AnsaldoSTS
A Finmeccanica Company

CONSOLIDATED ANNUAL REPORT AT 31 DECEMBER 2011

Consolidated Annual Report at 31 December 2011

This Consolidated Annual Report 2011 has 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 report and the English version, the Italian version shall prevail, as the Italian version constitutes the official document.

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1 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

RENATO RIGHETTI

MASSIMO SCOTTON

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.

2 Economic performance and Group financial situation

2.1 Introduction

At 31 December 2011 the Ansaldo STS Group posted net profit of EUR 73,056 thousand compared with EUR 94,908 thousand for the same period last year. Revenue was EUR 1,211,944 thousand compared with EUR 1,283,710 thousand in the previous year. The Group operating revenues stood at 9.6%, as compared with 10.7% in 2010.

Orders at 31 December 2011 amounted to EUR 2,163,745 thousand from EUR 1,985,012 thousand at 31 December 2010, up EUR 178,733 thousand (+9%).
It is thus noted that:

- For the *Transportation Solutions* Business Unit, acquisitions of EUR 1,256,058 thousand mainly relate to the contract for the Driverless Metro in Honolulu, to the extension of the Metro 5 in Milan, and to the Australian project named Rio Tinto.
- For the *Signalling Business* Unit, acquisitions of EUR 1,045,870 thousand mainly relate to the order for the upgrade of the technological systems of the Turin-Padua line, to the project for the Red Line in Stockholm, to the contract for the designing and construction of the ERTMS Level 2 signalling system for the new Le Mans – Rennes High Speed line in France, and to the order for the technological systems of the Kolkata Metro in India.

The value of backlog at 31 December 2011, equal to EUR 5,452,770 thousand, reflected the performance of acquisitions and rose by 20% from that for the end of 2010, which amounted to EUR 4,551,127 thousand.

In the broader international scenario, the year saw a reduction in investments and an increase in competitive pressure, but this is to be considered a positive year, despite the significant decrease in revenue and margins as compared to both initial expectations and the prior year. This reduction is substantially due to the suspension of the contracts in Libya, where the Company was supposed to carry out a significant amount of activities during the year.

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 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 in Delivery, R&D, manufacturing and staff functions.

From the organisation standpoint, the *Fast Forward Driven by Business* (FFDB) project ended at 31 December 2011. Thanks to this, Ansaldo STS S.p.A. (hereinafter ASTS or Ansaldo STS) changed from the original 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 IT system was made operational in all the main companies of the Group.

As regards the company structure and Group governance, the following should be noted:

- in October 2011 a new company based in Italy named "Metro Brescia S.r.l." was incorporated by and between Ansaldo STS S.p.A., AnsaldoBreda S.p.A. and Astaldi S.p.A.. The purpose of this company is the 2-year technical operation and the 7-year ordinary and extraordinary maintenance of the Brescia driverless metro. The share capital of "Metro Brescia S.r.l." amounts to EUR 500,000.00 and was subscribed by Ansaldo STS SpA to the extent of 40.4% of the full amount;
- At the end of 2011, effective from January 2012, in South Africa a Joint Venture was incorporated by the indirect subsidiary ASTS South Africa PTY (LTD) and Sinosa Rail Solutions South Africa PTY (LTD). The corporate name will be changed to Ansaldo STS – Sinosa Rail Solutions South Africa (PTY) LTD.

It must be noted that, based on local regulations, in order to take part in public tenders for a considerable amount companies must be BBBEEE-compliant (Broad Based Black Economic Empowered Enterprise), which necessarily involve the incorporation of a partnership between foreign and local companies.
The local market is highly growing, and important opportunities are expected in the future.

2.2 Group key figures

(EUR 000)	31.12.2011	31.12.2010	Change
Orders	2,163,745	1,985,012	178,733
Order backlog	5,452,770	4,551,127	901,643
Revenue	1,211,944	1,283,710	(71,766)
EBIT	116,120	137,065	(20,945)
Adjusted EBIT	118,459	139,411	(20,952)
Net profit	73,056	94,908	(21,852)
Net working capital	(89,031)	(154,253)	65,222
Net capital employed	134,462	63,311	71,151
Net financial position (liquidity)	(289,674)	(318,150)	28,476
Free Operating Cash Flow	7,219	65,983	(58,764)
R.O.S.	9.6%	10.7%	-1.1 p.p.
R.O.E.	18.1%	27.8%	-9.7 p.p.
E.V.A.	63,243	94,162	(30,919)
Research and Development	33,900	34,827	(927)
Headcount (no.)	4,100	4,217	(117)

The year 2011 ended with **net** consolidated **profit** of EUR 73,056 thousand from EUR 94,908 thousand for the year 2010.

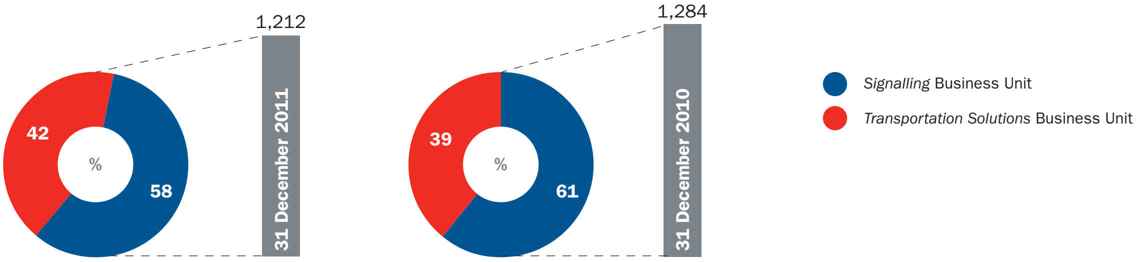
Revenue went from EUR 1,283,710 thousand in 2010 to EUR 1,211,944 thousand in 2011, down EUR 71,766 thousand. The change is mainly due to the Signalling Business Unit, due to the completion of the High-Speed projects in Italy and China and to the SCMT equipment of the rolling stock, as well as to the non-development of the job orders in Libya.

The Signalling Business Unit ended 2011 with revenue of EUR 728,375 thousand, including revenue from other business segments, down by EUR 113,456 thousand from the prior year (EUR 841,831 thousand).

The Transportation Solutions Business Unit ended 2011 with revenue of EUR 512,267 thousand, including revenue from other business segments, slightly up by EUR 7,819 thousand from the prior year (EUR 504,448 thousand).

A smaller number of items than in 2011 were eliminated between the two Business Units by EUR 33,871 thousand (reference should be made to sections 12 and 14 for more details).

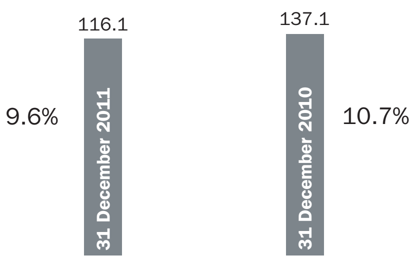
Revenue by Business Unit at 31 December 2011 - 2010 (EUR millions)



EBIT for 2011 amounted to EUR 116,120 thousand, a decrease of EUR 20,945 thousand from 2010 (EUR 137,065 thousand). The profit margin was 9.6%, as compared with 10.7% in 2010.
More specifically:

- Signalling ended the year with operating profit of EUR 75,079 thousand, down EUR 29,153 thousand from the prior year (EUR 104,232 thousand at 31 December 2010) substantially due to smaller production volumes generated, the failure to develop the production volumes that could be generated, and the different combination;
- Transportation Solutions posted operating profit of EUR 55,009 thousand, an increase of EUR 8,715 thousand from EUR 46,294 thousand in the prior year, due to the different combination and profitability of the job orders carried out in the two periods at issue.

EBIT and ROS at 31 December 2011 - 2010 (EUR thousand)



In order to provide additional information on the Group's operating results, financial condition and cash flow, the reclassified income statement, statement of financial position, net financial debt, and statement of cash flows are provided below.

Income Statement (EUR 000)

	31.12.2011	31.12.2010
Revenue	1,211,944	1,283,710
Raw materials and consumables used and personnel costs (*)	(1,075,627)	(1,136,762)
Amortisation and depreciation	(13,067)	(13,215)
Impairment	(343)	(6,430)
Other net operating income (expenses) (**)	(533)	9,770
Change in work in progress, semi-finished and finished goods	(3,915)	2,338
Adjusted EBIT	**118,459**	**139,411**
Restructuring costs	(2,339)	(2,346)
EBIT	**116,120**	**137,065**
Net finance income (costs)	(768)	(3,854)
Income taxes	(42,296)	(38,303)
Net Profit (Loss)	**73,056**	**94,908**
Equity holders of the Company	*72,956*	*94,592*
Minority interests	*100*	*316*
Earnings per share		
Basic and Diluted	*0.56*	*0.73*[1]

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

Notes for reconciling the reclassified Income Statement and the 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).

Statement of financial position (EUR 000)

	31.12.2011	31.12.2010
Non-current assets	270,047	263,747
Non-current liabilities	(46,554)	(46,183)
	223,493	**217,564**
Inventories	129,936	127,632
Contract work in progress	283,302	216,928
Trade receivables	680,069	624,808
Trade payables	(431,851)	(403,133)
Advances from customers	(706,735)	(657,150)
Working capital	**(45,279)**	**(90,915)**
Provisions for short-term risks and charges	(23,136)	(22,417)
Other net assets (liabilities) (*)	(20,616)	(40,921)
Net working capital	**(89,031)**	**(154,253)**
Net invested capital	**134,462**	**63,311**
Capital and reserves attributable to equity holders of the Company	423,014	380,411
Minority interests in equity	1,122	1,050
Shareholders' equity	**424,136**	**381,461**
Net financial debt (liquidity)	**(289,674)**	**(318,150)**

Notes for reconciling the reclassified Statement of Financial Position and the Statement of Financial Position:
(*) Includes "Tax receivables" and "Other current assets", less "Tax payables" and "Other current liabilities".

Net invested capital amounted to EUR 134,462 thousand compared with EUR 63,311 thousand in the previous year. The change of EUR 71,151 thousand is due to the increase in non-current items of EUR 5,929 thousand and in net working capital of EUR 65,222 thousand.

The change in net working capital is due to the increase in inventories of work in progress and trade receivables and the rise in trade payables and advances from customers. In particular, trade receivables rose because of some receivables of the Parent company ASTS. The net financial position (mainly financial receivables and cash and cash equivalents on borrowings) was EUR 289,674 thousand as compared with EUR 318,150 thousand in 2010, a decrease of EUR 28,476 thousand after the payment of dividends of EUR 33,592 thousand (EUR 30,982 thousand in 2010). The financial position at 31 December 2011 (EUR 289,674 thousand) includes EUR 70,643 thousand for the advance payment collected by the Russian customer Zarubezhstroytechnology for the project for the construction of signalling, automation, telecommunications, power supply, security and ticketing systems on the line linking Sirth to Benghazi in Libya.

2.3 Financial situation

(EUR 000)	**31.12.2011**	31.12.2010
Short-term borrowings	14,535	3,089
Medium and long-term borrowings	269	1,115
Cash and cash equivalents	(160,928)	(153,320)
BANK DEBT	**(146,124)**	**(149,116)**
Financial receivables from related parties	(2,531)	(149,150)
Other financial receivables	(110,812)	(21,212)
Current financial assets at fair value	(30,756)	-
FINANCIAL RECEIVABLES	**(144,099)**	**(170,362)**
Borrowings from related parties	-	-
Other short-term borrowings	380	822
Other medium- and long-term borrowings	169	506
OTHER BORROWINGS	**549**	**1,328**
NET FINANCIAL DEBT (LIQUIDITY)	**(289,674)**	**(318,150)**

Cash and cash equivalents at 31 December 2011 came to EUR 160,928 thousand.

The Statement of Cash Flows at 31 December 2011 was broken down as follows:

Statement of Cash Flows (EUR 000)	**31.12.2011**	31.12.2010
Cash and cash equivalents - opening balance	**153,320**	**128,541**
Gross cash flow from operating activities	127,299	164,994
Changes in other operating assets and liabilities	(67,235)	(50,311)
Fund From Operations	**60,064**	**114,683**
Change in working capital	(42,657)	(41,717)
Cash flow from (used in) operating activities	**17,407**	**72,966**
Cash flow from ordinary investing activities	(10,188)	(6,983)
Free Operating Cash Flow	**7,219**	**65,983**
Strategic investments	(6,302)	-
Other changes in investing activities	(44)	-
Cash flow from (used in) investing activities	**(16,534)**	**(6,983)**
Dividends paid	(33,592)	(30,982)
Cash flow from financing activities	38,955	(12,795)
Cash flow from (used in) financing activities	**5,363**	**(43,777)**
Translation differences	**1,372**	**2,573**
Cash and cash equivalents - closing balance	**160,928**	**153,320**

The year 2011 ended with net increase of EUR 7,608 thousand in cash and cash equivalents over the same period of the prior year.

The following are the main changes in the Statement of Cash Flows:
- cash flow from operating activities of EUR 17,407 thousand, down EUR 55,559 thousand from the same period of the prior year;
- cash flow used in investing activities was EUR 16,534 thousand, up EUR 9,551 thousand from the same period of the prior year (EUR 6,983 thousand at 31 December 2010);
- cash flow from financing activities was EUR 5,363 thousand as compared with EUR 43,777 thousand used at 31 December 2010. The decrease was also due to greater dividends paid: EUR 33,592 thousand in 2011, EUR 30,982 thousand in 2010.

The *Free Operating Cash Flow (FOCF) before strategic investments* for the period at issue amounted to EUR 7,219 thousand from EUR 65,983 thousand at 31 December 2010; the decrease of EUR 58,764 thousand was 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 (the two contracts in Libya), which were actually suspended.

2.4 Alternative non-GAAP performance indicators

The management of Ansaldo STS S.p.A. (hereinafter also ASTS) 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. Ebit also does not include costs and income resulting from the management of unconsolidated equity investments and other securities, nor the results of any sales of consolidated shareholdings, which are classified on the financial statements either as "finance income (costs)" or, for the results of equity investments accounted for with the equity method, under "share of profit (loss) of equity accounted investments".
- ***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.

The reconciliation between EBIT and Adjusted EBITA for the periods compared is presented hereunder:

(EUR 000)	**2011**	2010
Earnings before income taxes, net finance income and costs and share of results of equity accounted investments (EBIT)	116,120	137,065
Impairment of goodwill	-	-
Amortisation of intangible assets acquired through a business combination	-	-
Restructuring costs	2,339	2,346
Total exceptional costs (income)	-	-
***Adjusted* EBIT**	**118,459**	**139,411**

- ***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 in section 2.3.
- ***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 in section 2.4.
- ***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.
- ***Operating Working Capital:*** includes trade receivables and payables, work in progress, advances from customers and provisions for risks and charges.
- ***Net Working Capital:*** this is represented by operating working capital less other current assets and liabilities.
- ***Net Invested Capital:*** this is the algebraic sum of non-current assets, non-current liabilities and Net Working Capital.
- ***Net financial debt (liquidity) or Net financial position:*** 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.
- ***Return on Equity (ROE):*** this is calculated as the ratio between the net profit and the average value of shareholders' equity for the two periods concerned.
- ***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.).

2.5 Transactions with related parties

Transactions with related parties concern activities in the ordinary course of business and are carried out at arm's length (where they are not governed by specific contractual conditions), as is the settlement of interest-bearing payables and receivables.
These transactions mainly relate to the exchange of goods, the performance of services and the generation and use of net cash from and to associated companies, held under common control (joint ventures), consortia, and unconsolidated subsidiaries.
There are no transactions qualifying as atypical and/or unusual[1].
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).
Below are the amounts of transactions with related parties (a breakdown is shown in Notes 13 and 14) at 31 December 2011 and 2010.

31.12.2011 (EUR 000)	**Parent company**	**Unconsolidated subsidiaries**	**Associates**	**Joint Ventures (*)**	**Consortiums (**)**	**Other Group**	**MEF**	**Total**
Non-current receivables								
- financial	-	-	-	-	-	-	-	**-**
- other	-	-	1,540	1,225	-	-	-	**2,765**
Current receivables								
- financial	2,531	-	-	-	-	-	-	**2,531**
- trade	365	1,237	13,606	13,513	32,596	15,040	56,773	**133,130**
- other	145	-	-	-	1,364	-	-	**1,509**
Non-current payables								
- financial	-	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	-	-	**-**
Current payables								
- financial	-	-	-	-	-	-	-	**-**
- trade	470	729	5,969	1,176	974	36,262	404	**45,984**
- other	70	3	-	-	24	-	-	**97**

31.12.2011 (EUR 000)	**Parent company**	**Unconsolidated subsidiaries**	**Associates**	**Joint Ventures (*)**	**Consortiums (**)**	**Other Group**	**MEF**	**Total**
Revenue	-	763	16,095	12,042	13,760	18,913	149,361	**210,934**
Other operating revenues	-	-	103	-	49	-	-	**152**
Costs	3,218	1,945	41,332	70	2,754	35,842	1,864	**87,025**
Finance income	7	-	-	-	-	641	-	**648**
Finance costs	105	-	-	(105)	-	-	-	**-**
Other operating costs	-	-	-	-	-	100	-	**100**

(*) amounts refer to the portion not eliminated for proportionate consolidation.
(**) consortiums over which the Group exercises considerable influence or which are subject to joint control.

1. as defined in CONSOB communication no. DEM/6064293 of 28 July 2006.

31.12.2010 (EUR 000)	Parent company	Unconsolidated subsidiaries	Associates	Joint Ventures (*)	Consortiums (**)	Other Group	MEF	Total
Non-current receivables								
- financial	-	-	-	-	-	-	-	**-**
- other	-	-	1,006	-	-	-	-	**1,006**
Current receivables								
- financial	635	-	-	-	-	148,515	-	**149,150**
- trade	27	5,700	29,129	-	39,964	10,187	46,716	**131,723**
- other	145	-	-	-	1,365	54	-	**1,564**
Non-current payables								
- financial	-	-	-	-	-	-	-	**-**
- other	-	-	-	-	-	-	-	**-**
Current payables								
- financial	-	-	-	-	-	-	-	**-**
- trade	468	6,003	2,822	5,454	1,092	38,280	475	**54,594**
- other	-	3	-	-	24	-	-	**27**

31.12.2010 (EUR 000)	Parent company	Unconsolidated subsidiaries	Associates	Joint Ventures (*)	Consortiums (**)	Other Group	MEF	Total
Revenue	-	5,599	30,139	2,854	36,139	14,481	174,008	**263,220**
Other operating revenues	-	3	7	-	-	41	-	**51**
Costs	2,565	9,904	48,575	10	2,840	54,182	2,701	**120,777**
Finance income	1	-	-	-	-	718	-	**719**
Finance costs	124	-	-	727	-	-	-	**851**
Other operating costs	-	-	-	-	-	59	-	**59**

(*) amounts refer to the portion not eliminated for proportionate consolidation.
(**) consortiums over which the Group exercises considerable influence or which are subject to joint control.

Within the Group rules of *corporate governance*, specific conduct guidelines were identified to ensure that transactions with related parties are carried out in compliance with methods of procedural and substantial fairness.
All the transactions made with the Parent Company and the related parties were at arm's length.

2.6 Performance

2.6.1 Market conditions and business climate

In a scenario marked by an ever-stiffer competition, for the Ansaldo STS Group the year 2011 marked a considerable commercial success involving a volume of acquisitions greater than EUR 2 billion, an all-time high, on both business segments. In particular:

Signalling Business Unit

The orders acquired at 31 December 2011 came to EUR 1,045.9 million, greater than the orders acquired in 2010 (EUR 890.2 million). The order backlog came to EUR 2,341.4 million from EUR 2,090.6 million at 31 December 2010.

The main events of the year referring to the Signalling Business Unit are outlined below.

ITALY

In Italy the market recovered significantly, especially in the upgrade of the existing lines. This allowed the company to win the contract for the Turin-Padua line (EUR 210.5 million), which is a part of the European Corridor D (Lisbon-Kiev). The supply includes the systems for traffic operation along the line and at stations, the related integrated diagnostics systems, as well as the supply of several auxiliary equipment.
Good was the volume of acquisitions on traditional business segments: HSL completions and upgrades; construction and upgrading of several automation equipment (SCC or CTC); sale of components and assistance and maintenance services.

REST OF EUROPE
Particularly significant results were also achieved in the rest of Europe.

In **France**, contracts worth more than EUR 120 million were acquired for the new high-speed lines: one directly from SNCF for the second stage of the LGV EE, two from the General Contractors that will build the "Bretagne-Pays de Loire HSL" with Eiffage, and "LGV SEA " with Inneo using Project Financing. Still in France it is worth remembering the umpteenth extension of the contract with RATP for the maintenance of some lines of the Paris Metro, for an amount of some EUR 18 million.

In **Germany**, the company received the second contract from Deutsche Bahn for the HSL ERTMS2 equipment plan, thus confirming the business leader in the prestigious and challenging German market as well. This new contract covers the designing, supply, installation and operation and service of ERTMS/ETCS Level 2 signalling systems along the Rostock-Berlin line, for an amount of EUR 14 million.

In **Sweden**, in the Mass Transit segment, a contract was acquired for the CBTC technology-based upgrade of the wayside and onboard equipment of the Red Line of the Stockholm Metro, for an amount of EUR 85 million.

In **Turkey** agreements were formalised 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.

NORTH AMERICA
During the period there were no commercial events of particular relevance. The traditional sale of wayside and onboard equipment continued for the traditional customers in **Canada** and the **USA**, both in the Railroads and the Mass Transit segment.

ASIA - PACIFIC
The Australian market is on the mend, especially in the mining lines segment. This generated a significant offer. However, in the year 2011 new acquisitions were modest in the amount of EUR 30 million.

In **India**, on the other hand, a contract was acquired from Kolkata Metro Rail Corporation Limited (KMRCL) for an amount of EUR 46 million for the designing, construction, installation and testing of the control, signalling and communication systems of a new section of the Calcutta Metro.

In **China** the major acquisition for the year regards line 1 of the ZhengZhou traditional underground for an amount of EUR 9 million.

Finally, in **South Korea**, a contract was acquired for the construction of systems for the Uhi-Shinseoul driverless metro with POSCO for EUR 20.0 million.

Transportation Solutions Business Unit

The **orders acquired** at 31 December 2011 came to EUR 1,256.1 million compared with EUR 1,142.8 million at 31 December 2010.
The order backlog came to EUR 3,442.3 million from EUR 2,721.5 million at 31 December 2010.
The significant events of 2011 for the various geographical areas are outlined below.

ITALY
In Italy, the overall amount of orders acquired at 31 December 2011 amounted to more than EUR 120 million. The most important acquisition, for more than EUR 105 million, relates the extension of Line 5 of the Milan Metro (south-westbound extension from Garibaldi to San Siro).
The line will extend for a further 7 km with 10 new stations. Ansaldo STS technology will be used on the fully driverless system.

Projects under way include the award of the tender – under Project Financing – 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 concession agreement and the loan agreements will be effective, hopefully in a short time, after the competitors have filed their appeals.

REST OF EUROPE
Generally, the global macroeconomic scenario is still affected by the financial crisis that caused many projects to be delayed, in particular in the Eastern European area, where the development programmes driven by the European Community do not seem adequate to fully finance the major expansion projects for the transport networks of some capital cities.

In **Denmark**, as part of the contract formerly acquired for the Copenhagen Cityringen driverless metro, the customer decided to give the order for trains to Ansaldobreda through Ansaldo ATS, which is in charge of the construction and integration of all the technological works. This allowed an order for a further EUR 120 million.

NORTH AFRICA AND THE MIDDLE EAST
During the period there were no new acquisitions, but several promotion and offering activities were initiated, especially in **Qatar**, which is one of the countries with the most ambitious infrastructure development plans, such as **Saudi Arabia**.

ASIA - PACIFIC
The amount of the orders acquired in **Australia** in this business segment was more than EUR 151 million, all deriving from the master agreement made with the mining company Rio Tinto for the technological equipment of new and existing railway lines to transport iron ores from the Pilbara region in Western Australia to the ports along the coast.

