AnsaldoSTS
A Finmeccanica Company

FINANCIAL STATEMENTS AT 31 DECEMBER 2010

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These 2010 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.

Contents

Boards and Committees

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

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SANTE ROBERTI
Deputy Chairman

SERGIO DE LUCA
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(for the 2008/2010 three-year period)

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(for the 2008/2010 three-year period)

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(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 2010

Fellow Shareholders,

The year 2010 posted net profit of EUR 84 million (EUR 56.8 million in 2009) and shareholders' equity of EUR 304.5 million (EUR 249.9 million in 2009).

These results are more than satisfactory, especially in a year marked by the complicated process for the start-up of the new world company organisation.
In 2010 the organization project named Fast Forward Driven by Business (FFDB) was fully implemented, a project determined in 2008 and detailed throughout 2009, a project that transformed Ansaldo STS from the original financial and strategic holding company into an operating company, which encompasses all the business responsibilities. This process commenced in 2009 with the merger of the former Italian subsidiaries Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari, and in 2010 was extended to all the Group world transactions, previously managed by the foreign affiliates with broad levels of independence. Under the new organisation structure, Ansaldo STS hinges on the two divisions in charge of the Signalling and the Transportation Solutions Business Units, the Standard Platforms and Products Business Unit and all the staff functions. As a result, all the decision-making and operating processes have been concentrated in Ansaldo STS globally. The role of the foreign affiliates is to ensure compliance with local rules and assist in the implementation of the global strategy. The main objective is to ensure the maximum Group efficiency and efficacy in a competitive scenario marked by increasingly evident globalisation events.

In 2010 the Company had to face the usual market challenges, with increased competitive dynamics, as well as organisation and management discontinuance, which required a greater effort in terms of leadership and international coordination.
The solid knowledge already acquired (ERTMS and ATC driverless) and the expertise being consolidated (CBTC) in the strategic technologies of the sector, the peculiar geographic distribution of the Group business at global level, and the additional efforts of commercial penetration in the new areas characterised by high growth rates (Central and Eastern Europe, and Middle and Far East) confirm the Group's favourable competitive positioning and make it possible to look to the future with reasonable serenity, unless the political or macroeconomic scenario is upset by events that cannot be determined with certainty at the moment.

The last strategic plan prepared by the Company and made known to the financial community in December 2010 is based on the assumption that orders and revenues will further develop during the next three years. This is credible, first of all because estimates for the reference market are growth estimates (made by the most credited analysts at an annual average rate of 4.5%), and secondly because the organisation has a factual possibility of increasing its market share, due to its particular business model and competitive, technological and presence advantages on the above said international markets.

With these positive prospects, some possible threats are also to be considered. First of all, competition is rising, due to market globalisation and product standardisation. To address the effects of the resulting contraction of selling prices, the Company launched a programme for the reduction of both external and internal costs, in order to protect unit margins for the coming years.

Potentially more serious, because it is difficult to control, is the threat of the deterioration of the political and macroeconomic scenario, especially in the emerging markets, whose penetration has been recently the focus of the most significant efforts of the company, such as in the Middle East, in particular in Libya.
The development of destabilisation events occurring as we are preparing these financial statements and the consequences on the business prospects of Ansaldo STS are difficult to estimate, at least at present.

Significant Events in the January - December 2010 period

The year 2010 can be considered a positive year due to both production and commercial results on one hand and economic and financial results on the other.
The basic issue, which for quite some time has caught the attention of the company's management, is the penetration in new customers and new markets and the strengthening of the company's presence in areas previously acquired; during 2010 the actions undertaken to that end achieved undoubted successes for both the large volume of new orders and the quality characteristics of these orders.
The commercial success achieved in Denmark, Libya and Kazakhstan, in both the railway and the mass-transit market segments in both the Signalling and the Transportation Solutions Business Units strengthened and extended the presence of Ansaldo STS in important competitive scenarios and strengthened its reputation, even technologically, on a global scale. No less important are the signs of recovery in the domestic market, in particular the recovery of Ferrovie dello Stato. The awarding of the project for the technological upgrade of the Genoa junction, the negotiations through Consorzio Saturno for the definition of the contract for the construction of the High-Speed line Treviglio-Brescia, and most of all the bid for the upgrade of the technological systems for the Turin-Padua main line strongly involved the commercial and technical facilities of the company at the service of a customer which remains key in Ansaldo STS' strategy, due to both the quantity of future investments and the position of absolute technological leadership created during the previous years in this important market.
The company's intense commercial action produced an overall volume of new orders for the year of EUR 1,537 million (EUR 1,273 million in 2009, an increase of 23.6%).
As a result, order backlog at 31 December 2010 amounted to EUR 3,731 million (EUR 3,041 million at the end of 2009, an increase of 22.7%) and guarantees production for at least four years.

The total production volume amounted to EUR 852.7 million, an increase of 18.9% over EUR 716.8 million for 2009. EBIT amounted to EUR 116.5 million, a 40.9% increase from the previous year (EUR 82.7 million) due to both the volume effect and the profitability/mix effect.

Positive results were also achieved on the financial front. The year ended with positive net financial debt of EUR 259.7 million (EUR 199.3 million in 2009); net cash flow for the period was EUR 60.4 million (- EUR 40.5 million in 2009), after the payment of dividends of EUR 31.0 million (EUR 27.0 million in 2009).

As new organisation structures were implemented, as illustrated in the introduction, during the year the company worked hard for the compliance of the main operational processes. In particular, guidelines were implemented for the new operational and control model to be applied to all the companies of the group and the SAP IT system was aligned to the new system requirements. The plan for the implementation of the new IT system became operational in the Italian company, was rolled out in mid-2010 in Australia and at the start of 2011 in the French company, while the start-up for the American company is scheduled for the first half of 2011.

Starting from 30 November 2009 the Italian Inland Revenue Service - Campania Regional Division carried out a general tax inspection on the merged company Ansaldo Trasporti Sistemi Ferroviari S.p.A. for the year ended 31 December 2006. At the end of the inspection in April 2010 there were no significant findings to report.

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 thousand)	**31.12.2010**	31.12.2009
Orders	**1,537,350**	1,273,198
Order backlog	**3,730,561**	3,041,100
Revenues	**852,653**	716,817
Turnover	*754,207*	*687,187*
Gross Profit	**191,233**	148,227
Gross Profit %	*22.4%*	*20.7%*
EBIT	**116,460**	82,745
ROS	*13.7%*	*11.5%*
Net profit	**83,990**	56,785
Net debt	**(259,699)**	(199,341)
Net Cash Flow	**60,358**	(40,546)
EVA	**70,652**	52,019
Workforce	**1,559**	1,515
Research and Development	**17,154**	14,071

In general the economic and financial performance 2010 is slightly better than the previous year's due to both greater volumes and the positive mix-profitability effect.
Net cash flow rose, as net financial debt.

Below are the key figures for the two business units, including eliminations:

Transportation Solutions (EUR thousand)	**31.12.2010**	31.12.2009
Orders	**1,126,729**	586,062
Order backlog	**2,533,310**	1,872,033
Revenues	**470,216**	392,633
Turnover	*439,076*	*412,143*
Gross Profit	**61,000**	55,098
Gross Profit %	*13.0%*	*14.0%*
EBIT	**43,532**	35,149
ROS	*9.3%*	*9.0%*
Operating working capital	**(91,415)**	(82,137)
Workforce	**347**	310
Research and Development	**1,774**	2,844

The volume of new orders in the Transportation Solutions Business Unit is really exceptional both in absolute terms and in a comparison with the prior year's figure. This is mostly due to the acquisition of the contract for the construction of the technological works for the Cityringen metro line in Copenhagen, for which details will be given 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 thousand)

	31.12.2010	31.12.2009
Orders	**457,998**	745,176
Order backlog	**1,332,084**	1,269,449
Revenues	**395,363**	343,191
Turnover	*328,349*	*292,985*
Gross Profit	**129,942**	95,198
Gross Profit %	*32.9%*	*27.7%*
EBIT	**87,388**	64,647
ROS	*22.1%*	*18.8%*
Operating working capital	**(57,707)**	(70,262)
Workforce	**1,045**	1,042
Research and Development	**15,380**	11,227

The volume of new orders for the Signalling Business Unit fell as compared with 2009, a year marked by the acquisition of the exceptional order for the Libyan railways for an amount of EUR 541 million.

The production volume rose, as average operating profitability also did, due to the different combination of orders in the period and the positive completion of some of these orders.

Income Statement

In order to provide complete information on the financial condition of Ansaldo STS S.p.A. (hereinafter, also ASTS) appropriate reclassification statements broken down by nature and in a functional basis were drawn up for 2010 and for the comparison with 2009.

(EUR thousand)	**31.12.2010**	31.12.2009
Income Statement by Nature		
Revenue (*)	**852,653**	**716,817**
Raw materials and consumables used and personnel costs (**)	(740,855)	(639,550)
Change in work in progress, semi-finished and finished goods	1,884	1,504
Amortisation, depreciation and impairment	(10,573)	(6,748)
Restructuring costs	0	0
Other net operating income (expenses) (***)	13,350	10,722
Adjusted EBIT	**116,460**	**82,745**
Restructuring costs	0	0
EBIT	**116,460**	**82,745**
Net finance income (costs)	8,234	2,460
Income taxes	(40,704)	(28,420)
Net profit (loss) before discontinued operations	**83,990**	**56,785**
Net profit (loss) from discontinued operations		
Net profit	**83,990**	**56,785**
Earnings per share (basic and diluted)	**0,70**	**0,47**

Notes for reconciling the reclassified Income Statement and the 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 2010 revenue of EUR 852,653 thousand rose by EUR 135,836 thousand as compared with 2009 (+18.9%) due to the development of the significant order backlog; revenue was mainly generated in the domestic market (EUR 573,923 thousand from EUR 561,209 thousand in 2009), while the revenue generated from abroad was EUR 278,730 thousand, markedly higher than the figure for 2009 (EUR 155,608 thousand), mainly due to the progress of the activities in Libya and Saudi Arabia.
The total amount of raw materials and consumables used and personnel costs, due to the greater volumes developed, rose by EUR 101,305 thousand and accounted for 86.9% of revenue (89.2% in 2009).
EBIT amounted to EUR 116,460 thousand (13.7% of revenues) as compared with EUR 82,745 thousand (11.5% of revenues) in 2009. The % increase is due to the greater average profitability of works on orders for the current period.
Net finance income/costs rose from EUR 2,460 thousand (0.3% of revenues) in 2009 to EUR 8,234 thousand (1.0% of revenues) in 2010, due to the combination of the dividends received by the parent company Ansaldo STS France (EUR 15,000 thousand) and the writedown of the equity investment of Ansaldo STS UK (EUR 6,011 thousand).
Income taxes amounted to EUR 40,704 thousand (4.8% of revenue) from EUR 28,420 thousand (4.0% of revenue) in 2009. When compared with the net profit (loss) before taxes, income taxes accounted for 32.6% (33.4% in 2009). The decrease over 2009 in the percentage incidence is mainly attributable to the taxation of the dividends received in the period to the extent of 5% of the total amount.
The net profit (loss) after taxes was EUR 83,990 thousand (9.9% of revenue) from EUR 56,785 thousand (7.9% of revenue) in 2009.

The income statement on a functional basis is as follows:

(EUR thousand)	**31.12.2010**	31.12.2009
Revenue	**852,653**	716,817
Production costs	**(661,420)**	(568,590)
Production gross margin	**191,233**	148,227
% margin on revenue	*22.43%*	*20.68%*
Structure costs	**(72,847)**	(66,251)
Balance of Costs (-)/ Income (+)	**(1,926)**	769
EBIT	**116,460**	**82,745**

The strong increase in revenue as compared with 2009 is due to the great increase in the activities developed by the Transportation Solutions Business Unit, especially for the works carried out for Riyadh's Women's University and Metro Brescia, while average profitability rose mainly in the Signalling Business Unit due to the different combination of works on orders as compared with the prior year and to the positive closing of some contracts.
Structure costs rose in absolute terms by EUR 6,596 thousand, of which EUR 2,773 thousand is due to the strengthening of commercial activities and EUR 1,828 thousand is due to greater costs, less grants, of R&D activities.

The negative increase in the items carried under other costs/income of EUR 2,695 thousand for 2009 mainly stems from the writedown of receivables of EUR 4,785 thousand from Firema, which during 2010 started the "extraordinary administration" procedure (a special insolvency proceedings). As compared with 2009, net interest on trade receivables/payables rose (EUR 1,669 thousand), costs for activities for the new operating and control model fell (EUR 735 thousand) and greater costs of stock grant plans were recognised (EUR 670 thousand).

Balance Sheet

The table below contains the balance sheet at 31 December 2010 compared with the figures at 31 December 2009:

(EUR thousand)	**31.12.2010**	31.12.2009
Non-current assets	263,351	264,675
Non-current liabilities	(26,448)	(25,778)
	236,903	**238,897**
Inventories	86,301	67,267
Contract work in progress (net)	102,483	66,684
Trade receivables	534,367	443,456
Trade payables	(374,857)	(218,138)
Advances from customers (net)	(504,559)	(513,217)
Working capital	**(156,266)**	**(153,948)**
Provisions for short-term risks and charges	(6,009)	(8,166)
Other net current assets (liabilities) (*)	(29,821)	(26,191)
Net working capital	**(192,095)**	**(188,305)**
Net invested capital	44,808	50,592
Shareholders' equity	**304,507**	**249,933**
Net financial debt (liquidity)	**(259,699)**	**(199,341)**

Notes for reconciling the reclassified 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").

Non-current assets and liabilities are mainly in line with the figures at 31 December 2009.
Net working capital remains essentially unchanged, due to the combined effect of the increase in inventories, the great increase in trade receivables, the non-collection of some receivables from customers in the Campania region, and the related increase in trade payables.
The increase in Shareholders' Equity of EUR 54,574 thousand is mainly due to the recognition of the net profit for the year of EUR 83,990 thousand and the payment of the dividend of EUR 30,982 thousand for the year 2009.

Financial Situation

Below is the net financial debt (liquidity) at 31 December 2010 as compared with the figure at 31 December 2009:

(EUR thousand)	**31.12.2010**	31.12.2009
Short-term borrowings	2,230	2,298
Medium and long-term borrowings	1,115	2,881
Cash and cash equivalents	(115,501)	(105,615)
Bank debt (liquidity)	**(112,156)**	**(100,436)**
Financial receivables from related parties	(177,345)	(190,765)
Other financial receivables	-	-
Financial receivables	**(177,345)**	**(190,765)**
Borrowings from related parties	28,958	90,164
Other borrowings	843	1,696
Borrowings	**29,801**	**91,860**
Net financial debt (liquidity)	**(259,699)**	**(199,341)**

Net liquidity at 31 December 2010 was a positive EUR 259,699 thousand from EUR 199,341 thousand at 31 December 2009, an increase of EUR 60,358 thousand due to the reduction in borrowings from related parties of EUR 61,206 thousand (in particular from the subsidiaries Ansaldo STS Australia and Ansaldo STS France) and the positive net cash flow of EUR 9,885 thousand. The financial position at 31 December 2010 (EUR 259,699 thousand) includes EUR 70,643 thousand for the advance payment collected from the Russian customer Zarubezhstroytechnology for the project, recently signed, for the construction of signalling, automation, telecommunications, power supply, security and ticketing systems on the line linking Sirth to Benghazi in Libya.

The financial receivable from related parties of EUR 177,345 thousand at 31 December 2010 (EUR 190,765 thousand at 31 December 2009) mainly includes a time deposit with the related concern Finmeccanica Finance and current accounts with the subsidiaries Ansaldo STS Australia and Ansaldo STS Usa Inc..

Below is the reclassified statement of cash flows at 31 December 2010 compared with the year ending 31 December 2009.

(EUR thousand)	31.12.2010	31.12.2009
Cash and cash equivalents - opening balance	**105,615**	**57,255**
Gross cash flow from operating activities	132,380	94,368
Changes in other operating assets and liabilities	(50,825)	(21,325)
Fund From Operations	**81,555**	**73,043**
Change in operating working capital	2,318	(178)
Cash flow from (used in) operating activities	**83,873**	**72,865**
Cash flow from ordinary investing activities	(6,776)	(4,384)
Free Operating Cash Flow	**77,097**	**68,481**
Strategic investments	(757)	(5,025)
Dividends from consolidated companies	15,000	0
Cash flow from (used in) investing activities	**7,467**	**(9,409)**
Dividends paid	(30,982)	(26,971)
Effect of merger of Ansaldo Signal N.V. in liquidation		(77,031)
Cash flow from financing activities	(50,473)	88,906
Cash flow from (used in) financing activities	**(81,455)**	**(15,096)**
Increase (decrease) in cash and cash equivalents	**9,885**	**48,360**
Cash and cash equivalents - closing balance	**115,500**	**105,615**

The performance of Free Operating Cash Flow slightly increased due to some contractual advances collected during the year and to the increase in working capital due to the progress of some contracts which determined extremely positive cash flows in previous years.

Alternative non-GAAP performance indicators

Ansaldo STS S.p.A.'s 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 finance income and costs, with no adjustments.
- ***Adjusted (Adj) EBIT:*** 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 expenses are normally referable to the 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 new orders in 2010 is remarkably relevant, amounting to EUR 1,537.4 million (EUR 1,273.2 million in 2009), a marked growth as compared with the previous years.

Below is a breakdown of the two business units:

Transportation Solutions

The year 2010 for Transportation Solutions was exceptional in terms of orders acquired (EUR 1,126.7 million, EUR 586.1 million in 2009). The most relevant contract relates to the new metro line in Copenhagen named Cityringen. It has an overall value of EUR 576.8 million, and regards the construction of the technological systems for the entire system (EUR 344.4 million), and the operation and maintenance for 5 years (EUR 232.4 million), with an option for an additional 3 years.
The new line, fully underground, will be using a driverless system that is far more advanced than that used in the previous Copenhagen Metro and will stretch throughout the centre of Copenhagen for 16 km with 17 stations. Operation is expected to start in 2018.
In particular, the scope of work of Ansaldo STS S.p.A. includes designing activities, construction of power supply, communication systems, SCADA, platform screen doors, signalling (CBTC), equipment, vehicles, depot and Control centre.
For now vehicles have not been considered in the acquisition value, pending the customer’s operational decision; they will be provided by AnsaldoBreda.

Other new orders for Transportation Solutions include:
- the contract for the extension of the Operation & Maintenance activities for Copenhagen Metro for five years starting from 1 November 2010, with an option for an additional three years, for a total amount of EUR 221.5 million, a confirmation of the close and strengthened relationship with customer Metroselskabet;
- the extension of the Dinegro depot for the Genoa Metro for an amount of EUR 42.4 million; the works will affect a first functional lot for the extension of the existing depot near the Dinegro station and aim to prepare both the shelter/handling area and the maintenance workshop for the new 39 mt-long trains. Works will also include the construction of the depot cover at the level of Via Buozzi, of park and ride facilities for 150 car spaces and 50 motorbike spaces fully functional with the existing station. Works are scheduled for completion in 2012;
- the contract for the supply of 7 new vehicles for the Genoa metro for a value of EUR 31.6 million;
- the contract for the extension of Naples Line 6 for the Mostra-Arsenale section for a value of EUR 160.5 million. Always within this concession, variations were made to the Mergellina-Municipio section under construction of EUR 17.3 million;
- variations signed on the Alifana business for a total amount of EUR 15.4 million mainly for Innovative Systems, Equipment and Signalling changes to the Naples Metro junction;
- the order for the construction of the first section of Rome Line B1 (Bologna - Conca d’Oro) for a value of EUR 7.5 million;
- the amount of EUR 38.8 million for the order in Libya, acquired by the Signalling Business Unit, for the power supply of the *Sirth-Benghazi* line and the *Aidir-Tripoli-Sirth* line for EUR 38.8 million;
- 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 5.3 million.
- variations, mainly for technological works on the existing driverless metro projects of Brescia, Riyadh, Milan Line 5 and Rome Line C whose value amounted to EUR 9.1 million.

In 2009 the value of the orders substantially related to the award of the contracts for the construction of driverless metros in Taipei and Riyadh, as well as the award of the works under concession on the Dante-Garibaldi section of the Naples Line 1 Metro.

In terms of prospects, the market growth trend worldwide is confirmed, in particular in the driverless metro segment.
Regarding opportunities, in the domestic market expectations are confirmed, although deferred over time, regarding expansion programmes for the public transport railway network for all the main Italian cities, which help keep steady the market development estimates. In particular, the award for the first lot of Line 4 of the Milan Metro is expected in the first half of 2011, whereas for Line 5 an understanding was signed at the end of January for the extension to S. Siro for a value of EUR 105 million (Ansaldo share).
As regards Rome Line B, other extensions are expected for 2011 with subsequent possible new orders.

On foreign markets, it must be highlighted that in June 2010 an offer was submitted for the bid for the construction of the driverless metro in Honolulu, as also for supplements and upgrades throughout the end of the year; at present offers are being evaluated by the customer, which has recently requested an additional Best and Final Offer. In the United States we are monitoring some high-speed line projects, in particular the DesertXpress projects. As regards South America, a country of interest is certainly Brazil; a bid for the construction

of a driverless metro system in Fortaleza, a bid for the construction of line 5 of the Saõ Paulo underground network and a bid for the construction of a high-speed railway line linking Saõ Paulo to Rio de Janeiro are expected to be called over the next five months.
In the Middle East, Qatar is one of the Gulf Countries with the most ambitious infrastructural plan which envisages in the next few years several projects for the construction of the metro and LRT. At the moment, ASTS is participating in the tender for the Tramway in Lusail, with trains without catenaries (“tramwave”).
In January 2011 an offer was submitted again for the construction of the driverless metro system in Taichung, and we are awaiting the bid for the extension of the Circular Line (under construction) in Taipei.

Signalling

The value of new orders in the Signalling Business Unit recognised in December 2010 amounted to EUR 458.0 million (EUR 745.2 million in the previous year).
It must be reminded that the exceptional amount of 2009 resulted from the order received from the Libyan railways for EUR 541.0 million for the signalling system for the Ras Ajdir – Sirt and the Al Hishab – Sabha lines.

The volume of the orders acquired in the Italian market in 2010 amounted to EUR 199.5 million (EUR 187.3 million in 2009); these include:

- the awarding by RFI of the works for the technological strengthening of the Genoa junction for an amount equal to EUR 43.7 million. The works relate to the innovative technology security and signalling systems, Multistation interlocking (*Apparato Centrale a Calcolatore*, ACC), and telecommunications, between the Genova Voltri and Genova Brignole stations. The Multistation ACC system of the Genoa railway junction will be characterised by a Multistation Central Post (PCM) located in the premises of Genova Teglia, where the Command and Control System (SCC) of the Genoa junction is located, operational since 2003, fully developed and provided by Ansaldo STS;
- variations and reconfigurations to the line SCMT in the amount of EUR 17.6 million;
- the contracts for the sale of onboard equipment through Ansaldo Breda, of which EUR 29.5 million relates to the Zefiro trains, in addition to SCMT conventional railway applications of EUR 9.9 million (final customer: Trenitalia) and equipment of EUR 6.8 million for trains of Ferrovie Nord Milano;
- orders amounting to EUR 28.5 million for the maintenance of existing lines and systems, broken down by high-speed lines (including EUR 5 million for the Milan-Bologna line, EUR 3 million for the Rome-Naples line and EUR 2.5 million for the Turin-Milan line) and conventional railway lines (including EUR 2.5 million for SCC Genoa and EUR 3.6 million for SCC Palermo);
- orders amounting to EUR 13.8 million for completions and variations to the Italian high-speed line;
- orders of components and spare parts for metro and railway systems amounting to EUR 8.3 million;
- the contract for the installation of an anti-intruder and video surveillance system for the Palermo station and 19 other connected stations amounting to EUR 3.7 million.

Among the commercial activities ongoing in the Italian market is the offer for the project for the renewal of the signalling and driverless systems for the Turin-Padua main line, which was awarded to Ansaldo STS in February 2011.

Moreover, the company is member of a Temporary Business grouping (RTI) to which Ferservizi (Ferrovie dello Stato Group) awarded a 7-year-long master agreement following a limited procedure bid for a base amount of EUR 1,365 million for the operation of the data processing, software application management and development, and call center facility for the Ferrovie dello Stato Group.
Within the business grouping, Ansaldo STS S.p.A. will be in charge of the management and development of the applications for traffic control and public information systems. These services will be defined year by year with the customer Ferservizi based on the customer’s specific needs following specific application contracts to be made from 2011.

In the foreign market new orders amounted to EUR 258.5 million (compared with EUR 557.9 million of 2009).
In particular, the consortium formed by Ansaldo STS S.p.A. and Selex Communications - both are Finmeccanica companies - signed with Zarubezhstroytechnology, a subsidiary of the Russian Railways JSC RZD, a contract for the overall value of EUR 247 million for the construction of signalling, driverless, telecommunications, power supply, security and ticketing systems on the Sirth – Benghazi line, in Libya.
Ansaldo STS S.p.A. is the leader of the Consortium and its share of the works is equal to EUR 201.8 million.
The bid, awarded following an international bid where the bidders were our main competitors, was launched by the Russian Railways as Main Contractor to the Libyan Railways in charge of the construction of all the civil and technological works for the 550-km-long Sirth-Benghazi line.
In particular, Ansaldo STS S.p.A. will construct: the interoperable European system known as European Rail Traffic Management System (ERTMS) / European Train Control System (ETCS); the equipment for station control known as Interlocking; trackside equipment (signals, axle counters, switch machines, temperature detectors for hot axle boxes); the railway traffic control and driverless centre; the public announcement and information system; the electric power supply system (including the relevant supervisory system known as SCADA); the security system (videosurveillance, fire detections, anti-intruder) and the automated ticketing system.
This contract follows the contract for an amount of EUR 541 million already signed directly with the Libyan Railways in July 2009 for the construction of the signalling, telecommunications and power supply systems for the Ras Ajdir - Sirt coastal line and the Al-Hisha – Sabha mainland line, for a total of some 1,450 km.

Another relevant event was the establishment with the Kazakhi railways of the Joint Venture “Kazakhstan TZ - Ansaldo STS Italy Limited Liability Partnership” and the award by the joint venture to Ansaldo STS of a contract for an amount of EUR 45.6 million for the designing, supply, installation and operation of signalling systems using level 1 ERTMS equipment and telecommunications of the Zhetygen - Korgas line (300km in South-Eastern Kazakhstan).
The above-said joint venture is particularly important because it gives Ansaldo STS the possibility to well-position, given the huge investments planned in the Country for the next ten years for the strengthening of the railway network.

Commercial activities abroad also include the signing at the end of November of a Memorandum of Understanding (MoU) with the Russian Railways (RZD) for the establishment of a Joint Venture between Ansaldo STS S.p.A. (49%) and NIIAS (49%) and SM (2%), companies controlled by RZD, to develop railway signalling, telecommunications, driverless, and safety & security projects.
The agreement specifically provides for the supply, by 2020, of technologies for 100 stations, 100 vehicles and 50 railway lines for an overall value that could exceed 1.5 billion euros.
Ansaldo STS S.p.A. will supply its technologies to the JV following specific orders received from the Russian Railways.
The company has been collaborating for a while now with RZD and its subsidiary NIIAS, with which a contract was signed last year for the joint development of an innovative railway signalling system named ITARUS-ATC for train speed control and safety.
With this new agreement, the company is strengthening its position in the Russian signalling market and enters the station equipment segment.

