

Rome, 13 March 2008

## **DRAFT ANNUAL REPORT APPROVED**

- **Proposal to the Shareholders' Meeting to pay first dividend**
- **Guidance for 2008 examined**
- **Net profit in 2007 at EUR 58.3 million (+27.3%)**
- **Production revenues at EUR 973.1 million (5.5%)**
- **EBIT at EUR 100.3 million (+17.3%)**
- **New orders of EUR 1,532.5 million (+20.6%)**
- **Order backlog at 31 December 2007 of EUR 2,980 million (+23.4%)**
- **Net financial position positive at EUR 184.5 million (+16.6%)**

The Board of Directors of Ansaldo STS (STS.MI), meeting today under the chairmanship of Alessandro Pansa, has approved the 2007 draft Annual Report, which will be proposed to the Shareholders' Meeting convened for 31 March – 1 April 2008.

The Board also agreed to propose to the annual shareholders' meeting a dividend in relation with the 2007 result. The overall proposed dividend amount is equivalent to around 34% of the Consolidated Net Profit for 2007, which totals EUR 58,172,010.41.

This dividend is equal to EUR 0.20 per share, gross of statutory withholding tax, or a total of EUR 19,992,243 to be paid from 10 April 2008 (ex-date: 7 April 2008, coupon no. 1). The dividends relating to own shares held in the portfolio on the ex-date will be allocated proportionally to the other shares. Currently, the company holds 38,785 own shares, and no purchases or sales of shares are expected before the above-mentioned ex-date. The size of the dividend proposed, the first paid by Ansaldo STS since the listing, is in line with the operating cash flow generated in 2007.

The Board also looked at the guidance relating to the key figures for **2008**, presented by the management:

- **new orders** between EUR 1,100 and 1,300 million
- **order backlog** at the end of the year between EUR 3,050 and 3,300 million
- consolidated **production revenues** between EUR 980 and 1,050 million.
- consolidated **EBIT** margin equal/higher than 10.5%
- positive **net financial position** between EUR 175 - 185 million  
*(after the 2007 dividend payment)*

**PRESS RELEASE**



## 2007 RESULTS

For an accurate comparison with 2006, pro-forma data takes into account the effects of the acquisition of the shareholdings in Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari SpA for the whole period, from 1 January 2006. Data showing the effects of the purchase of shareholdings from their date of acquisition (24 February 2006) is also provided in the tables attached.

In 2007 the Ansaldo STS Group registered a **net profit** of EUR **58.3** million, an increase of 27.3% compared to 2006 (EUR 45.8 million, which included one-off listing costs of EUR 6.9 million).

**Production revenues** for the full year were EUR **973.1** million, up 5.5% compared to 2006 (EUR 922.8 million).

**EBIT** came in at EUR **100.3** million in 2007, compared to EUR 85.5 million in 2006 (restated for the adoption of the equity method under IAS 19 and taking into account the one-off listing costs).

The group's EBIT margin also rose, from 9.3% the previous year to 10.3%.

**New orders** for the year totalled EUR 1,532.5 million, an increase of 20.6% compared to the 2006 figure of EUR 1,271.2 million. The **order backlog** to 31 December 2007 totalled EUR 2,980.0 million, compared to EUR 2,414.0 million in the previous year.

At 31 December 2007, the group had a positive **net financial position** of EUR **184.5 million**, compared to EUR 158.2 million at the end of 2006.

At 31 December 2007, **consolidated net invested capital** was negative to the tune of EUR 6.8 million, compared to a negative figure of EUR 33.8 million at 31 December 2006. **Working capital** came in at EUR (216.7) million at 31 December 2007, compared to EUR (237.3) million at 31 December 2006.

