AnsaldoSTS
A Finmeccanica Company

FINANCIAL STATEMENTS AT 31 DECEMBER 2011

Financial Statements at 31 December 2011

These 2011 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.

Boards and Committees

BOARD OF DIRECTORS
(for the 2011/2013 three-year period)

ALESSANDRO PANSA
Chairman

GIANCARLO GRASSO
Deputy Chairman

SERGIO DE LUCA
Chief Executive Officer

GIOVANNI CAVALLINI[2]

MAURIZIO CEREDA[1 2]

PAOLA GIRDINIO[1]

FILIPPO G. M. MILONE[2] *

TATIANA RIZZANTE

ATTILIO SALVETTI[1]

MAURO GIGANTE
Secretary of the Board of Directors

BOARD OF STATUTORY AUDITORS
(for the 2011/2013 three-year period)

GIACINTO SARUBBI
Chairman

MASSIMO SCOTTON

RENATO RIGHETTI

ALTERNATE AUDITORS
(for the 2011/2013 three-year period)

BRUNO BORGIA

PIETRO CERASOLI

INDEPENDENT AUDITORS
(for the 2006/2014 period)

PRICEWATERHOUSECOOPERS S.p.A.

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

* Director Filippo G. M. Milone resigned on 13 December 2011

Report on operations at 31 December 2011

Fellow Shareholders,

The year 2011 posted net profit of EUR 53.3 million (EUR 84 million in 2010) and shareholders' equity of EUR 321.9 million (EUR 304.5 million in 2010).

The year 2011 was marked by a significant reduction in revenues and margins compared with the prior year and with initial expectations. This was mainly due to the war in Libya, a country where the Company was expected to carry out a great amount of business during the year, and this is now suspended.

On the other hand, in 2011 significant successes were achieved on the commercial front: among all, particular mention should be made of the contract for the Driverless Metro in Honolulu signed by the Ansaldo Honolulu JV consortium, formed by Ansaldo STS and AnsaldoBreda, for a total amount of USD 1,334 million. Ansaldo STS's share of USD 1,136 million is historically the highest consideration for the contracts acquired by the company. This witnesses the Group international reputation and the Group's ability to compete effectively in the market of underground and railway transport systems and technologies.

In general, despite the serious financial and economic crisis, the Company's reference market remains solid and globally presents growth rates of 3-4% per year. On the other hand, the year 2011 saw the dramatic intensification of the competitive tension among the major world players, with the effect of a considerable reduction in unit prices.
In this increasingly stiffer competition, Ansaldo STS can take pride in valid technological assets in the key segments (ERTMS, CBTC, driverless metro) and the emerging segments (satellite signalling), a presence strengthened in the major world markets, an integrated global organisation, a business model that proved to be particularly effective.
Key to the further development of the company is the success of the plans launched in 2011 for making the company's operating structure more efficient, and of the reduction in the external purchasing costs, which had commenced in 2010.

The activities carried out in 2011 involved almost all of the company organisation entities and allowed the identification, and in some cases the acquisition, of numerous opportunities for increasing efficiency especially in Delivery, R&D, manufacturing and staff functions.

Significant events in the January - December 2011 period

The year 2011 can be considered a positive year both commercially and productively. The economic and financial indicators, whilst broadly positive, are lower than in the prior year, essentially due to the suspension of the activities in Libya.

The actions undertaken for the penetration in new customers and new markets and the strengthening of the company's presence in areas previously acquired achieved undoubted successes for both the volume of new orders and the quality characteristics of these orders.
The commercial success in Honolulu is the clearest confirmation of that.
Positive signs from the domestic market, in particular the Italian Railways segment, are the awarding of the contract for the upgrade of the technological systems for the Turin-Padua line. The commercial and technical structures of the company were strongly involved with a customer that remains at the centre of Ansaldo STS's strategy for both the size of its future investments and its absolute technological leadership built over the past years in this important market.

New orders amounted to a total volume of EUR 1,499 million (EUR 1,537 million in 2010); as a result, the order backlog came to EUR 4,471 million at 31 December 2011 (EUR 3,731 million at the end of 2010, up 20%).

The total production volume was EUR 722.4 million, a decrease from EUR 852.7 million in 2010. The volume effect was reflected in the value of Operating Profit (EUR 88.5 million), as compared with EUR 116.5 million in the prior year, and in the financial performance. The year ended with positive net financial position of EUR 238.2 million (EUR 259.7 million in 2010); net cash flow for the period was a negative EUR 21.5 million (EUR 60.4 million in 2010), after the payment of dividends of EUR 33.6 million (EUR 31.0 million in 2010).

The *Fast Forward Driven by Business* (FFDB) project ended. Thanks to this, Ansaldo STS S.p.A. changed from the originally financial and strategic holding company to an operating company, taking all the business responsibilities into its company structures. At the same time, the programme for the implementation of the new "SAP" IT system was made operational in all the main companies of the Group.

Analysis of the income statement and the balance sheet

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

(EUR 000)	**31.12.2011**	31.12.2010
Orders	**1,499,352**	1,537,350
Order backlog	**4,471,099**	3,730,561
Revenue	**722,368**	852,653
Turnover	***627,757***	*754,207*
Gross Profit	**159,933**	191,233
Gross Profit %	***22.1%***	*22.4%*
EBIT	**88,494**	116,460
ROS	***12.3%***	*13.7%*
Net profit	**53,286**	83,990
Net debt	**(238,235)**	(259,699)
Net Cash Flow	**(21,464)**	60,358
EVA	**49,693**	70,652
Headcount	**1,570**	1,559
Research and Development	**15,592**	17,154

The table above shows the significant volume of orders and backlog and the effect on the costs and revenue of the freezing of the Libyan contracts. Financially, figures were also affected by the general crisis, so that it is more difficult to collect receivables from customers.

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

Transportation Solutions (EUR 000)	**31.12.2011**	31.12.2010
Orders	**1,104,639**	1,126,729
Order backlog	**3,220,447**	2,533,310
Revenue	**412,698**	470,216
Turnover	***379,859***	*439,076*
Gross Profit	**66,113**	61,000
Gross Profit %	***16.0%***	*13.0%*
EBIT	**46,447**	43,532
ROS	***11.3%***	*9.3%*
Operating Working Capital	**(170,332)**	(91,415)
Headcount	**356**	347
Research and Development	**1,425**	1,774

The volume of orders of the Transportation Solution Business Unit is in line with that of the previous year.

The production volume is decreasing; some projects are nearing completion, such as the High Speed project, for other contracts procurement was completed and commissioning is under way. Operating profit is positively affected by the different combination and profitability of the job orders carried out in the two periods at issue.

Signalling (EUR 000)	**31.12.2011**	31.12.2010
Orders	**450,707**	457,998
Order backlog	**1,428,920**	1,332,084
Revenue	**316,895**	395,363
Turnover	***256,223***	*328,349*
Gross Profit	**92,720**	129,942
Gross Profit %	***29.3%***	*32.9%*
EBIT	**55,442**	87,388
ROS	***17.5%***	*22.1%*
Operating Working Capital	**34,663**	(57,707)
Headcount	**1,051**	1,045
Research and Development	**14,167**	15,380

The volume of orders is in line with 2010 and the production volume was marked by the completion of the High-Speed projects and the projects for the SCMT equipment of the rolling stock, as well as by the non-development of the job orders in Libya. Operating profit decreased accordingly.

Income Statement

In order to provide complete information on the financial condition of Ansaldo STS S.p.A. (hereinafter, also ASTS or Ansaldo STS) appropriate reclassification statements broken down by nature and on a functional basis were drawn up for 2011 and for the comparison with 2010.

(EUR 000)	**31.12.2011**	31.12.2010
Income Statement by Nature		
Revenue	**722,368**	**852,653**
Raw materials and consumables used and personnel costs (*)	(634,797)	(740,855)
Change in work in progress, semi-finished and finished goods	(3,054)	1,884
Amortisation, depreciation and impairment	(5,258)	(10,573)
Restructuring costs	0	0
Other net operating income (expenses) (**)	9,235	13,350
Adjusted EBIT	**88,494**	**116,460**
Restructuring costs	0	0
EBIT	**88,494**	**116,460**
Net finance income (costs)	(3,282)	8,234
Income taxes	(31,925)	(40,704)
Net profit (loss) before discontinued operations	**53,286**	**83,990**
Net profit (loss) from discontinued operations		
Net profit	**53,286**	**83,990**
Earnings per share (basic and diluted)	**0.41**	**0.65 (***)**

Notes for the reconciliation between the reclassified income statement and statutory income statement:

(*) Includes "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" and "Other operating expenses" (less restructuring costs).
(***) Redetermined following the free share capital increase of 4 July 2011.

In 2011 revenue of EUR 722,368 thousand fell by EUR 130,285 thousand from 2010 (-15.3%) due to the completion of some projects and to the suspension of the Libyan contracts; volumes were realised on the domestic market in the amount of EUR 482,592 thousand (EUR 573,923 thousand in 2010) and on the foreign market in the amount of EUR 239,776 thousand (EUR 278,730 thousand in 2010).

The total amount of raw materials and consumables used and personnel costs, due to the lower production activity developed, fell by EUR 106,058 thousand and accounted for 87.9% of revenue (86.9% in 2010).
EBIT amounted to EUR 88,494 thousand (12.3% of revenues) as compared with EUR 116,460 thousand (13.7% of revenues) in 2010.
Net finance income/costs fell from EUR 8,234 thousand (1.0% of revenue) in 2010 to a negative EUR 3,282 thousand (-0.5% of revenue) in 2011, mainly due to the value of dividends, which were paid out in 2010 but not in 2011, collected by the parent company Ansaldo STS France (EUR 15,000 thousand).
Income taxes amounted to EUR 31,925 thousand (4.4% of revenue) from EUR 40,704 thousand (4.8% of revenue) in 2010.
When compared with the net profit (loss) before taxes, income taxes accounted for 37.5% (32.6% in 2010). The increase is mainly due to the percentage of dividends.
The net profit (loss) was EUR 53,286 thousand (7.4% of revenue) from EUR 83,990 thousand (9.9% of revenue) in 2010.
The income statement on a functional basis is as follows:

(EUR 000)	**31.12.2011**	31.12.2010
Revenue	722,368	852,653
Production costs	(562,435)	(661,420)
Production gross margin	159,933	191,233
% margin on revenue	*22.1%*	*22.4%*
Overhead costs	(69,283)	(72,847)
Balance of Costs (-)/ Income (+)	(2,156)	(1,926)
EBIT	**88,494**	**116,460**

Compared with the exceptional performance of 2010, the contraction in revenue is due to both the Transportation Solutions Business Unit and the Signalling Business Unit, in particular for the lower activities developed on the projects for the High Speed, Riyadh, Line C and

wayside and on-board SCMT technology; total average profitability is in line with that of the prior year, even if there is a contraction in the Signalling Business Unit and an increase in the Transportation Solutions Business Unit due to the different combination of the job orders as compared with the prior year.
Overhead costs fell in absolute terms by EUR 3,565 thousand, of which EUR 2,374 thousand is due to savings on the administrative structure and EUR 1,561 thousand is due to lower R&D costs, less contributions.
Other costs/income amounted to a negative EUR 2,156 thousand and are essentially in line with the prior year (a negative EUR 1,926 thousand). Royalties received fell by EUR 817 thousand, an increase in costs for efficiency projects of EUR 1,654 thousand, and lower costs for Stock Grant plans of EUR 1,494 thousand.
In particular, it must be said that in 2010 a provision was made in the item allowance for credit losses from Firema in the amount of EUR 4,785 thousand and in 2011 a provision was made in a specific risk provision in the amount of EUR 4,000 thousand to cover the dispute with the transport department of the municipality of Trieste, a description of which is provided in the litigation section.

Balance Sheet

The table below analyses the balance sheet at 31 December 2011 compared with the figures at 31 December 2010:

(EUR 000)	**31.12.2011**	31.12.2010
Non-current assets	273,674	263,351
Non-current liabilities	(24,997)	(26,448)
	248,677	**236,903**
Inventories	84,023	86,301
Contract work in progress (net)	144,528	102,483
Trade receivables	565,403	534,367
Trade payables	(374,517)	(374,857)
Advances from customers (net)	(563,802)	(504,559)
Working capital	**(144,365)**	**(156,266)**
Provisions for short-term risks and charges	(7,753)	(6,009)
Other net current assets (liabilities) (*)	(12,855)	(29,821)
Net working capital	**(164,973)**	**(192,095)**
Net invested capital	83,704	44,808
Shareholders' equity	**321,939**	**304,507**
Net financial debt (liquidity)	**(238,235)**	**(259,699)**

Notes for the reconciliation between the reclassified balance sheet and the balance sheet:

(*) Includes "Tax receivables" and "Other current assets", less "Tax payables" and "Other current liabilities".

The increase in non-current assets and liabilities of EUR 11,774 thousand is mainly attributable to the increase in the interest in Metro 5 SpA and to the increase in intangible assets due to the completion of the projects started as part of the larger, worldwide reorganisation programme (Fast Forward Driven by Business).

Net working capital amounted to a negative EUR 164,973 thousand compared with a negative EUR 192,095 thousand in the previous year. The total change of EUR 27,122 thousand is mainly due to the increase in trade receivables because of some receivables from customers, in particular in the Campania region.
The balance of other current assets and liabilities is smaller, due to the recognition of an income tax receivable of EUR 8,675 thousand, from a net liability of EUR 6,911 thousand in the prior year.
These effects are partially offset by greater advances from customers as compared with the increase in contract work in progress due to the increase in advances from customers.
The increase in Shareholders' Equity of EUR 17,432 thousand is mainly due to the recognition of the net profit for the year of EUR 53,286 thousand and the payment of the dividend of EUR 33,592 thousand for the year 2010.

Financial Situation

Below is the net financial debt (liquidity) at 31 December 2011 as compared with the figures at 31 December 2010:

(EUR 000)	**31.12.2011**	31.12.2010
Short-term borrowings	852	2,230
Medium and long-term borrowings	269	1,114
Cash and cash equivalents	(106,894)	(115,500)
Bank debt (liquidity)	**(105,773)**	**(112,156)**
Financial receivables from related parties	(61,313)	(177,345)
Other financial receivables*	(103,596)	0
Financial receivables	**(164,909)**	**(177,345)**
Borrowings from related parties	31,931	28,958
Other borrowings	516	843
Borrowings	**32,447**	**29,801**
Net financial debt (liquidity)	**(238,235)**	**(259,699)**

* Includes “Financial assets at fair value”.

At 31 December 2011 net liquidity was positive in the amount of EUR 238,235 thousand, from EUR 259,699 thousand at 31 December 2010, a decrease of EUR 21,464 thousand mainly attributable to the net negative cash flow for the year.
In particular, financial receivables of EUR 164,909 thousand at 31 December 2011 (EUR 177,345 thousand at 31 December 2010) include EUR 50,000 thousand of two time deposits with two primary credit institutions, current accounts with the subsidiaries Ansaldo STS Australia, Ansaldo STS Usa Inc., Ansaldo STS UK and Ansaldo STS Malaysia, the current account with Finmeccanica, and EUR 24,742 thousand of the fair value of short-term securities (Eurobond) with a nominal value of EUR 25,000 thousand purchased in January 2011. Also, financial receivables include the countervalue of Libyan dinars received as an advance on the first of the two contracts acquired in Libya and deposited with a local bank (EUR 28,443 thousand).
The net financial position includes EUR 70,643 thousand for the advance payment collected by the Russian customer Zarubezhstroytechnology for the project, signed in August 2010 and suspended from 21 February 2011, for the construction of signalling, automation, telecommunications, power supply, security and ticketing systems on the line linking Sirth to Benghazi in Libya. Contacts are under way with the Russian customer Zarubezhstroytechnology (ZST) to govern the extension of the suspension period of the contract.
Below is the reclassified statement of cash flows at 31 December 2011 compared with the year ending 31 December 2010.

(EUR 000)	**31.12.2011**	31.12.2010
Cash and cash equivalents - opening balance	**115,500**	**105,615**
Gross cash flow from operating activities	101,580	132,380
Changes in other operating assets and liabilities	(60,381)	(50,825)
Fund From Operations	**41,199**	**81,555**
Change in operating working capital	(11,901)	2,318
Cash flow from (used in) operating activities	**29,298**	**83,873**
Cash flow from ordinary investing activities	(10,869)	(6,776)
Free Operating Cash Flow	**18,429**	**77,097**
Strategic investments	(6,301)	(757)
Dividends from consolidated companies		15,000
Cash flow from (used in) investing activities	**(17,170)**	**7,467**
Dividends paid	(33,592)	(30,982)
Cash flow from financing activities	12,858	(50,473)
Cash flow from (used in) financing activities	**(20,734)**	**(81,455)**
Increase (decrease) in cash and cash equivalents	**(8,606)**	**9,885**
Cash and cash equivalents - closing balance	**106,894**	**115,500**

The Free Operating Cash Flow (FOCF) decreased, due to the need for financing operating working capital during the year resulting from the progress of some contracts - which brought very positive cash inflows in the previous years - and the non-performance of new contracts, which were actually suspended.

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 Cash Flow:*** this is the change in the cash flow statements of the two periods at issue.
- ***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.
- ***Headcount:*** 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 revenue.
- ***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 the orders acquired in 2011 amounted to EUR 1,499.4 million (EUR 1,537.4 million in 2010), essentially in line with the significant amounts of the prior year.
Below is a breakdown of the two business units:

Transportation Solutions

The orders acquired at 31 December 2011 came to EUR 1,104.6 million compared with EUR 1,126.8 million at 31 December 2010.

Generally, the global macroeconomic scenario resulting from the financial crisis caused many projects to be delayed, in particular in Eastern Europe, where the development programmes driven by the European Community do not seem adequate to fully finance the major expansion projects for the transport networks of some capital cities.
Regarding the technological solutions adopted, the demand in driverless metros is still growing (CBTC signalling technology), in particular in Italy and in Central and Northern Europe.
In Italy, expectations regarding the additional expansion programmes scheduled in all the major cities in the medium and long-term for the transport network are still confirmed, but almost all of them are delayed because of the present economic and financial situation and of the lack of funds.
As regards the rest of the world, in the Middle East, Qatar is to be considered as one of the Gulf Countries with the most ambitious infrastructural development plan which envisages in the next few years several projects for the construction of the railways, metros and LRT. For the time being, the Company presented an offer for the Lusail tram system without catenaries named "TramWave"; the Customer is now considering the offer and the contract should be awarded during the first part of 2012.
Saudi Arabia as well, following the success achieved in Riyadh, is a very interesting market where numerous initiatives might arise, such as the new driverless metros in Riyadh and Jeddah. In Abu Dhabi a branch office was set up to follow the commercial events of the region.
In India in the short- and medium-term numerous metro projects have been planned and possible partnership with local contractors are being considered.

Fairly good interest is given to the Chinese market, in particular as regards systems without catenaries, in which the Company intends to take part with the “TramWave” innovative solution.
In Italy the most indicative acquisition (EUR 105.2 million) relates to the extension of Line 5 of the Milan Metro (south-west-bound extension from Garibaldi to San Siro).
Metro 5 S.p.A., the Project Company, signed the new concession agreement with the Municipality of Milan for the extension of Line 5 of the Milan Metro up to the San Siro Stadium.
The line will extend for a further 7 km with 10 new stations. Ansaldo STS technology will be used on the fully driverless system.

Overall, the orders acquired at 31 December 2011 in Italy came to EUR 121.2 million compared with EUR 286.7 million at 31 December 2010.

Projects under way include the award of the tender for Line 4 of the Milan Metro (S. Cristoforo-Linate) to the Grouping of Impregilo (leading company), Astaldi, Ansaldo STS, AnsaldoBreda, Sirti and ATM Milano.
The signing of the concession agreement and the closing of the financing agreements are expected at the start of 2012, considering the positive development of the appeal made by the competitor.
For the extension of the Rebibbia – Casalmonastero section of Rome Line B, it was announced that the contract was awarded to the grouping made of Salini (leading company) and Ansaldo STS.
The closing of the contracts is expected to take place during the first part of 2012; a favourable outcome is expected for the appeal filed by the competitor.

As for the rest of the world, in Denmark Cityringen, the customer of the new Copenhagen driverless metro, has not exercised its option for the direct purchase option of the rolling stock, which was ordered to AnsaldoBreda through Ansaldo STS instead. Thanks to this, an additional order was placed for an amount of EUR 121.9 million.

The most important event of the year was undoubtedly the success in Honolulu.
In November 2011 Ansaldo Honolulu Joint Venture, the consortium formed by Ansaldo STS and AnsaldoBreda, signed with HART (Honolulu Authority for Rapid Transportation) a contract for the construction of the technological part and for the supply of the new driverless metro trains in the City of Honolulu (Hawaii). The contract, worth USD 1,334 million overall (net of Hawaiian GET tax), covers the designing, construction, operation and maintenance of the new driverless metro line in Honolulu, which will be 32 km long entirely on flyover tracks along 21 stations. Ansaldo STS share amounted to EUR 841.8 million. The designing and construction of the full line will have a duration of 8 years, the operation and maintenance of the line will commence in 2015 for the first functional section, and in 2019 throughout 2029 for the entire line. Performance of O&M for the years 2025 - 2029 for an amount of EUR 224.7 million will be checked by the customer.

Signalling

The value of new orders in the Signalling Business Unit recognised in December 2011 amounted to EUR 450.7 million (EUR 458.0 million in the previous year).

The volume of the orders acquired in the Italy in 2011 amounted to EUR 295.1 million (EUR 199.5 million in 2010);
these include:
- Turin-Padua Line (EUR 210.5 million): the purpose of the contract is to upgrade the infrastructure in this section, which is part of the European corridor D (Lisbon-Kiev). The supply includes two SCC/M Centralized Traffic Control Systems/Multistation with line diagnostics integrated systems and four ACC/M (Automatic Centre Control/ Multistation) interlocking devices, which will serve the Turin junction, the Chivasso-Novara line, Milan junction, the Novara-Rho line, the Pioltello-Brescia and the Brescia-Padua lines, with relevant intercity and local traffic benefits and more efficient maintenance services and lower infrastructure management costs;
- Technologies for the Milan-Bologna section on the high-speed line (EUR 17.5 million);
- SCC/CTC equipment for the automation of railway traffic for a total amount of EUR 18.1 million, including the Cremona, Verona, and Siena systems and a variation for the upgrade of the Genoa junction;
- Components and Service for a total amount of EUR 13.1 million, including maintenance contracts for SCMT technology;
- Onboard SCMT equipment for regional trains for AnsaldoBreda (EUR 10.9 million);
- SSC SCMT/BL3 SSB equipment for Ferrovie Centrali Umbre (EUR 2.9 million).

The offers being made include the activities for the high-speed railway line through the Saturno consortium for the section linking Brescia and Treviglio and the section linking Genoa and Milan.

The main orders acquired in foreign markets include:
In Turkey, agreements with the Italian-Turkish JV Salini-GCFKolin for the supply of the signalling, automation and railway telecommunications systems for the Gebze-Kosekoy section of the Ankara-Istanbul high-speed line for an amount of EUR 31.5 million.
The new line will be equipped with the Level 1 ERTMS/ETCS European standard signalling systems that Ansaldo STS is already supplying in Turkey on another previously acquired contract. Operation is expected to start in 2014.
In India, a contract is worth EUR 46.1 million from Kolkata Metro Rail Corporation Limited (KMRCL), the company operating the Calcutta metro. The Company will follow the designing, construction, installation and testing of the control, signalling and communication systems for the new KMRCL East-West Line (EWL) of the Calcutta Metro in Eastern India to serve more than 5 million inhabitants.

Order backlog

The company's order backlog at 31 December 2011 amounted to EUR 4,471 million as compared with EUR 3,731 million at the end of 2010; in particular:

- the Transportation Solutions Business Unit's order backlog came to EUR 3,220 million (EUR 2,533 million at 31 December 2010) and mainly relates to: the Honolulu Metro (26.1%); the Copenhagen Metro (25.3%); the concessions for the construction of the Metros of Naples and Genoa (16.4%); the driverless metros of Brescia and Milan (6.7%); the construction of the Rome Metro Line C;
- the Signalling Business Unit's order backlog came to EUR 1,429 million (EUR 1,332 million at 31 December 2010) and mainly relates to: the ACS projects in Italy and abroad (67.4%, including the projects in Libya that are currently suspended), Metros (16.6%), On-board and Wayside SCMT (9.0%), and Components & Service (2.4%). The order backlog of the Signalling Business Unit conservatively does not include the value of the backlog for the contract in Kazakhstan (some EUR 40 million), since the initial production activities were halted by the customer and a renegotiation is under way for the redefinition of the scope of work.

Production performance

Overall production revenues amounted to EUR 722.4 million (EUR 852.7 million in 2010), a decrease of EUR 130.3 million essentially due to the suspension of the Libyan contracts and the completion of significant projects in Italy and abroad.

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

Transportation Solutions

Production revenues at 31 December 2010 amounted to EUR 412.7 million (EUR 470.2 million in 2010). Production developed on the projects for high-speed trains, the Rome Metro Line C, Copenhagen Metro, Milan Metro, Genoa Metro, Thessaloniki, Alifana, Naples Metro Line 6, Naples Metro Line 1, Brescia Metro, Riyadh and Taipei Metros.

The most significant production activities are as follows:

HIGH-SPEED RAILWAYS

As regards the High Speed project for the Rome-Naples, Novara-Milan and Bologna–Florence sections, during 2011 assistance and services covered by warranty were performed. At the moment activities are being carried out in preparation for the formalisation of the Secondary Final Testing. On the Milan-Bologna section the systems for the Modena junction were completed, and CVT testing is under way: the system is being delivered to the customer.

As regards the works completed on the Rome–Naples section, completion times depend on the outcome of the existing arbitration proceedings; on that matter, we are awaiting the final awards of the Arbitration Panel in relation to the definition of the SUD (Substantial Ultimate Deadline for the works).
Moreover, the final award of the Arbitration Panel is expected to be issued during 2012 regarding the dispute between Consorzio Iricav Due and TAV/RFI for the settlement of the Agreement (served by Iricav Due) covering the Verona-Padua section for TAV's serious breaches.

GENOA METRO

Regarding the functional line De Ferrari–Brignole, during the year activities were carried out for the supply of technological equipment, for equipment assembled along the line and at Brignole station. Operation activities also started.
The flood that hit Genoa and our building site in November caused the operational programme to be postponed: opening to the public is now estimated in September 2012.
Regarding the Dinegro Depot, the customer decided to assign to the Company the construction of a part of the structures above the depot, with a variation that is currently being approved.

ALIFANA REGIONAL LINE

During the second quarter an Agreement was signed for the price increases in construction materials, accounted in previous years.
The Licensor Metrocampania Nordest prepared and transmitted to the Campania Region a new text for the Addendum to replace the one signed in March 2010.
In November the Submission Deed for the Scampia Underpass was signed and the works covered by the civil and technological variations were regularised.
Still in November the deed for the suspension of the works of Melito station, lot A, was signed with a specific reserve for the refund of all the greatest resulting charges and damages.

