) showed an increase due to the investments made in the period for EUR 665 thousand attributable to the Signalling Business Unit for EUR 595 thousand and to the Transportation Solutions Business Unit for EUR 70 thousand. Specifically, for the Signalling Business Unit, the increase refers for EUR 351 thousand to the development of technical IT for the offices in Genoa (EUR 154 thousand), Turin (EUR 116 thousand), Naples (EUR 66 thousand) and Tito (EUR 15 thousand) and for EUR 244 thousand to the purchase of furniture and fittings referable to the offices in Genoa (EUR 5 thousand), Naples (EUR 158 thousand), Tito (EUR 22 thousand) and branches (EUR 59 thousand).
For the Transportation Solutions Business Unit, the increases (of which for branches EUR 48 thousand) refer to the purchase of new furniture.
The decrease of EUR 897 thousand is relative to depreciation for the period.

The historical cost of "Land and buildings", "Plant and machinery" and "Equipment" showed a decrease due to the grants related to the financial facilities obtained pursuant to Law 488/92, 8th call, to Law 488/92 11th call, to 1st call for PIA Innovazione and to 2nd call for PIA Innovazione for an amount of EUR 1,462 thousand.
As a consequence of this, the fixed assets covered by the facility cannot be sold for a period of five years. The historical cost of the fixed assets subject to this obligation is equal to EUR 340 thousand for "Land and buildings", EUR 2,189 thousand for "Plant and machinery" and EUR 946 thousand for "Equipment".

The item "Assets under construction" (EUR 925 thousand) increased by EUR 907 thousand in the year and refers to the construction of the Transformer Room in the Turin offices (EUR 507 thousand), to the structural strengthening of the Tito factory plant (EUR 59 thousand) and to the works for the construction of the Test Room Lab (EUR 359 thousand) relating to the Genoa seat.

It should be specified that the Company did not resort to finance lease transactions.

It is also pointed out that in 2004 a pledge was given in favour of the Municipality of Piossasco (TO) for the utilisation of the Company's parking lot by third parties. In accordance with this pledge, in 2007, the Municipality of Piossasco granted the area use change for a portion reserved as parking lot, allowing the construction of the corporate canteen.
The Municipality of Piossasco put a pledge on the same reserving the faculty to give third parties from outside the company the opportunity to use the canteen.

The assets completely depreciated and without any future useful life have been eliminated in the course of the year.

9. Equity investments

Equity investments at 31 December 2009 totalled EUR 144,148 thousand with a net increase of EUR 57,044 thousand over 31 December 2008.
The change compared with the value recorded in the accounts of Ansaldo STS SpA at 31 December 2008 is influenced by the consolidation made at the beginning of 2009 of the Italian companies and by the consolidation made following the transaction with Ansaldo Signal NV in liquidation at the beginning of October. In fact, as a result of the said mergers, all the investments held by Ansaldo Signal NV in liquidation, Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA have been transferred to Ansaldo STS SpA.

(EUR 000)	**31 December 2009**	31 December 2008 Pro-forma[1]	31 December 2008
Opening balance	**87,104**	**54,387**	**62,527**
Merger through incorporation of Ansaldo Signal NV	85,504		
Merger through incorporation of ASF and ATSF	106,937		
Elimination of equity investments of companies merged through incorporation	(137,023)		
Acquisitions/subscriptions and capital increases	1,500	25,583	25,583
Revaluation/write-downs			
Repayment of capital	(22)		
Disposals			
Other changes	148	(1,006)	(1,006)
Closing balance	**144,148**	**78,964**	**87,104**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Below is the list of the equity investments at 31 December 2009, containing the information required by CONSOB communication no. DEM/6064293 of 28 July 2006:

(EUR 000)

Corporate name	Registered office	Reporting date	Share capital	Functional currency	Shareholders' equity	Profit (loss)	Total assets	Total liabilities	(%) ownership	Equity reported in the Financial Statements	Book value
Equity investments in the parent company											**0**
Equity investments in subsidiaries											
Alifana S.c.a.r.l.	Naples (Italy)	31.12.2009	26	EUR	26	0	753	727	65,85%	17	17
Alifana Due S.c.r.l.	Naples (Italy)	31.12.2009	26	EUR	26	0	6,236	6,210	53,34%	14	14
Ansaldo STS Sweden AB	Solna (Sweden)	31.12.2009	390	SEK	4,337	1,171	17,263	12,926	100,00%	4,337	240
Ansaldo STS France S.A.	Les Ulis (France)	31.12.2009	5,000	EUR	21,219	15,001	136,722	115,503	100,00%	21,219	22,221
Ansaldo STS Ireland LTD	Tralee (Ireland)	31.12.2009	100	EUR	4,683	509	5,317	634	100,00%	4,683	1,475
Ansaldo STS USA Inc.	Wilmington (Delaware USA)	31.12.2009	0,1	USD	30,036	-6,845	106,655	76,619	100,00%	30,036	55,364
Ansaldo STS UK Ltd.	London (United Kingdom)	31.12.2009	1,126	GBP	1,641	-728	11,417	9,776	100,00%	1,641	6,785
Ansaldo STS Australia PTY Ltd.	Eagle Farm (Australia)	31.12.2009	3,140	AUD	57,645	12,809	91,133	33,488	100,00%	57,645	25,945
Ansaldo STS Transportation Systems India Private Limited	Bangalore (India)	31.12.2009	193	INR	1,418	-3,473	32,152	30,734	0,0001%	0	0,01
Ansaldo STS Deutschland GmbH	Berlin (Germany)	31.12.2009	26	EUR	774	-596	6,407	5,633	100,00%	774	1,876
Ansaldo Railway System Trading (Beijing) Ltd	Bejing (China)	31.12.2009	1,042	USD	1,271	242	3,365	2,094	100,00%	1,271	1,078
Ansaldo STS Sistemas de Transporte e Sinalizaçào Limitada	(Brazil)	31.12.2009	400	BRL	n,a,	n,a,	n,a,	n,a,	99,99%	n,a,	400
											115,415
Equity investments in associates											
International Metro Service S.r.l.	Milan (Italy)	31.12.2008	700	EUR	2,898	2,195	4,719	1,821	49%	1,420	343
Metro 5 S.p.A.	Milan (Italy)	31.12.2009	25,000	EUR	24,989	1	271,654	246,665	24,60%	6,147	6,150
Pegaso S.c.r.l.	Rome (Italy)	31.12.2008	260	EUR	260	0	14,911	14,651	46,87%	122	122
											6,615

Continues

Corporate name	Registered office	Reporting date	Share capital	Functional currency	Shareholders' equity	Profit (loss)	Total assets	Total liabilities	(%) ownership	Equity reported in the Financial Statements	Book value
Equity investments in companies subject to joint control											**0**
Consortiums											
Consortium SATURNO	Rome (Italy)	31.12.2009	31	EUR	31	0	2,762,137	2,762,106	33,34%	10	10
Consortium ASCOSA QUATTRO	Rome (Italy)	31.12.2009	57	EUR	57	0	79,818	79,761	25%	14	14
Consortium San Giorgio Volla Due	Naples (Italy)	31.12.2009	71	EUR	72	0	26,033	25,961	25%	18	18
Consortium CRIS	Naples (Italy)	31.12.2008	2,377	EUR	2,439	3	4,603	2,164	1%	24	24
Consortium CESIT	Naples (Italy)	31.12.2008	83	EUR	83	0	198	115	16,67%	14	14
Consortium COSILA	Naples (Italy)	31.12.2008	114	EUR	114	0	195	81	0,90%	1	1
Consortium ISICT	Genoa (Italy)	31.12.2008	37	EUR	42	5	344	302	6,67%	3	2
Consortium TRAIN	Rome (Italy)	31.12.2008	112	EUR	732	620	38,023	37,291	3,76%	28	4
Consortium San Giorgio Volla	Naples (Italy)	31.12.2009	71	EUR	72	0	6,236	6,164	25%	18	18
Consortium Ferroviario Vesuviano	Naples (Italy)	31.12.2009	153	EUR	155	0	235,209	235,054	25%	39	39
Consortium IRICAV Uno	Rome (Italy)	31.12.2008	520	EUR	520	0	3,473,968	3,473,448	17,44%	91	91
Consortium IRICAV Due	Rome (Italy)	31.12.2008	510	EUR	516	0	52,679	52,163	15%	77	78
											313
Other Group companies											
I.M. Intermetro S.p.A.	Rome (Italy)	31.12.2008	2,461	EUR	6,911	-559	1,538,743	1,531,832	16,67%	1,152	523
Metro C S.p.A.	Rome (Italy)	31.12.2008	150,000	EUR	150,000	0	366,508	216,508	14%	21,000	21,000
SESAMO Security and Safety Mobility S.c.a.r.l.	Napoli (Italy)	31.12.2008	100	EUR	81	-19	374	293	2%	2	2
SIIT S.c.p.a.	Genoa (Italy)	31.12.2008	600	EUR	600	0	644	44	2,3%	14	14
Tram di Firenze S.p.A.	Florence (Italy)	31.12.2008	7,000	EUR	6,861	316	44,178	37,317	3,8%	261	266
											21,805
Total equity investments at 31.12.2009											**144,148**

Compared with 31 December 2008, the increase of EUR 57,044 thousand is due:

- for EUR 85,504 thousand, to the recording in the Statutory Financial Statements of all the equity investments held by Ansaldo Signal NV in liquidation following the said merger. Specifically: Ansaldo STS Sweden AB, Ansaldo STS Ireland Ltd, Ansaldo STS UK Ltd, Ansaldo STS Usa Inc. and Ansaldo STS France SA;
- for EUR 106,937 thousand, to the recording in the Statutory Financial Statements of all the equity investments held by Ansaldo Segnalamento Ferroviario SpA and by Ansaldo Trasporti Sistemi Ferroviari SpA following the said merger. With this transaction, the company purchased all the equity investments that in the table above are classified as: equity investments in “Associates”, “Consortiums”, “Other Group companies” and the equity investments in the subsidiaries Ansaldo Railway System Trading (Beijing) Ltd, Ansaldo STS Deutschland GmbH, Alifana Scarl and Alifana Due Scrl;

- for EUR – 137,023 thousand, to the elimination, as a result of the said mergers, of the interest in Ansaldo Segnalamento Ferroviario (EUR 76,298 thousand) held at 31 December 2008 by Ansaldo Trasporti Sistemi Ferroviari SpA; of the interest in Ansaldo Trasporti Sistemi Ferroviari (EUR 38,779 thousand) held at 31 December 2008 by Ansaldo STS SpA; and of the interest in Ansaldo Signal (EUR 21,496 thousand) held at 31 December 2008 by Ansaldo STS SpA;
- for EUR 1,500 thousand, to the amounts paid-in as capital increase in favour of the subsidiary Ansaldo STS *Deutschland GmbH* for a total of EUR 1,100 thousand and to the paying-in of EUR 400 thousand for the formation in Brazil of a new company "Ansaldo STS Sistemas de Transporte e Sinalização Limitada" in which Ansaldo STS SpA has an interest of 99.99% and Ansaldo STS USA International Co. an interest of 0.01% in order to back the development of the Group business in South America;
- for EUR – 22 thousand to the repayment of capital relating to the liquidation, being achieved the corporate purpose, of the consortiums Team (EUR 10 thousand) and Filobus Vesuvio (EUR 1 thousand) and for the realignment of the consortium fund of San Giorgio Volla Due (EUR 11 thousand) in equal parts among the consortium companies as per statutory provisions;
- for EUR 148 thousand to the effect of the realignment of the values of the equity investments in Ansaldo STS Usa Inc., Ansaldo STS France SA and Ansaldo STS Australia Pty Ltd, as a consequence of the 2008 shares delivery and 2009 assignment as envisaged in the stock grant plan of the Company.

In July 2009, the Board of Directors of the Company approved a transaction of reorganisational nature in China in compliance with the "FFDB" project. This transaction, shortly, still in course of execution at the date of the preparation of these Financial Statements, provides the transfer of a 80% interest in Ansaldo STS Beijing Ltd from Ansaldo STS France SA to Ansaldo STS SpA, that subsequently will give 55% of it to Ansaldo Railway System Trading (Beijing) Ltd. The latter should acquire from the Chinese partner (BRFS) a 15% interest of the total percentage ownership so as to reduce the interest of BRFS from the current 20% to 5%. This transaction is set to terminate in the first part of 2010.

The carrying value of the equity investment in Metro C represents the subscribed capital that has been paid-in to the extent of 25%. Therefore, against the value of the equity investment equal to EUR 21,000 thousand, the portion still to be paid-in is recorded in other current liabilities for EUR 15,750 thousand.

It should be noted that the Company together with the other partners has committed to increase the contribution in Metro 5 SpA to EUR 10,922 thousand, of which EUR 8,192 thousand as equity and EUR 2,731 thousand as shareholder loan.

The shares held in Metro 5 are pledged as security for the contractual obligations towards the financing institutes in relation to the project financing for the realisation under concession of the Milan metro line 5.

The shares held in the investee company Tram di Firenze are also pledged in the scope of the agreements with the financing bodies for the realisation of the work; analogous guarantee is given on the loan granted to the investee company (see the comment on the note relating to "Receivables and other non-current assets").

The impairment test, in application of the Group procedures, is carried out upon the preparation of the Annual Report. The test is conducted on the individual companies by comparing the carrying amount with the recoverable value, applying the *"discounted cash flow"* method.
The impairment, made at 31 December 2009 on the basis of the five-year strategic plan of the Group (2010-2014) that provides a growth rate of 8%, gave a positive result.

We report that the Company has an interest in the joint-venture formed for the realisation of the Thessaloniki metro and in the joint-venture for the realisation of the Dublin tramway.

10. Transactions with related parties

Below are given the amounts of the transactions with related parties at 31 December 2009, at 31 December 2008 - pro-forma and at 31 December 2008:

(EUR 000)	Financial receivables	Trade receivables	Other current receivables	Total
RECEIVABLES AT 31.12.2009				
Parent company				
FINMECCANICA S.p.A.	1,281	0	336	**1,617**
Related concerns				
IN METRO - International Metro Service		5		**5**
Galileo Avionica		37		**37**
AnsaldoBreda S.p.A.		3,430		**3,430**
FINMECCANICA FINANCE	151,510			**151,510**
Selex Communications S.p.A.		0	55	**55**
Selex Sistemi Integrati S.p.A.		0		**0**
Metro 5		33,772		**33,772**
I.M. INTERMETRO		125		**125**
Metro Service AS		370		**370**
PEGASO S.C.R.L.		39		**39**
Elsag Datamat S.p.A.		0		**0**
Electron srl		47		**47**
Subsidiaries				
AnsaldoSTS Transportation Systems India PVT		1,065		**1,065**
AnsaldoSTS AUSTRALIA PTY		941		**941**
AnsaldoSTS Finland		2		**2**
AnsaldoSTS Deutschland Gmbh		83		**83**
AnsaldoSTS France		1,291		**1,291**
Ansaldo Railway System Beijing		1,479		**1,479**
Ecosen Venezuela		4		**4**
AnsaldoSTS UK Limited		226		**226**
Ansaldo Signal Ireland LTD		30		**30**
Balfour Beatty JV		277		**277**
AnsaldoSTS Sweden		506		**506**
AnsaldoSTS Southern Africa LTD - BOTSWANA		14		**14**
AnsaldoSTS - Infradev South Africa		23		**23**
AnsaldoSTS Espana		35		**35**
AnsaldoSTS USA	35,371	1,089		**36,460**
AnsaldoSTS Canada		4		**4**
AnsaldoSTS USA International CO.		8		**8**
AnsaldoSTS Malaysia	2,603	63		**2,666**
ALIFANA DUE S.C.A.R.L.		3,769		**3,769**
ALIFANA S.C.R.L.		123		**123**
Consortiums				
Consortium Saturno		67,515	1,360	**68,875**
Consortium Ferr. S. GIORGIO VOLLA 2		876	4	**880**
Consortium Ferr. S. GIORGIO VOLLA		1,421		**1,421**
Consortium ASCOSA QUATTRO		1,110		**1,110**
Consortium Ferroviario Vesuviano		13,711		**13,711**
	190,765	**133,490**	**1,755**	**326,010**
Incidence of related parties on the total for the year	**100%**	**30%**	**9%**	