In **India** consideration is being given to possible partnerships with local contractors in order to take part in future tenders.

NORTH AMERICA
The most important event of the year is undoubtedly the signing of the contract for the construction of the Honolulu Metro.
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, 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.

2.6.2 Business information

The **orders acquired** at 31 December 2011 came to a total of EUR 2,163,745 thousand as compared with EUR 1,985,012 thousand in the same period of 2010, an increase of EUR 178,733 million (+9%).
The orders acquired by the Signalling Business Unit amounted to EUR 1,045,870 thousand, and those acquired by the Transportation Solutions Business Unit were EUR 1,256,058 thousand. They are both shown including transactions with other business segments.

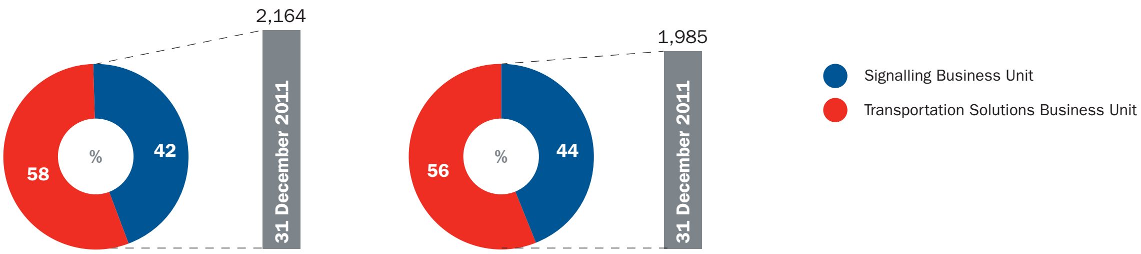
The main orders acquired by the Signalling Business Unit during 2011 were on the following projects:

Country	Project	Customer	Value (EUR mln)
Italy	TO-PD Main Line (main orders and variation order)	RFI	210.5
Sweden	Stockholm Red line	S L	85.0
France	HSL Bretagne – Pays de Loire	EIFFAGE	62.0
France	LGV SEA	INEO	46.7
India	Kolkata Metro	KMRC	46.1
Turkey	HSL Gebze – Kosekoy	Salini-CGF-Kolin	31.5
Australia	ARTC various projects	ARTC	30.0
Italy	HSL variation orders & price escalation	RFI	20.3
South Korea	Uhi-Shinseoul	POSCO	20.0
Italy	SCC – CTC variation orders	RFI	18.1
France	RATP Metro Paris Maintenance	RATP	17.8
France	LGVEE Phase 2	SNCF	15.0
Germany	Berlin – Rostock	D B	13.8
Canada	STM Montreal	STM	12.1
USA	Components, Service & Maintenance	Various	43.5
France	Other Components, Service & Maintenance	Various	29.7
Italy	Components, Service & Maintenance	Various	13.1

The main orders acquired by the Transportation Solutions Business Unit during 2011 were on the following projects:

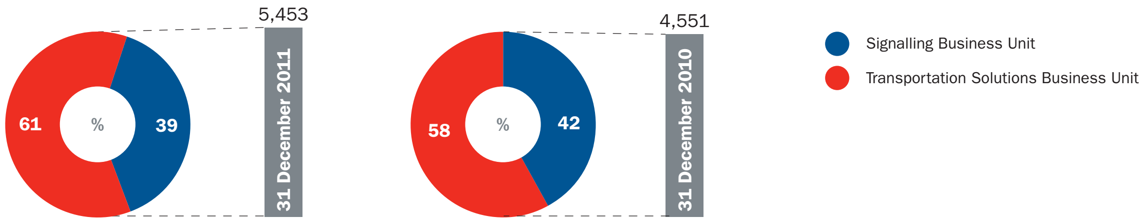
Country	Project	Customer	Value (EUR mln)
USA	Honolulu Metro	HART	841.8
Denmark	Copenhagen – vehicles	Metroselskabet	121.9
Italy	Milan Line 5 ext. Garibaldi - San Siro	Milan Municipality	105.2
Australia	Rio Tinto RAFA phase 1	Rio Tinto	70.0
Australia	Various Rio Tinto small projects	Rio Tinto	48.2
Australia	Rio Tinto RAFA phase 2	Rio Tinto	33.2
Saudi Arabia	Riyadh - PNU variation orders	SBG	11.8
Italy	Rome Line C variation	Roma Metropolitane	7.1

Orders by Business Unit at 31 December 2011 - 2010 (EUR millions)



The **order backlog** at 31 December 2011 totalled EUR 5,452,770 thousand, an increase of EUR 901,643 thousand (or 20%) as compared with 31 December 2010. It is to be noted that EUR 650,483 thousand relates to projects in Libya that for the time being are suspended.
The Signalling Business Unit's order backlog at 31 December 2011 came to EUR 2,341,367 thousand (EUR 2,100,179 thousand, less transactions with the Transportation Solutions Business Unit).
The Transportation Solutions Business Unit's order backlog at 31 December 2011 came to EUR 3,442,345 thousand (EUR 3,352,591 thousand, less transactions with the Signalling Business Unit).

Orders Backlog by Business Unit at 31 December 2011 - 2010 (EUR millions)



2.6.3 Performance of the Signalling Business Unit

(EUR 000)	**31.12.2011**	31.12.2010	Change
Orders	1,045,870	890,205	155,665
Order backlog	2,341,367	2,090,584	250,783
Revenue	728,375	841,831	(113,456)
EBIT	75,079	104,232	(29,153)
R.O.S.	10.3%	12.4%	-2.1 p.p.
Operating Working Capital	111,449	300	111,149
Research and Development	32,475	33,053	(578)
Headcount (no.)	3,081	3,315	(234)

The figures in this table are inclusive of transactions with other segments.

Revenue at 31 December 2011 was EUR 728,375 thousand from EUR 841,831 thousand in 2010.

Below is an overview of the most relevant production events:

ITALY
As regards the High Speed programme, the activities for the existing lines were essentially completed, except for continuous but small maintenance and upgrading of control equipment. Through the Consorzio Saturno, for the future Milan-Genoa and Brescia-Treviglio lines, designing commenced ahead of the signing of the relevant contracts, which envisage very short times for the designing stage.

In the onboard SCMT segment, the supply of equipment for the Trenitalia rolling stock continued under the applicable Master Agreement. Good was the volume of activities generated by orders of other railway companies and builders of rolling stock intended for circulation in Italy.
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 and for Vivalto double-decker carriages for Trenitalia; development activities continued for the 50 new V300 Zefiro High-Speed trains and equipment for the first two trains were tested.

In the Station equipment segment, almost all of the activities were completed for the systems of the Naples, Venezia-Mestre, Pisa, and Milano-Rogoredo junctions as well as for the Trento-Malè line. Equipment at Palermo station is being installed. As regards the newly-acquired large facility for the Genoa multistation equipment, activities were slower than scheduled due to delays in civil contracts and track-laying, which are preparatory to the works of the Company.

The Turin-Padua Line is worth a specific mention. Production mainly regarded detailed engineering, which was completed in due time, and the relevant documentation was delivered to the customer. Development activities continued mainly for the release of the key prototypes for the later stages of procurement and designing.

In the Mass Transit segment, in cooperation with the Transportation Solution Business Unit, the major activities regarded the supply of systems for Line B1 of the Rome Metro, De Ferrari - Brignole line of the Genoa Metro, Line 1 Dante-Garibaldi of the Naples Metro, Line 6 of the Naples Metro. As regards the latter, development activities continued for the Metropolitan Border of the Mostra-Mergellina section.

The year saw growing volumes of assistance and maintenance activities, mostly for RFI and Trenitalia, the result of large quantities of systems and equipment supplied to these customers in the last years.

REST OF EUROPE
(This section also includes Turkey and the FSU)

In **France** activities mostly regarded onboard systems *(TG Rhin-Rhône)* and equipment *(Thalys)* for the French high speed network, as well as the usual orders for maintenance, assistance and manufacturing of spare parts.

In **Sweden** the *Ester* project is being fully developed for the construction of an ERTMS level 2 system on the Ester line in the Northern part of the country. The project for the upgrade of the Red Line of the Stockholm Metro is also being developed using CBTC technology.

In the **UK**, during the year the operation stage was completed for the project for the *Cambrian line* (the first line on British soil to be equipped with the ERTMS level 2 European standard). This allowed the settlement of some contractual claims of the customer.

In **Germany** testing and operation activities commenced on the equipment installed on the Saarbrücken - Mannheim line, which is part of the interoperable European corridor *(Paris-Ostfrankreich-Südwestdeutchland)*. Preliminary designing activities started on a similar contract acquired during the year for the track laying of the Rostock-Berlin line.
As regards the onboard project for the supply of 30 multistandard equipment for 15 HS Velaro trains, manufacturing activities continued during the year and some additional functional implementations were defined with the customer.

In **Russia** preparations were completed for the start of the testing of the *Itarus* system, a system designed by Ansaldo STS with NIJAS (the research body of the Russian railways) for the introduction of the ERTMS standards in the physical and operating environment of the Russian territory.

In **Turkey** detailed engineering continued on the Mersin-Toprakkal line. As the Customer gave the necessary approvals, onsite assembly commenced. Activities resumed with new strength for the Ankara metro, after the title of the contract changed from the municipality to the Ministry of Transportation.

In **Kazakhstan** all the productive activities that had commenced on the Khorgos-Zhetysen line project, as part of the Joint Venture formed with the local railways, were formally interrupted by the customers and negotiations are under way for the redefinition of the scope of work of the JV. Therefore, it was considered prudent not to include the finishing amount of the project (some EUR 45 million) in the Group backlog, given the persistent uncertainty.

NORTH AFRICA AND THE MIDDLE EAST
The performance of the activities planned for the year 2011 in Tunisia and mostly Libya was adversely affected by the political riots in the region.

In **Tunisia** activities resumed at the end of the year, and activation of the signalling and automation systems in the Tunis suburban line is nearing completion.

In **Libya**, immediately after riots started, activities were suspended for the project for the construction of the signalling, telecommunications, security and power supply system for the Ras Ajdir –Sirth and the Al Hisha – Sabha lines. These activities have not resumed for the time being. The project for the construction of a similar system for the Sirth – Benghazi section was also suspended by the customer, the construction company of the Russian Railways Zarubezhstroytechnology (ZST), with letter dated 21 February 2011. Contacts are under way with this organisation in order to agree upon extending the period of suspension of the contract.
At present it is difficult to assume that these contracts may be resumed, given the situation of the country.

AMERICA
Production came from both system works on projects lasting several years and from the sale of components.
For the first segment, activity was extensive for the customer Union Pacific on the OTP/CADX project. In 2005 Ansaldo STS USA won the contract for the development and implementation of the *Next Generation Computer Aided Dispatch* (CAD) and of an *Optimizing Traffic Planner* (OTP) system, as well as maintenance until 2030. During the year the OTP was activated in all the Western regions and in most of the Southern areas. The completion in all the regions (34 overall) is expected in 2012. As regards the development of the CADX Office, 90% of the subsystem requirements were approved by Union Pacific.
In the Mass Transit market, manufacturing regarded several contracts with various public transport authorities: NYC - 5th and Lexington, WMATA - Red Line, PATH PTCC - Office, Port Authority of Allegheny Co, LIRR-Harold Interlocking.

ASIA - PACIFIC
In **Australia** activities were carried out with several customers, mostly using alliance contracting. In particular, works worth noting are those for the Newcastle Alliance, the Synergy Alliance, the Richmond Line Alliance, the K2RO Project, and the NCIG-Coal Export Terminal.

In **India**, manufacturing mainly focussed on these projects, all with the Indian federal railways.
Since its inception, the KFW project has been upgraded and changed with variations and this caused a delay in the performance timeline together with a number of technical problems which were finally resolved during 2011. Thanks to this, the first systems were delivered for operation.
After a long series of technical and operational difficulties, solutions to be implemented with the customer were sufficiently defined for the two projects (North and South) for equipping wayside and onboard systems with devices for the Train Protection and Warning System (TPWS).

In **Korea** the cooperation with Rotem involved the supply of equipment for some types of engines. During the year line testing was carried out with positive results.

In **China**, the ZhengXi Line project is now ending; the major activities regarded the Transfer of Technology (ToT) to the local partner Insigma.

EBIT of the Signalling Business Unit at 31 December 2011 came to EUR 75,079 thousand (10% of the value of revenue), lower than the amount of December 2010 (EUR 104,232 thousand) due to smaller volumes and the freezing of the new contracts in Libya.
Operating Working Capital at 31 December 2011 totalled EUR 111,449 thousand, up from EUR 300 thousand at 31 December 2010 as a result of an increase in trade receivables, inventories and work in progress.

Research & Development costs at 31 December 2011 amounted to EUR 32,475 thousand, essentially in line with the figures for the prior year (EUR 33,053 thousand).

Headcount at 31 December 2011 totalled 3,081 people (3,315 at 31 December 2010); it includes the containment of resources as part of the reorganisation process.

2.6.4 Performance of the *Transportation Solutions Business Unit*

(EUR 000)	**31.12.2011**	31.12.2010	Change
Orders	**1,256,058**	1,142,756	113,302
Order backlog	**3,442,345**	2,721,540	720,805
Revenue	**512,267**	504,448	7,819
EBIT	**55,009**	46,294	8,715
R.O.S.	**10.7%**	9.2%	+1.5 p.p.
Net working capital	**(172,411)**	(105,299)	(67,112)
Research and Development	**1,425**	1,774	(349)
Headcount (no.)	**600**	449	151

The figures in this table are inclusive of transactions with other segments.

Revenue of the Transportation Solutions Business Unit at 31 December 2011 amounted to EUR 512,267 thousand from EUR 504,448 thousand at 31 December 2010.
The volumes were developed in Italy (55%) and abroad (45%), with 78% regarding the metro rail sector. 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 Metro, Malaysia and Australia Metros.

Below is an overview of the most significant production events.

ITALY
HIGH-SPEED RAILWAYS
In the High Speed segment, marginal activities continued on existing lines for the operation of some new interconnections and for assistance works covered by warranty; activities for the designing of the new sections Treviglio - Brescia and Milan-Genoa 3° Valico del Giovi - for which contracts are to be formalised yet - started with interruptions.

METROGENOVA
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, 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.
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. Works were dramatically delayed in the last few years because the level of archaeological excavation was reached. 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.

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.
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.

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 scheduled at the end of October 2012.
With regard to the extension of the line to San Siro station, the detailed engineering is under way and will be completed within December 2012. Orders were issued for all the supplies, while the contract for the assembling of the signalling equipment will be completed next year. The civil partner is carrying out activities for moving subservices, the construction of the station bulk heads and the preparation of the first two TBMs.

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).
It is expected that in 2012 Toledo station be included in the shuttle route that is now operating and that the entire section linking Dante and Garibaldi be completed with a carousel configuration which will be final (December), except for Municipio and Duomo, for which completion is expected in 2013 and 2014 respectively.

METRO BRESCIA

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.

REST OF EUROPE

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 2007. 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.

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.

NORTH AFRICA AND THE MIDDLE EAST

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.

ASIA - PACIFIC

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.

AUSTRALIA

Production mainly developed on the projects related to the Framework Agreement of Rio Tinto (RAFA). In particular, activities on the Rail Capacity Enhancement and Hope Down 4 account for most of the revenue for the year and of the employment of Engineering and Construction entities' in-house resources. Activities continued for the preparation of operations for the ECP and the ATO projects and for the study phase for the remaining part of the programme.

MALAYSIA

Production mainly regarded the Malaysia North Double Tracking project. The most relevant event of the period was the settlement of the dispute with the Customer, at all levels, for the definition of the signalling technological solution to be adopted for the project. Negotiations are still being held for the work programme and for the request for a time extension to make up for the months spent identifying the reference technological solution.

EBIT for the Transportation Solutions Business Unit at 30 December 2011 came to EUR 55,009 thousand (10.7% of the value of revenue) compared with EUR 46,294 thousand at 31 December 2010 (9.2% of the value of revenue); this increase is a result of the different mix of orders worked in the two comparison periods.

Operating Working Capital came to a negative EUR 172,411 thousand, as compared with a negative EUR 105,299 thousand at 31 December 2010; this change is mainly attributable to the increase in advances from customers during the year.

Research & Development costs charged to the income statement amounted to EUR 1,425 thousand, mainly in line with the figure at 31 December 2010 (EUR 1,774 thousand).

The **headcount** at 31 December 2011 was equal to 600 units, up 151 units compared with 31 December 2010 (449 units). This change is attributable to the reallocation of resources, especially in Australia, made in the scope of the group reorganisation.

2.7 Reconciliation of net profit and shareholders' equity of the Group Parent with the consolidated figures at 31 December 2011

(EUR 000)	Shareholders' equity	of which: Net profit for the year
Parent Company shareholders' equity and net profit at 31 December 2011	**321,939**	**53,286**
Excess of shareholders' equities in the financial statements compared with the carrying amounts of the equity investments in consolidated companies	100,138	15,057
Consolidation adjustments made for:		
- Dividends from consolidated companies	-	-
- Translation differences	937	-
- Write-down of equity investments in consolidated companies and financial receivables of subsidiaries	-	4,414
- Other adjustments	-	199
	423,014	**72,956**
- Minority interests	1,122	100
Total Shareholders' Equity and Net Profit at 31 December 2011	**424,136**	**73,056**

3 Main transactions during the period and events subsequent to 31 December 2011

The most important event of the year is represented by the success obtained in Honolulu.
Ansaldo Honolulu Joint Venture, the consortium formed by Ansaldo STS and AnsaldoBreda, signed in November with HART (Honolulu Authority for Rapid Transportation) the contract for the construction of the technological part and provide the vehicles of the new driverless metro line in Honolulu (State of Hawaii). The contract, whose total value amounts to USD 1,334 million (net of the GET tax), provides for the planning, construction, operation and maintenance of the Honolulu driverless metro line; it will be a 32 km long entirely on flyover tracks along 21 stations; the share of Ansaldo amounts to EUR 841.8 million. It will take eight years to plan and construct the entire line, while the operation and maintenance of the line will start in 2015 for the first functional section and in 2029 for the entire line. The value of this contract is the highest ever recorded by our company.

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, 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.

4 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.

4.1 Strategic risks

4.1.1 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 standardization 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 since 1 April 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 several 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 effectiveness and prompt implementation of these programmes.

4.1.2 Changes in the macroeconomic scenario and efficiency objectives

The Ansaldo STS Group, as said above, operates in an international market and is therefore exposed to risks resulting from changes in the global macroeconomic scenario and in the 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 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 Group 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.

4.1.3 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.

4.2 Operating risks

4.2.1 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.

4.2.2 Public administration companies and contracts lasting several years
The Group's business mostly depend on public administration companies and, in particular in the transportation solution business, 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.

4.2.3 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.

4.2.4 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.

4.2.5 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.

4.2.6 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.

4.2.7 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.

4.2.8 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.

4.2.9 Development, 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.

4.3 Financial risks

4.3.1 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 Group’s exposure for guarantees stood at EUR 2,857,361 thousand (EUR 2,314,756 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 Group’s business and economic and financial condition would be adversely affected.

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

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.

4.3.2 Project Financing transactions and PPP (public and private partnership)

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

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

4.4 Disclosure risks

4.4.1 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.

5 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 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 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 statement below provides the present status of the certifications obtained or to be obtained:

REGION	NON-PRODUCTION FACILITIES	ISO 9001	ISO 14001	ISO 18001
UK	Bravington House	yes	yes	yes
EIRE	Kerry, Ireland	yes	2012	2012
FRANCE	Les Ulis	yes	yes	2012
SPAIN	Madrid	yes	yes	yes
SWEDEN	Solna	yes	yes	2012
ITALY	Genoa	yes	yes	yes
	Naples	yes	yes	yes
	Piossasco	yes	yes	yes
USA	Pittsburg	yes	2012	2012
ASIA PACIFIC	Banyo Brisbane	yes	2012	yes
	Viola Brisbane	yes	2012	yes
	Kolkata	yes	2012	yes
	Noida	yes	2012	yes
	Bangalore	yes	2012	yes
	Chennai	yes	2012	yes
	Karratha	yes	2012	yes
	Kuala Lumpur Office	yes	2012	2012
	Kuala Lumpur Factory	yes	2012	2012
	Melbourne	yes	2012	yes
	Newcastle	yes	2012	yes
	Perth	yes	2012	yes
	Sydney	yes	2012	yes

REGION	PRODUCTION FACILITIES	ISO 9001	ISO 14001	ISO 18001
USA	Batesburg	yes	2012	2012
FRANCE	Riom	yes	yes	2012
ITALY	Tito	yes	yes+EMAS	yes

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 mainly include office business, for which Ansaldo STS 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.

6 Research and development

The main activities developed in the course of the financial year are reported below:

Transportation Solutions

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.

Self-financed research 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

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 projects:
- *MULTI-FUNCTION* PORTAL: in 2011, after this experience, the Group 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;
  - lab & field integration tests of the software relating to the wayside zone controller and to the onboard ATP system are continuing;
  - the IXL static upgrade is continuing using CBTC requirements;
  - the simulation system for CBTC (wayside/onboard) integrated tests was developed;
  - the integration and upgrade of the ATS supervisory system are under way in relation with the moving block requirements operated using the CBTC mode;
  - the use of the eurobalise beacon was defined as a standard “tag” for CBTC applications;
  - activities are under way for upgrading the CBTC system, as well as other sub-system such as Interlocking (MICROLOK II or ACC) and (ATS) supervisory system, from the driver mode to the driverless mode (functional requirements relating to the driverless mode were defined in December 2011);
  - an analysis is being run on the possibility to develop the CBTC system without train detection systems (mostly for tramwave applications and in any case to reduce times and costs of planning, construction and maintenance);
  - TOD: Man-machine interface for CBTC onboard equipment: the first version of the ToD (touch screen) was released in relation with the system requirements that are currently available.

- *QMR 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).

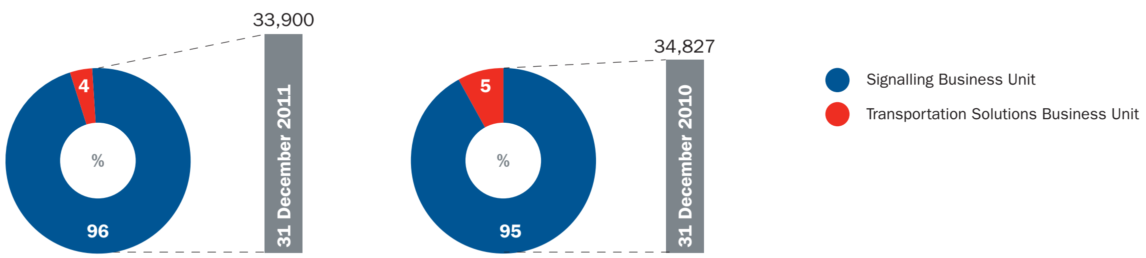
- *High and Low LED Signals:* development activities are under way for (High and Low) LED signals for the Italian and the foreign markets. In particular, led solutions were identified for both dichroic mirror signals and self-contained signal units, with the cooperation of external companies (especially 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.

At 31 December 2011, research and development costs were equal to EUR 33,900 thousand, with a slight decrease compared with EUR 34,827 thousand at 31 December 2010.

The activities undertaken by the Signalling Business Unit, totalling EUR 32,475 thousand (EUR 33,053 thousand in the same period in 2010) or 96% of total spending, mainly related to the following companies (figures in thousands of euros):
- Ansaldo STS SpA: 14,167
- Ansaldo STS France: 12,647
- Ansaldo STS USA: 5,562

The activities undertaken by the Transportation Solutions Business Unit amounted to EUR 1,425 thousand compared with EUR 1,774 thousand at 31 December 2010.