With reference to the credit position of the Temporary Business Grouping, and of the Associates accordingly, during the year legal actions were initiated to protect former entitlements.
At the same time, contacts continued with the Campania Region for the definition of a settlement that is satisfactory for all the parties.

With regard to the Piscinola-Capodichino line, Metrocampania Nordest as Contractor has not delivered the areas and works in Lot A yet, as envisaged in the Integrated Contract. The Temporary Business Grouping, of which the company is the agent, formalised a specific reserve for the refund of all the greatest resulting charges and damages.

NAPLES METRO LINE 6
The year was marked by significant events in terms of techniques and construction.
In particular, as regards the Line Tunnel, excavation was completed in October as the TBM/EPB arrived at the site of the Municipio station, where facilities have already been built for dismantling. The traditional 3-km long tunnel built has 1,700 lining segmental rings, has a single tube, and stretches from the Mergellina station to the Piazza Municipio areas. During the excavations in 2011 the San Pasquale and Chiaia stations were fully crossed, and all the operations were performed maintaining the maximum security level, which was continuously monitored through an innovative and complex geo-referenced monitoring system of the surrounding structures and land.
With regard to the stations A.Mirelli, S.Pasquale, Chiaia and Municipio works continued at different paces because of the peculiar events of the year. As regards the sites of the Arco Mirelli and San Pasquale stations, works were dramatically delayed in the last few years because the level of archaeological excavation was reached. For both sides, works continued below the floor covering, with the excavation going deeper and the first intermediate floor being built.
For the Chiaia station building site, the construction was further delayed due to the need to carry out preliminary static consolidation activities on the nearby school building in piazza Santa Maria degli Angeli, in order to fully ensure the safety of that building during the following excavations of the station.
Finally, as regards the Municipio site, during the year archaeological surveys continued on the station shaft areas, and as a result planned activities were delayed.

With regard to the significant credit position of the contract, the Company initiated proceedings to have an injunction issued against the Municipality of Naples for the collection of the amounts due.

COPENHAGEN
As regards the Cityringen contract, a new programme for the construction of the work was agreed upon with the customer and the civil works contractor. The new programme brings the start of operations of the system forward to December 2017.
All the designing and interface definition milestones were reached during the year with the Civil contractor.
The construction of the site was completed and pre-excavation activities started in the Depot area.

In 2011 the Operation&Maintenance contract performed greatly with Service Availability of 98.8% following improvements in operating procedures and system changes, in addition to the renewal of obsolete components.
The number of passengers reached its all-time high with some 54 million journeys/passengers.

ROME METRO LINE C
Works in the outdoor section linking Pantano-Torrenova and the Pantano Depot were essentially completed; tests, especially subsystem, interface functional tests and preventive functional tests, are under way.
Assembling and testing is continuing for the 13 vehicles of the first functional phase. Ten of them were delivered at the Depot.
As regards the works for underground stations in the tunnel section linking Giardinetti and Centocelle, rough works, floors and covers of the various levels are being completed, and platforms were enlarged. As regards the line, the construction of the large concrete slab is being completed and the assembly of emergency platforms is nearing completion; the laying of tracks and of the primary cable paths commenced.

THESSALONIKI METRO
The designing phase on which the Company is working at the moment, named the *General Final Design 2* (GFD2), was marked in 2011 by two key events: the substantial approval by the Customer of the Company's technical proposal on the new CBTC architecture for the signalling system and the formalisation of the reservation submitted by the JV to the Customer regarding the damages incurred by the Partners of the B Group (ASTS and AB) at designing (GFD1 and GFD2).
In terms of programmes, according to the best estimate possible at the moment, works will be completed at the end of December 2017. On the other hand, in November the Customer made an official request to the JV for a new programme where works are estimated to be completed by the end of 2015, even though this request is not accompanied by a genuine Customer commitment to promptly settle any payments still due. At present the estimated contract amount includes an estimate of delays due in part to the unfavourable economic conditions of the country.

MILAN LINE 5
On the functional line linking Bignami and Zara assembling activities and the operation of most of the telecommunications systems were completed.
Following the request of the municipality of Milan for temporarily opening to the public the functional line Bignami-Zara for the “Family Week” at the end of May 2012, it was determined that a shuttle service will operate on a single track, with two trains at Bignami and Zara stations not stopping at the other stations.
The service will be driverless with officers on board and at stations at the end of May. To that end commissioning activities were adjusted.
The final activation of the Bignami-Zara line is estimated at October 2012.

RIYADH AUTOMATED PEOPLE MOVER SYSTEM (APM)
During the year the construction designing activities and interfacing with civil works were completed. Commissioning activities are nearing completion.
During the first three months of the year, an agreement was signed with the Customer for the formalisation of a new timeline and new interim milestones. In particular, the first one, the Ceremonial Opening, was a full manual service on line 2 in May at the presence of the King.

CIRCULAR LINE TAIPEI METRO
The Customer contracted only two of the three major contracts with civil enterprises, with a delay over the initial plan. Negotiations are under way for the formalisation of a time *extension* that covers these delays.
It is to be reported that at the end of the year the CBS *(Contract Baseline Schedule)* was processed and submitted. Its approval caused the receipt of a huge amount as advance payment in December.

NAPLES METRO LINE 1
The contract 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. During the year a section linking Dante and Università (March 2011) was activated in a shuttle configuration (down line track).
Later on, site activities were suspended due to the delay in the delivery of some important areas, and then resumed partially in September 2011.
In 2012 it is expected that the entire section linking Dante and Garibaldi be completed with a carousel configuration which will be final, except for Municipio and Duomo, for which completion is expected in 2013 and 2014 respectively.

BRESCIA METRO
During the year the construction designing was fully developed and installations along all of the line are nearing completion, with the exceptions of details for civil finishings and minor works at the depot workshop. On-site activities are mainly related to the operation of the ATC subsystem, of vehicles, and to the system integration on the functional line and on the rest of the line, which will continue throughout September. System operation is expected at the end of December 2012.
The year was marked by the settlement of the dispute between ATI and Brescia Mobilità through a settlement agreement that redefined the reference programme, allowed ATI a part of the expenses incurred for time extension and variations made after works had commenced, and determined how the company in charge of the Operation and Maintenance of the system will work.

Signalling
Revenues of the Signalling Business Unit at 31 December 2011 amounted to EUR 316.9 million (EUR 395.4 million in 2010).

Production activities in Italy amounted to EUR 209.3 million (EUR 252.6 million at 31 December 2010) and abroad to EUR 107.6 million (EUR 142.8 million at 31 December 2010).

On the domestic market, revenues from the ACC segment regarded in particular the project for the technological upgrade of the Turin - Padua line and the Genoa junction, activities for the junctions along the High Speed Line, as well as the fitting out of the rolling stock using the on-board SCMT system. As regard the revenues generated abroad, the lower revenues from the Libyan project were partially offset by greater activities in Turkey and Tunisia.

High-Speed Railways
As regards the High Speed project in Italy, during the year the activities for the Milan-Bologna line were essentially completed, while on the Rome-Naples line upgrading works continued for the switches control equipment. Through the Saturno consortium, for the future Milan-Genoa and Brescia-Treviglio lines, preliminary designing commenced ahead of the signing of the relevant contracts, which envisage very short times.

As regards projects abroad, for the *Itarus* contract in Russia all the activities in preparation for test performance were completed. Testing was postponed to the next year for causes not attributable to the Company.

In China, for the ZhengXi Line project, Transfer of Technology (ToT) activities are under way for Radio Block Centre (RBC) and On Board (OB) software.

In Germany, for the *Paris-Ostfrankreich-Sudwestdeutschland* (POS) contract, activities continued for checking field installations and initial testing. Development and designing commenced for the ERTMS SeRoBe project (Berlin-Rostock line), which was acquired by the subsidiary in Germany in August.

ACC ITALY
Production related to several systems, including those in: San Giovanni Barra (which marked the completion of the activities on the Naples Junction); Venezia-Mestre, with the activation of the last phase; Pisa, with the activities in preparation for phase D1 which are expected to take place in the coming year; Milan-Rogoredo, with the latest reconfiguration; the Trento Malè line, with the completion of the second phase; and Palermo, with the completion of the detailed engineering.

The Genoa Junction, even with significant production, saw a slowdown of activities as compared with programmes, due to the delays in civil contracts and track laying, which are preparatory to the works included in the scope of work of the Company.
As regards works for the Turin-Padua line, production mainly regarded detailed engineering, which was completed in due time. Development activities continued mainly for the release of the key prototypes for the later stages of procurement and designing (SIAP, Power Supply Cabinets, Panels).

ACC Abroad
Activities mainly regarded the contracts acquired in Turkey, Tunisia and Romania. The situation in Libya deserves separate mention.

The project for the construction of the signalling, telecommunications, security and power supply system for the Ras Ajdir-Sirt and Al Hisha-Sabha lines in Libya was suspended in the first part of the year because of the civil war that devastated the country. The project for the construction of the signalling, telecommunications, security and power supply system for the Sirth – Benghazi line was also suspended by the customer. Contacts are under way with the Russian customer Zarubezhstroytechnology (ZST) to govern the extension of the suspension period of the contract.
At present it is difficult to make assumptions as to the production resumption of these contracts given the situation in the country. At the moment, it is estimated that this may occur in the last four months of 2012.

In Turkey detailed engineering for the Mersin-Toprakkal line continued, with the Customer's relevant approvals. Procurement and onsite delivery continued for the materials of all the subsystems (Interlocking, Driverless, On-board, etc.) and onsite installation.

In Romania activations for all the stations and the supply of level 1 line equipment were completed. The latter's installation will be probably governed by a later contract due to Customer's delays.
It must be noted that the known political ups-and-downs in Tunisia have caused severe delays and disruptions to work schedule.

As regards the contract in Kazakhstan, it must be pointed out that the initial production activities were halted by the customer and they are still being renegotiated for redefining the scope of work.
With regard to this, it was considered prudent not to include the project in the Company's backlog, given the persisting uncertainty (some EUR 40 million).

Metros
As regards activities concerning metro systems, production abroad mainly developed for the supply for the Ankara Metro, where - following a slowdown due to the transfer of the contract from the former Customer (EGO-Municipality of Ankara) to the present Customer (DLH - Company of the Ministry of Transport) - designing and onsite installation of a part of the interlocking equipment continued along the line section that is in operation.
In Italy, in concert with the Transportation Solution Business Unit, production regarded the supplies of systems for Line B1 of the Rome Metro, De Ferrari - Brignole line of the Genoa Metro, Dante-Garibaldi line of Line 1 of the Naples Metro, Line 6 of the Naples Metro - for which, in particular, development activities continued for the new Metropolitan Border for the Mostra-Mergellina section -, as well as the direct contract of Line 3 of the Milan Metro, for which activities were completed for the partial activation of the project (Supervision).

SCMT Wayside
The equipment relating to the installation programme for the Train Speed Control System (SCMT) for Rete Ferroviaria Italiana (RFI) is in practice nearing completion.

SCMT On-board
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 Ferrovia Centrale Umbra, Ferrovia Adriatico Sangritana, Ansaldobreda, Siemens, Stadler, Vossloh.
In particular, for AnsaldoBreda production continued for the SCMT systems of high-frequency trains (TAFs), for regional trains (TSR), both intended to Ferrovie Nord Milano, for Vivalto double-decker carriages for Trenitalia; development and engineering activities continued for the 50 new V300 Zefiro High-Speed trains and equipment for the first two trains was tested.
Also noteworthy are the development and validation of new updated software releases for ERTMS, SCMT and SCMT/SSC/BL3 systems.

As regards the contract in Greece, it was not possible yet to formalise the understanding reached with the Greek Railways to resume work due to the continuous changes to the Customer's organisation structure and to the relevant Greek Ministry.

SCC
Contracts for SCC systems are nearing completion as planned, some addendums are being made and detailed accounting is being closed. Significant volumes essentially result from the works for the systems in Palermo, where a section of the line will be activated at the end of the year.
Activities also continued for the reconfiguration of formerly activated systems, and for the variations/unifications envisaged in RFI's CTC upgrade plan, in particular in Tuscany, Piedmont and Campania.

Maintenance & Service and Components
Significant production volumes were posted due to the new orders acquired during the year and in the second half of 2010. In particular, a contract was formalised for the logistic assistance in repair and reinstatement services for the SCMT/STB components supplied by ASTS on the Trenitalia fleet for a period of 2+2 years. A full service contract also exists with Trenitalia for the maintenance of the ERMTS system on the fleet of 30 ETR 500 rolling stock.
During 2011 new repair and assistance contracts were signed with RFI for systems such as SCC Palermo Junction, TCCS (Multifunction Portal), as well as SCMT/STB systems, with AnsaldoBreda, MA.FER, FLIRT/Swiss Federal Railways.
For the components section, on-board spare parts were supplied for the Chinese market (through ASTS Beijing).

Investments

In the January-December 2011 period, fixed asset investments and costs benefiting several years were recognised in the amount of EUR 7.5 million.

These break down as follows:

• Plants	EUR 0.5 million
• Equipment	EUR 0.7 million
• Fittings	EUR 0.2 million
• Computer equipment	EUR 0.2 million
• Property, plant and equipment under construction	EUR 0.1 million
• Licences & software	EUR 0.8 million
• Intangible assets under development	EUR 5.0 million

Regarding the elaborate projects made in 2011, in December 2011 the following were completed:

- New MV/HV Electrical Cabinet in the Piossasco plant (Turin) (EUR 596 thousand);
- HCM project for the implementation of the SABA tool supporting the process for HR assessment of resources' skills and objectives (EUR 174 thousand);
- New institutional Internet site according to business best practices and Finmeccanica Group's guidelines, and at the same time launch of the new information management process in Ansaldo STS (EUR 120 thousand);
- Test-integrated system based on PXI technology for the automated testing of electronic boards at the Tito plant (EUR 146 thousand).

Capitalisations for intangible assets under development relate to the continuation of projects commenced as part of a broader restructuring activity carried out worldwide by the company.

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 Ansaldo STS makes reference to the internationally recognised framework of the "Enterprise Risk Management" of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO 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.

The main risks and uncertainties of Ansaldo STS 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.

For the management of financial risks, reference should be made to the related explanatory notes.

Strategic risks

A) Competition in the market and efficiency programmes

The Ansaldo STS Group operates in a global market, which grows in the emerging countries and in the areas with a higher development rate and which increasingly tends to the standardisation of products and technological solutions and to the globalization of markets (specifically in the signalling business sector). This entails an increase in trade competition and a tendency to price reduction, notwithstanding the growth in market volumes.

The Group is therefore exposed to the risk of weakening its competitive ability, in the absence of an adequate standardisation of the solutions and the products offered and of a greater efficiency/optimisation in the use of resources during the performance of contracts and more generally in the operating management of the entire company.

In response to this risk, it should be specified that the Group has adopted a new integrated organisation and operational structure in order to achieve a greater standardisation of solutions and products and, in general, to improve operational efficiency and efficacy. This change occurred since 1 January 2010 and ended up with the inclusion in the course of 2011 in the new organization of the subsidiary in the USA.

The present market phase in a difficult economic trend requires increasingly determined actions to maintain margins and preserve the company value. In response to this risk, the Company started specific efficiency programmes in 2010 directed to reduce both external and internal costs, through the optimization of operating processes.

Actions continued in the course of 2011 to implement the efficiency programmes together with the start-up of new initiatives.

The risk that these programmes may be carried out with results lower than expected or over a period of time longer than that fixed could adversely affect margins and company value. In response to this risk, the implementation of efficiency programmes is monitored through strict measures of program management.

These programmes also require an accurate process to plan in the medium/long-term the needs of internal and external resources; the lack of such a process may increase the risks connected with the effective and prompt implementation of these programmes.

B) Changes in the macroeconomic scenario and in the market
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 reference markets. Various macroeconomic factors may have an impact on Group activities, such as growth rates in reference markets and public programmes of infrastructure investments.

The present economic recession period, the risk of a decline in the growth rate of the world economy and the programmes, either commenced or announced in several countries, for reducing public deficit 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 response to this risk, control structures have been created for the selection and assessment of commercial opportunities with a systematic and factual approach and for the related definition of the contractual conditions in the scope of offer processes.

Specifically, the risk of delay in payments is emerging because of delays in government grants for the projects in progress both in Italy and in some foreign markets. These situations are being monitored constantly and supported by specific initiatives to mitigate the impact thereof. It should be pointed out that, the Company holds a positive financial position and generally has a solid capital and financial structure and a significant order portfolio (about four years of work) to tackle the present difficult economic trend.

C) Innovation as competitive factor
The businesses where the Group operates – transportation solutions and signalling – are marked by high levels of technological innovation representing an important competitive factor.

It is therefore paramount that the Ansaldo STS Group has the ability to support the present investment policy and to evaluate in a systematic and factual appropriate manner the return on investments in R&D directed to generate innovative solutions.

The Group may not assess in an appropriate manner the innovation needs, the contents of innovation and development projects, the benefits thereof and the resulting 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.

To mitigate these risks, there are corporate processes for the definition of the product portfolio and for the periodic verification of the technical competitiveness of products.
The characteristics and the already mentioned level of technological innovation pertaining to the products and the technical solutions of the Group determine a risk of obsolescence. Specific processes are being carried out to mitigate that risk effectively.

Operating risks
D) Country risk with respect to 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, with a negative impact on the Group's financial condition. The country risk is assessed during the process for the selection of offers and tenders to take part in. The opportunity to mitigate this risk and the definition of any related actions are taken into consideration when preparing the proposals.

Please refer to the relevant section of this report for the explanation of the status of the job-orders in Libya, suspended because of the riots occurred in the country and the delays recorded by the job-order in Greece exacerbated by the unfavourable economic trend of the country.

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

Any delays, changes, reviews or cancellation of one or more acquired relevant contracts lasting several years may adversely affect business and the economic and financial condition of the 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;
- structured process of project review with the involvement of the senior management;
- the review and periodic updating of order estimates;
- 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.

F) Budget processes and Risk Management 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 and complex projects, due to non-efficient project controlling processes. 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. Specific initiatives are being carried out in order to structure the Group controlling processes.

G) 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 Ansaldo STS 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, Ansaldo STS 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 and the related selection of partners, sub-contractors and sub-suppliers in new markets might be inadequate, 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 new markets, these processes are followed through specific scouting activities. Further actions are being carried out to make more efficient the evaluation of sub-contractors and partners during the offer.

H) Adequacy and efficiency in developments and technical references

Development projects may not be carried out within budget and time 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 Group competiveness and financial position.

The planning and control of the development activities have been defined 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.

I) 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.

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. These negative effects may include the incurring of costs for repairing faulty products or in extreme cases the withdrawal of the products from the market. With regard to these effects, 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.

J) 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.

K) 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. An integrated system of management and development of human resources was defined and implemented in the course of 2011. In this context, periodic controls have been made on skills and performances and steps have been taken for the development of skills and the best allocation of resources.

A few existing critical points refer to the adequacy of some organizational roles of the working groups, redefined in the scope of the recent organizational change, that may compromise the achievement of some benefits resulting from the change of corporate processes. Specific initiatives have been taken to strengthen these roles.

L) 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 some of the main companies of the Group. A programme is being implemented to extend these certifications to the main Group companies.

The requirements of new markets are evaluated during the offer and support is guaranteed also through external consultants. Common policies and procedures have been defined in order to guarantee consistent conducts across the various companies of the group, also taking account of the specific local requirements.

Financial risks

M) 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. Ansaldo STS believes it can comply with the relevant assessment indices. At 31 December 2011 the Ansaldo STS's exposure for guarantees stood at EUR 2,846,206 thousand (EUR 2,293,622 thousand at 31 December 2010).

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 business and economic and financial condition of the Company and of the Group 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.

In the current economic and market phase, the working capital is increasing (though always negative) and the cash flow is decreasing. This was caused by the suspension of the job-order in Libya because of delays in the collections and a corresponding increase in overdue, determined by the delays in government grants for projects in progress both in Italy and in some foreign markets. These situations are being monitored constantly and supported by specific initiatives to mitigate the impact thereof.

N) 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. A unsatisfactory 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. Moreover, the market wants the supplier to be more involved in the management of the plant, with a consequent increase in the risk profile of the operation. These risks might adversely affect the Group's financial condition.

To mitigate this risk, there are the offering process, where all the company functions concerned are involved for an accurate evaluation of the operation, and the above said risk assessment processes upon the offer, which can be also applied to potential partners.

Disclosure risks
O) 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, 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, also due to external attacks, might adversely affect the Group's business.

To mitigate this risk, IT policies are defined in correlation with organizational and process change 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 2011 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 19.3 million (EUR 19.4 million in 2010), with revenue from grants and services equal to EUR 3.7 million (EUR 2.2 million in 2010).

The activities carried out in the course of the year are the following:

Transportation Solutions
Research and development costs for the Transportation Solutions Business Unit at 31 December 2011 amounted to EUR 1.7 million against grants for EUR 0.3 million (EUR 2.9 million and EUR 1.1 million respectively in 2010).

Existing research projects financed:
- SAFER (Active Safety in Railway Systems, *Sicurezza Attiva nei sistemi FERroviari*): the project is financed by the Ministry for University and Research (MUR), with the objective to study and test advanced sensors, telecommunication systems and a control centre in order to effectively respond to threats to railway asset safety due to voluntary actions (security). It has entered the field testing phase and should terminate in the first part of 2012.
- SITRAM: the project is financed by the Ministry for the Economic Development (MISE) using the 2015 industry bid. Its objective is to study and test advanced technological solutions for energy captation without catenaries (TRAMWAVE), the increase in efficiency of the energy cycle, and security. Within this context a modular tramwave solution has been developed and industrialized; it was also used to equip a 600-meter long section of the Naples-Poggioreale line, where the testing and certification phase is currently under way.
  An 18-month extension was asked for and granted because of the delayed issue of the final decree; accordingly, the project should terminate in June 2013.
- PIEZORAIL: the project is financed by the Ministry of the Environment with the objective of designing and testing innovative solutions for the production of electric energy with the passage of trains, by putting piezoelectric pads under tramway or metro tracks. The general specifications of the system, propaedeutic to the selection of components, are being completed.

With regard to 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; it 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 2011 amounted to EUR 17.5 million against grants for EUR 3.4 million (in 2010 R&D costs were equal to EUR 16.5 million and grants amounted to EUR 1.1 million).

Existing research projects financed:
- In the scope 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, the Process and Plug-in projects have been presented in collaboration with SelexElsag, and are being evaluated.
- A project was funded through the regional operational programme of the Liguria Region with the objective of studying stereoscopic techniques for Safety & Security applications.
- With regard to the funds from the Ministry of Productive Activities (2015 industry bid, Sustainable Mobility), the following activities are being carried out:
  - *SISTEMA* - project that entails an activity relating to the railway handling inside ports;
  - *SLIMPORT* - project co-ordinated by SelexElsag for which the company is the coordinator of the Slim Rail sub-project, which provides for the study of a container transfer system on track linking the port and the cargo storage area.
- The following projects were declared eligible for funding in relation with the bid under the national operational programmes using the funds intended for the Campania Region:
  - *SICURFERR:* the company coordinates a number of entities (small, medium and large enterprises, universities, RFI and Circumvesuviana) that proposed a development and testing project on monitoring railway infrastructures in order to increase safety and security levels and to make maintenance activities more efficient. Testing activities will be carried out using the railway network of the RFI and Circumvesuviana partners; the application for funding was approved and activities should start in the first part of 2012.
  - *DIGITAL PATTERN DEVELOPMENT:* the project co-ordinated by ELASIS (Fiat Group) aims at the development of simulation systems supporting the designing and production of systems and components for road and railway transport; in this scope, the company intends to develop systems for the simulation of the railway traffic. The project was declared eligible for funding and activities should start within the first part of 2012.
  - *VERO (Virtual Engineering for Railways and autOmotive):* the project provides the construction of simulators for the optimal dimensioning of signalling systems.
    The project is under approval and is expected to start in the second half of 2012.

With regard to the projects financed at the European level, below are outlined the activities relating to the projects in progress:
- *INESS (Integrated European Signalling System),* with the objective to standardize the interfaces between the ERTMS systems and the National interlocking systems; it is expected to terminate in 2012;
- *CESAR (Cost-efficient methods and processes for safety relevant embedded systems).* The project, submitted together with other Finmeccanica companies, Siemens and CRF, in the scope of the JTU Artemis, involves Ansaldo STS for V&V innovative systems (Verification & Validation);
- *ERRAC Roadmap* - The project is quite small but with an important strategic value because it defines the priority research issues for the railway sector, that will be submitted to the competent European Commission for the publication of the calls for proposals in the years to come;
- *PROTECTRAIL The Railway-Industry Partnership for Integrated Security of Rail Transport:* Ansaldo STS SpA is the coordinator of a consortium also including other Finmeccanica companies (Selex Sistemi Integrati and Selex-Elsag), Ferrovie dello Stato and other important European railways and aims at developing an integrated system to improve safety of people and goods and more generally the European railway assets;
- *ALARP - A railway automatic track warning system based on distributed personal mobile terminals.* The project, co-ordinated by Ansaldo STS, is directed to develop an innovative automatic track warning system in order to improve the safety of railway trackside workers;
- *SECUR-ED (Secured Urban Transportation - European Demonstration).* The project is directed to develop, integrate and make interoperable the Security technologies, with particular reference to the public transport in medium/large cities. The projects provides for demonstrations in large cities (Milan, Paris, Berlin, Madrid) and other smaller cities. Thales is the project leader, while Ansaldo STS is in charge of the transversal sub-project of demonstrations, particularly in Milan together with ATM and Ferrovie Nord. SelexElsag is also taking part in the project.

Moreover, the European commission approved and financed the following projects:
- *EXCROSS*, whose objective is to identify synergies and opportunities related to safety techniques in different transport modes;
- *ETCETERA*, that contributes to the planning of European research issues in terms of security, promoting meetings between experts and potential stakeholders.

At the end of 2011, an application for funding was submitted to the European Space Agency (ESA) for a project relating to the development of satellite-based positioning technologies.
This financing, expected for the first half of 2012, will support strategic development activities finalised to the evolution of the railway signalling with the use of satellites. The results of this development will be necessary to sustain commercial initiatives in Australia, the USA and Russia.

With regard to self-financed research projects:

- *MULTI-FUNCTION PORTAL:* in 2011, after this experience, the Company parent took part in the tender called by RFI for the supply of 7 multi-function portals.

- *RBC:*
The evolution of the demand for the ERTMS system, also outside of Europe, highlighted the need for increasingly modular and efficient designing, configuration, verification and validation, simulation instruments for the RBC product. Moreover, through the increase in the number of ERTMS applications in different contexts that generate specific customizations, it was possible to improve the said planning environment favouring a standardisation of functions and their configurability (library) that makes more efficient the process for the release of new applications and the related certifications (non-regression test).
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 as well as the configuration of the operator interface.
The implementation of the safe control procedure, with the elimination of the heavy keyboard has been completed and the procedure has been validated.
Feasibility studies have been carried out for the use of RBC in other applications based on radio-signalling with satellite localisation, in particular for the American and Australian market.