(EUR 000)	Borrowings	Trade payables	Other current payables	Total
PAYABLES AT 31.12.2009				
Parent company				
FINMECCANICA S.p.A.		324		**324**
Related concerns				
Metro Service AS		1,903		**1,903**
Selex SE.MA. - Service Managment		72		**72**
Galileo Avionica		14		**14**
Finmeccanica Group Service		597		**597**
Elsag Datamat S.p.A.		2,962		**2,962**
Fata Logistic System		430		**430**
Finmeccanica Finance			14	**14**
Petaso S.C.R.L.		1,983		**1,983**
AnsaldoBreda S.p.A.		1,429		**1,429**
Selex Communications S.p.A.		4,578		**4,578**
Subsidiaries				
Ansaldo STS Australia PTY	33,312	945		**34,257**
Ansaldo STS USA Inc.		117		**117**
Ansaldo STS France S.A.	37,749	681		**38,430**
Ansaldo STS Sistemas de Transporte e Sinalizacào Limitada			400	**400**
Ansaldo STS Ireland LTD	4,275			**4,275**
Ansaldo Railway System Trading (Beijing) Ltd		106		**106**
Ansaldo STS UK Ltd	5,297	11		**5,308**
Ansaldo STS Sweden	9,531			**9,531**
Ansaldo STS Deutschland GmbH		392		**392**
Ansaldo STS USA International CO.		21,545		**21,545**
Alifana Due S.C.R.L.		2,602		**2,602**
Alifana S.C.A.R.L.		50	3	**53**
Consortiums				
Consortium Saturno		605		**605**
Consortium Ferroviario San Giorgio Volla 2		102		**102**
Consortium Ferroviario San Giorgio Volla		18	8	**26**
Consortium Ascosa Quattro		79	8	**87**
Consortium Ferroviario Vesuviano		734	8	**742**
Total	**90,164**	**42,279**	**441**	**132,884**
Incidence of related parties on the total for the year	**97%**	**19%**	**1%**	

(EUR 000)	Borrowings	Trade payables	Other current payables	Total
RECEIVABLES AT 31.12.2008 - Pro-forma[1]				
Parent company				
FINMECCANICA S.p.A.		5		**5**
Related concerns				
AnsaldoBreda S.p.A.		4,312	14	**4,326**
International Metro Service		10	858	**868**
I.M. Intermetro S.p.A.		201		**201**
Galileo Avionica		12		**12**
Metro 5		18,844		**18,844**
Pegaso		232		**232**
Selex Communications S.p.A.		1		**1**
Finmeccanica Finance	139,509			**139,509**
Elsag Datamat S.p.A.		240		**240**
Subsidiaries				
AnsaldoSTS Transportation Systems India PVT		1,630	63	**1,693**
AnsaldoSTS Australia PTY		1,110	237	**1,347**
Ansaldo Segnalamento Ferroviario S.p.A.				
Ansaldo Trasporti Sistemi Ferroviari S.p.A.				
Ansaldo Signal NV (in Liquidation)	89,246	37	2	**89,285**
Ansaldo STS Deutschland GmbH		188		**188**
AnsaldoSTS France S.A.		1,163	231	**1,394**
AnsaldoSTS UK Ltd		140	39	**179**
Ansaldo STS Ireland Ltd		31	8	**39**
AnsaldoSTS Sweden AB		21	17	**38**
AnsaldoSTS Espana		45	64	**109**
AnsaldoSTS USA Inc.	31,367	949	372	**32,688**
AnsaldoSTS Canada			15	**15**
AnsaldoSTS USA International CO.			1	**1**
AnsaldoSTS Malaysia	5,939			**5,939**
Alifana S.c.a.r.l.		125		**125**
Alifana Due S.c.r.l.		5,014		**5,014**
Consortiums				**0**
Consortium Saturno		49,637	1,360	**50,997**
Consortium Ferroviario San Giorgio Volla 2		3,769		**3,769**
Consortium Ferroviario San Giorgio Volla		1,421		**1,421**
Consortium Ascosa Quattro		102		**102**
Consortium Ferroviario Vesuviano		3,484		**3,484**
	266,061	**92,723**	**3,281**	**362,065**
Incidence of related parties on the total for the year	**100%**	**32%**	**16%**	

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

(EUR 000)	Borrowings	Trade payables	Other current payables	Total
PAYABLES AT 31.12.2008 - Pro-forma[1]				
Parent Company				
FINMECCANICA S.p.A.	151	52		**203**
Related concerns				
AnsaldoBreda S.p.A.		3,119		**3,119**
I.M. Intermetro S.p.A.		2		**2**
Galileo Avionica		16		**16**
Metro 5			3,211	**3,211**
Pegaso		4,055		**4,055**
Metro Service AS		478		**478**
Fata Logistic System S.p.A.		472		**472**
HR Gest S.p.A.		161		**161**
Electron srl		136		**136**
Finmeccanica Group Service S.p.A.		605		**605**
Selex Communications S.p.A.		6,280		**6,280**
Finmeccanica Finance			7	**7**
Elsag Datamat S.p.A.		1,259		**1,259**
Subsidiaries				
Ansaldo Signal NV (in Liquidazione)		284		**284**
Ansaldo STS Deutschland GmbH		919		**919**
AnsaldoSTS UK Ltd	4,543			**4,543**
Ansaldo STS Ireland Ltd	3,415			**3,415**
AnsaldoSTS Australia PTY	31,847			**31,847**
AnsaldoSTS Sweden AB	5,757			**5,757**
AnsaldoSTS France S.A.	29,590	506		**30,096**
Ansaldo Railway System Trading (Beijing) Ltd			719	**719**
AnsaldoSTS USA International CO.		14,185		**14,185**
Alifana S.c.a.r.l.		167	3	**170**
Alifana Due S.c.r.l.		5,022		**5,022**
Consortiums				**0**
Consortium Saturno		396		**396**
Consortium Ferroviario San Giorgio Volla 2		315	11	**326**
Consortium Ferroviario San Giorgio Volla		78	8	**86**
Consortium CESIT		13		**13**
Consortium TEAM		7	5	**12**
Consortium Ascosa Quattro		79	7	**86**
Filobus Vesuvio			1	**1**
Consortium Ferroviario Vesuviano		404	8	**412**
	75,303	**39,010**	**3,980**	**118,293**
Incidence of related parties on the total for the year	**97%**	**22%**	**8%**	

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

(EUR 000)	Financial receivables	Trade receivables	Other current receivables	Total
RECEIVABLES AT 31.12.2008				
Parent company				
FINMECCANICA S.p.A.				**0**
Related concerns				
AnsaldoBreda S.p.A.			14	**14**
Finmeccanica Finance	139,509			**139,509**
Subsidiaries				
Ansaldo Signal NV	89,246		2	**89,248**
AnsaldoSTS Transportation Systems India PVT		1,630	63	**1,693**
AnsaldoSTS Australia PTY		1,110	237	**1,347**
AnsaldoSTS France S.A.		827	231	**1,058**
AnsaldoSTS UK Ltd		127	39	**166**
Ansaldo STS Ireland Ltd		31	8	**39**
AnsaldoSTS Sweden		21	17	**38**
AnsaldoSTS Espana			64	**64**
AnsaldoSTS USA	31,367	642	372	**32,381**
AnsaldoSTS Canada			15	**15**
AnsaldoSTS USA International CO.			1	**1**
AnsaldoSTS Malaysia	5,939			**5,939**
	266,061	**4,388**	**1,063**	**271,512**
Incidence of related parties on the total for the year	**100%**	**99%**	**27%**	

(EUR 000)	Borrowings	Trade payables	Other current payables	Total
PAYABLES AT 31.12.2008				
Parent company				
FINMECCANICA S.p.A.	151	42		**193**
Related concerns				
Finmeccanica Group Service		605		**605**
Elsag Datamat S.p.A.		635		**635**
Subsidiaries				
Ansaldo Segnalamento Ferroviario S.p.A.	164,800		3,279	**168,079**
Ansaldo trasporti Sistemi Ferroviari S.p.A.	48,935		1,678	**50,613**
Ansaldo STS Australia PTY	31,847			**31,847**
Ansaldo STS USA Inc.				**0**
Ansaldo STS France S.A.	29,590	115		**29,705**
Ansaldo Signal NV		262		**262**
Ansaldo STS Ireland LTD	3,414			**3,414**
Ansaldo STS UK Ltd	4,543			**4,543**
Ansaldo STS Sweden AB	5,757			**5,757**
Total	**289,037**	**1,659**	**4,957**	**295,653**
Incidence of related parties on the total for the year	**99%**	**24%**	**46%**	

As a result of the already mentioned merger of ASF and ATSF into Ansaldo STS, in the pro-forma statements at 31 December 2008, the credit and debit positions outstanding among the companies at that date have been offset accordingly.

The total value of receivables from related parties is equal to EUR 326,010 thousand (EUR 362,065 thousand at 31 December 2008 - pro-forma).
The reduction mainly depends on financial receivables (EUR 190,765 thousand at 31 December 2009; EUR 266,061 thousand at 31 December 2008 - pro-forma), determined to a significant extent by the elimination of the receivable from Ansaldo Signal NV in liquidation.

The increase in trade receivables (EUR 133,490 thousand at 31 December 2009; EUR 92,723 thousand at 31 December 2008 - pro-forma) primarily derives from the increased balances due by Metro 5 and Consortium Saturno as a result of the progress on the related projects. Other current receivables mainly refer to amounts due from the Parent company Finmeccanica for the IRES receivable (EUR 336 thousand) arisen after the application for IRES refund as outlined in the Report on operations (section:"Information on the direction and coordination activities of the Company and relations with related parties") and the charge relative to Consortium Saturno of a penalty (EUR 1,360 thousand) under dispute (in its turn received from Consortium Iricav Uno) in relation to the delays notified by TAV for a few activities set forth in the Supplemental Act on the Rome-Naples section. In this respect an arbitration proceeding is under way among the General Contractor, Consortium Saturno and the Principal.

The total value of payables to related parties is equal to EUR 132,884 thousand (EUR 118,293 thousand at 31 December 2008 - pro-forma). Trade payables rose by EUR 3,269 thousand because of the increase in the amounts due to the subsidiary Ansaldo STS Usa International Co. as a result of the progress on the Rome, Brescia and Milan projects.

Other payables to related parties decreased by EUR 3,539 thousand as a result of the paying-in of the residual debt towards Metro 5 (EUR 3,211 thousand) and to the subsidiary Ansaldo Railway System Trading Beijing (EUR 719 thousand) for the portion of the capital subscribed and not paid-in. Lastly, following the formation occurred at the end of 2009 of Ansaldo STS Sistemas de Transporte e Sinalização Limitada, in which ASTS has an interest of 99.99%, a payable of EUR 400 thousand has been recorded as capital subscribed to be paid-in.

Please refer to the Report on operations (section:"Information on the direction and coordination activities of the Company and relations with related parties") and to Note 38 (Remuneration to Directors, Statutory Auditors and Managers with strategic responsibility) for information on related-party transactions.

11. Receivables and other non-current assets

(EUR 000)	**31 December 2009**	31 December 2008 - Pro-forma[1]	31 December 2008
Security deposits	533	333	
Severance pay on account payments	193	420	
Other	2,353	2,398	
Non-current receivables	**3,079**	**3,151**	**0**
Other prepaid expenses - non-current portion	1,032	38	
Other prepaid expenses - Finmeccanica	24,143	25,753	25,753
Other prepaid expenses - Finmeccanica GS	52	78	78
Other non-current assets	**25,227**	**25,869**	**25,831**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Non current receivables at 31 December 2009 amounted to EUR 3,079 thousand (EUR 3,151 thousand at 31 December 2008 - pro-forma) and refer:
- for EUR 533 thousand (EUR 333 thousand at 31 December 2008 - pro-forma) to security deposits for premises and areas rented after the opening of work-sites;
- for EUR 193 thousand (EUR 420 thousand at 31 December 2008 - pro-forma) to severance pay on account payments made to tax authorities in 1996 and 1997 and not recovered yet. The decrease, that justifies the overall reduction in non-current receivables, is due to the recovery of the IRPEF receivable resulting from the liquidation of the severance pay to employees leaving the company for EUR 172 thousand, while the amount of EUR 76 thousand offset the substitute tax of 11% on severance pay (Legislative Decree no. 47/2000). Moreover, the receivable was subject to actuarial calculation by applying the actuarial hypotheses relative to severance pay (please see Note 22);
- for EUR 2,176 thousand (EUR 2,176 thousand at 31 December 2008 - pro-forma) to the portion of the advance paid by the partners to the Joint Venture Thessaloniki metro, assignee of the contract for the construction of the said underground and for which the company shares the expenses that the Join Venture has been incurring in the initial phase of the development of the contract. The advance will be paid back under the terms of the agreement reached by the partners;
- for EUR 176 thousand (EUR 218 thousand at 31 December 2008 - pro-forma) to a loan granted to the investee company Tram di Firenze in the scope of the agreements with the bodies that finance the construction of the work, on which a pledge was given to the same financing bodies. Similar guarantee was given on the shares held in the investee company.

No receivables recorded in the Financial Statements as of 31 December 2009 have a residual maturity of more than five years.

Other non-current assets totalled EUR 25,227 thousand (EUR 25,869 thousand at 31 December 2008 - pro-forma) and refer to:
- for EUR 1,032 thousand (EUR 38 thousand at 31 December 2008 - pro-forma) to prepaid insurance expenses that in the year increased by EUR 994 thousand for the advance payment of premiums;
- for EUR 24,143 thousand (EUR 25,753 thousand at 31 December 2008 - pro-forma) to prepaid expenses relating to the "Ansaldo trademark" that decreased by EUR 1,610 thousand for the portion pertaining to the year. On 27 December 2005, Ansaldo STS SpA entered into a licensing agreement with Finmeccanica to use the "Ansaldo" trademark under which the Company is known in the market. Under the agreement, in exchange for an up-front payment of EUR 32,213 thousand, the Company has exclusive use of the brand in the sectors it does business for the next 20 years;
- for EUR 52 thousand (EUR 78 thousand at 31 December 2008 - pro-forma) to prepaid expenses towards Finmeccanica Group Service in relation to a lease contract that in the year was recorded in the Income Statement for EUR 26 thousand.

12. Inventories

(EUR 000)	31 December 2009	31 December 2008 - Pro-forma[1]	31 December 2008
Raw materials, supplies and consumables	16.566	16.770	
Work in progress and semi-finished goods	9.798	8.578	
Finished goods and merchandise	1.589	1.305	
Advances to suppliers	39.314	26.117	
Total	**67.267**	**52.770**	**0**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Net inventories recorded a balance of EUR 67,267 thousand compared with EUR 52,770 thousand on a pro-forma basis.
The increase of EUR 14,497 thousand is mainly attributable to the increase in advances for EUR 13,197 thousand; we highlight, in fact, the advance (EUR 13,750 thousand) paid to the associate Selex-Communication SpA in relation to the order obtained from the Libyan Railways for the portion to be produced in Italy.
Specifically, at 31 December 2009, the Signalling Business Unit recorded advances to supplier for EUR 24,000 thousand (EUR 7,990 thousand at 31 December 2008 - pro-forma) and EUR 15,314 thousand (EUR 18,127 thousand at 31 December 2008 - pro-forma) for the Transportation Solutions Business Unit, for a total amount of EUR 39,314 thousand (EUR 26,117 thousand at 31 December 2008 - pro-forma).
Raw materials, substantially in line with the previous financial year, are stated net of the write-down provision equal to EUR 1,120 thousand (EUR 953 thousand at 31 December 2008); the increase is due to the allocation made against further obsolete items for EUR 167 thousand.
The change in work in progress and semi-finished goods (EUR 1,220 thousand) is due to the outsourcing relative to the manufacture of some materials returned at the end of the period and awaiting the test.

Third party goods amounting to EUR 37 thousand (EUR 103 thousand at 31 December 2008 - pro-forma) are deposited with the Company; while the Company's goods for EUR 16,240 thousand (EUR 15,919 thousand at 31 December 2008 - pro-forma) are held by third parties. It should be noted that the value of the Company's goods deposited with third parties is due to the complete stock management made by the service company Fata Logistic System (related concern since belonging to the Finmeccanica Group).

13. Contract work in progress and advances from customers

(EUR 000)	31 December 2009	31 December 2008 Pro-forma[1]	31 December 2008
Work in progress (gross)	741,260	869,295	
Write-down provision	(7,410)	(12,681)	
Advances from customers	(667,166)	(768,950)	
Work in progress (net)	**66,684**	**87,664**	**0**
Advances from customers (gross)	(4,466,099)	(3,849,676)	
Write-down provision	(24,289)	(18,892)	
Work in progress	3,977,171	3,464,250	
Advances from customers (net)	**(513,217)**	**(404,318)**	**0**
Work in progress, net of advances	**(446,533)**	**(316,654)**	**0**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Work in progress net of advances totalled EUR -446,533 thousand compared with EUR -316,654 thousand at 31 December 2008 on a pro-forma basis with a decrease of EUR 129,879 thousand. The overall decrease is due to the higher turnover for the period compared with the production made and in particular to the advances made by the Libyan customer (EUR 134,878 thousand).

Specifically, work in progress went from EUR 87,664 thousand at 31 December 2008 - pro-forma to EUR 66,684 thousand at 31 December 2009, while advances from customers went from EUR 404,318 thousand at 31 December 2008 - pro-forma to EUR 513,217 thousand at 31 December 2009.

