Ansaldo STS
Company & Business evolution and first half results 2006
September 2006

Ansaldo STS
1. Company Overview
**Type of Project**
- Mass-Transit
- Railways

**2005 Revenues**
- Mass-Transit: €253m (about 30% of total 2005 ASTS revenues)
- Railways: €950m (about 45% of total 2005 ASTS backlog)

**2005 Backlog**
- Mass-Transit: €587m (about 70% of total 2005 ASTS revenues)
- Railways: €1141m (about 55% of total 2005 ASTS backlog)

**2006 1H Revenues**
- Mass-Transit: €116m (about 26% of total 1H 2006 ASTS revenues)
- Railways: €329m (about 74% of total 1H 2006 ASTS revenues)

**2006 1H Backlog**
- Mass-Transit: €1272m (about 52% of total 1H 2006 ASTS backlog)
- Railways: €1174m (about 48% of total 1H 2006 ASTS backlog)

*Net of intercompany.*
Following the STAR Segment requirements
The Board of Directors

Board of Directors

- A. Pansa, Chairman (executive)
- G.R. Gagliardi, CEO (executive)
- S.M. Carbone, Director (a, b, c)
- S. Roberti, Vice President (executive)
- M. Cereda, Director (a, b, c, d)
- G. Falciascecca, Director (a, b, d)
- A. Salvetti, Director (a, b, c)
- F. Lalli, Director (a)
- M. Gigante, Director (a, d)

a Not Executive
b Independent
c Internal Control Committee
d Remuneration Committee
6 months of activity results in new orders - main orders acquired

AnsaldoSTS maintain the high level of technology and presence on world wide basis with 3,800 employees

ERTMS, High-Speed Line Perpignan Figueras - IFP Cobra (7,9 €mil)
ERTMS, Eurocab - CAF (5,9 €mil)

Dearborn Congress – Chicago CTA (24,1 €mil)
Track Circuit Replacement Washington - WMATA (7,1 €mil)

IXL Resignalling programme
High-Speed-Line / RBI - SNCF RFF (2,8 €mil)

Operation & Maintenance Copenhagen - Orestad (128,5 €mil)

ERTMS Eurocab HSA - Ansaldo Breda (11,8 €mil)

Driverless Metro Thessaloniki - Attiko Metpo A.E. (166,4 €mil)

Railway Signallings Ghaziabad Kampur - IRPMU (India) (55,7 €mil)
Gooty Pullanpet Doubling of line signalling - Leighton Emrail (Malaysia) (10,7 €mil)

CTCS Wayside signalling - MOR (3 €mil)

Line CTC – ARTC frame Contract (11,1 €mil)
Lower Hunter Valley - ARTC (4,1 €mil)
ICSS 10 locomotives - Pilbara Iron (3,4 €mil)
MossValo to Vingello - ARTC (3,5 €mil)

Alfiana – Metro Campania (3,7 €mil)
Driverless Metro Milano – Metro 5 (118,4 €mil)
Alta Velocità – R.F.I. (8,1 €mil)

SCMT-SSB-ERTMS for SSB - Breda (7,2 €mil)
SCMT Wayside - RFI (47,5 €mil)
SCMT On board - Trenitalia (23 €mil)

Other Components & Services (51.4 €mil)

Venezuela Los Teques - Caracas Metro (5 €mil)

Signalling
Systems
Revenues Breakdown by Geographic Area
year 2005

2005 Ansaldo STS Revenues*

Total €840m

2005 Signalling SBU Revenues*

Total €587m

2005 Transport Systems SBU Revenues*

Total €253m

* Net of intercompany.
Revenues Breakdown by Geographic Area
1H 2006 & 1H 2005

1H 2006 Ansaldo STS Revenues*

1H 2006 => Total €444,8m
1H 2005 => Total €373,6m

1H 2006 Signalling SBU Revenues*

1H 2006 => Total €328m
1H 2005 => Total €116m

1H 2006 Transport Systems SBU Revenues*

1H 2006 => Total €116m
1H 2005 => Total €115m

* Net of intercompany.
2. 1H 2006 Company Results

Pro-forma figures for first semester 2006

AnsaldoSTS
The first semester 2006 results, without listing cost:

✓ **Net Result rose** by 34% to €mil 23.

✓ **Backlog to €mil 2.4 billion** thanks to acquired **orders** increased in the period by more than 11%.

✓ **A Value of production** growth of 19%

✓ An **increase in profitability (EBIT)** for 26.3%.