R&D costs at 31 December 2011-2010 by Business Unit (thousands of euros)



7 Personnel and organisation

The Management in 2011 mainly focused on rationalisation, development and efficiency projects in an increasingly competitive and challenging global market scenario.
Specifically, particular mention should be given to the launch of an ambitious efficiency project, that it is called KORU (Key Operational Results Unfolded) and aims at optimising corporate internal costs through the review of corporate processes. Within this project, the role of human resources is paramount to finalise the strategies defined by the functional managers as well as to constantly monitor the efficiency objectives of the headcount set for each single area.
The attention to cost reduction has been strengthened in 2011 by the actions directed to significantly reduce overheads.
To this respect, it is necessary to make mention of the internal policies on telephone services and travels that have already produced the first positive results in the financial year. Of same importance, are the development projects, which also started producing effects in 2011. Among these, the Global Job System is certainly the pillar of the model for the professional development of Ansaldo STS. Through this instrument, it is possible to identify the allocation of the skills on the basis of the business requirements, the related gaps as well as development priorities.
The project output, now heritage of the corporate community, are the following:
• a mapping of the existing jobs, defined as Family Backbone;
• a breakdown of responsibilities, mission, expertise and skills for each job, defined as Work Levels;
• a model of organisational behaviours common to all the professional families, defined as Competency Model;
• a dictionary of technical skills peculiar to each professional family, defined as Skill Dictionary;
• the identification of structured career plans within every professional family;
• the association of all the Ansaldo STS employees with a work level.
The next steps of the Global Job System project provide for the inclusion of the skill evaluation process in the annual review of individual performances and the use of the gap analysis results for the construction of training requirements.

With the integration of the USA in the new organization, it was also possible to assign to all the human resources a set of objectives to be reached in line with the corporate strategies. Some 4,000 resources are now included in the global process called PDP (Performance & Development Plan), which is made up by three main phases:
1. Performance and development plan;
2. Coaching;
3. Performance rating.

Work level assignment and performance rating represent key elements for the access to the salary review policy, currently defined at world level by the Human Resources Function. The rewarding strategy includes three main elements:
• individual performances of the latest two years;
• the weight of the employee's position defined through the Hay methodology;
• local market references.

The year 2011 saw the implementation of the Talent Management process model that allowed to identify those resources with high managerial or technical potential.
The resources have been selected through extremely strict criteria such as the possession of an international mindset, interfunctional technical skills, behaviour skills above the average, extraordinary performances. Following the mapping made in 2011, some 11% of the headcount can be qualified as "high-flyers".

7.1.1 The company Ansaldo STS

The Board of Directors met on 5 April 2011 and resolved the appointments for the top management of the company. These people are in office:
• Chairman of the Board of Directors: Alessandro Pansa;
• Deputy Chairman of the Board of Directors: Giancarlo Grasso;
• CEO: Sergio De Luca.

Since 1 June 2011, Lyle Jackson handed over the responsibilities of the Transportation Solutions Business Unit and was appointed as Special Advisor directly reporting to the CEO. This role makes him responsible for the promotion at world level of the Goods Transportation Business and the management of top strategic relations with customers in Australia, Malaysia and Africa. Sergio De Luca is in charge of the Transportation Solutions Business Unit on a temporary basis.

With resolution of 22 September 2011, the Board of Directors approved:
• the appointment of Giuseppe Gaudiello as Head of the Standard Platforms & Products Business Unit of the Company, in the place of Maurizio Manfellotto, appointed as CEO of AnsaldoBreda SpA;
• the appointment of Mauro Gigante as Head of the Company Secretary & General Counsel Unit as well as Secretary of the Board of Directors in the place of Mario Orlando.
With resolution of 13 December 2011, the Board of Directors appointed Stefano Palmieri as Head of the Human Resources Unit, in the place of Carlo Cremona, beginning from 1 December 2011.
The first-level organisation structure of Ansaldo STS will be organised as follows:
• Directly reporting to Sergio De Luca, CEO:
  - Signalling Business Unit: Emmanuel Viollet;
  - Transportation Solutions Business Unit: Sergio De Luca, on a temporary basis;
  - Standard Platforms & Products Business Unit: Giuseppe Gaudiello;
  - Innovation & Competitiveness: Giovanni Bocchetti;

- Company Secretary and General Counsel: Mauro Gigante;
- Chief Financial Officer: Alberto Milvio;
- Human Resources: Stefano Palmieri;
- Standard Processes Quality & IT Services: Christian Andi;
- Risk Management: Roberto Passalacqua;
- HSE & Facility Management: Giuseppe Spezzi;
- Security: Giovanni Rapiti.

• Directly reporting to the Chairman of the Board of Directors:
- Internal Audit: Mauro Giganti.

A new function, called International Special Projects, has been created directly reporting to the CEO. Members of this function are Michele Fracchiolla and Alfredo Drago.
Michele Fracchiolla, whose managerial appointment was authorised by the Board of Directors with resolution of 26 January 2011, is commissioned to support the ameliorative measures taken in relation to the activities of the Australian and Malaysian subsidiaries by co-ordinating the relations between the Group central structures and the local structures of the two companies.
Alfredo Drago is charged with supporting the inclusion of the American subsidiary within the ASTS Group organization, called FFDB. Successively, Alfredo Drago was appointed as "Head of Delivery – Signalling BU" in the place of Giuseppe Gaudiello.

The 2010 Sustainability Report of the Ansaldo STS group was submitted to the Board during the meeting of 29 March. It was later made available to the market for the Shareholders' meeting of 5 April. The Report was also published on Ansaldo STS's website.

7.1.2 Subsidiaries

With resolution of 4 November 2011, the Board of Directors approved the appointment of Thomas Lawton, currently General Counsel of Ansaldo STS USA Inc, as President and Chief Executive Officer of the same company in the place of Alan Calegari, which is about to terminate his employment with Ansaldo STS.

Therefore, the Country Representatives of the major entities of Ansaldo STS are the following:

Country Representative ASTS France: Emmanuel Viollet (Président de la Société);
Country Representative ASTS USA: Thomas Lawton (President & Chief Executive Officer);
Country Representative ASTS Australia: Lyle Jackson;
Country Representative ASTS China: Davide Cucino (Chairman of the Board of Directors).

Below is a breakdown of headcount:

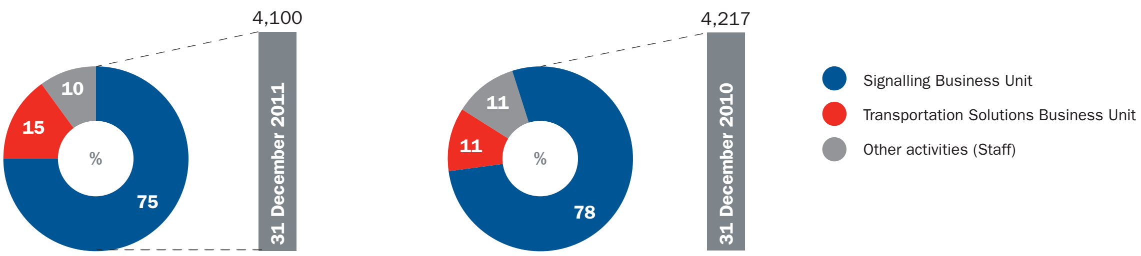
COMPANIES/REGIONS	2010	2011	Change
ASTS Italia*	1,570	1,583	+ 13
ASTS France**	703	650	- 53
ASTS USA	839	862	+23
ASTS APAC	1,021	928	-93
ASTS China	84	77	-7

* Including the employees of ASTS Germany and ASTS Kazakhstan.
** Including the employees of ASTS UK, ASTS Ireland, ASTS Sweden.

7.1.3 Headcount at 31 December 2011

The Group's headcount at 31 December 2011 stood at 4,100, a decrease of 117, or 3%, on the 4,217 of 31 December 2010.
The breakdown by business area at 31 December 2011 is as follows:
• Signalling Business Unit: 3,081 employees, or 75.2% of total resources;
• Transportation Solution Business Unit: 600 employees, or 14.6% of total resources;
• Other activities (Staff) 419 employees, or 10.2% of total resources.

Headcount by Business Unit at 31 December 2011-2010 (no.)



7.2 Security Policy Statement

"Information provided pursuant to Legislative Decree no. 196 of 30 June 2003 (Personal data protection code)"
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.

7.3 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 of Ansaldo STS SpA 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.

7.3.1 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.

7.3.2 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 538,921, but the shares actually delivered on 1 December 2011 were 400,394, as a result of the shares withheld at the Italian participants for tax purposes.

7.3.3 2008-2010 Cash incentive plan – 2010 tranche
The 2008-2010 cash plan for 2010 involves three executives of Ansaldo STS and its subsidiaries (the Chief Executive Officer and two managers who are key in the achievement of the Group's strategic and business/financial objectives).
The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.
The objectives set for 2010 were all achieved.
The two objectives set, that for the acquisition of Orders of the company or of the Group compared with the average margin, and that for the share performance vis-à-vis FTSE IT All Share, were achieved, except for the USA orders.
The plan also has different access thresholds for the various managers that were achieved, consistently with the responsibilities assigned.
In April 2011, the incentive shares accrued were assigned to the relevant managers.

7.3.4 2009-2011 Cash incentive plan – 2010 tranche
The 2009-2011 cash plan for 2010 involves three executives of Ansaldo STS and its subsidiaries (the Chief Executive Officer and two managers who are key in the achievement of the Group's strategic and business/financial objectives).
The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.
The Group proceeded with verifying the achievement of the objectives set for 2010.
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 has different access thresholds for the various managers that were achieved, consistently with the responsibilities assigned. In April 2011, the incentive shares accrued were assigned to the relevant managers.

7.3.5 2010-2012 Cash incentive plan – 2010 tranche

The 2010-2012 cash plan for 2010 involves five executives of Ansaldo STS and its subsidiaries (the Chief Executive Officer and two managers who are key in the achievement of the Group's strategic and business/financial objectives).
The three-year plan provides for the payment of a cash sum, up to a maximum of annual gross remuneration (RAL), linked to the achievement of previously assigned objectives.
The Group 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.

7.3.6 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 26 out of 30 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 14,215, but the shares actually delivered on 1 December 2011 were 11,543, as a result of the shares withheld at the Italian participants for tax purposes.

7.4 Equity investments held by 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	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.

8 Financial communications

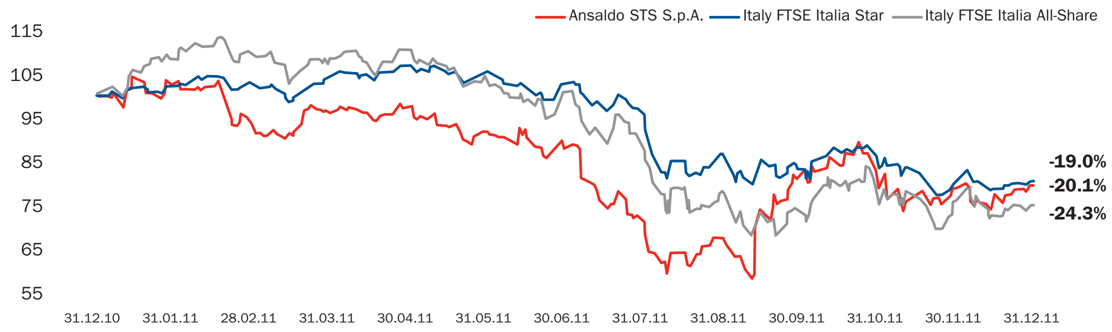
Relations with the financial market

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 investor relations function elaborates the contents, organises and gathers the market reactions, on occasion of the so-called 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. 24 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.



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 (2011-2010)

Earnings per share (€)	**2011**	2010
Basic and Diluted EPS	0.56	0.73**
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 has been 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.

9 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 S.p.A. 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 2011, 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 review 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.

Genoa, 5 March 2012

For the Board of Directors
The Chairman

Alessandro Pansa

Accounting Statements and Notes to the Consolidated Financial Statements at 31 December 2011

10 Accounting Statements

10.1 Consolidated Income Statement

(EUR 000)	Note	**31.12.2011**	**of which from related parties**	31.12.2010	of which from related parties
Revenue	14.2	1,211,944	210,934	1,283,710	263,220
Other operating income	14.3	24,423	152	27,169	51
Raw materials and consumables used	14.4	(244,599)	(24,232)	(282,178)	(37,810)
Purchase of services	14.4	(537,675)	(62,793)	(550,625)	(82,967)
Personnel costs	14.5	(296,560)	-	(307,227)	-
Amortisation, depreciation and impairment	14.6	(13,410)	-	(19,645)	-
Other operating expenses	14.7	(24,956)	(100)	(17,399)	(59)
Changes in inventories of work in progress, semi-finished and finished goods		(3,915)	-	2,338	-
(-) Work performed by the Group and capitalised	14.8	868	-	922	-
EBIT		**116,120**		**137,065**	
Finance income	14.9	26,757	648	34,308	719
Finance costs	14.9	(27,529)	-	(39,082)	(851)
Share of profit (loss) of equity accounted investments	14.10	4	-	920	-
Profit (loss) before taxes		**115,352**		**133,211**	
Income taxes	14.11	(42,296)	-	(38,303)	-
Net Profit (loss)		**73,056**		**94,908**	
Equity holders of the Company		*72,956*		*94,592*	
Minority interests		*100*		*316*	
Earnings per share					
Basic and diluted		*0.56*		*0.73**	

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

10.2 Consolidated Statement of Comprehensive Income

(EUR 000)	**31.12.2011**	31.12.2010
Profit (loss) for the year	73,056	94,908
Other comprehensive income		
- Actuarial gains (losses) on defined-benefit plans	1,329	(908)
- Changes in Cash Flow Hedges	-	-
fair value adjustment	(1,320)	973
transferred to income statement	4,587	404
- Translation differences	1,462	15,632
- Tax on expense/(income) recognised in equity	(26)	(1,652)
Other comprehensive income, net of tax	**6,032**	**14,449**
Total comprehensive income (expense) for the year	**79,088**	**109,357**
Attributable to:		
- Equity holders of the Company	79,016	108,967
- Minority interests	72	390

10.3 Consolidated Statement of Financial Position

(EUR 000)	Note	31.12.2011	of which from related parties	31.12.2010	of which from related parties
Non-current assets					
Intangible assets	13.2	54,348	-	50,231	-
Property, plant and equipment	13.3	93,886	-	98,653	-
Equity investments	13.4	37,561	-	31,230	-
Receivables	13.5	18,232	2,765	15,249	1,006
Deferred tax assets	14.11	42,209	-	45,138	-
Other assets	13.5	23,811	-	23,246	-
		270,047		**263,747**	
Current assets					
Inventories	13.6	129,936	-	127,632	-
Contract work in progress	13.7	283,302	-	216,928	-
Trade receivables	13.8	680,069	133,130	624,808	131,723
Current financial assets at fair value	13.9	30,756	-	-	-
Income tax receivables	13.10	18,618	-	8,705	-
Financial receivables	13.8	113,343	2,531	170,362	149,150
Derivatives	13.22	8,688	-	9,027	-
Other assets	13.11	45,434	1,509	45,041	1,564
Cash and cash equivalents	13.12	160,928	-	153,320	-
		1,471,074		**1,355,823**	
Total assets		**1,741,121**		**1,619,570**	
Shareholders' equity					
Share capital	13.13	69,998	-	59,708	-
Reserves	13.14-13.15	353,016	-	320,703	-
Capital and reserves attributable to equity holders of the Company		*423,014*		*380,411*	
Minority interests in equity	*13.16*	*1,122*	-	*1,050*	-
Total Shareholders' equity		**424,136**		**381,461**	
Non-current liabilities					
Borrowings	13.17	438	-	1,621	-
Severance pay and other employee liabilities	13.19	29,159	-	31,332	-
Deferred tax liabilities	14.11	6,379	-	4,525	-
Other liabilities	13.20	11,016	-	10,326	-
		46,992		**47,804**	
Current liabilities					
Advances from customers	13.7	706,735	-	657,150	-
Trade payables	13.21	431,851	45,984	403,133	54,594
Borrowings	13.17	14,915	-	3,911	-
Income tax payables	13.10	1,977	-	11,225	-
Provisions for risks and charges	13.18	23,136	-	22,417	-
Derivatives	13.22	5,818	-	7,739	-
Other liabilities	13.20	85,561	97	84,730	27
		1,269,993		**1,190,305**	
Total Liabilities		**1,316,985**		**1,238,109**	
Total Liabilities and Shareholders' equity		**1,741,121**		**1,619,570**	

10.4 Consolidated Statement of Cash Flows

(EUR 000)	**31.12.2011**	**of which from related parties**	31.12.2010	of which from related parties
Cash flow from operating activities:				
Gross cash flow from operating activities	127,299	-	164,994	-
Change in working capital	(42,657)	(55,729)	(41,717)	79,374
Changes in other operating assets and liabilities	(14,760)	(1,697)	(11,348)	(1,229)
Net finance costs paid	(4,608)	648	(1,294)	(132)
Income taxes paid	(47,867)	-	(37,669)	-
Net cash generated from operating activities	**17,407**		**72,966**	
Cash flow from investing activities:				
Acquisitions of subsidiaries, net of cash acquired	-	-	(4)	-
Purchase of property, plant and equipment and intangible assets	(10,543)	-	(6,725)	-
Proceeds from sale of property, plant and equipment and intangible assets	355	-	(254)	-
Dividends received	-	-	-	-
Other investing activities	(44)	-	-	-
Strategic investments	(6,302)	-	-	-
Net cash used in investing activities	**(16,534)**		**(6,983)**	
Cash flow from financing activities:				
Net change in other financing activities	5,363	146,512	(43,777)	3,642
Share capital increases	-	-	-	-
Dividends paid to minority interests	-	-	-	-
Net cash generated from (used in) financing activities	**5,363**		**(43,777)**	
Net increase (decrease) in cash and cash equivalents	6,236	-	22,206	-
Translation differences	1,372	-	2,573	-
Cash and cash equivalents at 1 January	153,320	-	128,541	-
Cash and cash equivalents at 31 December	**160,928**		**153,320**	

10.5 Consolidated Statement of changes in equity

The following table shows the changes in Shareholders' equity:

(EUR 000)	Share capital	Retained earnings/losses carried forward	Cash Flow Hedge reserve	Stock grant reserve	Translation reserve	Other reserves	Total capital and reserves attributable to equity holders of the Company	Minority interests in equity	Total shareholders' equity
Shareholders' equity at 1 January 2010	**49,194**	**273,219**	**(3,763)**	**1,812**	**(16,041)**	**(3,524)**	**300,897**	**639**	**301,536**
Reclassification from/to "other reserves"	-	(57,954)	-	-	-	57,954	-	-	**-**
Change in scope of consolidation	-	(440)	-	-	-	-	(440)	21	**(419)**
Change in consolidation reserves	-	-	-	-	-	-	-	-	**-**
Net change in the reserve for stock grant plans	-	-	-	1,455	-	-	1,455	-	**1,455**
Other comprehensive income, net of tax	-	(908)	1,377	-	15,558	(1,652)	14,375	74	**14,449**
Free share capital increase with issue of no. 20,000,000 shares	10,000	-	-	-	-	(10,000)	-	-	**-**
Allocation of the period result to legal reserve	-	(6,550)	-	-	-	6,550	-	-	**-**
Dividends	-	(30,982)	-	-	-	-	(30,982)	-	**(30,982)**
Allocation of the profit to the "reserve for adjustments to legal reserve"		(10,000)	-	-	-	10,000	-		**-**
Net change in treasury shares	514	-	-	-	-	-	514	-	**514**
Other movements	-	-	-	71	(71)	-	-	-	**-**
Net profit (loss) at 31 December 2010	-	94,592	-	-	-	-	94,592	316	**94,908**
Shareholders' equity at 1 January 2011	**59,708**	**260,977**	**(2,386)**	**3,338**	**(554)**	**59,328**	**380,411**	**1,050**	**381,461**
Reclassification from/to "other reserves"	-	-	-	-	-	-	-	-	**-**
Change in scope of consolidation	-	-	-	-	-	-	-	-	**-**
Change in consolidation reserves	-	-	-	-	-	-	-	-	**-**
Net change in the reserve for stock grant plans	-	-	-	(3,111)	-	-	(3,111)	-	**(3,111)**
Other comprehensive income, net of tax	-	1,329	3,267	-	1,490	(26)	6,060	(28)	**6,032**
Free share capital increase with issue of no. 20,000,000 shares	10,000	-	-	-	-	(10,000)	-	-	**-**
Allocation of the period result to legal reserve	-	-	-	-	-	-	-	-	**-**
Dividends	-	(33,592)	-	-	-	-	(33,592)	-	**(33,592)**
Allocation of the profit to the "reserve for adjustments to legal reserve"	-	-	-	-	-	-	-	-	**-**
Net change in treasury shares	290	-	-	-	-	-	290	-	**290**
Other movements	-	-	-	-	-	-	-	-	**-**
Net profit (loss) at 31 December 2011	-	72,956	-	-	-	-	72,956	100	**73,056**
Shareholders' equity 31 December 2011	**69,998**	**301,670**	**881**	**227**	**936**	**49,302**	**423,014**	**1,122**	**424,136**

11 Notes to the Consolidated Financial Statements at 31 December 2011

11.1 General information

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

On 4 July 2011 the Company, as resolved by the Board of Directors of Ansaldo STS SpA on 23 May 2011, implemented the second tranche of the free share capital increase resolved by the Shareholders in the Extraordinary Meeting of 23 April 2010.
Following the performance of the second tranche, the share capital of the Company currently amounts to EUR 70,000,000, divided into 140,000,000 ordinary shares with a par value of EUR 0.50 each.

The Ansaldo STS Group operates on a worldwide scale in the design, creation, marketing and sale of solutions, systems, products, components and services in the “Signalling” and “Transportation Solutions” sectors for inter-city and urban railways.
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 above-mentioned 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 NV in 1996 and of Ansaldo Trasporti Sistemi Ferroviari SpA 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 NV, Ansaldo Trasporti Sistemi Ferroviari SpA and AnsaldoBreda SpA.
Meanwhile, in 1996 Finmeccanica SpA 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 SpA’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 SpA, 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 SpA, as already stated, acquired from Finmeccanica SpA the entire share capital of Ansaldo Signal NV and of Ansaldo Trasporti Sistemi Ferroviari SpA and since 29 March 2006 Ansaldo STS SpA has been listed on the stock exchange.
Specifically, Finmeccanica SpA 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.
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.
After the listing, a process for the corporate reorganisation of the Group was put into action in order to rationalise the current control chain of the subsidiaries and reduce the costs connected with the Group’s corporate structure. This reorganisation led in the years 2007 - 2009 to the finalisation of these main transactions.

In the Asia Pacific region, the reallocation of a few equity investments in Group companies, in consideration of the ever-increasing importance that those markets have assumed for the Group and of the close industrial and commercial interaction among these companies. Consequently, since 1 January 2008 Ansaldo STS Australia PTY Ltd has been controlling the Indian and Malaysian operating companies and has been put under the direct control of the Group parent Ansaldo STS SpA. Furthermore, two other companies were established: Ansaldo STS Southern Africa (Botswana) and Ansaldo STS – South Africa PTY Ltd (former Ansaldo STS InfraDEV South Africa), that, under the control of Ansaldo STS Australia PTY Ltd, operate on the expanding markets of Southern Africa.
In Italy, Ansaldo Segnalamento Ferroviario SpA and Ansaldo Trasporti Sistemi Ferroviari SpA, the two companies that operated in the two different business units (Signalling and Transportation Solutions respectively) have been merged through incorporation into the listed Group parent Ansaldo STS SpA. The merger through incorporation has had legal, accounting and tax effective date since 1 January 2009.

The Dutch sub-holding Ansaldo Signal NV was merged through incorporation into Ansaldo STS SpA, with 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.
Moreover, in order to support the development of the Group business in South America, a new company “Ansaldo STS Sistemas de Transporte e Sinalização Limitada” was formed, in which Ansaldo STS SpA has an interest of 99.99% and Ansaldo STS USA International Co. an interest of 0.01% and, always with a view to expand its business, the Company formed, with the local partner JSC REMLOCOMOTIV, the Joint Venture “Kazakhstan TZ-Ansaldo STS Italy Limited Liability Partnership” in which ASTS has an interest of 49% and the Kazakh partner holds the remaining 51%.