Work in progress of the Transportation Solutions Business Unit, equal to EUR 287,710 thousand (EUR 298,540 thousand at 31 December 2008 - pro-forma), includes costs for EUR 165,019 thousand (EUR 144,867 thousand at 31 December 2008 - pro-forma) and margin for EUR 33,906 thousand (EUR 18,283 thousand at 31 December 2008 - pro-forma), gross of the amount invoiced definitively. Work in progress, equal to EUR 2,532,006 thousand (EUR 2,168,631 thousand at 31 December 2008 - pro-forma), includes costs for EUR 1,807,766 thousand (EUR 1,596,188 thousand at 31 December 2008 - pro-forma) and margin for EUR 217,110 thousand (EUR 206,415 thousand at 31 December 2008 - pro-forma), gross of the amount invoiced definitively.

Work in progress of the Signalling Business Unit, equal to EUR 453,549 thousand (EUR 570,775 thousand at 31 December 2008 - pro-forma), includes costs for EUR 501,284 thousand (EUR 675,837 thousand at 31 December 2008 - pro-forma) and margin for EUR 109,062 thousand (EUR 98,392 thousand at 31 December 2008 - pro-forma), gross of the amount invoiced definitively. Work in progress, equal to EUR 1,445,165 thousand (EUR 1,295,619 thousand at 31 December 2008 - pro-forma), includes costs for EUR 1,282,413 thousand (EUR 1,053,948 thousand at 31 December 2008 - pro-forma) and margin for EUR 430,622 thousand (EUR 349,397 thousand at 31 December 2008 - pro-forma), gross of the amount invoiced definitively.
Similarly to inventories, work in progress and advances from customers are stated net of the write-down provision that at 31 December 2009 amounted to EUR 31,699 thousand compared with EUR 31,573 thousand 31 December 2008 - pro-forma.

The write-down provision relating to work in progress has been set aside in relation to the reference job-orders and in particular is equal to EUR -7,410 thousand in “contract work in progress” and EUR -24,289 thousand in “advances from customers”.

This provision is adequate to the possible liabilities deriving from the critical states and the risks valued on the outstanding contracts in application with the risk management procedure recommended by Finmeccanica.

This provision covers the following risks:
- contractual risks: penalties for delayed delivery of the works ordered or significant parts thereof at the final dates or at the interim dates specified; performance penalties for the non-compliance with the functional requirements or with the RAM parameters specified;
- technological risks mainly on projects abroad.

The above-mentioned risk conditions - typical of all the multi-year job-orders - increase in case of contracts having complex contractual structures and a high technological content. All situations that may entail contractual redefinitions or the emergence of risks in any development phase of the project, sometimes also after the delivery of the work and the related put into operation; therefore many of them can be considered terminated only at the end of the contract

14. Trade and financial receivables

	31 December 2009		31 December 2008 Pro-forma[1]		31 December 2008	
(EUR 000)	**Trade**	**Financial**	Trade	Financial	Trade	Financial
Receivables from third	309,966		197,908		3	
Receivables from related parties	133,490	190,765	92,723	266,061	4,388	266,061
Total	**443,456**	**190,765**	**290,631**	**266,061**	**4,391**	**266,061**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

The volume of trade receivables (EUR 443,456 thousand) showed an increase compared with that recorded at 31 December 2008 - pro-forma (EUR 290,631 thousand).
The increase in the amounts receivable from third parties refers to the Municipality of Naples, Metro C and the Chinese Railways; receivables from related parties mainly refer to the related concern Metro 5, Consortium Saturno for the High-Speed projects and Consortium Ferroviario Vesuviano.

The balance of receivables from customers at 31 December 2009 and at 31 December 2008 - pro-forma is shown net of the provision for doubtful accounts equal to EUR 6,111 thousand (EUR 4,974 thousand at 31 December 2008 - pro-forma) of which €255 thousand from related parties.
The increase of EUR 1,137 thousand is primarily attributable to the write-down of the receivable from Tralima for EUR 1,000 thousand.

The decrease in financial receivables (EUR 75,296 thousand) is attributable to the balance of the current account with Ansaldo Signal NV in liquidation following the merger with date of efficacy from 1 October 2009.

15. Income tax receivables and payables

	31 December 2009		31 December 2008 Pro-forma[1]		31 December 2008	
(EUR 000)	**Trade**	**Financial**	Trade	Financial	Trade	Financial
For direct taxes	1,323	1,452	6,722	1,173	5,702	914
Total	**1,323**	**1,452**	**6,722**	**1,173**	**5,702**	**914**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Income tax receivables totalled EUR 1,323 thousand at 31 December 2009 (EUR 6,722 thousand at 31 December 2008 - pro-forma); the decrease over the 2008 period - pro-forma is attributable to the IRES tax credit (EUR 5,606 thousand) and Irap tax credit (EUR 921 thousand) for greater advances paid in 2008 by ASF, and ASTS and used in June with the full settlement of taxes relating to the 2008 taxable period.
Income tax receivables at 31 December 2009 include receivables for taxes paid abroad for EUR 663 thousand (EUR 165 thousand at 31 December 2008 - pro-forma) and an IRES tax credit for EUR 548 thousand relating to the lump deduction of 10% of the IRAP paid-in in the years from 2006 to 2007 in accordance with the Legislative Decree no. 185/2008 – so-called Anti-crisis Decree – and then commented by Revenue Authorities with circular no. 16/E of 14 April 2009. For the years 2004 and 2005, the above-mentioned IRES tax credit is shown under “other receivables from the Parent company Finmeccanica” since for those years, Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari – companies entitled to ask for such credit – had adhered to the Finmeccanica Consolidated Taxation Mechanism. The receivable for taxes paid abroad includes the amounts paid-in in the UK for EUR 943 thousand, prudentially and entirely written-down with the allocation of a provision, of the then ASF, to cover the risk of not recovering in the future this amount because of the effective tax rate, to which the income generated in the United Kingdom is subject in relation to the recoverability rules provided for by Art. 165 of Testo Unico Imposte Dirette (consolidated act on direct taxes).

Income tax payables amounted to EUR 1,452 thousand and refer for EUR 1,386 thousand to the IRES payable for the period, net of the advances paid-in in June and November and for EUR 66 thousand to the IRAP payable for the period, net of the related advances.
It should be specified that, the second IRES on account payment has been partially offset by a tax credit for EUR 1,186 thousand recorded in the year and relative to the costs incurred for R&D activities as set forth in 2007 Finance Law (Law 296/2006), Article 1, para. from 280 to 283.

16. Derivatives

The table below details the asset and liability positions related to derivative instruments.

	31 December 2009		31 December 2008 - Pro-forma[1]		31 December 2008	
(EUR 000)	**Assets**	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Fair Value Hedge	10.043	8.903	773	339	773	266
Instruments to hedge exchange rate risk						
	10.043	**8.903**	**773**	**339**	**773**	**266**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Following the merger of Ansaldo Signal NV occurred on 1 October 2009, the management of financial instruments to hedge foreign exchange risk for the subsidiaries, deriving from the exposure of cash flows in currencies other than the functional currency, has been transferred to Ansaldo STS and this justifies the increase in the asset and liability positions for *fair value hedge*. These transactions are defined *back-to-back*, since to cover the exchange risk it is necessary on the one hand to record the exposure towards the financing institute issuing the hedging instrument and on the other hand to record the counter-item in relation to the subsidiary. At 31 December 2009 the fair value of asset and liability transactions is equal to EUR 8,887 thousand. The related financial effects are netted under “finance costs and income”.
The transactions entered into by the Company at 31 December 2009 are directed to cover its accounts in foreign currency, with the purpose of covering the company from the period-end exchange risk. These transactions at 31 December 2009 are shown in the Balance Sheet - assets for EUR 1,156 thousand (EUR 773 thousand at 31 December 2008) and in the Balance Sheet – liabilities for EUR 2 thousand (EUR 266 thousand at 31 December 2008).
Lastly, the Company has an outstanding derivative contract *(discounted currency swap)* to hedge a receivable from the Consortium Tralima for USD 4,411 thousand. The Company has recognised these derivatives and the receivable hedged in accordance with the regulations governing the *fair value hedge* set forth in the IFRS. Therefore, the Company has adjusted the receivable from Consortium Tralima to its fair value recording the related exchange difference. At the same time, the derivative at fair value has been recorded in the Balance Sheet - liabilities for EUR 14 thousand (EUR 72 thousand at 31 December 2008 - pro-forma) charging the variation to net finance costs.

17. Other current assets

(EUR 000)	**31 December 2009**	31 December 2008 Pro-forma[1]	31 December 2008
Current portion of prepaid expenses	11,068	8,858	2,504
Receivables for grants	2,758	3,039	
Receivables from employees	431	566	
Receivables from social security	898	917	29
Other amounts due from tax authorities	2,029	2,715	301
Other assets	998	1,124	86
Total other current assets from third parties	**18,182**	**17,219**	**2,920**
Total other current assets from related parties	1,755	3,280	1,063
Total	**19,937**	**20,499**	**3,983**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

The overall value is substantially in line with the value recorded in 2008 on a pro-forma basis.
Prepaid expenses, equal to EUR 11,068 thousand (EUR 8,858 thousand at 31 December 2008 - pro-forma) mainly refer to insurance premiums related to subsequent periods (EUR 5,845 thousand), commissions on sureties paid on advance (EUR 921 thousand), a contractual advance relative to the service of international video-conference (EUR 2,000 thousand) and to the current portion (EUR 1,610 thousand) of the costs incurred to purchase the license to use the "Ansaldo" trademark.
Receivables from social security include a receivable from INPS, remained unchanged in the course of the year (equal to EUR 839 thousand) and relative to the advances, of the then ASF, for CIGS (Earnings equalisation fund) relating to the years 1998-1999 and to the contributions paid by the Company in the subsequent years. As a result of the non-admission to the benefits of CIGS, a dispute is under way; against the risk related to the non-recovery of the CIGS advances and of the related contributions, a specific provision for risks and charges has been set aside (please see Note 21).
Receivables for grants are equal to EUR 2,758 thousand at 31 December 2009 (EUR 3,039 thousand at 31 December 2008 - pro-forma) and refer to:
- receivables for grants on projects financed by the European Community or by the Ministry of University and of Research for EUR 2,070 thousand;
- receivables relating to grants under Law 488 1st call for PIA: EUR 229 thousand;
- receivables relating to capital grants under Law 488 11th call 2001: EUR 226 thousand;
- receivables relating to capital grants under Law 488 2nd call for PIA: EUR 233 thousand.

Particular mention should be given to the termination of the "Trips" and "Safedmi" projects in the course of the year.

Other amounts due from tax authorities are equal to EUR 2,029 thousand (EUR 2,715 thousand at 31 December 2008 - pro-forma) and mainly refer to VAT receivables of the branches for EUR 1,615 thousand and to the VAT refund requested for EUR 345 thousand for the VAT portion not deducted on the use of vehicles.

18. Cash and cash equivalents

(EUR 000)	**31 December**	31 December 2008 Pro-forma[1]	31 December
Cash	25	4	4
Bank deposits	105,590	57,251	5,151
Total	**105,615**	**57,255**	**5,155**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

The balance is made up by bank current accounts and cash on hand. The increase in bank deposits at 31 December 2009 compared with the closing date of the previous financial year is mainly due to the collection in Libyan dinars (EUR 40,274 thousand) of part of the advance related to the local portion and that the customer has paid after signing the contract last July.

Bank deposits at 31 December 2009 refer for EUR 20,735 thousand (EUR 20,500 thousand at 31 December 2008 - pro-forma) to advances received from the customer Consortium Iricav Uno by means of the investee company Pegaso Scrl (that carries out on behalf of the Company the works pertaining to the same for the construction of the section of the High-Speed railway line Rome-Naples) and for EUR 6,034 thousand (EUR 4,838 thousand at 31 December 2008 - pro-forma) advances received from the customer Metro Campania NordEst by means of the Consortium Alifana Due (that carries out on behalf of the Company the works pertaining to the same for the construction of the section of the railway line Piscinola-Aversa centre); these advances are allocated on appropriate current accounts, opened in the Company's name but directed exclusively to sustain the future costs for the realisation of the works pertaining to the company itself.

19. Shareholders' equity

Shareholders' equity at 31 December 2009 amounted to EUR 249,933 thousand, a net increase of EUR 17,563 thousand from the pro-forma amount at 31 December 2008.
The change from the amount posted by Ansaldo STS SpA at 31 December 2008 (EUR 147,963 thousand) is due to the consolidation of the Italian companies at the start of 2009 and after the transaction with Ansaldo Signal N.V. in liquidation at the start of October (table on page 94).

Below is a breakdown of the individual items:

Share capital	Number of shares	Par value	Treasury shares	Total
Outstanding shares	100,000,000	50,000,000		**50,000,000**
Charges for share capital increase in 2005				**(50,000)**
Buy-back of treasury shares, net of shares sold			(282,084)	**(282,084)**
31 December 2007	**100,000,000**	**50,000,000**	**(282,084)**	**49,667,916**
Buy-back of treasury shares, net of shares sold			(411,032)	**(411,032)**
31 December 2008	**100,000,000**	**50,000,000**	**(693,116)**	**49,256,884**
Reclassification of charges for share capital increase to reserve				**50,000**
Buy-back of treasury shares, net of shares sold			(112,938)	**(112,938)**
31 December 2009	**100,000,000**	**50,000,000**	**(806,054)**	**49,193,946**

The share capital of EUR 50,000,000 is fully paid-up and divided into 100,000,000 ordinary shares with a par value of Euro 0.50 each. The amount relating to treasury shares (no. 59,171 shares) (EUR 806,054 thousand) refers, almost entirely, to shares held by the company, at the instructions of the beneficiaries, to meet their tax obligations in its capacity as tax collection agent for Italian executives who are beneficiaries of the Stock Grant Plan.

During the year the charges for share capital increase in 2005 were posted to decrease other reserves.

Based on our knowledge, the share capital is held by:
- Finmeccanica SpA: 40.065%.
- Fil Limited (as manager of the Fidelitey European Fund holding 3.53%): 4.863%.
- Altrinsic Global Advisors LLC: 2.092%.
- Threadneedle Asset Management Ltd.: 2.070%.
- William Blair & Company LLC: 2.034%.
- Other shareholders < 2%: 48.876%.

Retained earnings (losses) carried forward, including net profit for the year (EUR 000)	Retained earnings	Actuarial reserve for defined-benefit plans	Net Profit (Loss) for the year	Total
31 December 2008	**38,350**	**120**	**7,601**	**46,071**
Actuarial reserve IAS 19 from ATSF and at 1 January 2009		(1,096)		**(1,096)**
Allocation of the net profit for the year:				
- allocation of dividends			(26,971)	**(26,971)**
- legal reserve			(380)	**(380)**
- carried forward	7,221		(7,221)	**0**
- used for dividend distribution	(26,971)		26,971	**0**
Net profit (loss) for the year			56,785	**56,785**
Actuarial gain (loss) 2009 on defined-benefit plans		1,253		**1,253**
31 December 2009	**18,600**	**277**	**56,785**	**75,662**

Retained earnings (losses) carried forward, including net profit for the year, break down as follows:

- the reserve for retained earnings (losses) carried forward went from EUR 38,350 thousand of the prior year to EUR 18,600 thousand at 31 December 2009 as a result of the resolution of the Shareholders' meeting approving the financial statements 2008 regarding the allocation of the net profit for the previous year;
- the actuarial reserve for defined-benefit plans derived from the adoption of the equity method in the recognition of the actuarial gains/losses of the severance pay rose due to the actuarial gain of EUR 1,253 thousand, as determined in the calculation of the severance pay at 31 December 2009; the related tax effect of EUR 345 thousand is recognised under "other reserves". Due to the merger of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari the reserve decreased by EUR 1,096 thousand (figure shown in the financial statements of ASF and ATSF at 31 December 2008);
- net profit for the year EUR 56,785 thousand (EUR 7,601 thousand at 31 December 2008).

Other reserves (EUR 000)

	Legal reserve	Merger surplus	Reserve under Law 413/91	Reserve under Law 488/92, 2nd PIA call	Reserve for 50% of grants under law 219/81 art. 55 of the Income Tax Code	Reserve under Law 488/92, 1st PIA call	Stock grant reserve	Reserve for deferred taxes relating to items posted to shareholders' equity	Capital contributions	Coverage of losses	Total
31 December 2008	**3,071**						**1,882**	**(32)**	**47,678**	**37**	**52,636**
Reserves replenished post-merger ASF and ATSF		**83,237**	**832**	**145**	**209**	**854**	**(76)**	**301**			**85,502**
Stock option/ grant plans:											
- assignment of ASTS stock grant 2009							1,043				**1,043**
- assignment of ASTS stock grant 2008							(1,383)				**(1,383)**
- reserves for SGPs of other companies							943				**943**
Other movements:											
- allocation of the net profit	380										**380**
- reclassification of charges for share capital increase									(50)		**(50)**
- ASNV merger deficit		(13,649)									**(13,649)**
- Deferred taxes on items posted to shareholders' equity								(345)			**(345)**
31 December 2008	**3,451**	**69,588**	**832**	**145**	**209**	**854**	**2,409**	**-76**	**47,628**	**37**	**125,077**

The Legal Reserve amounted to EUR 3,451 thousand from EUR 3,071 thousand at 31 December 2008. The increase of EUR 380 thousand is the result of the shareholders' resolution on the approval of the financial statements for the year 2008.