✓ An **increase of the Free Operating Cash Flow** from EUR 77.7 million to EUR 133.8 million.

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**FIRST HALF 2006**

<table>
<thead>
<tr>
<th>Key figures (EUR m)</th>
<th>First half 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired orders</td>
<td>585.0</td>
</tr>
<tr>
<td>Order backlog</td>
<td>2,446.0</td>
</tr>
<tr>
<td>Value of production</td>
<td>327.0</td>
</tr>
<tr>
<td>EBIT*</td>
<td>29.8</td>
</tr>
<tr>
<td>EBIT margin*</td>
<td>9.1%</td>
</tr>
<tr>
<td>Net profit*</td>
<td>13.3</td>
</tr>
<tr>
<td>Working capital</td>
<td>(278.0)</td>
</tr>
<tr>
<td>Net financial position</td>
<td>(181.6)</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>14.3</td>
</tr>
<tr>
<td>Total staff</td>
<td>3,808</td>
</tr>
<tr>
<td>EPS</td>
<td>0.13</td>
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</table>

**PRO – FORMA***

<table>
<thead>
<tr>
<th>Key figures (EUR m)</th>
<th>First half 2006</th>
<th>First half 2006/2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired orders</td>
<td>821.9</td>
<td>674.4</td>
</tr>
<tr>
<td>Order backlog</td>
<td>2,446.0</td>
<td>2,210.0</td>
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<tr>
<td>Value of production</td>
<td>444.8</td>
<td>373.6</td>
</tr>
<tr>
<td>EBIT*</td>
<td>35.6</td>
<td>33.5</td>
</tr>
<tr>
<td>EBIT margin*</td>
<td>8.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Net profit*</td>
<td>15.9</td>
<td>17.0</td>
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<td>15.0</td>
</tr>
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<td>Total staff</td>
<td>3,808</td>
<td>3,495</td>
</tr>
<tr>
<td>EPS</td>
<td>0.16</td>
<td>-</td>
</tr>
</tbody>
</table>

* Net of listing costs of EUR 6.8 million for the first half of 2006;
** First half 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006
*** First half 2006 with effect from 1 January 2006
### Value of production and newly acquired orders at the End of June 2006

#### Main Orders in 1H 2006

**Signalling:**
- **Italian** market 77.7 €mil
- Rest of world 210.6 €mil
  - of which:
    - India Gooty-Pullanpet 11 €mil & Ghaziabad 56 €mil
    - Holland Eurocab HAS 12 €mil
    - Australia Line CTC & ICSS 22 €mil
    - Spain (Eurocab & HSL) Metro 14 €mil

**Systems:**
- Greece Thessaloniki 166 €mil
- Milano line 5 118 €mil
- Alifana 4 €mil
- Copenhagen 128 €mil

#### As of 1H 2006

**Production Revenues**
- €mil. 445 (H1 06) vs €mil. 374 (H1 05)
  - Signalling: + 24% (vs 1H 05)
  - Systems: + 1.4% (vs 1H 05)

**Production Revenue:**
- 1H 2005: 31%, 69%
- 1H 2006: 26%, 74%

**AnsaldoSTS:** +19.1%
Orders
Breakdown by Geographic Area

Ansaldo STS Orders*

1H 2006
- Italy: 47%
- Rest of Europe: 29%
- North America: 13%
- Asia/Pacific: 9%
- Others: 2%

Total 1H 2006 €822m

1H 2005
- Italy: 54%
- Rest of Europe: 19%
- North America: 8%
- Asia/Pacific: 7%
- Others: 12%

Total 1H 2005 €674m

Up 22%

* Net of intercompany.
Signalling SBU Orders*

1H 2006
- Italy: 28%
- Rest of Europe: 21%
- North America: 19%
- Asia/Pacific: 28%
- Others: 4%

Total 1H 2006 €397m
(48% of ASTS Orders 1H 2006)

1H 2005
- Italy: 36%
- Rest of Europe: 17%
- North America: 27%
- Asia/Pacific: 9%
- Others: 11%

Total 1H 2005 €474m
(70% of ASTS Orders 1H 2005)

* Net of intercompany.
### Orders
- **Main New Orders intake for Signalling BU at the end of June 2006**