- *Standard BALISE:*
  - In order for the balise to be programmed without being removed from the sleeper, a specific interface was designed so that it can be programmed via Air-Gap.

- *Reduced-size BALISE:*
  - project documents were completed;
  - the first via air-gap programming prototypes were built and installed on the Alifana plant 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 completion of this development remains 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 and supply 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 were completed;
  - the Tito plant manufactured the first pre-series samples in order to check that serial production can be carried out properly;
  - field tests in Romania are continuing.

  With reference to the ERTMS Level 1 system, which the signal encoder refers to, designing and configuration instruments have been developed in support of this application.

- *ON BOARD:*
  - Improvements to the odometric algorithm were identified and (ongoing) development requirements were defined for a new odometry system to be used on both the CPU2 and the DIVA platforms;
  - The development of a new BTM (acquisition of a balise) continued (standalone);
  - Release 2.3.0.d of SRS ERTMS on DIVA is being enhanced, with the utmost possible optimisation of logic 2.3.0.d (sw4.0) for which the safety case was released in Italy and certification from RFI is pending;
  - Standardisation activities are under way for “buy” components of the DMI, JRU and MT type.

- *CBTC:*
  - activities have been carried out for the integration of the wayside and onboard system, including the core (ATP) and non-core (ATO) components, through the optimisation of the R&D resources, which, stretched over several geographical locations, are now managed at a central level and are co-ordinated at a global level;

- *QMR evolution.* 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. Particular mention goes to the development of the new Wayside Standard Platform that has been configurated for Interlocking applications but, in agreement with the defined product strategy, will be integrated also for the RBC functions (GSM/R-GPRS radio communication), Zone Controller (WiFi for subway), PTC (non-GSM/R radio communication, TETRA type, with satellite localization) and TSR (Temporary Speed Restriction for both metro track circuit applications and ERTMS L1 applications).
- *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.

Personnel

Headcount

Headcount at 31 December 2011 numbered 1,570, of which 52 work for foreign branches.
It breaks down as follows: 78 executives, 312 middle managers, 1,119 clerical workers, 61 manual workers.
Headcount totalled 1,559 units at 31 December 2010 (of which 47 work for foreign branch offices), breaking down as follows: 68 executives, 297 middle managers, 1,123 clerical workers, 71 manual workers.
The increase of 11 is the result of 90 new hires and 79 terminations.

New hires included employees with a University degree (58) and with a high school degree (32) and break down as follows:
- 56 resources hired on an open-end contract from the outside market;
- 15 resources hired on a contract for a limited period;
- 19 resources hired at branches as a result of contracts acquired during the year.

Terminations are detailed as follows:
- 47 resources were terminated with consensual decision/mobility;
- 10 resources were terminated on voluntary termination;
- 1 resource was terminated for the end of the term of the contract;
- 7 resources were transferred to other group companies;
- 14 resources of the branches for the termination of activities.

Training

In 2011 training activities coniosted in organised courses attended by 2,072 people for a total 22,918 hours. The per-capita figure calculated on the basis of attendees is some 11 hours.
The major training activities were as follows:

Technical and Specialistic training
- PMP (Project Management Programme) Finmeccanica project;
- Specialistic courses for railway techniques;
- Finmeccanica Economics project.

Managerial training
- coaching for optimal performance;
- Open Innovation workshop.

Regulatory Training
- training courses on safety for site staff as part of the *"365 SafetyDays 365 SafetYes"* Campaign;
- fire-fighting and first-aid courses;
- online course on Legislative Decree 231 (2010 review).

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, 11 assessment sessions were organised. The objective of these meetings is to identify high-potential resources and to define suitable courses for the professional development and the growth of expertise.

Industrial relations

The Company met the trade union in April to provide a detailed analysis on the Company's position. The agenda of the meeting, held in the presence of the Chief Executive Officer, included several topics such as the current scenario, the corporate results, the overall outlook on the basis of the market trend, the efficiency projects under way.
In the light of important changes caused by external factors not attributable to the Company, another meeting was held in July to update the list of the job-orders on which effectiveness and efficiency parameters are measured; these parameters are useful for calculating the Performance Bonus.
The Company 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 has become the co-founder of a Foundation based in Campania together with 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. The month of October saw the inauguration of the first course "ITS - Sustainable Transport" that will involve from the end of 2012 to the beginning of 2013, some Company's experts in the following subjects: "signalling systems" and "telecommunication and supply systems".

Incentive plans

Ansaldo STS has developed and set the rules for:
- a medium-term stock grant incentive plan;
- a long-term cash incentive plan.

These plans are part of an array of short-, medium- and long-term incentives that represent a significant component of the Group's total management compensation.
The incentive plans are furthermore structured so as to tie significant portions of a manager's compensation to the achievement and improvement of financial parameters and to strategic objectives particularly important for creating value at Group level.

Moreover, on 23 April 2010, the Shareholders' meeting 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.

2011 Stock grant plan

On 18 February 2011, a stock grant plan was approved by the Remuneration Committee (subsequently ratified by the Shareholders' Meeting of 5 April 2011) for a maximum of 59 resources plus the CEO with a duration substantially in line with the 2008-2010 plan as well as the same objectives (VAE, FOCF and share performance versus the Ftse IT All Share).
The choice of an annual plan is motivated by the fact that in the course of 2011 the rules governing the incentive plans based on financial instruments were being defined by the Italian Stock Exchange. This will allow to prepare in 2012 a plan with a longer duration and consistently with the provision to be enacted by the Italian Stock Exchange.

2008-2010 Stock grant plan

With reference to the stock grant plan, the Group proceeded with verifying the achievement of the objectives to which the assignment of the quota related to 2010 had been tied.
The three objectives in relation to EVA, Free Operating Cash Flow and share performance versus the FTSE All Share, and relating to the 2010 financial year, were achieved in full.
Accordingly, as provided for by the plan rules, 100% of the shares originally intended for assignment were assigned to the persons entitled thereto, increased by 40% following the first and second tranche of the free share capital increase resolved by the Shareholders' meeting of Ansaldo STS on 23 April 2010.
The total shares owing to the beneficiaries were equal to 322,157, but the shares actually delivered on 1 December 2011 were 183,630, as a result of the shares withheld for tax purposes.

2008-2010 Cash incentive plan - 2010 tranche

The 2008-2010 cash plan for 2010 involves the Chief Executive Officer of Ansaldo STS.
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 2010 were all achieved.
The two objectives set, that for the acquisition of Group Orders 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 achieved. Therefore, in April 2011 the incentive amount accrued was paid.

2009-2011 Cash incentive plan - 2010 tranche

The 2009-2011 cash plan for 2010 involves the Chief Executive Officer of Ansaldo STS.
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 2010 were all achieved.
The two objectives set, that for ROE and that for the Ansaldo STS share performance vis-à-vis FTSE IT All Share, were achieved.
The plan also envisages an entry threshold which was achieved. Therefore, in April 2011 the incentive amount accrued was paid.

2010-2012 Cash incentive plan - 2010 tranche

The 2010-2012 cash plan for 2010 involves the Chief Executive Officer of Ansaldo STS and the manager 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 Company proceeded with verifying the achievement of the objectives set for 2010.
The two objectives related to the performance of the Ansaldo STS stock and to the ROA were not achieved; accordingly the shares were not assigned.

2010-2012 Stock grant plan - 2010 tranche

With reference to the 2010-2012 stock grant plan, the Group proceeded with verifying the achievement of the objectives to which the assignment of the quota related to 2010 had been tied.
The EBIT, objective shared by all the participants, that had an incidence of 30%, was not achieved, while seven project milestones out of nine, stretched over several participants, were reached.

Accordingly, as provided for by the plan rules, 70% of the shares originally intended for assignment were assigned to the 13 out of 15 persons entitled thereto, increased by 40% following the first and second tranche of the free share capital increase, resolved by the Shareholders' meeting of Ansaldo STS on 23 April 2010.
The total shares owing to the beneficiaries were equal to 6,495, but the shares actually delivered on 1 December 2011 were 3,823, as a result of the shares withheld for tax purposes.

Equity investments held by the Directors

Within the programme of purchase of treasury shares to serve the 2008-2010 stock grant plan and the 2010-2012 stock grant plan authorised by the Shareholders' Meeting of 5 April 2011, Ansaldo STS SpA purchased in the period from 10 October 2011 through 17 November 2011 a total of 412,400 ordinary shares of Ansaldo STS SpA (corresponding to 0.29% of the share capital). On 1 December 2011 the effective delivery was made of the shares awarded for the year 2010: of the 411,937 total shares assignable, 408,750 shares were transferred into individual security deposits specified by the beneficiaries.
Out of the 3,650 shares remained in the portfolio, 3,187 shares were or will be credited in the security deposit accounts of six beneficiaries in the first months of 2012, because it was not possible to transfer them in due times. It should be specified that the transferred shares are net of the portion required for the fulfilment of the tax obligations, with reference to the Italian beneficiaries.
Below are reported the shares held by the Directors:

Surname and Name	Investee company	Number of shares held at previous year-end	Number of shares acquired*	Number of shares sold	Number of shares held at current year-end
Sergio De Luca	Ansaldo STS S.p.A.	37,422 [1]	31,638 [2]	-	69,060

1. Assigned free of charge for the years 2006-2007 in compliance with the 2006-2007 Stock Grant Plan and for the year 2008 and 2009 in compliance with the 2008-2010 Stock Grant Plan.
2. Of which 25,401 assigned free of charge for the year 2010 in compliance with the 2008-2010 Stock Grant Plan and 6,237 assigned following the share capital increase made in 2011.

* No. 31,638 shares are net of taxes, the shares originally assigned including taxes were equal to no. 44,563. No.12,925 shares were not granted by the Company for the fulfilment of the tax obligations.

Company establishments

Situation at 31 December 2011:

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

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

Financial communication

Relations with the financial market

The investor relations function reports constantly to analysts and investors in order to understand the informative needs of the market and to address communications to the top management.
The objective is to ensure a correct valuation of the company from the financial market, consistently with the industrial model and already defined strategies.
It is fundamental to create and maintain a relationship of trust in support of the correct disclosure of information. Financial analysts are considered as a reference asset for the understanding of the corporate and business reality and of the strategic line adopted by the Management.
In the course of 2011, three new coverages of the Ansaldo STS stock were initiated by the following merchant banks: Bank Of America - Merrill Lynch, Banca Profilo, Nomura.
Subsequently, Nomura suspended the coverage because of an internal restructuring of the research department but maintained the relations for the management of marketing activities and contacts with investors.
The stock coverage currently concerns seventeen merchant banks, as balance between those banks that suspended the coverage because of corporate changes related to brokers and those banks that initiated the coverage in 2011.
A few of these banks provide sectorial periodical researches and analyses on competitors, that the investor relations function gathers, examines, discloses internally together with official communications from the market.
The annual communication plan is the instrument for planning and developing investor relations activities and is based on a few bearing elements.
First and foremost, the Management's willingness to meet with institutional shareholders on a regular basis. Some 35 road shows (42 in 2010), conferences and events were organised in 2011 (including: Year End 2010 Results Conference and the first analyst site visit held in Copenhagen with all the reference brokers). Analyses, policies and strategies of the Group industrial activity are disclosed during these events.

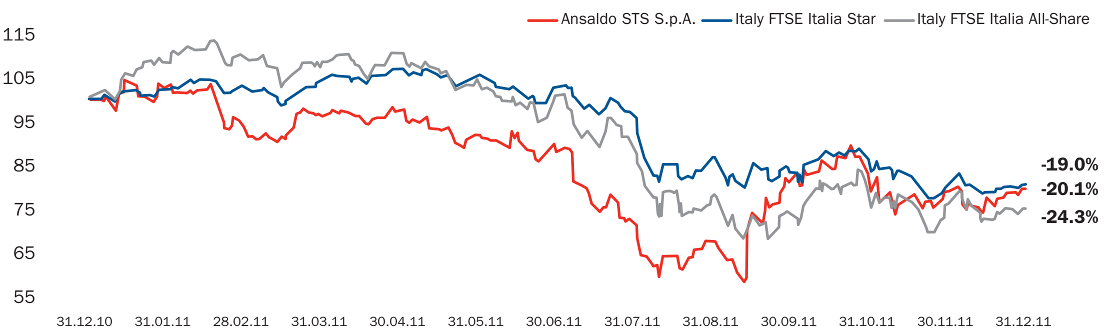
On a yearly basis, the Company organises an investor day: this event has become for several analysts and investors the occasion to keep themselves informed within the financial community about the best valuation of the stock and on the reference sector of Ansaldo STS. This important appointment sees the disclosure of the medium- and long-term plan, which together with the quarterly data represents the basis for the periodical valuations of analysts and investors.
Following an important business negotiation (the stipulation of the contract for the Honolulu metro) the 2011 investor day has been postponed to 2012, to provide at the same time the preliminary closing data for the year 2011, the 2012 guidance and the 2014 objectives.
Lastly, an essential instrument for the investor relations communication is the web-site, whereby institutional and retail investors or more generally anyone can gather the most recent information and use the data accurately filed.
The web-site was updated in 2011; the effectiveness of this change has been confirmed by the Best Improver 2011 prize awarded by KWD Webranking (an agency that monitors and evaluates the effectiveness of the web-sites of listed companies and draws up an annual ranking). The criteria used to make the ranking provide for the examination of each single aspect of communications, from the relationships with investors to the contacts with media; from the implementation of social networks to the transparent management of governance information. Over the past months, Ansaldo STS moved its ranking up from no. 40 to no. 26, recording the best performance of the year.
The second certified Sustainability Report will be presented during the 2012 Shareholders' Meeting.

Stock performance

In the period from **31 December 2010 to 30 December 2011**, the official price of the stock moved from EUR 9.15 (figure restated for purposes of comparison - originally EUR 10.67 - following the free share capital increase occurred on 4th July) to EUR 7.31, with a decrease of 20.1%.
On 4 July 2011, the Company implemented the second tranche (the first was made in July 2010) of the free share capital increase through the issue of 20,000,000 new shares, at the ratio of one newly-issued share to six shares held.
The stock hit its highest value for the period with EUR 9.61, official closing price of 14 January 2011, and its lowest value with EUR 5.46, official closing price of 13 September 2011.
The daily average volumes for the period amounted to 849,470 shares exchanged.
The stock performance was scarcely correlated compared with the reference indices.
In the course of 2011, the FTSE All Share Italy index fell by 24.3%, while the FTSE Italia STAR index dropped by 19.0%.

The analysts' evaluations at 31 December 2011 achieved average consensus in terms of price objective of EUR 8.6.
The year 2011 has been a particularly troubled year for Ansaldo STS; the stock has been influenced by the Libyan crisis in consideration of the important job-orders obtained in the area (the Management has promptly informed the market about any possible financial impact) and has suffered from the increased perception of the country risk on Italy by the financial market, like the entire Italian Stock Exchange list.
In the second half of the year, the stock performance has been influenced by the rumours relating to the possible disposal of the majority shareholder's portion. The news has generated a higher speculative interest on the Ansaldo STS stock. However, new positions of high-speculative funds have not been reported.
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 December 2011

Investor	Share number position	% position
Finmeccanica SpA	56,000,000	40.000
Altrinsic Global Advisors LLC	2,928,800	2.092
Columbia Wanger Asset Management LLC	2,913,400	2.081

Main data per share (2010-2011)

Earnings and dividend per share (euro)	2011	2010
Basic and Diluted EPS	0.41	0.65*
Dividend per share *	0.20	0.28

* as per Shareholders' meeting proposal.
** redetermined following the free share capital increase of 4 July 2011.

The year 2007 was the first year in which the Company paid out dividends, a year after it was listed on 29 March 2006.
With regard to the 2011 financial year, the distribution of the dividend proposed by the Shareholders' Meeting, in absolute value, was equal to EUR 28,000 thousand compared with EUR 33,592 thousand in 2010.

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 in July 2009, upheld the appeal of Ansaldo STS SpA and Finmeccanica SpA, 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.
The case set for December 2011 will be heard in October 2012.

2. Genoa Underpass - Municipality of Genoa vs ASTS and Civil Enterprises and Others
With regard to the works for the Underpass, the Municipality of Genoa claimed economic and non-economic damages amounting to EUR 13 million against Ansaldo STS as concession-holder, and the Temporary Business Grouping (ATI) that performed the works. ASTS started proceedings. The Court of Genoa, with interlocutory judgement dated September 2007, rejected the preliminary objections raised by the defendants and asserted the possible use of the evidence gathered in the criminal suit, appointing with separate order 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's report. One of the contractor appealed from the interlocutory sentence. In the said judgement, Ansaldo STS filed proceedings by making an interlocutory appeal against the judge's assertion relating to the possible use of the evidence gathered in the criminal suit.
Following the filing of the court-appointed expert's report, the parties reached a settlement agreement, in exchange of the waivers to the judicial documents and actions and related acknowledgements; at the hearing of June 2011, the litigation before the Court of Genoa was declared 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 has continued against Finmeccanica SpA, which absorbed Ansaldo Trasporti SpA.
The company awardee of the contract did not appeal to the ruling 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 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.
At the hearing of June 2010 a decision on the case was still pending.

With ruling no. 1327/2010 of 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.
The ruling has not been challenged yet by the Naples Regional Attorney's Office of the Court of Auditors and became res judicata in October 2011.

4. Arbitration - ICLA vs Consortium Iricav Uno (in which Ansaldo STS has an interest)
At the end of December 2004 the Arbitration Board issued the final award denying the appeal filed by ICLA Costruzioni Generali SpA (in liquidation) against Consortium Iricav Uno (Ansaldo STS SpA 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 Consortium Iricav Uno filed proceedings.
In October 2005, ICLA initiated a new arbitration against Consortium 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 and in June 2007 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 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, Consortium IRICAV UNO objected by voidness to both the partial and the final arbitration award, issued in 2007 and 2008 respectively, 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 Consortium IRICAV Uno's claim to suspend the enforceability of the award. The next hearing is set in February 2012.

In the meanwhile, at the hearing held on 18 February 2011 relating to the impugnement against the award dated 21 December 2004 the case became *res judicata* and with partial ruling filed on 1 December 2011, the Court of Appeal upheld one of the grounds for impugnement proposed by ICLA and some grounds proposed by the Consortium and ordered, as set forth in a separate ruling, the prosecution of the judgement in the rescissory phase (that defines the parties' claims in relation to which the arbitration award was annulled); with this order, equally filed in December 2011.
The Court of Appeal requested the court-appointed expert's report on the issues raised therein and set the public hearing in early 2012.

5. Dispute against Azienda Consorziale Trasporti Trieste
In 2002 Azienda Consorziale Trasporti of Trieste (A.C.T., now ATM) expressed its willingness to withdraw from a contract made with Ansaldo Trasporti SpA in 1998 for the supply and installation of an innovative electrified transport system named STREAM due to the impossibility of performing services.
After efforts were made to settle the matter but to no avail, the company sought remedy for 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 STS 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 2007, 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 January 2011.

With ruling of 24 May 2011, the Court of Appeal of Trieste rejected the impugnement of ASTS ordering the Company to pay EUR 3.1 million plus legal interest. Following an agreement between the parties, ASTS paid in 2011 an advance of EUR 0.2 thousand and the remaining part in January 2012, net of costs for the removal of the Trieste raceway, as established by the covenant between the parties. However, ASTS intends to file an appeal before the Court of Cassation against this ruling.

In the meantime, Ansaldo STS initiated a new lawsuit against ACT before the Court of Trieste on 10 January 2008, demanding the assessment of the termination of the contract for impossibility of performing its service attributable to ACT due to the determination taken by ACT in July 2002.
The lawsuit was initiated in order to set a date for the termination for ACT's fault prior to the order whereby in February 2006 the Trieste Town Council resolved to re-confirm the resolution of September 2002 which, in the meantime, had been reversed by the Regional Administrative Tribunal, TAR. The claim was obviously filed after the denial of the appeal.
Final memorials and briefs were filed and the sentence should be passed soon.
At the same time Ansaldo STS had sued the Municipality of Trieste for unlawful conduct. The writ was 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 November 2009, suspended the civil case between Ansaldo STS SpA and the Municipality of Trieste, pending the determination of the pending cases between Ansaldo STS SpA and Azienda Consortile Trasporti – A.C.T. of Trieste.
The case is being suspended while awaiting the outcome of the judgement between ASTS and AMT at the Court of Cassation.
Finally in April 2008 Ansaldo STS 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.

6. Dispute Tecnocostruzioni Costruzioni Generali SpA vs Ansaldo STS SpA
Tecnocostruzioni SpA, as member of the Temporary Business Grouping (ATI) that was awarded by Ansaldo Trasporti SpA (now Ansaldo STS) 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.
In 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 SpA (now Ansaldo STS) in December 2007 Tecnocostruzioni challenged that ruling before the Naples Court of Appeal.
In October 2011, The Naples Court of Appeal rebutted the appeal submitted by Tecnocostruzioni. The ruling was notified at the end of December 2011, date from which a period of 60 days starts for any appeal to the Court of Cassation.

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 SpA (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. In 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.
The case on the merits is still pending and the hearing has not been set yet; however the dispute results settled in a friendly manner between the appellants and the Municipality of Brescia.

8. Dispute Consortium Iricav Due vs TAV- Treno Alta Velocità SpA
At the beginning of 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. Consortium 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, Consortium 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 Consortium 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) made between TAV and the respective General Contractors in 1991-94.
Consortium 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 Consortium 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. The arbitration board held an hearing in February 2011 to re-establish the same Board because of the death of one of its members.
The filing of the award was postponed to April 2012, assuming that it will be extended up to July 2012, if the Board takes measures for the integration or renewal of the court-appointed expert.

9. Metro C Società Consortile per Azioni versus Roma Metropolitane Srl
In 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 term for the issue of the arbitration award, that had been set for mid-2010 and later for mid-2011, was further postponed since the Board has ordered an additional appraisal as requested by Roma Metropolitane.
With regard to further arbitration queries, the procedure was suspended since the higher costs for the execution of the works recorded in the reserves have been defined, in the scope of a specific agreement reached by the parties in July 2011, on a lump and exhaustive basis in the amount of EUR 230 million.
The settlement was subject to the condition of effectiveness in relation to the grant of the required financial resources to Roma Metropolitane within the end of March 2012.
The loan set forth in the agreement has not been granted yet.

10. Dispute Consortium Cepav Uno vs TAV SpA
Consortium CEPAV UNO, as general contractor for the works for the construction of the Milan-Bologna line, initiated arbitration proceedings against TAV in 2006 alleging TAV's default of the obligations to CEPAV UNO and Consortium Saturno. As part of the Consortium Cepav Uno, the performance of the activities for the technological works was contracted out to Consortium Saturno, in which Ansaldo STS SpA has an interest of 33.34%. Based on the contractual transparency in the agreements between Consortium Saturno and Cepav Uno, the latter is bound to assert the claims of Consortium Saturno against TAV. Therefore, Cepav Uno's claims in the arbitration proceeding relate to claims of Cepav and of Consortium Saturno (value of the claim EUR 1 billion, of which EUR 85 million for Consortium Saturno).
In April 2008 Consortium 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. 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.
An agreement was reached in March 2011 between Consortium Cepav Uno and Consortium Saturno, which carries out technological works, whereby the consortia have waived their reciprocal claims.
In virtue of this composition, the litigation came to an end.

11. ASTS vs Metro Campania Nord Est
Ansaldo STS, in the scope of the Alifana project, obtained in April 2011 an injunction towards Metro Campania Nord Est (MCNE) for unpaid invoices of EUR 31 million. MCNE opposed the injunction assuming that the receivable claimed by ASTS was subordinated to the grant of financial resources by the Campania Region, currently not available.
In September 2011, the Judge rebutted the claim to suspend the enforceability and in December there was a first partial collection for ASTS of EUR 3.7 million.
Contextually to the juridical aspect, ASTS made appropriate representations to the Campania region with the objective to define a path to reach a reciprocal satisfaction.
With reference to the contract from MCNE to ASTS for the supply of the technological on-board system, ASTS has obtained an injunction towards MCNE for EUR 4.8 million in relation to which a judgement is still pending.

12. ASTS vs Municipality of Naples
In March 2011, ASTS appealed to the Genoa Court to obtain an injunction against the Municipality of Naples for the collection of some receivables related to the contract for the construction of the Naples Metro Line 6.
The Genoa Court granted the injunction for an amount of EUR 106 million by notification to the Municipality of Naples, which objected to the deeds.
Following an exception made by the Municipality of Naples contesting the injunction, the Genoa Court declared itself incompetent and the judgement was resumed before the Naples Court, setting the first hearing at the beginning of 2012.
With regard to the amounts set forth in the injunction, part of them shall be paid to the companies that were involved in the civil works and linked to ASTS in back-to-back contractual relationships.

The Company made an estimate on the contingent liabilities that may derive from the pending disputes and in relation to each contract under dispute set aside specific amounts (based on prudential criteria) in a “write-down provision relating to work in progress” for each job-order involved.
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 to cover contingent liabilities of minor amounts deriving from the pending disputes related to the contracts performed. The accrual made for the portion related to the risks and charges of the dispute at issue, is equal to EUR 0.7 million.
At the reporting date the Company believes that the amounts set aside in the provision for risks and charges and those set aside for each job-order within the “write-down provision relating to work in progress”, with the objective to cover any liabilities deriving from pending or potential disputes, are generally adequate.

Corporate governance and shareholding structure of the company in compliance with art. 123 of Legislative Decree no. 58 of 24 February 1998 and subsequent amendments (consolidated law on financial intermediation - TUF)

The Ansaldo STS shares have been trading since 29 March 2006 on the STAR segment of the markets organised and managed by Borsa Italiana SpA and have been included on the FTSE MIB index since 23 March 2009.
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 has implemented 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 5 April 2011, are: Alessandro Pansa (Chairman), Giancarlo Grasso, Sergio De Luca, Giovanni Cavallini, Maurizio Cereda, Paola Girdinio, Filippo G.M. Milone, Tatiana Rizzante and Attilio Salvetti.
The Board will be in office for three years, therefore until the date of the Ordinary Shareholders’ Meeting for the approval of the financial statements for the year 2013. The members of the Board of Statutory Auditors, also appointed during the Shareholders’ meeting of 5 April 2011 are: Giacinto Sarubbi (Chairman), Renato Righetti and Massimo Scotton; Bruno Borgia and Pietro Cerasoli were appointed as alternate auditors.
The Board of Directors also met on 5 April 2011 and appointed Giovanni Grasso 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 (Attilio Salvetti - Chairman -, Maurizio Cereda and Paola Girdinio), of the Remuneration Committee (Maurizio Cereda - Chairman – Giovanni Cavallini and Filippo G.M. Milone) and also appointed the executive in charge of the preparation of the corporate accounting documents as Alberto Milvio, Chief Financial Officer of the Company.
Members Giovanni Cavallini, Maurizio Cereda, Paola Girdinio, Filippo G.M. Milone, Tatiana Rizzante and Attilio Salvetti certified upon their appointment that they meet the independence requirements of applicable laws and of the Corporate Governance Code; the said requirements have been also evaluated by the Board of Directors of 5 April 2011 and the Board of Statutory Auditors has, in its turn, verified the correct application of the criteria adopted by the Board. Also on 5 April 2011, the Board of Directors of the Company, in pursuance of Art. 8, para. 1 of the Corporate Governance Code, in agreement with the Internal Control Committee, appointed Sergio De Luca (CEO) as Executive Director charged with the supervision of the internal control system and Mauro Giganti (Manager responsible for the Internal Audit) as the Person in charge of the Internal Control.
Pursuant to the Corporate Governance Code, the members of the Board of Statutory Auditors Giacinto Sarubbi, Renato Righetti and Massimo Scotton, in the course of the first meeting of the Board of Statutory Auditors also held on 5 April 2011, confirmed that they meet the independence requirements provided by the applicable laws and declared by the same upon the appointment.
On 22 September, Mauro Gigante was appointed as Secretary of the Board of Directors of the Company in the place of Mario Orlando that will hold an office in the Group General Counsel of Finmeccanica.
On 30 November 2011, Filippo G. M. Milone, in consideration of its appointment as Defence Under-Secretary of the government in office, resigned with effect from 13 December 2011. Filippo G. M. Milone had been taken from the Finmeccanica list and was independent director and member of the Remuneration Committee.
In the course of the meeting held on 13 December, the Board of Directors (i) 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; (ii) acknowledged the statements issued by the independent directors and confirmed the existence of the independence requirements for the same directors as contemplated by the applicable laws and the Corporate Governance Code. Accordingly, the Board of Directors of the Company presently includes five independent directors out of eight.
Likewise, pursuant to the Corporate Governance Code, the members of the Board of Statutory Auditors, on 27 January 2012, also confirmed that they meet the independence requirements provided by the applicable laws.