Key figures (EUR m)	12 Months 2007	12 Months 2006 (1)	% chg.
<b>New orders</b>	<b>1,532.5</b>	1,271.2	20.6%
<b>Order backlog</b>	<b>2,980.0</b>	2,414.0	23.4%
<b>Production revenues</b>	<b>973.1</b>	922.8	5.5%
<b>EBIT</b>	<b>100.3</b>	85.5	17.3%
<b>EBIT margin</b>	<b>10.3%</b>	9.3%	1.0%
<b>Net profit</b>	<b>58.3</b>	45.8	27.3%
<b>Working capital</b>	<b>(216.7)</b>	(237.3)	(8.7%)
<b>Net financial position</b>	<b>(184.5)</b>	(158.2)	16.6%
<b>R&amp;D</b>	<b>41.2</b>	35.9	14.8%
<b>Headcount</b>	<b>4,243</b>	3,962	7.1%
<b>EPS</b>	<b>0.58</b>	0.46	

(1) Pro-forma 2006 data that includes Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari SpA in the basis of consolidation from 1 January 2006 and restated for the adoption of the equity method under IAS 19, as well as one-off listing costs of EUR 6.9 million.



## Consolidated Profit and Loss Statement

### Ansaldo STS group

Consolidated Profit and Loss (EUR m)	Figures at 31.12.07	Figures at 31.12.06 (1)	Figures at 31.12.06 (2)
<b>Production revenues</b>	<b>973.1</b>	<b>922.8</b>	<b>810.4</b>
Purchasing and labour costs	(860.8)	(833.7)	(722.5)
Depreciation and amortisation	(10.4)	(9.5)	(8.2)
Write-downs	(0.6)	(1.5)	(1.5)
Other net operating revenues (costs)	(2.0)	2.1	1.5
Change in inventories, semi-finished and finished products and goods	1.0	5.3	0.3
<b>EBIT</b>	<b>100.3</b>	<b>85.5</b>	<b>80.1</b>
Net financial income (expenses)	3.6	2.2	1.6
Income taxes	(45.6)	(41.9)	(38.4)
<b>NET PROFIT</b>	<b>58.3</b>	<b>45.8</b>	<b>43.2</b>
Earnings per share ( <i>Basic and Diluted</i> )	<i>0.58</i>	<i>0.46</i>	<i>0.43</i>

- (1) *Pro-forma 2006 data that includes Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari SpA in the basis of consolidation from 1 January 2006 and restated for the adoption of the equity method under IAS 19, as well as one-off listing costs of EUR 6.9 million*
- (2) *2006 with the effect of the transfer of Ansaldo Signal NV and Ansaldo Sistemi Ferroviari SpA from 24 February 2006 and including one-off listing costs of EUR 6.9 million.*



**Consolidated Balance Sheet**

**Ansaldo STS group**

<i>Consolidated Balance Sheet (EUR m)</i>	<b>31.12.07</b>	<b>31.12.06</b>
Non-current assets	257.1	251.7
Non-current liabilities	(47.2)	(48.2)
	<b>209.9</b>	<b>203.5</b>
Inventory	98.3	96.5
Contract work in progress	151.9	78.3
Trade receivables	326.5	311.2
Trade payables	(194.5)	(166.3)
Advances from customers	(506.8)	(475.1)
Short-term provisions for risks and charges	(26.2)	(22.3)
Other current net assets (liabilities)	(65.9)	(59.6)
<b>Working capital</b>	<b>(216.7)</b>	<b>(237.3)</b>
<b>Net invested capital</b>	<b>(6.8)</b>	<b>(33.8)</b>
Group shareholders' equity	177.3	124.1
Minority interests	0.4	0.3
<b>Shareholders' equity</b>	<b>177.7</b>	<b>124.4</b>
<b>Net financial position</b>	<b>(184.5)</b>	<b>(158.2)</b>