As already said, the Ansaldo STS Group operates in the inter-city and urban railway sector through two business units: Signalling and Transportation Solutions.

The Signalling Business Unit carries out the following activities: design, production, management and maintenance of systems, subsystems and components of signalling for inter-city and urban rail transport; the reference main operating companies are the Group parent Ansaldo STS SpA in Italy (as a result of the incorporation of Ansaldo Segnalamento Ferroviario SpA), Ansaldo STS France SA in France, Ansaldo STS Australia PTY Ltd in the Asia Pacific region and Ansaldo STS USA Inc. in America.
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.

11.2 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 Group has chosen to present its balance sheet by separating current and non-current items and its income statement by the nature of the items. Instead, the statement of cash flows was prepared using the indirect method.

All figures are in thousands of euros unless otherwise indicated.

The Consolidated 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 3.1.2.1.

11.2.1 Accounting policies adopted

Standards and scope of consolidation

These Consolidated Financial Statements include the accounts at 31 December 2011, or on the basis of the latest financial statements approved, as detailed in Section 13.4, of the companies/entities included in the scope of consolidation ("consolidated entities"), which have been prepared in accordance with the IFRSs adopted by the Ansaldo STS Group. Below is a list of the consolidated entities included in the scope of consolidation and the relevant Group ownership percentage (direct or indirect):

List of companies consolidated on a line-by-line basis

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
ANSALDO STS AUSTRALIA PTY LTD	Direct	Eagle Farm (Australia)	5,026	AUD	100
ANSALDO STS SWEDEN AB	Direct	Solna (Sweden)	4,000	SEK	100
ANSALDO STS FINLAND OY	Indirect	Helsinki (Finland)	10	EURO	100
ANSALDO STS UK LTD	Direct	Londra (United Kingdom)	1,000	GBP	100
ANSALDO STS IRELAND LTD	Direct	Tralee (Ireland)	100	EURO	100
ACELEC Société par actions simplifiée	Indirect	Les Ulis (France)	168	EURO	100
ANSALDO STS ESPANA SA	Indirect	Madrid (Spain)	1,500	EURO	100
ANSALDO STS BEIJING LTD	Indirect	Beijing (China)	948	EURO	80
ANSALDO STS HONG KONG LTD	Indirect	Hong Kong (China)	100	HKD	100
ANSALDO STS FRANCE Société par actions simplifiée	Direct	Les Ulis (France)	5,000	EURO	100
UNION SWITCH & SIGNAL INC	Indirect	Greenville (Delaware USA)	1	USD	100
ANSALDO STS MALAYSIA SDN BHD	Indirect	Petaling Jaya (Malaysia)	3,000	MYR	100
ANSALDO STS CANADA INC	Indirect	Kingstone (Canada)	0	CAD	100
ANSALDO STS USA INC	Direct	Wilmington (Delaware USA)	159,400	USD	100
ANSALDO STS USA INTERNATIONAL CO	Indirect	Wilmington (Delaware USA)	1	USD	100
ANSALDO STS USA INT.PROJECTS CO	Indirect	Wilmington (Delaware USA)	25	USD	100
ANSALDO STS TRANSPORTATION SYSTEMS INDIA PVT LTD	Indirect	Bangalore (India)	1,312,915	INR	100
ANSALDO STS DEUTSCHLAND GMBH	Direct	Munich (Germany)	26	EURO	100
ANSALDO RAILWAY SYSTEM TRADING (BEIJING) Ltd	Direct	Beijing (China)	1,500	USD	100
ANSALDO STS SOUTH AFRICA PTY LTD	Indirect	Bryanston (South Africa)	2	ZAR	100
ANSALDO STS SOUTHERN AFRICA PTY LTD	Indirect	Gaborone (Botswana)	0,1	BWP	100

List of companies consolidated by proportionate method

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
BALFOUR BEATTY ANSALDO SYSTEMS JV SDN BHD	Indirect	Kuala Lumpur (Malaysia)	6,000	MYR	40
KAZAKHSTAN TZ-ANSALDO STS ITALY LLP	Direct	Astana (Kazakhstan)	22,000	KZT	49

List of companies accounted for using the equity method

COMPANY	DIRECT/ INDIRECT CONTROL	REGISTERED OFFICE	SHARE CAPITAL (/000)	CURRENCY	SHARE OWNED %
ECOSEN CA (VENEZUELA)	Indirect	Caracas (Venezuela)	1,310	VBF	48
ALIFANA SCRL	Direct	Naples (Italy)	26	EURO	65.85
ALIFANA DUE SCARL	Direct	Naples (Italy)	26	EURO	53.34
PEGASO SCRL	Direct	Rome (Italy)	260	EURO	46.87
METRO 5 SpA	Direct	Milan (Italy)	50,000	EURO	24.6
METRO BRESCIA Srl	Direct	Brescia (Italy)	500	EURO	40.4
ANSALDO STS Sistemas de Transporte e Sinalização Limitada	Direct	Vila Nova Conceição (Brazil)	1,000	REAL	100
INTERNATIONAL METRO SERVICE Srl	Direct	Milan (Italy)	700	EURO	49

For a better comprehension and comparability of the figures, it is necessary to point out that no significant changes occurred in the scope of consolidation in the course of 2011 except for the establishment of Metro Brescia Srl accounted for using the equity method.

Subsidiaries and entities controlled jointly

In particular, the entities over which Ansaldo STS Group exercises a controlling power, either by directly or indirectly holding a majority of shares with voting rights or by exercising a dominant influence through the power to govern the financial and operating policies of an entity and obtain the related benefits regardless of the nature of the shareholding, have been consolidated on a line-by-line basis.

Not consolidated on a line-by-line basis are those entities which, because of the dynamics of their operations (e.g. consortia without shares and controlling interests in equity consortia which, by charging costs to their members, do not have their own financial results and the financial statements of which do not, net of intercompany assets and liabilities, have material balances) or their current status (e.g. companies that are no longer operational, have no assets or personnel, or for which the liquidation process appears to be essentially concluded), would be immaterial to the Group's situation in both quantitative and qualitative terms. These holdings have been consolidated using the equity method.

Participating interests in entities (including special-purpose entities) over which control is exercised jointly with other parties are consolidated proportionally (so as to incorporate only the value of the assets, liabilities, costs and income proportional to the percentage held without, therefore, including the holdings of the other parties).

All controlled entities are consolidated at the date on which control was acquired by the Group. The entities are removed from the scope of consolidation at the date on which the Group relinquishes control.

Business combinations are recognised using the purchase method, whereby the acquirer purchases the equity and recognises all assets and liabilities, even if merely potential, of the acquired company. The cost of the transaction includes the fair value at the date of purchase of the assets sold, the liabilities assumed, the capital instruments issued, and all other incidental charges. Any difference between the cost of the transaction and the fair value at the date of purchase of the assets and liabilities is allocated to goodwill. In the event the process of allocating the purchase price should result in a negative difference, this difference is recorded as an expense immediately at the purchase date.
In the case of purchase of controlling stakes other than 100% stakes, goodwill is recognised only to the extent of the portion attributable to the Group parent.

Amounts resulting from transactions with consolidated entities have been eliminated, particularly where related to receivables and payables outstanding at the end of the period, as well as interest and other income and expenses recorded on the Income Statements of these enterprises. Also eliminated are the net profits or losses posted between the consolidated entities along with their related tax adjustments.

The consolidated entities all close their financial years on 31 December. The Group Consolidated Financial Statements have been prepared based on the ending balances at 31 December 2011.

Other equity investments

Investments in entities over which significant influence is exercised, which generally corresponds to a holding of between 20% (10% if listed) and 50% (equity investments in associates), are accounted for using the equity method. In the case of the equity method, the value of the investment is in line with shareholders' equity adjusted, when necessary, to reflect the application of IFRSs, and includes the recognition of goodwill (net of impairments) calculated at the time of purchase, and to account for the adjustments required by the standards governing the preparation of Consolidated Financial Statements. Gains and losses realised between the entities consolidated using the equity method and other Group's entities consolidated also on a line-by-line basis are eliminated.
Any value losses in excess of book value are recorded in the provision for risks on equity investments.
The fair value of equity investments, in the event this method applies, is calculated based on the bid price of the last trading day of the month for which the IFRS report was prepared (in this case 31 December 2011), or based on financial valuation techniques for not listed instruments.

Investments available for sale, like those acquired with the sole purpose of being disposed within the subsequent twelve months, are classified separately within “Assets held for sale”.

Segment information
In accordance with the compliance model followed, Management has adopted operating segments that correspond to the business sectors in which the Group operates (Signalling and Transportation Solutions).

Identification of the functional currency
The balances included in the Financial Statements of each Group entity are presented in the currency of the primary economy in which each enterprise operates (the functional currency). The Consolidated Financial Statements for the Ansaldo STS Group have been prepared in euros, which is the functional currency of the Group parent.

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 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.

Translation of financial statements expressed in a currency other than the functional currency
The rules for translating financial statements expressed in a foreign currency into the functional currency (except where the currency is that of a hyper-inflationary economy - a situation not applicable to the Group) are as follows:

- the assets and liabilities presented, even if solely for comparative purposes, are translated at the end-of-period exchange rate;
- costs and revenues, charges and income presented, even if solely for comparative purposes, are translated at the average exchange rate for the period in question, or at the exchange rate on the date of the transaction in the event this is significantly different from the average rate;
- the “translation reserve” covers exchange rate differences generated by both the translation of operating results at an exchange rate different from the closing exchange rate and the translation of opening shareholders’ equity at an exchange rate different from the exchange rate prevailing at the closing of the reporting period;
- goodwill and adjustments deriving from fair value relating to the acquisition of a foreign company are treated as assets and liabilities of the foreign company, and converted at the closing exchange rate for the period.

The exchange rates applied in the translation of financial statements and balances in currencies other than the euro at 31 December 2011 and 2010 were as follows:

	At 31/12/2011	At 31/12/2010	**12-month average at 31/12/2011**	12-month average at 31/12/2010
USD	1.29390	1.3362	1.39210	1.3271
CAD	1.32150	1.3322	1.37584	1.3669
GBP	0.83530	0.8608	0.86792	0.8586
HKD	10.05100	10.3856	10.83722	10.2978
SEK	8.91200	8.9655	9.02753	9.5482
AUD	1.27230	1.3136	1.34850	1.4453
INR	68.71300	59.7580	64.88852	60.6435
MYR	4.10550	4.0950	4.25642	4.2753
BRL	2.41590	2.2177	2.32681	2.3341
CNY	8.15880	8.8220	8.99837	8.9802
VEB	3.359.940	3.469.7800	3.617.82250	3.445.8900
BWP	9.71579	8.6148	9.50934	9.0077
ZAR	10.48300	8.8625	10.05921	9.6930
KZT	191.88500	196.9640	204.08863	195.5203
JPY	100.20000	N/A	111.01829	N/A

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) Goodwill
Goodwill posted as intangible assets relates to business combinations and represents the difference between the cost of acquisition of a company or a going concern and the algebraic sum of the values assigned, based on the values at the date of purchase, to each asset and liability of that company or going concern. Since goodwill has an indefinite useful life, it is not subject to amortisation, and is tested for impairment at least annually, except where the market and management indicators indicated by the Company show that goodwill should be tested for impairment in interim accounts as well. In order to conduct the impairment test, goodwill is allocated to individual cash generating units (CGUs), that is, to the smallest business units with independent cash inflows through which the Company operates in its various market segments.
Every subsequent strategic reorganisation of the Group implies a review of the goodwill allocation process. Specifically, if an entity reorganises the structure of its information system so as to modify the composition of one or more cash generating units to which goodwill is allocated, the same should be reallocated to the relevant units.
Goodwill related to the acquisition of consolidated companies is recognised under intangible assets. Goodwill related to unconsolidated associates or subsidiaries is included in the value of equity investments.

(ii) 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.

(iii) Research and development costs
Research costs are charged to the Income Statement for the year in which they are incurred.
An intangible fixed asset that is generated internally and relates to development costs is entered in the accounts only if all the following requirements are simultaneously met:
• the asset can be identified;
• it is capable of generating future economic benefits;
• its development cost can be reliably measured;
• there is a market for the product generated by such development.

If these requirements are not met, development costs are expensed as incurred. Development costs are capitalised only when the four conditions listed above are met and are amortised on a straight-line basis over their entire useful life.

Leased assets
(i) Group entities as lessees in a finance lease
At the date on which a lease is first recognised, the lessee records a non-current asset and a financial liability at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of the inception of the lease, using the implicit interest rate in the lease or the incremental borrowing rate. Subsequently, an amount equal to the depreciation expense for the asset and the finance charge separated from principal component of the lease payment made in the period is recognised in the Income Statement.

(ii) Group entities as lessors in a finance lease
At the date on which a lease is first recognised, the value of the leased asset is eliminated from the Balance Sheet and a receivable equal to the net investment in the lease is recognised. The net investment is the sum of the minimum payments plus the residual unguaranteed value discounted at the interest rate implicit in the lease contract. Subsequently, finance income is recognised in the Income Statement for the duration of the contract in an amount providing a constant periodic rate of return on the lessor's net investment.
The unsecured residual value is reviewed periodically for possible impairment.

(iii) Operating leases
Receipts and payments in respect of contracts qualifying as operating leases are recognised in the Income Statement over the duration of the contract on a straight-line basis.

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 to return the site 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 Group 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 date in which the asset is ready for use. The estimated useful lives adopted by the Group for the various asset classes are as follows:

Land:	indefinite useful life
Buildings:	20-33 years
Plant and machinery:	5-10 years
Equipment:	3-7 years
Other assets:	3-8 years

The estimate of the useful life and of the residual value is reviewed periodically.
Depreciation terminates at the date on which the asset is sold or the same is reclassified to asset held for sale.
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.
Finance costs attributable to the acquisition, construction or production of specific assets taking a substantial period of time to get ready for their intended use or sale *(qualifying assets)* are capitalised together with the related asset.

Investment properties
Properties held to earn rentals or for capital appreciation are carried under "Investment properties"; they are valued at purchase or production cost plus any related charges, net of accumulated depreciation and impairment, if any.

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.
The recoverable value is the greater of two figures: either its market value minus sales costs, or its value in use determined on the basis of a model of discounted cash flows. The discount rate incorporates the assets' specific risks which have not been considered yet in the expected cash flows.
For an asset that does not generate independent cash flows, the value is calculated in relation to the cash-generating unit to which such asset belongs.
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 book value that the asset would have had if it had not been impaired in the preceding years. The reinstatement is recorded in the Income Statement. In no case, instead, the value of previously written-down goodwill is reinstated.

Inventories
Inventories are recorded at the lower of cost, calculated with reference to the weighted average cost, and net realisable value. They do not include finance costs and overheads. 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.

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 state of completion is determined on the basis of the ratio between the costs incurred at the measurement date and the total costs expected according to the programme or based on the productions units delivered.
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.
However, the Group'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: in such cases, the recognition methods described in "Hedging long-term contracts against foreign exchange risk" are applied.

Receivables and financial assets
The Group classifies its financial assets into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- financial assets held to maturity;
- financial assets available for sale.

Management classifies assets at the time they are first recognised.

(i) Financial assets at fair value through profit or loss
This category includes financial assets acquired for short-term trading purposes, as well as derivatives, 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.

(ii) Loans and receivables
This category includes the assets not represented by derivative instruments and not listed on an active exchange, from which fixed or measurable payments are expected. 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: 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. These assets are reported as current assets, with the exception of those due beyond 12 months, which are classified as non-current assets.

(iii) Financial assets held to maturity
These are non-derivative assets with pre-set maturities that the Group has the intention and ability to hold to maturity. 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.

(iv) Financial assets available for sale
This category encompasses non-derivative financial assets specifically designated as available for sale or not classified in any of the previous items. These are recognised at fair value, which is calculated with reference to their market price at the reporting date or using financial valuation techniques and models. Changes in value are recognised in a specific equity item ("Reserve for assets available for sale"). The reserve is 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 the management's intentions and on the effective marketability of the security itself: assets that are expected to be sold within 12 months are reported as current.
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: reductions in value previously recognised in equity are reversed to the Income Statement.
The impairment value previously recognised is restored up if the reasons, that entailed the recognition applicable only to debt financial instruments, no longer apply.

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 Group.
In particular, the Group uses derivative instruments as part of hedging strategies to neutralize the risk of variations in expected cash flows in relation to contractually-defined or highly probably operations (Cash Flow Hedge) or of variations in the fair value of assets or liabilities recognised 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. For details regarding the methodology for recognising hedges of the exchange rate risk on long-term contracts, see paragraph "Hedging of exchange rate risk".
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.

(i) Fair Value Hedge
The changes in the fair 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.

(ii) 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 underlying operation is no longer considered highly probable, the related portion of the "Cash Flow Hedge reserve" is immediately released to the Income Statement. Otherwise, if the derivative instrument is sold or no longer qualifies as an effective hedge against the relevant risk, the relative portion of the "Cash Flow Hedge reserve" is kept until when the underlying contract does not materialise.

(iii) Determining fair value of financial instruments
The fair value of instruments listed on public markets is determined with reference to the bid price for the instrument in question at the reference date. The fair value of non-listed derivative instruments is measured with reference to financial valuation techniques: specifically the fair value of interest rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is calculated based on the market exchange rates at the reference date and the rate differentials between the relevant currencies.

Cash and cash equivalents
The item includes cash, deposits with banks or other institutions providing current account services, post office accounts and other cash equivalents. Cash and cash equivalents are recognised at their fair value.

Shareholders' equity
(i) Share capital
The share capital is represented by capital subscribed and paid-in by the Group parent. Costs closely connected with the issue of shares are classified so as to decrease share capital, if they are directly attributable to capital transactions, net of any deferred taxes.

(ii) Treasury shares
These are shown as a decrease in the Group's net equity. Gains or losses on the purchase, sale, issue or cancellation of own shares are not recognised in the Income Statement.

(iii) Retained earnings/(losses) carried forward and consolidation reserve
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.

(iv) Other reserves
These also include the Fair value reserve in respect of items accounted for at fair value through equity, the Cash Flow Hedge reserve regarding the recognition of the effective portion of hedges, the stock option /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.

Payables and other liabilities
Payables and other liabilities are initially recognised at fair value net of transaction costs. They are subsequently valued at their amortised cost using the effective interest rate method.
Payables and other liabilities are defined as current liabilities unless the Group has the contractual right to settle its debts at least 12 months after the date of the annual or interim financial statements.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are calculated based on the temporary differences arising between the taxable amount of an asset or liability and its book value. 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 Group companies use 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 demographic, statistical assumptions and on the salaries dynamics.
  The "projected unit credit" method is used. For the recognition of defined-benefit plans, the Group has adopted the recognition method, known as "equity method". As a result of this option, the value of the liability recorded in the Financial Statements is aligned with that resulting from the actuarial valuation of the same, with full and prompt recognition of the actuarial gains and losses in the period in which they emerge, with direct counterpart in a specific reserve of the shareholders' equity ("reserve for actuarial gains (losses) in equity").

(ii) Other long-term benefits and post-employment benefits
The Group companies grant employees with other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined-benefit plans, using the "projected unit credit method". However, in case of "other long-term benefits", any actuarial gains or losses are recognised in the Income Statement 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 Group compensates its Top Managers through stock options and stock grant plans as well. 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 at the assignment date 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.

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. This amount 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
Revenue generated by an operation is recognised at the fair value of the payment received, taking account of any discounts and reductions connected with quantity.
Revenue also includes changes to work in progress, the accounting policies for which are described in the preceding section “Contract 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. Specifically, capital grants are entered in the Income Statement in direct correlation to the depreciation process to which the goods or projects refer, and are recognised as a direct reduction in the value of the depreciation expense. In Balance Sheet, grants are recognised as a direct reduction of the related assets, for the amount not yet recognised to profit or loss.

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 attributable to the acquisition, construction or production of specific assets taking a substantial period of time to get ready for their intended use or sale *(qualifying assets)* are capitalised together with the related asset.

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 to the shareholders of Ansaldo STS Spa is thus entered as a liability in the period in which it is approved by the shareholders’ meeting.

Transactions with related parties
Related party transactions are made at arm’s length.

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

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 consolidated statement of comprehensive income, in which case the tax effect is recognised directly in equity and in the consolidated 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.

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 Group 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 Group will apply such standard starting from 1 January 2012. The Group 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 Group;
- 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 Group;
- 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 Group;
- 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 Group.

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 Consolidated Financial Statements:

Risk provisions and estimates of final costs of long-term contracts: the Group 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 Group 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 Group 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. The main potential loss situations classified as "probable" or "possible" (no provision is recognised for the latter) are discussed below.

Goodwill: in accordance with the accounting standards adopted for the consolidated accounts, directors test goodwill annually, to establish whether there are any impairments to be entered in the Income Statement. Most importantly, this test includes the allocation of goodwill to cash generating units, and the subsequent determination of the relative fair value. If fair value is lower than the book value of the cash generating units, the value of goodwill allocated is brought into line with the recoverable value. The allocation of goodwill to cash generating units and the determination of the fair value of such CGUs involves making estimates that 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 Consolidated Financial Statements are drawn up.

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.

Hedging long-term contracts against foreign exchange risk: in order to hedge exposure to changes in flows of receipts and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Group enters into specific hedges for the expected individual cash flows in respect of the contracts. The hedges are entered into at the moment the contracts are finalised. Exchange-rate risk is normally hedged with plain vanilla instruments (forward contracts).
In all cases where hedges prove to be ineffective, changes in the Fair value of such instruments are taken immediately to the Income Statement as financial items, while the underlying is valued as if it were exposed to exchange rate variations. The effects of this recognition policy are reported in the section "Finance income and costs". Hedges in the former case are reported as Cash Flow Hedges, considering as ineffective the part relating to the premium or discount in the case of forwards or the time value in the case of options, which is recognised under financial items.

11.2.2 Effects of changes in accounting policies adopted
The Group 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 consolidated financial statements.

12 Segment information

With regard to the indicators used by the management to assess the Group's financial performance, please refer to paragraph 2.4 of the Report on operations.