During the first half of 2011 the regular evaluation on the size, members and functioning of the Board and its committees, was also completed checking that they are compliant with the principles and application criteria of the Corporate Governance Code and with Italian and international best practices.
On 13 December 2011, the Board of Directors of the Company commissioned a company specialised in the sector to manage for the year 2012 the valuation process of the Board and the Internal Committees thereto.
In the course of the first half of 2011, the Company made available to the public the 2010 Sustainability Report subject to a limited assurance by PwC.

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 Art. 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 Art. 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 market regulations organised and managed by Borsa Italiana SpA

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 provisions of section 26 of the Technical Regulations for minimum security measures (Annex B to Legislative Decree no. 196 of 30 June 2003, Personal Data Protection Code), the Security Policy Statement (DPS) was updated in 2011 in respect of personal data processing. The next updating will take place within March 2012.

The DPS contains the information required to be given under Section 19 of said Technical Regulations and describes the security measures adopted by the Company in order to reduce to the minimum the risks of: destruction or loss, even by accident, of personal data; unauthorized access or unallowed processing; or processing that is non-compliant with the purposes of the collection.

Environment

Ansaldo STS SpA has embarked on a path of Sustainability in the belief that acting in compliance with the environmental and social values will result in the creation of durable value for the enterprise. An important element in the course of 2011 is represented by the publication of the Sustainability Report, whereby the Group outlines in a transparent manner values, strategies, policies and choices from the standpoint of the economic, environmental and social sustainability. Ansaldo STS SpA 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 implemented an Integrated Management System (Safety, Environment and Quality) defining, at corporate level, global policies and procedures to guarantee the controlled management of processes and activities in compliance with work safety and environment protection.
Every legal entity has then established local policies in terms of environment/safety and instructions in accordance with legal requirements and corporate policies and procedures, 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 SpA 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 suppliers and 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 SpA 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.

The environmental management system is applied to the following activities:

- production facilities. Manufacturing of those products directed to security, control and supervisory systems provided by the Ansaldo STS Group;
- non-production facilities. Design of signalling systems; security, reliability and availability analyses; lab tests; management and control of job-orders; research & development; procurement activities, prevention and protection;
- work-sites. The activities carried out directly by Ansaldo STS on work-sites refer to management and co-ordination, supervisory and control on realization, start-up and put into operation of systems, delivery of systems to customers. With regard to the environmental issues connected with these activities, Ansaldo STS operates in compliance with the “work-site environmental management” procedure starting from an initial environmental analysis of the estimated works, subsequently worked-out and agreed with the sub-contractors; this activity is followed by an environmental monitoring that allows to guarantee on a continual basis legal compliance as well as to exploit all the opportunities for limiting environmental impacts unavoidably caused by the opening of a work-site.

Moreover, it is steadily committed to providing the best products with the highest security, the best system solutions, the use of the best design methods and procedures, the best manufacturing methods and processes, all of this in accordance with the objective to reduce energy consumption and the direct and indirect impact on environment.

This commitment and the related results have been achieved by Ansaldo STS through:

- cost reduction and system integration;
- reduction in energy consumption;
- higher performance, reliability and availability of Group solutions and products;
- Creation of products and management of production plants in accordance with the latest and more restrictive standards.

Commitment in the fight against climate changes

Ansaldo STS has developed a Carbon Management strategy and has committed to fighting climate changes, in the belief that the improvement of environmental performances contributes to the protection of the equilibrium of the planet and at the same time offers the company an opportunity to create value.

The climate strategy of Ansaldo STS is based on the following principles:

1. global approach: developing mechanisms that include the commitment of all the Ansaldo STS offices;
2. long-term reasonable and reachable objectives: it in necessary to set a clear and practical vision of the actions to undertake;
3. support to the development of technologies: development of advanced technological solutions.

The consolidation of the Carbon Management strategy provides for the establishment of an overall target for the reduction of emissions.

Communication, education and training

Ansaldo STS attaches more and more importance to training in environmental issues.

The encouragement towards the environmental sense of responsibility and the constructive dialogue about environmental issues for all employees and external associates (suppliers/contractors) goes through a specific training process.

For these reasons, Ansaldo STS carries out training and informative programmes directed to awaken interest in:

- the importance to comply with the Environmental Policy, the procedures and requirements of the Environmental Management System;
- significant, actual or potential environmental impacts resulting from the activities and the benefits for environment deriving from the improvement of the individual performance;
- the roles and responsibilities to achieve the compliance with the Environmental Policy, the procedures and requirements of the Environmental Management System, including the preparation to emergency events and the ability to react;
- the potential consequences of variances from the specified operating procedures;
- the strength that the actual implementation of a combined quality, environment and safety policy may entail for the development of the Ansaldo STS business and for the development of the railway transport.

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 SpA mainly include office business, for which Ansaldo STS SpA 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. Over the past years, Ansaldo STS has carried initiatives for water savings such as the installations of photo-cell controlled taps.

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 activities are disposed of by means of global service companies with which Ansaldo STS signed waste disposal agreements.

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.
Ansaldo STS acquired RECS (Renewable Energy Certificate System) certificates relating to the consumption of power supply in the Italian sites. The RECS certificates, supporting 1 MWh, are certificates attesting the use of renewable sources.
Through the purchase and the subsequent annulment (withdrawal of the certificate from the market) Ansaldo STS has shown its commitment towards environment being willing to paying a positive difference versus the price of electricity from conventional source.

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

R22 conditioning facilities were dismissed in the course of 2011.

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

Pursuant to the provisions of Article 2497 bis of the Italian Civil Code, the Company is subject to the direction and coordination of Finmeccanica SpA.
The key figures of the latest financial statements approved of Finmeccanica SpA are shown in the Notes and in Appendix no. 40.

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 2011 and 2010.

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 SpA 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.
Commencing 2011, the application of the revised IAS 24 affected only disclosures of related parties and the change of the comparison data presented in the statements to reflect related parties which are companies subject to the control or significant influence of the Italian Ministry for Economy and Finance (MEF).

The statements under Notes 10 and 27 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 39 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 2011

Receivables at 31 Dec 2011 (EUR 000)	Financial receivables	Trade receivables	Other current receivables	Total
Parent Companies	2,531	365	145	3,041
Subsidiaries	58,782	24,768	0	83,550
Related concerns	0	77,584	0	77,584
Consortiums	0	32,594	1,364	33,959
Total	**61,313**	**135,311**	**1,510**	**198,134**
Incidence of related parties on the total amount for the year	**44%**	**24%**	**6%**	

Payables at 31 Dec 2011 (EUR 000)	Borrowings	Trade payables	Other current payables	Total
Parent Companies	0	470	70	540
Subsidiaries	31,931	20,850	3	52,784
Related concerns	0	42,427	0	42,427
Consortiums	0	974	24	998
Total	**31,931**	**64,722**	**96**	**96,749**
Incidence of related parties on the total amount for the year	**96%**	**17%**	**0.2%**	

At 31 Dec 2011 (EUR 000)	Revenue	Other operating income	Costs	Recovery of costs	Other operating expenses	Finance income	Finance costs
Parent Companies	0	0	3,218	0	0	7	105
Subsidiaries	21,106	8,704	33,931	3,192	0	1,591	4,102
Related concerns	179,985	103	79,073	627	100	641	0
Consortiums	13,760	49	2,754	0	0	0	0
Total	**214,851**	**8,856**	**118,976**	**3,819**	**100**	**2,239**	**4,207**
Incidence of related parties on the total amount for the year	**30%**	**49%**	**22%**	**1%**	**12%**	**19%**	

Year 2010

Receivables at 31 Dec 2010 (EUR 000)	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	83,048	54	231,617
Consortiums	0	39,964	1,365	41,329
Total	**177,345**	**138,304**	**1,564**	**317,213**
Incidence of related parties on the total amount for the year	**100%**	**26%**	**6%**	

Payables at 31 Dec 2010 (EUR 000)	Borrowings	Trade payables	Other current payables	Total
Parent Companies	0	468	0	468
Subsidiaries	28,958	40,763	3	69,724
Related concerns	0	41,320	0	41,320
Consortiums	0	1,094	23	1,117
Total	**28,958**	**83,645**	**26**	**112,630**
Incidence of related parties on the total amount for the year	**92%**	**22%**	**0.1%**	

At 31 Dec 2010 (EUR 000)	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	213,602	48	103,938	17	59	718	0
Consortiums	36,448	0	2,850	10	0	0	0
Total	**262,709**	**8,910**	**183,339**	**2,897**	**59**	**16,461**	**6,462**
Incidence of related parties on the total amount for the year	**31%**	**52%**	**29%**	**2%**	**39%**	**19%**	

Receivables from and payables to Finmeccanica SpA mainly relate to:
- current accounts (EUR 2,531 thousand at 31 December 2011) used to offset trade receivables and payables with Finmeccanica SpA and the enterprises of the Finmeccanica group. Net finance income relating to this transaction amounted to EUR 3 thousand for 2011;
- 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 470 thousand at 31 December 2011);
- costs for EUR 3,218 thousand, mainly relating to recharges for surety commissions of EUR 1,005 thousand and the right to use the "Ansaldo" trademark for 20 years (EUR 1,613 thousand). In relation with this transaction current deferred income of EUR 1,610 thousand and non-current prepaid expenses of EUR 20,922 thousand are recorded.

Receivables from and payables to subsidiaries are as follows:

financial

Ansaldo STS SpA 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 2011 includes EUR 31,019 thousand receivable from Ansaldo STS Usa, EUR 9,873 thousand receivable from Ansaldo STS Malaysia, EUR 10,424 thousand receivable from Ansaldo STS Australia and EUR 7,466 thousand receivable from Ansaldo STS UK; EUR 8,032 thousand payable to Ansaldo STS France, EUR 3,816 thousand payable to Ansaldo Signal Ireland and EUR 20,083 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 1,633 thousand) and for the subsidiary Ansaldo Railway System Trading (Beijing) (EUR 5,852 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 SpA to all the companies of the ASTS group in relation with the General Service Agreement for EUR 7,984 thousand;
- recovery of costs mainly relates to the amount for the year of the right to use the Globo trademarks (EUR 568 thousand) charged over to all the companies of the Ansaldo STS group, the costs for insurance coverage (EUR 1,304 thousand) charged over for policies whose premium was paid in advance by Ansaldo STS SpA under agreements made by Finmeccanica with insurance companies, and costs (EUR 1,121 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 Metro Service AS for the Copenhagen contract and with Ansaldo Breda for the new Copenhagen Ring contract.
Commencing 2011, the application of the revised IAS 24 affected only disclosures of related parties and the change of the comparison data presented in the statements to reflect related parties which are companies subject to the control or significant influence of the Italian Ministry for Economy and Finance (MEF). It should be pointed out that in 2011 revenue from the Ferrovie dello Stato Group totalled EUR 149,363 thousand (EUR 174,008 thousand in 2010). Costs refer to the companies of the Enel, Eni and Ferrovie dello Stato Groups.

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 2011 amounted to EUR 855 thousand (EUR 831 thousand in 2010) and the amount charged over for office services was EUR 1,885 thousand (EUR 1,858 thousand in 2010);
- Supply of ITC services under a contract for ordinary activities for EUR 4,199 thousand (EUR 4,749 thousand in 2010) charged over from Selex Elsag. Also noteworthy is the contract with Selex Elsag again for the implementation of the "New Controlling Model" of the Group on the new SAP ECC 6.0 transition platform for EUR 4,279 thousand (EUR 4,569 thousand in 2010). It should be specified that the implementation of the New Controlling Model finished in December 2011 with the inclusion in the model of Ansaldo STS Sweden;
- "Shared Services Company" contract with the related concern Finmeccanica Group Service for EUR 1,500 thousand (EUR 1,756 thousand in 2010);
- The cost from Fata Logistic System relates to services for the management of the company warehouses.

As regards consortiums, they were established for the construction of works, in particular Consortium Saturno is dedicated to the performance of the works for the High-Speed line.
Other current assets of EUR 1,360 thousand to Consortium 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 2012, the Council of State approved the consortium led by Impregilo (with Astaldi, Ansaldo STS, AnsaldoBreda, Atm and Sirti) in the tender for the construction and management of the Metro 4 Linate-Lorenteggio rejecting the claim for the suspension of the measures relating to the tender award raised by the competitor ATI (temporary business grouping). In January 2012, the third section of the Lombardia TAR (Regional Administrative Court) had already turned down the claim subsequently followed by the appeal to the Council of State.
The work entails an overall investment of some EUR 1.7 billion, two-thirds of which is from government and local grants.

Outlook

At 31 December 2011 the order backlog of the company has grown over the order backlog at 31 December 2010 due to the excellent performance of new orders acquired, mainly in the Transportation Solutions segment. This entails a good visibility in terms of production volumes for the next three-year period. However, the persistent scenario of uncertainties in Libya makes it difficult today to estimate the resumption of works in that country.
The production volume for 2012 should be in line with that recorded in 2011 but with a more unfavourable mix because of the closing of the most profitable contracts. Actions oriented to improving efficiency will continue in order to obtain the profitability objectives expected.

Proposals to the shareholders' meeting

Fellow Shareholders,
the 2011 financial statements, which we submit to your approval, showed a Net Profit of EUR 53,286,387.02.

Our proposal hereby submitted to you for approval is as follows: (i) that a dividend of EUR 0.20 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 14,000,000.00, 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 4 July 2011, the Board of Directors executed the second 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 second tranche, at present the share capital amounts to EUR 70,000,000.00 divided into 140,000,000 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 8,000,000.00 to EUR 6,000,000.00, to the *"Legal Reserve"*, which rose from EUR 12,000,000.00 to EUR 14,000,000.00 accordingly.

Therefore we propose that the net profit be allocated as follows:
- EUR 27,999,907.40 to the Shareholders by paying out a dividend of EUR 0.20, including withholdings, for each of the 139,999,537 shares now existing and entitled to the dividend, with the exclusion of the 463 treasury shares held by the company, with coupon on 21 May 2012 and payment from 24 May 2012;
- EUR 25,286,479.62 thousand carried forward.

The total amount of the dividend proposed for distribution is equal to 40% of the share capital, 53% of the net profit for the year 2011 of Ansaldo STS SpA and more than 38% of the Group consolidated net profit for the year 2011, amounting to EUR 72,955,265.43.

Fellow Shareholders,
If you approve the above proposals, we invite you to approve the following resolution:
“The ordinary shareholders’ meeting of Ansaldo STS SpA
- having seen the Report on Operations;
- having seen the Board of Auditors’ Report;
- having seen the financial statements as at 31 December 2011;
- taking due note of the Report of PricewaterhouseCoopers SpA

resolves

A) to approve the Report on Operations and Financial Statements at 31 December 2011;
B) to approve the proposal prepared by the Board of Directors to allocate the Net Profit of EUR 53,286,387.02 as follows:

- *EUR 27,999,907.40 to the Shareholders by paying out a dividend of EUR 0.20, including withholdings, for each of the 139,999,537 shares now existing and entitled to the dividend, with the exclusion of the 463 treasury shares held by the company, with coupon on 21 May 2012 and payment from 24 May 2012;*
- *EUR 25,286,479.62 thousand carried forward.*

C) to authorize severally the Chairman of the Board of Directors and 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, 5 March 2012

For the Board of Directors
The Chairman
Alessandro Pansa

Accounting statements and notes to the Separate Financial Statements at 31 December 2011

Accounting statements and notes to the Separate Financial Statements at 31 December 2011

Income statement (€)

	Note	**31 December 2011**	**of which with related parties**	31 December 2010	of which with related parties
Revenue	28	722,367,553	214,850,632	852,652,981	262,708,547
Other operating income	29	17,914,753	8,855,526	17,194,498	8,909,898
Raw materials and consumable used	30	(165,146,134)	(49,177,468)	(229,651,702)	(92,575,491)
Purchase of services	30	(354,776,796)	(65,979,322)	(397,958,272)	(87,866,829)
Personnel costs	31	(114,873,784)	-	(113,245,014)	-
Amortisation, depreciation and impairment	33	(5,257,791)	-	(10,572,693)	-
Other operating expenses	29	(8,679,857)	(99,696)	(3,844,050)	(59,121)
Changes in inventories of work in progress, semi-finished and finished goods	32	(3,054,394)	-	1,884,268	-
(-) Work performed by the Company and capitalised		-	-	-	-
EBIT		**88,493,550**	**-**	**116,460,016**	**-**
Finance income	34	18,669,444	2,238,968	41,814,670	16,460,720
Finance costs	34	(21,951,166)	(4,207,285)	(33,580,180)	(6,461,698)
Profit before taxes and the effect of discontinued operations		**85,211,828**	**-**	**124,694,506**	**-**
Income taxes	35	(31,925,441)	-	(40,704,305)	-
(Loss) Profit from discontinued operations		-	-	-	-
Net Profit (Loss)		**53,286,387**	**-**	**83,990,201**	**-**
Earnings per share (basic and diluted)		**0.41**	**-**	**0.65***	**-**

* Redetermined following the share capital increase of 4 July 2011.

Statement of Comprehensive Income (€)

	31 December 2011	31 December 2010
Profit (loss) for the year	53,286,387	83,990,201
- Financial assets available for sale	-	-
- Actuarial gains (losses) on defined-benefit plans	1,328,687	(594,317)
- Changes in Cash Flow Hedges	-	-
Tax effect related to other comprehensive income	(365,389)	163,437
Other comprehensive income, net of tax	963,298	(430,880)
Total comprehensive income (expense) for the year	**54,249,685**	**83,559,321**

Balance Sheet (€)

	Note	**31 December 2011**	**of which with related parties**	31 December 2010	of which with related parties
Non-current assets					
Intangible assets	7	13,031,349		8,346,224	-
Property, plant and equipment	8	69,038,125		71,512,853	-
Investment properties		-		-	-
Equity investments	9	143,413,088		139,322,607	-
Financial assets at fair value		-		-	-
Securities held to maturity		-		-	-
Receivables	11	7,127,849	3,941,322	4,026,893	1,005,640
Deferred tax assets	16	17,252,049	-	16,896,323	-
Other assets	18	23,811,058	-	23,246,310	-
		273,673,518	**-**	**263,351,210**	**-**
Current assets					
Inventories	12	84,022,909	-	86,300,626	-
Contract work in progress	13	144,528,230	-	102,482,909	-
Trade receivables	14	565,403,292	135,310,784	534,367,364	138,304,549
Financial assets at fair value	15	24,742,500	-	-	-
Securities held to maturity		-	-	-	-
Income tax receivables	16	8,674,928	-	2,711,348	-
Financial receivables	14	140,166,992	61,313,371	177,344,968	177,344,968
Derivatives	17	9,578,819	-	9,792,949	-
Other assets	18	26,338,153	1,510,065	25,645,405	1,564,243
Cash and cash equivalents	19	106,894,102	-	115,500,529	-
		1,110,349,925	**-**	**1,054,146,098**	**-**
Total assets		**1,384,023,443**	**-**	**1,317,497,308**	**-**
Shareholders' equity					
Share capital	20	69,998,175	-	59,707,589	-
Other reserves	20	119,391,962	-	133,273,094	-
Retained earnings (accum. losses) carried forward, inclusive of the profit for the year	20	132,549,309	-	111,526,619	-
Total Shareholders' equity		**321,939,446**	**-**	**304,507,302**	**-**
Non-current liabilities					
Borrowings	21	437,850	-	1,620,827	-
Severance pay and other employee liabilities	23	18,380,164	-	20,773,862	-
Provisions for risks and charges		-	-	-	-
Deferred tax liabilities	16	4,178,619	-	2,986,571	-
Other liabilities	24	2,437,758	-	2,687,500	-
		25,434,391	**-**	**28,068,760**	**-**
Current liabilities					
Advances from customers	13	563,801,901	-	504,559,293	-
Trade payables	25	374,517,371	64,721,902	374,857,440	83,645,453
Borrowings	21	33,130,618	31,931,113	31,525,171	28,958,348
Income tax payables		-	-	9,621,716	-
Provisions for risks and charges	22	7,753,029	-	6,008,924	-
Derivatives	17	10,100,676	-	10,063,576	-
Other liabilities	24	47,346,011	96,133	48,285,126	26,444
		1,036,649,606	**-**	**984,921,246**	**-**
Total liabilities		**1,062,083,997**	**-**	**1,012,990,006**	**-**
Total liabilities and Shareholders' equity		**1,384,023,443**	**-**	**1,317,497,308**	**-**

Statement of Cash Flows (€)

	Note	31 December 2011	of which with related parties	31 December 2010	of which with related parties
Cash flow from operating activities:					
Gross cash flow from operating activities	37	101,580,601	-	132,379,696	-
Change in working capital	37	(11,900,993)	(15,929,786)	2,318,094	82,792,817
Changes in other operating assets and liabilities	37	(18,712,318)	123,867	(17,986,522)	(223,479)
Net finance costs paid	37	1,636,780	1,968,317	122,674	(9,999,022)
Income taxes paid	37	(43,306,138)	-	(32,961,670)	-
Net cash generated from operating activities		**29,297,932**	**-**	**83,872,272**	**-**
Cash flow from investing activities:					
Acquisitions of subsidiaries, net of cash acquired		(6,301,500)	-	(756,590)	-
Purchase of property, plant and equipment and intangible assets		(7,493,304)	-	(8,322,279)	-
Proceeds from sale of property, plant and equipment and intangible asset		-	-	-	-
Dividends received		-	-	15,000,000	-
Use (Purchases) of treasury shares		290,586	-	513,643	-
Other investing activities		(3,665,704)	(2,935,682)	1,032,903	-
Net cash generated from (used in) investing activities		**(17,169,922)**	**-**	**7,467,677**	**-**
Cash flow from financing activities:					
Net change in financial receivables and borrowings		12,857,947	113,058,932	(50,473,125)	(47,785,231)
Share capital increases		-	-	-	-
Loss coverage		-	-	-	-
Dividends paid		(33,592,384)	(33,592,384)	(30,981,657)	(30,981,657)
Change in reserves		-	-	-	-
Net change in other financing activities		-	-	-	-
Net cash used in financing activities		**(20,734,437)**	**-**	**(81,454,782)**	**-**
Net increase (decrease) in cash and cash equivalents		(8,606,427)	-	9,885,168	-
Cash and cash equivalents at 1 January		115,500,529	-	105,615,361	-
Cash and cash equivalents at 31 December		**106,894,102**	**-**	**115,500,529**	**-**

Statement of Changes in Equity (€)

	Share capital	Retained earnings/ (losses) carried forward	Reserve for stock-grant plans	Other reserves	Total Shareholders' equity
Shareholders' equity at 1 January 2010	**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) at 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**
Use of treasury shares for delivery of SGPs	290,586	-	-	-	290,586
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	-	1,328,687	-	(365,389)	963,298
Change in reserves for Ansaldo STS SpA SGP	-	-	(2,017,192)	-	(2,017,192)
Change in reserves for SGPs of other companies	-	-	-	(1,498,551)	(1,498,551)
Dividends (119,972,800 x 0.28)	-	(33,592,384)	-	-	(33,592,384)
Net profit (loss) at 31 December 2011	-	53,286,387	-	-	53,286,387
Shareholders' equity at 31 December 2011	**69,998,175**	**132,549,309**	**107,282**	**119,284,680**	**321,939,446**

Notes to the Financial Statements at 31 December 2011

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 2011 the Company implemented the second tranche of the free share capital increase through the issue of 20 million ordinary shares; therefore, the share capital of Ansaldo STS SpA amounts to EUR 70,000,000.00, represented by no. 140,000,000 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.
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 2011 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 Consolidated Financial Statements is the cost method, except for the recognition of derivative instruments and of financial assets at fair value, 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 2011 of Ansaldo STS SpA were approved on 5 March 2012 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 2011 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) through the utilisation of forward contracts that, in some cases, while substantively hedging the positions, do not qualify for hedge accounting under IAS 39. In these cases, changes in the fair value of such instruments and the related underlying are taken immediately to the income statement as financial items.

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 IAS 23 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 on the financial statements are summarised below:

IFRS - IFRIC interpretation		**Effects for the Company**
IFRS 7 *Amendments*	Financial instruments	The standard sets out disclosures to provide for transferred financial assets that are not derecognised or for any continuing involvement in a transferred asset. The Company will apply such standard starting from 1 January 2012. The Company shall revise the disclosure.