<table>
<thead>
<tr>
<th>Description</th>
<th>Country</th>
<th>Customer</th>
<th>Award Date</th>
<th>Duration (Months)</th>
<th>Revenues (M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghaziabad - Kanpur (KFW) Project</td>
<td>INDIA</td>
<td>IRPMU</td>
<td>February</td>
<td>44</td>
<td>55,7</td>
</tr>
<tr>
<td>ATC Wayside-SCMT SST phase 2c: Tirrenica, Jonica and Milano areas</td>
<td>ITALY</td>
<td>RFI</td>
<td>Jan / Mar</td>
<td>36</td>
<td>47,5</td>
</tr>
<tr>
<td>Dearborn / Congress</td>
<td>USA</td>
<td>CTA</td>
<td>January</td>
<td>36</td>
<td>24,1</td>
</tr>
<tr>
<td>ATC OnBoard - SCMT SSB: 4th Application Contract</td>
<td>ITALY</td>
<td>TRENITALIA</td>
<td>January</td>
<td>36</td>
<td>23,0</td>
</tr>
<tr>
<td>Track Circuit / Cab Signal</td>
<td>CANADA</td>
<td>STM Montreal</td>
<td>January</td>
<td>36</td>
<td>16,4</td>
</tr>
<tr>
<td>Netherlands: Eurocab HSA</td>
<td>NETTHERLAND</td>
<td>AnsaldoBreda</td>
<td>May</td>
<td>36</td>
<td>11,8</td>
</tr>
<tr>
<td>Gooty - Pullanpet - Doubling of Line</td>
<td>INDIA</td>
<td>Leighton Emrail</td>
<td>June</td>
<td>36</td>
<td>10,7</td>
</tr>
<tr>
<td>Ghaziabad - Kanpur (KFW) Project</td>
<td>AUSTRALIA</td>
<td>IRPMU</td>
<td>February</td>
<td>44</td>
<td>9,8</td>
</tr>
<tr>
<td>HSL Spain: Perpignan - Figueras</td>
<td>SPAIN</td>
<td>IFP Cobra</td>
<td>April</td>
<td>36</td>
<td>7,9</td>
</tr>
<tr>
<td>Systems: SCMT- SSB - ERTMS AVI for E403 (formerly 402C) Trenitalia</td>
<td>ITALY</td>
<td>TRENITALIA</td>
<td>February</td>
<td>42</td>
<td>7,2</td>
</tr>
<tr>
<td>Track Circuit Replacement</td>
<td>USA</td>
<td>WMATA</td>
<td>January</td>
<td>36</td>
<td>7,1</td>
</tr>
<tr>
<td>ARTC - Casino to Greenbank</td>
<td>AUSTRALIA</td>
<td>ARTC</td>
<td>June</td>
<td>24</td>
<td>6,3</td>
</tr>
<tr>
<td>Spain: Eurocab CAF</td>
<td>SPAIN</td>
<td>CAF</td>
<td>May</td>
<td>36</td>
<td>5,9</td>
</tr>
<tr>
<td>ACC Rogoredo - Variation Order</td>
<td>ITALY</td>
<td>RFI</td>
<td>March</td>
<td>18</td>
<td>5,6</td>
</tr>
</tbody>
</table>

The list represents the 62% of the Total intake orders.
Orders
Breakdown by Geographic Area

Transport Systems SBU Orders*

1H 2006

- Italy: 69%
- Rest of Europe: 31%

Total 1H 2006 €425m
(52% of ASTS Orders 1H 2006)

1H 2005

- Italy: 96%
- Rest of Europe: 4%

Total 1H 2005 €200m
(30% of ASTS Orders 1H 2005)

* Net of intercompany.
Orders
- Main Orders intake for System Transport BU at the end of June 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Country</th>
<th>Award Date</th>
<th>Duration (Months)</th>
<th>Revenues (M €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TESSALONIKI METRO</td>
<td>GREECE</td>
<td>APRIL</td>
<td>60</td>
<td>166,4</td>
</tr>
<tr>
<td>COPENHAGEN (O&amp;M)</td>
<td>DENMARK</td>
<td>MARCH</td>
<td>36</td>
<td>126,6</td>
</tr>
<tr>
<td>MILAN LINE 5</td>
<td>ITALY</td>
<td>JUNE</td>
<td>60</td>
<td>118,4</td>
</tr>
</tbody>
</table>

The list represents the 97% of the Total intake orders.
Orders

Italian High-Speed Railways Market - the 6% of Ansaldo STS current Backlog

Drivers of Market Evolution

- **Awarded**
  - Availability of funds (projects already approved and assigned to consortia)