The Group operates in two different segments: signalling, for inter-city and urban railways, through the **Signalling Business Unit** and transport systems through the **Transportation Solutions Business Unit**. For more detailed analysis of the main programmes, outlook, and management indicators for each unit, see the Report on operations by segment.
The results of the business units in the 2011 financial year, compared with those for the same period of the previous year, are as follows:

EBIT 2011 by Business Unit

31.12.2011	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Other operations**	**Eliminations**	**Total**
Revenue	728,375	512,267	-	(28,698)	**1,211,944**
Other operating income	7,884	2,829	30,659	(16,949)	**24,423**
External costs	(434,933)	(404,120)	14,757	38,975	**(785,321)**
Personnel costs	(216,982)	(49,690)	(29,888)	-	**(296,560)**
Other operating expenses	(2,244)	(5,835)	(24,842)	7,965	**(24,956)**
Amortisation, depreciation and impairment	(7,021)	(442)	(5,947)	-	**(13,410)**
EBIT	**75,079**	**55,009**	**(15,261)**	**1,293**	**116,120**

EBIT 2010 by Business Unit

31.12.2010	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Revenue	841,831	504,448	-	(62,569)	**1,283,710**
Other operating income	7,778	4,355	32,398	(17,362)	**27,169**
External costs	(492,176)	(420,418)	10,871	72,180	**(829,543)**
Personnel costs	(232,780)	(40,017)	(34,430)	-	**(307,227)**
Other operating expenses	(7,119)	(1,695)	(17,627)	9,042	**(17,399)**
Amortisation, depreciation and impairment	(13,302)	(379)	(5,964)	-	**(19,645)**
EBIT	**104,232**	**46,294**	**(14,752)**	**1,291**	**137,065**

Working capital 2011 by Business Unit

31.12.2011	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Other operations**	**Eliminations**	**Total**
Inventories	117,730	37,491	576	(25,861)	**129,936**
Contract work in progress, net	(177,964)	(271,331)	-	25,862	**(423,433)**
Trade receivables	360,091	371,725	6,962	(58,709)	**680,069**
Trade payables	(170,426)	(306,426)	(13,711)	58,712	**(431,851)**
Provisions for risks and charges	(17,982)	(3,870)	(1,284)	-	**(23,136)**
Working capital	**111,449**	**(172,411)**	**(7,457)**	**4**	**(68,415)**
Other net assets (liabilities)	-	-	(20,614)	(2)	**(20,616)**
Net working capital	**111,449**	**(172,411)**	**(28,071)**	**2**	**(89,031)**

Working capital 2010 by Business Unit

31.12.2010	Signalling Business Unit	Transportation Solutions Business Unit	Other operations	Eliminations	Total
Inventories	123,810	26,508	3,350	(26,036)	**127,632**
Contract work in progress, net	(273,203)	(193,054)	(1)	26,036	**(440,222)**
Trade receivables	357,543	324,864	4,097	(61,696)	**624,808**
Trade payables	(187,152)	(262,947)	(14,730)	61,696	**(403,133)**
Provisions for risks and charges	(20,698)	(670)	(1,049)	-	**(22,417)**
Working capital	**300**	**(105,299)**	**(8,333)**	**-**	**(113,332)**
Other net assets (liabilities)	-	-	(40,895)	(26)	**(40,921)**
Net working capital	**300**	**(105,299)**	**(49,228)**	**(26)**	**(154,253)**

The break-down by geographical area is the following:

Revenue (EUR 000)	**31.12.2011**	31.12.2010
Italy	486,665	556,865
Rest of Western Europe	203,270	253,816
North America	118,636	117,552
Asia Pacific	328,288	215,989
Others	75,085	139,488
Total	**1,211,944**	**1,283,710**

Fixed assets (EUR 000)	**31.12.2011**	31.12.2010
Italy	116,639	114,428
Rest of Western Europe	11,467	11,895
North America	14,864	15,765
Asia Pacific	5,264	6,796
Total	**148,234**	**148,884**

13 Notes to the Statement of Financial Position

13.1 Transactions with related parties

Transactions with related parties are conducted at arm's length. Interest-bearing receivables and payables that are not governed by specific contractual conditions are treated in the same manner. Below are provided the amounts relating to the earnings and financial performance. The incidence on the financial flows of related-party transactions is instead reported directly in the Statement of Cash Flows.
Since 2011, the application of the revised version of IAS 24 has had effects exclusively in terms of disclosure with reference to related parties and the modification of the comparative data presented in the statements to take into account, among the related parties, the companies subject to the control or significant influence by the Ministry for Economy and Finance (MEF).

Receivables at 31.12.2011 (EUR 000)	Non-current financial receivables	Other non-current receivables	Other non-current receivables	Trade receivables	Other current receivables	Total
Parent company						
Finmeccanica S.p.A.	-	-	2,531	365	145	**3,041**
Subsidiaries						
Alifana S.c.r.l.	-	-	-	123	-	**123**
Alifana Due S.c.r.l.	-	-	-	1,114	-	**1,114**
Associates						
International Metro Service S.r.l.	-	-	-	5	-	**5**
Metro 5 S.p.A.	-	1,540	-	6,548	-	**8,088**
Pegaso S.c.r.l.	-	-	-	13	-	**13**
Metro Service	-	-	-	1,606	-	**1,606**
Metro 5 Lilla S.r.l.	-	-	-	5,434	-	**5,434**
Joint Ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	11,585	-	**11,585**
Kazakhstan TZ - Ansaldo STS Italy LLP	-	1,225	-	1,928	-	**3,153**
Consortiums						
Consortium Saturno	-	-	-	14,085	1,360	**15,445**
Consortium Ascosa quattro	-	-	-	1,111	-	**1,111**
Consortium Ferroviario Vesuviano	-	-	-	13,997	-	**13,997**
San Giorgio Volla Due	-	-	-	1,982	4	**1,986**
San Giorgio Volla	-	-	-	1,421	-	**1,421**
Other Group companies						
Ansaldo Breda S.p.A.	-	-	-	13,928	-	**13,928**
Finmeccanica Finance SA	-	-	-	-	-	**-**
Selex Elsag S.p.A.	-	-	-	821	-	**821**
Selex Communication S.p.A.	-	-	-	6	-	**6**
Elsag Datamat S.p.A.	-	-	-	200	-	**200**
Selex Sistemi Integrati S.p.A.	-	-	-	12	-	**12**
Selenia Mobile S.p.A.	-	-	-	-	-	**-**
Galileo Avionica	-	-	-	8	-	**8**
Ansaldo Energia S.p.A.	-	-	-	-	-	**-**
Oto Melara S.p.A.	-	-	-	-	-	**-**
I.M. Intermetro S.p.A. (in liq.)	-	-	-	42	-	**42**
AnsaldoBreda Inc. ex Breda Transp Inc.	-	-	-	-	-	**-**
Westland Industries Ltd.	-	-	-	-	-	**-**
AgustaWestland S.p.A.	-	-	-	23	-	**23**
Alenia Aermacchi S.p.A.	-	-	-	-	-	**-**
Fata Logistic Systems S.p.A.	-	-	-	-	-	**-**
Electron Italia Srl	-	-	-	-	-	**-**
MEF - other						
Ferrovie dello Stato Group	-	-	-	56,773	-	**56,773**
Eni Group	-	-	-	-	-	**-**
Enel Group	-	-	-	-	-	**-**
Total	**-**	**2,765**	**2,531**	**133,130**	**1,509**	**139,935**
% on the total for the period		**15%**	**2%**	**20%**	**3%**	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

Receivables at 31.12.2010 (EUR 000)	Non-current financial receivables	Other non-current receivables	Other non-current receivables	Trade receivables	Other current receivables	Total
Parent company						
Finmeccanica S.p.A.	-	-	635	27	145	807
Subsidiaries						
Alifana S.c.r.l.	-	-	-	123	-	123
Alifana Due S.c.r.l.	-	-	-	4,886	-	4,886
Associates						
International Metro Service S.r.l.	-	-	-	7	-	7
Metro 5 S.p.A.	-	1,006	-	29,087	-	30,093
Pegaso S.c.r.l.	-	-	-	-	-	-
Metro Service	-	-	-	35	-	35
Joint Ventures (*)						
Balfour Beatty Ansaldo Systems JV Sdn Bhd	-	-	-	691	-	691
Kazakhstan TZ - Ansaldo STS Italy LLP	-	-	-	-	-	-
Consortiums						
Consortium Saturno	-	-	-	22,627	1,361	23,988
Consortium Ascosa quattro	-	-	-	1,111	-	1,111
Consortium Ferroviario Vesuviano	-	-	-	13,809	-	13,809
San Giorgio Volla Due	-	-	-	996	4	1,000
San Giorgio Volla	-	-	-	1,421	-	1,421
Other Group companies						
Ansaldo Breda S.p.A.	-	-	-	8,411	-	8,411
Finmeccanica Finance SA	-	-	148,515	-	-	148,515
Elsag Datamat S.p.A.	-	-	-	474	-	474
Selex Elsag S.p.A.	-	-	-	-	-	-
Selex Communication S.p.A.	-	-	-	19	54	73
Selex Sistemi Integrati S.p.A.	-	-	-	-	-	-
Selenia Mobile S.p.A.	-	-	-	-	-	-
Galileo Avionica S.p.A.	-	-	-	63	-	63
Ansaldo Energia S.p.A.	-	-	-	-	-	-
Oto Melara S.p.A.	-	-	-	-	-	-
I.M. Intermetro S.p.A.	-	-	-	42	-	42
AnsaldoBreda Inc. ex Breda Transp. Inc.	-	-	-	-	-	-
Westland Industries LTD	-	-	-	39	-	39
Agusta Westland S.p.A.	-	-	-	-	-	-
Alenia Aermacchi S.p.A.	-	-	-	-	-	-
Aeronautica Macchi S.p.A	-	-	-	1	-	1
Fata Losgistic Systems S.p.A.	-	-	-	-	-	-
Electron Italia srl	-	-	-	275	-	275
Metro Service	-	-	-	863	-	863
MEF - other						
Ferrovie dello Stato Group	-	-	-	46,716	-	46,716
Eni Group	-	-	-	-	-	-
Enel Group	-	-	-	-	-	-
Total	**-**	**1,006**	**149,150**	**131,723**	**1,564**	**283,443**
% on the total for the period		**7%**	**88%**	**21%**	**3%**	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

Payables at 31.12.2011 (EUR 000)	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total
Parent company						
Finmeccanica Sede S.p.A.	-	-	-	470	70	540
Subsidiaries						
Alifana S.c.r.l.	-	-	-	142	3	145
Alifana Due S.c.r.l.	-	-	-	587	-	587
Ansaldo Railway System Technical Service (Beijing) Ltd	-	-	-	-	-	-
Associates						
International Metro Service S.r.l.	-	-	-	-	-	-
Metro Service	-	-	-	5,968	-	5,968
Metro 5 S.p.A.	-	-	-	1	-	1
Pegaso S.c.r.l.	-	-	-	-	-	-
Joint Ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	-	-	-
Kazakhstan TZ - Ansaldo STS Italy LLP	-	-	-	1,176	-	1,176
Consortiums						
Consortium Saturno	-	-	-	150	-	150
Consortium Ascosa Quattro	-	-	-	68	8	76
Consortium Team	-	-	-	-	-	-
Consortium San Giorgio Volla 2	-	-	-	144	-	144
Consortium Ferroviario Vesuviano	-	-	-	529	8	537
Consortium San Giorgio Volla	-	-	-	24	8	32
Consortium Cesit	-	-	-	24	-	24
Consortium Cris	-	-	-	35	-	35
Other Group companies						
Finmeccanica Group Service S.p.A.	-	-	-	568	-	568
AnsaldoBreda S.p.A.	-	-	-	356	-	356
Finmeccanica Finance S.A.	-	-	-	-	-	-
Elsag Datamat S.p.A.	-	-	-	1,776	-	1,776
Selex Elsag S.p.A.	-	-	-	33,193	-	33,193
Selex Communication S.p.A.	-	-	-	-	-	-
Selex Service Management S.p.A.	-	-	-	-	-	-
Finmeccanica North America Inc.	-	-	-	89	-	89
Selex Electron Systems S.p.A.	-	-	-	(2)	-	(2)
Fata Logistic System S.p.A.	-	-	-	205	-	205
Fata S.p.A. (in liq)	-	-	-	65	-	65
Electron Italia S.r.l.	-	-	-	11	-	11
Selex Galileo S.p.A.	-	-	-	-	-	-
Hr Gest S.p.A.	-	-	-	-	-	-
I.M. Intermetro S.p.A.	-	-	-	-	-	-
Ansaldo Energia S.p.A.	-	-	-	-	-	-
Galileo Avionica S.p.A.	-	-	-	-	-	-
Telespazio S.p.A.	-	-	-	1	-	1
Other	-	-	-	-	-	-
MEF - other						
Ferrovie dello Stato Group	-	-	-	401	-	401
Eni Group	-	-	-	3	-	3
Enel Group	-	-	-	-	-	-
Total	**-**	**-**	**-**	**45,984**	**97**	**46,081**
% on the total for the period				**11%**	**0.1%**	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

Payables at 31.12.2010 (EUR 000)	Non-current borrowings	Other non-current payables	Current borrowings	Trade payables	Other current payables	Total
Parent company						
Finmeccanica Sede S.p.A.	-	-	-	468	-	468
Subsidiaries						
Alifana S.c.r.l.	-	-	-	162	3	165
Alifana Due S.c.r.l.	-	-	-	5,841	-	5,841
Ansaldo Railway System Technical Service (Beijing) Ltd	-	-	-	-	-	-
Associates						
International Metro Service S.r.l	-	-	-	-	-	-
Metro Service	-	-	-	2,769	-	2,769
Metro 5 S.p.A.	-	-	-	53	-	53
Pegaso S.c.r.l.	-	-	-	-	-	-
Joint Ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	-	-	-	2,098	-	2,098
Kazakhstan TZ - Ansaldo STS Italy LLP	-	-	-	3,356	-	3,356
Consortiums						
Consortium Saturno	-	-	-	253	-	253
Consortium Ascosa Quattro	-	-	-	154	8	162
Consortium Team	-	-	-	-	-	-
Consortium San Giorgio Volla 2	-	-	-	105	-	105
Consortium Ferroviario Vesuviano	-	-	-	548	8	556
Consortium San Giorgio Volla	-	-	-	6	8	14
Consortium Cesit	-	-	-	26	-	26
Consortium Cris	-	-	-	-	-	-
Other Group companies						
Finmeccanica Group Service S.p.A.	-	-	-	652	-	652
AnsaldoBreda S.p.A.	-	-	-	385	-	385
Finmeccanica Finance S.A.	-	-	-	-	-	-
Elsag Datamat S.p.A.	-	-		2,356	-	2,356
Selex Elsag S.p.A.	-	-	-	-	-	-
Selex Communication S.p.A.	-	-	-	33,542	-	33,542
Selex Service Management S.p.A.	-	-	-	191	-	191
Finmeccanica North America Inc.	-	-	-	63	-	63
Finmeccanica Consulting S.r.l.	-	-	-	-	-	-
Fata Logistic System S.p.A.	-	-	-	833	-	833
Fata S.p.A. (in liq)	-	-	-	258	-	258
Electron Italia S.r.l.	-	-	-	-	-	-
Selex Galileo S.p.A.	-	-	-	-	-	-
Hr Gest S.p.A.	-	-	-	-	-	-
I.M. Intermetro S.p.A.	-	-	-	-	-	-
Ansaldo Energia S.p.A.	-	-	-	-	-	-
Galileo Avionica S.p.A.	-	-	-	-	-	-
Telespazio S.p.A.	-	-	-	-	-	-
Other	-	-	-	-	-	-
MEF - other						
Ferrovie dello Stato Group	-	-	-	445	-	445
Eni Group	-	-	-	33	-	33
Enel Group	-	-	-	(3)	-	(3)
Total	**-**	**-**	**-**	**54,594**	**27**	**54,621**
% on the total for the period				**14%**	**0.1%**	

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

13.2 Intangible assets

(EUR 000)	Goodwill	Patents & similar rights	Concessions, licenses and trademarks	Assets under development	Other	Total
Balance at 31 December 2010	**35,052**	**278**	**1,139**	**6,940**	**6,822**	**50,231**
Change in scope of consolidation	-	-	-	-	-	-
Acquisitions	-	226	509	4,999	681	6,415
Capitalisations	-	-	-	395	87	482
Disposals	-	-	-	-	-	-
Amortisation and impairment	-	(225)	(720)	-	(2,038)	(2,983)
Other movements	-	-	-	-	-	-
Opening/closing foreign exchange rate differences	15	-	1	2	68	86
Transfer account from work in progress	-	-	-	-	113	113
Reclassifications	-	104	79	(298)	119	4
Balance at 31 December 2011	**35,067**	**383**	**1,008**	**12,038**	**5,852**	**54,348**

Intangible assets amounted to EUR 54,348 thousand. Investments for the period came to EUR 6,897 thousand and mainly regarded the following companies:

• Ansaldo STS SpA (EUR 5,735 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 refers to the following projects:
- Implementation of the Group "New Controlling Model" on the new transitional platform SAP ECC 6.0, started in the course of 2009;
- Product Data Management (PDM), regarding the implementation of Team Center as the only product data management system, integrated with SAP;
- Life Cycle Management (LCM), relative to the implementation of the new project planning and control model made through SAP / Primavera integration;
• Ansaldo STS Australia PTY Ltd and subsidiaries thereof mainly for long-term costs linked to software development projects;
• Ansaldo STS France SAS mainly for acquisitions of software licenses.

Amortisation for the period amounted to EUR 2,983 thousand and foreign exchange rate differences were positive for EUR 86 thousand. Goodwill is equal to EUR 35,067 thousand, in line with the value recorded in 2010 (EUR 35,052 thousand). The increase of EUR 15 thousand is due to the effects of exchange rate differences for the portion attributable to the US subsidiary Ansaldo STS USA. The total value of goodwill refers for EUR 18,520 thousand to the Signalling Business Unit and for EUR 16,547 thousand to the Transportation Solutions Business Unit.

The impairment test, in application of the Group procedures, is carried out upon the preparation of the Annual Report.
The test has been conducted, taking into account the conclusion at 31 December 2011 of the implementation process within the entire Group of the new control model and the definition of the new organizational and operational set-up, on the reference cash generating units (CGUs), Signalling and Transportation Solutions, by comparing the carrying amount with the greater of the value in use of the CGU and the amount recoverable by sale. In particular, the value in use is measured by discounting the cash flows, in the "unlevered" version, resulting from the five-year plans (for the 2011 – 2016 period) approved by management, and projected beyond the explicit time horizon covered by the plan according to the perpetuity growth method (so-called terminal value), using growth rates of no greater than those forecast for the market in which the given CGUs operate (2% in 2011, in line with the previous financial year).
The related macro-economic basic assumptions are determined, where possibile, on the basis of external sources of information, while the profitability and growth estimates assumed in the plans are determined by the management on the basis of the past experiences and by the expectations about the development of the markets in which the Group operates.
The cash flows used are those generated by the company's activities, in their current conditions, before finance costs and income taxes, and include the investments in capital assets and the monetary movements of working capital, while do not include the cash flows relating to financing activities, extraordinary events or the payment of dividends.
The flows thus determined are discounted using a rate (WACC) determined by applying the method of Capital Asset Pricing Model.
At 31 December 2011 the WACC used was equal to 9.5%, updated over one year ago (9.38%) on the basis of reasonable estimates on the economic trend of the markets in which the Ansaldo STS Group operates.
The tests carried out have not shown any impairment and no external indicators of impairment have been reported.
A similar result would be obtained if the interest rate used to discount cash flows were to rise by 50 basis points or if growth rate in the calculation of the terminal value was to fall by 50 basis points.
The basic assumptions used for the projections of the financial flows of the five-year plans approved by the managements are outlined in the Report on operations.

13.3 Property, plant and equipment

(EUR 000)	Land and buildings	Plant and machinery	Equipment	Assets under construction	Other	Leased assets	Total
Balance at 31 December 2010	**68,301**	**6,270**	**6,746**	**3,975**	**12,935**	**426**	**98,653**
Acquisitions	29	728	1,190	1,843	1,182	-	4,972
Capitalisations	-	-	-	386	-	-	386
Sales	(2)	(41)	(13)	-	(151)	(90)	(297)
Impairment	-	(3)	-	-	(61)	-	(64)
Depreciation	(2,401)	(2,027)	(1,825)	-	(3,675)	(156)	(10,084)
Opening/closing foreign exchange rate diff.	98	282	17	16	19	(1)	431
Reclassifications	66	2,737	575	(3,683)	194	-	(111)
Balance at 31 December 2011	**66,091**	**7,946**	**6,690**	**2,537**	**10,443**	**179**	**93,886**

Property, plant and equipment (EUR 93,886 thousand) include the value of the premises owned by the Parent Company, Ansaldo STS SpA, located in Genoa, Via Mantovani 3/5-16151 and purchased in December 2005 from its parent Finmeccanica SpA for EUR 62,378 thousand.

Investments for the period came to EUR 5,358 thousand and are detailed as follows:
- EUR 1,758 thousand - Ansaldo STS SpA: mainly relative to renovation works and to the instrumentation acquired for the Tito factory;
- EUR 1,302 thousand - Ansaldo STS France: mainly relating to the purchase of equipment for technical labs and tools for production, improvement works in the Riom plants;
- EUR 1,697 thousand - Ansaldo STS USA: mainly relative to the maintenance of the plants in the Batesburg factory;
- EUR 415 thousand - Asia Pacific area companies (Australia, India, Malaysia): mainly attributable to the reorganisation of the sites.

Depreciation and impairment for the period amounted to EUR 10,148 thousand and foreign exchange rate differences were positive for EUR 431 thousand.

13.4 Equity investments

Equity investments valued at cost (EUR 000)

Balance at 31 December 2010	**22,122**
Balance at 31 December 2010	-
Acquisitions/subscriptions and capital increases	12
Revaluations/impairment	-
Disposals/repayments	-
Balance at 31 December 2011	**22,134**
Investments valued at equity	**15,427**
Total equity investments	**37,561**

List of equity investments with values in thousands of euros:

Name	Ownership %	Total assets	Total liabilities	data	Currency	Value €/000
Metro 5 S.p.A. (*)	24.60%	262,102	237,130	1	Euro	12,293
International Metro Service S.r.l. (*)	49.00%	4,846	18	1	Euro	2,366
Pegaso S.c.r.l. (*)	46.87%	8,510	8,250	1	Euro	122
Alifana S.c.a.r.l. (*)	65.85%	708	682	2	Euro	17
Alifana Due S.c.r.l. (*)	53.34%	7,148	7,122	2	Euro	14
Metro C S.c.p.A.	14.00%	493,314	343,796	1	Euro	21,000
Metro Brescia Srl (*)	40.40%	-	-	2	Euro	202
Ansaldo STS Sistemas de Transporte e Sinalizacao LTDA (*)	99.99%	-	414	2	Euro	414
I.M. Intermetro S.p.A. (in liquidation)	16.67%	924,159	919,605	1	Euro	523
Società Tram di Firenze S.p.A.	3.80%	70,683	64,009	1	Euro	266
Consorzio Iricav uno	17.44%	3,483,504	3,482,984	1	Euro	91
Consorzio Iricav 2	15.00%	51,053	50,537	1	Euro	88
Consorzio ferroviario vesuviano	25.00%	235,972	235,817	1	Euro	39
Consorzio S. Giorgio Volla 2	40.00%	49,269	49,197	2	Euro	18
Consorzio Cris	1.00%	4,021	1,576	1	Euro	24
Consorzio S. Giorgio Volla	25.00%	6,284	6,212	2	Euro	18
Consorzio Ascosa Quattro	25.00%	77,697	77,640	1	Euro	14
Siit S.c.p.a.	2.30%	781	178	1	Euro	14
Consorzio Cesit	20.00%	237	154	1	Euro	17
Consorzio Saturno	33.34%	2,375,516	2,375,485	2	Euro	10
Consorzio Train	3.76%	38,199	36,811	1	Euro	4
Sesamo S.c.a.r.l.	2.00%	1,196	1,129	1	Euro	2
Consorzio Isict	10.00%	330	291	1	Euro	4
Consorzio Cosila	0.92%	178	64	1	Euro	1

(*) investments at equity.
1. Data refers to financial year 2010.
2. Data refers to financial year 2011.

List of Joint Ventures with overall values in thousands of euros:

31.12.2011	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Operating expenses
Balfour Beatty Ansaldo Syst. JV SDN BHD	2,807	85,951	-	84,854	89,205	88,473
Kazakhstan TZ - AnsaldoSTS Italy LLP	18	12,275	2,401	9,749	-	149

Equity investments at 31 December 2011 amounted to EUR 37,561 thousand, of which EUR 15,427 thousand valued with the net equity method and EUR 22,134 thousand valued at cost.

The change of EUR 6,319 thousand between the value of those valued with the net equity method in the two comparing periods (EUR 15,427 thousand at 31 December 2011 and EUR 9,108 thousand at 31 December 2010) is mainly dye to:
1. the purchase in two tranches, at January and March 2011, of no. 61,500 shares of Metro 5 SpA for EUR 6,150 thousand;
2. 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 (EUR 202 thousand), 50% by Astaldi and the remaining 9.6% by Ansaldo Breda.

The equity investments valued with the net equity method amounted to EUR 4 thousand for the financial year 2011, reflecting the positive result of International Metro Service Srl for EUR 8 thousand and the loss of Metro 5 SpA for EUR 4 thousand.

13.5 Receivables and other non-current assets

(EUR 000)	**31.12.2011**	31.12.2010
Security deposits	2,106	1,672
Other	13,361	12,571
Non-current receivables from related parties	2,765	1,006
Non-current receivables	**18,232**	**15,249**
Financial prepaid expenses - non-current portion	-	-
Other prepaid expenses - Finmeccanica	23,811	23,246
Other non-current assets	-	-
Other non-current assets	**23,811**	**23,246**

Non-current receivables at 31 December 2011 came to EUR 18,232 thousand rising by EUR 2,983 thousand over 2010 mainly for the increase in "other" receivables. This value mainly refers to the American subsidiary Ansaldo STS USA in relation to the *"Pittsburgh facilities lease"* receivable for EUR 10,816 thousand. Particular mention should be also given to the amount of EUR 2,285 thousand attributable to the portion 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 Joint 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.