Order backlog

The company’s order backlog at 31 December 2010 amounted to EUR 3,731 million as compared with EUR 3,041 million at the end of 2009;

in particular:
- the Transportation Solutions Business Unit’s order backlog came to EUR 2,533 million (EUR 1,872 million at 31 December 2009) and mainly relates to: the projects for the Copenhagen Metro (30.3%); the concessions for the construction of the Naples and Genoa Metros (24.3%); the driverless metros of Brescia and Milan (7.0%); the construction of the Line C Rome Metro (8.7%); the Riyadh metro project (3.3%); the Taipei Metro project (8.1%); the High-Speed line projects (1.0%); Alifana (4.2%); the Thessaloniki project (6.0%);
- the Signalling Business Unit’s order backlog came to EUR 1,332 million (EUR 1,872 million at 31 December 2009) and mainly relates to: the projects for ACS (66.4%) (including Libya and Turkey), the Metros (11.3%), the On-board SCMT (11.0%), the High-Speed line (3.3%), the SCCs (3.1%), Maintenance & Service (3.6%), Wayside SCMT (1.3%).

Production performance

Overall production revenues amounted to EUR 852.7 million (EUR 716.8 million in 2009), an increase of EUR 135.9 million essentially determined by greater works abroad.

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

Transportation Solutions

Production at 31 December 2010 amounted to EUR 470.2 million (EUR 392.6 million in 2009). It 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 revenues EUR 28.0 million):
For the works carried out through the Saturno consortium, the following should be noted.
As regards the Rome–Naples section, the section for the second Functional Lot started commercial operations at the end of 2009, following the test completion, the favourable opinion of the Technical Control Commissions and the success of the pre-operations of November 2009. Some systems not essential for commercial operations were delivered in December 2010, and the "as-built" stage of the project is being completed, and some activities are being completed as demanded by the Technical Control Commissions.
The Novara-Milan and the Bologna–Florence sections were also delivered to RFI and only assistance covered by guarantee is to be performed yet.
On the Milan-Bologna section, a system for the Modena interconnection is under construction and will be completed during 2011.
It should be pointed out that for both the Rome-Naples section and the Milan-Bologna section the determination of completion times, with the subsequent economic calculations, depends on the awards of the pending arbitration proceedings.

Genoa Metro (production revenues EUR 22.8 million):
The year 2010 saw the signing of the Addendum for the first lot relating to the construction of the extension of the Dinegro Depot and the signing of the Addendum for the supply of 7 third-generation vehicles.
Site activities focussed on the De Ferrari-Brignole section, which is currently under construction. After the concrete slab was completed and platforms were laid on the entire line in February, the tracks were assembled in April and July; the activities for assembling cable paths and tunnel lights along the line commenced in October. The construction of the Brignole station encountered difficulties due to archaeological finds which led to partial suspensions for six months.
The archaeological activity was completed in December and meetings are under way to identify the appropriate recovery actions suitable to minimise the delays accumulated so far and to make the line ready for opening in 2012.

Alifana Regional Line (production revenues EUR 20.7 million):
In 2009 the Giugliano – Aversa Centro line (Second Functional Action) was opened to the public with 2 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. The Integrated Telecommunications system and the A lot of the new Melito station are being completed.
In March the Temporary Business Grouping signed with the Grantor Metrocampania Nordest the Statement of Agreement for the increases in the prices of the construction materials and the addendum confirming the award of these works, always for the Piscinola–Aversa Centro section:

- completion of Stage 1 A lot of the Melito station with the construction of the station building and the relevant accessibility works;
- construction of the B lot of the Melito station and the variation to the sewer trunk of Giugliano, Melito and S. Antimo;
- construction and implementation of these works in the Piscinola–Miano section and slip ramps with the MetroNapoli depot: a) addition of two sidetracks and related systems; b) moving back the MNA vault; c) massive equipment similar to the one used in other densely urbanised sections; d) innovative systems formerly adopted on the Piscinola–Aversa Centro section;
- purchase of stock for the second functional action;
- internal and external fittings-out of stations.

An integration to the previously signed addendum was formalised for the designing, supply, installation and operation of onboard safety systems (ATPc/d) and event recorder devices, for the equipping of 3 MA 100 electrotrains, as well as for a technical stock.

With regard to the Integrated Contract for the Piscinola–Capodichino section, always in March an Addendum was signed which replaced the one made in 2008.
The deed redefines the contractual date of completion of the works, the date of delivery for the areas of the A and B lots, and the recognition – unlike provided in the contracts – of the supplies rendered for the signalling/driverless system, the executive design of some technologies and the orders issued.

Naples Metro Line 6 (production revenues EUR 85.6 million)
Regarding Line 6 of the Naples Metro, during 2010 there were important developments concerning both the implementation and the management issues.
In particular, as regards the Line Tunnel, 1 km was excavated traditionally using TBM/EPB; after a first preliminary phase marked by the start-up of the entire excavation system and the completion of the activities for the site organisation, production per week reached optimum levels and the deadlines for the construction programmes were maintained.

The excavation continued and the maximum security level was always maintained, it being continuously checked through an innovative and complex geo-referenced monitoring system of the surrounding structures and land, also due to the fact that in the initial section excavation was carried out near the civil buildings along Via Piedigrotta. In September the first intermediate milestone of the programme was achieved with the "full" crossing of the A.Mirelli station and the planned suspension of maintenance operations. At 31 December 2010 some 872 m of Tunnel were excavated, equal to some 513 lining segmental rings.
With regard to the 4 stations A.Mirelli, S.Pasquale, Chiaia and Municipio, during the year activities continued slowly because of interferences with the archaeological excavations.
For the site of the Arco Mirelli station, the first half of 2010 was marked by the completion of the works for the construction of the containment bulkheads and the scaffolding on the building side, which enabled the final construction of the site. Archaeological excavations started and are still under way.
The same situation also affected the site of the San Pasquale station, which is being built, and where archaeologists completed the first Stage of the surveys during the third quarter, and the works for the construction of the floor covering the station shaft commenced only at a later date.
For the site of the Chiaia station as well, the progress of works was subject to the progress of the archaeological excavations.
From the management standpoint, the year 2010 saw the positive conclusion of the following surveys carried out with the Municipality of Naples and the Works Management:

- "Technical and economic variation to the final project for the full passage of the TBM shield on the side of the A.Mirelli, S.Pasquale and Chiaia stations" approved with D.G.C. no. 2314;
- "Technical and economic variation to the final project for changing the route of the line tunnel from Mergellina to Municipio" approved with D.G.C. no. 76;
- "Approval with no expense commitment of the projects for unplanned works included in Sundry and Supplemental Charges and approval of the relevant Updated Economic Framework" approved with D.G.C. no. 823.

With regard to the seventh Addendum for the design and construction of this section between the Mostra station and the former Military Armoury area in Via Campegna, all the operations preparatory to the sites opening are under way and all the requirements have been met for submitting to the Municipality of Naples the final variation project for the construction of the new depot/workshop which will allow commercial operations of the Mostra-Municipio section.

Copenhagen (production revenues EUR 62.6 million):
Production during the period was almost exclusively marked by activities relating to the operation & maintenance of the system for both the former contract, ended in October 2010, and the extension contract commenced in October 2010.

Rome Metro Line C (production revenues EUR 83.3 million):
With regard to the activities of the consortium company Metro C, the excavation of the tunnel to S.Giovanni was almost completed and civil works have been carried out in all the stations of the 1st strategic phase. Specifically, the stations of the T7 section are being completed while finishing works are being carried out in the Graniti Depot. The technology assembling for both T7 Section and depot is currently in progress.
Assembling of the SERs of Pantano, Bolognetta, Deposito and Grotte Celoni was completed; Line equipment for the remainder of the T7 section is being assembled, the ATC Operation Stage at Depot and along the Experimental Line is under way.
The construction of the first 13 trains is continuing at the workshop of Ansaldo-Breda in Reggio Calabria. The first three vehicles were delivered and ATC tests are being run on one of them.

Thessaloniki Metro (production revenues EUR 3.4 million):
Technical and management meetings continued between the representatives of Ansaldo STS and the Customer regarding the differences on the technical interpretation of the design. Specifically, in order to settle the dispute regarding the signalling system architecture, the Customer relaunched a request previously discussed at the start of 2009 regarding a solution based on the new CBTC architecture. Also, although the Customer expressed its general satisfaction regarding a technical proposal submitted by Ansaldo during December 2010, no official comments have been received so far on the documents presented. Anyway this is part of a broader opportunity for the recognition of a variation for a possible route extension (Kalamaria variation), which would result in an increase of Ansaldo's scope of work.
The negotiations for the variation, if any, should move from the strengthening of the present scope of work and address the settlement of the signalling dispute and the approval of the GFD2.
Moreover, the Joint Venture preliminarily agreed upon the opportunity of submitting a formal claim to the Customer for the damages incurred by the Partners during the designing phase (GFD1 and GFD2) due to the approval procedure developed by the Customer, which was often slow, discontinued, and out-of-control. The formal letter is estimated to be submitted in the first quarter of 2011.
Finally, from September 2010 we agreed upon a new Contract Programme with the Joint Venture to submit to the Customer. It is presently assumed that works will finish by the end of November 2017 due to the delays in archaeological investigations, which are still being run in many sites, and a new approach for the installation and operation that pays more attention to the space-time sequence of sites and to the routes/vehicle/communication integrations in the dynamic tests. It is estimated that this work programme may be submitted to the customer within the first quarter of 2011.

Milan Metro Line 5 (production revenues EUR 30.1 million):
In the year some technical variations were agreed upon with the customer and, following the presentation of several reserves, the arbitration proceeding ended.
With the end of the detailed engineering, the progress of supplies reached 95% of factory testing activities and the installation preparation, while construction engineering is continuing regularly and is ahead of installations.
In August and later in September two overflows of the Seveso River caused a suspension of the activities in the damaged areas (from the Bicocca station to the Zara station). Assembling activities are being carried out on many fronts: by continuing activities in the areas not affected by the overflows (Deposito–Bicocca area) and by re-establishing systems in the damaged areas.

These suspensions greatly affected the initial programme and caused a delay of 6 months on the activation date of the functional section (Depot–Zara); the work programme is being further revised in order to mitigate such delay.
As regards the activation of the full line (Depot–Garibaldi), because of delays by the Municipality in giving the areas to the civil partners, there is a delay of some 7.5 months on the activation date.

Riyadh Automated People Mover System (APM) (production revenues EUR 64.4 million):
As regards the Riyadh Metro project, during 2010 the Detailed Engineering was completed; engineers were working on the field for civil works interfacing and all the Supply Contracts were formalised with the major suppliers and sub-contractors involved in the project.
All the FATs (Factory Acceptance Tests) commenced later in 2009 were successfully completed during the year.
Logistically, with the support of the shipping company, the shipping of the supplies of all the sub-systems included in the scope of work were organised and finalised for the most part.
In the second half of 2010 assembling activities commenced for the technological system. These activities continue on many fronts in spite of the difficulties caused by the delayed, uneven and sometimes partial delivery of sites by the company in charge of the civil works.
The branch office of ASTS was formerly incorporated in Saudi Arabia during the first half of the year.

Circular Line Taipei Metro (production revenues EUR 5.9 million):
The project activity, under the name of Interface Control Documents (ICD), was successfully completed with the presentation to the Customer of the project technical documents for interfacing with the Civil Works in order to enable the Customer to finalise the tender of the civil works connected with the project development. The Taiwanese regulations (International Cooperation Programme – ICP) requires that some limits be met regarding the awarding of sub-supplies to local suppliers. ASTS then 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.

Naples Metro Line 1 (production revenues EUR 15.3 million):
The value of the contract is equal to EUR 60.0 million and relates to the construction 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 assigned are part of the fourth application contract to the master agreement for the construction of Line 1 of the Naples Metro.
Partial operations will be activated upon the customer's request. In the year all the activities necessary for the activation of the shuttle line linking Dante to Università were performed. These activities were initially scheduled for December 2011 and were later postponed to the first quarter of 2011. All the works were completed with regard to the Università station, the Dante station upgrade and the left tube of the tunnel between the two stations; the PCO (Operational Central Point) of Colli Aminei was also upgraded to activate the section. In the year 2010 activities continued for the other sites (Toledo, Municipio and Garibaldi stations, Carità CdV, De Pretis and VII settembre shaft); these activities are preparatory to the completion of the entire line.
In the first months of 2012 an additional shuttle section is expected to be opened; it will stretch out to piazza Garibaldi. Works are estimated to be completed in 2014 with the activation of the entire line in a final configuration.

Metro Brescia (production revenues EUR 39.3 million):
With reference to the Company's works, the development of construction planning is continuing. Tests continued. The installation of the platform screen doors is being completed along the entire functional line, and the cable paths are being laid at the stations and along the line of the central area (except for San Faustino and Vittoria stations). The installation of the third track and of power supply equipment was completed, and operations are being made progressively. The installation of signalling and telecommunications equipment was completed for the most part along the entire Southbound line and activities for operation are continuing on the first stations. The operation of the Depot area, where power is fully supplied, is progressively continuing as tests are run on the various equipment. Test activities for the Vehicle and the various technological subsystems continue to be run on the Test Track and vehicle dynamic tests commenced on the Functional Line and will continue throughout 2011.
Activities for the completion of trains are being carried out at the Brescia depot in order to make the trains capable to run the integration tests with the sub-systems supplied by ASTS.
There are no new information regarding the dispute between the Temporary Business Grouping (with particular reference to the civil partner Astaldi) and Brescia Mobilità; an agreement was reached among the members regarding the allocation of consideration, if any, by Brescia Mobilità; however, as of today, there are no critical matters regarding the dispute.

Signalling
Production revenues for the Signalling Business Unit at 31 December 2010 amounted to EUR 395.4 million (EUR 343.2 million in 2009). Production activities in Italy were made in Italy for EUR 253.0 million (EUR 254.0 million at 2009) and abroad for EUR 142.4 million (EUR 89.2 million in 2009).
In Italy activities continued for the completion of the High Speed system and those for equipping the rolling stock with the onboard SCMT system. During the year production connected with the construction of the Central Static Apparatuses (ACS) markedly dropped; on the other side, production associated with projects abroad such as Libya, Turkey, Tunisia, Germany and China and that relating to the metro segment markedly increased.

High Speed Railways (production revenues EUR 49.2 million):
With regard to High Speed Railways, at the end of 2010 the junctions of Piacenza, Parma and Fidenza of the Milan-Bologna section were delivered and activated with the completion of works on the main line of the Italian High Speed Railways. Moreover, during 2010, the Speeding-up for Melegnano was made.
On the Bologna-Florence section the phase I activities for the Diagnostics and Maintenance systems and for the Tunnel Emergency were completed.
Upgrading works for the switches control equipment began on the Rome-Naples section.
For the systems to be constructed abroad the following should be noted:

- the *Paris-Ostfrankreich-Sudwestdeutschland* (POS) project in Germany continued with field activities and the configuration of the Radio Block Center (RBC);
- the ZhengXi project in China successfully completed the first stage and assistance activities and Interoperability Tests commenced to prove to the Customer that the product is fully functional;
- the construction of the Trial Site advanced for the Itarus project in Russia.

ACS Italy (production revenues EUR 38.0 million):
Production on the national territory specifically regarded the activation of the Gianturco *(retrofit)*, Mestre (phase 2), Pisa (phase D) systems and of the Rho-Centro system; these activations, all particularly important and challenging, were performed basically at the same time at the end of December.
During 2010 activities started for the development of the Genoa-Voltri ACC order and addendums for the Naples junction, Rho fiera and the Messina-Patti line were defined; Integrating Addendums for the Rho-Pero ACS and the Voghera ACS order are to be defined yet.

ACS abroad (production revenues EUR 106.6 million):
Activities abroad mainly regarded the contracts acquired in Libya, Turkey, Tunisia and Romania.
In Libya during the year the project for the construction of the signalling, telecommunications, security and power supply system for the Ras Ajdir –Sirt and Al Hishah – Sabha lines saw the completion and approval of the detailed engineering and the commencement of the construction designing activities. The local branch became operational during the year.
In Turkey, the Mersin project advanced significantly in the designing and production for the Interlocking portion, and the production and supply of trackside equipment and power supply accounted for a large portion of the year results. The significant progress of on-site works for the construction of buildings and of the railway line is also noteworthy.
In Romania, during the year the ACS stations of Campina and Comanic were activated in October and November respectively.
In Tunisia the depot ACS was activated in June and the ACS for the Tunis station was activated in December.
In Kazakhstan in June an agreement was signed for the construction of a railway line through a partnership with the local railway company REMLokomotive. During the year the relevant Joint Venture was established and detailed engineering activities are being defined.
As regards the Libya 2 project acquired in the last part of the year, the Russian customer Zarubezhstroytechnology (ZST) made the advance payment. Contacts are being held also with the Libyan Railways for the formal acknowledgement of JV ASTS – SELEX as supplier of ZST. The designing and supply are being started.

Metros (production revenues EUR 26.2 million):
Production intended for abroad was mainly developed on the Ankara Metro contract (designing, manufacturing and factory testing of the remaining equipment of the first lot, on-site installation of the Central Post); in Italy the extension for the Naples Metro Line 1 in the Dante-Garibaldi section and the relevant designing, manufacturing and testing activities for the signalling and driverless equipment, given the coming activation of the Dante-Università shuttle service in the first half of 2011. Designing and construction activities continued for the station equipment of the Naples Metro Line 6, and works on the experimental section of the Alifana line continued with CBTC technology; also for the latter line the installation of signalling equipment was completed for the Piscinola-Capodichino section and for the Melito station in the Piscinola-Aversa section.
Activities were also carried out for the Upgrading of the Driverless Peripheral Posts for the Genoa Metro, which were activated in December 2010, and for the Driverless system for line 3 of the Milan Metro, whose activation is expected at the start of 2011; finally, designing activities commenced in relation with the recent acquisitions for the upgrading of the systems of line B1 of the Rome Metro.

Wayside SCMT (production revenues EUR 37.4 million):
The equipment relating to the installation programme for the Train Speed Control System (SCMT) for Rete Ferroviaria Italiana (RFI) is now nearing completion. The production revenues resulting from the numerous reconfigurations requested by the Customer for systems formerly constructed and activated remains significant. With this in mind, master agreements are being formalised with the various segments involved to manage flexibly future reconfiguration activities. During 2010 the Addendums for the works completed and under construction in the Verona Segment were defined, and the Addendums for the Naples Segment are being defined and will be used to determine the final amount of these works.

On-Board SCMT (production revenues EUR 66.5 million):
Production regarded the continuation of the operating supply of the equipment for the Trenitalia rolling stock, under the applicable Master Agreement, and for the rolling stock of other Railway Enterprises, such as Metrocampania Nordest, Ferrovie del Gargano, Ferrovia Adriatico Sangritana, Ferrovia Centrale Umbra, Trentino Trasporti.
Production also relates to the orders received by rolling stock manufacturing Companies, such as Ansaldobreda, Siemens, Stadler, Vossloh. In particular, for Ansaldobreda production commenced for the SCMT systems of high-frequency trains (TAFs) and continued for regional trains (TSR), both intended to Ferrovie Nord Milano, as well as the European Rail Traffic Management System (ERTMS) systems for Trenitalia E403 engines; always for Ansaldobreda engineering activities commenced for the ERTMS systems intended for the 50 new V300 Zefiro High-Speed trains and SCMT systems for Vivalto double-decker carriages, both for the Trenitalia fleet.
Also noteworthy are the development and validation of new updated software releases for ERTMS, SCMT and SCMT/SSC/BL3 systems.
Abroad, the contract with the Greek Railways is to be mentioned; difficulties persist in work recovering.
Production for the period was satisfactory for both the efficiency actions implemented and the volumes realised as a result of the variations and the new orders acquired.

SCC (production revenues EUR 24.7 million):
During 2010 the SCC of the Adriatic Line was completed and the works for the most relevant Centralized Traffic Control (CTC) systems (Battipaglia-Potenza, Taranto-Brindisi, Cuneo) are nearing completion. Of the major systems of the SCC Programme only the system in Sicily is to be finished yet.
Minor upgrading and reconfiguration projects for the existing SCC and CTC systems are becoming the prevailing activity, outlining a

business scenario also for the coming years. For future volumes also noteworthy is the acquisition under a Temporary Business Grouping (RTI) of the 7-year-long IT outsourcing service of FS.

Maintenance & Service and Spare Parts (production revenues EUR 42.4 million):
The year 2010 saw an increase in production from the previous year thanks to new orders acquired in the second half of 2009 and during 2010. In particular new assistance contracts were formalised on High-Speed systems and ACC and SCC systems whose warranty period expired, as well as on other CTC systems, metro systems, TCS (TeleCommunication System) of RFI.
A full service contract exists with Trenitalia for the maintenance of the ERMTS system on the fleet of 30 ETR 500 rolling stock.
During 2010 repair and assistance contracts were also signed on On-board SCMT materials for Trenitalia and other Customers such as Arenaways, Rail-One, Nord-Cargo, Serfer, Hupac, Sistemi Territoriali, Bombardier, Stadler, AnsaldoBreda. Finally, for the spare parts, contracts were made with RFI for the supply of beacons and accessories for the management of SCMT SST installations and for spare parts dedicated to the HS lines that entered operations in 2010. Regarding the supply of On-Board SCMT spare parts, spare parts were supplied for Trenitalia and other Customers.

Investments

In the January-December 2010 period, technical investments and costs benefiting several years were recognised in the amount of EUR 8.3 million.

These break down as follows:

• Buildings	EUR 0.1 million
• Light constructions	EUR 0.2 million
• Plants	EUR 0.2 million
• Equipment	EUR 0.4 million
• Fittings	EUR 0.1 million
• Computer equipment	EUR 0.4 million
• Property, plant and equipment under construction	EUR 0.1 million
• Licences & software	EUR 0.8 million
• Intangible assets under development	EUR 6.0 million

Regarding the elaborate projects made in 2010, in December 2010 the following were completed:

- Structural strengthening of the Tito plant for EUR 200 thousand;
- Construction of the prefabricated building on the floor covering the office building in Genoa used as Test Room lab EUR 380 thousand;
- Construction of a covered walkway linking the office building and the company restaurant in Piossasco (Turin) for EUR 210 thousand;
- Works for the extension of the depot premises at the vehicle depot area of the Genoa building for EUR 14 thousand.

Capitalisations for intangible assets under development relate to the realisation of projects commenced as part of a broader restructuring activity carried out worldwide by the company (for further details, see Note 7 below).

Main risks and uncertainties

The risks described below stem from the consideration of the features of the market and business of the Ansaldo STS Group, together with the main results of the update of the Risk Assessment of processes. The Risk Assessment aims at identifying the main risks, with respect to the processes identified as relevant, and the relevant mitigating actions, as well as defining the additional actions to be taken to further reduce the risk or improve process performance.

The Risk Assessment process adopted by AnsaldoSTS makes reference to the internationally recognised framework of the “Enterprise Risk Management” of the “Committee of Sponsoring Organizations of the Treadway Commission” (CO SO report) and purports to add the Risk Assessment to the processes for the planning and implementation of corporate goals, to create value based on appropriate risk management also by giving value to opportunities.

This Risk Assessment process commenced in 2009 and its approach and support infrastructure are now strengthening.

The main risks and uncertainties of Ansaldo STS S.p.A. and of the Group are presented below according to the classification adopted by the Group (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 should however have an impact on the Group’s business.

With regard to the management of financial risks, reference should be made to the information provided in the Explanatory 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 group 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 Group a constant commitment to technological innovation in pursuing efficiency and new market penetration.

It is therefore paramount that the Ansaldo STS S.p.A. Group 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 factor in the last few years and allowed the Group to be successfully competitive with bigger operators which had more investment abilities.

Over the last few years the Group has successfully achieved important commercial goals in new markets. The new market penetration policy, especially for higher developed markets, exposes the Group 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 Group 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 Group's competitive position, the loss of commercial opportunities, the waste of resources in investments with low economic return, the difficulty of preparing adequate offers and performing the projects within times and budget constraints, and with a negative impact on the order backlog and the Group's financial condition.

In order to mitigate these risks, the Group defined a new organisation and operational structure for an integrated management of the various companies of the Group, creating the conditions for greater commercial efficiency, more careful intelligence marketing and innovation activities and greater operational efficiency. The new organisation became effective 1 January 2010, with the exception of the US subsidiary, which will be included from the second quarter of 2011.

Moreover, the Budget 2011 and the Business Plan 2012-2015 confirm selectivity in choosing the reference markets and technological innovation, identifying efficiency objectives to be achieved through some Excellence Programs.

B) Changes in the macroeconomic scenario and efficiency objectives

The Ansaldo STS Group, 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 Group activities, such as growth rates in reference markets and public programmes of infrastructure investments. Considering the development of these macroeconomic factors in a non-appropriate manner may compromise the Group's competitive ability.

The present economic recession period and programmes, either commenced or announced, for reducing public deficit and for facing the present situation might cause the annulment or postponement of contracts, delays in payments, less favourable financial conditions in new contracts, with a negative impact on Group performance.

In this phase, the competitive scenario is more and more fragmented, complex and affected by price pressures. This might cause a weakening of the Group competitive ability, lacking an adequate standardisation of the solutions and products offered and greater efficiency/optimisation of the use of resources during the performance of the contracts.

To mitigate these risks, as stated above, a new integrated organisation and operational structure was introduced in 2010 in order to achieve greater standardisation of solutions and products and, in general, to improve operational efficiency and efficacy in response to this competitive scenario. Moreover, the market development trends and the risks of specific markets are assessed when preparing the Strategic Plan, commercial opportunities are valued with greater selectivity, and processes for evaluating offers and for negotiating new contracts are adopted in order to maintain the reference parameters to create order value, and specific areas were identified for improving the offer and delivery processes. Finally, the Group has a strong financial condition and a significant order backlog (orders for four years), thanks to which the present recession period can be faced.

However, the present recession and market period require increasingly determined actions to maintain margins and company value.

To that end, as stated above, the Budget 2011 and the Business Plan 2012-2015 identify efficiency objectives to be achieved through certain "Excellence Programs". The lack of success or benefits lower than expected in these Excellence Programs might adversely affect margins and company value.

Operating risks

C) Public administration companies and contracts lasting several years

The Group's business mostly depend on public administration companies and, in particular in the transportation solution business and 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 Group.

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 for the completion of activities, of the project risks (technical, legal, tax and commercial) and of the state of completion of the activities. These estimates are based on assumptions relating to the effects of future events which, given the type and complexity of the projects to be performed, might occur in forms different from those estimated, with a negative effect on the economic and financial performance of the project.

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.

D) Budget processes and project planning

The project team may not be able to perform the project within budget and time constraints, in particular for projects in new markets, due to non-efficient project controlling processes, which might appear in the offering stage. Risk management might not be efficient if it is based on incomplete or incorrect information or if it is not adequately defined and monitored. This risk might cause delays in the identification of the problems for project performance and inaccurate reporting and planning, with a negative impact on the Group's financial condition.

To mitigate this risk, processes have been defined and monitored for controlling the physical and accounting and risk management progress, the clear-cut responsibilities of the Project Manager and the Order Controller, managerial reviews of project performance, processes for the review of estimates of offers and the independent review of the Risk Management function. Additional actions are scheduled to encode and further structure controlling processes, and to make these processes consistent with each other, applying best practices and according to the various companies of the Group and the various levels of expertise found in these companies.

E) Third parties (sub-contractors, sub-suppliers and partners)

In both the business in which the Group operates sub-contractors are widely used to supply sub-systems or assembling and installation services and sub-suppliers of goods or services. The Group'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 Group's financial condition.

The Group 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 Group's business and financial condition.

Moreover, as part of the Group'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 legal function is also involved in the definition of contractual provisions. Further actions have been identified to make more efficient the evaluation of sub-contractors and partners during the offer.

F) Adequacy and efficiency in developments and technical references

The Group may not assess in an appropriate manner the innovation and development priorities, 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. Development projects may not be carried out within the budget constraints and requirements may not be understood and identified clearly, with a negative impact on margins, delivery times and customer satisfaction. Under certain circumstances, the Group could not be able to have adequate market and operation references for some products, with the risk of losing commercial opportunities or incur in non-compliance in performing the project, with negative effects on the project's profitability and Group's reputation.