The **merger surplus** recognised in 2009 amounted to EUR 69,588 thousand.
It includes EUR 83,237 thousand from the mergers of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari with date of efficacy 1 January 2009; in particular:

- EUR 93,094 thousand relates to the difference between the value of the equity investments in Ansaldo Segnalamento Ferroviario (EUR 76,298 thousand), a wholly-owned subsidiary of Ansaldo Trasporti Sistemi Ferroviari, and Ansaldo Trasporti Sistemi Ferroviari (EUR 38,123 thousand), a wholly-owned subsidiary of Ansaldo STS, and the amount posted in the shareholders' equity of the merged companies. The merger substantially relates to the net profit 2008 of the merged companies (EUR 94,376 thousand);
- EUR 9,857 thousand for the elimination of the net goodwill posted by Ansaldo Segnalamento Ferroviario (EUR 1,825 thousand at 31 December 2008) and by Ansaldo Trasporti Sistemi Ferroviari (EUR 12,687 thousand at 31 December 2008), less relevant deferred tax assets and liabilities (EUR 4,655 thousand). These were eliminated because they were due to intercompany extraordinary transactions made in previous years; in particular, the remaining goodwill of ASF (EUR 1,825 thousand) is due to the sale of the "Signalling" business line in 1996 by Ansaldo Trasporti SpA, and the remaining goodwill of ATSF (EUR 12,687 thousand) is due to the sale of the "Systems" business line by Ansaldo Trasporti SpA in 2001;
- "Merger surplus" also includes the recognition of EUR 13,649 thousand for the deficit resulting from after the merger of Ansaldo Signal N.V. in liquidation effective 1 October 2009. It is the result of the elimination of the equity investment in Ansaldo Signal N.V. in liquidation (EUR 21,946 thousand) held by Ansaldo STS at 100% as compared with the value of the shareholders' equity of the merged company.

The **revaluation reserve under Law 413/91** equal to EUR 832 thousand formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and replenished in Ansaldo STS after the merger as reserve under tax suspension regime.

The **reserve under Law 488/92 2nd call P.I.A. (Integrated Package of Facilities)** equal to EUR 145 thousand formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and replenished in Ansaldo STS after the merger. This reserve was formed after the resolution of the shareholders' meeting approving the meeting at 31 December 2006 and is non-distributable as a result of the decree for temporary concession of the Ministry for Productive Activities related to the 2nd call for the Integrated Package of Facilities – Innovation under the aforesaid law.

The **Reserve for Ministerial grant under Law 219/81** equal to EUR 209 thousand formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and replenished in Ansaldo STS after the merger as reserve under tax suspension regime. This reserve was formed when set-up grants were allocated.

The **Reserve under Law 488/92 1st call P.I.A. (Integrated Package of Facilities)** equal to EUR 854 thousand formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and replenished in Ansaldo STS after the merger. This reserve was formed after the resolution of the shareholders' meeting approving the meeting at 31 December 2004 and is non-distributable as a result of the decree for temporary concession of the Ministry for Productive Activities related to the 1st call for the Integrated Package of Facilities – Innovation under the aforesaid law.

The **stock grant reserve** amounted to EUR 2,409 thousand from EUR 1,882 thousand at 31 December 2008. It was formed in 2007 following the approval by the Board of Directors of Ansaldo STS of the Stock Grant Plan (SGP) which governs the assignment of Ansaldo STS's shares to strategic resources, key resources and executives with high potentials upon the achievement of previously-set objectives and based on the general criteria determined by the Board of Directors of the parent company for the years 2006 and 2007. During 2008 the Board of Directors of Ansaldo STS and the Remuneration Committee approved the new plan for the 2008 – 2010 period.
The increase in the balance of EUR 527 thousand is due to the following:
- decrease due to the delivery of the shares for 2008. The shares delivered were 100% of those assigned because all the objectives were achieved. The stock grant reserve of EUR 1,383 thousand was entirely used;
- increase of EUR 1,986 thousand for shares relating to the objectives 2009 for both Italian executives and executives of the subsidiaries, calculated at the grant value at the grant date (€8.5230 per share at 13 February 2008);
- decrease of EUR 76 due to reserve formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari replenished in Ansaldo STS after the merger.

The **Reserve for deferred taxes relating to items posted to shareholders' equity** was negative amounting to EUR 76 thousand; the changes related to the recognition of deferred taxes from the actuarial gain of 2009 on the severance pay (EUR 1,253 thousand), to be carried under the specific item "Retained earnings (losses)" in pursuance of the equity method (see also Note 22).

The **Reserve for capital payment** of EUR 47,628 thousand was used during the year due to the reclassification of the charges for share capital increase 2005 (EUR 50 thousand). These charges were allocated to a distributable reserve of shareholders' equity as permitted under IAS 32.
The reserve was formed in 2006 following an unrecoverable capital contribution of the parent company Finmeccanica.

Below is a table providing the information on the origin, possible use, distributability, and actual use of the shareholders' equity reserves in previous years.

Nature/description	Amount	Possibly used	Available	Summary of uses in 2008		Summary of uses in 2007		Summary of uses in 2006	
				to cover losses	for other reasons	to cover losses	for other reasons	to cover losses	for other reasons
Share capital (*)									
Outstanding shares	50,000								
Treasury shares	- 806								
Capital reserves:									
Revaluation reserve under Law 413/91	832	A - B - C	832						
Unrecoverable capital contributions	47,628	A - B	47,628					2,490	
Coverage of losses	37	B							
Merger surplus	69,588	A - B - C	69,588						
Retained earnings:									
Legal Reserve	3,451	B							
Reserve for Ministerial Grant under Law 219/81 Art. 55 of Income Tax Code	209	A - B - C	209						
Reserve under Law 488/92 11th call 2001									816
Reserve under Law 488/92 14th call 2002									
Reserve under Law 488/92 1st call PIA 2003	854	A - B - C	854						
Reserve under Law 488/92 2nd call PIA	145	A - B - C	145						
Stock grant reserve:									
- assignment	1,986	B							
- delivery	423	A - B	423						
Reserve for actuarial gains/ losses (IAS 19)	277								
Reserve for deferred taxes relating to items posted to shareholders' equity	- 76	n,a,							
Retained earnings/(losses) carried forward	18,600	A - B - C	18,600						
Total	**193,148**		**138,279**	-	-	-	-	**2,490**	**816**
Non-distributable			48,051						
Remaining non-distributable			90,228						

Key:
A: capital increase.
B: to cover losses.
C: to be distributed to shareholders.

Under Article 109, paragraph 4, letter b) of the Income Tax Code, the distribution of profits and shareholders' equity reserves do not form taxable income, unless there is an amount of EUR 3,931 thousand (figure unchanged from 31 December 2008 pro-forma). This amount represents the amount of the tax deductible changes indicated in the tax income return and not included in the income statement. These break down as follows:

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008
Severance pay	267	267
Provision for doubtful accounts	2,338	2,338
Goodwill amortisation	2,817	2,817
Total changes	**5,422**	**5,422**
Deferred taxes	-1,491	-1,491
Total changes, less deferred taxes	**3,931**	**3,931**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

20. Borrowings

(EUR 000)	31 December 2009			Pro forma[1] 31 December 2008			31 December 2008		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	1,995	2,881	**4,876**	1,259	2,722	3,981	15		15
Due to other lenders	849	1,151	**2,000**	1,121	3,025	4,146			0
Finance lease payables			**0**			0			0
Other borrowings			**0**			0			0
Total third parties	**2,844**	**4,032**	**6,876**	**2,380**	**5,747**	**8,127**	**15**	**0**	**15**
Borrowings from related parties	90,164		**90,164**	75,303		75,303	289,037		
Total	**93,008**	**4,032**	**97,040**	**77,683**	**5,747**	**83,430**	**289,052**	**0**	**15**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The amount of EUR 6,876 thousand relates to:
- EUR 2,722 thousand (EUR 511 thousand in current bank borrowings and EUR 2,211 in non-current bank borrowings) of low-interest loan taken under Law 346/88 for research activities on the STREAM project carried out in prior years. Two instalments were repaid during the year. The last six-month instalment is due in July 2012. The effective interest rate is 1.8% per year.
- EUR 1,175 thousand (EUR 334 thousand in current borrowings from other lenders and EUR 841 thousand in non-current borrowings) relates to the company's share of a low-interest loan on the SITI (Sicurezza in Tunnel Intelligente) research project which was presented by Consorzio TRAIN and in which the company is involved. Following the extension of the contract duration, the first repayment of the amount borrowed (due in June 2008) was postponed to 2009, when the amount of EUR 166 thousand was repaid, without prejudice to the last maturity of the loan. The last six-month instalment will be due in June 2013. The interest rate is a six-month 0.25%;
- EUR 520 thousand (EUR 211 thousand in current borrowings from other lenders and EUR 310 thousand in non-current borrowings) for a loan signed last year with Simest for the partial coverage of the costs connected with the stage of offers for the High Speed bid Mecca – Medina in Saudi Arabia. The last instalment will be repaid by 31 January 2012 at a rate of 2.0297% per year;
- EUR 263 thousand (EUR 131 thousand in current bank borrowings and EUR 132 in non-current bank borrowings) of low-interest loan taken for research activities on the TIME QUAL project carried out in prior years. Two instalments were repaid during the year. The last instalment will be due in January 2011. The effective interest rate is 2% per year;
- EUR 330 thousand (EUR 164 thousand in current bank borrowings and EUR 166 in non-current bank borrowings) of low-interest loan taken for research activities on the SCAUT project carried out in prior years. Two instalments were repaid during the year. The last instalment will be due in January 2011. The effective interest rate is 2% per year;
- EUR 744 thousand (EUR 372 thousand in current bank borrowings and EUR 372 in non-current bank borrowings) of low-interest loan taken for research activities on the MARTE project carried out in prior years. Two instalments were repaid during the year. The last instalment will be due in August 2011. The effective interest rate is 0.96% per year.

Below is a breakdown of the balance at 31 December 2009, current and non-current portion, and the latter is broken down by year of maturity:

Lending bank (programme)	**2011**	**2012**	**2013**	**Total non-current portion**	**Current portion**	**Total**
Simest	207	103		310	206	**516**
Train (Siti)	335	337	169	841	334	**1,175**
San Paolo IMI (Stream)	1,071	1,140		2,211	511	**2,722**
San Paolo IMI (TimeQual)	132			132	131	**263**
San Paolo IMI (Scaut)	166			166	164	**330**
Mediocredito Centrale (Marte)	372			372	369	**741**
Total	**2,283**	**1,580**	**169**	**4,032**	**1,715**	**5,747**
Accrued interest				0	7	**7**
Total low-interest loans	**2,283**	**1,580**	**169**	**4,032**	**1,722**	**5,754**

Changes in borrowings are:

(EUR 000)	Pro forma[1] 31 December 2008	New positions	Repayments	Change in scope of consolidation	Other changes	**31 December 2009**
Bank borrowings	3,981		1,930		2,825	4,876
Due to other lenders	4,146		166		(1,980)	2,000
Other borrowings	0					0
Total	**8,127**	**0**	**2,096**	**0**	**845**	**6,876**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The other current bank borrowings (EUR 1,122 thousand) relate to a technical overdraft on a bank account.
At 31 December 2009 the company has credit lines of EUR 29,495 thousand to be used mainly on bank overdraft.

Financial debt

The following financial information is provided in accordance with the format required under Consob Notice DEM/6064293 of 28 July 2006:

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Cash	25	4	4
Bank deposits	105,590	57,251	5,151
Liquidity	**105,615**	**57,255**	**5,155**
Financial receivables from related parties	190,766	266,062	266,061
Current financial receivables	**296,381**	**323,317**	**271,216**
Current bank borrowings	1,995	1,259	15
Current portion of non-current debt	849	1,121	0
Other current borrowings	**90,164**	**75,303**	**289,037**
Current financial debt	**93,008**	**77,683**	**289,052**
Current financial debt (liquidity), net	(203,373)	(245,634)	17,836
Non-current bank borrowings	2,881	2,722	
Due to other lenders – non-current portion	1,151	3,025	0
Bonds issued			
Other non-current payables			
Non-current financial debt	**4,032**	**5,747**	**0**
Net financial debt	**(199,341)**	**(239,887)**	**17,836**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

No payables are secured by collateral guarantees on the company’s assets.

21. Provisions for risks and charges and contingent liabilities

(EUR 000)	Labour disputes	Wages Guarantee Fund (CIG)	Provision for costs on contracts completed	Other	Total
Balance at 1 January 2008	**0**	**0**	**0**	**0**	**0**
Broken down as follows:					
Current	0	0	0	0	**0**
Non-current	0	0	0	0	**0**
	0	**0**	**0**	**0**	**0**
Allocations				2,130	**2,130**
Uses					**0**
Reversals					**0**
Other changes: balances at 31 Dec 08 from ASF and ATSF	244	893	1,208	872	**3,217**
Pro-forma[1] balance at 31 December 2008	**244**	**893**	**1,208**	**3,002**	**5,347**
Balance at 1 January 2009	**244**	**893**	**1,208**	**3,002**	**5,347**
Broken down as follows:					
Current	244	893	1,208	3,002	**5,347**
Non-current					**0**
	244	**893**	**1,208**	**3,002**	**5,347**
Allocations				2,900	**2,900**
Uses	(10)		(33)	(38)	**(81)**
Reversals					**0**
Other changes					**0**
Balance at 31 December 2009	**234**	**893**	**1,175**	**5,864**	**8,166**
Broken down as follows:					
Current	234	893	1,175	5,864	**8,166**
Non-current					**0**
	234	**893**	**1,175**	**5,864**	**8,166**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The provisions for risks and charges at 31 December 2009 reflect the amount of potential liabilities for probable and quantifiable risks, in pursuance of applicable accounting standards.

These amounted to EUR 8,166 thousand (EUR 5,347 thousand pro-forma at 31 December 2008); the increase is mainly due to the amount allocated (EUR 2,900 thousand) to the ongoing restructuring project – *Fast Forward Driven by Business* – in order to cover the potential costs incurred in the important organisation change.

The provision for labour dispute, formerly in ASF, relates to the assessment of the risk for disputes initiated or considered as probable. In 2009 the provision was used amounting to EUR 10 thousand.

The provision for risks on Wages Guarantee Fund (CIGS) was created in 2001 in ASF after CIGS benefits were denied for some periods of the years 1998-1999. The merit case on the appeal of the company against the Ministry of Labour and Social Security and against the INPS (the Italian Social Security Institution) is currently pending; the voidness of that order was claimed. There were no changes in this provision in 2009.

The provision for costs to be borne on contracts completed related to services established by contract for the upgrade of product technology and the update of product documentation, and for changes to equipment and systems already supplied on contracts completed. In 2009 the provision was used amounting to EUR 33 thousand.

Other provisions relate to the aforesaid restructuring programme (EUR 5,030 thousand), and the remaining amount (EUR 834 thousand) s to cover pending minor disputes. The amount used (EUR 38 thousand) relates to the settlement of small disputes during the year.

22. Severance pay and other employee liabilities

Below is a breakdown of severance pay:

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Severance pay provision	21,040	23,043	1,155
Defined-benefit pension plans	0	0	0
Other employee obligations	0	0	0
Total	**21,040**	**23,043**	**1,155**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The statutory severance pay obligation (trattamento di fine rapporto) in Italy calls for the payment of the entitlement accumulated by employees until the time they leave the company as determined under Article 2120 of the Italian Civil Code.
Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued in the first months of 2007, as part of the complementary social security reform, altered significantly the functioning of the social security system: the severance pay accrued after the date of the reform can be transferred to a treasury fund managed by INPS, in the case of companies with more than 50 employees.

At the same time as this effect was recognised, in accordance with the accounting standards, the company deemed it was appropriate to change the method of recognition for actuarial gains/losses and the equity method was adopted (see section “Accounting policies adopted”) in the recognition of defined-benefit plans. The corridor approach was abandoned, based on which actuarial gains/losses are recognised in the Income Statement under specific rules and over more years. The equity method provides for the recognition of the actuarial components directly and in full in equity, net of the related deferred tax effect.
When the overall treatment of defined-benefit plans was reviewed, the method of recognition of interest cost was changed as well. Starting from 1 January 2007, interest cost is no longer recognised as personnel costs, and is recorded as a finance cost.