## Cash Flow

### Ansaldo STS group

Cash Flow (EUR m)	31.12.07	31.12.06
<b>Cash and cash equivalents – opening balance</b>	48.6	36.0
Gross cash flow from operations	112.3	100.2
Changes in working capital	(26.7)	93.8
Changes in other operating assets and liabilities	(40.9)	(53.1)
<b>Cash flow generated (used) by operating activities</b>	44.7	140.9
Cash flow from ordinary investments	(17.7)	(21.6)
<b>Free operating cash flow</b>	<b>26.9</b>	<b>119.2</b>
Strategic investments	(2.4)	(60.4)
<b>Cash flow generated (used) by investment activities</b>	(20.1)	(82.0)
Dividends paid	-	(32.0)
Capital increases	-	-
Cash flow from financing activities	(8.9)	(14.5)
<b>Cash flow generated (used) by financing activities</b>	(8.9)	(46.5)
<b>Translation difference</b>	(0.9)	0.2
<b>Cash and cash equivalents – closing balance</b>	<b>63.4</b>	<b>48.6</b>

**Results by sector of activity (Business Unit)**

<i>EUR m</i>	SIGNALLING		TRANSPORT SYSTEMS	
	At 31/12/07	At 31/12/06	At 31/12/07	At 31/12/06
<b>New orders</b>	822.3	833.1	802.7	534.3
<b>Order backlog</b>	1,389.8	1,319.6	1,809.9	1,248.1
<b>Production revenues</b>	750.1	702.1	241.4	236.8
<b>EBIT</b>	86.5	74.8	22.0	21.6
<b>EBIT margin</b>	<b>11.5%</b>	<b>10.7%</b>	<b>9.1%</b>	<b>9.1%</b>
<b>Working capital</b>	(68.7)	(70.0)	(143.3)	(171.9)
<b>Net invested capital</b>	11.1	6.8	(20.8)	(124.7)
<b>Research and development</b>	37.8	33.2	2.3	2.0
<b>Headcount</b>	3,866	3,606	327	327

*Notes to the table*

*The above mentioned figures are gross of eliminations between business units.*

Jean Paul Giani, the director responsible for drawing up the Group accounting statements, hereby declares, pursuant to article 154-bis, paragraph 2 of the “*Testo Unico della Finanza*” law, that the information contained in this press release accurately represents the figures contained in the group’s accounting records.



The Balance Sheet and Profit and Loss Statement for 2007 relating to the holding Company **Ansaldo STS SpA** are shown below.

<i>Profit and Loss Statement (EUR m)</i>	<i>31/12/2007</i>	<i>31/12/2006</i>
Revenues	14	7.2
Production revenues	14	7.2
Purchasing and labour costs	(22.8)	(17.6)
Depreciation and amortisation	(1.9)	(1.7)
Write-downs	-	-
Other net operating revenues (costs)	2.5	1.3
Changes in work in progress, semi-finished and finished goods	-	-
EBIT	(8.2)	(10.8)
Net financial income (expenses)	48.4	29.0
Income taxes	3.0	-
Net profit (loss)	43.2	18.2

<i>Balance sheet (EUR m)</i>	<i>31/12/2007</i>	<i>31/12/2006</i>
<b>Non-current assets</b>	159.6	192.3
<b>Non-current liabilities</b>	(2.5)	(0.4)
	157.1	191.9
Inventory	-	-
Contract work in progress	-	-
Trade receivables	7.2	9.5
Trade payables	(8.4)	(5.5)
Advances from clients	-	-
Provisions for risks and future liabilities	-	-
Other net assets (liabilities)	(3.5)	0.6
<b>Working capital</b>	<b>(4.7)</b>	<b>4.6</b>
<b>Net invested capital</b>	<b>152.4</b>	<b>196.5</b>
<b>Shareholders' equity</b>	<b>161.9</b>	<b>117.7</b>
<b>Net financial position</b>	<b>(9.5)</b>	<b>78.8</b>