To mitigate these risks, there are corporate processes for the definition of the product portfolio that have been recently strengthened and rationalised, also when evaluating the opportunities for the reuse of existing products during the offer. The planning and control of the development activities have been strengthened in order to ensure that priorities are evaluated properly and time and costs are controlled. 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 close times for the delivery of Group products and systems might expose the Group 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 the designing and construction), to defaults and/or delays in marketing, after-sale services and product maintenance and review. Moreover, many products and systems supplied by the Group are subject to certifications or validations, also released by third parties.

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 Group has not acquired significant operational experience yet.

These liabilities may depend on causes that are directly attributable to the Group 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 Group. 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 Group's financial condition.

To mitigate these risks, the Group takes out specific insurance coverage, carefully oversees the engineering, validation and monitoring of returns and, 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 the 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 Group 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 Group.

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 group 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. In particular, the transfer of knowledge and expertise and training programmes are implemented through an increasingly greater number of secondment and coaching programmes, knowledge is encoded by means of an integrated system for process documentation and the skills available, as compared with the skills that are necessary, are mapped in an increasingly greater number of business areas. During 2010 personnel management processes were reviewed with a view to improvement and integration with the various companies of the Group. Finally, transition plans are defined and monitored for the implementation of the organisation and the integrated processes, which became effective 1 January 2010 for all the companies of the Group, except for the US subsidiary to be integrated from the second half of 2011.

J) Health, safety and environment compliance
The Group 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 Group to risks with significant impacts on the business, the economic and financial condition and the reputation of the Group.

To mitigate this risk, the Group 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 – in the main companies of the Group. In particular for the parent company AnsaldoSTS, organisation and health and safety management processes were reviewed and strengthened. The requirements of new markets are evaluated during the offer and support is guaranteed also through external consultants. Common policies and procedures are also being defined in order to guarantee consistent conducts across the various companies of the group, also taking account of the specific local requirements.

Financial risks
K) Ability to finance a high level of current assets and to obtain guarantees

To perform contracts the Group 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 in cheap conditions depends on the economic and financial assessment of the Group. 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 Group, the analysis of the risk of the order, the expertise and competitive positioning in the business. AnsaldoSTS believes it can comply with the relevant assessment indices. At 31 December 2010 the Group's exposure for guarantees stood at EUR 2,293,622 thousand (EUR 1,447,577 thousand at 31 December 2009).

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 ability of the company to obtain guarantees should cease to obtain or be reduced in cheap conditions, the Group'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 of the various companies of the Group, the economic and financial standing of the Group and the monitoring of the indices assessing the order. These policies are applied from the offer stage.

L) Project Financing transactions and PPP (public and private partnership)
The market is increasingly outsourcing the definition and management of a financing scheme to the transport system providers, by means of Project Financing transactions, also with the involvement of private lenders.

These transactions have various risk profiles, such as the inaccurate preparation and review of the tender documentation and the inappropriate evaluation of partners, which might lead the Group to take improper risks. Non-performance during construction, in particular regarding construction times, and during the operation and maintenance stage might trigger the enforcement of escape clauses and the non-remuneration or the loss of the capital invested. These risks might adversely affect the Group's financial condition.

To mitigate this risk, there are the offering process, where all the company functions concerns are involved, and the above said risk assessment processes during the offer, which can be applied to potential partners as well.

Disclosure risks
M) 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 Group'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 upgrades of these IT solutions not in line with the users' needs, as well as a non-efficient system management might impair the efficient performance of the Group's business.

Moreover, the non-availability or interruption of IT services, the loss or damage of data might adversely affect the Group's business.

To mitigate this risk, IT policies are defined in correlation with change management initiatives and the group 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 2010 the overall costs for the Research and Development activities carried out by the Transportation Solutions and Signalling Business Units, coordinated at a central level, were expensed to the income statement in the amount of EUR 19.4 million (EUR 16.0 million in 2009), with revenue from contributions and services of EUR 2.2 million (EUR 0.7 million in 2009).

Transportation Solutions

Research and development costs for the Transportation Solutions Business Unit at 31 December 2010 amounted to EUR 2.9 million (EUR 1.1 million in 2009 of contributions) (in 2009 R&D costs were EUR 3.1 million and contributions amounted to EUR 0.2 million).

Below are the main activities developed:

Existing research projects financed:
- SAFER (Active Safety in Railway Systems, Sicurezza Attiva nei sistemi FERroviari) - of which Ansaldo is coordinator – financed by the Ministry for Education, University and Research (MIUR), 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).
- SITRAM, for which Ansaldo STS S.p.A. is a coordinator, financed by the Ministry for the Economic Development (MISE) using the industry bid 2015, sustainable mobility, with the objective to study innovative tramway systems marked by high levels of efficiency and safety ensuring at the same time a low environmental impact. This project involves both the Signalling and the Transportation Solutions Business Units, the latter with the aim of 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.
- An industrialised version of the TramWave project was released to equip 600 m of the Naples-Poggioreale experimental line.
- PIEZORAIL (financed by the Ministry of the Environment), a programme that commenced during the year with the objective of designing and testing innovative prototypes for the production of electric energy with the passage of trains, by putting piezoelectric pads under tramway or metro tracks. The project uses piezoelectric components that have been recently introduced in the market in order to check whether they can be used with urban transport systems, where regularity is high.

Regarding self-financed projects:
The activities for the Monitoring project were completed; the project relates to the monitoring of stray currents and of the power absorbed by the switches as a precautionary diagnostic measure. The activities for the ODSS project were also completed; the relates to a system supporting the decision-making process for metro transport.

Signalling
Research and development costs for the Signalling Business Unit at 31 December 2010 amounted to EUR 16.5 million (EUR 1.1 million of contributions). (In 2009 R&D costs were EUR 11.7 million and contributions amounted to EUR 0.5 million).

Below are the main activities developed:

Existing research projects financed:
- As part of the activities of the Ligurian District on Research in collaboration with the Ministry for University and research (MUR) using the funds under Law 297, these project were completed: 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 to the presentation of the Process and Plug–in project.
- The decrees for awarding the following projects of the Ministry of Productive Activities (Industry bid 2015, Sustainable Mobility) were published on the Italian Official Gazette:
  - *SISTEMA* - (project started on 1 January 2009) project presented by the RINA – Grimaldi Armatori where Ansaldo STS S.p.A. will perform an activity relating to the railway handling inside ports;
  - *SLIMPORT* - (Project started on 1 May 2009) Extended port – project presented by Elsag Datamat for which Ansaldo STS S.p.A. 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).
- Various projects were presented in relation with the PON bid using the funds intended for the Campania Region:
  - Securferr, *Tecnologie innovative per la sicurezza della circolazione dei veicoli ferroviari* (Innovative technologies for the safety of the circulation of railway vehicles) - Ansaldo STS S.p.A. coordinates a number of entities (small and large enterprises, universities and railway companies) which presented a co-financing application for an R&D project on monitoring railway infrastructures in order to increase safety and security levels and to make maintenance activities more efficient. Partners include RFI and Circumvesuviana;
  - ”Digital pattern development”. The project, coordinated by ELASIS (Fiat Group) relates to the implementation of an IT environment supporting the designing and production of systems and components for road and railway transport;
  - “VERO” (Virtual Engineering for Railways and automotive) relates to the construction of a simulator for signalling systems aimed at giving the project designer the possibility to consider the best solution in terms of performance and size, depending on the application of such systems on a specific line.

- As part of the projects presented on the 7th EC framework programme, activities were completed on these projects:
  - *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);
  - *DEMASST* - whose main objective is to develop a strategic road-map for a demonstrator for mass transportation protection.

Activities continue on these projects:
- *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;
- *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);
- *ERRAC Roadmap* – defines the priority issues for railway transportation.

These projects were admitted to the financing by the European Commission:
- *PROTECTRAIL, The Railway-Industry Partnership for Integrated Security of Rail Transport*, commenced on 4 October with the K.O. at the UIC in Paris, where Ansaldo STS S.p.A. 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.

Always in Europe, various projects were presented and are being negotiated. The most significant of these project is Sicured ("Secured Urban Transportation - European Demonstration"), whose objective is to study a risk assessment approach and to develop, integrate, and make interoperable the relevant tools to be used in the future by public transport operators in medium/large cities for proposing demonstrators in large cities (Milan, Paris, Berlin, Madrid). Thales is the project leader, and Ansaldo STS S.p.A. is in charge of the "Milan" sub-project, in which ATM and Ferrovie Nord are taking part.

Regarding self-financed research projects:
- MULTI-FUNCTION PORTAL: the project relates to the diagnostics of rolling stock at tunnel entrances; in 2010, following pre-operation activities, the system was upgraded and industrialisation activities commenced.
- *SW FOR THE SECURITY CENTRE:* lab test activities were completed; tailoring activities started, with particular regard to the American market, and resources from Ansaldo STS USA were involved.

- *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, and the functional requisites in accordance with the SRS of UNISIG baselines 3 also commenced;
    - Studies started for the upgrade of software for Subset039 (HO) 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). The upgrade of the GSM/R radio interface also commenced, also in relation with GPRS communications;
    - Feasibility studies for RBC use for other applications based on radiosignalling of the PTC (USA) and ATMS (Australia) type;
    - Study of satellite application to railway and security.

- *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.

- *Reduced-size BALISE:*
  - project documents were completed;
  - the first air-gap programming prototypes were built, and will be installed soon for the necessary experimental tests;
  - the first programming units for the balise are available.

- *RADIO IN FILL:*
  - With regard to the radio infill Line equipment a prototype was realised and experimented and tests preliminary to type tests are now being assessed. All the requirements currently stabilised 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 completion of this development is subject to RFI's confirmation of its actual need for the radio infill product (at the moment this confirmation has not arrived yet).

- *SIGNAL ENCODER:*
  - the development of the prototype was completed with a configuration that is suitable to the POS project in Germany supplemented by a new acquisition module necessary for its application in Romania;
  - 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;
  - the first field tests are starting to be run in Romania.

- *CBTC:*
  - activities are under way for the integration of the wayside and onboard system, including the core and non-core components, with the global optimisation of the R&D expertise which, stretched over several geographical locations, are now managed at a central level and are co-ordinated at a global level;
  - integration tests for the zone controller and carborne controller software are continuing;
  - the IXL static upgrade is continuing using CBTC requirements;
  - the simulation system for CBTC (wayside/onboard) integrated tests was developed.
  - the integration and upgrade of the ATS supervisory system are under way in relation with the moving block requirements operated using the CBTC mode;
  - the use of the eurobalise beacon was defined as a standard “tag” for CBTC applications;
  - activities are under way for upgrading the CBTC system from the driver mode to the driverless mode;
  - an analysis is being run on the possibility to develop the CBTC system without train detection systems;
  - TOD: Man-machine interface for CBTC onboard equipment: the first version of the ToD (touch screen) was released in relation with the system requirements that are currently available.

- QMR new generation After the QMR was applied to the ACS equipment in Pisa, developments are under way that are necessary for the new architectures required by RFI, with the possibility of centralising the MMI, with safe commands, also for power relay devices (“electronic hat”), the handling of failures using peripheral logics, high–speed centre-periphery communications on open networks, centre-periphery direct connections, without using the area controller.
- New generation of the Field Controller Unit (FCU): new I/O for ACC equipment and integration of the new 2oo2 for the new FCU family.
- Integration of the new CPU 2oo2 for MICROLOK-type Interlocking.
- Peripheral interfaces for PTC systems (USA), with use of WIU (both standalone and Microlok-integrated).
- *High and Low LED Signals:* Development activities are under way for (High and Low) LED signals for the Italian and the foreign markets. In particular, led solutions were identified for both dichroic mirror signals and self-contained signal units, with the cooperation of external companies (especially as regards the mechanical part of the signal), combined with filters and serial interfaces with interlocking devices. Tests and assessments are being carried out by RFI.
- *Supervision equipment:* definition of the requirements for the supervision equipment SIL 2 completed.

Personnel

Workforce
Workforce at 31 December 2010 numbered 1,559, of which 47 work for foreign branches.
It breaks down as follows: 68 executives, 297 middle managers, 1,123 clerical workers, 71 manual workers.
Workforce increased by 44 people, (+2.9%) as compared with workforce at 31 December 2009 of 1,515 (of which 32 work for foreign branch offices), breaking down as follows: 69 executives, 278 middle managers, 1,091 clerical workers, 77 manual workers.
The increase of 44 is the result of 110 new hires and 66 terminations.

The 110 new hires included employees with a University degree (68) and with a high school degree (42) and break down as follows:
- 89 resources hired on an open-end contract from the outside market;
- 6 resources hired on a contract for a limited period;
- 15 resources hired at branches as a result of contracts acquired during the year.

For the 66 terminations:
- 50 resources were terminated with consensual decision/mobility;
- 13 resources were terminated on voluntary termination;
- 1 resource was terminated for the end of the term of the contract;
- 2 resources were transferred to other group companies.

Training
Training activities organised courses attended by 870 people (1,015 in 2009) for a total 32,466 hours (47,834 hours at 31 December 2009). The per-capita training figure calculated on the basis of attendees is 37 hours.

The major training activities in 2010 were as follows:

Technical and Specialistic Training
- Pmp Finmeccanica Project;
- Technical and specialistic courses for engineering staff;

Managerial Training
- 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.

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, 5 assessment sessions were organised and attended by 35 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

On 11 March 2010 Ansaldo STS S.p.A. entered into an agreement with the Trade Unions in order to implement the mobility procedure, pursuant to Articles 4 and 24 of Law 223/91. The parties agreed upon the need for aligning the mixed professional resources working with the company with the new organisation needs in order to ensure the improvement in the efficiency and competitiveness of Ansaldo STS S.p.A. The recent company reorganization processes require several and innovative skills to operate in cultural contexts that are deeply different from the usual ones, availability to medium/long-term geographical mobility, knowledge of foreign languages. The procedure involves 140 employees, equal to 9% of the total workforce at 31 January 2010. They may be involved in the mobility procedure within and not later than 10 March 2012.
At the same date, the parties signed an additional agreement under which the company agrees to compensate the terminations, following the mobility procedure, through a recruitment plan that when fully operational will bring to the company high-skilled resources for technological high-profile activities and first-time jobbers who, after training courses, will improve services in direct activities.

Ansaldo STS S.p.A. also took part in the project for the reform of the Italian Technical High Schools (ITS) defined by Finmeccanica and the Italian Ministry of Education through the Protocol of Understanding signed in November 2009. Under this project, the companies of the Finmeccanica group, in their respective territories, will take part in the establishment of Foundations whose purpose will be to manage two-year post-graduate technical training courses with the main objective to provide young graduates from the Italian technical high schools with higher and more developed training opportunities suitable to meet the growing demand from enterprises for highly-qualified technicians.
In actual terms, Ansaldo STS S.p.A. will be the co-founder of a soon-to-be-established Foundation based in Campania, together other enterprises, high schools, training entities, research bodies, universities and local authorities. The proposing entity and coordinator of all the bureaucratic issues of this Project in Campania is ITA - Fondazione Villaggio dei Ragazzi. ASTS's financial burden, considering the above-said public allocations, is rather symbolic, the sum of EUR 2,500 to be paid as the foundation is established, and the hourly fees sustained by the company for the technical teaching provided in the study plan that is being prepared.

Incentive plans

Ansaldo STS S.p.A. has developed and set the rules for:
- two medium-term stock grant incentive plans;
- 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 of the Group.
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.

Stock grant plan 2010-2012
On 23 April 2010, the Shareholders' meeting of Ansaldo STS S.p.A. also approved for the 2010-2012 three-year period an additional Stock Grant Plan intended for a maximum number of 50 resources playing a key role in relevant projects that are considered to be strategic for the Group and vital to the achievement of the economic and financial goals of the company.

The plan, mainly intended for middle managers, aimed at strengthening the sense of belonging to the company, at further improving the feeling of the connection between performance and remuneration, and at encouraging the retention of the resources that are considered to be important for the achievement of the ambitious company objectives.

Stock grant plan 2008-2010
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 2009 had been tied.
The three objectives in relation to EVA, FOCF and share performance vis-à-vis the FTSE All Share for the year 2009 were achieved in full.

As a result, consistently with the plan rules, the individual awardees were given 100% of the shares originally planned, increased by 20% to consider the first tranche of the free share capital increase resolved by the Shareholders of Ansaldo STS S.p.A. in the Meeting of 23 April 2010.
Ansaldo STS S.p.A. then assigned to the assignee Group management 266,078 shares, less tax withholdings, on 1 December 2010.

2007-2009 Cash incentive plan – 2009 Tranche
The 2007-2009 cash plan for 2009 involves two executives of Ansaldo STS S.p.A., who are key in 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.
The objectives set for 2009 were all achieved.
The two objectives set, that for free operating cash flow and the share performance vis-à-vis FTSE IT All Share, were achieved.
The plan also envisages an entry threshold which was also achieved. Therefore, in May 2010 the incentive amounts accrued were paid.

2008-2010 Cash incentive plan – 2009 Tranche
The 2008-2010 cash plan for 2009 involves one executive of Ansaldo STS S.p.A. who is key in 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.
The objectives set for 2009 were all achieved.
The two objectives set, that for the acquisition of Orders of the company or the Group compared with the average margin and that for the share performance vis-à-vis the FTSE IT All Share, were achieved.
The plan also envisages an entry threshold which was also achieved. Therefore, in May 2010 the incentive amount accrued was paid.

2009-2011 Cash incentive plan – 2009 Tranche
The 2009-2011 cash plan for 2009 involves one executive of Ansaldo STS S.p.A. who is key in 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.
The objectives set for 2009 were all achieved.
The two objectives set, that for the Ansaldo STS share performance vis-à-vis itself and that for ROE, were achieved.
The plan also envisages an entry threshold which was also achieved. Therefore, in May 2010 the incentive amount accrued was paid.

Equity investments held by the directors

Within the programme of purchase of treasury stocks to serve the 2008-2010 stock grant plan authorised by the Shareholders' Meeting of 23 April 2010, Ansaldo STS SpA purchased in the period from 05 November 2010 through 08 November 2010 160,000 ordinary shares of Ansaldo STS SpA (corresponding to 0.134% of the share capital). On 1 December 2010 the shares awarded for the year 2009 were actually delivered: of the 266,078 shares awardable overall, 199,652 shares were transferred in the individual security deposits indicated by the awardee, and the remaining 62,273 shares were withheld upon indication of the awardees for the fulfilment of tax obligations as withholding agent connected to such Plan, and 4,153 were not delivered because they could not be credited to the security deposit accounts of two employees. They were credited in the first two months of 2011.

Below are the shares held by the directors:

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 S.p.A.	22,114[1]	15,308[2]	-	37,422

1. Awarded free of charge for the years 2006-2007 implementing the Stock Grant Plan 2006-2007 and for the year 2008 implementing the Stock Grant Plan 2008-2010.
2. Of which 10,886 awarded free of charge for the year 2009 implementing the Stock Grant Plan 2008-2010 and 4,422 awarded following the share capital increase of 2010.

Company establishments

Situation at 31 December 2010:

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

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

Financial communication

Relations with the financial market

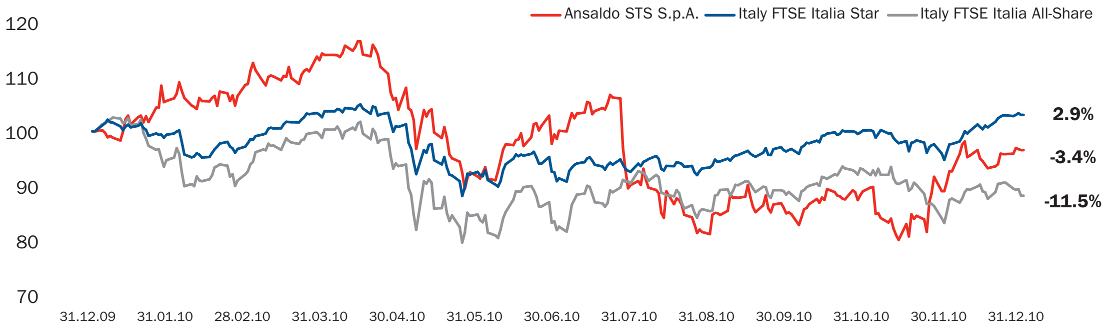
The Investor Relations activities of Ansaldo STS S.p.A. is defined through the communication plan agreed upon with the Top Management at the start of the year.
In addition to the periodic mandatory disclosure to the market as envisaged by the law, the Ansaldo STS Group has always wanted to keep also a line of consistency 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.
Financial analysts are considered as an asset supporting the knowledge of the reference business and of the understanding of the Management's strategy.
During 2010 in addition to the previous 17 formal hedges of the security, other 4 new merchant banks provided hedging: Fidentis Equities S.V. S. A., Centrobanca S.p.A, Santander Private Banking and Axia Financial.
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 of all we recall the Management's willingness to meet regularly its institutional investors. During 2010, 42 meetings were held, among which roadshows, conferences and events (including: *Year End 2009 results* and *Investor Day 2010*), when the analyses, policies and strategies of the Group industrial activities were made known.
The annual report indeed has a key role in the company information system and is the qualified source of communication to the company's interlocutors.
With it, for 2010, the Ansaldo STS group determined to prepare its first sustainability report, after it had prepared its first sustainability statement in the course of the previous year.
Moreover, Ansaldo STS S.p.A.'s communication policy is also based on market visibility for all the projects awarded exceeding the amount of 10 million euros, but 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 also are visible and measurable by the public.
At the annual investor day (London, 2 December 2010 at the London Stock Exchange) the financial community is informed on the market analysis and the plan for the coming years.
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 S.p.A. 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 web site, through which the functions of training and knowledge of the company are regularly exercised, as well as that of filing information sources, to institutional investors, the public in general and small savers.

Stock performance

In the **2 January – 30 December 2010** period, the official stock price went from EUR 11.04 (after the share capital increase, equal to EUR 13.25 prior to the share capital increase) to EUR 10.67. Given the free share capital increase of 5 July 2010, in the ratio of 1 share distributed every 5 shares held at the above-said date, in order to calculate the real stock performance the figure must be corrected to 2 January, as all the figures prior to 5 July 2010, using a correction factor equal to 0.83333. As a result, during 2010 the stock slightly fell from EUR 11.04 to EUR 10.67, equal to 3.4%.
The stock hit its highest value with EUR 12.84 (EUR 15.04 prior to the free share capital increase), official price of 14 April 2010, and its lowest value with EUR 8.91, official price of 12 November 2010.
The daily average volumes for the period at issue amounted to 816,165 shares exchanged.
The stock performance trend was poorly related to the reference indexes. In 2010 the FTSE All Share Italy index lost 11.5%, and the STAR segment index, FTSE Italia STAR, gained 2.9%.
The analysts' valuations at 31 December 2010 reached an average consensus in terms of objective price equal to EUR 12.2.
The market still perceives the 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.

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



Major shareholders at 31/12/2010

Investor	Position no. of shares	% position
Finmeccanica SpA	48,000,000	40.00
Altrinsic Global Advisors LLC	2,510,400	2.09
Scottish Widows Investment Partnership Limited	2,422,800	2.02
William Blair Capital Management LLC	2,420,400	2.02
Columbia Wanger Asset Management LLC	2,414,400	2.01

Main Data per Share (2006-2010)

Earnings and dividend per Share (in euros)	**2010**	2009	2008	2007	2006
Basic and Diluted EPS	0.70	0.47**	0.08	0.43	0.18
Dividend per share	0.28*	0.31	0.27	0.20	N.A.

* as proposed to the Shareholders' Meeting.
** redetermined following the free share capital increase of 5 July 2010.

The year 2007 was the first year when the company distributed dividends, a year after the listing on 29 March 2006.
The distribution of the dividend has been always growing, from EUR 19,992 thousand of 2007 to EUR 33,592 thousand in 2010, as proposed to the Shareholders' Meeting (see section on Proposals to the 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 S.p.A. 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.
In September 2010 the writ of summons for reinstatement of action before the Naples Court of Appeal was served, the overall amount of EUR 18.0 million was demanded, plus interest and revaluation.

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 STS S.p.A. 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 STS S.p.A. is waiting for the Temporary Business Grouping of civil contractors to fully agree on the text of said master agreement.
On 17 January 2011 the waivers to the judicial documents were served by the counsel representing the companies members of the Temporary Business Grouping for Civil Works. The litigation can be considered as ended.

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.
At the hearing of 22 June 2010 a decision on the case was still pending.
With ruling no. 1327/2010 of 14 July 2010 the Jurisdictional Section of the Court of Auditors of Naples acquitted the defendants in the administrative liability case initiated by the Regional Attorney's Office regarding the construction of LTR/Line 6. So far the ruling has not been challenged yet by the Naples Regional Attorney's Office of the Court of Auditors.

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

At the end of December 2004 the Arbitration Board issued the final award denied the appeal filed by ICLA Costruzioni Generali S.p.A. (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 the Consortium's fault;
- 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 willingness to withdraw from a contract made with Ansaldo Trasporti S.p.A. 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 the payment of the services rendered and the 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 2008 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 and later to 25 January 2011.

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 2008.
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 February 2009 to complete the investigation phase. After the completion of that phase, the case was postponed to 15 December 2010 for the final arguments and later to 19 October 2011.

At the same time the 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 November 2009 the Parties requested a postponement and the Court did not rule on the claim of the parties. The court of Trieste, dropping the reserve retained at the hearing of 10 November 2009, suspended the civil case between Ansaldo STS S.p.A. and the Municipality of Trieste, pending the determination of the pending cases between Ansaldo STS S.p.A. and Azienda Consortile Trasporti – A.C.T. of Trieste.

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 S.p.A. vs Ansaldo STS S.p.A.

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 has 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 SpA)

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 S.p.A. (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 to the plaintiffs to create technical round tables 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 for the waiver of 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.
Briefly, the Court-appointed expert's report accepted a part of the queries of Consorzio Iricav Due acknowledging the costs incurred, the designs made and the damages suffered.

By defence brief, TAV challenged the content of the court-appointed expert's report by asking that the same be repeated in full and the Consortium with its own brief filed its remarks. Therefore, the arbitration board with order dated 31 August 2010 set the hearing for 13 October 2010.
At that hearing the Board set the term for the filing of the award for 29 July 2011.

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 and later to 31 July 2011.

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 the end of November 2009, which was later postponed to the first half of 2010. This term was further extended to the first half of 2011.

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 contract 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 of 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 ownership 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 and, from 23 March 2009, were included in the FTSE MIB index.
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 has 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 the Company 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 remains 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, General Counsel 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, who replaces Jean Paul Giani after he took another relevant office in the Finmeccanica Group.
Upon their appointment, members Maurizio Cereda, Gerlando Genuardi, Gregorio Gitti, Eugenio Pinto and Attilio Salvetti certified 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. The last check carried out during the second half of 2010 confirmed the existence of these requirements for all the independent Directors. 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 both upon their appointment and during the second half of 2010.
During the meetings of 27 January 2010 and 26 November 2010, the Board of Directors reviewed the regular survey carried out with the Company's Directors, in order to report offices as Director or Statutory Auditor held in other listed financial, banking, insurance or relevant-size companies, acknowledging the offices disclosed by each member of the Board and the fact that no Director has disclosed to carry out activities in competition with the issuer.
During the first half of 2010 the regular evaluation on the size, members and functioning of the Board itself and its committees was completed, and their compliance with the principles and application criteria of the Corporate Governance Code and with Italian and international best practices was checked.

During the first half of 2010, the Company made the first Sustainability Report of the Ansaldo STS Group available to the public. This Report marks the start of the social and environmental activity of the company.

Finally, on 26 November 2010, the Board of Directors of the Company, upon the favourable opinion of a Committee composed of all the independent directors attending the Company Board of Directors approved the procedure on Company related party transactions, pursuant to Article 2391-bis of the Italian Civil Code and of Article 4, paragraphs 1 and 3 of the Consob Regulation regarding related party transactions adopted with resolution no. 17221 of 12 March 2010 as subsequently amended ("RPT Regulation"). On the same date, the Board of Statutory Auditors gave its positive evaluation on the compliance of this Procedure with the principles indicated in the RPT Regulation.
The Procedure regarding related party transactions of Ansaldo STS S.p.A. is available on the Company's website www.ansaldo-sts.com.
Following is a list of the Company's main corporate governance instruments:
- By-laws
- Ethics Code
- 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
- Related Party Transactions – Procedure adopted pursuant to Article 4 of Consob Regulation 17221 of 12 March 2010
- 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 2011 consistent with the deadline provided by the regulations.