The value of "non-current receivables from related parties", equal to EUR 2,765 thousand, mainly refers to the Group parent Ansaldo STS in the amount of:
- EUR 1,540 thousand as shareholder loan (EUR 1,426 thousand for capital amount and EUR 114 thousand for interest accrued) of Metro 5 SpA under the agreements for the construction of the related Milan metro section;
- EUR 1,176 thousand as advance to the Joint Venture Kazakhstan TZ - AnsaldoSTS Italy LLP.

Other non-current assets amounted to EUR 23,811 thousand and mainly refer to the non-current portion of the long-term costs incurred to purchase the right to use the "Ansaldo" trademark for 20 years.
Specifically, on 27 December 2005, Ansaldo STS SpA entered into a licensing agreement with Finmeccanica SpA to use the "Ansaldo" trademark under which the Company is known in the market. This agreement gives the Company exclusive use of the trademark up to 27 December 2025 in the sectors the Group does business, in exchange for an up-front payment of EUR 32,213 thousand.

13.6 Inventories

(EUR 000)	**31.12.2011**	31.12.2010
Raw materials, supplies and consumables	30,147	34,626
Work in progress and semi-finished goods	16,614	17,335
Finished goods and merchandise	11,582	14,343
Advances to suppliers	71,593	61,328
Total	**129,936**	**127,632**

Inventories are substantially in line with 2010 notwithstanding a different mixture in each component; these are stated net of write-down provisions totalling EUR 6,944 thousand (EUR 6,883 thousand at 31 December 2010).

13.7 Contract work in progress and advances from customers

(EUR 000)	**31.12.2011**	31.12.2010
Advances from customers	(30,090)	(14,359)
Invoices of instalments	(1,195,322)	(928,880)
Work in progress	1,508,714	1,160,167
Work in progress (net)	**283,302**	**216,928**
Advances from customers	(403,530)	(316,251)
Invoices of instalments	(3,875,598)	(3,843,148)
Work in progress	3,572,393	3,502,249
Advances from customers (net)	**(706,735)**	**(657,150)**
Work in progress, net of advances	**(423,433)**	**(440,222)**

Generally, work in progress is recognised as an asset if the gross value of the work in progress is higher than the advances from customers. It is recognised as a liability if the advances from customers exceed the value of the related work in progress.
The total net value showed a decrease of EUR 16,789 thousand compared to 2010; specifically we report the increase in “advances from customers” as a result of the advances received in the course of the financial year, mainly for the new contract in Denmark (“Copenhagen Ring”) and for the project in Taipei, which partially offsets the rise in “work in progress, net”.
The net balance of work in progress and advances includes the net advances relating to the job-orders in Libya currently suspended for EUR 182,797 thousand.

13.8 Trade and financial receivables

	31.12.2011		31.12.2010	
(EUR 000)	**Trade**	**Financial**	Trade	Financial
Receivables from third parties	546,939	110,812	493,085	21,212
Total receivables from third parties	**546,939**	**110,812**	**493,085**	**21,212**
Receivables from related parties	133,130	2,531	131,723	149,150
Total	**680,069**	**113,343**	**624,808**	**170,362**

Trade receivables from third parties came to EUR 546,939 thousand at 31 December 2011 rising by EUR 53,854 thousand over 31 December 2010 (EUR 493,085 thousand). This increase is mainly due to the higher receivables of the Group parent Ansaldo STS SpA; specifically, we report some receivables from the Municipality of Naples and from the Campania region customers for delayed collections, while the exposure towards the Arab, Danish and Rio Tinto customers derive from the progress of the activities on the related projects.

Trade receivables from related parties are substantially in line with the previous financial year (EUR 133,130 thousand at 31 December 2011 compared with EUR 131,723 thousand at 31 December 2010).

Financial receivables from third parties at 31 December 2011 amounted to EUR 110,812 thousand (EUR 21,212 thousand in 2010) and are essentially attributable to the Group parent and to the Australian and Malaysian subsidiaries.
The item is mainly made up:
- for EUR 50,000 thousand by two short-term deposits with primary Italian credit institutes;
- for EUR 28,443 thousand, as mentioned in the Report on operations, as countervalue of the Libyan dinars, received by way of advance on the first of the two job-orders obtained in Libya by the Group parent and deposited in a local bank;
- for EUR 31,959 thousand by short-term deposits that the Australian and Malaysian subsidiaries made at year-end in primary credit institutes in consequence of the year-end collections.

Financial receivables from related parties amounted to EUR 2,531 thousand (EUR 149,150 thousand at 31 December 2010) and are referable to the current account maintained with Finmeccanica SpA. The decrease from the previous financial year is attributable to the repayment of the receivable deriving from the deposits with the related concern Finmeccanica Finance SAS.

With regard to CONSOB communication no. DAC/RM/97003369 of 9 April 1997, the Group reports that during the financial year ended 31 December 2011 it did not assign any recourse and non-recourse receivables, except for the French subsidiary.
In fact, Ansaldo STS France assigned at year-end the receivables not past due relating to two customers through the stipulation of non-recourse factoring contracts (EUR 10,145 thousand).

13.9 Financial assets at fair value

Financial assets at fair value totalled EUR 30,756 thousand at 31 December 2011 and refer to two transactions, one carried out by the Group parent and the other by the French subsidiary:
- in January 2011, the Group parent 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 at 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. The fair value of securities was equal to EUR 24,743 thousand at year-end;
- on 30 December 2011 the French subsidiary invested the liquidity surplus (EUR 6,013 thousand), deriving from the year-end collections in a French fund called “Fonds Commun de Placement (FCP)”. This investment guarantees a yield in line with the EONIA rate (Euro OverNight Index Average) and is payable on demand.

13.10 Income tax receivables and payables

	31.12.2011		31.12.2010	
(EUR 000)	**Assets**	**Liabilities**	Assets	Liabilities
For direct taxes	18,618	1,977	8,705	11,225
Total	**18,618**	**1,977**	**8,705**	**11,225**

Income tax receivables amounted to EUR 18,618 thousand at 31 December 2011 compared with EUR 8,705 thousand at 31 December 2010, with an increase of EUR 9,913 thousand.

This increase over the prior year is attributable: for EUR 5,964 thousand, to the receivables for taxes paid in Italy by the Group parent as net result between the two advance payments and the taxes for the period, and to the receivable for taxes paid abroad and mainly in South Arabia and Turkey; for EUR 2,644 thousand, to the French subsidiary Ansaldo STS France in consequence of the receivables connected with the R&D activities carried out in the period and of a residual receivable not collected/used yet.
Income tax receivables refer to the Group parent Ansaldo STS SpA for EUR 8,675 thousand, to the Ansaldo STS France Group companies for EUR 6,409 thousand, to the Australian companies for EUR 3,474 thousand and to the Irish company for EUR 60 thousand.
Income tax receivables of the Group parent Ansaldo STS mainly refer to Ires for EUR 2,619 thousand, to the IRAP for the period for EUR 882 thousand and to the receivable for taxes paid abroad for EUR 4,417 thousand.

Income tax payables amounted to EUR 1,977 thousand at 31 December 2011 with a decrease of some EUR 9,248 thousand compared with 31 December 2010 (EUR 11,225 thousand).
Income tax payables are mainly referable to the subsidiaries of ASTS France for EUR 628 thousand, to the subsidiaries of ASTS Australia for EUR 569 thousand, and to Sweden for EUR 660 thousand.

13.11 Other current assets

(EUR 000)	**31.12.2011**	**31.12.2010**
Current portions of prepaid expenses	12,870	14,870
Research subsidies	7,743	4,271
Receivables from employees	927	796
Receivables from social security institutions	169	187
Receivables for security deposits	107	8
Receivables for indirect taxes and other amounts due from tax authorities	13,379	11,973
Other	8,730	11,372
Total other assets	**43,925**	**43,477**
Other assets from related parties	1,509	1,564
Total	**45,434**	**45,041**

Other current assets from third parties at 31 December 2011 came to EUR 43,925 thousand with an increase of EUR 448 thousand compared with the figures as at 31 December 2010 (EUR 43,477 thousand); particular mention should be given to the increase in "research subsidies" recorded in the year by the Group parent as well as in "receivables for indirect taxes" due to a higher VAT receivable.
Other assets from related parties at 31 December 2011 amounted to EUR 1,509 thousand and are in line with the figures recorded at 31 December 2010 (EUR 1,564 thousand).

13.12 Cash and cash equivalents

(EUR 000)	**31.12.2011**	31.12.2010
Cash	250	91
Bank deposits	160,678	153,229
Total	**160,928**	**153,320**

The balance of cash and cash equivalents at 31 December 2011 amounted to EUR 160,928 thousand and refer to Ansaldo STS SpA for EUR 106,894 thousand, Ansaldo STS USA Group for EUR 24,440 thousand and Ansaldo STS France Group for EUR 7,821 thousand.
Compared with 31 December 2010 cash and cash equivalents rose by EUR 7,608 thousand, due to the greater liquidity of Ansaldo STS USA Group. For comments on the variations, please refer to paragraph 2.3 relative to the financial position of the Group.

13.13 Share capital

	Number of shares	(In €) 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 of Ansaldo STS 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

13.14 Retained earnings/(losses) carried forward, including net profit for the year and consolidation reserves

Retained earnings/(losses) carried forward (EUR 000)

Balance at 31 December 2010	**260,977**
Appropriation from the period result for the creation of the "reserve for adjustments to the legal reserve"	-
Allocation of the period result to legal reserve	-
Actuarial gain (loss) related to defined-benefit plans	1,329
Result for the year	72,956
Dividends	(33,592)
Other movements	-
Share capital increases/making good of losses	-
Balance at 31 December 2011	**301,670**

Retained earnings/(losses) carried forward, including net profit for the year and consolidation reserves at 31 December 2011 amounted to EUR 301,670 thousand with a variation attributable to the Group's result accrued in the period for EUR 72,956 thousand, to the distribution of dividends for EUR 33,592 thousand, to the actuarial gain for the period related to defined-benefit plans.

13.15 Other reserves

(EUR 000)	Legal reserve	Reserve for adjustments to the legal reserve	Cash Flow Hedge reserve	Stock grant reserve	Reserve for deferred taxes relating to items posted to shareholders' equity	Translation reserve	Other	Total
31 December 2010	**12,000**	**8,000**	**(2,386)**	**3,338**	**(428)**	**(554)**	**39,756**	**59,726**
Change in scope of consolidation	-	-	-	-	-	-	-	**-**
Charge to Income Statement	-	-	4,587	-	(54)	-	-	**4,533**
Translation differences	-	-	-	-	-	1,490	-	**1,490**
Increase/Decrease	-	-	-	(3,111)	-	-	-	**(3,111)**
Valuations posted to shareholders' equity	-	-	(1,320)	-	28	-	-	**(1,292)**
Creation of the "reserve for adjustments to the legal reserve"	-	-	-	-	-	-	-	**-**
Reversal from "reserve for adjustments to the legal reserve" following the 2nd capital increase tranche	2,000	(2,000)	-	-	-	-	-	**-**
Share capital increase by appropriation from distributable reserves	-	-	-	-	-	-	(10,000)	**(10,000)**
Other movements	-		-	-	-	-		**-**
31 December 2011	**14,000**	**6,000**	**881**	**227**	**(454)**	**936**	**29,756**	**51,346**

Legal reserve
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 the shareholders resolved, in addition to the allocation of 5% of the profit to reserve, the adjustment of the same reserve up to the maximum limit equal to 20% of the share capital. Moreover, following the resolution of a share capital increase of EUR 50,000 thousand, to be implemented in five annual tranches of equal amount, 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 was recorded from the "Reserve for adjustments to the legal reserve" to the legal reserve as per shareholders' meeting resolution.

Reserve for adjustments to the legal reserve
The Reserve is equal to EUR 6,000 thousand; it was set-up in 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.

Cash flow hedge reserve
This reserve includes the fair value of derivatives used by the Group to hedge its exposure to currency or interest rate risk (EUR 881 thousand at 31 December 2011), gross of the effects of deferred taxes, until the moment in which the underlying position is recognised in the Income Statement. When this condition is met, the reserve is recognised in the Income Statement to offset the economic effects of the hedged transaction.

Stock grant reserve
The stock grant reserve came to EUR 227 thousand, a decrease of EUR 3,111 thousand from the preceding year.
The Stock grant reserve is composed of as follows:
- EUR -589 thousand - reserve created following the delivery of shares in the financial years from 2007 to 2011.
- EUR 816 thousand - allocation of the 2010-2012 Stock Grant Plan and 2011 Stock Grant Plan (delivery: December 2012).

Reserve for deferred taxes relating to items posted to shareholders' equity
The reserve for deferred taxes relating to items posted to shareholders' equity was equal to EUR -454 thousand and was created to recognise the deferred taxes arising from actuarial gains/losses resulting from the adoption of the equity method for defined-benefit plans and from Cash Flow Hedges.

Translation reserve
This reserve is used to recognise the exchange rate differences resulting from the translation of the financial statements of consolidated companies (EUR 936 thousand at 31 December 2011). The most significant amounts were the result of the consolidation of the subsidiaries Ansaldo STS USA and Ansaldo STS Australia.

Other reserves

Other reserves relate to the capital contribution reserve for EUR 27,679 thousand recorded in the financial statements of the Group parent. The reserve was formed in 2006 following the unrecoverable capital contribution received from the Parent Finmeccanica SpA. The decrease of EUR 10,000 thousand is due to the shareholders' meeting resolution approving the 2009 financial statements and the free share capital increase whereby the shareholders resolved to allocate the capital contribution reserve in full and the Merger Surplus Reserve (EUR 2,321 thousand) for the free share capital increase. On 4 July 2011, after the free issue of the second tranche of the five tranches of shares, the capital contribution reserve was used by charging EUR 10,000 thousand to share capital. Moreover, this item includes the revaluation reserve and the reserves formed following the awarding of research grants by the Group parent.

13.16 Minority interests in equity

(EUR 000)	
Balance at 31 December 2010	**1,050**
Change in scope of consolidation	-
Profit attributable to minority interests	100
Consolidation reserve attributable to minority interests	(113)
Translation reserve attributable to minority interests	85
Balance at 31 December 2011	**1,122**

This refers to the minority interests equal to 20% of Ansaldo STS Beijing Ltd having its registered office in Beijing (China).

13.17 Borrowings

	31.12.2011			31.12.2010		
(EUR 000)	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Bank borrowings	14,535	269	14,804	3,089	1,115	4,204
Finance lease payables	-	-	-	-	-	-
Other borrowings	380	169	549	822	506	1,328
Total	**14,915**	**438**	**15,353**	**3,911**	**1,621**	**5,532**

Changes during the period were as follows:

(EUR 000)	31.12.2010	**New borrowings**	**Repayments**	**Reclassifications**	**Other changes**	**31.12.2011**
Bank borrowings	4,204	12,358	(846)	-	(912)	14,804
Finance lease payables	-	-	-	-	-	-
Other borrowings	1,328	1,256	(337)	45	(1,743)	549
Total	**5,532**	**13,614**	**(1,183)**	**45**	**(2,655)**	**15,353**

Bank borrowings

Bank borrowings, equal to EUR 14,535 thousand for the current portion, are mainly attributable to the subsidiaries of the Asia Pacific area for EUR 13,680 thousand and to the Group parent Ansaldo STS SpA for EUR 852 thousand. The increase in bank borrowings recorded in the financial year (EUR 11,446 thousand) is mostly ascribable to the registering of a debt by the Indian subsidiary.

Due to other lenders

This item refers, both for the current and non-current portion, to the facilitated loans obtained in relation to research projects. A negative variation of EUR 779 thousand was recorded in the course of 2011 mainly due to the repayment of the loan instalments pertaining to the financial year.

Financial debt

The Group's financial liabilities are subject to the following repayment schedules and exposures to interest rate risk:

	Bank borrowings		Bonds		Related parties		Other		Total	
31 December 2011 (EUR 000)	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**
Within 1 year	13,686	849	-	-	-	-	43	337	13,729	1,186
2 to 5 years	-	269	-	-	-	-	-	169	-	438
Beyond 5 years	-	-	-	-	-	-	-	-	-	-
Total	**13,686**	**1,118**	**-**	**-**	**-**	**-**	**43**	**506**	**13,729**	**1,624**

	Bank borrowings		Bonds		Related parties		Other		Total	
31 December 2010 (EUR 000)	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**
Within 1 year	1,341	1,748	-	-	-	-	487	335	1,828	2,083
2 to 5 years	-	1,115	-	-	-	-	-	506	-	1,621
Beyond 5 years	-	-	-	-	-	-	-	-	-	-
Total	**1,341**	**2,863**	**-**	**-**	**-**	**-**	**487**	**841**	**1,828**	**3,704**

Below is the financial information required under CONSOB communication no. DEM/6064293 of 28 July 2006:

(EUR 000)		**31.12.2011**	31.12.2010
A.	Cash	250	91
B.	Other cash equivalents (bank accounts)	160,678	153,229
C.	Securities held for trading	30,756	-
D.	**LIQUIDITY (A+B+C)**	**191,684**	**153,320**
E.	**CURRENT FINANCIAL RECEIVABLES**	**113,343**	**170,362**
F.	Current bank borrowings	14,535	3,089
G.	Current portion of non-current debt	-	-
H.	Other current borrowings	380	822
I.	**CURRENT FINANCIAL DEBT (F+G+H)**	**14,915**	**3,911**
J.	**CURRENT FINANCIAL DEBT, NET (I-E-D)**	**(290,112)**	**(319,771)**
K.	Non-current bank borrowings	269	1,115
L.	Bonds issued	-	-
M.	Other non-current payables	169	506
N.	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**438**	**1,621**
O.	**NET FINANCIAL DEBT (LIQUIDITY) (J+N)**	**(289,674)**	**(318,150)**

13.18 Provisions for risks and charges and contingent current liabilities

(EUR 000)	Product warranties	Labour disputes	Provision for taxes	Disputes with third parties	Provision for restructuring	Other	Total
Balance at 31 December 2010	**16,263**	**406**	**2**	**-**	**1,052**	**4,694**	**22,417**
Allocations	1,452	49	-	-	1,677	5,384	8,562
Reversals	(1,278)	(24)	-	-	-	(2,010)	(3,312)
Uses	(552)	-	(2)	-	(1,392)	(2,753)	(4,699)
Other changes	102	-	-	-	30	36	168
Balance at 31 December 2011	**15,987**	**431**	**-**	**-**	**1,367**	**5,351**	**23,136**
Current	*16,263*	*406*	*2*	-	*1,052*	*4,694*	*22,417*
Non-current	-	-	-	-	-	-	-
Balance at 31 December 2010	**16,263**	**406**	**2**	**-**	**1,052**	**4,694**	**22,417**
Current	*15,987*	*431*	-	-	*1,367*	*5,351*	*23,136*
Non-current	-	-	-	-	-	-	-
Balance at 31 December 2011	**15,987**	**431**	**-**	**-**	**1,367**	**5,351**	**23,136**

The risk provisions at 31 December 2011 amounted to EUR 23,136 thousand increasing by EUR 719 thousand compared with 31 December 2010. This increase is mainly attributable to the Group parent where the value of the provisions showed an increase of EUR 1,744 thousand.

In relation to the risk provisions, it should be reported that the companies of the Ansaldo STS Group operate in sectors and markets where many disputes - both those initiated by the Group or those initiated by third parties against the Group - are resolved only after a considerable time-lag, especially where the party being dealt with is a government body.
To the best of our current knowledge, the various disputes that could give rise to a liability on the part of the Group that are not covered by a specific provision can be resolved in a satisfactory manner without a significant impact on results.
Provisions have been made for any quantifiable liability that is likely to arise.

As to litigation, the following is noted:
- with regard to Ansaldo STS SpA there are no disputes that are so significant or risky as to require specific disclosure;
- none of the subsidiaries of the Transportation Solutions Business Unit or Signalling Business Unit is involved in litigation that is so significant or risky as to require specific further disclosure;
- for litigation in which, on the basis of a prudent evaluation, an adverse outcome is likely, the relevant companies have established provisions to cover such eventuality.

In comparison to the comments reported in the 2010 financial statements, an agreement was reached between 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.

13.19 Severance pay and other employee liabilities

The amount and the changes in the severance pay provision and in the defined-benefit pension plans are reported below:

(EUR 000)	**31.12.2011**	31.12.2010
Severance pay provision	18,380	20,774
Defined-benefit pension plans	10,779	10,558
Total	**29,159**	**31,332**

	Severance pay provision		Defined-benefit plans	
(EUR 000)	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Present value of obligations	18,380	20,774	10,779	10,558
Fair value of the plan assets	-	-	-	-
Unrecognised actuarial gains/(losses)	-	-	-	-
Total	**18,380**	**20,774**	**10,779**	**10,558**

(EUR 000)	Severance pay provision	Defined-benefit plans
Balance at 31 December 2010	**20,774**	**10,558**
Change in the scope of consolidation	-	-
Costs for the period	904	962
Contributions paid	(1,969)	(741)
Other movements	-	-
Actuarial gains/(losses) in equity	(1,329)	-
Balance at 31 December 2011	**18,380**	**10,779**

The amount recognised in the Income Statement breaks down as follows:

	Severance pay provision		Defined-benefit plans	
(EUR 000)	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010
Costs of benefits paid	223	128	435	396
Interest costs	681	664	527	469
Actuarial (gains)/losses recognised during the period	(1,329)	594	-	314
Total	**(425)**	**1,386**	**962**	**1,179**

The main actuarial assumptions are as follows:

	Severance pay provision		Defined-benefits plans	
	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010
Discount rate (annual)	4.1%	3.4%	4.1%	3.4%
Rate of salary increases	N.A.	N.A.	2.5% - 3.6%	2.3% - 3.7%
Rate of turnover	4.4% - 9.2%	3.3% - 9.8%	4.4% - 9.2%	3.3% - 9.8%

13.20 Other current and non-current liabilities

	31.12.2011		31.12.2010	
(EUR 000)	**Current**	**Non-current**	Current	Non-current
Due to employees	28,403	5,648	31,985	5,503
Deferred income	-	-	49	-
Payables for indirect taxes and other amounts due to tax authorities	19,630	-	11,641	-
Payables to social security institutions	13,043	-	13,570	-
Other payables to other third parties	24,388	5,368	27,458	4,823
Total other liabilities to third parties	**85,464**	**11,016**	**84,703**	**10,326**
Other liabilities to related parties	97	-	27	-
Total	**85,561**	**11,016**	**84,730**	**10,326**

Other current and non-current liabilities towards third parties came to EUR 96,480 thousand, an increase of EUR 1,451 thousand (EUR 95,029 thousand at 31 December 2010), as detailed in the table.
Other current and non-current liabilities towards related parties amounted to EUR 97 thousand compared with EUR 27 thousand in 2010.

13.21 Trade payables

(EUR 000)	**31.12.2011**	31.12.2010
Due to suppliers	385,867	348,539
Total due to suppliers	**385,867**	**348,539**
Due to related parties	45,984	54,594
Total	**431,851**	**403,133**

Trade payables to third parties rose by EUR 37,328 thousand over 2010; this change is mainly attributable to the debit positions of suppliers with back-to-back contracts compared with the credit position towards the final customer.

Trade payables to related parties decreased by EUR 8,610 thousand as a result of the reduction of the positions towards some related concerns (mainly Alifana Due and JV Kazaka).

The item “trade payables to third parties” includes the maturity factoring of the Group parent ASTS (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.