The tables below provide changes in severance pay and the amounts recognised in the Income Statement:

(EUR 000)	**31 December**	Pro forma[1] 31 December	31 December
Opening balance	**23,043**	**22,464**	**831**
Costs of benefits paid	77	126	126
Interest costs	785	676	30
Actuarial losses (gains) through equity	(1,253)	1,712	(135)
Benefits paid	(1,612)	(2,035)	(18)
Intercompany transfers		(221)	
Other changes		321	321
Closing balance	**21,040**	**23,043**	**1,155**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Severance pay provision (EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Costs of benefits paid	77	126	126
Curtailment	0	0	
Personnel costs	**77**	**126**	**126**
Interest costs	785	676	30
Total	**862**	**802**	**156**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The main actuarial assumptions are as follows:

Severance pay provision	31 December 2009	31 December 2008
Discount rate	3.49%	3.42%
Rate of salary increases	2.03% - 2.80%	5% - 6%
Rate of turnover	3.78% - 7.71%	1%

23. Other current and non-current liabilities

	Non-current			Current		
(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Due to employees	2,537	2,465	156	13,467	14,047	2,489
Supplementary pension schemes and INPS treasury fund				1,053	867	
Due to social security and pension institutions				8,036	8,326	1,605
R&D grant payables				737	1,157	
Other payables to the tax authorities				6,003	3,475	435
Deferred income				627	563	766
Other payables				16,776	16,932	530
Total other current and non-current liabilities to third parties	**2,537**	**2,465**	**156**	**46,699**	**45,367**	**5,825**
Total other current and non-current liabilities to related parties	0	0	0	441	3,980	4,957
Total	**2,537**	**2,465**	**156**	**47,140**	**49,347**	**10,782**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Other non-current liabilities relate to other long-term benefits (seniority bonuses to employees).

The main actuarial assumptions are as follows:

	Long-term benefits	
	31 December 2009	31 December 2008
Discount rate (annual)	3.49%	3.42%
Rate of salary increases	2.03% - 2.80%	5% - 6%
Rate of turnover	3.78% - 7.71%	1%

Other current liabilities at 31 December 2009 amounted to EUR 47,140 thousand from EUR 49,347 thousand at 31 December 2008 pro-forma.
The change is mainly due to the reduction in current liabilities to related parties, as a result of the payment of capital subscribed (EUR 3,211 thousand) and unpaid to Metro 5 SpA at the end of the previous year.
Grant payables relate to advances on research contracts (Law 488/92 11th Call, Carabi, Integrail and Iness) funded by the EC and MIUR.
Other payables to the tax authorities of EUR 6,003 thousand relate to the VAT payable of December (EUR 2,199 thousand) and employee withholding taxes to be paid as tax substitute (EUR 3,804 thousand).
Other payables include the remaining 75% of the share capital subscription in Metro C SpA (EUR 15,750 thousand).

24. Trade payables

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Due to suppliers	175,859	141,864	5,276
Total due to suppliers	**175,859**	**141,864**	**5,276**
Due to related parties	42,279	39,010	1,659
Total	**218,138**	**180,874**	**6,935**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Trade payables to third parties rose by EUR 33,995 thousand due to the increase in production obtained in the year and trade payables to related parties rose by EUR 3,269 thousand.
The overall increase mainly relates to the amounts due to suppliers associated with the Line & and Metro C projects for the portion due to third parties, and to the amounts due to Ansaldo STS Usa International Co. for the portion due to related parties.
The main positions relate to contracts with “passing” financial conditions.
There are no payables with residual maturity after five years.

25. Guarantees and other commitments

Leases
The Company holds a number of operating leases for the purposes of acquiring the use of property, IT materials and cars.
The non-cancellable minimum future payments of operating lease contracts amounted to EUR 6,872 thousand for properties (EUR 2,842 thousand at 31 December 2008 pro-forma) and EUR 3,248 thousand for IT materials and car leases (EUR 3,644 thousand at 31 December 2008 pro-forma).
Below is a breakdown:

	31 December 2009		31 December 2008 Pro-forma[1]		31 December 2008	
(EUR 000)	**Operating leases**	**Leasing finanziari**	Operating leases	Finance leases	Operating leases	Finance leases
Within 1 year	2,919		2,709		242	
2 to 5 years	6,359		3,797		583	
Beyond 5 years	842					
Total	**10,120**	**0**	**6,506**	**0**	**825**	**0**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The amounts recognised in the Income Statement as operating leases of properties and IT materials and cars are detailed in Note 29.
The operating leases of properties mainly relate to the lease of the Naples offices (Via Nuova delle Brecce 260; lessee: related party Ansaldobreda), where the secondary office of the company is located. The increase in commitments for property lease is due to the signing at the end of 2009 of a new lease contract for the property in Naples with a duration of 31 December 2015, with an option for the automatic renewal for six more years and the relevant leasing fee is reviewed according to the ISTAT index (general inflation index).

The car lease contracts, which usually have a 3-year duration, provide for a price review associated with the consumer price index, the car insurance increases and car tax and the increase in the manufacturers’ official prices (total future commitments amounted to EUR 2,200 thousand at 31 December 2009).

The contracts for IT material leases amounted to EUR 1,048 thousand at 31 December 2009.

Guarantees and other commitments

At 31 December 2009, the company had the following outstanding guarantees:

(EUR 000)	**2009**	Pro-forma[1] 2008	2008
Bank guarantees to related parties	232,068	295,835	205,290
Sureties to third parties	1,215,509	904,983	
Endorsements in favour of third parties			
Other unsecured guarantees given to third parties			
Unsecured guarantees given			
Total	**1,447,577**	**1,200,818**	**205,290**
Unsecured guarantees given			
Guarantees given	100,675	141,581	
Guarantees given to related parties	123,318	12,512	
Total	**223,993**	**154,093**	**42,670**
Grand Total	**1,671,570**	**1,354,911**	**247,960**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Guarantees given at 31 December 2009 for EUR 1,447,577 thousand (EUR 1,200,818 thousand at 31 December 2008 pro-forma) include sureties and insurance guarantees issued in favour of Italian and foreign customers as a security for bids, contract performance, advances and payments made in advance for the amounts withheld as a security. The increase in the balance at 31 December 2009 as compared with the balance at 31 December 2008 is due to the issue of new guarantees for new orders, including the issue of the guarantees for the Libya project for EUR 146 million.

These commitments include guarantees to related parties for EUR 232,068 thousand (EUR 295,835 thousand at 31 December 2008 pro-forma) broken down as follows:

- EUR 75,919 thousand to Finmeccanica as a security of orders and contracts of former subsidiaries (Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari) in favour of Italian and foreign customers;
- EUR 11,168 thousand (to Finmeccanica Finance);
- EUR 144,980 thousand relates to counterguarantees issued to banking institutions on ASTS credit lines on behalf of subsidiaries.

Sureties to third parties include counterguarantees issued to credit institutions for the relevant amounts of sureties and credit lines granted to various customers amounting to EUR 222,468 thousand (mainly for the High-Speed railway project in favour of Consorzio Saturno).
Guarantees given amounting to EUR 223,993 thousand (EUR 154,093 thousand at 31 December 2008 pro-forma) include EUR 100,675 thousand of sureties given by our suppliers or sub-contractors for the proper performance of their contractual obligations to the company. These guarantees were not issued by subsidiaries or related concerns to the extent of EUR 123,318 thousand.
During the year, in order to centralise credit lines, the company negotiated directly with the banking system firm credit lines and then made part of them in favour of the companies of the Ansaldo STS group amounting to EUR 114,051 thousand.

At 31 December 2009 the company has credit lines of EUR 29,495 thousand to be used mainly on bank overdraft.

Purchase and sale commitments

At 31 December 2009 the company had the following outstanding purchase and sale commitments:

(EUR 000)	**2009**	Pro-forma[1] 2008
Order backlog of third-party customers	2,863,213	2,279,288
Order backlog of related-party customers	177,888	198,594
Order backlog of third-party suppliers	757,549	794,077
Order backlog related-party suppliers	343,610	285,795
Total	**4,142,260**	**3,557,754**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

These amounts include commitments to purchase property, plant and equipment (EUR 607 thousand) and intangible assets (EUR 298 thousand).

26. Transactions with related parties

Below are the amounts of the transactions with related parties at 31 December 2009, at 31 December 2008 pro-forma and at 31 December 2008:

(EUR 000) At 31 Dec 09	Revenue	Other operating revenue	Costs	Recovery of costs	Other operating costs	Finance income	Finance costs
Parent Companies							
FINMECCANICA S.p.A.			2,343			1	139
Related concerns							
Selex SE.MA. - Service Managment			266				
Finmeccanica Finance			14			1,937	
IN METRO - International Metro Service		24	20				
Metro 5	26,604		1,210				
Metro Service AS	215		41,498				
HR Gest			651	0	3		
OTO Melara S.p.A.				1			
Ansaldo Energia S.p.A.			0	1			
Selex Sistemi Integrati S.p.A.				1			
Fata S.p.A.			75				
Fata Logistic System			2,123				
I.M. Intermetro	938	42	0				
Galileo Avionica			37				
Electron Italia s.r.l.			18				
Finmeccanica Group Service			1,542		14		
PEGASO S.C.R.L.	129		6,311				
Elsag Datamat S.p.A.	257		6,407	0			
AnsaldoBreda S.p.A.	6,272	27	2,970	62			
Selex Communications S.p.A.			6,498	0			
Subsidiaries							
AnsaldoSTS Transportation Systems India PVT	1	319		78			(67)
AnsaldoSTS AUSTRALIA PTY		1,840	945	677			656
AnsaldoSTS Finland				2			
AnsaldoSTS UK Ltd	525	358	11	92			23
Ansaldo STS Ireland Ltd		88		16			25
AnsaldoSTS Sweden AB	339	307		62			33
Ecosen Venezuela				4			
AnsaldoSTS Nederland			20	1		1,375	
AnsaldoSTS Deutschland GmbH	61		6,755	28			(10)
AnsaldoSTS France S.A.	2,613	2,223	3,370	810			261
AnsaldoSTS Hong Kong				0			
AnsaldoSTS Espana	65			53			(134)
AnsaldoSTS USA Inc.	13	2,460	575	925		627	(49)
AnsaldoSTS - Infradev South Africa				14			(4)
Balfour Beatty							(395)
AnsaldoSTS Southern Africa LTD - BOTSWANA				7			(5)
AnsaldoSTS Canada				18			
AnsaldoSTS USA International CO.			25,985				(9)
AnsaldoSTS Malaysia	3			61		69	(2)
Ansaldo Railway System Trading Beijing	973		2,151	101			
Alifana Due S.C.R.L.	10,115		10,706				
Alifana S.C.A.R.L.	25		50				
Consortiums							
Consortium Saturno	75,723		3,610				
Consortium Ferroviario San Giorgio Volla Due	2,502		56	9			
Consortium Ferroviario San Giorgio Volla	50		17				
Consortium Ascosa Quattro	54						
Consortium CESIT			35				
Consortium Ferroviario Vesuviano	7,046		732				
Total	**134,523**	**7,688**	**127,001**	**3,023**	**17**	**4,009**	**462**
Incidence of related parties on the total amount for the year	**19%**	**55%**	**23%**	**1%**	**17%**	**2%**	

(EUR 000) At 31 Dec 08 Pro-forma[1]	Revenue	Other operating revenue	Costs	Recovery of costs	Other operating costs	Finance income	Finance costs
Parent Companies							
FINMECCANICA S.p.A.		4	2,041			3	201
Related concerns							
Selex SE.MA. - Service Managment							
Finmeccanica Finance			48			9	
IN METRO - International Metro Service		92					
Metro 5	13,764		796				
Metro Service AS			35,245				
HR Gest			629				
OTO Melara S.p.A.		1					
Ansaldo Energia S.p.A.		5					
Selex Sistemi Integrati S.p.A.							
Fata S.p.A.			80				
Fata Logistic System			1,947				
I.M. Intermetro	1,827		1			333	
Galileo Avionica			42				
Electron Italia s.r.l.			113				
Finmeccanica Group Service			1,344		4		
PEGASO S.C.R.L.	129		9,970				
Elsag Datamat S.p.A.	35	143	6,384				
AnsaldoBreda S.p.A.	9,891	25	3,428				
Selex Communications S.p.A.		1	8,429				
Subsidiaries							
AnsaldoSTS Transportation Systems India PVT	15	683		24			
AnsaldoSTS AUSTRALIA PTY		3,237		409		6	34
AnsaldoSTS Finland							
AnsaldoSTS UK Limited	823	364		56			7
Ansaldo Signal Ireland LTD		99		16			6
AnsaldoSTS Sweden	245	237	41				10
Ecosen Venezuela							
AnsaldoSTS Nederland			347			9,030	279
AnsaldoSTS Deutschland Gmbh			1,030	9			
AnsaldoSTS France	2,112	2,613	650	4			23
AnsaldoSTS Hong Kong							
AnsaldoSTS Espana	260			25		45	
AnsaldoSTS USA	1,228	2,506		256		60	
AnsaldoSTS - Infradev South Africa							
AnsaldoSTS Southern Africa LTD - BOTSWANA							
AnsaldoSTS Canada				14			
AnsaldoSTS USA International CO.			16,613			19	
AnsaldoSTS Malaysia	4					4	
Ansaldo Railway System Trading Beijing							
Alifana Due S.C.R.L.	10,591	11	10,634				
Alifana S.C.A.R.L.			655				
Consortiums							
Consortium Saturno	103,523		4,918				
Consortium Ferroviario San Giorgio Volla Due	4,860		352				
Consortium Ferroviario San Giorgio Volla	256		78				
Consortium Ascosa Quattro	370		25				
Consortium Team	139		16				
Consortium CESIT			105				
Consortium Ferroviario Vesuviano	3,271		439				
Total	**153,343**	**10,021**	**106,400**	**813**	**4**	**9,509**	**560**
Incidence of related parties on the total amount for the year	**25%**	**55%**	**24%**	**1%**	**55%**	**7%**	

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

(EUR 000) At 31 Dec 08	Revenue	Other operating revenue	Costs	Other operating costs	Finance income	Finance costs
Parent Companies						
FINMECCANICA S.p.A.			1,836		3	201
Related concerns						
Selex SE.MA. - Service Managment						
Finmeccanica Finance					9	
HR Gest			37			
Finmeccanica Group Service			1,342	4		
Elsag Datamat S.p.A.			951			
Selex Communications S.p.A.			(2)			
Subsidiaries						
AnsaldoSTS Transportation Systems India PVT	683		(24)			
AnsaldoSTS Australia PTY	3,237		(415)		6	34
AnsaldoSTS Finland						
AnsaldoSTS UK Limited	364		(64)			7
Ansaldo Segnalamento Ferroviario S.p.A.	4,895	1,504	(444)	(7)	77	33
Ansaldo Trasporti Sistemi Ferroviari S.p.A.	3,638	321	(717)	(2)	14,555	421
Ansaldo STS Ireland Ltd	98		(16)			6
AnsaldoSTS Sweden AB	237		(42)			10
Ecosen Venezuela						
AnsaldoSTS Nederland			259		157	322
AnsaldoSTS Deutschland GmbH						
AnsaldoSTS France S.A.	2,607		147			23
AnsaldoSTS Hong Kong						
AnsaldoSTS Espana			(25)		45	
AnsaldoSTS USA	2,507		(454)		60	
AnsaldoSTS - Infradev South Africa						
Balfour Beatty						
AnsaldoSTS Southern Africa Ltd - BOTSWANA						
AnsaldoSTS Canada			(14)			
AnsaldoSTS USA International CO.			(2)		19	
AnsaldoSTS Malaysia					4	
Total	**18,266**	**1,825**	**2,353**	**(5)**	**14,935**	**1,057**
Incidence of related parties on the total amount for the year	**100%**	**99%**	**18%**	**-1%**	**71%**	**14%**

The decrease in revenue at 31 December 2009 (EUR 134,523 thousand) as compared with the pro-forma figures for the prior year (EUR 153,343 thousand) is mainly due to lower production volumes relating to High-Speed projects developed through Consorzio Saturno (EUR 75,723 thousand at 31 December 2009 from EUR 103,523 thousand at 31 December 2008 pro-forma).
Costs rose from EUR 106,400 thousand at 31 December 2008 pro-forma to EUR 127,001 thousand at 31 December 2009, mainly due to the production volume of the related concern Metro Service AS, a wholly-owned subsidiary of International Metro Service s.r.l., for the Operation & Maintenances activities in Copenhagen (EUR 41,498 thousand), and the subsidiary Ansaldo STS Usa International Co. (EUR 25,985 thousand) for the progress of the activities (ATC product) on the Brescia, Rome and Milan projects.
The other operating revenue mainly relate to EUR 7,544 thousand charged over for services rendered to the other group companies in respect of the General Service Agreement.