Environment

Ansaldo STS S.p.A. is involved in environmental issues:

- as an ordinary manufacturer, committed to pursuing an environment friendly policy, willing to go beyond the simple compliance with existing laws, regulations and directives and to strive for the continuous improvement of the environmental performance in connection with its own products and production processes;
- as a railway service provider, aware that the proposal of increasingly advanced, safe and reliable products for the control and automation of railway traffic aids the rapid development of the transport system that is more environment friendly, and that it is an attraction for an increasingly greater number of users of goods and passenger transport services.

Strategic guidelines and management approach

For this purpose, the Company has adopted an environmental policy and has implemented an environmental management system, defining the organisation, 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, in the various countries where the subsidiaries operate, 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 S.p.A. to its subsidiaries 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 for some of the subsidiaries led to the development of environmental management systems, with the subsequent achievement of the ISO 14001 certification, which Ansaldo STS S.p.A. is committing to extend to all the Group companies. The possibility to extend the EMAS regulation to the other production facilities is still being assessed.

Communication, education and training

All employees and external associates (suppliers/contractors) involved in operations at the head offices of the Ansaldo STS subsidiaries 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 the personnel operating at 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 at the offices of the subsidiaries of Ansaldo STS S.p.A. mainly include office business, for which Ansaldo STS S.p.A. ensures total control of direct and indirect environmental issues.
There is a number of production sites managed in full harmony with the environmental protection concepts. These sites fall within the scope of application of the certifications obtained and to be obtained.
The Italian production site (Tito, Potenza) 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 kept under control by means of regular monitoring and sampling.

Production and management of special wastes

The type of activity carried out at the company's offices involves the generation of special nonhazardous wastes, mainly paper and cardboard packaging boxes and plastic packaging boxes, contracted to companies that are authorised to transport and recover such materials. Hazardous special wastes deriving from the maintenance of photocopiers and office machinery are disposed of by means of global service companies with which ASTS signed waste disposal agreements. 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

Dismissal plans are envisaged for 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 S.p.A..
The key figures of the latest financial statements approved of Finmeccanica SpA are shown in the Notes and in Appendix 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 2010 and 2009.

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 S.p.A. 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 of the Notes 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 the 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 parties 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 2010

Receivables at 31 Dec 2010 (EUR thousand)	Financial receivables	Trade receivables	Other current receivables	Total
Parent Companies	635	26	145	807
Subsidiaries	28,195	15,266	0	43,461
Related concerns	148,515	36,332	54	184,901
Consortiums	0	39,964	1,365	41,329
Total	**177,345**	**91,588**	**1,564**	**270,497**
Incidence of related parties on the total amount for the year	**100%**	**17%**	**6%**	

Payables at 31 Dec 2010 (EUR thousand)	Borrowings	Trade payables	Other current payables	Total
Parent Companies	0	468	0	468
Subsidiaries	28,958	40,763	3	69,724
Related concerns	0	40,845	0	40,845
Consortiums	0	1,094	23	1,117
Total	**28,958**	**83,170**	**26**	**112,155**
Incidence of related parties on the total amount for the year	**92%**	**22%**	**0.1%**	

At 31 Dec 2010 (EUR thousand)	Revenue	Other operating income	Costs	Recovery of costs	Other operating expenses	Finance income	Finance costs
Parent Companies	0	0	2,565	0	0	1	124
Subsidiaries	12,658	8,862	73,986	2,870	0	15,741	6,338
Related concerns	39,594	48	101,237	17	59	718	0
Consortiums	36,448	0	2,850	10	0	0	0
Total	**88,701**	**8,910**	**180,638**	**2,897**	**59**	**16,461**	**6,462**
Incidence of related parties on the total amount for the year	**10%**	**52%**	**29%**		**2%**	**39%**	**19%**

Year 2009

Receivables at 31 Dec 2009 (EUR thousand)	**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 thousand)	**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 2009 (EUR thousand)	**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%**

Receivables from and payables to Finmeccanica SpA mainly relate to:
- current accounts (EUR 635 thousand at 31 December 2010) 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 5 thousand for 2010;
- 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 the circular no. 16/E of 14 April 2009. The receivable from Finmeccanica relates to the year 2004 (EUR 145 thousand) 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 468 thousand at 31 December 2010);
- costs for EUR 2,565 thousand, mainly relating to recharges for surety commissions of EUR 467 thousand and the right to use the “Ansaldo” trademark for 20 years (EUR 1,616 thousand). In relation with this transaction current deferred income of EUR 1,610 thousand and non-current prepaid expenses of EUR 22,532 thousand are recorded.

Receivables from and payables to subsidiaries are as follows:

financial

Ansaldo STS S.p.A. has current accounts with the subsidiaries to offset trade receivables and payables with the enterprises of the Ansaldo STS Group and of the 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 2010 includes EUR thousand receivable from Ansaldo STS Usa and EUR 190 thousand receivable from Ansaldo STS Malaysia, EUR 7,558 receivable from Ansaldo STS Australia, EUR 5,812 receivable from Ansaldo STS UK; EUR 9,671 thousand payable to Ansaldo STS France, EUR 5,721 thousand payable to Ansaldo Signal Ireland and EUR 13,566 thousand payable to ASTS Sweden. The conditions applied to the current accounts with the companies of the Ansaldo STS group are as follows.

For the 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 the 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 1,436 thousand);
- important contracts are being performed with the subsidiary Ansaldo STS Usa International Co. for the projects in Brescia, Rome, Milan and Riyadh;
- other operating revenue mainly relate to amounts recharged for services rendered by the parent company Ansaldo STS S.p.A. to all the companies of the ASTS group in relation with the General Service Agreement for EUR 8,042 thousand;
- recovery of costs mainly relates to the amount for the year of the right to use the "Ansaldo" and the Globo trademarks (EUR 736 thousand) charged over to all the companies of the Ansaldo STS group, the costs for insurance coverage (EUR 1,204 thousand) charged over for policies whose premium was paid in advance by Ansaldo STS S.p.A. under agreements made by Finmeccanica with insurance companies, and costs (EUR 778 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. These include the contracts made with Selex Communications S.p.A. for the realisation of the works in Libya.

The most significant non-commercial transactions with related concerns were as follows:
- Leasing fee and charge for the management and use of the common services at the Naples offices, to AnsaldoBreda. The leasing fee for 2010 amounted to EUR 831 thousand (EUR 804 thousand in 2009) and the amount charged over for office services was EUR 1,858 thousand (EUR 1,881 thousand in 2009).
- Supply of ITC services under a contract for ordinary activities for EUR 4,749 thousand (EUR 5,359 thousand in 2009) charged over from Elsag Datamat. Also noteworthy is the contract with Elsag Datamat again for the implementation of the "New Controlling Model" of the Group on the new SAP ECC 6.0 transition platform (EUR 4,569 thousand in 2010).
- The cost from Fata Logistic System relates to services for the management of the company warehouses.
- The cost from HR Gest relates to outsourced personnel administration services.

Financial transactions with related concerns include the deposit contracts with Finmeccanica Finance of EUR 148,515 thousand at 31 December 2010, with an interest rate equal to the Euribor for the year + 5 bp (determined on an arm's length basis). The deposits, three in total, expire between 10 January 2011 and 21 January 2011.

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.

All the transactions made with the Parent Company and the related parties were at arm's length.

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

In February 2011 Metro 5 S.p.A., the Project Company whose major shareholders are Astaldi S.p.A., leader, Ansaldo STS and Ansaldo Breda, as well as Azienda Trasporti Municipalizzata (ATM) in Milan and ALSTOM, signed with the Municipality of Milan the new concession agreement for the extension of Line 5 of the Milan Metro to the San Siro Stadium, which was the subject-matter of the Awarding Decree of 29 July 2010.
The value of the investment for the new metro line, including the designing and construction of the civil and technological works, is EUR 872 million, partly financed by the Ministry of Infrastructures using the Infrastructure Fund (Resolution of the Interministerial Committee

for Economic Planning of 6 November 2009), partly financed by the Municipality of Milan and private parties. The economic value of the contract for Ansaldo STS is equal to EUR 105 million. Metro 5 S.p.A. is presently the concession holder for the construction and operation, using project financing, of the Line 5 section linking Bignami to Stazione Garibaldi, a 6-km long section with 9 stations. With the new agreement, the line will be further extended by 7 km with 10 new stations and will link the Stazione Garibaldi/Repubblica area to the San Siro Stadium with the implementation of a completely driverless train speed system.

Again in February 2011 the Temporary Business Grouping (RTI), led by Ansaldo STS, was awarded with the works for the technological upgrade of the conventional lines on the Turin – Padua line, for a total value of some EUR 486 million.
The share of Ansaldo STS amounted to some EUR 200 million.
The Turin - Padua line falls within the European project for the interoperability of railway lines and is an integral part of the D corridor (Lisboa – Kiev), which envisages the construction of ERTMS/ETCS L 2 systems. In particular, the order relates to the supply of two SCC/M (Command and Control Systems/Multistation) which run the operation of circulation and the integrated diagnostics on the systems of the Turin-Padua line.

The rapid change in the political scenario in the North African area, in particular riots in Libya caused a halt of the activities for the orders acquired by the company in this Country. With regard to that, the customer Zarubezhstroytechnology notified us of the suspension, starting 21 February 2011, of the works for the contract signed on 12 August 2010 for the construction of signalling systems on the line linking Sirth to Benghazi in Libya.
It is difficult to make an estimate of the impact of these events on the life of these projects; at all events, as of today current assets and liabilities relating to the order (work in progress, receivables, payables and advances) do not require adjustments to the figures posted in the balance sheet at 31 December 2010.

Outlook

At 31 December 2010 the order backlog of the company has grown over the order backlog at 31 December 2009 due to the excellent performance of new orders acquired, mainly in the Transportation Solutions segment.
Actions oriented to improving efficiency will continue in order to obtain the profitability objectives expected.

The recent destabilisation of the political scenario in North Africa and in particular the riots in Libya caused a sudden suspension of the activities on the projects acquired by Ansaldo STS in the country.
Therefore, the uncertainty of the outcome of this situation makes it difficult today to estimate the impact of delays, if any, in the performance of the works in 2011.

Proposals to the Shareholders' Meeting

Fellow Shareholders,
the 2010 financial statements, which we submit to your approval, showed a Net Profit of EUR 83,990,201.19.

Our proposal hereby submitted to you for approval is as follows: (i) that a dividend of EUR 0.28 be paid out to the Shareholders, including withholdings, for each of the shares with a par value of EUR 0.50 now existing and entitled to the dividend; (ii) that the remaining amount be carried forward.

Under this proposal no accruals are to be made to the Legal Reserve since this Reserve amounts to EUR 12,000,000.00, equal to 20% of the share capital, the maximum amount set forth by Article 2430 of the Italian Civil Code.

To that regard we remind the following:
- the shareholders in the meeting of 23 April 2010 accrued to the Legal Reserve the amount of EUR 6,549,322.77; as a result, the amount of this Reserve came to EUR 10,000,000.00, equal to 20% of the former share capital of EUR 50,000,000.00.
- Also on 23 April 2010 the company accrued the amount of EUR 10,000,000.00 to a new Reserve (named *"Reserve for adjusting the Legal Reserve"*) to be automatically converted into Legal Reserve to the benefit of the free share capital increase resolved on 23 April 2010 as well. This transaction envisages that the share capital be increased by EUR 50,000,000.00 (passing from the original EUR 50,000,000.00 to EUR 100,000,000.00), charging it to the capital of distributable reserves, to be carried out from 2010 until 31 December 2014 by issuing a total of 100,000,000 ordinary shares of the Company with a par value of EUR 0.50 each, divided into five annual tranches of 20,000,000 newly-issued ordinary shares each, for an amount of EUR 10,000,000.00 for each tranche.
- On 5 July 2010, the Board of Directors executed the first tranche of the free share capital increase and increased the Company share capital accordingly by EUR 10,000,000.00 through the issue of 20,000,000 ordinary shares with a par value of EUR 0.50 each. Following the performance of the first tranche, at present the share capital amounts to EUR 60,000,000.00 divided into 120,000,000 ordinary shares with a par value of EUR 0.50 each. As a result, at the same time the amount of EUR 2,000,000.00 was automatically transferred from the *"Reserve for adjusting the Legal Reserve"*, which went from EUR 10,000,000.00 to EUR 8,000,000.00, to the *"Legal Reserve"*, which rose from EUR 10,000,000.00 to EUR 12,000,000.00 accordingly.

Therefore we propose that the net profit be allocated as follows:
- EUR 33,592,384.00 to the Shareholders by paying out a dividend of EUR 0.28, including withholdings, for each of the 119,972,800 shares now existing and entitled to the dividend, with the exclusion of the 27,200 treasury shares held by the company, with coupon on 23 May 2011 and payment from 27 May 2011;
- EUR 50,397,817.19 thousand carried forward.

The total amount of the dividend proposed for distribution is equal to 56% of the share capital, 40% of the net profit for the year 2010 of Ansaldo STS SpA and more than 36% of the Group consolidated net profit for the year 2010, amounting to EUR 94,592,229.46.

The amount of the dividend per share proposed (EUR 0.28) is, as an absolute value, lower than the dividend per share paid out in 2010 (EUR 0.31), but the overall amount of the dividend now proposed for payment (EUR 33,600,000) is greater than that paid out in 2010 (EUR 31,000,000) because of the issue of 20,000,000 new shares on 5 July 2010, as part of the above-said free share capital increase. Remeasured against the amount of the share capital before 5 July 2010, the dividend proposed would amount to EUR 0.336 per share, an 8.4% increase over the dividend paid in 2010.

The amount of the dividend proposed and its increase over that paid out in 2010 overall 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.

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 4/5 April 2011
- having seen the Report on Operations;
- having seen the Board of Auditors' Report;
- having seen the financial statements as at 31 December 2010;
- taking due note of the Report of PricewaterhouseCoopers SpA

resolves

A) to approve the Report on Operations and Financial Statements at 31 December 2010;
B) to approve the proposal prepared by the Board of Directors to allocate the Net Profit of EUR 83,990,201.19 as follows:
- *EUR 33,592,384.00 to the Shareholders by paying out a dividend of EUR 0.28, including withholdings, for each of the 119,972,800 shares now existing and entitled to the dividend, with the exclusion of the 27,200 treasury shares held by the company, with coupon on 23 May 2011 and payment from 27 May 2011;*
- *EUR 50,397,817.19 thousand carried forward.*

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

Genoa, 1 March 2011

For the Board of Directors
The Chairman
Alessandro Pansa

Accounting Statements and notes to the Financial Statements at 31 December 2010

Accounting Statements and notes to the Financial Statements at 31 December 2010

Income Statement (Euro units)

	Note	31 December 2010	of which from related parties	31 December 2009	of which from related parties
Revenue	27	852,652,981	88,700,884	716,816,857	134,522,840
Other operating income	28	17,194,498	8,909,898	13,930,906	7,687,786
Raw materials and consumable used	29	(229,651,702)	(92,575,491)	(137,116,194)	(41,312,298)
Purchase of services	29	(397,958,272)	(85,165,848)	(395,651,697)	(82,664,985)
Personnel costs	30	(113,245,014)	-	(106,782,496)	-
Amortisation, depreciation and impairment	32	(10,572,693)	-	(6,748,130)	-
Other operating expenses	28	(3,844,050)	(59,121)	(3,208,146)	(17,209)
Changes in inventories of work in progress, semi-finished and finished goods	31	1,884,268	-	1,503,896	-
(-) Work performed by the Company and capitalised		-	-	-	-
EBIT		**116,460,016**	**-**	**82,744,996**	**-**
Finance income	33	41,814,670	16,460,720	23,949,024	4,009,263
Finance costs	33	(33,580,180)	(6,461,698)	(21,488,408)	(461,798)
Profit before taxes and the effect of discontinued operations		**124,694,506**	**-**	**85,205,612**	**-**
Income taxes	34	(40,704,305)	-	(28,420,327)	-
(Loss) Profit from discontinued operations		-	-	-	-
Net Profit (loss)		**83,990,201**	**-**	**56,785,285**	**-**
Earnings per share (basic and diluted)	**35**	**0.70**	**-**	**0.47***	**-**

* Redetermined following the share capital increase of 5 July 2010

Statement of Comprehensive Income (Euro units)

	31 December 2010	31 December 2009
Profit (loss) for the year	83,990,201	56,785,285
- Financial assets available for sale	-	-
- Actuarial gains (losses) on defined-benefit plans	(594,317)	1,253,396
- Changes in Cash Flow Hedges	-	-
Tax effect related to other comprehensive income	163,437	(344,684)
Other comprehensive income, net of tax	(430,880)	908,712
Total comprehensive income (expense) for the year	**83,559,321**	**57,693,997**

Balance Sheet (Euro units)

	Note	31 December 2010	of which from related parties	31 December 2009	of which from related parties
Non-current assets					
Intangible assets	7	8,346,224	-	2,511,994	-
Property, plant and equipment	8	71,512,853	-	74,462,498	-
Investment properties		-	-	-	-
Equity investments	9	139,322,607	-	144,148,123	-
Financial assets at fair value		-	-	-	-
Securities held to maturity		-	-	-	-
Receivables	11	4,026,893	1,005,640	3,078,690	-
Deferred tax assets	34	16,896,323	-	15,246,761	-
Other assets	11	23,246,310	-	25,227,416	-
		263,351,210	**-**	**264,675,481**	**-**
Current assets					
Inventories	12	86,300,626	-	67,267,016	-
Contract work in progress	13	102,482,909	-	66,684,383	-
Trade receivables	14	534,367,364	91,588,252	443,455,801	133,489,953
Financial assets at fair value		-	-	-	-
Securities held to maturity		-	-	-	-
Income tax receivables	15	2,711,348	-	1,323,166	-
Financial receivables	14	177,344,968	177,344,968	190,765,102	190,765,102
Derivatives	16	9,792,949	-	10,042,788	-
Other assets	17	25,645,405	1,564,243	19,936,952	1,755,177
Cash and cash equivalents	18	115,500,529	-	105,615,361	-
		1,054,146,098	**-**	**905,090,569**	**-**
Total assets		**1,317,497,308**	**-**	**1,169,766,051**	**-**
Shareholders' equity					
Share capital	19	59,707,589	-	49,193,946	-
Other reserves	19	133,273,094	-	125,077,351	-
Retained earnings (accum. losses) carried forward, inclusive of the profit for the year	19	111,526,619	-	75,661,714	-
Total Shareholders' equity		**304,507,302**	**-**	**249,933,012**	**-**
Non-current liabilities					
Borrowings	20	1,620,827	-	4,031,884	-
Severance pay and other employee liabilities	22	20,773,862	-	21,039,638	-
Provisions for risks and charges		-	-	-	-
Deferred tax liabilities	34	2,986,571	-	2,201,510	-
Other liabilities	23	2,687,500	-	2,536,579	-
		28,068,760	**-**	**29,809,610**	**-**
Current liabilities					
Advances from customers	13	504,559,293	-	513,216,928	-
Trade payables	24	374,857,440	83,170,292	218,138,012	42,279,176
Borrowings	20	31,525,171	28,958,348	93,007,733	90,163,713
Income tax payables	15	9,621,716	-	1,451,915	-
Provisions for risks and charges	21	6,008,924	-	8,165,753	-
Derivatives	16	10,063,576	-	8,902,675	-
Other liabilities	23	48,285,126	26,444	47,140,412	440,857
		984,921,246	**-**	**890,023,429**	**-**
Total liabilities		**1,012,990,006**	**-**	**919,833,039**	**-**
Total liabilities and Shareholders' equity		**1,317,497,308**	**-**	**1,169,766,051**	**-**

Statement of Cash Flows (Euro units)	Note	31 December 2010	of which from related parties	31 December 2009	of which from related parties
Cash flow from operating activities:					
Gross cash flow from operating activities	36	132,379,696	-	94,368,074	-
Change in working capital	36	2,318,094	82,792,817	(178,149)	(37,498,293)
Changes in other operating assets and liabilities	36	(17,986,522)	(223,479)	(10,524,014)	(2,013,532)
Net finance costs paid	36	122,674	(9,999,022)	9,634,339	3,547,465
Income taxes paid	36	(32,961,670)	-	(20,434,792)	-
Net cash generated from operating activities		**83,872,272**	**-**	**72,865,458**	**-**
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired		(756,590)	-	(5,025,403)	-
Purchase of property, plant and equipment and intangible assets		(8,322,279)	-	(4,024,356)	-
Proceeds from sale of property, plant and equipment and intangible asset		-	-	-	-
Dividends received		15,000,000	-	-	-
Use (Purchases) of treasury shares		513,643	-	(112,937)	-
Other investing activities		1,032,903	-	(246,580)	-
Net cash generated (used) in investing activities		**7,467,677**	**-**	**(9,409,276)**	**-**
Cash flow from financing activities:					
Net change in financial receivables and borrowings		(50,473,125)	(47,785,231)	88,906,589	90,156,709
Effect of the merger of Ansaldo Signal NV in liquidation		-	-	(77,031,045)	(77,031,045)
Share capital increases		-	-	-	-
Loss coverage		-	-	-	-
Dividends paid		(30,981,657)	(30,981,657)	(26,971,070)	(26,971,070)
Change in reserves		-	-	-	-
Net change in other financing activities		**-**	**-**	**-**	**-**
Net cash used in financing activities		**(81,454,782)**	**-**	**(15,095,526)**	**-**
Net increase (decrease) in cash and cash equivalents		9,885,168	-	48,360,656	-
Translation differences		-	-	-	-
Cash and cash equivalents at 1 January		105,615,361	-	57,254,705	-
Cash and cash equivalents at 31 December		**115,500,529**	**-**	**105,615,361**	**-**

Statement of Changes in Equity (Euro units)

	Share capital	Retained earnings/ (losses) carried forward	Reserve for stock- grant plans	Other reserves	Total Shareholders' equity
Shareholders' equity at 1 January 2009	**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 provision 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 1 January 2009 - Pro-forma	**49,256,884**	**44,974,165**	**1,806,923**	**136,331,682**	**232,369,654**
Repurchase of treasury shares, less shares sold	(112,938)	-	-	-	(112,938)
Reclassification of costs for share capital increase	50,000	-	-	(50,000)	-
Other comprehensive income (expense) 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 period result to legal reserve	-	(380,063)	-	380,063	-
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**
Use of treasury shares for delivery of SGPs	513,643	-	-	-	513,643
Free share capital increase with issue of no. 20,000,000 shares	10,000,000	-	-	(10,000,000)	-
Other comprehensive income (expense) for the year, net of tax	-	(594,317)	-	163,437	(430,880)
Change in reserves for Ansaldo STS SpA SGP	-	-	658,074	-	658,074
Change in reserves for SGPs of other companies	-	-	-	824,909	824,909
Dividends (99,940,829 x 0.31)	-	(30,981,657)	-	-	(30,981,657)
Allocation of the period result to legal reserve	-	(6,549,322)	-	6,549,322	-
Allocation of the profit to the "reserve for adjustments to legal reserve"	-	(10,000,000)	-	10,000,000	-
Net profit (loss) 31 December 2010	-	83,990,201	-	-	83,990,201
Shareholders' equity at 31 December 2010	**59,707,589**	**111,526,619**	**2,124,474**	**131,148,620**	**304,507,302**

Notes to the Financial Statements at 31 December 2010

1. General information

Ansaldo STS SpA 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.
In the course of 2010 the Company increased freely its share capital through the issue of 20 million ordinary shares; therefore, the share capital of Ansaldo STS SpA amounts to EUR 60,000,000.00, represented by no. 120,000,000 ordinary shares having a nominal value of EUR 0.50 each.
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 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; 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, according to which all the companies operating in the Signalling sector have formed internally 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, under 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 has had legal, accounting and tax effective date since 1 January 2009.
In the scope of this corporate reorganisation, the Dutch sub-holding Ansaldo Signal NV was also merged through incorporation into Ansaldo STS SpA. The merger was executed through the cancellation of all the shares forming the entire capital of Ansaldo Signal NV without any capital increase on the part of the incorporating company Ansaldo STS SpA inasmuch as the incorporated companies were wholly owned subsidiaries. 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 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% and, always with a view to expand its business, the Company formed, with the local partner JSC REMLOCOMOTIV, the Joint Venture "Kazakhstan TZ-Ansaldo STS Italy Limited Liability Partnership" in which ASTS has an interest of 49% and the Kazakh partner holds the remaining 51%.

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 2010 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, for which IAS 39 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.

All figures are in thousands of euros unless otherwise indicated.
The Financial Statements at 31 December 2010 of Ansaldo STS SpA were approved on 1 March 2011 by the Board of Directors, that authorised the dissemination thereof in accordance with the terms and methods set by the regulations in force.

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. The main areas affected by estimates or assumptions of particular importance or that have significant effects on the balances shown are described in Note 4.

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
This category includes: trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights.

(ii) 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. In no case, instead, the value of the previously written-down goodwill is 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 2010 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 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: include, inter alia, 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 also through stock grant plans. 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. 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 and in the statement of comprehensive income, in which case the tax effect is recognised directly in equity and in the statement of comprehensive income. 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 defines the treatment of rights (options or warrants) denominated in a currency other than the functional one. The Company will apply such standard starting from 1 January 2011. No effects are expected for the Company.
IAS 24 *Revised*	Related party disclosures	The standard clarifies the definition of a related party and simplifies the disclosure requirement for government-related entities. The Company will apply such standard starting from 1 January 2011. The Company shall revise the disclosure.
IFRIC 14 *Amendment*	Prepayments of a minimum funding requirement	The Company will apply such change starting from 1 January 2011. No significant effects are expected.
IFRIC 19	Extinguishing financial liabilities with equity instruments	The Company will apply such change starting from 1 January 2011. No significant effects are expected.

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. This standard, in its final version, will replace IAS 39. At present, the IASB has modified the requirements for the classification and measurement of financial assets that are currently in the scope of IAS 39 and has 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. The current version of IFRS 9 will be applicable, subject to the approval by the European Union, as from 1 January 2013.
- the 2010 improvement project that provides for the revision of several principles, whose application is expected starting from 1 January 2011, including IFRS 3 (Business combinations), IFRS 7 (Financial instruments: disclosures), IAS 1 (Presentation of financial statements), IAS27 (Consolidated and separate financial statements) and IAS 34 (Interim financial reporting).

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:

(i) Risk provisions and estimates of final costs of long-term contracts: 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.

(ii) Impairment of assets: Group assets are tested for impairment at least annually if their lives are indefinite, or more often if there are indications of impairment. Similarly, impairment tests are conducted on all the assets showing signs of impairment, even if the amortisation already commenced.
Impairment tests are generally conducted using the discounted cash flow method: however, this method is highly sensitive to the assumptions contained in the estimate of future cash flows and interest rates applied.
For these valuations, the Group uses plans that have been approved by corporate bodies and financial parameters that are in line with those resulting from the current performance of reference markets.

5. Effects of changes in accounting policies adopted

Since 1 January 2010, the Company has adopted a number of new accounting standards and interpretations. Among these, we note:
- IAS27 Revised - Consolidated and separate financial statements. According to such standard, transactions with minority interests will not imply the recognition of gains recorded in the Separate Income Statement, nor any additional goodwill;
- IFRS3 Revised - Business combinations. According to such standard, transaction costs are recognised in the income statement; it is no longer compulsory to measure the assets and liability of the subsidiary at fair value in the acquisitions achieved in stages; and the recognition at the acquisition date of the liabilities for conditional payments;
- IFRS 2 Revised – Group share-based payments – that clarifies the treatment of share-based payments in case of Group incentive plans;
- The interpretations IFRIC 12 (Service concession arrangements), IFRIC 15 (Agreements for the construction of real estate), IFRIC 16 (Hedges on a net investment in a foreign operation), IFRIC 17 (Distributions of non-cash assets to owners) and IFRIC 18 (Transfers of assets from customers).