13.22 Derivatives

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

(EUR 000)	**31.12.2011** Derivative assets	**31.12.2011** Derivative liabilities	31.12.2010 Derivative assets	31.12.2010 Derivative liabilities
Trading	-	-	-	-
Instruments to hedge exchange rate risk	3,144	942	3,388	1,061
Cash Flow hedge	5,544	4,876	5,639	6,678
Total derivatives	**8,688**	**5,818**	**9,027**	**7,739**

Derivative assets showed a net decrease of EUR 339 thousand. This change is mainly attributable to the subsidiaries of the Asia Pacific area and the USA as a result of the fair value variance on hedging transactions.
Derivative liabilities also recorded a decrease of EUR 1,921 thousand mainly due to the variation in the fair value of the transactions made by the subsidiaries of the Asia Pacific area.

Determination of fair value

At 31 December 2011, the Group did not hold listed derivative instruments. The fair value of non-listed derivative instruments is measured with reference to the financial valuation techniques. Specifically, the fair value of exchange rate futures contracts is calculated based on the market exchange rate at the reference date and the rate differentials between the relevant currencies. The fair value of swaps is calculated by discounting future cash flows using market parameters.
Hedging transactions are carried out predominantly with the banking system. At 31 December 2011, the Group had contracts referring to various currencies in the following notional amounts:

(EUR 000)	**31.12.2011**	31.12.2010
Euro	165,917	178,512
US dollar	81,546	82,277
Pound Sterling - GBP	11,221	7,986
Swedish krona	23,838	25,745
Canadian dollar	-	3,976
Australian dollar	20,790	17,603
Hong Kong dollar	-	63
Japanese Yen	-	3,506

The Group, though exposed to the risk linked to the trend of interest rates, does not make use of policies to hedge the risk connected with the rate variability.

13.23 Guarantees and other commitments

Leases
The Group holds a number of operating leases for the purposes of acquiring the use of property, plant and equipment. The minimum future payments are as follows:

(EUR 000)	Operating leases	Finance leases
Within 1 year	4,704	-
2 to 5 years	6,804	-
Beyond 5 years	-	-
	11,508	**-**

Guarantee portfolio
The sureties and bonds granted by credit institutes or insurance companies in favour of principals/customers for commercial transactions are key to the finalisation of national/international tenders and are an essential condition to the successful stipulation of contracts.

Bid bond
The Bid Bond is required as part of a bidding process. Generally, it is valid for 3/6 months and amounts to 1-3% of the basic bid value or the estimated tender price.
The total value of bid bonds within the guarantee portfolio is generally modest based on the nature of the guarantee. In the guarantee portfolio at 31 December 2011 this typology amounted to EUR 40 million.

Performance bond
The Performance Bond is a surety to guarantee satisfactory completion of the project or successful supply. This is usually required during the stipulation of contracts. The duration of the performance bond is connected with the labour or supply for which it has been issued. The bond is of short duration for supply contracts while can achieve the maximum duration for turn-key contracts since it includes the “Operation & Maintenance” phase as well.
The amount varies in accordance to the type of contract and the relevant context. Generally, its amount varies to the extent of 10-15% of the contractual value.
In the guarantee portfolio at 31 December 2011 this typology represents a significant portion, amounting to some EUR 850 million.

Retention money bond
Where provided for by the contract, the Retention Money Bond represent the guarantee given for the release of the amounts withheld as guarantee by the principal/customer on the works performed and invoiced. The bond is released in stages and for minimum amounts, (for example in the amount of 5% of the works/supplies performed and invoiced). The bond can also be released upon the completion of works, where not expressly contemplated by the contract.
In the guarantee portfolio, at 31 December 2011 this typology amounted to some EUR 160 million.

Advance payment bond
The Advance Payment Bond, also called Down Payment Bond, enables the customer to recover an advance payment made to the supplier at the beginning of the project/supply. It decreases as the advance is reabsorbed through the invoicing of the supplier to the customer. The amount of this typology of guarantee varies on the basis of the contract type and of the context in which it has been issued. Generally, this guarantee can vary from 10% to 15% of the contractual amount up to 25%-35% in some international contexts.
At 31 December 2011 this category amounted to over EUR 750 million.

Counter guarantee
Another important type of guarantee is formed by Counter Guarantees. These are presented by Ansaldo STS SpA in the scope of contracts undersigned as member of Consortia and business combinations. This typology of guarantee, at 31 December 2011, amounted to some EUR 250 million.

Parent company guarantee
The parent company guarantee (PCG) represents the guarantee released by the parent company in favour of third parties to guarantee the commitments of a subsidiary. This guarantee can arise for various reasons that go from the direct granting of commercial guarantees taking the place of credit institutes (for example: for Advance, Performance and Retention Bond) to the guarantee for direct credit lines granted by credit institutes to Group companies.
This second type of PCG is of primary importance for those newly-established or small-sized companies, that find it more difficult to obtain significant credit lines granted directly by banks. Therefore this instrument appears very useful to start operating in new markets/countries by forming small local companies with the objective to develop them in the course of the time but giving them an adequate financial support since the beginning.
The Parent Company Guarantee outstanding at 31 December 2011 amounted to over EUR 110 million.

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

Direct guarantees and indemnities issued by third parties on behalf of the Group in favour of customers and other third parties (EUR 000)	**Signalling Business Unit**	**Transportation Solutions Business Unit**	**Total**
Unsecured guarantees issued by Finmeccanica (Parent Company Guarantees) and Finmeccanica Finance SA (advance payment bonds, performance bonds, retention money bonds) in favour of customers for commercial transactions	71	525,483	525,554
Unsecured guarantees issued by Ansaldo STS (Parent Company Guarantees), in favour of customers for commercial transactions	77,195	-	77,195
Sureties and bonds (advance payment bonds, performance bonds, bid bonds, retention bonds) issued by credit institutions or insurance companies in favour of customers for commercial transactions	836,447	1,374,323	2,210,770
of which: counter-guaranteed by Finmeccanica	*40,074*	*600,597*	*640,671*
of which: counter-guaranteed by Ansaldo STS	*790,053*	*773,726*	*1,563,779*
Direct guarantees and indemnities by Finmeccanica and Ansaldo STS, credit institutions or insurance companies in favour of other third parties for NON-contractual/commercial guarantees (financial, fiscal transaction)	35,869	7,973	43,842
of which: counter-guaranteed by Finmeccanica	-	*7,973*	*7,973*
of which: counter-guaranteed by Ansaldo STS	*35,869*	-	*35,869*
Total	**949,581**	**1,907,779**	**2,857,361**

14 Notes to the Income Statement

14.1 Transactions with related parties

31 December 2011 (EUR 000)	**Revenue**	**Other operating income**	**Costs**	**Finance income**	**Finance costs**	**Other operating expenses**
Parent company						
Finmeccanica S.p.A.	-	-	3,218	7	105	-
Subsidiaries						
Alifana S.c.r.l.	25	-	140	-	-	-
Alifana Due S.c.r.l.	738	-	1,805	-	-	-
Associates						
International Metro Service S.r.l.	1,200	11	-	-	-	-
Metro Service A.S.	-	-	38,673	-	-	-
Metro 5 S.p.A.	11,191	92	818	-	-	-
Metro 5 Lilla S.r.l.	3,662	-	-	-	-	-
Pegaso S.c.r.l.	42	-	1,841	-	-	-
Joint Ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	10,045	-	70	-	(105)	-
Kazakhstan TZ-Ansaldo STS Italy LLP	1,997	-	-	-	-	-
Consortiums						
Consortium Saturno	11,441	49	2,242	-	-	-
Consortium Ascosa quattro	219	-	67	-	-	-
Consortium Team (in liq.)	-	-	-	-	-	-
Consortium SanGiorgio Volla 2	1,863	-	110	-	-	-
Consortium Ferroviario Vesuviano	192	-	125	-	-	-
Consortium Cesit	-	-	41	-	-	-
Consortium Cris	-	-	116	-	-	-
Consortium SESM S.c.a.r.l.	-	-	30	-	-	-
Consortium SanGiorgio Volla	45	-	23	-	-	-
Other Group companies						
AnsaldoBreda S.p.A.	17,564	-	19,627	-	-	-
Fata Logistic Systems S.p.A.	-	-	2,257	-	-	-
Fata S.p.A.	-	-	215	-	-	-
Fata Group S.p.A.	-	-	-	-	-	-
Finmeccanica Finance S.A.	-	-	-	641	-	-
Finmeccanica Group Service S.p.A.	-	-	1,500	-	-	100
Finmeccanica North America Inc.	-	-	203	-	-	-
Finmeccanica Consulting S.r.l.	-	-	29	-	-	-
Elsag Datamat S.p.A.	325	-	7,157	-	-	-
Selex Elsag S.p.A.	783	-	4,666	-	-	-
Selex Sistemi Integrati S.p.A.	66	-	-	-	-	-
Hr Gest S.p.A.	-	-	-	-	-	-
Selex Communication S.p.A.	-	-	(6)	-	-	-
Galileo Avionica S.p.A.	-	-	-	-	-	-
Selex Service Management S.p.A.	-	-	176	-	-	-
I.M. Intermetro S.p.A.	5	-	-	-	-	-
Oto Melara S.p.A.	-	-	(2)	-	-	-
Westland Industries LTD	15	-	-	-	-	-
Agusta Westland S.p.A.	-	-	-	-	-	-
Alenia Aermacchi S.p.A.	-	-	(1)	-	-	-
Electron Italia S.r.l.	155	-	18	-	-	-
Ansaldo Energia S.p.A.	-	-	(2)	-	-	-
Telespazio S.p.A.	-	-	5	-	-	-
Selex Galileo S.p.A.	-	-	-	-	-	-
MEF - other						
Ferrovie dello Stato Group	149,361	-	921	-	-	-
Enel Group	-	-	858	-	-	-
Eni Group	-	-	85	-	-	-
Total	**210,934**	**152**	**87,025**	**648**	**-**	**100**
% on the total for the year	**17%**	**1%**	**11%**	**2%**	**0%**	**0.4%**

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

31 December 2010 (EUR 000)	Revenue	Other operating income	Costs	Finance income	Finance costs	Other operating expenses
Parent company						
Finmeccanica S.p.A.	-	-	2,565	1	124	-
Subsidiaries						
Alifana S.c.r.l.	25	-	160	-	-	-
Alifana Due S.c.r.l.	5,574	3	9,744	-	-	-
Associates						
International Metro Service S.r.l.	-	7	-	-	-	-
Metro 5	30,076	-	489	-	-	-
Pegaso S.c.r.l.	63	-	2,445	-	-	-
Metro Service A.S.	-	-	45,641	-	-	-
Joint Ventures (*)						
Balfour Beatty Ansaldo Syst. JV SDN BHD	2,484	-	10	-	727	-
Kazakhstan	370	-	-	-	-	-
Consortiums						
Ascosa quattro	254	-	75	-	-	-
Cesit	-	-	35	-	-	-
Cons. Ferroviario Vesuviano	1,703	-	166	-	-	-
Cris	-	-	110	-	-	-
SanGiorgio Volla 2	207	-	5	-	-	-
SanGiorgio Volla	1,777	-	65	-	-	-
Saturno	32,198	-	2,384	-	-	-
Team in liq.	-	-	-	-	-	-
Other Group companies						
Alenia	-	-	-	-	-	-
Ansaldo Breda	12,495	3	3,432	-	-	2
Ansaldo Energia	-	-	52	-	-	-
Electron Italia S.r.l.	308	-	681	-	-	-
Elsag Datamat	1,442	-	11,769	-	-	-
Fata S.p.A.	-	-	215	-	-	-
Fata Group SpA				-	-	-
Fata Logistic	-	-	-	-	-	-
Fata Logistic System SpA	-	-	2,451	-	-	-
Finmeccanica Finance	-	-	-	718	-	-
Finmeccanica Group Service	-	-	1,756	-	-	57
I.M. Intermetro S.p.A.	170	38	-	-	-	-
Oto Melara S.p.A.	-	-	-	-	-	-
Selex Communication	-	-	33,348	-	-	-
Selex Service Management SpA	-	-	314	-	-	-
Westland Industries Ltd	66	-	-	-	-	-
Other	-	-	164	-	-	-
MEF - other						
Ferrovie dello Stato Group	174,008	-	1,681	-	-	-
Enel Group	-	-	876	-	-	-
Eni Group	-	-	144	-	-	-
Total	**263,220**	**51**	**120,777**	**719**	**851**	**59**
% on the total for the year	**21%**	**0.2%**	**15%**	**2%**	**2%**	**0.3%**

(*) Amounts refer to the portion not eliminated for proportionate consolidation.

14.2 Revenue

(EUR 000)	**31.12.2011**	31.12.2010
Revenue from sales	523,810	1,108,727
Revenue from services	49,896	105,725
	573,706	**1,214,452**
Change in contract work in progress	427,304	(193,962)
Revenue from third parties	**1,001,010**	**1,020,490**
Revenue from related parties	**210,934**	**263,220**
Total revenue	**1,211,944**	**1,283,710**

Revenue from third parties amounted to EUR 1,001,010 thousand at 31 December 2011 compared with EUR 1,020,490 thousand at 31 December 2010, with a decrease of EUR 19,480 thousand.
Revenue from related parties fell by EUR 52,286 thousand from the previous period, mainly attributable to the reduction in the business activity of the associate Metro 5, of Consortium Saturno and in relation to the Ferrovie dello Stato Group.
The trend of revenue detailed by business sector is commented in the previous notes.

14.3 Other operating income

(EUR 000)	**31.12.2011**	31.12.2010
Grants for research and development costs	3,781	2,328
Gains on disposal of property, plant and equipment and intangible fixed assets	73	2
Reversals to provision for doubtful accounts	1,867	76
Reversals to provisions for risks and charges	5,155	5,484
Insurance reimbursements	176	67
Royalties	1,900	1,747
Finance income and foreign-exchange gains on operating items	5,858	5,456
Tax receivable for R&D	3,638	5,490
Other operating income	1,823	6,468
Other operating income from third parties	**24,271**	**27,118**
Other operating income from related parties	**152**	**51**
Total	**24,423**	**27,169**

Other operating income, essentially from third parties, amounted to EUR 24,423 thousand with a decrease of EUR 2,746 thousand compared with the previous financial year.

14.4 Raw materials and consumables used and purchase of services

(EUR 000)	**31.12.2011**	31.12.2010
Purchase of materials	215,161	243,239
Change in inventories	5,206	1,129
Purchase of services	452,342	446,361
Rent and operating leases	22,540	21,297
Total raw materials and consumables used and purchase of services from third parties	**695,249**	**712,026**
Total raw materials and consumables used and purchase of services from related parties	**87,025**	**120,777**
Total raw materials and consumables used and purchase of services	**782,274**	**832,803**

Raw materials and consumables used and purchase of services showed a decrease of EUR 50,529 thousand, compared with the previous financial year due to the lower production achieved.

Specifically, the decrease in raw materials and consumables used from third parties was equal to EUR 16,777 thousand and the decrease in raw materials and consumables used from related parties was equal to EUR 33,752 thousand and is mainly attributable to the related concern Selex Communications SpA for the suspension of the activities in Libya.

14.5 Personnel costs

(EUR 000)	**31.12.2011**	31.12.2010
Wages and salaries	234,834	241,827
Costs for stock grant plans	816	3,810
Pension and social security	50,342	50,141
Severance pay provision costs	223	128
Costs related to other defined-benefit plans	527	469
Costs related to other defined-contribution plans	4,066	4,047
Recovery of personnel costs	(681)	(393)
Employee disputes	25	271
Restructuring costs	2,339	2,346
Other costs	4,069	4,581
Total personnel costs	**296,560**	**307,227**

The workforce at 31 December 2011 came to 4,100 resources with a decrease of 117 units compared with the 4,217 units reported at the end of the previous year; this item is broken down as follows:

Signalling: 3,081 employees
Transportation Solutions: 600 employees
Other activities (Staff): 419 employees

The average size of the Group workforce employed in 2011 was equal to 4,125 resources against 4,299 resources reported in 2010, with a reduction of 174 units.
"Personnel costs" (inclusive of restructuring costs) for the year 2011 totalled EUR 296,560 thousand compared with EUR 307,227 thousand in 2010.
The net decrease of EUR 10,667 thousand (-3.5%) is due to the reduction of the average workforce partially mitigated by the fluctuation in the exchange rates of the American Dollar and the Australian Dollar.
The stock grant cost is recognised in the year when the services are rendered, therefore it relates to shares attached to objectives for the year 2011 to be delivered in December 2012 after these objectives are achieved (EUR 816 thousand).
This cost is determined on the basis of the estimated number of shares to be granted and the fair value at the date of approval by the Remuneration Committee (EUR 10.264 per share for the 2010-2012 plan, unitary value fixed at the date of approval of the plan by the Remuneration Committee and re-fixed after the free share capital increase of 4 July 2011; EUR 9.284 thousand per share for the 2011 plan, unitary value fixed at the date of approval of the plan by the Remuneration Committee and re-fixed after the free share capital increase of 4 July 2011).

Severance pay provision costs and costs relating to other defined-benefit plans relate to the "service cost" only, since, as a result of the adoption of the equity method, interest costs are now classified under "finance costs".
As shown in the table relating to the personnel costs, we should report that the restructuring costs recorded at 31 December 2011 refer to the existing reorganisation plan of the subsidiaries Ansaldo STS USA, Ansaldo STS Ireland, Ansaldo STS UK and Ansaldo STS France.

14.6 Amortisation, depreciation and impairment

(EUR 000)	**31.12.2011**	31.12.2010
Amortisation/Depreciation:		
- intangible assets	2,983	2,640
- property, plant and equipment	10,084	10,575
	13,067	**13,215**
Impairment:		
- operating receivables	279	6,409
- other assets	64	21
	343	**6,430**
Total amortisation, depreciation and impairment	**13,410**	**19,645**

Amortisation and Depreciation decreased in the period by EUR 148 thousand compared with the previous financial year.
These are detailed in the schedules on property, plant and equipment and intangible fixed assets.

The impairment charges, equal to EUR 343 thousand, refer to trade receivables and are mainly ascribable to the following subsidiaries: Ansaldo STS USA, Ansaldo STS Ireland, Ansaldo STS UK and Ansaldo STS France.
The decrease from 2010 is primarily due to the impairment made last year by the Group parent Ansaldo STS in relation to the receivable from Firema.

14.7 Other operating expenses

(EUR 000)	**31.12.2011**	31.12.2010
Allocations to provisions for risks and charges	6,602	4,425
Losses on disposal of receivables	-	-
Association dues	685	692
Capital loss on the disposal of property, plant and equipment and intangible assets	15	116
Foreign exchange charges on realization of operating items	6,169	1,755
Exchange rate alignment on operating items	1,628	1,165
Interest and other operating expenses	2,501	1,464
Indirect taxes	2,522	3,483
Other operating expenses	4,734	4,240
Total other operating expenses from third parties	**24,856**	**17,340**
Total other operating expenses from related parties	**100**	**59**
Total other operating expenses	**24,956**	**17,399**

Other operating expenses, substantially from third parties, increased by EUR 7,557 thousand going from EUR 17,399 thousand at 31 December 2010 to EUR 24,956 thousand at 31 December 2011.
The most substantial amount is attributable to the higher finance costs on operating items emerged in the subsidiaries of the Asia Pacific area and to the higher allocations to provisions for risks and charges made by the Group parent.

14.8 Work performed by the Group and capitalised

(EUR 000)	**31.12.2011**	31.12.2010
Work performed by the Group and capitalised	(868)	(922)

Capitalised costs are substantially attributable to the French subsidiary Ansaldo STS France and relate to costs for internally produced tangible and intangible assets (staff, materials, services).

14.9 Net finance income/(costs)

	31.12.2011			31.12.2010		
(EUR 000)	**Income**	**Cost**	**Net**	Income	Cost	Net
Interest and commissions	2,528	2,769	(241)	1,110	3,068	(1,958)
Exchange-rate differences	17,415	18,399	(984)	28,474	29,328	(854)
Income from fair-value measurement recognised in Income Statement	6,164	3,019	3,145	3,860	4,660	(800)
Interest on severance pay provision	-	681	(681)	-	664	(664)
Interest on other defined-benefit plans	-	435	(435)	-	396	(396)
Other finance income (costs)	2	2,226	(2,224)	145	115	30
Total net finance income and costs	**26,109**	**27,529**	**(1,420)**	**33,589**	**38,231**	**(4,642)**
Total finance income and costs from related parties	**648**	**-**	**648**	**719**	**851**	**(132)**
Total	**26,757**	**27,529**	**(772)**	**34,308**	**39,082**	**(4,774)**

At 31 December 2011, net finance costs from third parties totalled EUR 1,420 thousand compared with EUR 4,642 thousand recorded at 31 December 2010.
The change of EUR 3,222 thousand, due to the decrease in costs for EUR 10,702 thousand has been offset only partially by the reduction in finance income for EUR 7,480 thousand.
This change may be attributable to:
- the significant improvement in the fair value results of the derivative contracts still outstanding at the closing date of these financial statements (EUR 3,945 thousand);
- the increase in net income for interest going from a net value of -1,958 in 2010 to -241 in 2011. This is influenced by other interest income of the Group parent in the amount of 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, recorded in the financial statements under financial assets at fair value, and for EUR 945 thousand by other finance costs as difference between the purchase value and the fair value at 31 December 2011 of the same.

Net finance income from related parties at 31 December 2011 totalled EUR 648 thousand with an increase of EUR 780 thousand compared with 31 December 2010 (negative for EUR 132 thousand).

As shown in the table, due to the adoption of the equity method in recognising defined-benefit plans, interest costs are now classified under net finance income (costs) and no longer under personnel costs (EUR 681 thousand at 31 December 2011 compared with EUR 664 thousand at 31 December 2010).

14.10 Share of profit (loss) of equity accounted investments

	31.12.2011			31.12.2010		
(EUR 000)	**Income**	**Cost**	**Net**	Income	Cost	Net
Share of profit (loss) of equity accounted investments	8	4	4	937	17	920
Total	**8**	**4**	**4**	**937**	**17**	**920**

The share of profit of equity accounted investments amounted to EUR 4 thousand and reflected the positive result of International Metro service Srl for EUR 8 thousand and the loss of the Italian investee company Metro 5 SPA for EUR 4 thousand.

14.11 Income taxes

Income taxes break down as follows:

(EUR 000)	**31.12.2011**	31.12.2010
I.Re.S (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)	6,421	6,163
Taxes relating to previous years	44	332
Provisions for disputes over taxes	-	-
Net deferred taxes	5,206	(8,992)
Total	**42,296**	**38,303**

Income taxes increased by EUR 3,993 thousand compared with the same period in the previous financial year. Specifically, this change is attributable to:

- a decrease in the IRES and IRAP charge for the period (EUR 8,769 thousand and EUR 1,406 thousand respectively) mainly due to the lower result before taxes of the Group parent;
- higher taxes due by foreign companies for EUR 258 thousand;
- a higher provision for net deferred taxes going from EUR -8,992 thousand to EUR 5,206 thousand with a change in the two comparing years of EUR 14,198 thousand. This is mainly due to the provision for deferred tax assets on tax losses, made in 2010 (EUR 4,095 thousand primarily attributable to the subsidiary Ansaldo STS USA Inc.) that during 2011 was reversed for EUR 937 thousand, by the reversal of deferred tax assets on provisions for risks and charges and by the recording of deferred taxes on research subsidies and interest income on arrears set aside in the year but not collected.

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

	31.12.2011			31.12.2010		
(EUR 000)	**Amount**		**%**	Amount		%
Result before taxes	**115,352**	**-**		**133,211**	**-**	
Tax calculated at the applicable tax rate	-	31,722	27.50%	-	36,633	27.50%
Permanent differences	4,669	1,284	1.12%	(8,316)	(2,287)	-1.71%
	120,021	**33,006**	**28.62%**	**124,895**	**34,346**	**25.79%**
Rate differential on foreign taxes and/or for losses for the period	-	672	0.58%	-	9,277	6.96%
IRAP and other taxes calculated on a basis other than the result before taxes	-	8,574	7.43%	-	7,793	5.85%
Prior years' taxes	-	44	0.04%	-	(13,316)	-10.00%
Provisions for disputes over taxes	-	-	0.00%	-	203	0.15%
Total effective taxes carried to Income Statement	**-**	**42,296**	**36.67%**	**-**	**38,303**	**28.75%**

The effective tax rate at 31 December 2011 is equal to 36.67% against a rate of 28.75% recorded at 31 December 2010.
The increase of 7.92% is mainly attributable to the provision for deferred tax assets on tax losses made in 2010 as described above. Moreover, since 2011 the French subsidiary, as a result of the recent regulatory measures, recorded new income taxes for a total of EUR 1,032 thousand contributing to an increase of some 0.9% of the Group tax rate.
The Group parent also contributes to increasing the tax rate by some 0.5% for the higher IRAP charge on the result before taxes.