Finance income relates to interest income on the commercial current account to the related concern Ansaldo Signal NV in liquidation for the January – September 2009 period (EUR 1,375 thousand) and to the deposit contract with the related concern Finmeccanica Finance (EUR 1,937 thousand).

27. Revenue

(EUR 000)	31 December 2009	Pro forma[1] 31 December 2008	31 December 2008
Revenue from third-party sales	303,425	146,955	
Revenue from related-party sales	7,563	39,733	
Total revenue from sales	**310,988**	**186,688**	**0**
Revenue from services rendered to third parties	19,514	14,691	
Revenue from services rendered to related parties	1,556	390	18,266
Total revenue from services	**21,070**	**15,081**	**18,266**
Change in third-party contract work in progress	259,356	295,164	
Change in related-party contract work in progress	125,403	124,210	
Total change in contract work in progress	384,759	419,374	0
Total revenue	**716,817**	**621,143**	**18,266**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Total revenue rose from EUR 621,143 thousand at 31 December 2008 pro-forma to EUR 716,817 thousand at 31 December 2009, with an increase of EUR 95,674 thousand due to the production development of the huge order backlog. Production was realised in Italy amounting to EUR 561,209 thousand (EUR 519,163 thousand at 31 December 2008 pro-forma) and abroad amounting to EUR 155,608 thousand (EUR 101,980 thousand at 31 December 2008).
The greater increase over the previous year is due to the projects of the Transportation Solutions Business Unit, in particular Line 6 (EUR 79.4 million), Rome Metro Line C (EUR 62.0 million), Milan Metro (EUR 26.6 million) and Brescia Metro (EUR 21.7 million). At the same time the greater production realised abroad relates to the projects of the Signalling Business Unit in Turkey, China and Libya.

During the year revenue of EUR 288,289 thousand was posted mostly for the recognition of the state of completion of final works on the projects of the Signalling Business Unit using SCC and ACC technology.

28. Other operating income (expenses)

	31 December 2009		Pro forma[1] 31 December 2008		31 December 2008	
(EUR 000)	Income	Expenses	Income	Expenses	Income	Expenses
Grants for research and development costs	685		1,098			
Other operating grants						
Gains on disposals of property, plant and equipment and intangible fixed assets		2				
Allocations/Reversals to provisions for risks and charges				2,130		2,130
Royalties	2,724		2,533			
Reversal of impairment of receivables						
Exchange rate differences on operating items	90	85	601	643	3	17
Adjustment of receivables and liabilities in foreign currency at the end-period exchange rate						
Non-existent payables/receivables	1,082	462	607			
Insurance reimbursements			464			
Restructuring costs						
Indirect taxes		422		1,104		631
Other operating income (expenses)	1,662	2,220	2,902	2,450	2	1,143
Total other operating income/expenses from third parties	**6,243**	**3,191**	**8,205**	**6,327**	**5**	**3,921**
Total other operating income/expenses from related parties	7,688	17	10,021	4	1,825	(5)
Total	**13,931**	**3,208**	**18,226**	**6,331**	**1,830**	**3,916**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Other operating income from companies that do not belong to the Ansaldo STS group and the Finmeccanica group amounted to EUR 6,243 thousand at 31 December 2009 (EUR 8,205 thousand at 31 December 2008 pro-forma) and mainly relate to:

- royalties on hardware licences of EUR 2,724 thousand (EUR 2,533 thousand at 31 December 2008 pro-forma);
- elimination of payables which later revealed as non-existent of EUR 1,082 thousand (EUR 607 thousand at 31 December 2008 pro-forma);
- exchange gains on non-financial items of EUR 90 thousand (EUR 601 thousand at 31 December 2008 pro-forma);

- grants for research and development costs of EUR 685 thousand at 31 December 2009 relating to projects managed by the Transportation Solutions Business Unit (Siti, Safer and Trips projects) (EUR 259 thousand) and to projects managed by the Signalling Business Unit (Iness, Safedmi, Acis, Slim-Port, Greentrasport, and Sintesis projects) (EUR 426 thousand). Regarding the amounts and a breakdown of the research and development costs recognised in the Income Statement, reference should be made to the relevant section in the Report on Operations;
- a tax credit of EUR 1,186 thousand for the costs incurred for R&D activities and introduced under Finance Law 2007 (Law 296/2006), Article 1, paragraphs 280 to 283.

Other operating expenses amounted to EUR 3,208 thousand at 31 December 2009 (EUR 6,331 thousand at 31 December 2008 pro-forma) and include indirect taxes of EUR 422 thousand, other operating costs of EUR 2,220 thousand, exchange losses for non-financial items of EUR 85 thousand, other non-existent receivables of EUR 462 thousand and losses on the disposal of assets of EUR 2 thousand.
Indirect taxes of EUR 422 thousand include EUR 166 thousand of Local Property Tax (ICI) and EUR 256 thousand of other indirect taxes.
Other operating costs of EUR 2,220 thousand relate to membership fees of EUR 395 thousand, donations and charity of EUR 399 thousand, interest for payment time extensions of EUR 678 thousand, free gifts and entertainment expenses of EUR 588 thousand and other sundry expenses of various nature (EUR 160 thousand).

For a breakdown of other operating income and costs from related parties, reference should be made to Note 26 on related parties and the Report on Operations (section on "Information on the direction and coordination activities of the company and relations with related parties").

29. Raw materials and consumables used and purchase of services

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Purchase of materials from third parties	95,600	104,271	39
Change in inventories of raw materials	204	(788)	
Total raw materials and consumables used and purchase of services from Third Parties	**95,804**	**103,483**	**39**
Raw materials and consumables used from related parties	41,312	26,819	
Total raw materials and consumables used	**137,116**	**130,302**	**39**
Services rendered by third parties	306,969	220,153	10,443
Costs of rents and operating leases	2,963	2,782	14
Rental fees	3,055	3,336	145
Total purchase of services from Third Parties	**312,987**	**226,271**	**10,602**
Purchase of services from related parties	82,665	78,769	2,353
Total purchase of services	**395,652**	**305,040**	**12,955**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The increase in the total raw materials and consumables used and purchase of services (EUR 97,426 thousand) is due to the greater production volume developed during the year.
Raw materials, supplies, consumable stores and merchandise amounted to EUR 137,116 thousand at 31 December 2009 (EUR 130,302 thousand at 31 December 2008 pro-forma), an increase of EUR 6,814 thousand from the previous year.

Purchase of services amounted to EUR 395,652 thousand at 31 December 2009 (EUR 305,040 thousand at 31 December 2008 pro-forma) and the increase of EUR 90,612 thousand is due to a greater number of sub-contracts and technical services for the aforesaid projects of the Transportation Solutions Business Unit.

Hire costs and operating lease costs mainly relate the long-term lease of company cars, software fees and the leasing fee for the premises of the Naples office of the related concern AnsaldoBreda.

For a breakdown of raw materials and consumables used and purchase of services from related parties, reference should be made to Note 26 on related parties and the Report on Operations (section on "Information on the direction and coordination activities of the company and relations with related parties").

30. Personnel costs

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Wages and salaries	73,610	70,858	6,916
Costs for stock grant plans	1,043	992	426
Pension and social security	22,335	21,420	2,180
Severance pay provision costs	77	126	126
Costs related to other defined-benefit plans	71	154	
Costs related to defined-contribution plans	3,832	3,383	
Employee disputes			
Restructuring costs			
Recharge of labour cost	(705)	(301)	(1,342)
Other costs	6,519	4,833	484
Total personnel costs	**106,782**	**101,465**	**8,790**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Personnel costs amounted to EUR 106,782 thousand at 31 December 2009 (EUR 101,465 thousand at 31 December 2008 pro-forma); in particular, the increase in wages and salaries of EUR 2,752 thousand is mainly due to an increase in average workforce.
The recharge essentially relates to the cost of labour for staff seconded with companies that are related parties: EUR 198 thousand to Ansaldo STS Deutschland GmbH, EUR 433 thousand to Metro Service AS and EUR 51 thousand to Galileo Avionica.

The average workforce at 31 December 2009 stood at 1,450, up by 1,442 on the figure at 31 December 2008.

Below is a breakdown of average workforce by category:

	31 December 2009	Pro forma[1] 31 December 2008	Changes
Executives	70	75	(5)
Middle managers	247	220	27
Clerical workers	1,043	1,053	(10)
Manual workers	90	94	(4)
Total	**1,450**	**1,442**	**8**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The Board of Directors of Ansaldo STS in the meeting of 13 February 2008 resolved a stock grant incentive plan for the 2008-2010 three-year period directed at strategic resources, key resources, and high-potential managers of Ansaldo STS and its subsidiaries based on the assignment of shares of Ansaldo STS, subject to verification of the attainment of set targets, based upon the general criteria laid down by the Board of Directors of Ansaldo STS. The cost of the shares is charged over to the group companies in relation with the employees involved in the plan.
The cost is recognized using the matching principle in the year when the services are rendered, therefore it relates to shares attached to objectives for the year 2009 to be delivered to the employees in 2010 after these objectives are achieved.
This cost is determined on the basis of the number of shares to be assigned and their fair value at the date of approval by the Remuneration Committee of the reference parameters (13 February 2008, grant date).
Under the IASs/IFRSs applicable to this case (IFRS 2, Share-based payments, and IFRIC Interpretation 11 “Group and Treasury Share Transactions”) and their current interpretation, the stock grant cost in 2009 amounted to EUR 1,043 thousand (EUR 992 thousand in 2008 pro-forma) is recognised through an equity reserve. The relevant cost is recognised as a social security cost as a contra-entry to the amounts due to social security institutions of EUR 344 thousand at 31 December 2009 (EUR 327 thousand in 2008 pro-forma).

In December 2009 the shares for the objectives 2008 were delivered, and the reserve recognised in the previous year was used accordingly. Reference should be made to Note 19 on Shareholders’ Equity for a breakdown of changes in reserves after the delivery of shares during the year.

31. Changes in inventories of work in progress, semi-finished and finished goods

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Changes in inventories of work in progress, semi-finished and finished goods	**1,504**	**(1,754)**	**0**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The change in inventories of work in progress, semi-finished and finished goods went from a negative EUR 1,754 thousand at 31 December 2008 to EUR 1,504 thousand at 31 December 2009, with an increase of EUR 3,258 thousand due to the decentralisation of the production activities from the Tito facility and to the increase in service inventories for the management of new technologies.

32. Amortisation, depreciation and impairment

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
Amortisation/depreciation:			
- intangible assets	1,057	867	218
- property, plant and equipment	4,491	4,556	1,666
	5,548	**5,423**	**1,884**
Impairment:			
- operating receivables	1,200		
- other assets			
	1,200	**0**	**0**
Total amortisation, depreciation and impairment	**6,748**	**5,423**	**1,884**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Amortisation and depreciation amounted to EUR 5,548 thousand are substantially in line with 2008. In particular, amortisation amounted to EUR 1,057 thousand and depreciation totalled EUR 4,491 thousand; these amounts are shown net of any adjustments deriving from the use of deferred income for the year of EUR 29 thousand on set-up grants (Law 488/92).
During the year accruals were made to the provision for doubtful accounts in order to adjust the provision to the potential estimated risk (EUR 1,200 thousand).

33. Finance income and costs

(EUR 000)	31 December 2009 Income	Costs	Net	Pro forma[1] 31 December 2008 Income	Costs	Net	31 December 2008 Income	Costs	Net
Income from equity investments and securities									
Discounting of receivables, payables and provisions	21		21	45		45			
Interest and commission income and costs	441	435	6	1,656	914	742	70	371	(301)
Interest costs on severance pay provision		785	(785)		676	(676)		30	(30)
Exchange rate differences	17,984	17,990	(6)	5,323	5,863	(540)	5,288	5,802	(514)
Income from fair value hedges recognised in the income statement	1,494	788	706	773	278	495	773	266	507
Value adjustments to equity investments									
Other finance income and costs		1,028	(1,028)	54		54			
Total net finance income and costs	**19,940**	**21,026**	**(1,086)**	**7,851**	**7,731**	**120**	**6,131**	**6,469**	**(338)**
Dividends				333		333	14,544		14,544
Interest and other finance income (costs)	4,009	462	3,547	9,176	560	8,616	391	1,057	(666)
Total finance income / (costs) from related parties	**4,009**	**462**	**3,547**	**9,509**	**560**	**8,949**	**14,935**	**1,057**	**13,878**
Total	**23,949**	**21,488**	**2,461**	**17,360**	**8,291**	**9,069**	**21,066**	**7,526**	**13,540**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Net finance income amounted to EUR 2,461 thousand at 31 December 2009 from EUR 9,069 thousand at 31 December 2008 pro-forma; the decrease is mainly due to the significant reduction in average rates for 2009 (1.43%) as compared with those for 2008 (4.35%) applied to the current accounts with the subsidiaries and the deposits with the related concern Finmeccanica Finance. This difference is due to the reduction in interest income from related parties from EUR 9,509 thousand at 31 December 2008 pro-forma to EUR 4,009 thousand at 31 December 2009.

Finance income and costs from third parties relate to:
- the discounting of the receivable due for IRPEF (personal income tax) advances on severance pay using the same actuarial method applied to severance pay. This originates a positive effect of EUR 21 thousand at 31 December 2009 as compared with EUR 45 thousand at 31 December 2008 pro-forma;
- interest income on current accounts of the company for EUR 441 thousand (EUR 1,656 thousand at 31 December 2008 pro-forma). Interest and commission costs of EUR 435 thousand at 31 December 2008 (EUR 914 thousand at 31 December 2008 pro-forma) mainly include interest costs on medium- and long-term loans of EUR 259 thousand (EUR 337 thousand at 31 December 2008 pro-forma) and bank expenses of EUR 176 thousand (EUR 577 thousand at 31 December 2008 pro-forma);
- interest costs on severance pay provision of EUR 785 thousand at 31 December 2009 (EUR 676 thousand at 31 December 2008 pro-forma) deriving from the actuarial calculation as permitted under IAS 19;
- exchange-rate gains of EUR 17,984 thousand (EUR 5,323 thousand at 31 December 2008 pro-forma) and exchange-rate losses of EUR 17,990 thousand (EUR 5,863 thousand at 31 December 2008 pro-forma), that include on one hand the exchange-rate gains/losses from exchange-rate risk hedges and on the other hand exchange-rate gains/losses from the recognition of the balances denominated in foreign currency of the company's current accounts using the year-end exchange rates;
- positive effects to the income statement for the exchange-rate risk hedges outstanding at 31 December 2009 amounting to EUR 1,494 thousand (EUR 773 thousand at 31 December 2008 pro-forma) and negative effects amounting to EUR 788 thousand at 31 December 2009 (EUR 278 thousand at 31 December 2008 pro-forma);
- and sundry finance costs of EUR 1,028 thousand for commissions on sureties of the company on behalf of its foreign subsidiaries and charged over amounting to EUR 777 thousand ("income from related parties").

For a breakdown of finance income and costs from related parties, reference should be made to Note 26 on related parties and the Report on Operations (section on "Information on the direction and coordination activities of the company and relations with related parties").

34. Income taxes

Income taxes amounted to EUR 28,420 thousand for the year 2009. They break down as follows:

(EUR 000)	**31 December 2009**	Pro forma[1] 31 December 2008	31 December 2008
IRES (corporate income tax)	24,804	28,882	
IRAP (regional tax on productive activities	6,816	6,881	204
Income from consolidation		(641)	(641)
Other taxes on profit (foreign companies)			
Taxes relating to previous periods	(1,158)	(576)	46
Provisions for disputes over taxes			
Net deferred taxes	(2,042)	(367)	(1,158)
Total	**28,420**	**34,179**	**(1,549)**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

In particular, taxes relating to periods prior to 31 December 2009 partially include lower Ires tax due for the 2004-2007 tax periods, following the partial deduction of Irap referred to in Article 6 of Law Decree no. 185 of 29 November 2008 (EUR 884 thousand).