These changes along with the further changes to the accounting standards and interpretations applicable since 1 January 2010 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 in the design and construction of integrated 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 2010, compared with those for the same period of the previous year, are as follows:

EBIT by Business Unit

31.12.2010 (EUR thousand)	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Other operations**	**Eliminations**	**Total**
Revenue	395,363	470,217	-	(12,927)	**852,653**
Other operating income	3,762	4,355	18,119	(9,041)	**17,195**
Raw materials and consumables used	(100,104)	(129,548)	-	-	**(229,652)**
Purchase of services	(137,781)	(272,679)	(9,757)	22,259	**(397,958)**
Personnel costs	(68,136)	(26,739)	(18,370)	-	**(113,245)**
Amortisation, depreciation and impairment	(6,996)	(380)	(3,197)	-	**(10,573)**
Other operating expenses	(604)	(1,694)	(1,546)	-	**(3,844)**
Changes in inventories of work in progress, semi-finished and finished goods	1,884	-	-	-	**1,884**
(-) Work performed by the Company and capitalised	-	-	-	-	**-**
EBIT	**87,388**	**43,532**	**(14,751)**	**291**	**116,460**

31.12.2009 (EUR thousand)	**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	-	-	-	-	-
EBIT	**64,648**	**35,149**	**(15,987)**	**(1,065)**	**82,745**

Working capital by Business Unit

31.12.2010 (EUR thousand)	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Inventories	84,814	21,441	3,350	(23,304)	**86,301**
Contract work in progress, net	61,951	40,531	-	-	**102,482**
Trade receivables	238,878	314,684	9,688	(28,883)	**534,367**
Trade payables	(129,581)	(253,977)	(20,182)	28,883	**(374,857)**
Advances from customers (net)	(313,769)	(214,094)	-	23,304	**(504,559)**
Working capital	**(57,707)**	**(91,415)**	**(7,144)**	**-**	**(156,266)**
Provisions for short-term risks and charges	(4,289)	(670)	(1,050)	-	**(6,009)**
Other net current assets (liabilities)	(3,606)	(27,667)	1,453	-	**(29,820)**
Net working capital	**(65,602)**	**(119,752)**	**(6,741)**	**-**	**(192,095)**

31.12.2009 (EUR thousand)	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)**	**-**	**(153,948)**
Provisions for short-term 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)**	**-**	**(188,305)**

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 thousand)	**2010**	2009
Revenue:		
Italy	492,516	431,493
Rest of Western Europe	71,922	76,528
North America	-	-
Asia Pacific	84,070	26,411
Others	115,444	47,862
Total revenue	**763,952**	**582,294**
Revenue from related parties:		
Italy	81,407	129,716
Rest of Western Europe	4,482	3,818
North America	851	13
Asia Pacific	1,961	976
Others	-	-
Total revenue from related parties:	**88,701**	**134,523**
Total	**852,653**	**716,817**

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

(EUR thousand)	**2010**	2009
Assets:		
Italy	876,103	755,004
Rest of Western Europe	213,568	208,334
North America	73,481	93,974
Asia Pacific	62,115	64,567
Other (*)	92,230	47,887
Total	**1,317,497**	**1,169,766**

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

(EUR thousand)	**2010**	2009
Investments:		
Italy	8,046	4,675
Rest of Western Europe	-	108
North America	-	-
Asia Pacific	240	-
Other (*)	39	-
Total	**8,325**	**4,783**

(*) Africa, South America and Eastern Europe.

7. Intangible assets

(EUR thousand)	Development costs	Patents & similar rights	Concessions, licenses and trademarks	Other	Assets under development	Total
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)	(2,556)	-	(15,091)
Book value	**-**	**372**	**926**	**404**	**809**	**2,512**
Investments	-	45	731	16	6,018	6,810
Sales	-	-	-	-	-	-
Amortisation	-	(210)	(522)	(244)	-	(976)
31 December 2010 broken-down as follows						
Cost	10,324	1,038	3,257	2,976	6,827	24,422
Grants	-	-	(9)	-	-	(9)
Amortisation and impairment	(10,324)	(830)	(2,113)	(2,800)	-	(16,067)
Book value	**-**	**208**	**1,135**	**176**	**6,827**	**8,346**

Intangible assets showed a balance of EUR 8,346 thousand compared with EUR 2,512 thousand in 2009 with a net increase of EUR 5,834 thousand mainly referable to assets under development as described below.

The item “Development costs” relates to the “Stream” project” (Transportation Solutions Business Unit). This category was fully amortised in the previous years.

The item “Patents & similar rights” (EUR 208 thousand) showed an increase of EUR 45 thousand due to a tool of collection, management and analysis of test data on the web-based platform by the test engineering body (Tito).

The item “Concessions, licenses and trademarks” (EUR 1,135 thousand) refers to software licenses; the investments made in the year (EUR 731 thousand) mainly refer to the purchase of SAP unlimited licenses through the LULA agreement for EUR 390 thousand, SAP Treasury Platform licenses for EUR 75 thousand, Office Sharepoint (Standard & Enterprise) licenses for EUR 178 thousand finalised to the creation of a global intranet. 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 176 thousand), attributable to the Transportation Solutions Business Unit, 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 and project management.
The investments for EUR 16 thousand refer to the capitalisations of the costs related to branches.

The item “Assets under development” (EUR 6,827 thousand) showed in the year an increase of EUR 6,018 thousand mainly ascribable to the projects started in the context of the widest reorganisation activities at world level *(Fast Forward Driven by Business)*.
Specifically, the increase is attributable to the following projects:
- Implementation of the Group “New Controlling Model” on the new transitional platform SAP ECC 6.0, started in the course of 2009, for EUR 3,705 thousand;
- Product Data Management (PDM), regarding the implementation of Team Center as the only product data management system, integrated with SAP for EUR 1,678 thousand;
- Life Cycle Management (LCM), relative to the implementation of the new project planning and control model made through SAP / Primavera integration for EUR 451 thousand;
- HCM regarding the implementation of the SABA tool in support of the process to assess the competencies and objectives of resources by the HR department for EUR 174 thousand;
- The remaining portion equal to EUR 10 thousand relates to the implementation of new functionalities for a data collection tool.

8. Property, plant and equipment

(EUR thousand)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
31 December 2009 broken-down as follows						
Cost	79,252	10,891	7,581	7,811	925	106,460
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment	(13,271)	(7,170)	(5,413)	(4,682)	-	(30,536)
Book value	**65,810**	**2,836**	**1,762**	**3,129**	**925**	**74,462**
Investments	387	199	387	486	56	1,515
Transfer from assets under construction	418	-	-	-	(418)	-
Sales	-	-	-	-	-	-
Depreciation	(1,950)	(763)	(808)	(943)	-	(4,464)
31 December 2010 broken-down as follows						
Cost	80,057	11,090	7,968	8,297	563	107,975
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment	(15,221)	(7,933)	(6,221)	(5,625)	-	(35,000)
Book value	**64,665**	**2,272**	**1,341**	**2,672**	**563**	**71,513**

Property, plant and equipment, net of accumulated depreciation, amounted to EUR 71,513 thousand compared with EUR 74,462 thousand at 31 December 2009.

The item “Land and buildings”, equal to EUR 64,665 thousand (net of the related accumulated depreciation) refers, for EUR 1,953 thousand, to the real estate complex located in Naples, Via Salita della Grotta, for EUR 7,496 thousand to the industrial buildings of the Turin and Tito sites, and for EUR 55,216 thousand to the building located in Genoa, Via Paolo Mantovani 3/5 acquired for EUR 62,378 thousand.
The change recorded in the period is made up by depreciation for EUR 1,950 thousand and new additions for EUR 805 thousand, of which EUR 418 thousand already incurred in the previous financial years and being used in the course of the year.
These refer to the following activities:
- Structural strengthening of the Tito factory plant for EUR 200 thousand;
- Construction of a prefabricated structure on the flat roof of the Genoa office building used as Test Room Lab for EUR 380 thousand and works to enlarge the premises used as deposit in the garage of the same Genoa building for EUR 14 thousand;
- Construction of a pedestrian cantilever to connect the office building and the corporate canteen at Piossasco (To) for EUR 210 thousand.

The item “Plant and machinery” showed a balance of EUR 2,272 thousand, net of accumulated depreciation (EUR 2,836 thousand at 31 December 2009).
The change in the period is due to the depreciation for the period equal to EUR 763 thousand and by increases for EUR 199 thousand. These increases refer to the Tito production unit for EUR 141 thousand (EUR 68 thousand – heating plant upgrade, EUR 51 thousand – production equipment for the new CBI-SCC-ERTMS systems, EUR 22 thousand – aeration plants for the production areas and telephone system upgrade) and in the amount of EUR 58 thousand to the Naples premises for the technological plant relative to the local area network of the C building.

The item "Equipment" (EUR 1,341 thousand) increased as a result of the investments made in the period in the amount of EUR 387 thousand and decreased by EUR 808 thousand as a result of the depreciation for the period. Investments mainly refer to the new equipment for the Tito premises in the amount of EUR 361 thousand (EUR 51 thousand – Standard Arch.&Comp., EUR 68 thousand – Technical Tools, EUR 72 thousand – On Board, EUR 81 thousand – PCB, EUR 35 thousand – Repairing, EUR 12 thousand – Interloking, EUR 20 thousand – Wayside).

The item "Other" (EUR 2,672 thousand) showed an increase due to the investments made in the period for EUR 486 thousand. These refer to the purchase of furniture and fittings for EUR 381 thousand (EUR 17 thousand – Genoa offices, EUR 12 thousand – Turin offices, EUR 83 thousand – Naples offices, EUR 5 thousand – Tito offices, EUR 264 thousand – branches) and for EUR 105 thousand to the technical IT strengthening in the Genoa (EUR 62 thousand), Turin (EUR 13 thousand) and Naples offices (EUR 30 thousand).
The decrease of EUR 943 thousand is relative to the 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 and 11th call, to 1st and 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 563 thousand) increased by EUR 56 thousand in the year and refers to progress of the works carried out for the construction of the Transformer Room in the Piossasco offices, and a decrease of EUR 418 thousand due to the completion of the works relative to the structural strengthening of the Tito factory plant (EUR 59 thousand) as well as those relative to the construction of the Test Room Lab (EUR 359 thousand) in 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.

9. Equity investments

Equity investments at 31 December 2010 totalled EUR 139,323 thousand with a net decrease of EUR 4,825 thousand over 31 December 2009.
The change is mainly attributable to the write-down of the equity investment in the subsidiary Ansaldo STS UK Ltd for EUR 6,011 thousand made on the basis of an impairment test conducted at the end of the financial year.

(EUR thousand)	**31 December 2010**	31 December 2009
Opening balance	**144,148**	**87,104**
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	357	1,500
Revaluation/write-downs	(6,011)	-
Repayment of capital	-	(22)
Disposals	-	-
Other changes	829	148
Closing balance	**139,323**	**144,148**

Below is the list of the equity investments at 31 December 2010, containing the information required by CONSOB communication no. DEM/6064293 of 28 July 2006:

Corporate name (EUR thousand)	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 subsidiaries											
Alifana S.c.a.r.l.	Naples (Italy)	31.12.2010	26	EUR	26	-	810	784	65.85%	17	17
Alifana Due S.c.a.r.l.	Naples (Italy)	31.12.2010	26	EUR	26	-	14,467	14,441	53.34%	14	14
Ansaldo STS Sweden AB	Solna (Sweden)	31.12.2010	446	SEK	7,944	3,754	23,557	15,613	100.00%	7,944	240
Ansaldo STS France S.A.	Les Ulis (France)	31.12.2010	5,000	EUR	19,091	12,872	127,684	108,593	100.00%	19,091	22,537
Ansaldo STS Ireland LTD	Tralee (Ireland)	31.12.2010	100	EUR	3,452	-1,231	6,436	2,984	100.00%	3,452	1,475
Ansaldo STS USA Inc.	Wilmington (Delaware USA)	31.12.2010	119,293	USD	60,420	24,838	130,276	69,856	100.00%	60,420	55,584
Ansaldo STS UK Ltd.	London (United Kingdom)	31.12.2010	1,162	GBP	-3,962	-5,731	5,578	9,540	100.00%	-3,962	774
Ansaldo STS Australia PTY Ltd.	Eagle Farm (Australia)	31.12.2010	3,826	AUD	63,185	-6,537	105,773	42,588	100.00%	63,185	26,235
Ansaldo STS Transportation Systems India Private Limited	Bangalore (India)	31.12.2010	21,971	INR	8,474	-9,721	38,575	30,101	0.0001%	-	0.01
Ansaldo STS Deutschland GmbH	Berlin (Germany)	31.12.2010	26	EUR	1,560	486	6,360	4,800	100.00%	1,560	2,176
KazakhstanTz-AnsaldoSTS Italy LLP	Astana (Kazakhstan)	31.12.2010	113	EUR	-23	-135	10,140	10,163	49.00%	-11	57
Ansaldo Railway System Trading (Beijing) Ltd	Beijing (China)	31.12.2010	1,162	USD	1,731	308	3,673	1,942	100.00%	1,731	1,078
Ansaldo STS Sistemas de Transporte e Sinalizaçào Limitada	(Brazil)	31.12.2010	400	BRL	n.a.	n.a.	n.a.	n.a.	99.99%	n.a.	400
											110,586
Equity investments in associates											
International Metro Service S.r.l.	Milan (Italy)	31.12.2009	700	EUR	4,811	4,001	4,850	39	49%	2,357	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)	31.12.2009	260	EUR	260	-	10,751	10,491	46.87%	122	122
											6,615

Follows

Corporate name (EUR thousand)	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)	31.12.2010	31	EUR	31	0	2,743,497	2,743,466	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)	31.12.2010	71	EUR	72	0	41,283	41,211	25%	18	18
Consortium CRIS	Naples (Italy)	31.12.2009	2,377	EUR	2,445	6	4,587	2,142	1%	24	24
Consortium CESIT	Naples (Italy)	31.12.2009	83	EUR	83	0	272	189	20.00%	17	17
Consortium COSILA	Naples (Italy)	31.12.2009	114	EUR	114	0	189	75	0.92%	1	1
Consortium ISICT	Genoa (Italy)	31.12.2009	37	EUR	42	1	310	268	10.00%	4	4
Consortium TRAIN	Rome (Italy)	31.12.2009	120	EUR	1,172	1,053	39,302	38,130	3.67%	43	4
Consortium San Giorgio Volla	Naples (Italy)	31.12.2010	71	EUR	72	0	6,205	6,133	25%	18	18
Consortium Ferroviario Vesuviano	Naples (Italy)	31.12.2010	153	EUR	155	0	235,972	235,817	25%	39	39
Consortium IRICAV Uno	Rome (Italy)	31.12.2009	520	EUR	520	0	3,584,503	3,583,983	17.44%	91	91
Consortium IRICAV Due	Rome (Italy)	31.12.2010	510	EUR	516	0	51,053	50,537	15%	77	77
											317
Other Group companies											
I.M. Intermetro S.p.A. in liquidation	Rome (Italy)	31.12.2009	2,461	EUR	4,763	-2,148	1,543,071	1,538,308	16.67%	794	523
Metro C S.p.A.	Rome (Italy)	31.12.2009	150,000	EUR	149,518	0	372,595	223,077	14%	20,933	21,000
SESAMO Security and Safety Mobility S.c.a.r.l.	Naples (Italy)	31.12.2009	100	EUR	84	4	1,264	1,180	2%	2	2
SIIT S.c.p.a.	Genoa (Italy)	31.12.2009	600	EUR	602	1	919	317	2.3%	14	14
Tram di Firenze S.p.A.	Florence (Italy)	31.12.2009	7,000	EUR	6,634	-227	60,040	53,406	3.8%	252	266
											21,805
Total Equity Investments at 31.12.2010											**139,323**

The other movements are reported below:
1. EUR 300 thousand relative to the amounts paid-in as capital increase in favour of the subsidiary Ansaldo STS Deutschland GmbH;
2. EUR 57 thousand for the formation in Kazakhstan of the Joint Venture Kazakhstan TZ-Ansaldo STS Italy Limited Liability Partnership in which the Kazakh partner has an interest of 51% and Ansaldo STS SpA holds the remaining 49% in order to construct signalling systems for the Zhetygen – Korgas line;
3. EUR 4 thousand due to the distribution of the consortium fund among the remaining partners of the consortium ISICT (EUR 1 thousand) as well as to the redetermination of the consortium fund of the consortium CESIT after the exclusion of the Firema Trasporti (EUR 3 thousand);
4. EUR 825 thousand relative 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 2009 shares delivery and 2010 assignment as envisaged in the 2008-2010 stock grant plan.

In the course of the year, the company I.M. Intermetro SpA was put into voluntary liquidation in June 2010 as a result of the substantial completion of the works relating to the Rome metro line A and B.
On the basis of the liquidation plan approved by the Shareholders' meeting in September 2010, there are no elements that may lead to write-down the cost of the equity investment.
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. In the course of the year, these commitments translated into action by paying-in EUR 984 thousand as a shareholder loan; an additional quota of EUR 615 thousand was also paid-in as shareholder loan in January 2010. Always in the same month, following the Board of Directors of Metro 5 SpA of 15 December 2010, that resolved a share capital increase in tranches from EUR 25 million to EUR 30 million, with the issue of new corresponding shares to be offered under option to the shareholders in compliance with the law, the company subscribed and paid-in EUR 1,230 thousand for the purchase of the new assignable shares.

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 cash flows used are those generated by the company's activities, in their current conditions, before finance costs and income taxes, and include the investments in capital assets and the monetary movements of working capital, while do not include the cash flows relating to financing activities, extraordinary events or the payment of dividends.
The flows thus determined are discounted using a rate (WACC) determined by applying the method of Capital Asset Pricing Model. At 31 December 2010 the WACC used was equal to 9.38%, in line with that recorded in the previous financial year.
The impairment, made at 31 December 2010 on the basis of the five-year strategic plan (2011-2015) approved by the Company's Board of Directors, that provides an overall growth rate of 8%, gave a positive result, with the exception of the subsidiary Ansaldo STS UK Ltd as reported above.
The basic assumptions used for the projections of the financial flows of the five-year plans approved by the management are outlined in the Report on operations.

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 then formed 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 2010, at 31 December 2009:

RECEIVABLES AT 31.12.2010 (EUR thousand)	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Parent company				
FINMECCANICA S.p.A.	635	26	145	**807**
Related concerns				
International Metro Service S.r.l.	-	7	-	**7**
Galileo Avionica	-	63	-	**63**
AnsaldoBreda S.p.A.	-	5,919	-	**5,919**
Finmeccanica Finance	148,515	-	-	**148,515**
Selex Communications S.p.A.	-	19	54	**73**
Selex Sistemi Integrati S.p.A.	-	-	-	**-**
Metro 5 S.p.A.	-	29,087	-	**29,087**
Alenia Aermacchi	-	1	-	**1**
Agusta S.p.A.	-	19	-	**19**
I.M. Intermetro S.p.A. in liquidation	-	42	-	**42**
Metro Service AS	-	898	-	**898**
Pegaso S.c.r.l.	-	-	-	**-**
Elsag Datamat S.p.A.	-	1	-	**1**
Electron srl	-	275	-	**275**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	2,744	-	**2,744**
Ansaldo STS Australia PTY Ltd.	7,558	843	-	**8,401**
Ansaldo STS Finland	-	-	-	**-**
Ansaldo STS Deutschland GmbH	-	1,998	-	**1,998**
Ansaldo STS France S.A.	-	1,401	-	**1,401**
Ansaldo Railway System Trading (Beijing) Ltd	-	1,017	-	**1,017**
Ecosen Venezuela	-	-	-	**-**
Ansaldo STS UK Ltd.	5,812	68	-	**5,881**
Ansaldo STS Ireland LTD	-	37	-	**37**
Balfour Beatty Ansaldo Systems JV SDN BHD	-	206	-	**206**
Ansaldo STS Sweden AB	-	264	-	**264**
Ansaldo STS Southern Africa LTD - BOTSWANA	-	13	-	**13**
Ansaldo STS - Infradev South Africa	-	26	-	**26**
Ansaldo STS Espana	-	12	-	**12**
Ansaldo STS USA Inc.	14,635	1,191	-	**15,826**
Ansaldo STS Canada	-	4	-	**4**
Ansaldo STS USA International CO.	-	404	-	**404**
Ansaldo STS Malaysia	190	30	-	**220**
Alifana Due S.c.a.r.l.	-	4,886	-	**4,886**
Alifana S.c.a.r.l.	-	123	-	**123**
Consortiums				
Consortium SATURNO	-	22,627	1,360	**23,988**
Consortium San Giorgio Volla Due	-	996	4	**1,000**
Consortium San Giorgio Volla	-	1,421	-	**1,421**
Consortium Ascosa Quattro	-	1,110	-	**1,110**
Consortium Ferroviario Vesuviano	-	13,809	-	**13,809**
	177,345	**91,588**	**1,564**	**270,497**
Incidence of related parties on the total for the year	**100%**	**17%**	**6%**	**-**

PAYABLES AT 31.12.2010 (EUR thousand)	**Borrowings**	**Trade payables**	**Other current payables**	**Total**
Parent company				
FINMECCANICA S.p.A.	-	468	-	**468**
Related concerns				
Metro Service AS	-	2,769	-	**2,769**
Metro 5	-	53	-	**53**
Selex SE.MA. - Service Managment	-	191	-	**191**
Galileo Avionica	-	-	-	**-**
Finmeccanica Group Service	-	652	-	**652**
Elsag Datamat S.p.A.	-	2,356	-	**2,356**
Fata Logistic System	-	638	-	**638**
Fata S.p.A.	-	258	-	**258**
Finmeccanica Finance	-	-	-	**-**
Pegaso S.c.r.l.	-	-	-	**-**
AnsaldoBreda S.p.A.	-	385	-	**385**
Selex Communications S.p.A.	-	33,542	-	**33,542**
Subsidiaries				
Ansaldo STS Australia PTY Ltd.	-	3,388	-	**3,388**
Ansaldo STS USA Inc.	-	186	-	**186**
Ansaldo STS France S.A.	9,671	1,693	-	**11,364**
Ansaldo STS Sistemas de Transporte e Sinalizaçào Limitada	-	-	-	**-**
Ansaldo STS Ireland LTD	5,721	-	-	**5,721**
Ansaldo Railway System Trading (Beijing) Ltd	-	17	-	**17**
Ansaldo STS UK Ltd.	-	2	-	**2**
Ansaldo STS Sweden AB	13,566	-	-	**13,566**
Ansaldo STS Deutschland GmbH	-	1,347	-	**1,347**
Ansaldo STS USA International CO.	-	28,126	-	**28,126**
Alifana Due S.c.a.r.l.	-	5,841	-	**5,841**
Alifana S.c.a.r.l.	-	162	3	**165**
Consortiums				
Consortium SATURNO	-	253	-	**253**
Consortium CESIT	-	26	-	**26**
Consortium San Giorgio Volla Due	-	105	-	**105**
Consortium San Giorgio Volla	-	6	8	**14**
Consortium Ascosa Quattro	-	154	8	**162**
Consortium Ferroviario Vesuviano	-	548	8	**556**
Total	**28,958**	**83,170**	**26**	**112,155**
Incidence of related parties on the total for the year	**92%**	**22%**	**0.1%**	**-**

RECEIVABLES AT 31.12.2009 (EUR thousand)	**Financial receivables**	**Trade receivables**	**Trade receivables**	**Total**
Parent company				
FINMECCANICA S.p.A.	1,281	-	336	1,617
Related concerns				
International Metro Service S.r.l.	-	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.	-	-	55	55
Selex Sistemi Integrati S.p.A.	-	-	-	-
Metro 5 S.p.A.	-	33,772	-	33,772
I.M. Intermetro S.p.A. in liquidazione	-	125	-	125
Metro Service AS	-	370	-	370
Pegaso S.c.r.l.	-	39	-	39
Elsag Datamat S.p.A.	-	-	-	-
Electron srl	-	47	-	47
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	1,065	-	1,065
Ansaldo STS Australia PTY Ltd.	-	941	-	941
Ansaldo STS Finland	-	2	-	2
Ansaldo STS Deutschland GmbH	-	83	-	83
Ansaldo STS France S.A.	-	1,291	-	1,291
Ansaldo Railway System Trading (Beijing) Ltd	-	1,479	-	1,479
Ecosen Venezuela	-	4	-	4
Ansaldo STS UK Ltd.	-	226	-	226
Ansaldo STS Ireland LTD	-	30	-	30
Balfour Beatty Ansaldo Systems JV SDN BHD	-	277	-	277
Ansaldo STS Sweden AB	-	506	-	506
Ansaldo STS Southern Africa LTD - BOTSWANA	-	14	-	14
Ansaldo STS - Infradev South Africa	-	23	-	23
Ansaldo STS Espana	-	35	-	35
Ansaldo STS USA Inc.	35,371	1,089	-	36,460
Ansaldo STS Canada	-	4	-	4
Ansaldo STS USA International CO.	-	8	-	8
Ansaldo STS Malaysia	2,603	63	-	2,666
Alifana Due S.c.a.r.l.	-	3,769	-	3,769
Alifana S.c.a.r.l.	-	123	-	123
Consortiums				
Consortium SATURNO	-	67,515	1,360	68,875
Consortium San Giorgio Volla Due	-	876	4	880
Consortium San 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%**	**-**

PAYABLES AT 31.12.2009 (EUR thousand)	**Borrowings**	**Trade payables**	**Other current payables**	**Total**
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
Pegaso 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 Ltd.	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 Sinalizaçâo 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 AB	9,531	-	-	9,531
Ansaldo STS Deutschland GmbH	-	392	-	392
Ansaldo STS USA International CO.	-	21,545	-	21,545
Alifana Due S.c.a.r.l.	-	2,602	-	2,602
Alifana S.c.a.r.l.	-	50	3	53
Consortiums				
Consortium SATURNO	-	605	-	605
Consortium San Giorgio Volla Due	-	102	-	102
Consortium 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%**	**-**

The total value of receivables from related parties is equal to EUR 270,497 thousand (EUR 326,010 thousand at 31 December 2009). The reduction is ascribable to financial receivables (EUR 177,345 thousand at 31 December 2010, EUR 190,765 thousand at 31 December 2009), mainly decreased following the repayment of the receivable deriving from the current account with the subsidiary Ansaldo STS USA, and to trade receivables (EUR 91,588 thousand at 31 December 2010, EUR 133,490 thousand at 31 December 2009) as a result of the lower amounts due from Consortium Saturno after the completion of a few projects managed by the consortium.

Other current receivables mainly refer to amounts due from the Parent company Finmeccanica for the IRES receivable (EUR 145 thousand) arisen after the application for 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 112,155 thousand (EUR 132,884 thousand at 31 December 2009). Trade payables rose by EUR 40,891 thousand mainly because of the increase in the amounts due to the related concern Selex Communications SpA as a result of the progress on the project signed in 2009 with the Libyan Railways.

Other payables to related parties decreased by EUR 415 thousand mainly as a result of the amounts paid-in to Ansaldo STS Sistemas de Transporte e Sinalização Limitada (EUR 400 thousand), of which ASTS holds 99.99% for the portion of the capital subscribed. The company was established last year in order to sustain the Group business development in South America.

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 thousand)	**31 December 2010**	31 December 2009
Security deposits	627	533
Severance pay on account payments	-	193
Other	3,400	2,353
Non-current receivables	**4,027**	**3,079**
Other prepaid expenses - non-current portion	688	1,032
Other prepaid expenses - Finmeccanica	22,532	24,143
Other prepaid expenses - Finmeccanica GS	26	52
Other non-current assets	**23,246**	**25,227**

Non-current receivables at 31 December 2010 amounted to EUR 4,027 thousand (EUR 3,079 thousand at 31 December 2009) and refer:

- for EUR 1,006 thousand to the shareholder loan (EUR 984 thousand for capital amount and EUR 21 thousand for interest accrued) paid-in during the financial year to Metro 5 under agreements with other shareholders, in order to construct the related Milan metro section. This loan explains the increase in the item “non-current receivables” compared with the previous period;
- for EUR 627 thousand (EUR 533 thousand at 31 December 2009) to security deposits for premises and areas rented after the opening of work-sites;
- for EUR 2,176 thousand (EUR 2,176 thousand at 31 December 2009) 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 218 thousand (EUR 176 thousand at 31 December 2009) 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.