Deferred taxes and the related receivables and payables at 31 December 2011 were generated by the following temporary differences:

	Income Statement		**Balance Sheet**	
(EUR 000)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Severance pay provision, pension funds	142	(79)	4,284	100
Remuneration	-	-	4,192	-
Goodwill	-	-	-	-
Property, plant and equipment and intangible assets	(118)	280	2,180	518
Provisions for risks and charges	(1,713)	-	11,433	-
Research subsidies	-	711	310	1,614
Provision relating to work in progress and Inventory write-down	(356)	-	9,397	-
Finance leases	-	-	-	-
Cash Flow Hedge - defined-benefit plans	-	-	491	1,514
Tax losses	(937)	-	5,080	-
Stock grants	-	-	-	-
Other	(280)	1,032	4,842	2,633
Total	**(3,262)**	**1,944**	**42,209**	**6,379**

Deferred tax assets deriving from the recognition of "Provisions for risks and charges" are mainly attributable to the American subsidiaries for EUR 7,488 thousand and to the Group parent for EUR 2,129 thousand.
Deferred tax assets on "tax losses" refer to the subsidiaries Ansaldo STS France (EUR 3,383 thousand) and Ansaldo STS USA (EUR 1,697 thousand).
Deferred tax assets relating to the inventory write-down and to the write-down provision relating to work in progress mainly refer to the subsidiary Ansaldo STS USA (EUR 1,262 thousand) and to the Group parent Ansaldo STS SpA (EUR 8,135 thousand).
The item "Other" refers to the Group parent Ansaldo STS (EUR 2,053 thousand), to the subsidiary Ansaldo STS Australia (EUR 196 thousand) and to the subsidiary Ansaldo STS USA (EUR 2,593 thousand).
Deferred tax liabilities mainly refer to the Group parent Ansaldo STS.

Deferred tax assets and liabilities include deferred taxes accounted for, with direct counterpart in equity, on derivative instruments recognised with the "cash flow hedge" method and on actuarial losses/gains as a result of the adoption of the equity method for defined-benefit plans. The movement for the period of this equity item is as follows:

(EUR 000)	31.12.2010	**Reversal to the Income Statement**	**Fair value adjustments**	**Other changes**	**31.12.2011**
Deferred taxes recognised directly in equity	**(428)**	**(54)**	**396**	**(368)**	**(454)**

15 Earning per share

Earnings per share (EPS) are calculated:

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

Basic EPS	**31.12.2011**	31.12.2010
Average shares during the period	129,847,966	129,839,431
Net profit	73,056	94,908
Profit from continuing operations	-	-
Basic EPS and diluted EPS	**0.56**	**0.73**

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.

16 Cash flow from operating activities

The cash flow from operating activities is shown in the table below:

(EUR 000)	**31.12.2011**	31.12.2010
Profit	73,056	94,908
Share of profit (loss) of equity accounted investments	(4)	(920)
Income taxes	42,295	38,303
Costs of severance pay provision and other benefits	750	597
Costs for stock grant plans	739	4,713
Capital gains (losses) on disposals of real estate assets	(58)	114
Net finance income (costs)	773	4,774
Restructuring costs	1,677	2,346
Amortisation, depreciation and impairment	13,410	19,645
Allocation/Reversal to provisions for risks	3,569	(706)
Other operating income/expenses	(1,867)	(82)
Allocations /Reversal of inventories and work in progress write-down	(7,041)	1,302
Total	**127,299**	**164,994**

Changes in working capital, net of the effects deriving from the acquisitions and disposals of consolidated companies and translation differences, break down as follows:

(EUR 000)	**31.12.2011**	31.12.2010
Inventories	(2,154)	(28,070)
Contract work in progress and advances from customers	(14,989)	(52,088)
Trade receivables and payables	(25,514)	38,441
Total	**(42,657)**	**(41,717)**

Changes in other operating items, net of the effects deriving from the acquisitions and disposals of consolidated companies and translation differences, break down as follows:

(EUR 000)	**31.12.2011**	31.12.2010
Payment of the provision for severance pay and other defined-benefit plans	(2,709)	(1,987)
Taxes paid	(47,867)	(37,669)
Changes in other operating items	(16,659)	(10,655)
Total	**(67,235)**	**(50,311)**

For information on changes in the Statement of Cash Flows, please refer to paragraph 2.3 relative to the Groups' financial position.

17 Management of financial risks

The Group is exposed to financial risks associated with its operations, specifically related to these types of risks:
- market risks, relating 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 Group specifically monitors each of these financial risks, with the objective of promptly minimising them, also through hedging derivatives. Below is an explanation of how the Ansaldo STS Group, based on its in-house directives, manages these types of risk.

Exchange rate risk management

As indicated in the directive "Treasury management", the exchange rate risk management of the Ansaldo STS Group 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;
- 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 flow 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;
- 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 Ansaldo STS SpA (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 Ansaldo STS Group 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.

Cash Flow Hedge

Hedges are made at the time commercial contracts are finalised through plain vanilla instruments (swaps and forwards on foreign currencies) qualifying for hedge accounting under IAS 39. These hedges are carried as cash flow hedges. Accordingly, the changes in fair value of the hedging derivatives are recognised in a special cash flow hedge reserve once the effectiveness of the hedge is demonstrated.
Should the hedges prove to be ineffective, i.e. they do not fall within the effective range between 80-125%, changes in the fair value of the hedging instruments are immediately recognised in the Income Statement as financial items and the cash flow hedge reserve accumulated up until the date of the last successful effectiveness test is reversed to profit and loss.

Fair Value Hedges

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

(local currency in € thousands)	**Sell11**	**Buy11**	**31.12.2011**	Sell10	Buy10	31.12.2010
Euro	99,016	66,901	165,917	134,155	44,357	178,512
US dollar	54,363	27,183	81,546	56,555	25,722	82,277
GBP	11,064	157	11,221	7,986	-	7,986
Swedish krona	-	23,838	23,838		25,745	25,745
Canadian dollar	-	-	-	3,976	-	3,976
Australian dollar	13,631	7,159	20,790	11,023	6,580	17,603
Hong Kong Dollar	-	-	-	63	-	63
Japanese yen	-	-	-	3,506	-	3,506

At 31 December 2011, the net fair value of derivative financial instruments was positive in the amount of about EUR 2,870 thousand.

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 Group, 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 Group's Financial Statements:

	31.12.2011		31.12.2010	
(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)	2,537	(2,804)
Cash Flow Reserve	(4,738)	4,738	(6,656)	6,656
Translation Reserve	-	-	-	-

Compared with the same analysis performed in 2010, it results a lower exposure of the Income Statement in relation to the euro/dollar exchange rate variations, as well as a lower impact on equity. The resulting effect is a consequence of a more homogeneous contractual exchange rate in the Forex derivatives of cash flows outstanding at the end of 2011 compared to 2010. This is the result of the renewal of several derivatives expired in the course of the previous year.

Management of interest rate risk

The aforementioned directive states that 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.

In order to allow future acquisition transactions, the Group invests excess liquidity 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 Group 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.

Sensitivity analysis on interest rates

Sensitivity analysis was performed on the assets and liabilities exposed to interest rate risk, assuming a parallel and symmetric 50 basis point rise (fall) in interest rates; the adopted range has been chosen by IAS for the analysis.
The impact of these scenarios on the Group's Financial Statements at 31 December 2011 is summarised in the following table:

	31.12.2011		31.12.2010	
(EUR 000)	+50 bps	-50 bps	+50 bps	-50 bps
Income Statement	1,631	(1,631)	1,709	(1,709)
Reserves	-	-	-	-

These impacts are the result of greater interest income that would be produced by floating rate net financial debt, in the case of interest rates greater or lower than 50 basis points respectively.
The change in interest rates would have no impact on the valuation of financial instruments in the Financial Statements, as there are no financial assets or liabilities (not derivative) recognised at fair value through profit or loss.
The derivatives subscribed by the Group are exclusively exchange rate derivatives and a change in the interest rates of the various currencies would have non-relevant impacts on the year-end Fair Value.
There are no impacts on equity, as the company has no cash flow hedges on the interest rate risk.
The results achieved at 31 December 2011 remained unchanged if compared with 31 December 2010.

Management of liquidity risk

In order to support efficient management of liquidity and contribute to the growth in its businesses, the Ansaldo STS Group has established a set of tools to optimise the management of financial resources. This objective was achieved by centralising treasury operations with current account contracts between the Parent Company and the Group companies and maintaining an active presence on financial markets to obtain adequate short and long-term credit lines for endorsement facilities and for cash sufficient to meet the Group's needs.
At 31 December 2011, the Group shows a net financial liquidity of EUR 289,674 thousand recording a decrease from 31 December 2010, when the net financial position was equal to EUR 318,150 thousand.

Liquidity analysis - amounts in thousands of euros - figures at 31 December 2011 (EUR 000)

A - Financial liabilities less derivatives	Less than 1 year	1 to 5 years	More than 5 years
Non-current liabilities			
Borrowings from third parties	-	438	-
Borrowings from related parties	-	-	-
Other liabilities	-	1,962	-
Current liabilities			
Trade payables to related parties	37,443	8,541	-
Trade payables to third parties	373,826	12,041	-
Financial liabilities to third parties	14,915	-	-
Financial liabilities to related parties	-	-	-
Other financial liabilities	-	-	-
Total A	**426,184**	**22,982**	**-**
B - Negative value of derivatives			
Hedge derivatives	5,818	-	-
Trading derivatives (economic hedge)	-	-	-
Total B	**5,818**	**-**	
Total A + B	**432,002**	**22,982**	**-**

Against borrowings and trade payables for EUR 454,984 thousand, financial assets are posted in these amounts:

C- Financial assets	
Cash and cash equivalents	160,928
Trade receivables - third parties	546,939
Trade receivables - related parties	133,130
Financial assets at fair value - third parties	30,756
Financial assets at fair value - related parties	-
Financial receivables	113,343
Other assets	-
Positive value of derivatives	8,688
TOTAL FINANCIAL ASSETS	**993,784**
D - Credit lines	**53,560**
TOTAL C + D	**1,047,344**
C+D-(A+B)	**592,360**

The Group 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 Group has a relatively little exposure to the tensions of the liquidity market.

Credit risk management

The Group is not exposed to significant credit risk, both as regards the counterparties of its commercial transactions and for financing and investing activities. Its primary customers are, in fact, government entities or off-shoots of such entities, concentrated in the euro area, the United States and Southeast Asia. The typical customer rating of the Ansaldo STS Group is therefore medium/high. Despite this, in the case of contracts with customers/counterparties with which the Group does not ordinarily do business, the customers' solvency is assessed at the time of the offer to highlight any future credit risks.
The nature of Ansaldo's customers means that collection times are longer (in some countries significantly longer) than in other businesses, creating significant outstanding past due positions.
At 31 December 2011 trade receivables from third parties, equal to EUR 546,939 thousand (EUR 493,085 thousand at 31 December 2010) are overdue for EUR 324,900 thousand, of which EUR 97,266 thousand past due by more than 12 months.
Trade receivables from third parties at 31 December 2011 mainly refer to the Group parent Ansaldo STS SpA for EUR 430,092 thousand with a total overdue amount equal to EUR 237,286 thousand, of which EUR 90,683 expired by more than 12 months.

The following table shows the composition of receivables at 31 December 2011:

	Government entities			**Other customers**			
31.12.2011 (EUR 000)	**European area**	**American area**	**Other**	**European area**	**American area**	**Other**	**Total**
- Held as guarantees	7,429	956	12,359	1,620	4,776	10,535	37,675
- Receivables not past due	77,559	692	24,173	71,077	2,283	46,255	222,039
- Receivables past due less than 6 months	34,532	164	3,698	17,455	4,990	16,600	77,439
- Receivables past due between 6 months and 1 year	27,505	179	58,909	17,407	3,393	5,127	112,520
- Receivables past due between 1 and 5 years	46,986	-	2,766	41,059	-	6,455	97,266
- Receivables past due more than 5 years	-	-	-	-	-	-	-
Total	**194,011**	**1,991**	**101,905**	**148,618**	**15,442**	**84,972**	**546,939**

Movements in the provision for doubtful accounts of Group trade receivables are as follows:

(EUR 000)	**2011**	2010
01 January	**13,784**	**7,911**
Allocations	279	6,409
Reversals/Uses	(2,698)	(888)
Other changes	790	352
31 December	**12,155**	**13,784**

In the course of the year, the provision for doubtful trade receivables decreased by EUR 1,629 thousand. This reduction is mainly relative to the uses of the French subsidiary (EUR 953 thousand), the Australian subsidiary (EUR 884 thousand) and the Malaysian subsidiary (EUR 775 thousand).
Other changes include the exchange rate differences generated upon the consolidation of foreign subsidiaries.

In relation with the credit risk originated from the positive value of derivatives, the counterparties of derivative contracts are mainly financial institutions.
The table below breaks down the positive value of derivatives by the counterparty's rating class.

The ratings below were provided by S&P.

Rating class	Positive fair value
AA -	10.35%
A+	0.64%
A	85.38%
A-	3.49%
BBB	0.14%
Total positive fair value	**100%**

Classification and fair value of financial assets and liabilities

The table below gives a breakdown of the Group financial assets and liabilities by the accounting categories under IAS 39.
Financial liabilities are all recognised on the amortised cost method, since the Group did not use the fair value option.
Derivatives are analysed separately.

31.12.2011 (EUR 000)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
Non-current assets						
Non-current receivables from related parties	-	2,765	-	-	**2,765**	**2,765**
Financial assets at fair value	-	-	-	-	**-**	**-**
Receivables	-	15,467	-	-	**15,467**	**15,467**
Current assets						
Current receivables from related parties	-	133,130	-	-	**133,130**	**133,130**
Trade receivables	-	546,939	-	-	**546,939**	**546,939**
Financial assets at fair value	30,756	113,343	-	-	**144,099**	**144,099**
Financial receivables	-	-	-	-	**-**	**-**
Other current assets	-	-	-	-	**-**	**-**

31.12.2011 (EUR 000)	Fair value through profit or loss	Amortised Cost	Total	Fair Value
Non-current liabilities				
Non-current payables to related parties	-	-	**-**	**-**
Non-current borrowings	-	438	**438**	**438**
Other non-current liabilities	-	-	**-**	**-**
Current liabilities				
Current payables to related parties	-	45,984	**45,984**	**45,984**
Trade payables	-	385,867	**385,867**	**385,867**
Borrowings	-	14,915	**14,915**	**14,915**
Other current liabilities	-	-	**-**	**-**

31.12.2010 (EUR 000)	Fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Total	Fair Value
Non-current assets						
Non-current receivables from related parties	-	1,006	-	-	**1,006**	**1,006**
Financial assets at fair value	-	-	-	-	**-**	**-**
Receivables	-	14,243	-	-	**14,243**	**14,243**
Current assets						
Current receivables from related parties	-	131,723	-	-	**131,723**	**131,723**
Trade receivables	-	493,085	-	-	**493,085**	**493,085**
Financial assets at fair value		170,362		-	**170,362**	**170,362**
Financial receivables	-	-	-	-	**-**	**-**
Other current assets	-	-	-	-	**-**	**-**

31.12.2010 (EUR 000)	Fair value through profit or loss	Amortised Cost	Total	Fair Value
Non-current liabilities				
Non-current payables to related parties	-	-	**-**	**-**
Non-current borrowings	-	1,621	**1,621**	**1,621**
Other non-current liabilities	-	-	**-**	**-**
Current liabilities				
Current payables to related parties	-	54,594	**54,594**	**54,594**
Trade payables	-	348,539	**348,539**	**348,539**
Borrowings	-	3,911	**3,911**	**3,911**
Other current liabilities	-	-	**-**	**-**

For short-term financial instruments, such as trade receivables and payables, the book value represents a fair approximation of fair value.

Derivatives

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

The table below provides the fair values of derivative instruments.

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	3,144	3,389
Cash flow hedge	5,544	5,638
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	943	1,061
Cash flow hedge	4,875	6,678
Equity instruments (trading)	-	-
Embedded derivatives (trading)	-	-

The Group uses cash flow hedge derivatives hedging the exchange rate risk exposure for expected future transactions that are highly probable and fair value hedge derivatives hedging the exchange rate risk exposure of financial assets/liabilities recognised in the Financial Statements.

With reference to derivatives hedging exchange rate risk, the Group hedges both future receipts and payments. The table below provides the maturities of these hedged payments, for the USD currency.

	31.12.2011		31.12.2010	
	Notional amount (in thousands of USD)		Notional amount (in thousands of USD)	
Maturity	**Receipts**	**Payments**	Receipts	Payments
Within 1 year	327	21,122	8,680	4,622
1 to 3 years	8,550	8,975	-	260
3 to 9 years	554	76	-	76
More than 9 years	-	-	-	-
Total	**9,431**	**30,173**	**8,680**	**4,958**

18 Remuneration to Key Management personnel

Remuneration paid to persons who have power and responsibility over the planning, management and control of the Group, including executive and non-executive Directors, is as follows:

(EUR 000)	**2011**	2010
Compensation	3,013	4,149
Post-employment benefits	-	-
Other long-term benefits	-	-
Severance pay	-	-
Stock Grants	645	597
Total	**3,658**	**4,746**

Directors' fees amounted to EUR 3,658 thousand in 2011, EUR 4,746 thousand in 2010.
Statutory Auditors' fees amounted to EUR 192 thousand in 2011 (EUR 140 thousand in 2010).
These fees include emoluments and any other sum paid as compensation and social security for the office of Director in the Group parent and in the other companies included in the scope of consolidation, that represented a cost for the Group.

Remuneration to Key Management personnel

The detail of compensation paid to the Directors, Statutory Auditors and General Managers of the Group parent is reported in the following table (*):

Person (Euro units)	**Description of position**						
Name	**Position**	**Office term**	**Term of office expiring**	**Emoluments by position in the reporting Company for 2011**	**Non-cash benefits**	**Bonuses and other incentives**	**Other remunerations**
Pansa Alessandro	Chairman of BoD	21/11/2005	Approval of 2013 Financial Statements	71,096 (1)	-	-	-
Grasso Giancarlo	Deputy Chairman of BoD	05/04/2011	Approval of 2013 Financial Statements	36,986 (3)	-	-	-
De Luca Sergio	Chief Executive Officer	14/06/2007	Approval of 2013 Financial Statements	47,397 (2)	90,999	80,000	1,284,920**
Cavallini Giovanni (b)	Director	05/04/2011	Approval of 2013 Financial Statements	51,781 (4)	-	-	-
Cereda Maurizio (a) (d)	Director	14/06/2006	Approval of 2013 Financial Statements	89,795 (5)	-	-	-
Girdinio Paola (d)	Director	05/04/2011	Approval of 2013 Financial Statements	51,781 (6)	-	-	-
Milone Filippo Maria (b)	Director	05/04/2011	13/12/2011	48,329 (4)	-	-	-
Rizzante Tatiana (e)	Director	05/04/2011	Approval of 2013 Financial Statements	55,479 (7)	-	-	-
Salvetti Attilio (c)	Director	24/03/2006	Approval of 2013 Financial Statements	69,795 (8)	-	-	-
Roberti Sante	Deputy Chairman of BoD	21/11/2005	05/04/2011	10,411 (9)	-	-	-
Lalli Francesco (b)	Director	21/11/2005	05/04/2011	14,315 (14)	-	-	-
Genuardi Gerlando (b)	Director	27/09/2007	05/04/2011	14,315 (10)	-	-	-
Pinto Eugenio (e) (d)	Director	01/04/2008	05/04/2011	19,521 (11)	-	-	-
Gitti Gregorio (c)	Director	01/04/2008	05/04/2011	15,616 (12)	-	-	-
Sarubbi Giacinto	Chairman of BoSA	01/04/2008	Approval of 2013 Financial Statements	71,096			11,096***
Scotton Massimo	Statutory Auditor	01/04/2008	Approval of 2013 Financial Statements	47,398			7,397***
Righetti Renato	Statutory Auditor	05/04/2011	Approval of 2013 Financial Statements	36,987			7,397***
Tripodi Francesca	Statutory Auditor	21/11/2005	05/04/2011	10,411			

* data extracted from the 2011 Financial Statements of Ansaldo STS SpA.
** 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.

(a) Chairman of Remuneration Committee
(b) Chairman 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 S.p.A.
(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

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

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

With regard to the “Stock Grant” 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 counter-value of the shares granted to employees participating in the plan was charged by the Group parent to the subsidiaries 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 section § 13.15).

19 Outlook

The Group's order backlog at 31 December 2011 has expanded compared with the same previous year-end, thanks to the excellent performance in the acquisition of new orders mainly in the Transportation Solutions sector.

This entails a good visibility in terms of production volumes for the next three-year period.

However, also in consequence of the persistent scenario of uncertainties in Libya that does not allow the resumption of the important contracts acquired in that country, the production volume for 2012 should be in line with that recorded in 2011 with no change in overall profitability.

Genoa, 5 March 2012

On behalf of the Board of Directors
The Chairman

Alessandro Pansa

20 List of significant equity investments under article 125 of CONSOB resolution no. 11971

Investee (name and legal form)	State	% of total	% Indirect control	% Direct control	Through	Type of ownership (see key)
Acelec Société par actions simplifiée (Automatismes Contrôles et Etudes Electroniques)	France	100%	100%		Ansaldo STS France Société par actions simplifiée	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 simplifiée	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 simplifiée	1
Ansaldo STS Finland OY	Finland	100.000%	100.000%		Ansaldo STS Sweden AB	1
Ansaldo STS France Société par actions simplifiée	France	100.000%		100.000%		1
Ansaldo STS Hong Kong Ltd.	China	100.000%	100.000%		Ansaldo STS France Société par actions simplifiée	1
Ansaldo STS Ireland Ltd.	Ireland	100.000%		99.999%		1
			0.001%		Ansaldo STS USA Inc.	1
Ansaldo STS Malaysia SDN BHD	Malaysia	100.000%	100.000%		Ansaldo STS Australia PTY Ltd.	1
Ansaldo STS Sistemas de Transporte e Sinalização Limitada	Brazil	100.000%		99.99%		1
			0.01%		Ansaldo STS USA International Co.	1
Ansaldo STS South Africa Ltd.	South Africa	100.000%	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.(*)	Venezuela	48.000%	48.000%		Ansaldo STS France Société par actions simplifiée	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 - AnsaldoSTS 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

Key: Types of share ownership or voting rights

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

(*) Votes that can be given during the Meeting equal to 50.5%.

21 Information pursuant to article 149-duodecies of the CONSOB issuer regulation

The following statement was prepared in accordance with Article 149-duodecies of the Consob Issuer Regulation and reports the fees for the year 2011 related to auditing services and services other than auditing provided by the same auditing firm and entities belonging to the auditing firm's network.

(EUR 000)	Entity providing the service	To	Fees for the year 2011 for the engagement
Auditing services	PricewaterhouseCoopers S.p.A.	Group parent	470
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-
	Rete PricewaterhouseCoopers	Subsidiaries	776
Certification services	PricewaterhouseCoopers S.p.A.	Group parent	83
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-
	Rete PricewaterhouseCoopers	Subsidiaries	23
Tax consulting services	PricewaterhouseCoopers S.p.A.	Group parent	38
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-
	Rete PricewaterhouseCoopers	Subsidiaries	154
Other services	PricewaterhouseCoopers S.p.A.	Group parent	56
	PricewaterhouseCoopers S.p.A.	Subsidiaries	-
	Rete PricewaterhouseCoopers	Subsidiaries	-
			1,600

22 Attestation of the Consolidated 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 Consolidated 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:
   the Consolidated 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, 05 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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