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:
- IFRS 9 - Financial instruments - 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 endorsement by the European Union, as from 1 January 2013;
- Amendment to IAS 1 (Presentation of Financial Statements) - requires to group differently items recognised in the statement of comprehensive income according to whether they can be or not subsequently re-classified in the separate income statement. The Amendment will be applicable, subject to the endorsement by the European Union, as from 1 January 2013;
- Amendment to IAS 19 (Employee benefits) - as a result of this Amendment the corridor method is no longer applicable. Therefore, all actuarial gains and losses will be immediately recognised in the statement of comprehensive income. It also requires past-service costs to be recognised immediately in profit or loss. Finally, interest cost, less the expected return on plan assets, will be replaced by a net interest cost calculated by applying the interest rate on the net liability. This Amendment is applicable, subject to the endorsement by the European Union, as from 1 January 2012. The Group did not apply the corridor method and no impact is therefore expected from this change. On the contrary, the effects deriving from the other changes are being analysed;
- IFRS 10 (Consolidated Financial Statements) - this new standard provides guidance as to determine whether an entity should be included in the consolidated financial statements, clarifying the concept of control and its application in case of actual control, potential voting rights, complex structures, etc. The new standard will be applicable, subject to the endorsement by the European Union, as from 1 January 2013. No significant effects are expected for the Company;
- IFRS 11 (Joint Arrangements) - by this new standard (applicable as from 1 January 2013, subject to the endorsement by the European Union) the proportional consolidation will be eliminated as regards the joint arrangements, which will be considered as joint ventures pursuant to IFRS 11, while the consolidated financial statements will include the relevant portion of costs, revenues, assets and liabilities of the joint operations;
- IFRS 12 (Disclosure of interests in other entities) - as a result of this new standard (which will be applicable as from 1 January 2013, subject to the endorsement by the European Union) all the interests in other entities shall be shown in the notes to the financial statements, including interests in associates, joint ventures, special purpose vehicles, and other unconsolidated structured entities. No significant effects are expected for the Company;
- IFRS 13 (Fair Value Measurement) - this new standard, which is applicable subject to the endorsement by the European Union, as from 1 January 2012, aims at eliminating the complexity and the risk of inconsistencies in the fair value measurement to which reference will be made in the application of other IFRSs. No significant effects are expected for the Company;
- Amendment to IAS 32 (Financial Instruments - Presentation) - clarifies the cases in which it is possible to offset financial assets and liabilities as provided for in IAS 32. The amendment will be applicable, subject to the endorsement by the European Union, as from 1 January 2014;
- Amendment to IFRS 7 (Financial Instruments) - requires disclosures on the actual or potential effects of offsetting financial assets and financial liabilities on the financial situation. The Amendment will be applicable, subject to the endorsement by the European Union, as from 1 January 2013;
- Amendment to IAS 12 (Income taxes) - introduces an exception to the current method of valuation of deferred tax assets and liabilities relating to investment property valued at fair value. The current version of IAS 12 is applicable, subject to the endorsement by the European Union, as from 1 January 2012. No significant effects are expected for the Company.

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

The Company has adopted the following new accounting standards and interpretations since 1 January 2011. Among these, we note:
- IAS 32 Amendment that defines the treatment of rights (options or warrants) denominated in a currency other than the functional one;
- IAS 24 Revised that clarifies the definition of a related party and simplifies the disclosure requirement for government-related entities;
- the 2010 improvement project that provides for the revision of several principles, including IFRS 1 (First-time adoption of International Financial Reporting Standards), IFRS 3 (Business combinations), IFRS 7 (Financial instruments: disclosures), IAS 1 (Presentation of financial statements), IAS 27 (Consolidated and separate financial statements) and IAS 34 (Interim financial reporting).

These changes along with those provided by further accounting standards and interpretations applicable since 1 January 2011 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 2011, compared with those for the same period of the previous year, are as follows:

EBIT by Business Unit

31.12.2011 (EUR 000)	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Other operations**	**Eliminations**	**Total**
Revenue	316,895	412,698	-	(7,226)	722,367
Other operating income	4,812	4,198	17,301	(8,396)	17,915
Raw materials and consumables used	(72,747)	(92,399)	-	-	(165,146)
Purchase of services	(117,345)	(241,831)	(12,323)	16,722	(354,777)
Personnel costs	(70,693)	(29,012)	(15,169)	-	(114,874)
Amortisation, depreciation and impairment	(1,687)	(252)	(3,318)	-	(5,257)
Other operating expenses	(739)	(6,955)	(986)	-	(8,680)
Changes in inventories of work in progress, semi-finished and finished goods	(3,054)	-	-	-	(3,054)
(-) Work performed by the Company and capitalised	-	-	-	-	-
EBIT	**55,442**	**46,447**	**(14,495)**	**1,100**	**88,494**

31.12.2010 (EUR 000)	**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**

Working capital by Business Unit

31.12.2011 (EUR 000)	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Other operations**	**Eliminations**	**Total**
Inventories	75,174	31,576	577	(23,304)	84,023
Contract work in progress, net	96,086	48,442	-	-	144,528
Trade receivables	251,589	339,930	8,668	(34,784)	565,403
Trade payables	(109,927)	(281,433)	(17,941)	34,784	(374,517)
Advances from customers (net)	(278,259)	(308,847)	-	23,304	(563,802)
Working capital	**34,663**	**(170,332)**	**(8,696)**	**-**	**(144,365)**
Provisions for short-term risks and charges	(2,600)	(3,869)	(1,284)	-	(7,753)
Other net current assets (liabilities)	1,077	(37,589)	23,658	-	(12,854)
Net working capital	**33,140**	**(211,790)**	**13,678**	**-**	**(164,972)**

31.12.2010 (EUR 000)	**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)**

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

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

(EUR 000)	**2011**	2010
Revenue:		
Italy	283,728	318,508
Rest of Western Europe	91,392	71,922
North America	-	-
Asia Pacific	56,941	84,070
Others	75,455	115,444
Total revenue	**507,516**	**589,944**
Revenue from related parties:		
Italy	198,863	255,415
Rest of Western Europe	3,662	4,482
North America	984	851
Asia Pacific	11,342	1,961
Others	-	-
Total revenue from related parties:	**214,851**	**262,709**
Total	**722,367**	**852,653**

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

(EUR 000)	**2011**	2010
Assets:		
Italy	892,998	876,103
Rest of Western Europe	157,559	213,568
North America	87,557	73,481
Asia Pacific	155,704	62,115
Other (*)	90,205	92,230
Total	**1,384,023**	**1,317,497**

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

(EUR 000)	**2011**	2010
Investments:		
Italy	7,425	8,043
Rest of Western Europe	6	-
North America	17	-
Asia Pacific	41	240
Other (*)	4	39
Total	**7,493**	**8,322**

(*) Africa, South America and Eastern Europe.

7. Intangible assets

(EUR 000)	Development costs	Patents & similar rights	Concessions, licenses and trademarks	Other	Assets under development	Total
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**
Investments	-	225	509	1	4,999	5,733
Transfer from assets under development	-	104	79	-	(183)	-
Amortisation	-	(214)	(719)	(115)	-	(1,049)
31 December 2011 broken-down as follows						
Cost	10,324	1,366	3,845	2,977	11,643	30,155
Grants	-	-	(9)	-	-	(9)
Amortisation and impairment	(10,324)	(1,044)	(2,832)	(2,915)	-	(17,116)
Book value	**-**	**322**	**1,004**	**62**	**11,643**	**13,031**

Intangible assets showed a balance of EUR 13,031 thousand compared with EUR 8,346 thousand in 2010 with a net increase of EUR 4,685 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 322 thousand) showed an increase of EUR 225 thousand and refers to the creation of the new website of the company (EUR 120 thousand) and to the development of several technical tools for the Tito facilities, such as: Fabmaster tool (EUR 23 thousand), which allows the prototype area to optimize and standardize procedures for programming the machinery required for the assembly and control of prototypes; X-TDA tool (EUR 71 thousand), which allows to better manage testing procedures; APO tool (EUR 12 thousand) for the traceability of new productions.

The classification of assets under development for EUR 104 thousand mainly refers to the conclusion of the HCM project in relation to the implementation of the SABA tool.

The item “Concessions, licenses and trademarks” (EUR 1,004 thousand) refers to software licenses; the investments made in the year (EUR 509 thousand) mainly refer to the purchase of:
- SAP business suite users licenses through the LULA agreement for EUR 390 thousand,
- Software programmes for the RAMS-SPP personnel in Naples for hw&sw verifications (EUR 86 thousand),
- Licenses related to web-based multimedia applications for EUR 23 thousand, that guide operationally in the assembly of new productions for the Tito facilities,
- SAP Treasury Platform licenses for EUR 2 thousand,
- Developer Suite STD Service Program licenses (EUR 8 thousand) to complete a set of advances tools required for lab project verifications for the Standard Arch.& C function in Turin.

The item “Other” (EUR 62 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.

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 “Assets under development” (EUR 11,643 thousand) showed in the year an increase of EUR 4,999 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 transition platform SAP ECC 6.0, started in the course of 2009, developed in 2010 and finished in 2011, for EUR 4,216 thousand;
- Product Data Management (PDM), regarding the implementation of Team Center as the only product data management system, integrated with SAP for EUR 536 thousand;
- Life Cycle Management (LCM), relative to the implementation of the new project planning and control model made through SAP / Primavera integration for EUR 62 thousand;
- SUDA related to the implementation of a global supplier database for EUR 93 thousand.

8. Property, plant and equipment

(EUR 000)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
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	(15,222)	(7,933)	(6,221)	(5,625)	-	(35,001)
Book value	**64,664**	**2,272**	**1,341**	**2,672**	**563**	**71,512**
Investments	29	481	694	418	137	1,758
Transfer from assets under construction	-	563	-	-	(563)	-
Sales	-	-	(6)	(17)	-	(23)
Depreciation	(2011)	(671)	(723)	(804)	-	(4,209)
31 December 2011 broken-down as follows						
Cost	80,086	12,133	8,656	8,698	137	109,710
Grants	(171)	(885)	(406)	-	-	(1,462)
Depreciation and impairment	(17,233)	(8,604)	(6,944)	(6,429)	-	(39,210)
Book value	**62,682**	**2,645**	**1,306**	**2,269**	**137**	**69,038**

Property, plant and equipment, net of accumulated depreciation, amounted to EUR 69,038 thousand compared with EUR 71,512 thousand at 31 December 2010.

The item “Land and buildings”, equal to EUR 62,682 thousand (net of the related accumulated depreciation) refers, for EUR 1,912 thousand, to the real estate complex located in Naples, Via Salita della Grotta, for EUR 7,564 thousand to the industrial buildings of the Turin and Tito sites, and for EUR 53,207 thousand to the building located in Genoa, Via Paolo Mantovani 3/5.
The change recorded in the period is made up by depreciation for EUR 2,011 thousand and new additions for EUR 29 thousand relating to maintenance works to real property (of which EUR 24 thousand for the law adjustment of the ground floor at the Tito facilities and EUR 5 thousand for the creation of a canopy at the Naples site).

The item “Plant and machinery” showed a balance of EUR 2,645 thousand, net of accumulated depreciation (EUR 2,272 thousand at 31 December 2010).
The change in the period is due to the depreciation for the period equal to EUR 671 thousand and to increases for EUR 481 thousand. These refer to the Tito production unit for EUR 352 thousand, to the Turin offices for EUR 107 thousand and to the Naples offices for EUR 16 thousand.

The item “Equipment” (EUR 1,306 thousand) increased as a result of the investments made in the period in the amount of EUR 694 thousand and decreased by EUR 723 thousand as a result of the depreciation for the period. Investments mainly refer to the new equipment for the Tito (EUR 420 thousand), Piossasco (EUR 89 thousand), Genoa (EUR 68 thousand) and Naples (EUR 117 thousand) facilities.

The item “Other” (EUR 2,269 thousand) showed an increase due to the investments made in the period for EUR 418 thousand.
These refer to the purchase of furniture and fittings for EUR 152 thousand (EUR 47 thousand - Genoa offices, EUR 8 thousand - Turin offices, EUR 81 thousand - Naples offices, EUR 16 thousand - Tito offices) and for EUR 198 thousand to the technical IT strengthening in the Genoa (EUR 12 thousand), Turin (EUR 56 thousand), Naples (EUR 114 thousand) and Tito (EUR 16 thousand) offices.
The remaining part (EUR 66 thousand) refers to the capitalisation of costs related to the branches.
The decrease of EUR 804 thousand regards 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” showed a balance of EUR 137 thousand and an increase of same amount referable to the Piossasco office for the progress of works relating to the roof insulation and waterproofing of the engineering area offices (EUR 108 thousand), and to the law adjustment for overcoming architectural barriers (EUR 29 thousand); the decrease of EUR 563 thousand is due to the work completion for the construction of the new MT/BT transformer room in the Piossasco offices.

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 and 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 2011 totalled EUR 143,413 thousand with a net increase of EUR 4,090 thousand over 31 December 2010.
The change is mainly attributable to the purchase of no. 61,500 shares equal to EUR 6,150 thousand in Metro 5 SpA.

(EUR 000)	**31 December 2011**	31 December 2010
Opening balance	**139,323**	**144,148**
Acquisitions/subscriptions and capital increases	6,352	357
Revaluation/write-downs	(774)	(6,011)
Repayment of capital	-	-
Disposals	-	-
Other changes	(1,488)	829
Closing balance	**143,413**	**139,323**

Below is the list of the equity investments at 31 December 2011, containing the information required by CONSOB communication no. DEM/6064293 of 28 July 2006:

(EUR 000) Corporate name	Registered office	Reporting date	Share capital	Functional currency	Shareholders' equity	Profit (loss)	Total assets	Total liabilities	(%) ownership	Equity reported in the Financial Statements	Book value
Equity investments in subsidiaries											
Alifana S.c.r.l.	Naples (Italy)	31.12.2011	26	EUR	26	-	708	682	65.85%	17	17
Alifana Due S.c.a.r.l.	Naples (Italy)	31.12.2011	26	EUR	26	-	7,148	7,122	53.34%	14	14
Ansaldo STS Sweden AB	Solna (Sweden)	31.12.2011	449	SEK	11,236	3,712	43,138	31,902	100.00%	11,236	240
Ansaldo STS France S.A.	Les Ulis (France)	31.12.2011	5,000	EUR	16,511	1,482	126,676	110,165	100.00%	16,511	22,050
Ansaldo STS Ireland LTD	Tralee (Ireland)	31.12.2011	100	EUR	3,282	(170)	4,478	1,196	100.00%	3,282	1,475
Ansaldo STS USA Inc.	Wilmington (Delaware USA)	31.12.2011	123,193	USD	65,834	3,530	157,054	91,220	100.00%	65,834	55,176
Ansaldo STS UK Ltd.	London (United Kingdom)	31.12.2011	1,197	GBP	(8,779)	(4,444)	9,151	17,930	100.00%	(8,779)	1
Ansaldo STS Australia PTY Ltd.	Eagle Farm (Australia)	31.12.2011	3,950	AUD	70,671	5,880	129,283	58,612	100.00%	70,671	25,630
Ansaldo STS Transportation Systems India Private Limited	Bangalore (India)	31.12.2011	19,107	INR	2,043	(5,640)	41,000	38,957	0.0001%	-	0,01
Ansaldo STS Deutschland GmbH	Berlin (Germany)	31.12.2011	26	EUR	1,513	(47)	12,853	11,340	100.00%	1,513	2,176
KazakhstanTz-AnsaldoSTS Italy LLP	Astana (Kazakhstan)	31.12.2011	125	EUR	125	139	12,275	12,150	49.00%	61	57
Ansaldo Railway System Trading (Beijing) Ltd	Beijing (China)	31.12.2011	1,256	USD	2,492	563	12,806	10,314	100.00%	2,492	1,078
Ansaldo STS Sistemas de Transporte e Sinalizaçào Limitada	(Brazil)	31.12.2011	414	BRL	414	-	-	(414)	99.99%	414	400
											108,313
Equity investments in associates											
International Metro Service S.r.l.	Milan (Italy)	31.12.2010	700	EUR	4,828	17	4,846	18	49%	2,366	343
MetroBrescia Srl	Brescia (Italy)	31.12.2011	500	EUR	-	-	-	-	40.4%	-	202
Metro 5 S.p.A.	Milan (Italy)	31.12.2010	25,000	EUR	24,972	(16)	262,102	237,130	24.6%	6,143	12,300
Pegaso S.c.r.l.	Rome (Italy)	31.12.2010	260	EUR	260	-	8,510	8,250	46.87%	122	122
											12,967

Continued

(EUR 000) Corporate name	Registered office	Reporting date	Share capital	Functional currency	Shareholders' equity	Profit (loss)	Total assets	Total liabilities	(%) ownership	Equity reported in the Financial Statements	Book value
Equity investments in companies subject to joint control											
Consortiums											
Consortium SATURNO	Rome (Italy)	31.12.2011	31	EUR	31	-	2,375,516	2,375,485	33.34%	10	10
Consortium ASCOSA QUATTRO	Rome (Italy)	31.12.2010	57	EUR	57	-	77,697	77,640	25%	14	14
Consortium San Giorgio Volla Due	Naples (Italy)	31.12.2011	71	EUR	72	-	49,269	49,197	25%	18	18
Consortium CRIS	Naples (Italy)	31.12.2010	2,377	EUR	2,445	6	4,021	1,576	1%	24	24
Consortium CESIT	Naples (Italy)	31.12.2010	83	EUR	83	-	237	154	20.00%	17	17
Consortium COSILA	Naples (Italy)	31.12.2010	114	EUR	114	-	178	64	0.92%	1	1
Consortium ISICT	Genoa (Italy)	31.12.2010	37	EUR	39	(3)	330	291	10.00%	4	4
Consortium TRAIN	Rome (Italy)	31.12.2010	120	EUR	1,388	215	38,199	36,811	4.00%	56	5
Consortium San Giorgio Volla	Naples (Italy)	31.12.2011	71	EUR	72	-	6,284	6,212	25%	18	18
Consortium Ferroviario Vesuviano	Naples (Italy)	31.12.2010	153	EUR	155	-	235,972	235,817	25%	39	39
Consortium IRICAV Uno	Rome (Italy)	31.12.2010	520	EUR	520	-	3,483,504	3,482,984	17.44%	91	91
Consortium IRICAV Due	Rome (Italy)	31.12.2010	510	EUR	516	-	51,053	50,537	15%	77	88
											329
Other Group companies											
I.M. Intermetro S.p.A. in liquidazione	Rome (Italy)	31.12.2010	2,461	EUR	4,554	896	924,159	919,605	16.67%	759	523
Metro C S.p.A.	Rome (Italy)	31.12.2010	150,000	EUR	149,518	-	493,314	343,796	14%	20,933	21,000
SESAMO Security and Safety Mobility S.c.a.r.l.	Naples (Italy)	31.12.2010	100	EUR	67	(25)	1,196	1,129	2%	1	2
SIIT S.c.p.a.	Genoa (Italy)	31.12.2010	600	EUR	603	2	781	178	2.3%	14	14
Tram di Firenze S.p.A.	Florence (Italy)	31.12.2010	7,000	EUR	6,674	40	70,683	64,009	3.8%	254	266
											21,805
TOTAL EQUITY INVESTMENTS AT 31.12.2011											**143,413**

The following movements occurred in the period:

1. increase of EUR 6,150 thousand as a result of the purchase in two tranches, at January and March 2011, of no. 61,500 shares of Metro 5 SpA;
2. increase of EUR 202 thousand due to the formation in October 2011 of Metro Brescia Srl, whose corporate purpose is the two-year technical management and the seven-year ordinary and extraordinary maintenance of the Brescia light metro line. The Company has a share capital of EUR 500 thousand, of which 40.4% is held by Ansaldo STS, 50% by Astaldi and the remaining 9.6% by Ansaldo Breda;
3. decrease of EUR 774 thousand for the write-down of the equity investment of the subsidiary Ansaldo STS UK Ltd made on the basis of an impairment test conducted at year-end;
4. decrease of EUR 1,498 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 2010 shares delivery as envisaged in the 2008-2010 stock grant plan and the 2011 assignment as envisaged in the 2010-2012 stock grant plans for non-top managers and 2011 stock grant plan;
5. increase of EUR 11 thousand due to the distribution of the consortium fund among the remaining partners of Consortium Iricav Due (EUR 10 thousand) following the exclusion of Torno Global Contracting SpA, which adjudicated a state of bankruptcy and due to the distribution of the consortium fund of Consortium Train for withdrawal of Uniontrasporti Scarl (EUR 1 thousand).

It should be pointed out that 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 increasing the contribution in Metro 5 SpA partly as equity and partly as shareholder loan. In the course of the year, these commitments translated into action by paying-in EUR 443 thousand as a shareholder loan, that in addition to the loans granted last year, give an overall value (interest included) of EUR 1,540 thousand at 31 December 2011. In January 2011, following the Metro 5 SpA Board of Directors resolution dated 15 December 2010, which 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 operation for the share capital increase ended in March 2011 when following the resolution of the Extraordinary Shareholders' Meeting of 28 February 2011, it has been decided to increase the share capital to EUR 50 million with an additional paying-in by the Company of EUR 4,920 thousand.

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, using growth rates of no greater than those forecast for the markets in which the company operates (2% in 2011, in line with the previous financial year).
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 Capital Asset Pricing Model. At 31 December 2011 the WACC used was equal to 9.50% sligthly higher than that recorded in the previous financial year.
The impairment, made at 31 December 2011 on the basis of the five-year strategic plan (2012-2016) and approved by the Company's Board of Directors, gave a positive result, with the exception of the subsidiary Ansaldo STS UK Ltd. The subsidiary's total asset value was impaired through an appropriate provision for both "equity investment" (EUR 774 thousand) and "financial receivables" (EUR 3,640 thousand).
It should be specified that the impairment test was made, also for the English subsidiary, on the basis of the five-year strategic plan (2012-1016), which takes into consideration the recent developments and opportunities that are taking place within the market through important commercial transactions with local partners in order to consolidate the presence on the English market and acquire significant orders.

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 2011, at 31 December 2010:

Receivables at 31.12.2011 (EUR 000)	**Financial receivables**	**Trade receivables**	**Other current receivables**	**Total**
Other current receivables				
FINMECCANICA S.p.A.	2,531	365	145	**3,041**
Related concerns				
International Metro Service S.r.l.	-	5	-	**5**
Selex Galileo S.p.A.	-	8	-	**8**
AnsaldoBreda S.p.A.	-	7,095	-	**7,095**
Finmeccanica Finance S.A.	-	-	-	**-**
Selex Elsag S.p.A.- ex Selex Comms S.p.A.	-	37	-	**37**
Gruppo Ferrovie dello Stato	-	56,773	-	**56,773**
Selex Sistemi Integrati S.p.A.	-		-	**-**
Metro 5 S.p.A.	-	6,548	-	**6,548**
Metro 5 LILLA	-	5,434	-	**5,434**
Alenia Aermacchi S.p.A.	-		-	**-**
Agusta Westland S.p.A.	-	23	-	**23**
I.M. Intermetro S.p.A. in liquidazione	-	42	-	**42**
Metro Service AS	-	1,606	-	**1,606**
Pegaso S.c.r.l.	-	13	-	**13**
Elsag Datamat S.p.A.	-	-	-	**-**
Electron srl	-	-	-	**-**
Subsidiaries				
Ansaldo STS Transportation Systems India Private Limited	-	4,798	-	**4,798**
Ansaldo STS Australia PTY Ltd.	10,424	2,033	-	**12,457**
Ansaldo STS Finland OY	-	-	-	**-**
Ansaldo STS Deutschland GmbH	-	157	-	**157**
Ansaldo STS France S.A.S.	-	1,143	-	**1,143**
Ansaldo Railway System Trading (Beijing) Co. Ltd	-	5,981	-	**5,981**
Kazakhstan TZ Ansaldo STS Italy LLP	-	3,781	-	**3,781**
Ansaldo STS UK Ltd.	7,466	140	-	**7,606**
Ansaldo STS Ireland LTD	-	(21)	-	**-21**
Balfour Beatty Ansaldo Systems JV SDN BHD	-	47	-	**47**
Ansaldo STS Sweden AB	-	723	-	**723**
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	43	-	**43**
Ansaldo STS South Africa PTY LTD	-	31	-	**31**
Ansaldo STS Espana S.A.U.	-	255	-	**255**
Ansaldo STS USA Inc.	31,019	1,355	-	**32,374**
Ansaldo STS Canada Inc.	-	8	-	**8**
Ansaldo STS USA International CO.	-	2,867	-	**2,867**
Ansaldo STS Malaysia SDN BHD	9,873	191	-	**10,064**
Alifana Due S.c.r.l.	-	1,114	-	**1,114**
Alifana S.c.a.r.l.	-	123	-	**123**
Consortiums				
Consortium SATURNO	-	14,085	1,360	**15,445**
Consortium San Giorgio Volla Due	-	1,982	4	**1,986**
Consortium San Giorgio Volla	-	1,421	-	**1,421**
Consortium Ascosa Quattro	-	1,110	-	**1,110**
Consortium Ferroviario Vesuviano	-	13,997	-	**13,997**
	61,313	**135,311**	**1,510**	**198,134**
Incidence of related parties on the total for the year	**44%**	**24%**	**6%**	**-**

Payables at 31.12.2011 (EUR 000)	**Borrowings**	**Trade payables**	**Other current payables**	**Total**
Parent company				
FINMECCANICA S.p.A.	-	470	70	540
Related concerns (*)				
Metro Service AS	-	5,968	-	5,968
Metro 5	-	-	-	
Telespazio S.p.A.	-	1	-	1
Gruppo ENI	-	3	-	3
Gruppo ENEL	-	-	-	-
Gruppo Ferrovie dello Stato	-	401	-	401
Selex Service Managment S.p.A.	-	-	-	-
Electron Italia S.r.l.	-	11	-	11
Finmeccanica Consulting S.p.A.	-	(2)	-	(2)
Selex Galileo S.p.A.	-	-	-	-
Finmeccanica Group Service S.p.A.	-	568	-	568
Elsag Datamat S.p.A.	-	1,671	-	1,671
Fata Logistic System S.p.A.	-	190	-	190
Fata S.p.A.	-	65	-	65
Finmeccanica Finance S.A.	-	-	-	-
Pegaso S.c.r.l.	-	-	-	-
AnsaldoBreda S.p.A.	-	356	-	356
Selex Elsag S.p.A.- ex Selex Comms S.p.A.	-	33,194	-	33,194
Subsidiaries (*)				
Ansaldo STS Australia PTY Ltd.	-	591	-	591
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	17	-	17
Ansaldo STS Espana S.A.U.	-	-	-	-
Ansaldo STS USA Inc.	-	314	-	314
Ansaldo STS France S.A.S:	8,032	2,751	-	10,783
Ansaldo STS Sistemas de Transporte e Sinalizaçào Limitada	-	-	-	-
Ansaldo STS Ireland LTD	3,816	-	-	3,816
Ansaldo Railway System Trading (Beijing) Co. Ltd	-	459	-	459
Ansaldo STS UK Ltd.	-	135	-	135
Ansaldo STS Transportation Systems India Private Limited	-	75	-	75
Ansaldo STS Sweden AB	20,083	2	-	20,085
Ansaldo STS Deutschland GmbH	-	1,124	-	1,124
Ansaldo STS USA International CO.	-	14,653	-	14,653
Alifana Due S.c.r.l.	-	587	-	587
Alifana S.c.a.r.l.	-	142	3	145
Consortiums (**)				
Consortium SATURNO	-	150	-	150
Consortium CESIT	-	24	-	24
Consortium CRIS	-	35	-	35
Consortium San Giorgio Volla Due	-	144	-	144
Consortium San Giorgio Volla	-	24	8	32
Consortium Ascosa Quattro	-	68	8	76
Consortium Ferroviario Vesuviano	-	529	8	537
Total	**31,931**	**64,722**	**96**	**96,749**
Incidence of related parties on the total for the year	**96%**	**17%**	**0.2%**	**-**

Receivables at 31.12.2010 (EUR 000)	**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
Selex Galileo S.p.A.	-	63	-	63
AnsaldoBreda S.p.A.	-	5,919	-	5,919
Finmeccanica Finance S.A.	148,515	-	-	148,515
Gruppo Ferrovie dello Stato	-	46,716	-	46,716
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 S.p.A.	-	1	-	1
Agusta Westland S.p.A.	-	19	-	19
I.M. Intermetro S.p.A. in Liquidazione	-	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 OY	-	-	-	-
Ansaldo STS Deutschland GmbH	-	1,998	-	1,998
Ansaldo STS France S.A.S.	-	1,401	-	1,401
Ansaldo Railway System Trading (Beijing) Co. Ltd	-	1,017	-	1,017
Ecosen C.A.	-	-	-	-
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 PTY LTD - BOTSWANA	-	13	-	13
Ansaldo STS South Africa PTY LTD	-	26	-	26
Ansaldo STS Espana S.A.U.	-	12	-	12
Ansaldo STS USA Inc.	14,635	1,191	-	15,826
Ansaldo STS Canada Inc.	-	4	-	4
Ansaldo STS USA International CO.	-	404	-	404
Ansaldo STS Malaysia SDN BHD	190	30	-	220
Alifana Due S.c.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	**138,304**	**1,564**	**317,213**
Incidence of related parties on the total for the year	**100%**	**26%**	**6%**	**-**

Payables at 31.12.2010 (EUR 000)	**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 Service Managment S.p.A.	-	191	-	191
Selex Galileo S.p.A.	-	-	-	-
Finmeccanica Group Service S.p.A.	-	652	-	652
Gruppo ENI	-	30	-	30
Gruppo ENEL	-	-	-	-
Gruppo Ferrovie dello Stato	-	445	-	445
Elsag Datamat S.p.A.	-	2,356	-	2,356
Fata Logistic System S.p.A.	-	638	-	638
Fata S.p.A.	-	258	-	258
Finmeccanica Finance S.A.	-	-	-	-
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.S.	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) Co. 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.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**	**83,645**	**26**	**112,630**
Incidence of related parties on the total for the year	**92%**	**22%**	**0,1%**	**-**

The total value of receivables from related parties is equal to EUR 198,134 thousand (EUR 317,213 thousand at 31 December 2010). The reduction is ascribable to financial receivables (EUR 61,313 thousand at 31 December 2011, EUR 177,345 thousand at 31 December 2010), mainly decreased following the repayment of the receivable deriving from the deposit with the related concern Finmeccanica Finance; trade receivables (EUR 135,311 thousand at 31 December 2011, EUR 138,304 thousand at 31 December 2010) are substantially in line with the two comparing periods.
Commencing 2011, the application of the revised IAS 24 affected only disclosures of related parties and the change of the comparison data presented in the statements to reflect related parties which are companies subject to the control or significant influence of the Italian Ministry for Economy and Finance (MEF).