- **Once the project has been assigned**, it moves in the execution phase until the completion. The contract is so fully financed and it is unlikely that it will be cancelled due to technical aspect (a not completed railway line cannot be used) and financial matters (possible contractual penalties should be applied to the customer)

- **Expected tenders**
  - Insertion of “Corridor 5*” among the priority infrastructural projects in the EU

- Completion of the Milan-Reggio Calabria
  - Salerno-Reggio Calabria leg

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* Corridor 5 is the line linking Lisbon (Portugal) to Kiev (Ukraine).
## Breakdown of current Backlog

### Signalling: €mil 1.185 *
- Italian Company 645 €mil
- US Company 251 €mil
- French Company 203 €mil
- Asia Pacific 152 €mil

### Transport Systems: €mil 1.261 *
- High Speed €mil 138
- Copenhagen Metro €mil 214
- Brescia €mil 327
- Metro Napoli, Roma and Genova €mil 290
- Alifana €mil. 63
- Salonicco €mil 164
- Others €mil 64

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**Ansaldo STS: +11%**

**Backlog at the End of June 2006**

<table>
<thead>
<tr>
<th>€mil.</th>
<th>H1 2005</th>
<th>H1 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.210</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.446</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Net of inter – unit relationships**
EBIT & ROS
at the End of June 2006

1st Semester 2006 status:
€mil. 42,3 (1H 06) vs €mil. 33,5 (1H 05)

EBIT* +26.3%

1st Semester 2006 status:
9.5 % (1H 06) vs 9 % (1H 05)

ROS* +0.6%

* Without the cost of listing of €mil. 6.8

Net Financial Position: **+12.6%**

30th June 2006 status:

€mil. (181.6) (1H 06) vs. €mil. (161.3) (1H 05) €mil. (120.8) (Dec 05)

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Working Capital: **+100.4%**

30th June 2006 status:

€mil. (278.0) (1H 06) vs. €mil. (138.7) (1H 05)
3. Business & Group Strategy
A Diversified Product Offering Across the Sector

The Transport Systems SBU may act as partner of a General Contractor consortium and is responsible for the role of Technology Integrator.

The Transport Systems SBU supplies the trackworks for High-Speed Railways.

The Signalling SBU supplies components and operates maintenance services for signalling equipments.

The Signalling SBU supplies components and operates maintenance services for signalling equipments.

The Transport Systems SBU provides power supply, telecommunications and Supervisory Control and Data Acquisition (SCADA) equipment.

Primary area of focus of Transport Systems SBU:

Primary area of focus of Signalling SBU:
Focus on Systems Portfolio
Signalling

ATC SYSTEM

CTC / SCADA
- Traffic
- Mainpower
- Stations
- Maintenance

Radio link

Sensors

Balises

 Signals

Point Machines

Wayside ATP + Interlocking

Encoders

On board ATP / ATO

Track circuit

Trackside equipments
Overview of the Execution Process

Delivery Time

- Up to 10 years
- Signalling projects are on average shorter

Project Management

- Supervision of entire project execution, including:
  - Periodical update of cost to complete and risk assessment
  - Financial and contractual requirements
  - Project milestones

Bidding Process

Execution Phases

- Pre-Qualification Phase
- Tender Phase
- Contract Negotiation & Award
- System design
- Engineering
- Test and Commissioning
- Architecture Design
- Production and Assembly
- Certification
- Warranty
Overview of Bonding Requirements

- **Advance payment bond**: security for advance payments received under the contract, which is usually reduced upon satisfaction of specific contract milestones

- **Performance bond**: guarantee for the good and prompt performance of the contract obligations in an amount generally equal to 10% of the total contract price (in the US performance bonds may cover up to 100% of the contract value and are reduced on a percentage-of-completion basis). Guarantors are generally released from their obligations after the works have been satisfactorily completed, tested and certified at the end of the warranty period

- **Warranty bond**: guarantee for the obligations during the warranty period; in some cases the performance bond is released upon the issuance of the warranty bond

- **Retention Money bond**: usually contracts provide that a certain percentage of the payments due – as evidenced by interim invoices – is retained until contract completion (Retention Money, usually varying between 5% and 15% of total). This guarantee is issued to replace the Retention Money, which can then be immediately paid

- **Pre-Qualification Phase**
  - Insurance/bank guarantees are a usual contract requirement