The severance pay on account payments made to tax authorities in 1996 and 1997 equal to EUR 193 thousand at 31 December 2009 were completely used.

No receivables recorded in the Financial Statements as of 31 December 2010 have a residual maturity of more than five years.

Other non-current assets totalled EUR 23,246 thousand (EUR 25,227 thousand at 31 December 2009) and refer to:
- for EUR 688 thousand (EUR 1,032 thousand at 31 December 2009) to prepaid insurance expenses that in the year decreased by EUR 344 thousand for the reversal of premiums paid in advance;
- for EUR 22,532 thousand (EUR 24,143 thousand at 31 December 2009) to prepaid expenses relating to the “Ansaldo trademark” that decreased by EUR 1,611 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 26 thousand (EUR 52 thousand at 31 December 2009) to prepaid expenses towards Finmeccanica Group Service in relation to a lease contract.

12. Inventories

(EUR thousand)	**31 December 2010**	31 December 2009
Raw materials, supplies and consumables	15,321	16,566
Work in progress and semi-finished goods	9,529	9,798
Finished goods and merchandise	3,743	1,589
Advances to suppliers	57,708	39,314
Total	**86,301**	**67,267**

Net inventories recorded a balance of EUR 86,301 thousand compared with EUR 67,267 thousand at 31 December 2009.
The increase of EUR 19,034 thousand is mainly attributable to the increase in advances for EUR 18,394 thousand; we highlight, in particular, the advance (EUR 11,847 thousand) paid to the associate Selex-Communication SpA in relation to the order obtained from the Libyan Railways, the advance (EUR 3,855 thousand) paid to the suppliers for the Taipei order and the advance (EUR 3,354 thousand) paid to the suppliers of civil works for the Genoa metro project.
Specifically, at 31 December 2010, the Signalling Business Unit recorded advances to suppliers for EUR 32,917 thousand (EUR 24,000 thousand at 31 December 2009) and EUR 21,441 thousand (EUR 15,314 thousand at 31 December 2009) for the Transportation Solutions Business Unit, for a total of EUR 54,358 thousand (EUR 39,314 thousand at 31 December 2009).
The value of raw materials showed a reduction of EUR 1,245 thousand; these are stated net of the write-down provision equal to EUR 1,124 thousand (EUR 1,120 thousand at 31 December 2009); the increase is due to the allocation made against further obsolete items for EUR 4 thousand.

The value of inventories of work in progress and semi-finished goods is substantially in line with the previous financial year while the value of finished goods showed an increase of EUR 2,154 thousand as a result of the planned production needs of the job-orders pertaining to the Signalling Business Unit in the first months of 2011.

Third parties' goods amounting to EUR 3 thousand (EUR 37 thousand at 31 December 2009) are deposited with the Company; while the Company's goods for EUR 14,953 thousand (EUR 16,240 thousand at 31 December 2009) 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 thousand)	**31 December 2010**	31 December 2009
Work in progress (gross)	1,050,838	741,260
Write-down provision	(4,932)	(7,410)
Advances from customers	(943,423)	(667,166)
Work in progress (net)	**102,483**	**66,684**
Advances from customers (gross)	(4,092,753)	(4,466,099)
Write-down provision	(27,267)	(24,289)
Work in progress	3,615,461	3,977,171
Advances from customers (net)	**(504,559)**	**(513,217)**
Work in progress, net of advances	**(402,076)**	**(446,533)**

Work in progress net of advances totalled EUR -402,076 thousand compared with EUR -446,533 thousand at 31 December 2009 with an increase of EUR 44,457 thousand. The overall increase is due to the higher production made in the period compared with the turnover for the year.

Specifically, work in progress went from EUR 66,684 thousand at 31 December 2009 to EUR 102,483 thousand at 31 December 2010, while advances from customers went from EUR 513,217 thousand at 31 December 2009 to EUR 504,559 thousand at 31 December 2010.

Work in progress of the Transportation Solutions Business Unit, recorded under assets, equal to EUR 596,069 thousand (EUR 287,710 thousand at 31 December 2009), includes costs for EUR 1,107,111 thousand (EUR 165,019 thousand at 31 December 2009) and margin for EUR 72,407 thousand (EUR 33,906 thousand at 31 December 2009), gross of the amount invoiced definitively. Work in progress recorded under liabilities, equal to EUR 1,903,785 thousand (EUR 2,532,006 thousand at 31 December 2009), includes costs for EUR 1,231,872 thousand (EUR 1,807,766 thousand at 31 December 2009) and margin for EUR 238,772 thousand (EUR 217,110 thousand at 31 December 2009), gross of the amount invoiced definitively.

Work in progress of the Signalling Business Unit, recorded under assets, equal to EUR 454,769 thousand (EUR 453,549 thousand at 31 December 2009), includes costs for EUR 512,011 thousand (EUR 501,284 thousand at 31 December 2009) and margin for EUR 108,621 thousand (EUR 109,062 thousand at 31 December 2009), gross of the amount invoiced definitively. Work in progress, recorded under liabilities, equal to EUR 1,711,676 thousand (EUR 1,445,165 thousand at 31 December 2009), includes costs for EUR 1,376,674 thousand (EUR 1,282,413 thousand at 31 December 2009) and margin for EUR 515,136 thousand (EUR 430,622 thousand at 31 December 2009), 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 2010 amounted to EUR 32,199 thousand compared with EUR 31,699 thousand 31 December 2009.

The write-down provision relating to work in progress has been set aside in relation to the reference job-orders; in particular EUR 4,932 thousand was accrued as a decrease of "contract work in progress" and EUR 27,267 thousand in relation to "advances from customers".

This provision is adequate to cover the possible liabilities deriving from the critical states and the risks valued on the outstanding contracts in application of 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

(EUR thousand)	31 December 2010 Trade	31 December 2010 Financial	31 December 2009 Trade	31 December 2009 Financial
Receivables from third parties	442,779	-	309,966	-
Receivables from related parties	91,588	177,345	133,490	190,765
Total	**534,367**	**177,345**	**443,456**	**190,765**

The volume of trade receivables (EUR 534,367 thousand) rose compared with 31 December 2009 (EUR 443,456 thousand).
The increase in "receivables from third parties" refers to the Municipality of Naples and other Campania region customers as well as to Libyan and Turkish customers as a result of the progress made in the related projects. "Receivables from related parties" mainly decreased for lower amounts due from the Consortium Saturno relative to the High-Speed projects.

The balance of receivables from customers is shown net of the provision for doubtful accounts equal to EUR 11,207 thousand (EUR 6,111 thousand at 31 December 2009), of which EUR 255 thousand from related parties. The increase of EUR 5,096 thousand is primarily attributable to the write-down of the receivable from Firema for EUR 4,785 thousand, following the extraordinary administration procedure started with decree by the Minister of Economic Development on 2 August 2010.

The decrease in financial receivables (EUR 13,420 thousand) is mainly attributable to the reduction in the balance of the current account with the subsidiary Ansaldo STS Usa.

15. Income tax receivables and payables

(EUR thousand)	31 December 2010 Receivables	31 December 2010 Payables	31 December 2009 Receivables	31 December 2009 Payables
For direct taxes	2,711	9,622	1,323	1,452
Total	**2,711**	**9,622**	**1,323**	**1,452**

Income tax receivables totalled EUR 2,711 thousand at 31 December 2010 (EUR 1,323 thousand at 31 December 2009); the increase over the 2009 period is attributable to the receivable for taxes paid abroad and mainly in China and Turkey.
Income tax receivables at 31 December 2010 include receivables for taxes paid abroad for EUR 2,047 thousand (EUR 663 thousand at 31 December 2009) 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 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. In the course of the year, the above-mentioned IRES tax credit for the year 2005 (EUR 194 thousand) was collected through the Parent company Finmeccanica since for that year Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari – companies entitled to ask for such credit – had adhered to the Finmeccanica Consolidated Taxation Mechanism. The IRES tax credit for the year 2004 (EUR 145 thousand) is shown under "other receivables", for which the Parent company Finmeccanica submitted repayment claim.
The receivable for taxes paid abroad includes the amounts paid-in in the UK in the previous financial years by ASF for EUR 943 thousand: this receivable was entirely written-down with the allocation of a provision 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 9,622 thousand and refer for EUR 8,332 thousand to the IRES payable for the period, net of the advances paid-in in June and November and for EUR 1,290 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 607 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.

(EUR thousand)	**31 December 2010**		31 December 2009	
	Assets	**Liabilities**	Assets	Liabilities
Fair Value Hedge	9,793	10,064	10,043	8,903
Instruments to hedge exchange rate risk				
	9,793	**10,064**	**10,043**	**8,903**

The Company manages derivative instruments to hedge foreign exchange risk for the subsidiaries, deriving from the exposure of cash flows in currencies other than the functional currency. 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 2010 the fair value of asset and liability transactions is equal to EUR 9,048 thousand (EUR 8,887 thousand at 31 December 2009). The related financial effects are netted under “finance costs and income”. The transactions entered into by the Company at 31 December 2010 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 2010 are shown in the Balance Sheet - assets for EUR 438 thousand (EUR 1,156 thousand at 31 December 2009) and in the Balance Sheet – liabilities for EUR 1,015 thousand (EUR 2 thousand at 31 December 2009).
Lastly, the Company has an outstanding derivative contract (discounted currency swap) to hedge a receivable from the Consortium Tralima for USD 4,980 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 - assets for EUR 307 thousand (EUR -14 thousand at 31 December 2009) charging the variation to net finance costs.

17. Other current assets

(EUR thousand)	**31 December 2010**	31 December 2009
Current portion of prepaid expenses	11,636	11,068
Receivables for grants	4,105	2,758
Receivables from employees	692	431
Receivables from social security	187	898
Other amounts due from tax authorities	6,371	2,029
Other assets	1,090	998
Total other current assets from third parties	**24,081**	**18,182**
Total other current assets from related parties	1,564	1,755
Total	**25,645**	**19,937**

Other current assets amounted to EUR 25,645 thousand at 31 December 2010 (EUR 19,937 thousand at 31 December 2009); the increase over 2009 is mainly attributable to receivables for grants and from tax authorities.
Receivables for grants are equal to EUR 4,105 thousand at 31 December 2010 (EUR 2,758 thousand at 31 December 2009) and refer to:
- grants on projects financed by the European Community or by the Ministry of University and of Research for EUR 3,528 thousand;
- grants under Law 488 1st call for PIA: EUR 229 thousand;
- capital grants under Law 488 11th call 2001: EUR 226 thousand;
- capital grants under Law 488 2nd call for PIA: EUR 122 thousand.

The recognition of receivables for the Stram-Sitram, Sistema, Cesar and Safer projects should be also reported.

Other amounts due from tax authorities are equal to EUR 6,371 thousand (EUR 2,029 thousand at 31 December 2009) and mainly refer to the VAT receivable of the company for EUR 3,273 thousand and of the branches for EUR 2,684 thousand and to the VAT refund requested for EUR 345 thousand for the VAT portion not deducted on the use of vehicles.

Prepaid expenses, equal to EUR 11,636 thousand (EUR 11,068 thousand at 31 December 2009) mainly refer to insurance premiums related to subsequent periods (EUR 6,462 thousand), commissions on sureties paid on advance (EUR 1,621 thousand), a contractual advance relative to the service of international video-conference (EUR 1,600 thousand) and to the current portion (EUR 1,610 thousand) of the costs incurred to purchase the license to use the “Ansaldo” trademark.

18. Cash and cash equivalents

(EUR thousand)	**31 December 2010**	31 December 2009
Cash	40	25
Bank deposits	115,461	105,590
Total	**115,501**	**105,615**

The balance is made up by bank current accounts and cash on hand.

The balance includes, *inter alia*, the 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) for EUR 6,032 thousand (EUR 20,735 thousand at 31 December 2009) and for EUR 3,107 thousand (EUR 6,034 thousand at 31 December 2009) 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 2010 amounted to EUR 304,507 thousand, a net increase of EUR 54,574 thousand compared with 31 December 2009.
The change from the amount posted at 31 December 2009 (EUR 249,933 thousand) is mainly due to the distribution of dividends as resolved by the meeting approving the 2009 financial statements and to the profit for the period.

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	(693,116)	49,306,884
Charges for share capital increase in 2005	-	-	-	(50,000)
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**
Free issue of shares as per shareholders' meeting resolution of 23 April 2010	20,000,000	10,000,000	-	10,000,000
Use of treasury shares for SGP delivery	-	-	513,643	513,643
31 December 2010	**120,000,000**	**60,000,000**	**(292,411)**	**59,707,589**

The share capital of EUR 60,000,000 is fully paid-up and divided into 120,000,000 ordinary shares with a par value of EUR 0.50 each. On 5 July 2010, as resolved by the Extraordinary Shareholders' Meeting held on 23 April 2010, the first tranche of the free share capital increase was executed for an amount of EUR 10,000,000 through the issue of 20,000,000 ordinary shares with a par value of EUR 0.50 each. During the said Meeting, a free share capital increase has been resolved, pursuant to Art. 2442 of the Italian Civil Code, for a total of EUR 50,000,000 by recognising distributable reserves to share capital and specifically: for EUR 47,678,624.34 from the capital contribution reserve, that will be fully utilised and for EUR 2,321,375.66 from the Merger Surplus reserve that will be reduced accordingly for this amount. The share capital increase will be made through the issue of no. 100,000,000 ordinary shares of the Company, with a par value of EUR 0.50 each, to be implemented in five annual tranches of EUR 10,000,000 each, represented by no. 20,000,000 newly-issued ordinary shares with a par value of EUR 0.50 each, within 31 December 2014.

The amount relating to treasury shares (EUR 292,411 thousand) refers to no. 31,353 shares as the residual of shares in portfolio after the process of purchase and assignment of shares to the executives of the company included in the Stock Grant Plan.

At 31 December 2010 the share capital is held by:

Investor	Position %
Finmeccanica SpA	40.00
Altrinsic Global Advisors LLC	2.09
Scottish Widows Investment Partnership Limited	2.02
William Blair Capital Management LLC	2.02
Columbia Wanger Asset Management LLC	2.01
Other Shareholders with an interest below 2%	51.86

Retained earnings (losses) carried forward, including net profit for the year

(EUR thousand)	Retained earnings	Actuarial reserve for defined-benefit plans	Net Profit (Loss) for the year	Total
31 December 2009	**18,600**	**277**	**56,785**	**75,662**
Allocation of the net profit for the year:				
- allocation of dividends	-	-	(30,982)	(30,982)
- legal reserve	-	-	(6,549)	(6,549)
- reserve for adjustments to the legal reserve	-	-	(10,000)	(10,000)
- carried forward	9,254	-	(9,254)	-
Net profit (loss) for the year	-	-	83,990	83,990
Actuarial gain (loss) 2010 on defined-benefit plans	-	(594)	-	(594)
31 December 2010	**27,854**	**(317)**	**83,990**	**111,527**

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 18,600 thousand in the previous financial year to EUR 27,854 thousand at 31 December 2010 as a result of the allocation of EUR 9,254 thousand from the 2009 profit as resolved by the Shareholders' meeting approving the 2009 financial statements;
- 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 decreased due to the actuarial loss, equal to EUR 594 thousand, as contemplated by the actuarial appraisal on the severance pay at 31 December 2010; the related tax effect, equal to EUR 163 thousand, is recognised under "other reserves";
- net profit for the year, equal to EUR 83,990 thousand (EUR 56,785 thousand at 31 December 2009).

Other reserves

(EUR thousand)	Legal reserve	Reserve for adjustments to the 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 2009	**3,451**	**-**	**69,538**	**832**	**145**	**209**	**854**	**2,409**	**(76)**	**47,678**	**37**	**125,077**
Stock option/grant plans:												
- assignment of ASTS 2010 stock grant	-	-	-	-	-	-	-	2,042	-	-	-	2,042
- delivery of ASTS 2009 stock grant	-	-	-	-	-	-	-	(1,384)	-	-	-	(1,384)
- reserves for SGPs of other companies	-	-	-	-	-	-	-	825	-	-	-	825
Other movements:												
- allocation of 5% of the profit	2,839	-	-	-	-	-	-	-	-	-	-	2,839
- profit allocation for reserve adjustment up to 20% of the share capital	3,710	-	-	-	-	-	-	-	-	-	-	3,710
- Creation of the "reserve for adjustments to the legal reserve"	-	10,000	-	-	-	-	-	-	-	-	-	10,000
- Reversal from "reserve for adjustments to the legal reserve" following the 1st capital increase tranche	2,000	(2,000)	-	-	-	-	-	-	-	-	-	-
- recognition of distributable reserves to share capital	-	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)
- Deferred taxes on items posted to shareholders' equity	-	-	-	-	-	-	-	-	163	-	-	163
31 December 2010	**12,000**	**8,000**	**69,538**	**832**	**145**	**209**	**854**	**3,893**	**87**	**37,678**	**37**	**133,273**

The **Legal Reserve** amounted to EUR 12,000 thousand compared with EUR 3,451 thousand at 31 December 2009. The increase of EUR 8,549 thousand is a result of the shareholders' meeting resolution on the approval of the 2009 financial statements whereby the shareholders resolved, in addition to the allocation of 5% of the profit to reserve, the adjustment of the same reserve up to the maximum limit equal to 20% of the share capital. Moreover, following the resolution of a share capital increase of EUR 50,000 thousand with the objective to maintain the amount of the legal reserve always equal to 20% of the share capital, a Reserve for adjustments to the legal reserve was formed to be converted automatically into legal reserve when the free share capital increase is effective. In the course of the year, following the first tranche of share capital increase, EUR 2,000 thousand were recorded from the "Reserve for adjustments to the legal reserve" to the legal reserve as per shareholders' meeting resolution.

The **merger surplus** recognised in 2009 amounted to EUR 69,538 thousand.
It includes EUR 83,237 thousand from the mergers through incorporation of Ansaldo Segnalamento Ferroviario and Ansaldo Trasporti Sistemi Ferroviari with effective date since 1 January 2009. Specifically:

- EUR 93,094 thousand derive from 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 same merged companies. The merger surplus substantially relates to the 2008 net profit 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 transfer of the "Signalling" business concern in 1996 by Ansaldo Trasporti SpA, and the remaining goodwill of ATSF (EUR 12,687 thousand) is due to the transfer of the "Systems" business concern by Ansaldo Trasporti SpA in 2001;
- "Merger surplus" also includes the recognition of EUR 13,649 thousand for the deficit resulting from the merger through incorporation of Ansaldo Signal NV in liquidation effective 1 October 2009. It is the result of the elimination of the equity investment in Ansaldo Signal NV in liquidation (EUR 21,946 thousand) entirely held by Ansaldo STS SpA as compared with the value of the shareholders' equity of the merged company;
- The reserve was used for EUR 50 thousand following the reclassification of the charges for share capital increase for the year 2005. These charges were allocated to a distributable reserve of shareholders' equity as permitted under IAS 32.

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

The **reserve under Law 488/92 2nd call P.I.A. (Integrated Package of Facilities)** is equal to EUR 145 thousand formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and replenished in Ansaldo STS SpA after the merger. This reserve was formed after the resolution of the shareholders' meeting approving the financial statements as 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 above-said law.

The **Reserve for Ministerial grant under Law 219/81** is equal to EUR 209 thousand formerly posted to the shareholders' equity of the merged Ansaldo Segnalamento Ferroviario and replenished in Ansaldo STS SpA 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 SpA after the merger. This reserve was formed after the resolution of the shareholders' meeting approving the financial statements as 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 above-said law.

The **stock grant reserve** amounted to EUR 3,893 thousand from EUR 2,409 thousand at 31 December 2009. It was formed in 2007 following the approval by the Board of Directors of Ansaldo STS SpA of the Stock Grant Plan (SGP) which governs the assignment of Ansaldo STS SpA'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 SpA and the Remuneration Committee approved the new plan for the 2008 – 2010 period. A stock grant plan for non-top managers for the 2010-2012 period was approved in 2010 (for further details please refer to the section "Personnel" in the Report on operations).
The increase in the balance of EUR 1,484 thousand is due to the following:

- decrease due to the delivery of shares pertaining to 2009. The shares delivered were 100% of those assigned because all the objectives were achieved. The stock grant reserve of EUR 1,384 thousand was entirely used;
- increase of EUR 2,867 thousand for shares relating to the 2010 objectives for both Italian executives and executives of the subsidiaries, calculated at the grant value at the grant date (EUR 8.5230 per share at 13 February 08 for the 2008-2010 plan, the unitary value, after the free share capital increase of 5 July 2010 was redetermined and is equal to EUR 7.103 per share; EUR 14.37 per share at 27 May 2010 for the 2010-2012 plan, the unitary value, after the free share capital increase of 5 July 2010 was redetermined and is equal to EUR 11.975 per share).

The **Reserve for deferred taxes relating to items posted to shareholders' equity** was equal to EUR 87 thousand; the changes related to the recognition of deferred taxes from the actuarial gain of 2010 on the severance pay (EUR 594 thousand), to be carried under the specific item "Retained earnings (losses)" in pursuance of the equity method (see also Note 22).

The **Capital contribution** reserve was equal to EUR 37,678 thousand.
The reserve was formed in 2006 following the unrecoverable capital contribution received from the Group Parent Finmeccanica SpA.
The decrease of EUR 10,000 thousand is due to the shareholders' meeting resolution approving the 2009 financial statements and the free

share capital increase whereby the shareholders resolved to allocate the capital contribution reserve on a line-by-line basis and the Merger Surplus Reserve for EUR 2,321 thousand for the free share capital increase. On 5 July 2010, after the free issue of the first tranche of shares, the capital contribution reserve was used by charging EUR 10,000 thousand to share capital.

The **Reserve for adjustments to the legal reserve** is equal to EUR 8,000 thousand; it was set-up for EUR 10,000 thousand at the time of 2009 profit allocation as provided by the shareholders' meeting resolution approving the 2009 financial statements and free share capital increase. According to the resolutions of the said meeting, on 5 July 2010, following the free share capital increase for EUR 10,000 thousand, the legal reserve has been adjusted to the 20% of the share capital, using the "Reserve for adjustments" for EUR 2,000 thousand.

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

				Summary of uses in 2009		Summary of uses in 2008		Summary of uses in 2007	
Nature/description	**Amount (EUR thousand)**	**Possibly used**	**Available (EUR thousand)**	**to cover losses**	**for other reasons**	**to cover losses**	**for other reasons**	**to cover losses**	**for other reasons**
Share capital (*)									
Outstanding shares	60,000	-	-	-	-	-	-	-	-
Treasury shares	- 292	-	-	-	-	-	-	-	-
Capital reserves:									
Revaluation reserve under Law 413/91	832	A - B - C	832	-	-	-	-	-	-
Unrecoverable capital contributions	37,678	A - B	37,678	-	-	-	-	-	-
Coverage of losses	37	B	-	-	-	-	-	-	-
Merger surplus	69,538	A - B - C	69,538	-	50	-	-	-	-
Retained earnings:									
Legal Reserve	12,000	B	-	-	-	-	-	-	-
Reserve for adjustments to the legal reserve	8,000	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-
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	3,810	B	-	-	-	-	-	-	-
- delivery	83	A - B	83	-	-	-	-	-	-
Reserve for actuarial gains/losses (IAS 19)	- 317	n,a,	-	-	-	-	-	-	-
Reserve for deferred taxes relating to items posted to shareholders' equity	87	-	-	-	-	-	-	-	-
Retained earnings/ (losses) carried forward	27,854	A - B - C	27,854	-	-	-	-	-	-
Total	**220,518**	**-**	**137,193**	**-**	**50**	**-**	**-**	**-**	**-**
Non-distributable	-	-	37,761	-	-	-	-	-	-
Remaining non-distributable	-	-	99,432	-	-	-	-	-	-

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

The distribution of profits and shareholders' equity reserves do not form taxable income for IRES and IRAP purposes since the changes deducted for tax purposes indicated in the tax income return and not included in the income statement, made in compliance with the pre-existing Art. 109, para. 4, lett. b) of the Income Tax Code, outstanding at 31 December 2009 (EUR 3,931 thousand) were fully reversed in the course of the financial year.

20. Borrowings

(EUR thousand)	31 December 2010 Current	Non-current	Total	31 December 2009 Current	Non-current	Total
Bank borrowings	2,230	1,115	3,345	1,995	2,881	4,876
Due to other lenders	337	506	843	849	1,151	2,000
Finance lease payables	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-
Total third parties	**2,567**	**1,621**	**4,188**	**2,844**	**4,032**	**6,876**
Borrowings from related parties	28,958	-	28,958	90,164	-	90,164
Total	**31,525**	**1,621**	**33,146**	**93,008**	**4,032**	**97,040**

The amount of EUR 4,188 thousand relates:

- for EUR 1,685 thousand (EUR 1,105 thousand in current bank borrowings and EUR 580 thousand in non-current bank borrowings) to a 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;
- for EUR 841 thousand (EUR 335 thousand in current amounts due to other lenders and EUR 506 thousand in non-current amounts) to the company's portion of a low-interest loan on the SITI (Sicurezza in Tunnel Intelligente) research project which was presented by Consortium 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 without prejudice to the last maturity of the loan itself due in June 2013. In the course of the year, two instalments were repaid for EUR 334 thousand. The interest rate is a six-month 0.25%;
- for EUR 374 thousand (the entire amount is shown in current bank borrowings) to a 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;
- for EUR 804 thousand (EUR 269 thousand in current amounts due to other lenders and EUR 535 thousand in non-current amounts) to a low-interest loan taken for industrial research and pre-competitive development, on the CARAIBI project, carried out in the previous financial years. One instalment was repaid during the year. The next instalment will be due in March 2011. The last instalment will be due in March 2013. The interest rate is 0.74% per year.

Below is a breakdown of the balance at 31 December 2010, current and non-current portion, the latter broken down by year of maturity:

Lending bank (programme) (EUR thousand)	**2012**	**2013**	**2014**	**Total non-current portion**	**Current portion**	**Total**
San Paolo IMI (Caraibi)	267	269	-	536	265	801
Train (Siti)	337	170	-	507	335	842
San Paolo IMI (Stream)	578	-	-	578	1,106	1,684
Mediocredito Centrale (Marte)	-	-	-	-	372	372
Total	**1,182**	**439**	**-**	**1,621**	**1,706**	**3,699**
Accrued interest	-	-	-	-	6	6
Total low-interest loans	**1,182**	**439**	**-**	**1,621**	**1,712**	**3,705**

Changes in borrowings are:

(EUR thousand)	31 December 2009	**New positions**	**Repayments**	**Change in scope of consolidation**	**Other changes**	**31 December 2010**
Bank borrowings	4,876	800	1,691	-	(640)	3,345
Due to other lenders	2,000	-	1,157	-	-	843
Other borrowings	-	-	-	-	-	-
Total	**6,876**	**800**	**2,848**	**-**	**(640)**	**4,188**

At 31 December 2010 the company had credit lines for EUR 38,471 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 thousand)	31 December 2010	31 December 2009
Cash	40	25
Bank deposits	115,461	105,590
Liquidity	**115,501**	**105,615**
Financial receivables from related parties	177,345	190,766
Current financial receivables	**292,846**	**296,381**
Current bank borrowings	2,230	1,995
Current portion of non-current debt	338	849
Other current borrowings	28,958	90,164
Current financial debt	**31,526**	**93,008**
Current financial debt (liquidity), net	**(261,320)**	**(203,373)**
Non-current bank borrowings	1,115	2,881
Due to other lenders – non-current portion	506	1,151
Bonds issued	-	-
Other non-current payables	-	-
Non-current financial debt	**1,621**	**4,032**
Net financial debt (liquidity)	**(259,699)**	**(199,341)**

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

21. Provisions for risks and charges and contingent liabilities

(EUR thousand)	Provision for labour disputes	Wages Guarantee Fund (CIG)	Provision for costs on contracts completed	Other	Total
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	-	-	-	-	-
	244	**893**	**1,208**	**3,002**	**5,347**
Allocations	-	-	-	2,900	2,900
Uses	10	-	33	38	81
Reversals	-	-	-	-	-
Other changes	-	-	-	-	-
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	-	-	-	-	-
	234	**893**	**1,175**	**5,864**	**8,166**
Balance at 1 January 2010	**234**	**893**	**1,175**	**5,864**	**8,166**
Allocations	339	-	-	1,600	1,939
Uses	190	893	428	2,585	4,096
Reversals	-	-	-	-	-
Other changes	-	-	-	-	-
Balance at 31 December 2010	**383**	**-**	**747**	**4,879**	**6,009**
Broken down as follows:					
Current	383	-	747	4,879	6,009
Non-current	-	-	-	-	-
	383	**-**	**747**	**4,879**	**6,009**

The provisions for risks and charges at 31 December 2010 reflect the amount of potential liabilities for probable and quantifiable risks, in pursuance of applicable accounting standards.