Other current receivables mainly refer to amounts due from the Parent 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 between the General Contractor and the Principal.

The total value of payables to related parties is equal to EUR 96,749 thousand (EUR 112,630 thousand at 31 December 2010). Trade payables showed a decrease of EUR 18,923 thousand mainly due to the positions towards the subsidiaries Ansaldo STS Australia and Ansaldo STS Usa International Co. as a result, specifically for the latter, of the lower volumes of activities carried out in the period.

Other payables to related parties recorded an increase of EUR 70 thousand due to a debit position towards the Parent company Finmeccanica SpA connected with the transfer of personnel.

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 39 (Remuneration to Directors, Statutory Auditors and Managers with strategic responsibility) for information on related-party transactions.

11. Receivables and other non-current assets

(EUR 000)	31 December 2011	31 December 2010
Security deposits	684	627
Other	6,444	3,400
Non-current receivables	**7,128**	**4,027**
Other prepaid expenses - non-current portion	2,889	688
Other prepaid expenses - Finmeccanica	20,922	22,532
Other prepaid expenses - Finmeccanica GS	-	26
Other non-current assets	**23,811**	**23,246**

Non-current receivables at 31 December 2011 amounted to EUR 7,128 thousand (EUR 4,027 thousand at 31 December 2010) and refer:

- for EUR 1,540 thousand to the shareholder loan (EUR 1,426 thousand for capital amount and EUR 114 thousand for interest accrued) of Metro 5 SpA following the agreements for the construction of the related Milan metro section;
- for EUR 2,401 thousand to the advance to the Joint Venture Kazakhstan;
- for EUR 2,285 thousand (EUR 2,176 thousand at 31 December 2010) 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 218 thousand at 31 December 2010) 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;
- for EUR 684 thousand (EUR 627 thousand at 31 December 2010) to security deposits for premises and areas rented after the opening of work-sites.

No receivables recorded in the Financial Statements as of 31 December 2011 have a residual maturity of more than five years.

Other non-current assets totalled EUR 23,811 thousand (EUR 23,246 thousand at 31 December 2010) and refer to:
- for EUR 2,889 thousand (EUR 688 thousand at 31 December 2010) to prepaid insurance expenses that in the year increased by EUR 2,201 thousand for the advanced payment of premiums;
- for EUR 20,922 thousand (EUR 22,532 thousand at 31 December 2010) to prepaid expenses relating to the "Ansaldo trademark" that decreased by EUR 1,610 thousand for the portion pertaining to the year. On 27 December 2005, Ansaldo STS SpA entered into a licensing agreement with Finmeccanica to use the "Ansaldo" trademark under which the Company is known in the market. Under the agreement, in exchange for an up-front payment of EUR 32,213 thousand, the Company has exclusive use of the brand in the sectors it does business for the next 20 years.

12. Inventories

(EUR 000)	31 December 2011	31 December 2010
Raw materials, supplies and consumables	8,690	15,321
Work in progress and semi-finished goods	8,649	9,529
Finished goods and merchandise	1,568	3,743
Advances to suppliers	65,116	57,708
Total	**84,023**	**86,301**

Net inventories recorded a balance of EUR 84,023 thousand compared with EUR 86,301 thousand at 31 December 2010.
The decrease of EUR 2,278 thousand is attributable to the reduction in inventory closing balance partially offset by the increase in advances to suppliers; specifically we report the advances paid to suppliers for the Taipei job-order, to the suppliers of civil works for the Genoa Metro project as well as the amounts paid for the new Copenhagen Ring project.
Specifically, at 31 December 2011, the Signalling Business Unit recorded advances to suppliers for EUR 32,963 thousand (EUR 32,917 thousand at 31 December 2010) and the Transportation Solutions Business Unit for EUR 31,576 thousand (EUR 21,441 thousand at 31 December 2010), for a total of EUR 64,539 thousand (EUR 54,358 thousand at 31 December 2010).
The value of raw materials showed a reduction of EUR 6,631 thousand compared with the previous financial year; these are stated net of the write-down provision equal to EUR 1,956 thousand (EUR 1,124 thousand at 31 December 2010); the increase of EUR 832 thousand is due to the allocation made against further obsolete items.

The value of inventories of work in progress and semi-finished goods and the value of finished goods decreased by EUR 3,055 thousand as a result of the lower production needs planned on the job-orders of the Signalling Business Unit in the first months of 2012.

Third parties' goods amounting to EUR 3 thousand (EUR 3 thousand at 31 December 2010) are deposited with the Company, while the Company's goods held by third parties amount to EUR 15,979 thousand (EUR 14,953 thousand at 31 December 2010).
It should be noted that the value of the Company's goods deposited with third parties is due to the complete stock management made by the service company Fata Logistic System (related concern since belonging to the Finmeccanica Group).

13. Contract work in progress and advances from customers

(EUR 000)	**31 December 2011**	31 December 2010
Work in progress (gross)	1,369,908	1,050,838
Write-down provision	(10,028)	(4,932)
Advances from customers	(1,215,352)	(943,423)
Work in progress (net)	**144,528**	**102,483**
Advances from customers (gross)	(4,231,522)	(4,092,753)
Write-down provision	(13,910)	(27,267)
Work in progress	3,681,630	3,615,461
Advances from customers (net)	**(563,802)**	**(504,559)**
Work in progress, net of advances	**(419,274)**	**(402,076)**

Work in progress net of advances totalled EUR -419,274 thousand compared with EUR -402,076 thousand at 31 December 2010 with a decrease of EUR 17,198 thousand. This change is mainly due to the advances received in the period for the new contract in Denmark ("Copenhagen Ring"), for the Taipei project and to the relations with the Municipality of Genoa.
The net balance of work in progress includes the advances for EUR 182,797 thousand relating to the job-orders in Libya currently suspended for the well-known riots.

Specifically, work in progress went from EUR 102,483 thousand at 31 December 2010 to EUR 144,528 thousand at 31 December 2011, while advances from customers went from EUR 504,559 thousand at 31 December 2010 to EUR 563,802 thousand at 31 December 2011.

Work in progress of the Transportation Solutions Business Unit, recorded under assets, equal to EUR 584,296 thousand (EUR 596,069 thousand at 31 December 2010), includes costs for EUR 1,171,695 thousand (EUR 1,107,111 thousand at 31 December 2010) and margin for EUR 80,218 thousand (EUR 72,407 thousand at 31 December 2010), gross of the amount invoiced definitively. Work in progress recorded under liabilities, equal to EUR 2,227,452 thousand (EUR 1,903,785 thousand at 31 December 2010), includes costs for EUR 1,510,300 thousand (EUR 1,231,872 thousand at 31 December 2010) and margin for EUR 292,009 thousand (EUR 238,772 thousand at 31 December 2010), gross of the amount invoiced definitively.

Work in progress of the Signalling Business Unit, recorded under assets, equal to EUR 785,612 thousand (EUR 454,769 thousand at 31 December 2010), includes costs for EUR 738,660 thousand (EUR 512,011 thousand at 31 December 2010) and margin for EUR 180,762 thousand (EUR 108,621 thousand at 31 December 2010), gross of the amount invoiced definitively. Work in progress, recorded under liabilities, equal to EUR 1,454,178 thousand (EUR 1,711,676 thousand at 31 December 2010), includes costs for EUR 1,294,844 thousand (EUR 1,376,674 thousand at 31 December 2010) and margin for EUR 493,676 thousand (EUR 515,136 thousand at 31 December 2010), 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 2011 amounted to EUR 23,938 thousand compared with EUR 32,199 thousand 31 December 2010.

The write-down provision relating to work in progress has been set aside in relation to the reference job-orders; in particular EUR 10,028 thousand was accrued as a decrease of "contract work in progress" and EUR 13,910 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 000)	31 December 2011 Trade	31 December 2011 Financial	31 December 2010 Trade	31 December 2010 Financial
Receivables from third parties	430,092	78,854	396,062	-
Receivables from related parties	135,311	61,313	138,305	177,345
Total	**565,403**	**140,167**	**534,367**	**177,345**

The volume of trade receivables (EUR 565,403 thousand) rose compared with 31 December 2010 (EUR 534,367 thousand).
The increase in "receivables from third parties" refers to the Municipality of Naples and Metro C as well as to Arab and Danish customers as a result of the progress made in the related projects compared with the collections of the period. "Receivables from related parties" are substantially in line with those recorded last year.

The balance of receivables from customers is shown net of the provision for doubtful accounts equal to EUR 11,142 thousand (EUR 11,207 thousand at 31 December 2010), of which EUR 255 thousand from related parties. The provision for EUR 4,785 thousand refers to the write-down of the receivable from Firema, following the extraordinary administration procedure started with decree by the Minister of Economic Development on 2 August 2010.

The decrease in financial receivables (EUR 37,178 thousand) is mainly attributable to the balance of short-term deposits that at 31 December 2011 were equal to EUR 50,000 thousand (EUR 148,500 thousand at 31 December 2010).
Moreover, financial receivables from third parties, as mentioned in the Directors' report, include the countervalue of Libyan dinars, received as advance payment on the first of the two job-orders acquired in Libya and lodged in a local bank, equal to EUR 28,443 thousand.

15. Financial assets at fair value

Financial assets at fair value totalled EUR 24,743 thousand at 31 December 2011. In January 2011, the Company acquired short-term securities (Eurobond) with a nominal value of EUR 25,000 thousand and a fixed rate of 4.5%. These securities are officially listed on the Luxembourg Stock Exchange and are classified under "current financial assets at fair value" with effects on the Income Statement.
The first interest coupon expired in August while the second and last interest coupon will be collected in August 2012 at the same time as the expiration and repayment of the capital invested.
Please refer to the section "Finance income and costs" for further information relating to the effects of this investment on the income statement.

16. Income tax receivables and payables

(EUR 000)	31 December 2011 Receivables	31 December 2011 Payables	31 Dicembre 2010 Receivables	31 Dicembre 2010 Payables
For direct taxes	8,675	-	2,711	9,622
Total	**8,675**	**-**	**2,711**	**9,622**

Income tax receivables amounted to EUR 8,675 thousand at 31 December 2011 (EUR 2,711 thousand at 31 December 2010); the increase over 2010 is attributable to the receivable for taxes paid in Italy as net result between the two advance payments and the taxes for the period, and to the receivable for taxes paid abroad, mainly in South Arabia and Turkey.
The IRES and IRAP current receivables are equal to EUR 3,501 thousand (EUR 9,622 thousand as payables at 31 December 2010) and refer for EUR 2,619 thousand to the IRES receivable given by the advances paid-in in June and November, net of taxes for the period and EUR 882 thousand to the IRAP receivable for higher advances paid-in compared with the taxes for the period.
Income tax receivables at 31 December 2011 include receivables for taxes paid abroad for EUR 4,417 thousand (EUR 2,047 thousand at 31 December 2010) 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. 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 the merged company Ansaldo Segnalamento Ferroviario 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).

17. Derivatives

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

(EUR 000)	31 December 2011 Assets	31 December 2011 Liabilities	31 December 2010 Assets	31 December 2010 Liabilities
Instruments to hedge Exchange rate risk	9,579	10,101	9,793	10,064
	9,579	**10,101**	**9,793**	**10,064**

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 2011 the fair value of asset and liability transactions is equal to EUR 9,241 thousand (EUR 9,048 thousand at 31 December 2010). The related financial effects are netted under "finance costs and income".
The transactions entered into by the Company at 31 December 2011 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 2011 are shown in the Balance Sheet - assets for EUR 338 thousand (EUR 438 thousand at 31 December 2010) and in the Balance Sheet – liabilities for EUR 647 thousand (EUR 1,015 thousand at 31 December 2010).
Lastly, the Company has an outstanding derivative contract (discounted currency swap) to hedge a receivable from the Consortium Tralima for USD 3,725 thousand. The Company has recognised these derivatives and the receivable hedged in accordance with the regulations governing the fair value hedge in the Income Statement. Therefore, the Company has adjusted the receivable from Consortium Tralima to its fair value recording the related exchange difference. At the same time, the derivative at fair value has been recorded in the Balance Sheet - liabilities for EUR 213 thousand (EUR -307 thousand at 31 December 2010) charging the variation to net finance costs.

18. Other current assets

(EUR 000)	**31 December 2011**	31 December 2010
Current portion of prepaid expenses	9,381	11,636
Receivables for grants	7,605	4,105
Receivables from employees	840	692
Receivables from social security	168	187
Other amounts due from tax authorities	5,926	6,371
Other assets	908	1,090
Total other current assets from third parties	**24,828**	**24,081**
Total other current assets from related parties	1,510	1,564
Total	**26,338**	**25,645**

Other current assets amounted to EUR 26,338 thousand at 31 December 2011 (EUR 25,645 thousand at 31 December 2010); the increase over 2010 is mainly attributable to receivables for grants.
Receivables for grants are equal to EUR 7,605 thousand at 31 December 2011 (EUR 4,105 thousand at 31 December 2010) and refer to:
- grants on projects financed by the European Community or by the Ministry of University and of Research for EUR 7,028 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 Argento, Pretectrail and Sistema projects should be also reported.

Other amounts due from tax authorities are equal to EUR 5,926 thousand (EUR 6,371 thousand at 31 December 2010) and mainly refer to the VAT receivable of EUR 6,670 thousand that results partially offset by the debit positions of the branches for EUR 1,153 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 9,381 thousand (EUR 11,636 thousand at 31 December 2010) mainly refer to insurance premiums related to subsequent periods (EUR 5,027 thousand), commissions on sureties paid on advance (EUR 1,955 thousand), a contractual advance relative to the service of international video-conference (EUR 400 thousand) and to the current portion (EUR 1,610 thousand) of the costs incurred to purchase the license to use the "Ansaldo" trademark.

19. Cash and cash equivalents

(EUR 000)	**31 December 2011**	31 December 2010
Cash	59	40
Bank deposits	106,835	115,461
Total	**106,894**	**115,501**

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 4,844 thousand (EUR 6,032 thousand at 31 December 2010) and for EUR 1,326 thousand (EUR 3,107 thousand at 31 December 2010) 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.

20. Shareholders' equity

Shareholders' equity at 31 December 2011 amounted to EUR 321,939 thousand, a net increase of EUR 17,432 thousand compared with 31 December 2010 (EUR 304,507 thousand).
The change is substantially due to the distribution of dividends as resolved by the meeting approving the 2010 financial statements and to the profit for the period.

Below is a breakdown of the individual items:

Share capital (In Euro)	Number of shares	Par value	Treasury shares	Total
Outstanding shares	100,000,000	50,000,000	(806,054)	49,193,946
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**
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	-	-	290,586	290,586
31 December 2011	**140,000,000**	**70,000,000**	**(1,825)**	**69,998,175**

The share capital of EUR 70,000,000 is fully paid-up and divided into 140,000,000 ordinary shares with a par value of EUR 0.50 each.
On 4 July 2011, as resolved by the Extraordinary Shareholders' Meeting held on 23 April 2010, the second 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 1.8 thousand) refers to no. 3,650 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 2011 the share capital is held by:

Investor	% Position
Finmeccanica SpA	40.000
Altrinsic Global Advisors LLC	2.092
Columbia Wanger Asset Management LLC	2.081
Other shareholders with an interest below 2%	55.827

Retained earnings (losses) carried forward, including net profit for the year (EUR 000)	Retained earnings	Actuarial reserve for defined-benefit plans	Net Profit (Loss) for the year	Total
31 December 2010	**27,854**	**(317)**	**83,990**	**111,527**
Allocation of the net profit for the year:				
- allocation of dividends	-	-	(33,592)	(33,592)
- legal reserve	-	-	-	-
- reserve for adjustments to the legal reserve	-	-	-	-
- carried forward	50,398	-	(50,398)	-
Net profit (loss) for the year	-	-	53,286	53,286
Actuarial gain (loss) 2011 on defined-benefit plans	-	1,328	-	1,328
31 December 2011	**78,252**	**1,011**	**53,286**	**132,549**

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 27,854 thousand in the previous financial year to EUR 78,252 thousand at 31 December 2011 as a result of the allocation of EUR 50,398 thousand from the 2010 profit as resolved by the Shareholders' meeting approving the 2010 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 increased due to the actuarial gain, equal to EUR 1,328 thousand, as contemplated by the actuarial appraisal on the severance pay at 31 December 2011; the related tax effect, equal to EUR 365 thousand, is recognised under "other reserves";
- net profit for the year, equal to EUR 53,286 thousand (EUR 83,990 thousand at 31 December 2010).

Other reserves

(EUR 000)	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 2010	**12,000**	**8,000**	**69,538**	**832**	**145**	**209**	**854**	**3,893**	**87**	**37,678**	**37**	**133,273**
Stock option/grant plans:												
- assignment of ASTS 2011 stock grant	-	-	-	-	-	-	-	548	-	-	-	548
- delivery of ASTS 2010 stock grant	-	-	-	-	-	-	-	(2,565)	-	-	-	(2,565)
- reserves for SGPs of other companies	-	-	-	-	-	-	-	(1,499)	-	-	-	(1,499)
Other movements:												
- reversal from "reserve for adjustments to the legal reserve" following the 2nd 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	-	-	-	-	-	-	-	-	(365)	-	-	(365)
31 December 2011	**14,000**	**6,000**	**69,538**	**832**	**145**	**209**	**854**	**377**	**(278)**	**27,678**	**37**	**119,392**

The **Legal Reserve** amounted to EUR 14,000 thousand compared with EUR 12,000 thousand at 31 December 2010. The increase of EUR 2,000 thousand is a result of the shareholders' meeting resolution on the approval of the 2009 financial statements, whereby following 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 second 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;

- EUR 13,649 thousand from 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;
- EUR 50 thousand used 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 377 thousand compared with EUR 3,893 thousand at 31 December 2010. 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 and a 2011 stock grant plan for the Company's executives was approved in 2011 (for further details please refer to the section "Personnel" in the Report on operations).
The decrease in the balance of EUR 3,516 thousand is due to the following:
- decrease due to the delivery of shares pertaining to 2010 and related to the 2010-2012 plans for non-top managers and to the 2008-2010 plan. The shares delivered were 100% of those assigned because all the objectives were achieved. The stock grant reserve of EUR 2,042 thousand was entirely used and for the difference of EUR 523 thousand price differences between the assignment and the delivery of shares and the differential between the nominal value of treasury shares still in portfolio at 31 December 2011 and the related purchase price have been recorded;
- decrease of EUR 1,499 thousand deriving from the delivery of the 2010 shares to executives and non-executives of the subsidiaries and the recognition of the new 2011 shares assigned to the same.
- increase of EUR 548 thousand for shares related to the 2011 objectives of executives and non-executives of the parent company, calculated at the grant value (EUR 10.832 per share at 18 February 11 for the 2011 plan, the unitary value, after the free share capital increase of 4 July 2011 was redetermined and is equal to EUR 9.284 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 and of 4 July 2011 was redetermined and is equal to EUR 10.264 per share).

The **Reserve for deferred taxes relating to items posted to shareholders' equity** was equal to EUR -278 thousand; changes related to the recognition of deferred taxes from the actuarial gain of 2011 on the severance pay (EUR 1,328 thousand), to be carried under the specific item "Retained earnings (losses)" in pursuance of the equity method (see also Note 23).

The **Capital contribution reserve** was equal to EUR 27,678 thousand.
The reserve was formed in 2006 following the unrecoverable capital contribution received from the Group Parent Finmeccanica.
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 4 July 2011, after the free issue of the second out of five tranches 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 6,000 thousand; it was set-up in the financial year 2010 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 4 July 2011, 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 2010		Summary of uses in 2009		Summary of uses in 2008	
Nature/description	**Amount**	**Possibly used**	**Available**	**to cover losses**	**for other reasons**	**to cover losses**	**for other reasons**	**to cover losses**	**for other reasons**
Share capital									
Outstanding shares	70,000	-	-	-	-	-	-	-	-
Treasury shares	-2	-	-	-	-	-	-	-	-
Capital reserves:									
Revaluation reserve under Law 413/91	832	A - B - C	832	-	-	-	-	-	-
Unrecoverable capital contributions	27,678	A - B	27,678	-	10,000	-	-	-	-
Coverage of losses	37	B	-	-	-	-	-	-	-
Merger surplus	69,538	A - B - C	69,538	-	-	-	50		
Retained earnings:									
Legal Reserve	14,000	B	-	-	-	-	-	-	-
Reserve for adjustments to the legal reserve	6,000	-	-	-	-	-	-	-	-
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	817	B	-	-	-	-	-	-	-
- delivery	-440	n,a,	-	-	-	-	-	-	-
Reserve for actuarial gains/losses (IAS 19)	1,011	-	-	-	-	-	-	-	-
Reserve for deferred taxes relating to items posted to shareholders' equity	-278	n,a,	-	-	-	-	-	-	-
Retained earnings/(losses) carried forward	78,252	A - B - C	78,252	-	-	-	-	-	-
Total	**268,653**	**-**	**177,508**	**-**	**10,000**	**-**	**50**	**-**	**-**
Non-distributable	-	-	30,000	-	-	-	-	-	-
Remaining non-distributable	-	-	147,508	-	-	-	-	-	-

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

21. Borrowings

(EUR 000)	31 December 2011 Current	31 December 2011 Non-current	31 December 2011 Total	31 December 2010 Current	31 December 2010 Non-current	31 December 2010 Total
Bank borrowings	852	269	1,121	2,230	1,115	3,345
Due to other lenders	348	169	517	337	506	843
Finance lease payables	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-
Total third parties	**1,200**	**438**	**1,638**	**2,567**	**1,621**	**4,188**
Borrowings from related parties	31,931	-	31,931	28,958	-	28,958
Total	**33,131**	**438**	**33,569**	**31,525**	**1,621**	**33,146**

Borrowings from third parties, equal to EUR 1,638 thousand at 31 December 2011, relate:

- for EUR 579 thousand (all recorded in 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 506 thousand (EUR 337 thousand in current amounts due to other lenders and EUR 169 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 335 thousand. The interest rate is a six-month 0.25%;
- for EUR 536 thousand (EUR 267 thousand in current amounts due to other lenders and EUR 269 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 2012. 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 2011, current and non-current portion, the latter broken down by year of maturity:

Lending bank (programme)	2013	2014	Total non-current portion	Current portion	Total
San Paolo IMI (Caraibi)	269	-	269	267	536
Train (Siti)	169	-	169	337	506
San Paolo IMI (Stream)	-	-	-	579	579
Mediocredito Centrale (Marte)	-	-	-	-	-
Total	**438**	**-**	**438**	**1,183**	**1,621**
Accrued interest	-	-	-	3	3
Total low-interest loans	**438**	**-**	**438**	**1,186**	**1,624**

Changes in borrowings are:

(EUR 000)	31 December 2010	New positions	Repayments	Change in scope of consolidation	Other changes	31 December 2011
Bank borrowings	3,345	-	2,224	-	-	1,121
Due to other lenders	843	-	326	-	-	517
Other borrowings	-	-	-	-	-	-
Total	**4,188**	**-**	**2,550**	**-**	**-**	**1,638**

At 31 December 2011 the company had credit lines for EUR 53,560 thousand to be used mainly on bank overdraft.

Financial debt

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

(EUR 000)	**31 December 2011**	31 December 2010
Cash	59	40
Bank deposits	106,835	115,461
Securities held for trading	24,743	-
Liquidity	**131,637**	**115,501**
Financial receivables from third parties	78,854	-
Financial receivables from related parties	61,313	177,345
Current financial receivables	**140,167**	**177,345**
Current bank borrowings	852	2,230
Current portion of non-current debt	348	338
Other current borrowings	31,931	28,958
Current financial debt	**33,131**	**31,526**
Current financial debt (liquidity), net	**(238,673)**	**(261,320)**
Non-current bank borrowings	269	1,115
Due to other lenders – non-current portion	169	506
Bonds issued	-	-
Other non-current payables	-	-
Non-current financial debt	**438**	**1,621**
Net financial debt (liquidity)	**(238,235)**	**(259,699)**

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

22. Provisions for risks and charges and contingent liabilities

(EUR 000)	Provision for labour disputes	Provision for costs on contracts completed	Other	Total
Balance at 1 January 2010	**234**	**1,175**	**6,757**	**8,166**
Broken down as follows:				
Current	234	1,175	6,757	8,166
Non-current	-	-	-	-
	234	**1,175**	**6,757**	**8,166**
Allocations	339		1,600	1,939
Uses	190	428	3,478	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**
Balance at 1 January 2011	**383**	**747**	**4,879**	**6,009**
Allocations	78	200	7,030	7,308
Uses	29	735	4,800	5,564
Reversals	-	-	-	-
Other changes	-	-	-	-
Balance at 31 December 2011	**432**	**212**	**7,109**	**7,753**
Broken down as follows:				
Current	432	212	7,109	7,753
Non-current	-	-	-	-
	432	**212**	**7,109**	**7,753**

The provisions for risks and charges at 31 December 2011 reflect the amount of potential liabilities for probable and quantifiable risks, in pursuance of applicable accounting standards.