- **Tender Phase**
  - **Bid bond**: guarantee submitted with the offer and released if the company is not short-listed to the next phase or upon submission of the performance bond if contract is awarded
  - **Parent company guarantee**: guarantee issued by parent company (normally required only if the tenderer is part of a group), whereby the parent undertakes to indemnify the beneficiary for any damage suffered for a failure of the tenderer/contractor

- **Contract Award**
  - **Advance payment bond**: security for advance payments received under the contract, which is usually reduced upon satisfaction of specific contract milestones
  - **Performance bond**: guarantee for the good and prompt performance of the contract obligations in an amount generally equal to 10% of the total contract price (in the US performance bonds may cover up to 100% of the contract value and are reduced on a percentage-of-completion basis). Guarantors are generally released from their obligations after the works have been satisfactorily completed, tested and certified at the end of the warranty period
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The total value of the Signalling market is estimated by the Company at ~€5,250m, ~€4,600m of strategic importance for the Signalling SBU.

### Signalling Market Size - 2004 (€m)

- **Total Market**: €5,250
- **Non-Strategic Market for ASTS**: €630
- **Strategic Market for ASTS**: €4,620

#### Breakdown by Geographical Area (€m)

- **Western Europe**: €2,290
- **Eastern Europe**: €520
- **North America**: €650
- **Asia/Pacific**: €560
- **Others**: €600

#### Key Drivers of Growth

- **Western Europe**
  - Introduction of ERTMS standards
  - Development of High-Speed network
  - Upgrading of existing network and Mass-Transit lines

- **Eastern Europe**
  - Upgrading of existing network for EU new members

- **Asia/Pacific**
  - Expected economic growth and increasing demand for mobility in countries such as China and India

- **North America**
  - Increased demand of freight transport business
  - Gradual increase in Mass-Transit investments

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*Non-Strategic Market includes Japan, Russia and Central and South Africa.*
### Market Dynamics

#### Turn-Key Transport Systems
- Considerable investments in R&D and high technology
- Direct presence in target countries and knowledge of the local business environment
- International and local references

#### Signalling
- Locally defined technological standards
- Safety certifications for systems/components

### Barriers to Entry

#### Bargaining Power
- Suppliers: Low
- Customers: Medium/High

#### Products Replacement Cycle
- Driven by system life-cycle and technological innovation

### Key Competitors

- **ALSTOM**
- **BOMBARDIER**
- **SIEMENS**
A Group Strategy…

…To Achieve Corporate Goals

- Strengthening leadership position in current markets
- Increasing penetration into new markets
- Consolidating supply portfolio
- Ongoing focus on business profitability improvement and cash flow generation
Benefit of Infra-Group Integration

Profitability Margin Improvement

- ATSF and Ansaldo Signal Group have often operated jointly on different projects in Europe, thus facilitating the integration of the two SBUs
- The integration in Ansaldo STS of the Signalling and Transport Systems activities are expected to generate further value creation opportunities thanks to:
  - Access to international markets by ATSF, particularly in the Unmanned Mass-Transit segment, leveraging on the established presence of the Signalling SBU
  - Increase joint product offering capabilities
  - Management of the continuously increasing complexity of the projects and of the technology implemented
  - Improvement of risk management
  - Targeted and efficient R&D investments

ANSALDO STS aims to be a global operator and worldwide leader in Signalling and Transport Systems delivery for urban and rail transports, leveraging on its strong competences, specific technological capabilities and its multinational presence
Key Investment Highlights

1. Multi-local presence at global level in key markets
2. Diversified product portfolio
3. State-of-the-art solutions tailored to clients’ needs
4. Strong references, brands and established reputation at international level
## Consolidated Guidances

### Group Ansaldo STS

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>Chg.%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>1015</td>
<td>1110</td>
<td>9,4%</td>
</tr>
<tr>
<td>Backlog</td>
<td>2173</td>
<td>2450</td>
<td>12,7%</td>
</tr>
<tr>
<td>Revenue</td>
<td>842,6</td>
<td>875,0</td>
<td>3,8%</td>
</tr>
<tr>
<td>EBIT</td>
<td>79,8</td>
<td>85</td>
<td>6,5%</td>
</tr>
<tr>
<td>ROS</td>
<td>9,5%</td>
<td>9,7%</td>
<td>2,1%</td>
</tr>
</tbody>
</table>

**Outlook 2007- 2008**

Confirm the trend relating to growth in margin (around 1.5% - 2% in the period 2006-2008, based 2005);

Market growth (CAGR 6/7%)