Below is the analysis of the difference between the theoretical tax rate and the effective tax rate for the two years:

	31 December 2009			Pro forma[1] 31 December 2008			31 December 2008		
(EUR 000)	**Taxable amount**	**Taxes**	**%**	Taxable amount	Taxes	%	Taxable amount	Taxes	%
Result before taxes	**85,206**			**98,123**			**6,052**		
Taxes calculated at the applicable tax rate		23,432	27.50%		26,984	27.50%		1,664	27.50%
Deferred tax assets recoverable during the year				235	65	0.07%			
Permanent differences									
- non-deductible costs	4,661	1,282	1.50%	2,853	785	0.80%	1,108	305	5.04%
- taxable intercompany dividends (merged companies) (5%)				1,902	522	0.53%			
- non-taxable dividends (95%)				(316)	(87)	-0.09%			
- untaxed income	(2,524)	(694)	-0.81%	(1,755)	(483)	-0.49%	(13,817)	(3,800)	-62.79%
- Losses for previous tax periods to which deferred tax assets were not allocated	(4,767)	(1,311)	-1.54%						
Result net of permanent differences	**82,576**	**22,709**	**26.65%**	**101,041**	**27,786**	**28.32%**	**(6,657)**	**(1,831)**	**-30.25%**
Effect of adjusting nominal tax rates to temporary differences arisen/reversed during the year									
Effective IRES tax in the income statement and effective tax rate		**22,709**	**26.65%**		**27,786**	**28.32%**		**(1,831)**	**-30.25%**
IRAP		6,726	7.89%		7,014	7.15%		216	3.57%
Prior years' taxes		(1,015)	-1.19%		(622)	-0.63%		66	1.09%
Adjustment to new nominal tax rates									
Total effective taxes carried to the Income Statement and relevant tax rate		**28,420**	**33.35%**		**34,178**	**34.83%**		-1,549	-25.59%

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

The effective tax rate at 31 December 2009 was 33.35% as compared with the effective tax rate at 31 December 2008 pro-forma of 34.83%. The tax rate for 2008 pro-forma was obtained by eliminating the dividends paid by ASF to ATSF and those paid by ATSF to ASTS for a total amount of EUR 38 034 thousand. The 1.48% reduction is due to the use of losses for previous tax periods.

Below is the table relating to the tax temporary differences and the relevant balances shown in the Balance Sheet and the Income Statement:

(EUR 000)	31-Dec-09 Amount of temporary differences	31-Dec-09 Tax rate	31-Dec-09 Amount of deferred tax assets/ liabilities	31-Dec-09 Effect on equity	31-Dec-09 Effect on Income Statement (+income/ -cost)	Pro-forma[1] 31 Dec 2008 Amount of temporary differences	Pro-forma[1] 31 Dec 2008 Tax rate	Pro-forma[1] 31 Dec 2008 Amount of deferred tax assets/ liabilities	Pro-forma[1] 31 Dec 2008 Effect on equity	Pro-forma[1] 31 Dec 2008 Effect on Income Statement (+income/ -cost)
Deferred tax assets										
Impairment of work in progress (IRES only)	20,835	27.50%	5,730		411	19,343	27.50%	5,319		887
Impairment of work in progress (IRAP only)	17,653	4.18%	738		-22	17,424	4.15%/ 4.3%/4.64%	760		-411
Impairment of inventories (IRES)	1,120	27.50%	308		-310	2,247	27.50%	618		-74
Impairment of inventories (IRAP)	621	4.18%	26		-15	988	4.15%	41		-63
Provisions for risks and charges	6,823	27.50%	1,876		781	3,981	27.50%	1,095		539
Provision for costs on contracts completed and provision for guarantee (IRES/IRAP)	1,176	31.68%	373		-9	1,207	31.65%	382		-32
Non-deductible amortisation and depreciation (IRES/IRAP)	619	31.68%	196		27	533	31.74%	169		-6
Non-deductible depreciation of building (IRES)	188	27.50%	52		26	94	27.50%	26		26
Exchange-rate differences from branch conversion	443	27.50%	122		0	443	27.50%	122		
Exceeding maintenance (IRES/IRAP)	156	31.68%	49		-30	251	31.65%	79		-31
Costs deductible in following years (IRES/IRAP)	365	31.68%	116		-111	714	31.74%	227		-181
Contracts with a loss (IRES)	4,008	27.50%	1,102		1,102			0		0
Contracts with a loss (IRAP)	1,138	4.18%	48		48			0		0
Seniority bonuses (IAS 19)	2,211	27.50%	608		0	2,212	27.50%	608		0
Goodwill amortisation (IRES)	7,877	27.50%	2,166		-228	8,706	27.50%	2,394		0
Goodwill amortisation (IRAP)	8,819	4.18%	369		-35	9,665	4.18%	404		0
Non-deductible severance pay	1,714	27.50%	471		471					0
IRPEF receivable on severance pay (IAS 19)	43	27.50%	12		0	44	27.50%	12		0
Discounting of receivables	7	27.50%	2		0	7	27.50%	2		0
Impairment of receivables	1,303	27.50%	358		13	1,255	27.50%	345		-5
Exchange-rate losses	585	27.50%	161		127	122	27.50%	34		7
Temporarily non-deductible personnel costs		27.50%	0		-3,224	11,722	27.50%	3,224		-785
Interest costs	249	27.50%	68		-60	464	27.50%	128		105
Research grants	172	31.68%	54		-1	172	32.14%	55		-177
Research grants (for IRES tax purposes only)	357	27.50%	98		22	277	27.50%	76		76
Costs deductible in following years (IRES)	221	27.50%	61		-480	1,968	27.50%	541		1,257
Stock grant	304	27.50%	84		-104	684	27.50%	188		
Total	**79,007**		**15,247**	**0**	**-1,601**	**84,523**		**16,849**		**1,132**
Deferred taxes										
Research grants (IRES/IRAP)	1239	31.68%	393		316	240	32.14%	77		-182
Research grants (IRES)	783	27.50%	215		77	502	27.50%	138		138
Goodwill amortisation	-	31.68%	0	-1,856	1,856	0	31.97%	0		285
Anticipated amortisation			0		0	0	27.50%	0		-1,004
Goodwill amortisation (adjustment for IRAP purposes)		32.14%	0		8	-193	4.15%	-8		
Monthly amortisation and depreciation			0		0	0	27.50%	0		-24
Provision for doubtful accounts (EC framework)	2,338	27.50%	643		0	2,338	27.50%	643		
Default interest income not collected	394	27.50%	108		-212	1,163	27.50%	320		208
Severance pay payable (IAS 19)	2,404	27.50%	661		-432	3,974	27.50%	1,093		-173
Equity adjustment under IAS 19		27.50%	0	345	86	-1,567	27.50%	-431	-1,008	334
Contracts for less than 12 months (IAS 19)		27.50%	0		-13	47	27.50%	13		-2
Exchange-rate differences from branch conversion	91	27.50%	25		0	91	27.50%	25		2
Exchange-rate gains	568	27.50%	156		124	116	27.50%	32		5
Dividends not collected		27.50%	0		-5	17	27.50%	5		5
Revenue taxable in coming years			0		-351	1,117	31.45%	351		
Adjustment to severance pay provision		27.50%	0		0					
Other		31.65%	0		13	-276	4.62%	-13		-22
Total	**7,817**		**2,201**	**-1,511**	**1,468**	**7,569**		**2,245**	**-1,008**	**-430**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Following the merger effective 1 January 2009, the Consolidated taxation mechanism no longer applies. It was applied from tax period 2007 by the three companies involved in the merger.

The IRES and IRAP tax rate estimated for the time of the temporary differences reverse is 27.5% and 4.18% respectively (the latter is estimated based on figures for 2009). In particular, the 3.9% nominal IRAP tax rate rose to 4.18% due to territorial differences (increase of 0.92% in Campania and Lazio).

With regard to the temporary differences in the table above, impairment of work in progress determines deferred tax assets of EUR 6,468 thousand relating to the provision for impairment on work in progress taxed amounting to EUR 20,835 thousand on a total amount of the provision of EUR 31,699 thousand – that is due to both an over-accrual to the provision, as compared with the amount deductible (following regulatory changes, the entire amount accrued to the provision is non-deductible), and the use of the provision deducted in previous years.
The deducted provision is considered to be reversed for tax purposes in relation to the completion of the contracts.

In particular, the deferred tax asset of EUR 6,468 thousand for impairment of work in progress is broken down in the table above by IRES and/or IRAP taxation. The separate indication of the two taxes was determined by the abrogation, introduced by Finance Law 2008 and applicable from 2008, of the application for IRAP tax purposes of the increases or decreases envisaged for IRES tax purposes.

The overall amount of the deferred tax assets/liabilities recognised in equity in 2009 and previous years (EUR 76 thousand) derives from the recognition in equity of the actuarial gain/loss on severance pay (EUR 277 thousand), in accordance with the equity method under IAS 19.

During 2009 a decree was issued (Decree of the Ministry for Economy and Finance 1 April 2009, no. 48, published on the Italian Official Gazette of 15 May 2009) providing for the requirements for the implementation and coordination of the rules for determining taxable profit for Ires tax purposes for IAS/IFRS adopters.

35. *Earning per share*

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

Euro units	**31 December 2009**	Pro-forma[1] 31 Dec 2008	31 December 2008
Average shares during the period	99,882,682	99,908,851	99,908,851
Net profit	56,785,285	63,943,656	7,601,268
Profit from continuing operations			
Basic EPS and diluted EPS	**0.57**	**0.64**	**0.08**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

36. Cash flow from operating activities

	For the twelve-month period at 31 December		
(EUR 000)	**2009**	Pro-forma[1] 2008	2008
Net Profit (Loss)	56,785	101,977	7,601
Amortisation, depreciation and impairment	6,749	5,424	1,884
Income taxes	28,420	34,180	(1,549)
Allocations (reversals) to provisions	2,900	0	0
Costs of severance pay provision	861	802	156
Cost of defined-benefit plans and stock grant plans	1,114	1,348	426
Dividends received		(14,544)	(14,544)
Capital losses on disposal of fixed assets			
Value adjustments of equity investments carried at cost			
Finance costs and income, less adjustments for equity investments valued at cost	(2,461)	(33,206)	1,004
Total	**94,368**	**95,981**	**(5,022)**

(EUR 000)	For the twelve-month period at 31 December 2009	Pro-forma[1] 2008	2008
Inventories	(14,497)	9	
Contract work in progress and advances from customers	129,879	(4,594)	
Trade receivables and payables	(115,560)	(20,804)	1,314
Changes in working capital	**(178)**	**(25,389)**	**1,314**

(EUR 000)	For the twelve-month period at 31 December 2009	Pro-forma[1] 2008	2008
Payment of the provision for severance pay and other defined-benefit plans and stock grant plans	(1,658)	(4,130)	(18)
Use of provisions for risks	(81)	1,781	2,130
Changes in other operating items	(19,586)	(32,322)	6,785
Total	**(21,325)**	**(34,671)**	**8,897**

1. pro-forma figures for 2008 include ASF and ATSF, which were merged with date of efficacy 1 January 2009.

Changes in working capital are due to the progress of the contracts which determined extremely positive cash flows in previous years.

37. Management of financial risks

Information is provided below about financial risks and financial instruments in accordance with IFRS 7 "Financial Instruments: Disclosures" and article 2428, paragraph 2, point 6 bis of the Italian Civil Code.

The Company is exposed to financial risks associated with its operations, specifically related to these types of risks:
- *market risks*, relating to the Company's exposure to exchange rate risk (operativity in foreign currencies other than the functional currency) and interest 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 Company specifically monitors each of these financial risks, with the objective of promptly minimising them, also through hedging derivatives.

The sections below provide an analysis, conducted through sensitivity analysis, of the potential impact on the final results deriving from assumed fluctuations in reference parameters. As required by IFRS 7, these analyses are based on simplified scenarios applied to the final results of the reference periods and, by their own nature, they cannot be considered as indicators of the actual effects of future changes in reference parameters with different financial statements and market conditions, and cannot reflect the inter-relations and the complexity of reference markets.

Management of interest rate risk

As indicated in the directive "Treasury management", the goal of the management of interest rate risk is to lessen the negative impact of changes in interest rates, which may affect the Company's Income Statement, the Balance Sheet and the weighted average cost of capital.

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

The Company invests excess liquidities in the short term. At the same time, financial debt is mainly in the short term. The common management of short-term assets and liabilities makes the Company relatively neutral to changes in long-term interest rates.
In 2009 as well interest rate risk was managed without the use of interest rate derivatives.

The Company deposits the cash flows generated from operating activities on the current account held with the parent company. Each time it opens short-term deposits with Finmeccanica Finance (with a length not exceeding three months) to manage the cash surpluses compared to the operating needs with a higher rate of interest receivable. The Company utilises external financial rsources under the form of fixed-rate soft loans, which are needed if the rate of interest payable is lower than the one receivable applied to available funds.

At 31 December 2009 the financial receivable from the parent company Finmeccanica for the current account relation amounted to EUR 1,281 thousand. The rate of interest receivable applied during 2009 was the one-month Euribor less a 0.30 spread.

As reported, deposit contracts are held with Finmeccanica Finance amounting to EUR 151,510 thousand (at 31 December 2009) to which the +0.05Bp Euribor interest rate applies (determined on an arm's length basis). At year-end the eight existing deposits were all made in December 2009 expiring between 8 January 2010 and 31 March 2010.

The Company obtained, together with the unrecoverable capital contributions, certain soft rate loans that at 31 December 2009 showed a balance of EUR 5,754 thousand (EUR 7,842 thousand at 31 December 2008 pro-forma) falling due between January 2010 and June 2013. These facilities call for fixed rate-interest rates ranging between 0.25% and 2.03% (for additional information see Note 20).

Sensitivity analysis on interest rates
Interest-rate risks have been measured through a sensitivity analysis, as provided for by IFRS 7. In respect of the floating rate credit finacial position, if the relevant interest rates had been higher (lower) than 50 basis points at 31 December 2009, the period result, including taxes, would have been higher (lower) than EUR 458 thousand and shareholders' equity higher (lower) of EUR 458 thousand.

(EUR 000)	31 December 2008 Pro-forma[1] Value at Floating Rate	**31 December 2009 Value at Floating Rate**	**Average**	**31 December 2009 Assumption 1 50.00**	**31 December 2009 Assumption 2 -50.00**
Financial assets - Related Parties	266,061	190,765	228,413	1,142	(1,142)
Derivative assets - FV Hedge	0	1,155	578	3	(3)
Cash and cash equivalents	0	105,615	52,808	264	(264)
Assets	**266,061**	**297,536**	**281,799**	**1,409**	**-1,409**
Financial liabilities – Third Parties	0	1,122	561	3	(3)
Financial liabilities – Related Parties	289,037	90,164	189,601	948	(948)
Derivative liabilities - FV Hedge	0	15	8	0	(0)
Liabilities	**289,037**	**91,301**	**190,169**	**951**	**-951**
Total	**-22,976**	**206,235**	**91,630**	**458**	**(458)**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

Exchange rate risk
The above-mentioned directive establishes that the exchange rate risk management of the Company focuses on the achievement of these objectives:
- limiting potential losses due to adverse fluctuations in the exchange rate as compared with the reporting currency of Ansaldo STS and its subsidiaries. In this case losses are defined in terms of cash flow rather in accounting terms;
- limiting estimated or real costs connected to the implementation of exchange rate risk management policies.

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

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

Using funding and lending in foreign currency as a hedging instrument must always be aligned with the overall treasury management and with the overall financial position of the Company (long and short term).
Generally, the purchase and sale of foreign currency is used in the case of exotic currencies where the capital market is not considered liquid or where alternative hedging instruments are not available or are only available at high cost.

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

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

Fair Value Hedge

A fair value hedge involves the hedging of an exposure to changes in the fair value of a recognised asset or liability, an irrevocable unrecognised commitment or an identified portion of such asset, liability or irrevocable commitment, attributable to a specific risk and that could affect the Income Statement.
The Company hedges against changes in fair value with regard to the exchange rate risk for assets and liabilities.

Hedging transactions are carried out predominantly with the banking system. At 31 December 2009 the Group had contracts referring to various currencies in the following notional amounts:

(local currency in 000)	**Sell09**	**Buy09**	**31.12.2009**	Sell08	Buy08	31.12.2008
Euro	41,496	48,593	90,089			0
US dollar	59,151		59,151	64,232	12,400	76,632
GBP		4,705	4,705	720	4,793	5,513
Swedish krona		97,720	97,720		58,869	58,869
Australian dollar	697	54,050	54,747		64,499	64,499

In 2009, the increase in contracts of purchase and sale of foreign currency for hedging transactions is mainly justified by the fact that on 1 October 2009, the Company following the merger of Ansaldo Signal NV in liquidation, also manages back-to-back hedging contracts (please see Note 16).
At 31 December 2009, the net fair value of derivative financial instruments was positive amounting to about EUR 1,140 thousand (EUR 435 thousand at 31 December 2008).

In the course of the year, no significant forward foreign currency purchase transactions have been made in relation to trade payables in foreign currency.
The exchange rate risk refers to receivables and payables in foreign currency and the balances of the permanent establishments of the Company.
The resulting exchange rate differences derive from the adoption of local currency in the preparation of the accounting statement of the permanent establishment. No hedging transactions have been made in relation to exchange difference relative to the permanent establishments abroad since the cost of transaction would exceed the expected benefits.

Sensitivity analysis on exchange rates

For the presentation of market risks, IFRS 7 requires a sensitivity analysis, that shows the effects of the assumed changes in the most relevant market variables on the Income Statement and equity.
Exchange rate risks arise from financial instruments (including trade receivables and payables) recorded in the Financial Statements or from highly probable cash flows denominated in a currency other than the functional currency.
Since the US dollar is the primary foreign currency used by the Company, sensitivity analysis was performed on financial instruments denominated in dollars existing at 31 December 2009, assuming a 5% appreciation (depreciation) of the euro against the US dollar.