These amounted to EUR 7,753 thousand (EUR 6,009 thousand at 31 December 2010); the total increase mainly reflects the accrual of EUR 4,000 thousand in relation to a dispute against Azienda Consorziale Trasporti Trieste (now AMT). With ruling of 24 May 2011, the Court of Appeal of Trieste rejected the impugnement of ASTS ordering the Company to pay EUR 3,577 thousand plus legal interest. Following an agreement between the parties, ASTS paid in 2011 an advance of EUR 177 thousand and the remaining part in January 2012, net of costs for the removal of the Trieste raceway, as established by the covenant between the parties.

The provision for labour disputes relates to the assessment of the risk for disputes initiated or considered probable. In 2011 the provision was used in the amount of EUR 29 thousand for settled cases and increased by EUR 78 thousand for disputes arisen in the year.

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. This provision was used in 2011 for EUR 735 thousand with an accrual of EUR 200 thousand for future interventions.

The item “other provisions” is attributable for EUR 2,402 thousand to the above-mentioned reorganisation project that, as previously said, was used for EUR 4,597 thousand and an additional amount equal to EUR 3,030 thousand was set aside to cover any potential future risks. The remaining part equal to EUR 4,707 thousand is to cover pending minor disputes and the dispute against Azienda Consorziale Trasporti Trieste (now AMT) previously mentioned. This item was mainly affected by the use of EUR 203 thousand for the closure of small disputes in the course of the year and by the accrual of EUR 4,000 thousand related to the AMT Trieste dispute.

23. Severance pay and other employee liabilities

Below is a breakdown of severance pay:

(EUR 000)	**31 December 2011**	31 December 2010
Severance pay provision	18,380	20,774
Defined-benefit pension plans	-	-
Other employee obligations	-	-
Total	**18,380**	**20,774**

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 supplementary pension schemes or to a treasury fund managed by INPS, in the case of companies with more than 50 employees.

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

(EUR 000)	**31 December 2011**	31 December 2010
Opening balance	**20,774**	**21,040**
Costs of benefits paid	223	128
Interest costs	681	664
Actuarial losses (gains) through equity	(1,328)	594
Benefits paid	(1,970)	(1,652)
Intercompany transfers	-	-
Other changes	-	-
Closing balance	**18,380**	**20,774**

	Severance pay provision	
(EUR 000)	**31 December 2011**	31 December 2010
Costs of benefits paid	223	128
Curtailment	-	-
Personnel costs	**223**	**128**
Interest costs	681	664
Total	**904**	**792**

The main actuarial assumptions are as follows:

	Severance pay provision	
	31 December 2011	31 December 2010
Discount rate	4.14%	3.41%
Rate of turnover	4.36% - 9.24%	3.34% - 9.78%

24. Other current and non-current liabilities

	Non-current		Current	
(EUR 000)	**31 Dec. 2011**	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010
Due to employees	2,438	2,688	12,506	13,653
Supplementary pension schemes and INPS treasury fund	-	-	1,042	990
Due to social security and pension institutions	-	-	7,309	6,699
R&D grant payables	-	-	2,742	2,182
Other payables to the tax authorities	-	-	5,854	3,757
Deferred income	-	-	774	855
Other payables	-	-	17,023	20,122
Total other current and non-current liabilities to third parties	**2,438**	**2,688**	**47,250**	**48,258**
Total other current and non-current liabilities to related parties	-	-	96	26
Total	**2,438**	**2,688**	**47,346**	**48,285**

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 2011	31 December 2010
Discount rate (annual)	4.14%	3.41%
Rate of salary increases	2.47% - 3.58%	2.27% - 3.66%
Rate of turnover	4.36% - 9.24%	3.34% - 9.78%

Other current liabilities at 31 December 2011 amounted to EUR 47,346 thousand compared with EUR 48,285 thousand at 31 December 2010. The change is mainly due to the reduction in payables due to employees.
Other payables to the tax authorities, equal to EUR 5,854 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).

25. Trade payables

(EUR 000)	**31 December 2011**	31 December 2010
Due to suppliers	309,795	291,212
Total due to suppliers	**309,795**	**291,212**
Due to related parties	64,722	83,645
Total	**374,517**	**374,857**

Trade payables to suppliers are substantially in line with the previous financial year. In particular, while the balance of trade payables to third parties increased by EUR 18,583 thousand, the balance of trade payables to related parties decreased by EUR 18,923 thousand.

The increase in the total due to third parties mainly relates to the debit positions of suppliers with back-to-back contracts compared with the credit position towards the final customer.
The reduction in payables to related parties mainly refers to the subsidiaries Ansaldo STS Australia and Ansaldo STS USA International CO. since the related projects are in process of completion.

The item “trade payables to third parties” includes maturity factoring (EUR 18,210 thousand). Through this instrument, the company allows its suppliers to make factoring arrangements, which provide the unfreezing and collection of the account receivables claimed by the same suppliers towards the company for the supply of goods and/or services, with the possibility for the Company to obtain a further extension of payment of the said payables plus interest.

There are no trade payables with residual maturity after 5 years.

26. 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 4,933 thousand for properties (EUR 6,452 thousand at 31 December 2010) and EUR 1,291 thousand for IT materials and car leases (EUR 3,241 thousand at 31 December 2010).
Below is a breakdown:

	31 December 2011		31 December 2010	
(EUR 000)	**Operating leases**	**Finance leases**	Operating leases	Finance leases
Within 1 year	2,086	-	3,422	-
2 to 5 years	4,138	-	6,268	-
Beyond 5 years	-	-	3	-
Total	**6,224**	**-**	**9,693**	**-**

The amounts recognised in the Income Statement as operating leases of properties and IT materials and cars are detailed in Note 30. 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 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 1,291 thousand at 31 December 2011).

Guarantees and other commitments

At 31 December 2011, the company had the following outstanding guarantees:

(EUR 000)	**2011**	2010
Bank guarantees to related parties	830,123	831,610
Sureties to third parties	2,016,083	1,462,012
Endorsements in favour of third parties	-	-
Other unsecured guarantees given to third parties	-	-
Unsecured guarantees given	-	-
Total	**2,846,206**	**2,293,622**
Unsecured guarantees given	-	-
Guarantees given	143,481	117,462
Guarantees given to related parties	364,914	303,632
Total	**508,395**	**421,094**
Grand Total	**3,354,601**	**2,714,717**

Guarantees given for EUR 2,846,206 thousand (EUR 2,293,622 thousand at 31 December 2010) 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 as compared with 31 December 2010 is due to the issue of new guarantees for new orders, including the issue of the guarantees for the Honolulu project for a total of EUR 490,962 thousand.

These commitments include guarantees to related parties for EUR 830,123 thousand (EUR 831,610 thousand at 31 December 2010) broken down as follows:

- EUR 530,963 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 1,832 thousand (to Finmeccanica Finance);
- EUR 297,328 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 253,638 thousand (mainly for the High-Speed railway project in favour of Consortium Saturno).
Guarantees given amounting to EUR 508,395 thousand (EUR 421,094 thousand at 31 December 2010) include EUR 143,481 thousand of sureties given by our suppliers or sub-contractors for the proper performance of their contractual obligations to the company. For EUR 364,914 thousand, instead, these guarantees were issued by subsidiaries or related concerns.
During the year, 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 15,500 thousand for a total of EUR 49,881 thousand at 31 December 2011.

At 31 December 2011 the Company has credit lines for EUR 53,560 thousand to be used mainly on bank overdraft.

Purchase and sale commitments

At 31 December 2011 the Company had the following outstanding purchase and sale commitments:

(EUR 000)	**2011**	2010
Order backlog of third-party customers	3,855,457	3,327,752
Order backlog of related-party customers	615,642	402,809
Order backlog of third-party suppliers	766,280	814,107
Order backlog - related-party suppliers	366,873	246,902
Total	**5,604,252**	**4,791,570**

These amounts include commitments to purchase property, plant and equipment (EUR 2,443 thousand) and intangible assets (EUR 1,039 thousand).

27. Transactions with related parties

Below are the amounts of the transactions with related parties at 31 December 2011, at 31 December 2010:

At 31.12.2011 (EUR 000)	**Revenue**	**Other operating income**	**Costs**	**Recovery of costs**	**Other operating expenses**	**Finance income**	**Finance costs**
Parent company							
FINMECCANICA S.p.A.	-	-	3,218	-	-	7	105
Related concerns							
Selex Service Managment S.p.A.	-	-	176	-	-	-	-
Finmeccanica Finance S.A.	-	-	-	-	-	641	-
International Metro Service S.r.l.	1,200	11	-	-	-	-	-
Metro 5 S.p.A.	11,191	92	818	-	-	-	-
Metro 5 LILLA	3,662	-	-	-	-	-	-
MetroBrescia Srl	-	-	156	-	-	-	-
Metro Service AS	-	-	38,673	-	-	-	-
Ansaldo Energia S.p.A.	-	-	-	2	-	-	-
Fata S.p.A.	-	-	215	-	-	-	-
Fata Logistic System S.p.A.	-	-	2,212	1	-	-	-
Gruppo Ferrovie dello Stato	149,363	-	921	-	-	-	-
Gruppo ENI	-	-	858	-	-	-	-
Gruppo Enel	-	-	85	-	-	-	-
I.M. Intermetro S.p.A.	5	-	-	-	-	-	-
Selex Galileo S.p.A.	-	-	-	-	-	-	-
Electron Italia s.r.l.	155	-	18	-	-	-	-
Finmeccanica Consultino Srl	-	-	29	-	-	-	-
Finmeccanica Group Service S.p.A.	-	-	1,500	-	100	-	-
OTO Melara S.p.A.	-	-	-	2	-	-	-
Alenia Aermacchi S.p.A.	-	-	-	2	-	-	-
Telespazio S.p.A.	-	-	5	-	-	-	-
Pegaso S.c.r.l.	42	-	1,841	-	-	-	-
Elsag Datamat S.p.A.	-	-	6,651	-	-	-	-
AnsaldoBreda S.p.A.	14,366	-	20,246	618	-	-	-
Selex Elsag S.p.A.- ex Selex Comms S.p.A.	-	-	4,668	2	-	-	-
Subsidiaries							
Ansaldo STS Transportation Systems India Private Limited	1,430	362	75	53	-	-	(356)
Ansaldo STS Australia PTY Ltd.	-	2,273	1,897	925	-	849	(55)
Ansaldo STS UK Ltd.	453	86	142	50	-	146	4,414
Ansaldo STS Ireland LTD	-	(27)	-	6	-	-	35
Ansaldo STS Sweden AB	873	325	2	85	-	-	268
Ansaldo STS Deutschland GmbH	403	-	3,223	43	-	-	-
Ansaldo STS France S.A.	1,633	2,191	3,944	662	-	211	5
Ansaldo STS Espana S.A.U.	305	-	413	64	-	-	-
Ansaldo STS USA Inc.	984	3,494	216	1,192	-	316	(1)
Ansaldo STS South Africa PTY LTD	-	-	-	4	-	-	-
KazakhstanTz-AnsaldoSTS Italy LLP	3,915	-	-	-	-	-	-
Balfour Beatty Ansaldo Systems JV SDN BHD	-	-	-	-	-	-	(175)
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	-	17	5	-	-	(28)
Ansaldo STS Canada Inc.	-	-	-	20	-	-	(3)
Ansaldo STS USA International CO.	4,350	-	21,289	-	-	-	-
Ansaldo STS Malaysia SDN BHD	145	-	-	80	-	69	-
Ansaldo Railway System Trading (Beijing) Ltd	5,852	-	764	-	-	-	-
Alifana Due S.c.r.l.	738	-	1,807	2	-	-	-
Alifana S.c.a.r.l.	25	-	142	2	-	-	-
Consortiums							
Consortium SATURNO	11,442	49	2,242	-	-	-	-
Consortium San Giorgio Volla Due	1,863	-	110	-	-	-	-
Consortium San Giorgio Volla	45	-	23	-	-	-	-
Consortium SESM	-	-	30	-	-	-	-
Consortium CRIS	-	-	116	-	-	-	-
Consortium Ascosa Quattro	219	-	67	-	-	-	-
Consortium CESIT	-	-	41	-	-	-	-
Consortium Ferroviario Vesuviano	191	-	125	-	-	-	-
Total	**214,851**	**8,856**	**118,976**	**3,819**	**100**	**2,239**	**4,207**
Incidence of related parties on the total amount for the year	**30%**	**49%**	**22%**	**1%**	**12%**	**19%**	**-**

At 31.12.2010 (EUR 000)	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 Service Managment S.p.A.	-	-	314	-	-	-	-
Finmeccanica Finance S.A.	-	-	-	-	-	718	-
International Metro Service S.r.l.	-	7	-	-	-	-	-
Metro 5 S.p.A.	30,075	-	489	-	-	-	-
Metro Service AS	-	-	45,641	-	-	-	-
Gruppo Ferrovie dello Stato	174,008	-	1,681	-	-	-	-
Gruppo ENI	-	-	876	-	-	-	-
Gruppo Enel	-	-	144	-	-	-	-
Ansaldo Energia S.p.A.	-	-	53	1	-	-	-
Fata S.p.A.	-	-	215	-	-	-	-
Fata Logistic System S.p.A.	-	-	2,389	-	-	-	-
I.M. Intermetro S.p.A.	170	38	-	-	-	-	-
Selex Galileo S.p.A.	-	-	-	-	-	-	-
Electron Italia s.r.l.	-	-	681	-	-	-	-
Finmeccanica Group Service S.p.A.	-	-	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 C.A.	-	-	-	1	-	-	-
Ansaldo STS Finland OY	-	-	-	-	-	-	-
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 LTD	311	-	-	-	-	-	-
Ansaldo STS Espana S.A.U.	58	-	124	58	-	-	(89)
Ansaldo STS USA Inc.	204	2,814	550	840	-	645	(44)
Ansaldo STS South Africa PTY LTD	-	-	-	8	-	-	-
Ansaldo STS Hong Kong LTD	-	-	82	-	-	-	-
KazakhstanTz-AnsaldoSTS Italy LLP	725	-	-	-	-	-	-
Balfour Beatty Ansaldo Systems JV SDN BHD	-	-	-	-	-	-	(187)
Ansaldo STS Southern Africa PTY LTD - BOTSWANA	-	-	-	6	-	-	(16)
Ansaldo STS Canada Inc.	-	-	-	20	-	-	-
Ansaldo STS USA International CO.	647	-	48,205	6	-	-	-
Ansaldo STS Malaysia SDN BHD	35	-	-	55	-	3	(3)
Ansaldo Railway System Trading (Beijing) Ltd	806	(2)	2,147	-	-	-	-
Alifana Due S.c.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	**262,709**	**8,910**	**183,339**	**2,897**	**59**	**16,461**	**6,462**
Incidence of related parties on the total amount for the year	**31%**	**52%**	**29%**	**2%**	**39%**	**19%**	**-**

The decrease in revenue from related parties (EUR 214,851 thousand) compared with the previous financial year is mainly connected with lower production volumes relating to the High-Speed projects developed through Consortium Saturno (EUR 11,442 thousand at 31 December 2011 compared with EUR 32,199 thousand at 31 December 2010).
Consequently, costs decreased going from EUR 180,442 thousand at 31 December 2010 to EUR 115,157 thousand at 31 December 2011 due to the lower production volumes reached by the related concern Selex Communications SpA as a result of the suspension of the activities in Libya (EUR 4,668 thousand at 31 December 2011 compared with EUR 33,363 thousand at 31 December 2010) and by the subsidiary Ansaldo STS Usa International Co. (EUR 21,289 thousand at 31 December 2011 compared with EUR 48,205 thousand at 31 December 2010) on the Brescia, Rome and Milan projects.
Other operating income mainly relates to EUR 7,984 thousand charged over for services rendered to the other group companies in respect of the General Service Agreement.

Finance income refers for EUR 1,590 thousand to the interest on current accounts with the subsidiaries that in the course of the year recorded debit positions and for EUR 641 thousand to the deposit contract with the related concern Finmeccanica Finance up to the end of December.
Finance costs, net of recharges, equal to EUR 4,207 thousand, mainly relate to the write-down of the equity investment in Ansaldo STS UK (EUR 4,414 thousand).

28. Revenue

(EUR 000)	**31 December 2011**	31 December 2010
Revenue from third-party sales	102,494	776,191
Revenue from related-party sales	184,135	95,432
Total revenue from sales	**286,629**	**871,623**
Revenue from services rendered to third parties	3,843	31,663
Revenue from services rendered to related parties	38,395	1,999
Total revenue from services	**42,238**	**33,662**
Change in third-party contract work in progress	401,179	(217,909)
Change in related-party contract work in progress	(7,679)	165,277
Total change in contract work in progress	**393,500**	**(52,632)**
Total revenue	**722,367**	**852,653**

Total revenue went from EUR 852,653 thousand at 31 December 2010 to EUR 722,367 thousand at 31 December 2011 with a decrease of EUR 130,286 thousand since some projects are in process of execution (i.e. High-Speed line), while other projects have completed the procurement phase and entered the commissioning phase. Particular mention goes to the suspension of the contracts in Libya, that were expected to play an important role in terms of annual turnover.
Production was realised in Italy in the amount of EUR 482,592 thousand (EUR 573,923 thousand at 31 December 2010) and abroad in the amount of EUR 239,776 thousand (EUR 278,730 thousand at 31 December 2010).

During the year revenue of EUR 224,146 thousand was posted mostly for the recognition of the state of completion of final works on the Turin-Milan high-speed project managed with Consortium Saturno and on a project with the Municipality of Genoa.

29. Other operating income (expenses)

(EUR 000)	31 December 2011 Income	31 December 2011 Expenses	31 December 2010 Income	31 December 2010 Expenses
Grants for research and development costs	3,664	-	2,233	-
Tax credit on R&D costs	-	-	607	-
Gains on disposals of property, plant and equipment and intangible fixed assets	-	-	-	-
Allocations/Reversals to provisions for risks and charges	-	4,200	-	200
Royalties	1,441	-	1,583	-
Exchange rate differences on operating items	41	101	168	53
Non-existent payables/receivables	822	177	326	100
Insurance reimbursements	168	-	65	-
Restructuring costs	-	-	-	-
Indirect taxes	-	369	-	490
Other operating income (expenses)	2,923	3,733	3,302	2,942
Total other operating income / expenses from third parties	**9,059**	**8,580**	**8,284**	**3,785**
Total other operating income/expenses from related parties	8,856	100	8,910	59
Total	**17,915**	**8,680**	**17,194**	**3,844**

Other operating income from companies that do not belong to the Ansaldo STS Group and the Finmeccanica Group amounted to EUR 9,059 thousand at 31 December 2011 (EUR 8,284 thousand at 31 December 2010); 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 1,441 thousand (EUR 1,583 thousand at 31 December 2010);
- operating interest on trade receivables for EUR 3,149 thousand (EUR 2,970 thousand at 31 December 2010);
- recognition of payables which later revealed as non-existent for EUR 822 thousand (EUR 326 thousand at 31 December 2010);
- exchange gains on non-financial items for EUR 41 thousand (EUR 168 thousand at 31 December 2010);
- grants for research and development costs for EUR 3,664 thousand, (EUR 2,233 thousand at 31 December 2010) relating to projects managed by the Transportation Solutions Business Unit in the amount of EUR 313 thousand (Stram-Sitram, Errac Rodmap and Safer projects) and to projects managed by the Signalling Business Unit in the amount of EUR 3,351 thousand (Iness, Sistema, Cesar, Piezorail-Pshield, Alarp, Secured, Argento, Slim-Port, Etcetera-Exross 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.

Other operating expenses from companies that do not belong to the Ansaldo STS Group and the Finmeccanica Group amounted to EUR 8,580 thousand (EUR 3,785 thousand at 31 December 2010) and include indirect taxes for EUR 369 thousand, other operating expenses for EUR 3,733 thousand, exchange losses for non-financial items for EUR 101 thousand, non-existent receivables for EUR 177 thousand and allocations to provisions for risks and charges for EUR 4,200 thousand.
Indirect taxes, equal to EUR 369 thousand, include EUR 177 thousand of Local Property Tax (ICI) and EUR 192 thousand of other indirect taxes.
Other operating expenses, equal to EUR 3,733 thousand, relate to membership fees for EUR 487 thousand, donations and charity for EUR 222 thousand, interest for payment time extensions for EUR 2,501 thousand, free gifts and entertainment expenses for EUR 262 thousand and other sundry expenses of various nature for EUR 261 thousand.

For a breakdown of other operating income and expenses from related parties, reference should be made to Note 27 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. Raw materials and consumables used and purchase of services

(EUR 000)	31 December 2011	31 December 2010
Purchase of materials from third parties	109,337	135,832
Change in inventories of raw materials	6,632	1,245
Total raw materials and consumables used and purchase of services from Third Parties	**115,969**	**137,077**
Raw materials and consumables used from related parties	49,177	92,575
Total raw materials and consumables used	**165,146**	**229,652**
Services rendered by third parties	280,973	303,479
Costs of rents and operating leases	3,618	2,853
Rental fees	4,207	3,759
Total purchase of services from Third Parties	**288,798**	**310,091**
Purchase of services from related parties	65,979	87,867
Total purchase of services	**354,777**	**397,958**
Grand total	**519,923**	**627,610**

The decrease in the total raw materials and consumables used and purchase of services (EUR 107,687 thousand) is due to lower production volumes developed during the year.

Raw materials, supplies, consumable stores and merchandise amounted to EUR 165,146 thousand (EUR 229,652 thousand at 31 December 2010) with a decrease of EUR 64,506 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 354,777 thousand (EUR 397,958 thousand at 31 December 2010) with a decrease of EUR 43,181 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 27 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").

31. Personnel costs

(EUR 000)	31 December 2011	31 December 2010
Wages and salaries	83,881	81,924
Costs for stock grant plans	548	2,042
Pension and social security	24,487	22,897
Severance pay provision costs	223	128
Costs related to other defined-benefit plans	(250)	151
Costs related to defined-contribution plans	4,066	4,047
Employee disputes	78	339
Restructuring costs	-	-
Recharge of labour cost	(1,573)	(483)
Other costs	3,414	2,200
Total personnel costs	**114,874**	**113,245**

Personnel costs amounted to EUR 114,874 thousand at 31 December 2011 (EUR 113,245 thousand at 31 December 2010); in particular, the increase in wages and salaries of EUR 1,957 thousand is mainly due to an increase in average headcount.
The recharge essentially relates to the cost of labour for staff seconded with companies that are related parties: EUR 872 thousand to companies of the Ansaldo STS Group, EUR 161 thousand to Metro Service AS, EUR 67 thousand to Selex Communication, EUR 115 thousand to Ansaldo Breda and EUR 338 thousand to Finmeccanica.

The average headcount at 31 December 2011 stood at 1,566, compared with 1,527 units at 31 December 2010.

Below is a breakdown of average headcount by category:

	31 December 2011	31 December 2010
Executives	76	73
Middle managers	291	280
Clerical workers	1,131	1,097
Manual workers	68	77
Total	**1,566**	**1,527**

The Remuneration Committee of Ansaldo STS SpA held on 18 February 2011 resolved a stock grant incentive plan for the year 2011 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.
Moreover, it should be pointed out that during the previous year, the Remuneration Committee on 1 March 2010 resolved 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 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 2011 to be delivered to the employees in 2012 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 (18 February 2011 for the 2011 plan, and 1 March 2010 for the 2010-2012 plan, grant date).

Under the IASs/IFRSs applicable to this case (IFRS 2, Share-based payments, and IFRIC Interpretation 11 “Group and Treasury Share Transactions”) and their current interpretation, the stock grant cost in 2011, equal to EUR 548 thousand (EUR 2,042 thousand in 2010), is recognised through an equity reserve.

In December 2011 the shares for the 2010 objectives were delivered, and the reserve recognised in the previous year was used accordingly. Reference should be made to Note 20 on Shareholders’ Equity for a breakdown of changes in reserves after the delivery of shares during the year.

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

(EUR 000)	**2011**	2010
Changes in inventories of work in progress, semi-finished and finished goods	**(3,054)**	**1,884**

The item recorded a decrease of EUR 4,938 thousand going from EUR 1,884 thousand at 31 December 2010 to EUR -3,054 thousand at 31 December 2011.

33. Amortisation, depreciation and impairment

(EUR 000)	**31 December 2011**	31 December 2010
Amortisation/depreciation:		
- intangible assets	1,049	974
- property, plant and equipment	4,209	4,463
	5,258	**5,438**
Impairment:		
- operating receivables	-	5,135
- other assets	-	-
	-	**5,135**
Total amortisation, depreciation and impairment	**5,258**	**10,573**

Amortisation and depreciation, equal to EUR 5,258 thousand, are substantially in line with 2010. In particular, amortisation amounted to EUR 1,049 thousand and depreciation totalled EUR 4,209 thousand; these amounts are shown net of any adjustments deriving from the use of deferred income for the year of EUR 75 thousand on set-up grants (Law 488/92).
During the year no amounts were allocated to the provision for doubtful accounts.
It should be noted that in 2010 the item “impairment of operating receivables” mainly referred to the write-down of the receivable from Ferima (EUR 4,785 thousand).

34. Finance income and costs

	31 December 2011			31 December 2010		
(EUR 000)	Income	Costs	Net	Income	Costs	Net
Income from equity investments and securities	-	-	-	-	-	-
Discounting of receivables, payables and provisions	-	-	-	-	-	-
Interest and commission income and costs	1,687	119	1,568	440	396	44
Interest costs on severance pay provision	-	681	(681)	-	664	(664)
Exchange rate differences	13,389	13,421	(32)	24,153	23,073	1,080
Income from exchange rate risk hedges stated at fair value through the income statement	1,354	1,605	(251)	760	2,171	(1,411)
Income from assets held for trading stated at fair value through the income statement	-	945	(945)	-	-	-
Value adjustments to equity investments	-	-	-	-	-	-
Other finance income and costs	-	973	(973)	-	814	(814)
Total net finance income and costs	**16,430**	**17,744**	**(1,314)**	**25,353**	**27,118**	**(1,765)**
Dividends	-	-	-	15,000	-	15,000
Write-down of equity investment	-	4,414	(4,414)	-	6,011	(6,011)
Interest and other finance income (costs)	2,239	(207)	2,446	1,461	451	1,010
Total finance income / (costs) from related parties	**2,239**	**4,207**	**(1,968)**	**16,461**	**6,462**	**9,999**
Total	**18,669**	**21,951**	**(3,282)**	**41,814**	**33,580**	**8,234**

Net finance income (costs) amounted to EUR -3,282 thousand at 31 December 2011 compared with EUR 8,234 thousand at 31 December 2010; the decrease is due to dividends of the subsidiary Ansaldo STS France (EUR 15,000 thousand in 2010) not distributed in 2011.
Finance income from related parties refers for EUR 1,590 thousand (EUR 741 thousand in 2010) to interest on current accounts with the subsidiaries that during the year showed debit positions and for EUR 641 thousand (EUR 718 thousand in 2010) to the deposit contract held with the related concern Finmeccanica Finance.
Finance costs from related parties include the write-down of the equity investment in Ansaldo STS UK for EUR 774 thousand (EUR 6,011 thousand in 2010) and partly the receivable relating to the current account for EUR 3,640 thousand.