These amounted to EUR 6,009 thousand (EUR 8,166 thousand at 31 December 2009); the decrease mainly reflects the utilisation of EUR 2,461 thousand related to the ongoing reorganisation project. The provision was made last year in order to cover the potential costs finalized to the implementation of the new organisational set-up.

The provision for labour disputes relates to the assessment of the risk for disputes initiated or considered as probable. In 2010 the provision was used in the amount of EUR 190 thousand for settled cases and increased by EUR 339 thousand for disputes arisen in the year.

The provision for risks on Wages Guarantee Fund (CIGS) was created in 2001 in ASF after CIGS benefits were denied for some periods in the years 1998-1999. In the course of the year, following the prescription of the appeal to the Lazio Regional Administrative Court (TAR) submitted by the company against the Ministry of Labour and Social Security and against the INPS (the Italian Social Security Institution) to obtain the voidness of this order, the provision was released after the writing-off of the receivable for the contributions paid to the INPS for precautionary reasons assuming a negative outcome of the appeal.

The provision for costs to be borne on completed job-orders was set aside to cover services established by contract for product documentation and technological up-dating, as well as for the implementation of changes to the equipment and systems already supplied on job-orders completed. In 2010 the provision was used in the amount of EUR 428 thousand.

The item “other provisions” is attributable for EUR 3,969 thousand to the above-mentioned reorganisation project that, as previously said, was used for EUR 2,461 thousand and an additional amount equal to EUR 1,400 thousand was set aside to cover any potential future risks. The remaining part equal to EUR 866 thousand is to cover pending minor disputes. The utilization of EUR 124 thousand relates to the settlement of small disputes during the year, while an allocation of EUR 200 thousand was made in the light of new disputes.

22. Severance pay and other employee liabilities

Below is a breakdown of severance pay:

(EUR thousand)	**31 December 2010**	31 December 2009
Severance pay provision	20,774	21,040
Defined-benefit pension plans	-	-
Other employee obligations	-	-
Total	**20,774**	**21,040**

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 Art. 2120 of the Italian Civil Code.
Law no. 296 of 27 December 2006 (2007 Finance Law) 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 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 for recognising the interest cost was changed as well. Since 1 January 2007, interest cost has no longer been recorded under personnel costs, but in finance costs.

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

(EUR thousand)	**31 December 2010**	31 December 2009
Opening balance	**21,040**	**23,043**
Costs of benefits paid	128	77
Interest costs	664	785
Actuarial losses (gains) through equity	594	(1,253)
Benefits paid	(1,652)	(1,612)
Intercompany transfers	-	-
Other changes	-	-
Closing balance	**20,774**	**21,040**

	Severance pay provision	
(EUR thousand)	**31 December 2010**	31 December 2009
Costs of benefits paid	128	77
Curtailment	-	-
Personnel costs	**128**	**77**
Interest costs	664	785
Total	**792**	**862**

The main actuarial assumptions are as follows:

	Severance pay provision	
	31 December 2010	31 December 2009
Discount rate	3.41%	3.49%
Rate of salary increases	N.A.	N.A.
Rate of turnover	3.34% - 9.78%	3.78% - 7.71%

23. Other current and non-current liabilities

	Non-current		Current	
(EUR thousand)	**31 December 2010**	31 December 2009	**31 December 2010**	31 December 2009
Due to employees	2,688	2,537	13,653	13,467
Supplementary pension schemes and INPS treasury fund	-	-	990	1,053
Due to social security and pension institutions	-	-	6,699	8,036
R&D grant payables	-	-	2,182	737
Other payables to the tax authorities	-	-	3,757	6,003
Deferred income	-	-	855	627
Other payables	-	-	20,122	16,776
Total other current and non-current liabilities to third parties	**2,688**	**2,537**	**48,258**	**46,699**
Total other current and non-current liabilities to related parties	-	-	26	441
Total	**2,688**	**2,537**	**48,285**	**47,140**

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 2010	31 December 2009
Discount rate (annual)	3.41%	3.49%
Rate of salary increases	2.27% - 3.66%	2.03% - 2.80%
Rate of turnover	3.34% - 9.78%	3.78% - 7.71%

Other current liabilities at 31 December 2010 amounted to EUR 48,285 thousand from EUR 47,140 thousand at 31 December 2009. The change is mainly due to the increase in R&D grant payables for advances received in the year on the Alarp, Greentrasport and Protectrail research contracts.
Other payables to the tax authorities, equal to EUR 3,757 thousand, mainly relate to employee withholding taxes to be paid as withholding agent.
Other payables include the remaining 75% of the share capital subscription in Metro C SpA (EUR 15,750 thousand).

24. Trade payables

(EUR thousand)	**31 December 2010**	31 December 2009
Due to suppliers	291,687	175,859
Total due to suppliers	**291,687**	**175,859**
Due to related parties	83,170	42,279
Total	**374,857**	**218,138**

Trade payables to third parties rose by EUR 115,828 thousand due to the increase in production obtained in the year and trade payables to related parties rose by EUR 40,891 thousand.

The overall increase mainly relates to the debit positions of suppliers with back-to-back contracts compared with the credit position towards the final customer.
The increase in trade payables to related parties is essentially due to the related concern Selex Communications SpA for the progress of the activities in Libya.

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 6,452 thousand for properties (EUR 6,872 thousand at 31 December 2009) and EUR 3,241 thousand for IT materials and car leases (EUR 3,248 thousand at 31 December 2009). Below is a breakdown:

	31 December 2010		31 December 2009	
(EUR thousand)	**Operating leases**	**Finance leases**	Operating leases	Finance leases
Within 1 year	3,422	-	2,919	-
2 to 5 years	6,268	-	6,359	-
Beyond 5 years	3	-	842	-
Total	**9,693**	**-**	**10,120**	**-**

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 and administrative office of the company is located. The commitments for property lease are in line with the previous financial year; specifically it should be reported that at the end of 2009 the new lease contract for the property in Naples with a duration up to 31 December 2015 was signed, with an option for the automatic renewal for six more years and the relevant leasing fee reviewed according to the ISTAT index (general inflation index).

The car lease contracts, which usually have a 4-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 1,870 thousand at 31 December 2010).

The contracts for IT material leases amounted to EUR 1,371 thousand at 31 December 2010.

Guarantees and other commitments

At 31 December 2010, the company had the following outstanding guarantees:

(EUR thousand)	**2010**	2009
Bank guarantees to related parties	831,610	232,068
Sureties to third parties	1,462,012	1,215,509
Endorsements in favour of third parties	-	-
Other unsecured guarantees given to third parties	-	-
Unsecured guarantees given	-	-
Total	**2,293,622**	**1,447,577**
Unsecured guarantees given	-	-
Guarantees given	117,462	100,675
Guarantees given to related parties	303,632	123,318
Total	421,094	223,993
Total	**2,714,717**	**1,671,570**

Guarantees given at 31 December 2010 for EUR 2,293,622 thousand (EUR 1,447,577 thousand at 31 December 2009) 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 significant increase in the balance at 31 December 2010 as compared with the balance at 31 December 2009 is due to the issue of new guarantees for new orders, including the issue of the guarantees for the Copenhagen project for a total of EUR 537,503 thousand.

These commitments include guarantees to related parties for EUR 831,610 thousand (EUR 232,068 thousand at 31 December 2009) broken down as follows:

- EUR 542,015 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 11,218 thousand (to Finmeccanica Finance);
- EUR 278,375 thousand relate 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 238,684 thousand (mainly for the High-Speed railway project in favour of Consortium Saturno).
Guarantees given amounting to EUR 421,094 thousand (EUR 223,993 thousand at 31 December 2009) include EUR 117,462 thousand of sureties given by our suppliers or sub-contractors for the proper performance of their contractual obligations to the company. For EUR 303,632 thousand, instead, these guarantees were issued by subsidiaries or related concerns.
During the year, in order to centralise credit lines, the company negotiated directly with the banking system credit lines for endorsement facilities and then made part of them in favour of the companies of the Ansaldo STS group in the amount of EUR 40,000 thousand.

At 31 December 2010 the company has credit lines for EUR 38,471 thousand to be used mainly on bank overdraft.

Purchase and sale commitments

At 31 December 2010 the company had the following outstanding purchase and sale commitments:

(EUR thousand)	**2010**	2009
Order backlog of third-party customers	3,561,075	2,863,213
Order backlog of related-party customers	169,486	177,888
Order backlog of third-party suppliers	814,107	757,549
Order backlog related-party suppliers	246,902	343,610
Total	**4,791,570**	**4,142,260**

These amounts include commitments to purchase property, plant and equipment (EUR 434 thousand) and intangible assets (EUR 2,168 thousand).

26. Transactions with related parties

Below are the amounts of the transactions with related parties at 31 December 2010, at 31 December 2009:

AT 31.12.2010 (EUR thousand)	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Parent company							
FINMECCANICA S.p.A.	-	-	2,565	-	-	1	124
Related concerns							
Selex SE.MA. - Service Managment	-	-	314	-	-	-	-
Finmeccanica Finance	-	-		-	-	718	-
International Metro Service S.r.l.	-	7		-	-	-	-
Metro 5 S.p.A.	30,075	-	489	-	-	-	-
Metro Service AS	-	-	45,641	-	-	-	-
Ansaldo Energia S.p.A.	-	-	53	1	-	-	-
Fata S.p.A.	-	-	215	-	-	-	-
Fata Logistic System	-	-	2,389	-	-	-	-
I.M. Intermetro S.p.A. in liquidation	170	38		-	-	-	-
Galileo Avionica	-	-		-	-	-	-
Electron Italia s.r.l.	-	-	681	-	-	-	-
Finmeccanica Group Service	-	-	1,756	-	57	-	-
Pegaso S.c.r.l.	63	-	2,445	-	-	-	-
Elsag Datamat S.p.A.	(92)	-	10,458	1	-	-	-
AnsaldoBreda S.p.A.	9,378	3	3,433	-	2	-	-
Selex Communications S.p.A.	-	-	33,363	16	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	74	881		77	-	-	(56)
Ansaldo STS Australia PTY Ltd.	10	2,223	3,679	708	-	50	638
Acelec	-	-		1	-	-	-
Ansaldo STS Finland	-	-		-	-	-	-
Ansaldo STS UK Ltd.	615	196	253	124	-	43	6,011
Ansaldo STS Ireland LTD	-	84		15	-	-	11
Ansaldo STS Sweden AB	1,930	93		89	-	-	40
Ansaldo STS Deutschland GmbH	209	4	3,906	35	-	-	-
Ansaldo STS France S.A.	1,436	2,566	5,062	756	-	15,000	33
Ansaldo STS Beijing	311	-	-	-	-	-	-
Ansaldo STS Espana	58	-	124	58	-	-	(89)
Ansaldo STS USA Inc.	204	2,814	550	840	-	645	(44)
Ansaldo STS - Infradev South Africa	-	-	-	8	-	-	-
Ansaldo STS Hong Kong	-	-	82	-	-	-	-
KazakhstanTz-AnsaldoSTS Italy LLP	725	-	-	-	-	-	-
Balfour Beatty Ansaldo Systems JV SDN BHD	-	-	-	-	-	-	(187)
Ansaldo STS Southern Africa LTD - BOTSWANA	-	-	-	6	-	-	(16)
Ansaldo STS Canada	-	-	-	20	-	-	-
Ansaldo STS USA International CO.	647	-	48,205	6	-	-	-
Ansaldo STS Malaysia	35	-	-	55	-	3	(3)
Ansaldo Railway System Trading (Beijing) Ltd	806	(2)	2,147	-	-	-	-
Alifana Due S.c.a.r.l.	5,574	3	9,816	72	-	-	-
Alifana S.c.a.r.l.	25	-	162	2	-	-	-
Consortiums							
Consortium SATURNO	32,199	-	2,384	-	-	-	-
Consortium San Giorgio Volla Due	2,085	-	75	10	-	-	-
Consortium San Giorgio Volla	207	-	5	-	-	-	-
Consortium CRIS	-	-	110	-	-	-	-
Consortium Ascosa Quattro	254	-	75	-	-	-	-
Consortium CESIT	-	-	35	-	-	-	-
Consortium Ferroviario Vesuviano	1,704	-	166	-	-	-	-
Total	**88,701**	**8,910**	**180,638**	**2,897**	**59**	**16,461**	**6,462**
Incidence of related parties on the total amount for the year	**10%**	**52%**	**28%**		**2%**	**39%**	**19%**

AT 31.12.2009 (EUR thousand)	Revenue	Other operating income	Costs	Recovery of costs	Other operating expenses	Finance income	Finance costs
Parent company							
FINMECCANICA S.p.A.	-	-	2,343	-	-	1	139
Related concerns							
Selex SE.MA. - Service Managment	-	-	266	-	-	-	-
Finmeccanica Finance	-	-	14	-	-	1,937	-
International Metro Service S.r.l.	-	24	20	-	-	-	-
Metro 5 S.p.A.	26,604	-	1,210	-	-	-	-
Metro Service AS	215	-	41,498	-	-	-	-
HR Gest	-	-	651	-	3	-	-
OTO Melara S.p.A.	-	-	-	1	-	-	-
Ansaldo Energia S.p.A.	-	-	-	1	-	-	-
Selex Sistemi Integrati S.p.A.	-	-	-	1	-	-	-
Fata S.p.A.	-	-	75	-	-	-	-
Fata Logistic System	-	-	2,123	-	-	-	-
I.M. Intermetro S.p.A. in liquidation	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	-	-	-	-
AnsaldoBreda S.p.A.	6,272	27	2,970	62	-	-	-
Selex Communications S.p.A.	-	-	6,498	-	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	1	319	-	78	-	-	(67)
Ansaldo STS Australia PTY Ltd.	-	1,840	945	677	-	-	656
Ansaldo STS Finland	-	-	-	2	-	-	-
Ansaldo STS UK Ltd.	525	358	11	92	-	-	23
Ansaldo STS Ireland LTD	-	88	-	16	-	-	25
Ansaldo STS Sweden AB	339	307	-	62	-	-	33
Ecosen Venezuela	-	-	-	4	-	-	-
Ansaldo STS Nederland	-	-	20	1	-	1,375	-
Ansaldo STS Deutschland GmbH	61	-	6,755	28	-	-	(10)
Ansaldo STS France S.A.	2,613	2,223	3,370	810	-	-	261
Ansaldo STS Hong Kong	-	-	-	-	-	-	-
Ansaldo STS Espana	65	-	-	53	-	-	(134)
Ansaldo STS USA Inc.	13	2,460	575	925	-	627	(49)
Ansaldo STS - Infradev South Africa	-	-	-	14	-	-	(4)
Balfour Beatty Ansaldo Systems JV SDN BHD	-	-	-	-	-	-	(395)
Ansaldo STS Southern Africa LTD - BOTSWANA	-	-	-	7	-	-	(5)
Ansaldo STS Canada	-	-	-	18	-	-	-
Ansaldo STS USA International CO.	-	-	25,985	-	-	-	(9)
Ansaldo STS Malaysia	3	-	-	61	-	69	(2)
Ansaldo Railway System Trading (Beijing) Ltd	973	-	2,151	101	-	-	-
Alifana Due S.c.a.r.l.	10,115	-	10,706	-	-	-	-
Alifana S.c.a.r.l.	25	-	50	-	-	-	-
Consortiums							
Consortium SATURNO	75,723	-	3,610	-	-	-	-
Consortium San Giorgio Volla Due	2,502	-	56	9	-	-	-
Consortium 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%**

The decrease in revenue from related parties at 31 December 2010 (EUR 88,701 thousand) as compared with the prior year (EUR 134,523 thousand) is mainly due to lower production volumes relating to High-Speed projects developed through Consortium Saturno (EUR 32,199 thousand at 31 December 2010 compared with EUR 75,723 thousand at 31 December 2009) and Alifana Due (EUR 5,574 thousand at 31 December 2010 compared with EUR 10,115 thousand at 31 December 2009).
Costs rose from EUR 127,001 thousand at 31 December 2009 to EUR 180,638 thousand at 31 December 2010 mainly due to the production volume reached by the related concern Selex Communications SpA as a result of the progress of the activities on the project signed in 2009 with the Libyan Railways (EUR 33,363 thousand) and by the subsidiary Ansaldo STS Usa International Co. (EUR 48,205 thousand) for the progress of the activities (ATC product) on the Brescia, Rome and Milan projects.
Other operating income mainly relates to EUR 8,042 thousand charged over for services rendered to the other group companies in respect of the General Service Agreement.

Finance income relates to the dividends on the 2009 profits paid out by the subsidiary Ansaldo STS France (EUR 15,000 thousand) and to the deposit contract with the related concern Finmeccanica Finance (EUR 718 thousand).
Finance costs, equal to EUR 6,462 thousand, mainly relate to the write-down of the equity investment in Ansaldo STS UK (EUR 6,011 thousand).

27. Revenue

(EUR thousand)	**31 December 2010**	31 December 2009
Revenue from third-party sales	855,324	303,425
Revenue from related-party sales	16,299	7,563
Total revenue from sales	**871,623**	**310,988**
Revenue from services rendered to third parties	31,663	19,514
Revenue from services rendered to related parties	1,999	1,556
Total revenue from services	**33,662**	**21,070**
Change in third-party contract work in progress	(123,035)	259,356
Change in related-party contract work in progress	70,403	125,403
Total change in contract work in progress	**(52,632)**	**384,759**
Total revenue	**852,653**	**716,817**

Total revenue rose from EUR 716,817 thousand at 31 December 2009 to EUR 852,653 thousand at 31 December 2010 with an increase of EUR 135,836 thousand due to the production development of the huge order backlog. Production was realised in Italy in the amount of EUR 573,923 thousand (EUR 561,209 thousand at 31 December 2009) and abroad in the amount of EUR 278,730 thousand with a significant increase over the previous financial year (EUR 155,608 thousand at 31 December 2009).
The greater increase over the previous year is due to the Riyadh (EUR 61.4 million), Rome Metro Line C (EUR 21.3 million) and Brescia Metro (EUR 17.6 million) projects for the Transportation Solutions Business Unit, and to the Libya (EUR 39.0 million), Turkey (EUR 25.8 million) job-orders and to the Maintenance, Service and Spare parts projects (EUR 13.1 million) for the Signalling Business Unit. The said increases offset the natural reduction in the High Speed projects almost concluded.

During the year revenue of EUR 854,834 thousand was posted mostly for the recognition of the state of completion of final works on the Copenhagen project.

28. Other operating income (expenses)

	31 December 2010		31 December 2009	
(EUR thousand)	**Income**	**Expenses**	Income	Expenses
Grants for research and development costs	2,233	-	685	-
Tax credit on R&D costs	607	-	1,186	-
Gains on disposals of property, plant and equipment and intangible fixed assets	-	-	-	2
Allocations/Reversals to provisions for risks and charges	-	200	-	-
Royalties	1,583	-	2,724	-
Exchange rate differences on operating items	168	53	90	85
Non-existent payables/receivables	326	100	1,082	462
Insurance reimbursements	65	-	-	-
Restructuring costs	-	-	-	-
Indirect taxes	-	490	-	422
Other operating income (expenses)	3,302	2,942	476	2,220
Total other operating income / expenses from third parties	**8,284**	**3,785**	**6,243**	**3,191**
Total other operating income/expenses from related parties	8,910	59	7,688	17
Total	**17,194**	**3,844**	**13,931**	**3,208**

Other operating income from companies that do not belong to the Ansaldo STS Group and the Finmeccanica Group amounted to EUR 8,284 thousand at 31 December 2010 (EUR 6,243 thousand at 31 December 2009); the increase is substantially attributable to the higher grants obtained for R&D activities set aside in the year in relation to the progress of the relevant projects and to the interest on trade receivables accrued as per contract.
The item other income is made up by:

- royalties on hardware licences for EUR 1,583 thousand (EUR 2,724 thousand at 31 December 2009);
- operating interest on trade receivables for EUR 2,970 thousand (EUR 552 thousand at 31 December 2009);
- recognition of payables which later revealed as non-existent for EUR 326 thousand (EUR 1,082 thousand at 31 December 2009);
- exchange gains on non-financial items for EUR 168 thousand (EUR 90 thousand at 31 December 2009);
- grants for research and development costs for EUR 2,233 thousand, (EUR 685 thousand at 31 December 2009) relating to projects managed by the Transportation Solutions Business Unit in the amount of EUR 1,114 thousand (Stram-Sitram, Errac Rodmap and Safer projects) and to projects managed by the Signalling Business Unit in the amount of EUR 1,119 thousand (Iness, Sistema, Cesar, Piezorail-Pshield, Alarp, Acis, Slim-Port, Greentrasport, Sintesis and Protectrail projects). With regard to 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 607 thousand (EUR 1,186 thousand at 31 December 2009), for the costs incurred for R&D activities and introduced under 2007 Finance Law (Law 296/2006), Art. 1, paragraphs 280 to 283.

Other operating expenses from companies that do not belong to the Ansaldo STS Group and the Finmeccanica Group amounted to EUR 3,785 thousand (EUR 3,191 thousand at 31 December 2009) and include indirect taxes for EUR 490 thousand, other operating expenses for EUR 2,942 thousand, exchange losses for non-financial items for EUR 53 thousand and non-existent receivables for EUR 100 thousand. Indirect taxes, equal to EUR 490 thousand, include EUR 177 thousand of Local Property Tax (ICI) and EUR 313 thousand of other indirect taxes. Other operating expenses, equal to EUR 2,942 thousand, relate to membership fees for EUR 480 thousand, donations and charity for EUR 569 thousand, interest for payment time extensions for EUR 1,168 thousand, free gifts and entertainment expenses for EUR 292 thousand and other sundry expenses of various nature for EUR 433 thousand.

For a breakdown of other operating income and expenses 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 thousand)	**31 December 2010**	31 December 2009
Purchase of materials from third parties	135,832	95,600
Change in inventories of raw materials	1,245	204
Total raw materials and consumables used and purchase of services from Third Parties	**137,077**	**95,804**
Raw materials and consumables used from related parties	92,575	41,312
Total raw materials and consumables used	**229,652**	**137,116**
Services rendered by third parties	306,180	306,969
Costs of rents and operating leases	2,853	2,963
Rental fees	3,759	3,055
Total purchase of services from Third Parties	**312,792**	**312,987**
Purchase of services from related parties	85,166	82,665
Total purchase of services	**397,958**	**395,652**
Grand total	**627,610**	**532,768**

The increase in the total raw materials and consumables used and purchase of services (EUR 94,842 thousand) is due to the greater production volume developed during the year.

Raw materials, supplies, consumable stores and merchandise amounted to EUR 229,652 thousand (EUR 137,116 thousand at 31 December 2009) with an increase of EUR 92,536 thousand mainly relative to the positions towards related parties and in particular towards the related concern Selex Communications SpA and the subsidiary Ansaldo STS USA.

Purchase of services amounted to EUR 397,958 thousand (EUR 395,652 thousand at 31 December 2009) with an increase of EUR 2,306 thousand.

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 thousand)	**31 December 2010**	31 December 2009
Wages and salaries	81,924	73,610
Costs for stock grant plans	2,042	1,043
Pension and social security	22,897	22,335
Severance pay provision costs	128	77
Costs related to other defined-benefit plans	151	71
Costs related to defined-contribution plans	4,047	3,832
Employee disputes	339	-
Recharge of labour cost	(483)	(705)
Other costs	2,200	6,519
Total personnel costs	**113,245**	**106,782**

Personnel costs amounted to EUR 113,245 thousand at 31 December 2010 (EUR 106,782 thousand at 31 December 2009); in particular, the increase in wages and salaries of EUR 8,314 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 90 thousand to Ansaldo STS Deutschland GmbH, EUR 143 thousand to Metro Service AS, EUR 63 thousand to Galileo Avionica and EUR 25 thousand to the ultimate Parent company Finmeccanica.

The average workforce at 31 December 2010 stood at 1,527, compared with 1,450 units at 31 December 2009.

Below is a breakdown of average workforce by category:

	31 December 2010	31 December 2009
Executives	73	70
Middle managers	280	247
Clerical workers	1,097	1,043
Manual workers	77	90
Total	**1,527**	**1,450**

The Board of Directors of Ansaldo STS SpA 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 2010 to be delivered to the employees in 2011 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).
In the course of the year, the Shareholders' meeting of Ansaldo STS, held on 23 April 2010, approved for the 2010-2012 three-year period an additional Stock Grant Plan intended for a maximum number of 50 resources playing a key role in relevant projects that are considered to be strategic for the Group and vital to the achievement of the economic and financial goals of the company.
It should be reported that in the course of 2010, following the communication no. 25602 by which the Italian Social Security Institution clarified the methods of implementation of the Decree Law no. 112/2008 converted with amendments by Law no. 133/2009 relating to the tax and contributory liability of the stock options, the social security contributions have been written-off for all the assignments made since 25 June 2008 and no social security contributions have been set aside for those relating to the 2010 financial year.

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 2010, equal to EUR 2,042 thousand (EUR 1,043 thousand in 2009), is recognised through an equity reserve.

In December 2010 the shares for the objectives 2009 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 thousand)	**31 December 2010**	31 December 2009
Changes in inventories of work in progress, semi-finished and finished goods	**1,884**	**1,504**

The change in inventories of work in progress, semi-finished and finished goods went from EUR 1,504 thousand at 31 December 2009 to EUR 1,884 thousand at 31 December 2010, with an increase of EUR 380 thousand attributable to the production needs in the first months of 2011.

32. Amortisation, depreciation and impairment

(EUR thousand)	**31 December 2010**	31 December 2009
Amortisation/depreciation:		
- intangible assets	975	1,057
- property, plant and equipment	4,463	4,491
	5,438	**5,548**
Impairment:		
- operating receivables	5,135	1,200
- other assets	-	-
	5,135	**1,200**
Total amortisation, depreciation and impairment	**10,573**	**6,748**

Amortisation and depreciation, equal to EUR 5,438 thousand, are substantially in line with 2009. In particular, amortisation amounted to EUR 975 thousand and depreciation totalled EUR 4,463 thousand; these amounts are shown net of any adjustments deriving from the use of deferred income for the year of EUR 95 thousand on set-up grants (Law 488/92).
During the year amounts were allocated to the provision for doubtful accounts in order to adjust the provision to the potential estimated risk (EUR 5,135 thousand); specifically, EUR 4,785 thousand refer to the write-down of receivables from Firema (please see Note 14).