<i>Cash Flow (EUR m)</i>	<i>31.12.2007</i>		<i>31.12.2006</i>	
<b>Cash and cash equivalents – opening balance</b>	<b>0.9</b>		<b>0.0</b>	
Gross cash flow from operations	(5.6)		(7.2)	
Changes in working capital	5.2		15.2	
Changes in other operating assets and liabilities	(0.6)		(3.0)	
<b>Cash flow generated (used) by operating activities</b>	<b>(1.0)</b>		<b>5.0</b>	
Cash flow from ordinary investments	(0.5)		(0.8)	
Receipts from share premium reserve	40.0			
Dividends received	50.2		32.0	
<b>Free operating cash flow</b>		<b>88.7</b>		<b>36.2</b>
Strategic investments	-		(100.2)	
Other changes in investments	(0.8)		(1.5)	
<b>Cash flow generated (used) by investment activities</b>	<b>88.9</b>		<b>(70.5)</b>	
Dividends paid	-		-	
Capital increases excluding share buybacks	-		60.2	
Cash flow from financing activities	(88.3)		6.2	
<b>Cash flow generated (used) by financing activities</b>	<b>(88.2)</b>		<b>66.4</b>	
<b>Translation difference</b>	<b>-</b>		<b>-</b>	
<b>Cash and cash equivalents – closing balance</b>	<b>0.5</b>		<b>0.9</b>	



## **PROPOSAL TO THE SHAREHOLDERS' MEETING REGARDING THE PURCHASE AND DISPOSAL OF ANSALDO STS SHARES**

The Board of Directors also decided to ask authorisation from the Shareholders' Meeting to purchase and sell own shares, in order they can be used, in accordance with the laws in force (and accepted market practice, if recognised), in the following cases:

- to serve the share incentive schemes approved by the company;
- as part of transactions relating to normal operations and industrial projects in line with the company's strategic guidelines, which may also include swaps, exchanges transfers or other disposals relating to industrial projects or extraordinary financing operations;
- to exploit effective investment opportunities for the company's liquidity in relation to company growth and the trend on equity markets.

The Board will ask for approval to purchase shares up to the maximum amount allowed by law, that is up to 10% of the company's share capital at the time, taking into account the own shares held by the company and its subsidiaries, for a period of 18 months from the shareholders' approval.

The potential maximum cashout expected for the operation, at the current price of the share, is approximately around EUR 88 mln.

The purchase and disposal operations of the Ansaldo STS shares will be carried out in accordance with article 132 of legislative decree 58/1998, and article 144-bis of the Issuer Regulations and other applicable legislation, as well as accepted market practice, if recognised.

Specifically, the share buybacks must be carried out pursuant to the procedures laid down in article 144-bis, paragraph 1, letters b) and c) of the Issuer Regulations. The purchases may be implemented according to methods other than those indicated above where permitted by article 132, paragraph 3 of legislative decree 58/1998 or other provisions applicable at the time of the operation.

The price of the purchased shares may not be 15% above or below the market price of the share on the Italian stock market in the session prior to each operation.

Prices of the shares in sales transactions, and in particular the sale of own shares, may not be 10% lower than that registered on the Italian stock exchange in the session prior to each operation. The shares used to serve the incentive schemes approved by the company shall be assigned free of charge to the plans' recipients according to the procedures and terms set out in the regulations of the plans themselves. In the event that the shares are used in swaps, exchanges, transfers or any other disposals not in cash, the financial terms of the transaction shall be determined based on its nature, also taking into account the performance of the Ansaldo STS share on the market.

The company currently holds 38,785 own shares, equivalent to 0.038% of the share capital.

\* \* \*

The Board also approved the Corporate Governance Report and the Prospectus prepared pursuant to article 84 bis paragraph 1 of the Issuer Regulations, relating to the Stock Grant



Plan approved by the Board on February 13<sup>th</sup> 2008, which will be published in the time and manner required by current legislation.

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**Ansaldo STS confirms** that at **4pm** on March 13<sup>th</sup> , the Management will be available to comment on the above, via conference call.

To take part in the **conference call**:

Italy: +39 02 802 09 11

UK: +44 208 79 29 750

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To **replay the conference call** in the 72 hours following the call, using access code 784#:

Italy: +39 02 80 61 37 80

UK: +44 207 10 86 235

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