This analysis showed that an appreciation or depreciation of the euro against the US dollar would have the following impact on the Company's Financial Statements:

31 December 2009 (EUR 000)	**+5% - appreciation of euro against the US dollar**	**-5% - depreciation of euro against the US dollar**
Income Statement	(53)	59

Liquidity risk

The liquidity risk may emerge when the ordinary commercial and investing dynamics are not managed efficiently and when payables are not paid-off at maturity dates.
In order to support efficient management of liquidity and contribute to the growth in its businesses, the Company has established a set of tools to optimise the management of financial resources. This objective was achieved by centralising treasury operations (cash pooling contracts with Group companies) and maintaining an active presence on financial markets to obtain adequate short and medium-term credit lines. Within this context the Company has obtained short and long-term credit lines for endorsement facilities and for cash sufficient to meet the Group's needs.
At 31 December 2009, the Company shows a net financial liquidity of EUR 199,341 thousand (EUR 239,887 thousand at 31 December 2008 - pro-forma).
The management thinks that in the presence of a positive net financial position, made up by cash at sight, and financial resources for overdraft facilities equal to EUR 29,495 thousand at 31 December 2009, the Company is able to meet the needs related to working capital management, investing activities and the paying-off of payables at their natural maturity.

Liquidity analysis (EUR 000)

	Values at 31 December 2009		
	Less than 1 year	1 to 5 years	More than 5 years
A - Financial liabilities less derivatives			
Non-current liabilities			
Borrowings from third parties		4,032	
Borrowings from related parties			
Other non-current liabilities			
Current liabilities			
Trade payables to related parties	42,279		
Trade payables to third parties	175,062	797	
Financial liabilities to related parties	90,164		
Financial liabilities to third parties	2,844		
Other financial liabilities			
Total A	**310,349**	**4,829**	**0**
B - Negative value of derivatives			
Hedge derivatives (includes *back to back*)	8,903		
Trading derivatives (economic hedge)			
Total B	**8,903**	**0**	**0**
Total A + B	**319,252**	**4,829**	**0**

Against borrowings for EUR 324,081 thousand, the Company has the following financial assets:

C - Financial assets	
Cash and cash equivalents	105,615
Trade receivables - third parties	309,966
Trade receivables - related parties	133,490
Financial receivables - third parties	0
Financial receivables - related parties	190,765
Positive value of derivatives (includes *back to back*)	10,043
TOTAL FINANCIAL ASSETS	**749,879**
D - Credit lines	**29,495**
TOTAL C + D	**779,374**
C+D-(A+B)	**455,293**

The Company has a net credit position and has available liquidity to self-finance and does not have to use banks to finance its own activity. The Company has a relatively little exposure to the tensions of the liquidity market which marked the final part of the year.

Credit risk

The Company is not exposed to significant credit risk, both as regards the counterparties of its commercial transactions and for financing and investing activities.

With reference to commercial transactions, the counterpart is mainly represented by government entities or off-shoots of such entities, essentially concentrated in the euro area. The risks connected with the counterpart, for the contracts with countries with which the Company does not ordinarily do business, are analysed and assessed at the time of the offer in order to highlight any solvency risks.
The nature of customers, if from one hand represents a guarantee for the customer solvency, can extend - for some countries to a more significant extent - the collection times compared with the usual terms in other businesses, creating significant past due positions and the consequent need to resort to unfreezing operations.

At 31 December 2009, trade receivables from third parties and from related parties, overall equal to EUR 443,456 thousand (EUR 290,631 thousand at 31 December 2008 - pro-forma) were past due for EUR 144,536 thousand, of which EUR 19,985 thousand past due more than 12 months.
With regard to the concentration of trade receivables at 31 December 2009, the table below shows the past-due positions detailed by government entities/other customers and geographical areas.

	Government entities			Other customers			
(EUR 000)	European Area	American Area	Other	European Area	American Area	Other	Total
Held as guarantees				13,195			13,195
Receivables not past due	36,044		15,431	228,571	1,101	4,578	285,725
Receivables past due less than 1 year	70,861		8,609	44,935		146	124,551
Receivables past due between 1 and 5 years	3,038		22	16,925			19,985
Receivables past due more than 5 years							0
Total	**109,943**	**0**	**24,062**	**303,626**	**1,101**	**4,724**	**443,456**

Recognition of financial assets and liabilities
The table below gives a breakdown of the Company's assets by type of recognition. Financial liabilities are all recognised on the amortised cost method.

(EUR 000)	*Fair value* through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	*Fair Value*
Non-current assets						
Receivables	-	3,079	-	-	3,079	3,079
Current assets						
Trade receivables from third parties	-	309,966	-	-	309,966	309,966
Trade receivables from related parties	-	133,489	-	-	133,489	133,489
Financial receivables from third parties	-	-	-	-	0	0
Financial receivables from related parties	-	190,765	-	-	190,765	190,765

38. Remuneration to directors, statutory auditors and managers with strategic responsibility

Remuneration paid to persons who have power and responsibility over the planning, management and control of the Group, including executive and non-executive Directors, amounted to EUR 2,702 thousand (EUR 2,984 thousand at 31 December 2008 - pro-forma).

(EUR 000)	**31 December 2009**	31 December 2008 Pro-forma[1]	31 December 2008
Compensation and emoluments	2,417	2,699	1,299
Post-employment benefits		12	
Other long-term benefits			
Severance pay			
Stock Grants	285	273	273
Total	**2,702**	**2,984**	**1,572**

1. 2008 pro-forma data includes ASF and ATSF, merged through incorporation since 1 January 2009.

The item "Compensation and emoluments" also includes the sums paid to the Members of the Board of Directors and to Supervisory Boards.

The Company, in order to create an incentive and retention system for Group employees and consultants, implemented incentive plans providing for the granting of Ansaldo STS shares, subject to the attainment of specific objectives.

With regard to the "Stock Grant" item, the shares relating to the 2008 objectives were granted in December 2009 since all the targets were achieved; consequently the reserve recognised in the previous financial year was used.
The value of the shares granted to the employees of the subsidiaries participating in the plan was recharged as an "equity transaction" without affecting the Income Statement. The differentials relating to the fair value (difference between assignment and delivery) and to the percentage of granted shares were recorded in a special equity reserve (please refer to Note 19).

The Stock grants assigned to the members of the Board of Directors, the General Manager and to the Managers with strategic responsibility are reported in the following table:

		Options held at the beginning of the year			Options assigned during the year		
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)
Name and Surname	Office	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration
Sergio De Luca	Chief Executive Officer	-	-	-	7,821	-	-

The detail of the annual compensation paid to Directors and Statutory Auditors in accordance with Art. 78 of the Consob regulation no. 11971/1999 is as follows:

(€)

PERSON	DESCRIPTION OF POSITION		
Name and Surname	Position	Date of appointment	Term of office
Pansa Alessandro	Chairman of BoD	21/11/2005	Approval of 2010 Financial Statements
Roberti Sante (a)	Deputy Chairman of BoD	21/11/2005	Approval of 2010 Financial Statements
Sergio De Luca	Chief Executive Officer	14/06/2007	Approval of 2010 Financial Statements
Lalli Francesco (b)	Director	21/11/2005	Approval of 2010 Financial Statements
Salvetti Attilio (c)	Director	24/03/2006	Approval of 2010 Financial Statements
Cereda Maurizio (e) (d)	Director	14/06/2006	Approval of 2010 Financial Statements
Genuardi Gerlando (f)	Director	27/09/2007	Approval of 2010 Financial Statements
Pinto Eugenio (g) (h)	Director	01/04/2008	Approval of 2010 Financial Statements
Gitti Gregorio (i)	Director	01/04/2008	Approval of 2010 Financial Statements
Sarubbi Giacinto	Chairman of BoSA	01/04/2008	Approval of 2010 Financial Statements
Scotton Massimo	Statutory Auditor	01/04/2008	Approval of 2010 Financial Statements
Tripodi Francesca	Statutory Auditor	21/11/2005	Approval of 2010 Financial Statements

(a) Deputy Chairman of BoD - appointed 24/02/2006
(b) Member of Remuneration Committee - appointed 27/06/2006
(c) Member of Internal Audit Committee - appointed 24/03/2006
(d) Member of Internal Audit Committee - appointed 27/06/2006
(e) Chairman of Remuneration Committee - appointed 27/06/2006
(f) Member of Remuneration Committee - appointed 01/04/2008
(g) Member of Internal Audit Committee - appointed 01/04/2008
(h) Chairman of Supervisory Board - appointed 01/04/2008
(i) Chairman of Internal Audit Committee - appointed 01/04/2008

(1) 12 months Chairman of BoD Remuneration renounced since 1.4.2008
(2) 12 months BoD - Remuneration retroceded to Ansaldo STS SpA
(3) 12 months BoD + 12 months RC - Remuneration renounced since 1.4.2008
(4) 12 months BoD + 12 months ICC
(5) 12 months BoD and ICC+12 months RC Chairman
(6) 12 months BoD + 12 months RC
(7) 12 months BoD and ICC + 12 months Chairman of Supervisory Board
(8) 12 months BoD + 12 months ICC Chairman

Options exercised during the year			Options expired during the year	Options held at the end of the year		
(7)	(8)	(9)	(10)	(11) = 1+4-7-10	(12)	(13)
Number of options	Average exercise price	Average market price at exercise	Number of options	Number of options	Average exercise price	Average expiration
7,821	-	-	-	-	-	-

Emoluments by position in the reporting Company	Non-cash benefits	Bonuses and other incentives	Other remunerations
60,000 (1)			
40,000 (2)	19,615		333,856
40,000 (2)	102,464	183,000	1,144,313
55,000 (3)			
55,000 (4)			
75,000 (5)			
55,000 (6)			15,000
75,000 (7)			
60,000 (8)			
60,000			
40,000			
40,000			

39. Key figures of the financial statements as at 31 December 2008 of the company performing the management and co-ordination activities (art. 2497-bis of the Italian Civil Code)

The key figures of the Parent company Finmeccanica SpA shown in the summary paragraph required by Article 2497 bis of the Italian Civil Code have been taken from the related Financial Statements ended 31 December 2008.
For an adequate and complete understanding of the financial condition of Finmeccanica Spa at 31 December 2008 and of the results of its operations for the financial year closed at that date, reference should be made to the Financial Statements, which accompanied by the Auditors' Report, are available in the form and the manners provided for by the law.

FINMECCANICA SpA

Balance sheet (EUR 000)

Assets	
Non-current assets	10,081,476
Current assets	4,484,271
Non-current assets held for sale	
Total assets	**14,565,747**
Liabilities	
Shareholders' equity:	
- Share capital	2,518,620
- Reserves and profits carried forward	3,961,758
- Net profit for the year	116,090
	6,596,468
Non-current liabilities	3,997,834
Current liabilities	3,971,445
Liabilities directly correlated with assets held for sale	
Total liabilities	**14,565,747**

Income statement

Revenue	134,618
Costi	-212,128
Finance income and costs	148,826
Income taxes	44,774
(Losses) profits connected with discontinued operations	
Net profit (loss) for the year	**116,090**

Finmeccanica SpA prepares the consolidated financial statements.

40. Statement of engagements pursuant to art. 149-duodecies of the Consob issuer regulation

Below is shown, as provided for by the Consob Issuer Regulation no. 11971/1999 and subsequent amendments to Art. 149-*duodecies*, a statement containing the fees for the year under review for services rendered by the auditing firm appointed or by entities belonging to the auditing firm's network.

(EUR 000)

Type of engagement	Appointed auditing firms/other entities	Fees for the year
Auditing services		
Audit engagement ex Art. 165 of Legislative Decree no. 58/1998	PricewaterhouseCoopers S.p.A.	430
Total auditing services		**430**
Attestation services		
Attestations on accounting records	PricewaterhouseCoopers S.p.A.	33
Total attestation services		**33**
Tax consulting services		
Tax consulting	Rete PricewaterhouseCoopers	90
Total tax consulting services		**90**
Other services		
sundry	PricewaterhouseCoopers S.p.A.	46
Total other services		**46**
	Total fees	**599**

Genoa, 1 March 2010

On behalf of the Board of Directors
The Chairman
Alessandro Pansa

Alessandro Pansa

41. Appendix: list of significant equity investments under article 125 of Consob resolution no. 11971

Subsidiary (name and legal form)	State	% of total	% Indirect control	% Direct control	Through	Type of ownership (see key)
Alifana - Limited-liability consortium	Italy	65.850%		65.850%		1
Alifana due - Limited-liability consortium	Italy	53.340%		53.340%		1
Automatismes Contrôles et Etudes Electroniques Acelec SA	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 Railway System Trading (Beijing) Ltd	China	100.000%		100.000%		1
Ansaldo STS Australia PTY Ltd	Australia	100.000%		100.000%		1
Ansaldo STS Beijing Ltd	China	80.000%	80.000%		Ansaldo STS France S.A.	1
Ansaldo STS Canada Inc.	Ontario – Canada	100.000%	100.000%		Ansaldo STS USA Inc.	1
Ansaldo STS Deutschland GmbH	Germany	100.000%		100.000%		1
Ansaldo STS Espana SA	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 France SA	France	100.000%		99.999%		1
				0.001%		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
Ansaldo STS Infradev South Africa Ltd	South Africa	50.700%	50.700%		Ansaldo STS Australia PTY ltd	1
Ansaldo STS Ireland Ltd	Ireland	100.000%	0.001%	99.999%	Ansaldo STS USA Inc.	1
Ansaldo STS Malaysia SDN BHD	Malaysia	100.000%	100.000%		Ansaldo STS Australia PTY Ltd.	1
Ansaldo STS Sistemas de Transporte e Sinalização Limitada	Brazil	100.00%	0.01%	99.99%	Ansaldo STS USA International Co.	1
Ansaldo STS Southern Africa Pty Ltd	Botswana	100.000%	100.000%		Ansaldo STS Australia Pty Ltd	1
Ansaldo STS Sweden AB	Svezia	100.000%		100.000%		1
Ansaldo STS Transportation Systems India Private Limited	India	100.000%	99.9999%		Ansaldo STS Australia PTY Ltd.	1
				0.0001%		1
Ansaldo STS UK Ltd	England	100.000%		100.000%		1
Ansaldo STS USA Inc.	Delaware –USA	100.000%		100.000%		1
Ansaldo STS USA International Co.	Delaware –USA	100.000%	100.000%		Ansaldo STS USA Inc.	1
Ansaldo STS USA International Projects Co.	Delaware -USA	100.000%	100.000%		Ansaldo STS USA Inc.	1
Balfour Beatty Ansaldo Systems Jv Sdn Bhd	Malaysia	50.00%	40.00%		Ansaldo STS Malaysia Sdn Bhd	1
			10.00%		Ansaldo STS Malaysia Sdn Bhd	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%		1
International Metro Service S.r.l.	Italy	49.000%		49.000%		1
Metro 5 S.p.A.	Italy	24.600%		24.600%		1
Metro C. S.c.p.a..	Italy	14.000%		14.000%		1
Pegaso- Limited-liability consortium	Italy	46.870%		46.870%		1
Transit Safety Research Alliance (no profit corporation)	USA	100.000%	100.000%		Ansaldo STS USA Inc.	1
Union Switch & Signal Inc.	USA	100.000%	100.000%		Ansaldo STS USA Inc.	1

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

42. Attestation of the Financial Statements pursuant to art. 81-ter of the Consob regulation no. 11971 of 14 May 1999 and amendments and integration thereof and to art. 154-bis, para. 2 of Legislative Decree no. 58 of 24 February 1998 and amendments and integration thereof

1. The undersigned Sergio De Luca, Chief Executive Officer and Alberto Milvio, the Manager in charge of the preparation of the company accounting documents of Ansaldo STS SpA certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998 and amendments and integrations thereof:
   - the appropriateness of the Financial Statements with regard to the nature of the business and
   - the effective application of administrative and accounting procedures in preparing the Financial Statements for the period 1 January 2009 - 31 December 2009.

2. No significant issues have arisen in this regard.
   2.1 Alberto Milvio has been appointed Manager in charge of the preparation of the company accounting documents of ANSALDO STS SpA since 1 August 2009.

3. It is also certified that:
   3.1 the Financial Statements:
      a) are prepared in accordance with the International Accounting Standards recognised by the European Community pursuant to (EC) Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the entries in the documents, books and accounting records;
      c) provide a true and fair view of the performance and financial position of the issuer and all the companies included in the scope of consolidation.

   3.2 The Report on operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

4. This attestation is made pursuant to and for the purposes of Art. 154-bis, paragraph 2 of Legislative Decree no. 58 of 1998.

Genoa, 1 March 2010

Signature of the Chief Executive Officer

Sergio De Luca

Signature of the Manager in charge of the preparation of company accounting documents

Alberto Milvio

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