33. Finance income and costs

	31 December 2010			31 December 2009		
(EUR thousand)	**Income**	**Costs**	**Net**	Income	Costs	Net
Income from equity investments and securities	-	-	-	-	-	-
Discounting of receivables, payables and provisions	-	-	-	21	-	21
Interest and commission income and costs	440	396	44	441	435	6
Interest costs on severance pay provision	-	664	(664)	-	785	(785)
Exchange rate differences	24,153	23,073	1,080	17,984	17,990	(6)
Income from fair value hedges recognised in the income statement	760	2,171	(1,411)	1,494	788	706
Value adjustments to equity investments	-	-	-	-	-	-
Other finance income and costs	-	814	(814)	-	1,028	(1,028)
Total net finance income and costs	**25,353**	**27,118**	**(1,765)**	**19,940**	**21,026**	**(1,086)**
Dividends	15,000	-	15,000	-	-	-
Write-down of equity investment	-	6,011	(6,011)	-	-	-
Interest and other finance income (costs)	1,461	451	1,010	4,009	462	3,547
Total finance income/(costs) from related parties	**16,461**	**6,462**	**9,999**	**4,009**	**462**	**3,547**
Total	**41,814**	**33,580**	**8,234**	**23,949**	**21,488**	**2,461**

Net finance income amounted to EUR 8,234 thousand at 31 December 2010 from EUR 2,641 thousand at 31 December 2009; the increase is due to the combined effect of the dividends cashed from the subsidiary Ansaldo STS France (EUR 15,000), the write-down of the equity investment in Ansaldo STS UK (EUR 6,011 thousand) as well as to the reduction in interest on deposits with the related concern Finmeccanica Finance for lower average deposits compared with 2009. This last difference is marked by the reduction in interest income and other finance income and costs from related parties that went from EUR 4,009 thousand at 31 December 2009 to EUR 1,461 thousand at 31 December 2010.

Finance income and costs from third parties relate to:
- interest income on current accounts of the company for EUR 440 thousand (EUR 441 thousand at 31 December 2009). Interest costs, equal to EUR 396 thousand (EUR 435 thousand at 31 December 2009) mainly include those on medium/long-term loans for EUR 218 thousand (EUR 259 thousand at 31 December 2009) and others on current accounts for EUR 178 thousand (EUR 176 thousand at 31 December 2009);
- the interest cost on severance pay provision equal to EUR 664 thousand (EUR 785 thousand at 31 December 2009) deriving from the actuarial calculation as permitted under IAS 19;
- exchange-rate gains for EUR 24,153 thousand (EUR 17,984 thousand at 31 December 2009) and exchange rate losses for EUR 23,073 thousand (EUR 17,990 thousand at 31 December 2009), 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 in place at 31 December 2010 amounting to EUR 760 thousand (EUR 1,494 thousand at 31 December 2009) and negative effects amounting to EUR 2,171 thousand at 31 December 2010 (EUR 788 thousand at 31 December 2009);
• sundry finance costs for EUR 814 thousand, for EUR 509 thousand to commissions on sureties of the company on behalf of its foreign subsidiaries and charged over in the amount of EUR 484 thousand (under item "income from related parties") and for EUR 305 thousand to bank costs and commissions.

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 40,704 thousand for the year 2010. These break down as follows:

(EUR thousand)	**31 December 2010**	31 December 2009
IRES (corporate income tax)	32,384	24,804
IRAP (regional tax on productive activities	8,416	6,816
Income from consolidation	-	-
Other taxes on profit (foreign companies)	-	-
Taxes relating to previous periods	(53)	(1,158)
Provisions for disputes over taxes	-	-
Net deferred taxes	(43)	(2,042)
Total	**40,704**	**28,420**

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

	31 December 2010			31 December 2009		
(EUR thousand)	**Taxable income**	**Income taxes**	**%**	Taxable income	Income taxes	%
Result before taxes	**124,694**	**-**	**-**	**85,206**	**-**	**-**
Taxes calculated at the applicable tax rate	-	34,291	27.50%	-	23,432	27.50%
Deferred tax assets recoverable during the year	-	-	-	-	-	-
Permanent differences						
- non-deductible costs	7,683	2,113	1.69%	4,661	1,282	1.50%
- taxable intercompany dividends (merged companies) (5%)	-	-	-	-	-	-
- non-taxable dividends (95%)	(14,250)	(3,919)	-3.14%	-	-	-
- untaxed income	(607)	(167)	-0.13%	(2,524)	(694)	-0.81%
- Losses for previous tax periods to which deferred tax assets were not allocated	-	-	-	(4,767)	(1,311)	-1.54%
Result net of permanent differences	**117,520**	**32,318**	**25.92%**	**82,576**	**22,709**	**26.65%**
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	-	32,318	25.92%	-	22,709	26.65%
IRAP	-	8,425	6.76%	-	6,726	7.89%
Prior years' taxes	-	(39)	-0.03%	-	(1,015)	-1.19%
Adjustment to new nominal tax rates	-	-	-	-	-	-
Total effective taxes carried to the Income Statement and relevant tax rate	**-**	**40,704**	**32.64%**	**-**	**28,420**	**33.35%**

The effective tax rate at 31 December 2010 was 32.64% as compared with the effective tax rate at 31 December 2009 equal to 33.35%. The reduction of 0.71% is mainly attributable to the collection of dividends from the subsidiary Ansaldo STS France (EUR 15,000 thousand) that being taxed only to the extent of 5% of their overall amount cause a reduction in the effective tax rate of 3.14%.

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

(EUR thousand)	31 December 10						31 December 09				
	Amount of temporary differences	**Tax rate**	**Amount of deferred tax assets/ liabilities**	**Effect on equity**	**Reclassific.**	**Effect on Income Statement (+income/ -cost), net of reclassification**	Amount of temporary differences	Tax rate	Amount of deferred tax assets/ liabilities	Effect on equity	Effect on Income Statement (+income/ -cost)
Deferred tax assets											
Impairment of work in progress (IRES only)	7,596	27.50%	2,089	-	-	(3,641)	20,835	27.50%	5,730	-	411
Impairment of work in progress (IRAP only)	7,289	4.18%	305	-	-	(433)	17,653	4.18%	738	-	(22)
Impairment of work in progress (IRES/IRAP)	14,924	31.68%	4,728	-	-	4,728	-	-	-	-	-
Impairment of inventories (IRES)	1,124	27.50%	309	-	-	1	1,120	27.50%	308	-	(310)
Impairment of inventories (IRAP)	621	4.18%	26	-	-	-	621	4.18%	26	-	(15)
Provisions for risks and charges	5,219	27.50%	1,435	-	-	(441)	6,823	27.50%	1,876	-	781
Provision for costs on job-orders completed and provision for guarantee (IRES/IRAP)	747	31.68%	237	-	-	(136)	1,176	31.68%	373	-	(9)
Non-deductible amortisation and depreciation (IRES/IRAP)	778	31.68%	246	-	-	50	619	31.68%	196	-	27
Non-deductible amortisation and depreciation (IRES)	142	27.50%	39	-	-	(13)	188	27.50%	52	-	26
Exchange-rate differences from branch conversion	443	27.50%	122	-	-	-	443	27.50%	122	-	-
Exceeding maintenance (IRES/IRAP)	59	31.68%	19	-	-	(31)	156	31.68%	49	-	(30)
Costs deductible in following years (IRES/IRAP)	254	31.68%	80	-	-	(35)	365	31.68%	116	-	(111)
Contracts with a loss (IRES)	3,267	27.50%	898	-	-	(204)	4,008	27.50%	1,102	-	1,102
Contracts with a loss (IRAP)	1,137	4.18%	48	-	-	-	1,138	4.18%	48	-	48
Seniority bonuses (IAS 19)	2,211	27.50%	608	-	-	(12)	2,254	27.50%	620	-	-
Goodwill amortisation (IRES/IRAP)	7,048	31.68%	2,233	-	-	67	7,877	27.50%	2,166	-	(228)
Goodwill amortisation (IRAP)	1,410	4.18%	59	-	-	(310)	8,819	4.18%	369	-	(35)
Non-deductible severance pay	2,168	27.50%	596	-	-	125	1,714	27.50%	471	-	471
Impairment of receivables	1,312	27.50%	361	-	-	-	1,312	27.50%	361	-	13
Exchange-rate losses	585	27.50%	161	-	-	-	585	27.50%	161	-	127
Firema loss	4,785	27.50%	1,316	-	-	1,316				-	
Default interest costs	1,241	27.50%	341	-	-	273	249	27.50%	68	-	(60)
Research grants	172	31.68%	54	-	-	-	172	31.68%	54	-	(1)
Research grants (for IRES tax purposes only)	1,470	27.50%	404	-	-	306	357	27.50%	98	-	22
Costs deductible in following years (IRES)	316	27.50%	87	-	-	26	221	27.50%	61	-	(480)
Stock grant	305	27.50%	84	-	-	-	304	27.50%	84	-	(104)
Other	42	27.50%	12	-	-	12		27.50%	-	-	(3,224)
Total	**66,665**	**-**	**16,897**	**-**	**658**	**991**	**79,009**	**-**	**15,248**	**-**	**(1,601)**

(EUR thousand)	31 December 10 Amount of temporary differences	Tax rate	Amount of deferred tax assets/ liabilities	Effect on equity	Reclassific.	Effect on Income Statement (+income/ -cost), net of reclassification	31 December 09 Amount of temporary differences	Tax rate	Amount of deferred tax assets/ liabilities	Effect on equity	Effect on Income Statement (+income/ -cost)
Deferred taxes											
Research grants (IRES/IRAP)	499	31.68%	158	-	-	(234)	1,239	31.68%	393	-	316
Research grants (IRES)	2,709	27.50%	745	-	-	530	783	27.50%	215	-	77
Goodwill amortisation	-	31.68%	-	-	-	-	-	31.68%	-	(1,856)	1,856
Goodwill amortisation (adjustment for IRAP purposes)	-	32.14%	-	-	-	-	-	32.14%	-	-	8
Provision for doubtful accounts (EC framework)	2,338	27.50%	643	-	-	-	2,338	27.50%	643	-	-
Default interest income not collected	2,206	27.50%	607	-	-	498	394	27.50%	108	-	(212)
Severance pay payable (IAS 19)	2,404	27.50%	661	(163)	-	163	2,404	27.50%	661	-	(432)
Equity adjustment under IAS 19	-	27.50%	-	-	-	-	-	27.50%	-	345	86
Contracts for less than 12 months (IAS 19)	-	27.50%	-	-	-	-	-	27.50%	-	-	(13)
Exchange-rate differences from branch conversion	91	27.50%	25	-	-	-	91	27.50%	25	-	-
Exchange-rate gains	537	27.50%	148	-	-	-9	568	27.50%	156	-	124
Dividends not collected	-	27.50%	-	-	-	-	-	27.50%	-	-	(5)
Revenue taxable in coming years	-	-	-	-	-	-	-		-	-	(351)
Adjustment to severance pay provision	-	27.50%	-	-	-	-	-	27.50%	-	-	-
Other	-	31.65%	-	-	-	-	-	31.65%	-	-	13
Total	**10,784**	**-**	**2,986**	**(163)**	**-**	**948**	**7,817**	**-**	**2,201**	**(1,511)**	**1,468**

The IRES and IRAP tax rate estimated at the time temporary differences reverse is 27.5% and 4.10% respectively (the latter is estimated based on figures for 2010). In particular, the 3.9% nominal IRAP tax rate rose to 4.97% due to territorial differences (increase of 1.07% 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 7,122 thousand relating to the provision for impairment on work in progress taxed in the amount of EUR 14,924 thousand on a total amount of the provision of EUR 32,199 thousand – that is due to both an over-accrual to the provision, as compared with the amount deductible (since 2005 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 7,122 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 2008 Finance Law and applicable since 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 2010 and previous years (EUR 87 thousand) derives from the recognition in equity of the actuarial gain/loss on severance pay (EUR 317 thousand), in accordance with the equity method under IAS 19.

35. Earning per share

Earnings per share (EPS) are calculated:

- by dividing the net profit attributable to the holders of ordinary shares by the average number of ordinary shares for the period, less treasury shares (basic EPS);
- 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).

	31 December 2010	31 December 2009
Average shares during the period	119,921,623	119,862,765*
Net profit (EUR 000)	83,990	56,785
Profit from continuing operations	-	-
Basic EPS and diluted EPS	**0.70**	**0.47***

* Redetermined following the free share capital increase of 5 July 2010.

For comparative purposes, the EPS index has been redetermined for the 2009 financial year and in particular the average number of ordinary shares pertaining to the year has been recalculated.
It turned out to be necessary following the first tranche of the share capital increase dated 5 July 2010, when no. 20,000,000 newly-issued shares with a par value of EUR 0.50 were put into circulation and assigned freely to the Shareholders existing on that date, on the basis of one newly-issued share every five shares already owned.

36. Cash flow from operating activities

	For the 12 months ended 31 December	
(EUR thousand)	**2010**	2009
Net Profit (Loss)	83,990	56,785
Amortisation, depreciation and impairment	10,572	6,749
Income taxes	40,704	28,420
Allocations (reversals) to provisions	1,939	2,900
Costs of severance pay provision	792	861
Cost of defined-benefit plans and stock grant plans	2,617	1,114
Dividends received	(15,000)	-
Capital losses on disposal of fixed assets	-	-
Value adjustments of equity investments carried at cost	6,011	-
Finance costs and income, less adjustments for equity investments valued at cost	755	(2,461)
Total cash flow from operating activities	**132,380**	**94,368**

	For the 12 months ended 31 December	
(EUR thousand)	**2010**	2009
Inventories	(19,034)	(14,497)
Contract work in progress and advances from customers	(44,456)	129,879
Trade receivables and payables	65,808	(115,560)
Changes in working capital	**2,318**	**(178)**

	For the 12 months ended 31 December	
(EUR thousand)	**2010**	2009
Payment of the provision for severance pay and other defined-benefit plans and stock grant plans	(1,652)	(1,658)
Use of provisions for risks	(4,095)	(81)
Changes in other operating items	(45,078)	(19,586)
Total changes in other operating assets and liabilities and net finance income and taxes paid	**(50,825)**	**(21,325)**

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

Below is provided information about financial risks and financial instruments in accordance with IFRS 7 “Financial Instruments: Disclosures” and Art. 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 2010 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 resources 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.

The financial receivable from the Parent company Finmeccanica for the current account relation amounted to EUR 635 thousand at 31 December 2010. The rate of interest receivable applied during 2010 was the one-month Euribor less a 30 bp spread.
As reported, deposit contracts are held with Finmeccanica Finance in the amount of EUR 148,515 thousand (151,510 thousand at 31 December 2010) to which the + 5 bp Euribor interest rate applies (determined on an arm's length basis). The three deposits outstanding at year-end expire between 10 January 2011 and 21 January 2011.

The Company obtained, together with the unrecoverable capital contributions, certain soft rate loans that at 31 December 2010 showed a balance of EUR 3,705 thousand (EUR 5,754 thousand at 31 December 2009) falling due between January 2011 and June 2013. These facilities call for fixed rate-interest rates ranging between 0.5% and 1.8% (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 financial position, if the relevant interest rates had been higher (lower) than 50 basis points at 31 December 2010, the period result, including taxes, would have been higher (lower) than EUR 1,369 thousand and shareholders' equity higher (lower) of EUR 1,369 thousand.

(EUR thousand)	31 December 2009 Value at Floating Rate	**31 December 2010 Value at Floating Rate**	**Average**	**31 December 2010 Assumption 1 50.00**	**31 December 2010 Assumption 2 -50.00**
Non-current receivables – Related parties	-	1,006	503	3	(3)
Trade receivables	-	127,104	63,552	318	(318)
Financial receivables – Related parties	190,765	177,345	184,055	920	(920)
Derivative assets - FV Hedge (no back to back)	1,155	745	950	5	(5)
Cash and cash equivalents	105,615	115,501	110,558	552	(552)
Assets	**297,536**	**421,701**	**359,618**	**1,798**	**(1,798)**
Trade payables – Third parties	-	50,374	25,187	126	(126)
Financial liabilities – Third parties	1,122	-	561	3	(3)
Financial liabilities – Related parties	90,164	28,958	59,561	297	(297)
Derivative liabilities - FV Hedge (no back to back)	15	1,016	515	3	(3)
Liabilities	**91,301**	**80,348**	**85,824**	**429**	**(429)**
Total	**206,235**	**341,353**	**273,794**	**1,369**	**(1,369)**

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 SpA 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 2010 the Company had contracts referring to various currencies in the following notional amounts:

(local currency in 000)	**Sell10**	**Buy10**	**31.12.2010**	Sell09	Buy09	31.12.2009
US dollar	66,888	29,412	96,300	59,151	-	59,151
GBP	6,874	-	6,874	-	4,705	4,705
Swedish krona	-	121,660	121,660	-	97,720	97,720
Australian dollar	9,355	-	9,355	697	54,050	54,747
Japanese yen	380,879	-	380,879	-	-	-
Total in EUR 000	**68,673**	**35,582**	**104,255**	**41,496**	**48,593**	**90,089**

At 31 December 2010, the net fair value of derivative financial instruments was negative in the amount of about EUR 271 thousand (EUR 1,140 thousand at 31 December 2009). It is reported that this negative balance includes back-to-back contracts (please see Note 16).

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 2010, 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 2010		31 December 2009	
(EUR thousand)	**+5% - appreciation of euro against the US dollar**	**-5% - depreciation of euro against the US dollar**	+5% - appreciation of euro against the US dollar	-5% - depreciation of euro against the US dollar
Income Statement	2,535	(2,801)	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 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 2010, the Company shows a net financial liquidity of EUR 259,699 thousand (EUR 199,341 thousand at 31 December 2009).
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 38,471 thousand at 31 December 2010, 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.

	values at 31 December 2010		
Liquidity analysis (EUR thousand)	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
A – Financial liabilities less derivatives			
Non-current liabilities	-	-	-
Borrowings from third parties	-	1,621	-
Borrowings from related parties	-	-	-
Other non-current liabilities	-	-	-
Current liabilities	**-**	**-**	**-**
Trade payables to related parties	83,170	-	-
Trade payables to third parties	291,687	-	-
Financial liabilities to related parties	28,958	-	-
Financial liabilities to third parties	2,567	-	-
Other financial liabilities	-	-	-
Total A	**406,382**	**1,621**	**-**
B – Negative value of derivatives			
Hedge derivatives (includes back to back)	10,064	-	-
Trading derivatives (economic hedge)	-	-	-
Total B	**10,064**	**-**	**-**
Total A + B	**416,447**	**1,621**	**-**

Against borrowings for EUR 418,068 thousand, the Company has the following financial assets:

C – Financial assets	
Cash and cash equivalents	115,501
Trade receivables – third parties	442,779
Trade receivables – related parties	91,588
Financial receivables – third parties	-
Financial receivables – related parties	177,345
Positive value of derivatives (includes back to back)	9,793
TOTAL FINANCIAL ASSETS	**837,006**
D – Credit lines	**38,471**
TOTAL C + D	**875,477**
C+D-(A+B)	**457,409**

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 2010, trade receivables from third parties, overall equal to EUR 442,779 thousand (EUR 309,966 thousand at 31 December 2009) were past due for EUR 161,236 thousand, of which EUR 34,382 thousand past due more than 12 months.
With regard to the concentration of trade receivables from third parties at 31 December 2010, the table below shows the past-due positions detailed by government entities/other customers and geographical areas.

	Government entities			Other customers			
(EUR thousand)	European Area	American Area	Other	European Area	American Area	Other	Total
Held as guarantees	-	-	3,992	382	-	173	4,547
Receivables not past due	54,775	-	98,861	109,529	-	13,831	276,996
Receivables past due less than 1 year	76,469	-	5,394	44,395	-	596	126,854
Receivables past due between 1 and 5 years	14,951	-	259	19,135	-	37	34,382
Receivables past due more than 5 years	-	-	-	-	-	-	-
Total	**146,195**	**-**	**108,506**	**173,441**	**-**	**14,637**	**442,779**

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 thousand)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
Non-current assets						
Receivables	-	3,021	-	-	3,021	3,021
Receivables from related parties	-	1,006	-	-	1,006	1,006
Current assets						
Trade receivables from third parties	-	442,779	-	-	442,779	442,779
Trade receivables from related parties	-	91,588	-	-	91,588	91,588
Financial receivables from third parties	-	-	-	-	-	-
Financial receivables from related parties	-	117,345	-	-	117,345	117,345

The IFRS provides the classification of the fair value of derivatives on the basis of reference parameters inferable from the market or from other financial indicators (for example: exchange rates, interest rate curve, etc.). Financial derivatives on currencies to hedge exchange rate risk fall within Level 2 of hierarchy since the fair value of these instruments is determined by recalculating the current value through official fixing of period-end exchange and interest rates listed on the market.

The table below provides the fair values of derivative instruments, with the exclusion of back-to-back contracts.

(EUR thousand)	Fair value hierarchy at the reporting date		**Fair Value at 31.12.2010** Level 2	Fair Value at 31.12.2009 Level 2
Assets				
	Interest rate swap			
		Trading	-	-
		Fair value hedge	-	-
		Cash flow hedge	-	-
	Currency forward/swap/option			
		Trading		-
		Fair value hedge	745	1,156
		Cash flow hedge		
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-
Liabilities				
	Interest rate Swap			
		Trading	-	-
		Fair value hedge	-	-
		Cash flow hedge	-	-
	Currency forward/swap/option			
		Trading	-	-
		Fair value hedge	1,016	16
		Cash flow hedge		
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-

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 Company, including executive and non-executive Directors, amounted to EUR 2,410 thousand (EUR 2,702 thousand at 31 December 2009).

(EUR thousand)	**31 December 2010**	31 December 2009
Compensation and emoluments	2,139	2,417
Post-employment benefits	-	-
Other long-term benefits	-	-
Severance pay	-	-
Stock Grants	271	285
Total	**2,410**	**2,702**

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 2009 objectives were granted in December 2010 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	-	-	-	15,308	-	-

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:

(Euro unit)

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

* entirely fixed remuneration. Subordinate employment was interrupted on 31 May 2010.
** of which EUR 445,560 for fixed remuneration for the position of CEO in 2010 FY and EUR 922,270 for variable remuneration paid for the same position in 2009 FY.

Euro units	Unitary emoluments per year
Chairman of BoD	60,000
Member of BoD	40,000
Chairman of Supervisory Board	20,000
Member of Supervisory Board	15,000
Chairman of Remuneration Committee	20,000
Member of Remuneration Committee	15,000
Chairman of Internal Audit Committee	20,000
Member of Internal Audit Committee	15,000

(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 SB Chairman
(8) 12 months BoD + 12 months ICC Chairman
(9) 12 months BoD - Remuneration retroceded to Ansaldo STS SpA up to 31.05.2010

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
15,308	-	-	-	-	-	-

Emoluments by position in the reporting Company	Non-cash benefits	Bonuses and other incentives	Other remunerations
60,000 (1)	-		
40,000 (9)	6,065	50,000	90,357*
40,000 (2)	97,197	80,000	1,367,830**
55,000 (3)	-	-	-
55,000 (4)	-	-	-
75,000 (5)	-	-	-
55,000 (6)	-	-	-
75,000 (7)	-	-	-
60,000 (8)	-	-	-
60,000	-	-	-
40,000	-	-	-
40,000	-	-	-

39. Key figures of the Financial Statements as at 31 December 2009 of the Company performing the management and co-ordination activities (art. 2497-bis of the Italian Civil Code)

The key figures of the ultimate parent 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 for the year ended 31 December 2009.
For an adequate and complete understanding of the financial condition of Finmeccanica Spa at 31 December 2009 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 (EUR thousand)	
BALANCE SHEET	
ASSETS	
NON-CURRENT ASSETS	10,162,491
CURRENT ASSETS	4,275,800
NON-CURRENT ASSETS HELD FOR SALE	-
TOTAL ASSETS	**14,438,291**
LIABILITIES	
SHAREHOLDERS' EQUITY:	
- Share capital	2,511,676
- Reserves and profits carried forward	3,782,615
- Net profit for the year	251,017
NON-CURRENT LIABILITIES	3,583,699
CURRENT LIABILITIES	4,309,284
LIABILITIES DIRECTLY CORRELATED WITH ASSETS HELD FOR SALE	-
TOTAL LIABILITIES	**6,545,308**
INCOME STATEMENT	
REVENUE	104,848
COSTS	(192,013)
FINANCE INCOME AND COSTS	315,791
INCOME TAXES	22,391
(LOSSES) PROFITS CONNECTED WITH DISCONTINUED OPERATIONS	-
NET PROFIT (LOSS) FOR THE YEAR	**251,017**

Finmeccanica S.p.A. 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.

Type of engagement (EUR thousand)	**Appointed auditing firms/other entities**	**Fees for the year**
Auditing services		**31.12.2010**
Audit engagement under Art. 165 of Legislative Decree no. 58/1998	PricewaterhouseCoopers S.p.A.	470
Total auditing services		**470**
Attestation services		
Attestations on accounting records	PricewaterhouseCoopers S.p.A.	86
Total attestation services		**86**
Tax consulting services		
Tax consulting	PricewaterhouseCoopers Network	30
Total tax consulting services		**30**
Other services		
sundry		64
Total other services		**64**
	Total fees	**650**

Genoa, 1 March 2011

On behalf of the Board of Directors
The Chairman
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) Société par actions simplifié *	France	100%	100%		Ansaldo STS France Société par actions simplifié	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 Société par actions simplifié	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 S.A.	Spain	100.000%	100.000%		Ansaldo STS France Société par actions simplifié.	1
Ansaldo STS Finland OY	Finlandia	100.000%	100.000%		Ansaldo STS Sweden AB	1
Ansaldo STS France Société par actions simplifié**	France	100.000%		100%		1
Ansaldo STS Hong Kong Ltd.	China	100.000%	100%		Ansaldo STS France Société par actions simplifié	1
Ansaldo STS Ireland Ltd.	Ireland	100.000%		99.999%		1
			0.001%		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	100.000%		99.99%		1
			0.01%		Ansaldo STS USA International Co.	1
Ansaldo STS South Africa Ltd.***	South Africa	100%	100%		Ansaldo STS Australia PTY ltd	1
Ansaldo STS Southern Africa Pty Ltd.	Botswana	100.000%	100.000%		Ansaldo STS Australia Pty Ltd	1
Ansaldo STS Sweden AB	Sweden	100.000%		100.000%		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	50.000%	40.000%		Ansaldo STS Malaysia Sdn Bhd	1
			10.000%		Ansaldo STS Malaysia Sdn Bhd	9
Ecosen S.A.	Venezuela	48.000%	48.000%		Ansaldo STS France Société par actions simplifié	1
I.M. Intermetro S.p.A. in liquidation	Italy	16.666%		16.666%		1
International Metro Service S.r.l.	Italy	49.000%		49.000%		1
Kazakhstan TZ – AnsaldoSTS Italy LLP	Kazakhstan	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	6 Pledge
2 Securities lender	7 Usufruct
3 Securities borrower	8 Deposit
4 Registered owner on behalf of third party	9 Voting rights under contractual agreements
5 Asset management	

(*) In the course of 2010 the company changed its legal form from "Société anonyme" to "Société par actions simplifié" and contextually, Ansaldo STS France acquired 100% direct ownership in the company.

(**) In the course of 2010 the company changed its legal form from "Société anonyme" to "Société par actions simplifié" and contextually, Ansaldo STS SpA acquired 100% direct ownership in the company.

(***) In the course of 2010 Ansaldo STS Australia Pty ltd acquired a 49.3% interest in Ansaldo STS Infradev South Africa Pty Ltd therefore reaching 100% direct ownership. Following this purchase, in the course of 2010 the company changed its corporate name to Ansaldo STS South Africa Pty Ltd.

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 2010 – 31 December 2010.
2. No significant issues have arisen in this regard.
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 2011

Signature of the Chief Executive Officer	Signature of the Manager in charge of the preparation of company accounting documents
Sergio De Luca	Alberto Milvio

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ANSALDO STS S.p.A.
Registered Office:
16151 Genoa
Via Paolo Mantovani, 3 - 5

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R.E.A. n. 421689
Register of Enterprises of Genoa
Tax Code 01371160662

www.ansaldo-sts.com

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