Finance income and costs from third parties relate to:
- interest income on current accounts of the company for EUR 611 thousand (EUR 440 thousand at 31 December 2010). Interest costs, equal to EUR 119 thousand (EUR 396 thousand at 31 December 2010) mainly include those on medium/long-term loans for EUR 101 thousand (EUR 218 thousand at 31 December 2010) and others on current accounts for EUR 18 thousand (EUR 178 thousand at 31 December 2010);
- other interest income for EUR 1,076 thousand for the purchase of short-term securities (Eurobond) having a nominal value of EUR 25,000 thousand, fixed rate of 4.5% and maturity at August 2012; the same at 31 December 2011 were recorded in the financial statements under financial assets at fair value with the recognition of EUR 945 thousand under other finance costs as difference between the purchase value and the fair value at 31 December 2011;
- the interest cost on severance pay provision equal to EUR 681 thousand (EUR 664 thousand at 31 December 2010) deriving from the actuarial calculation as permitted under IAS 19;
- exchange-rate gains for EUR 13,389 thousand (EUR 24,153 thousand at 31 December 2010) and exchange rate losses for EUR 13,421 thousand (EUR 23,073 thousand at 31 December 2010), 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 2011 amounting to EUR 1,354 thousand (EUR 760 thousand at 31 December 2010) and negative effects amounting to EUR 1,605 thousand at 31 December 2011 (EUR 2,171 thousand at 31 December 2010);
- sundry finance costs for EUR 973 thousand, for EUR 537 thousand to commissions on sureties of the company on behalf of its foreign subsidiaries and charged over (under item "income from related parties") and for EUR 436 thousand to bank costs and commissions.

For a breakdown of finance income and costs from related parties, reference should be made to Note 27 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").

35. Income taxes

Income taxes amounted to EUR 31,925 thousand for the year 2011. These break down as follows:

(EUR 000)	**31 December 2011**	31 December 2010
IRES (corporate income tax)	23,615	32,384
IRAP (regional tax on productive activities)	7,010	8,416
Income from consolidation	-	-
Other taxes on profit (foreign companies)	-	-
Taxes relating to previous periods	42	(53)
Provisions for disputes over taxes	-	-
Net deferred taxes	1,258	(43)
Total	**31,925**	**40,704**

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

	31 December 2011			31 December 2010		
(EUR 000)	**Taxable income**	**Income taxes**	**%**	Taxable income	Income taxes	%
Result before taxes	**85,212**	**-**		**124,694**	**-**	**-**
Taxes calculated at the applicable tax rate	-	23,433	27.50%	-	34,291	27.50%
Deferred tax assets recoverable during the year	-	-	-	-	-	-
Permanent differences	-	-	-	-	-	-
- non-deductible costs	7,387	2,031	2.38%	7,683	2,113	1.69%
- taxable intercompany dividends (merged companies) (5%)	-	-	-	-	-	-
- non-taxable dividends (95%)	-	-	-	(14,250)	(3,919)	-3.14%
- tax benefit (ACE)	(1,512)	(416)	-0.49%	-	-	-
- untaxed income	(1,095)	(301)	-0.35%	(607)	(167)	-0.13%
- Losses for previous tax periods to which deferred tax assets were not allocated	-	-	-	-	-	-
Result net of permanent differences	**89,992**	**24,748**	**29.04%**	**117,520**	**32,318**	**25.92%**
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	-	24,748	29.05%	-	32,318	25.92%
IRAP	-	7,136	8.37%	-	8,425	6.76%
Prior years' taxes	-	41	0.05%	-	(39)	-0.03%
Adjustment to new nominal tax rates	-	-	-	-	-	-
Total effective taxes carried to the Income Statement and relevant tax rate	**-**	**31,925**	**37.47%**	**-**	**40,704**	**32.64%**

The effective tax rate at 31 December 2011 was 37.47% as compared with the effective tax rate at 31 December 2010 equal to 32.64%. The increase of 4.83% is essentially due to the collection of dividends from the subsidiary Ansaldo STS France (EUR 15,000 thousand) in 2010 (taxed only to the extent of 5%, with a positive effect on the 2010 tax rate, equal to 4.28%). The further increase of the tax rate is due to the higher Irap tax burden on the result before taxes given that the Irap taxable income is not formed by the result before taxes but the operating result, gross of personnel costs and accruals.

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

	31 December 2011						31 December 2010				
(EUR 000)	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	Reclassification/ Effect on equity	Effect on Income Statement (+income/ -cost)
Deferred tax assets											
Impairment of work in progress (IRES only)	23,938	27.50%	6,583		920	(530)	22,520	27.50%	6,193	-	1,087
Impairment of work in progress (IRAP only)	23,637	4.18%	988		140	(80)	22,213	4.18%	929	-	(433)
Impairment of inventories (IRES)	1,956	27.50%	538		-	229	1,124	27.50%	309	-	1
Impairment of inventories (IRAP)	621	4.18%	26		-	-	621	4.18%	26	-	-
Provisions for risks and charges	7,497	27.50%	2,062		5	621	5,219	27.50%	1,435	-	(441)
Provision for costs on job-orders completed and provision for guarantee (IRES/IRAP)	212	31.68%	67		(18)	(151)	747	31.68%	237	-	(136)
Non-deductible amortisation and depreciation (IRES/IRAP)	863	31.68%	273		-	27	778	31.68%	246	-	50
Non-deductible amortisation and depreciation (IRES)	142	27.50%	39		-	-	142	27.50%	39	-	(13)
Exchange-rate differences from branch conversion	443	27.50%	122		-	-	443	27.50%	122	-	-
Exceeding maintenance (IRES/IRAP)	-	31.68%	-		-	(19)	59	31.68%	19	-	(31)
Costs deductible in following years (IRES/ IRAP)	173	31.68%	55		-	(26)	254	31.68%	80	-	(35)
Contracts with a loss (IRES)	2,800	27.50%	770		86	(214)	3,267	27.50%	898	-	(204)
Contracts with a loss (IRAP)	704	4.18%	29		12	(30)	1,137	4.18%	48	-	-
Seniority bonuses (IAS 19)	2,210	27.50%	608		-	-	2,211	27.50%	608	-	(12)
Goodwill amortisation (IRES/IRAP)	6,219	31.68%	1,970		-	(263)	7,048	31.68%	2,233	-	67
Goodwill amortisation (IRAP)	1,878	4.18%	79		-	20	1,410	4.18%	59	-	(310)
Non-deductible severance pay	-	27.50%	-		(596)	-	2,168	27.50%	596	-	125
Impairment of receivables	1,311	27.50%	361		-	-	1,312	27.50%	361	-	-
Exchange-rate losses	464	27.50%	128		(27)	(6)	585	27.50%	161	-	-
Firema loss	4,760	27.50%	1,309		(7)	-	4,785	27.50%	1,316	-	1,316
Default interest costs	2,770	27.50%	762		-	421	1,241	27.50%	341	-	273
Research grants	172	31.68%	54		-	-	172	31.68%	54	-	-
Research grants (for IRES tax purposes only)	930	27.50%	256		-	(149)	1,470	27.50%	404	-	306
Costs deductible in following years (IRES)	292	27.50%	80		(22)	15	316	27.50%	87	-	26
Stock grant	305	27.50%	84		-	-	305	27.50%	84	-	-
Other	42	27.50%	10		17	(19)	42	27.50%	12	-	12
Total	**84,340**	**-**	**17,252**	**-**	**510**	**(155)**	**81,589**	**-**	**16,897**	**658**	**991**

Follows

(EUR 000)	31 December 2011 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 2010 Amount of temporary differences	Tax rate	Amount of deferred tax assets/ liabilities	Reclassification/ Effect on equity	Effect on Income Statement (+income/ -cost)
Deferred tax liabilities											
Research grants (IRES/IRAP)	499	31.68%	158	-	-	-	499	31.68%	158	-	(234)
Research grants (IRES)	5,295	27.50%	1,456	-	-	711	2,709	27.50%	745	-	530
Provision for doubtful accounts (EC framework)	2,313	27.50%	636	-	(7)	-	2,338	27.50%	643	-	-
Default interest income not collected	5,852	27.50%	1,609	-	220	783	2,206	27.50%	607	-	498
Severance pay payable (IAS 19)	649	27.50%	178	365	(471)	(377)	2,404	27.50%	661	(163)	163
Exchange-rate differences from branch conversion	91	27.50%	25	-	-	-	91	27.50%	25	-	-
Exchange-rate gains	421	27.50%	116	-	(32)	-	537	27.50%	148	-	(9)
Total	**15,120**	**-**	**4,179**	**365**	**(290)**	**1,117**	**10,784**	**-**	**2,986**	**(163)**	**948**

The IRES and IRAP tax rate estimated at the time temporary differences reverse is 27.5% and 4.10% respectively. In particular, the 3.9% nominal IRAP tax rate rose to 4.97% in the regions affected by health deficit due to territorial differences (increase of 1.07% in Campania and of 0.92% in Lazio).

With regard to the temporary differences in the table above, impairment of work in progress determines deferred tax assets of EUR 7,571 thousand relating to the provision for impairment on work in progress of EUR 23,938 thousand entirely taxes - 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 integral 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. The latter, in fact, is considered to be reversed for tax purposes in relation to the completion of the contracts.

In particular, the deferred tax asset of EUR 7,571 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 taxes recognised in equity in 2011 and previous years (EUR 278 thousand) derives from the recognition in equity of the actuarial gain on severance pay (EUR 1,011 thousand), in accordance with the equity method under IAS 19.

36. Earnings 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 2011	31 December 2010
Average shares during the period	129,847,966	129,839,431
Net profit (EUR 000)	53,286	83,990
Profit from continuing operations	-	-
Basic EPS and diluted EPS	**0.41**	**0.65***

* Redetermined following the free share capital increase of 4 July 2011.

For comparative purposes, the EPS index has been redetermined for the 2010 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 second tranche of the share capital increase dated 4 July 2011, 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 six shares already owned.

37. Cash flow from operating activities

(EUR 000)	For the 12 months ended 31 December 2011	2010
Net Profit (Loss)	53,286	83,990
Amortisation, depreciation and impairment	5,258	10,572
Income taxes	31,925	40,704
Allocations (reversals) to provisions	7,308	1,939
Costs of severance pay provision	223	792
Cost of defined-benefit plans and stock grant plans	298	2,617
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	3,282	755
Total cash flow from operating activities	**101,580**	**132,380**

(EUR 000)	For the 12 months ended 31 December 2011	2010
Inventories	2,278	(19,034)
Contract work in progress and advances from customers	17,198	(44,456)
Trade receivables and payables	(31,377)	65,808
Changes in working capital	**(11,901)**	**2,318**

(EUR 000)	For the 12 months ended 31 December 2011	2010
Payment of the provision for severance pay and other defined-benefit plans and stock grant plans	(4,387)	(1,652)
Use of provisions for risks	(5,564)	(4,095)
Changes in other operating items	(50,430)	(45,078)
Total changes in other operating assets and liabilities and net finance income and taxes paid	**(60,381)**	**(50,825)**

Changes in working capital are due to both the progress of the contracts which determined extremely positive cash flows in previous years and the non-progress of the new job-orders eventually suspended during the year.

38. 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 2011 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. Since December 2011, the Company made use of short-term security deposits with Italian primary credit institutes. 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 2,531 thousand at 31 December 2011. The rate of interest receivable applied during 2011 was the one-month Euribor less a 30 bp spread.
As reported, deposit contracts are held with two primary Italian credit institutes in the amount of EUR 50,000 thousand at 31 December 2011 to which a gross interest rate of 3.5% is applied on an annual basis. The two deposits outstanding at year-end expire between 12 January 2012 and 30 January 2012.

The Company obtained, together with the unrecoverable capital contributions, certain soft rate loans that at 31 December 2011 showed a balance of EUR 1,624 thousand (EUR 3,705 thousand at 31 December 2010) falling due between January 2012 and June 2013. These facilities call for fixed rate-interest rates ranging between 0.5% and 1.8% (for additional information see Note 21).

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 2011, the period result, including taxes, would have been higher (lower) than EUR 1,741 thousand and shareholders' equity higher (lower) of EUR 1,741 thousand.

(EUR 000)	31 Dec. 2010 Value at Floating Rate	**31 Dec. 2011 Value at Floating Rate**	**Average**	**31 Dec. 2011 Assumption 1 50,00**	**31 Dec. 2011 Assumption 2 -50,00**
Non-current receivables – Related parties	1,006	1,540	1,273	6	(6)
Trade receivbles	127,104	160,893	143,999	720	(720)
Assets at fair value	-	24,743	12,371	62	(62)
Financial receivables - Third parties	-	78,854	39,427	197	(197)
Financial receivables - Related parties	177,345	61,313	119,329	597	(597)
Derivative assets–FV Hedge (no back to back)	745	338	542	3	(3)
Cash and cash equivalents	115,501	106,894	111,197	556	(556)
Assets	**421,700**	**434,575**	**428,138**	**2,141**	**-2,141**
Trade payables – Third parties	50,373	46,671	48,522	243	(243)
Financial liabilities – Third parties	-	-	-	-	
Financial liabilities – Related parties	28,958	31,931	30,445	152	(152)
Derivative liabilities - FV Hedge (no back to back)	1,015	860	938	5	(5)
Liabilities	**80,347**	**79,462**	**79,905**	**400**	**-400**
Total	**341,353**	**355,113**	**348,233**	**1,741**	**(1,741)**

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 2011 the Company had contracts referring to various currencies in the following notional amounts:

(local currency in 000)	**Sell11**	**Buy11**	**31.12.2011**	Sell10	Buy10	31.12.2010
US dollar	60,909	5,000	65,909	66,888	29,412	96,300
GBP	9,242	-	9,242	6,874	-	6,874
Swedish krona	-	178,214	178,214	-	121,660	121,660
Australian dollar	17,343	5,000	22,343	9,355	-	9,355
Japanese yen	-	-	-	380,879	-	380,879
Total in EUR 000	**71,769**	**27,791**	**99,560**	**68,673**	**35,582**	**104,255**

At 31 December 2011, the net fair value of derivative financial instruments was negative in the amount of about EUR 522 thousand (EUR 271 thousand at 31 December 2010). It is reported that this negative balance includes back-to-back contracts (please see Note 17).

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 2011, 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 2011		31 December 2010	
(EUR 000)	**+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	964	(1,066)	2,535	(2,801)

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 2011, the Company shows a net financial liquidity of EUR 238,235 thousand (EUR 259,699 thousand at 31 December 2010).
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 53,560 thousand at 31 December 2011, the Company is able to meet the needs related to working capital management, investing activities and the paying-off of payables at their natural maturity.

Liquidity analysis (EUR 000)

	values at 31 December 2011		
	Less than 1 year	**1 to 5 years**	**More than 5 years**
A - Financial liabilities less derivatives			
Non-current liabilities			
Borrowings from third parties	-	438	-
Borrowings from related parties	-	-	-
Other non-current liabilities	-	-	-
Current liabilities			
Trade payables to related parties	64,722	-	-
Trade payables to third parties	309,750	46	-
Financial liabilities to related parties	31,931	-	-
Financial liabilities to third parties	1,200	-	-
Other financial liabilities	-	-	-
Total A	**407,602**	**484**	**-**
B – Negative value of derivatives			
Hedge derivatives (includes back to back)	10,101	-	-
Trading derivatives (economic hedge)	-	-	-
Total B	**10,101**	**-**	**-**
Total A + B	**417,703**	**484**	**-**

Against borrowings for EUR 418,187 thousand, the Company has the following financial assets:

C - Financial assets	
Securities held for trading	24,743
Cash and cash equivalents	106,894
Trade receivables – third parties	430,092
Trade receivables – related parties	135,311
Financial receivables – third parties	78,854
Financial receivables – related parties	61,313
Positive value of derivatives (includes back-to-back)	9,579
TOTAL FINANCIAL ASSETS	**846,786**
D – Credit lines	**53,560**
TOTAL C + D	**900,346**
C+D-(A+B)	**482,159**

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. This situation exacerbated in such a critical scenario, as outlined below.

At 31 December 2011, trade receivables from third parties, overall equal to EUR 430,092 thousand (EUR 396,062 thousand at 31 December 2010) were past due for EUR 237,286 thousand, of which EUR 90,683 thousand past due more than 12 months. With regard to the concentration of trade receivables from third parties at 31 December 2011, the table below shows the past-due positions detailed by government entities/other customers and geographical areas.

	Government entities			**Other customers**			
(EUR 000)	**European Area**	**American Area**	**Other**	**European Area**	**American Areaa**	**Other**	**Total**
Held as guarantees	7,429	-	11,881	606	-	146	20,062
Receivables not past due	70,967	-	21,289	63,314	-	17,173	172,743
Receivables past due less than 1 year	60,816	-	52,722	33,004	-	62	146,603
Receivables past due between 1 and 5 years	46,972	-	2,652	41,059	-	-	90,683
Receivables past due more than 5 years	-	-	-	-	-	-	-
Total	**186,184**	**-**	**88,544**	**137,983**	**-**	**17,381**	**430,092**

Recognition of financial assets and liabilities

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

(EUR 000)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
Non-current assets						
Receivables	-	3,187	-	-	3,187	3,187
Receivables from related parties	-	3,941	-	-	3,941	3,941
Current assets						
Assets at Fair Value – third parties	24,743	-	-	-	24,743	24,743
Trade receivables from third parties	-	430,092	-	-	430,092	430,092
Trade receivables from related parties	-	135,311	-	-	135,311	135,311
Financial receivables from third parties	-	78,854	-	-	78,854	78,854
Financial receivables from related parties	-	61,313	-	-	61,313	61,313

The IFRS 7 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 000)	Fair value hierarchy at the reporting date		Fair Value at 31.12.2011 Level 2	Fair Value at 31.12.2010 Level 2
Assets				
	Interest rate swap			
		Trading	-	-
		Fair value hedge	-	-
		Cash flow hedge	-	-
	Currency forward/swap/option			
		Trading		
		Fair value hedge	338	745
		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	860	1,016
		Cash flow hedge	-	-
	Equity instruments (trading)		-	-
	Embedded derivatives (trading)		-	-

39. 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 1,959 thousand (EUR 2,410 thousand at 31 December 2010).

(EUR 000)	31 December 2011	31 December 2010
Compensation and emoluments	1,640	2,139
Post-employment benefits	-	-
Other long-term benefits	-	-
Severance pay	-	-
Stock Grants	319	271
Total	**1,959**	**2,410**

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 Grants" item, the shares relating to the 2010 objectives were granted in December 2011 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 20).

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	-	-	-	31,638	-	-

The detail of the annual compensation paid to Directors and Statutory Auditors is as follows:

(€)

PERSON	DESCRIPTION OF POSITION		
Name and Surname	Position	Date of appointment	Term of office
Pansa Alessandro	Chairman of BoD	21/11/2005	Approval of 2013 Financial Statements
Grasso Giancarlo	Deputy Chairman	05/04/2011	Approval of 2013 Financial Statements
De Luca Sergio	Chief Executive Officer	14/06/2007	Approval of 2013 Financial Statements
Cavallini Giovanni (b)	Director	05/04/2011	Approval of 2013 Financial Statements
Cereda Maurizio (a) (d)	Director	14/06/2006	Approval of 2013 Financial Statements
Girdinio Paola (d)	Director	05/04/2011	Approval of 2013 Financial Statements
Milone Filippo Maria (b)	Director	05/04/2011	13/12/2011
Rizzante Tatiana (e)	Director	05/04/2011	Approval of 2013 Financial Statements
Salvetti Attilio (c)	Director	24/03/2006	Approval of 2013 Financial Statements
Roberti Sante	Deputy Chairman of BoD	21/11/2005	05/04/2011
Lalli Francesco (b)	Director	21/11/2005	05/04/2011
Genuardi Gerlando (b)	Director	27/09/2007	05/04/2011
Pinto Eugenio (e) (d)	Director	01/04/2008	05/04/2011
Gitti Gregorio (c)	Director	01/04/2008	05/04/2011
Sarubbi Giacinto	Chairman of BoSA	01/04/2008	Approval of 2013 Financial Statements
Scotton Massimo	Statutory Auditor	01/04/2008	Approval of 2013 Financial Statements
Righetti Renato	Statutory Auditor	05/04/2011	Approval of 2013 Financial Statements
Tripodi Francesca	Statutory Auditor	21/11/2005	05/04/2011

* of which EUR 474,764 for fixed remuneration for the position of CEO in 2011 FY and EUR 810,156 for variable remuneration paid for the same position in 2010 FY.
** fees for Committee attendance.

Euro units	Unitary emoluments per year
Chairman of BoD	75,000
Member of BoD	50,000
Chairman of Supervisory Board	25,000
Member of Supervisory Board	n.a.
Chairman of Remuneration Committee	25,000
Member of Remuneration Committee	20,000
Chairman of Internal Audit Committee	25,000
Member of Internal Audit Committee	20,000

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
31,638	-	-	-	-	-	-

Emoluments by position in the reporting Company	Non-cash benefits	Bonuses and other incentives	Other remunerations
71,096 (1)	-	-	-
36,986 (3)	-	-	-
47,397 (2)	90,999	80,000	1,284,920*
51,781 (4)	-	-	-
89,795 (5)	-	-	-
51,781 (6)	-	-	-
48,329 (4)	-	-	-
55,479 (7)	-	-	-
69,795 (8)	-	-	-
10,411 (9)	-	-	-
14,315 (14)	-	-	-
14,315 (10)	-	-	-
19,521 (11)	-	-	-
15,616 (12)	-	-	-
71,096	-	-	11,096**
47,398	-	-	7,397**
36,987	-	-	7,397**
10,411	-	-	-

(a) Chairman of Remuneration Committee
(b) Member of Remuneration Committee
(c) Chairman of Internal Audit Committee
(d) Member of Internal Audit Committee
(e) Chairman of Supervisory Board

(1) 12 months Chairman of BoD Remuneration renounced up to 5.4.2011
(2) 12 months BoD - Remuneration retroceded to Ansaldo STS SpA
(3) 9 months BoD
(4) 9 months BoD + 9 months RC
(5) 12 months BoD + 12 ICC + 12 months RC Chairman
(6) 9 months BoD + 9 months ICC
(7) 9 months BoD and 9 months Chairman of Supervisory Board
(8) 12 months BoD + 9 months ICC Chairman + 3 months ICC
(9) 3 months BoD
(10) 3 months BoD + 3 months RC
(11) 3 months BoD + 3 months ICC + 3 months Chairman of Supervisory Board
(12) 3 months BoD + 3 months ICC Chairman
(13) 12 months BoD + 9 months ICC Chairman + 3 months ICC
(14) 3 months BoD + 3 months RC Remuneration renounced

40. Key figures of the Financial Statements as at 31 December 2010 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 2010.
For an adequate and complete understanding of the financial condition of Finmeccanica Spa at 31 December 2010 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 000)	
BALANCE SHEET	
ASSETS	
NON-CURRENT ASSETS	10,383,472
CURRENT ASSETS	3,376,530
NON-CURRENT ASSETS HELD FOR SALE	-
TOTAL ASSETS	**13,760,002**
LIABILITIES	
SHAREHOLDERS' EQUITY:	
- Share capital	2,516,767
- Reserves and profits carried forward	3,816,041
- Net profit for the year	236,829
	6,569,637
NON-CURRENT LIABILITIES	3,464,384
CURRENT LIABILITIES	3725,981
LIABILITIES DIRECTLY CORRELATED WITH ASSETS HELD FOR SALE	
TOTAL LIABILITIES	-
TOTAL LIABILITIES	**13,760,002**
INCOME STATEMENT	
REVENUE	99,706
COSTS	(190,683)
FINANCE INCOME AND COSTS	269,448
INCOME TAXES	58,358
(LOSSES) PROFITS CONNECTED WITH DISCONTINUED OPERATIONS	-
NET PROFIT (LOSS) FOR THE YEAR	**236,829**

Finmeccanica SpA prepares the Consolidated Financial Statements.

41. 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 000)	**Appointed auditing firms/other entities**	**Fees for the year**
Auditing services		**31.12.2011**
Audit engagement under Art. 165 of Legislative Decree no. 58/1998	PricewaterhouseCoopers S.p.A.	470
Total auditing services		**470**
Attestation services		
Attestation on accounting records	PricewaterhouseCoopers S.p.A.	83
Total attestation services		**83**
Tax consulting services		
Tax consulting	PricewaterhouseCoopers network	38
Total tax consulting services		**38**
Other services		
sundry		56
Total other services		**56**
	Total fees	**647**

Genoa, 5 March 2012

On behalf of the Board of Directors
The Chairman
Alessandro Pansa

42. 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)
Acelec Société par actions simplifié (Automatismes Contrôles et Etudes Electroniques)	France	100%	100%		Ansaldo STS France Société par actions simplifié	1
Alifana -Società consortile a responsabilità limitata	Italy	65.850%		65.850%		1
Alifana due -Società consortile a responsabilità limitata	Italy	53.340%		53.340%		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.U.	Spain	100.000%	100.000%		Ansaldo STS France Société par actions simplifié	1
Ansaldo STS Finland OY	Finland	100.000%	100.000%		Ansaldo STS Sweden AB	1
Ansaldo STS France Société par actions simplifié	France	100.000%		100.000%		1
Ansaldo STS Hong Kong Ltd.	China	100.000%	100.000%		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 Pty Ltd.	South Africa	100.000%	100.000%		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	11
Ecosen C.A.[1]	Venezuela	48.000%	48.000%		Ansaldo STS France Société par actions simplifié	1
I.M. Intermetro S.p.A. in liquidazione	Italy	16.666%		16.666%		1
International Metro Service S.r.l.	Italy	49.000%		49.000%		1
Kazakhstan TZ - Ansaldo STS Italy LLP	Kazakhstan	49.000%		49.000%		1
Metro 5 S.p.A.	Italy	24.600%		24.600%		1
Metro Brescia S.r.L.	Italy	40.400%		40.400%		1
Metro C. S.c.p.a..	Italy	14.000%		14.000%		1
Pegaso-Società consortile a responsabilità limitata	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

1. Votes that can be given during the Meeting equal to 50.5%

Key: Types of share ownership or voting rights

1	Owned	7	Pledge
2	Securities lender	8	Usufruct
3	Securities borrower	9	Deposit
4	Registered owner on behalf of third party	10	Proxy
5	Discretionary asset management	11	Transfer of the voting right
6	Non-discretionary asset management		

43. Attestation of the Separate 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 2011 – 31 December 2011.
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, 5 March 2012

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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A Finmeccanica Company