

Genoa, 7 September 2006

ANSALDO STS GROUP, FIRST HALF 2006:

- **Net profit at EUR 23 million, up 34%**
- **Orders, profitability and cash flow continue to rise**

Orders at EUR 822 million (+22%), order backlog totals EUR 2.4 billion (+11%), profitability rises +27%, positive net financial position improves (+13%)

The Board of Directors of Ansaldo STS, chaired by Mr Alessandro Pansa, approved the half-year consolidated report at 30 June 2006 and the pro forma results for the same period. Pursuant to the provisions of IAS 27, the Board of Directors has approved financial statements for the period ended June 30, 2006 in which the income-statement and balance-sheet effects of the acquisition of the equity investments in Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari are reflected as from February 24, 2006, the date on which the holdings were acquired by Ansaldo STS. In order to provide the market with a more accurate comparison with the quarterly information provided previously, the Board has also prepared and examined pro-forma half-year financial statements that reflect the investments acquired on February 24, 2006 for the entire period. We provide the following comments on the basis of the pro-forma figures:

- **Net income** excluding listing costs amounted to EUR 22.8 million in the first half of 2006, an **increase of 34%**;
- **Orders acquired** in the first half of 2006 **rose by 21.9%** over the year-earlier period, from EUR 674.4 million to EUR 821.9 million. **The order backlog totalled EUR 2.4 billion**;
- **Value of production** rose from EUR 373.6 million to EUR 444.8 million, up **19.1%**;
- **EBIT** rose from EUR 33.5 million to EUR 42.3 million, an **increase of 26.3%**; on the year-earlier period. **The Group EBIT margin** rose from 9% to 9.5% (both excluding listing costs);
- **Free operating cash flow** improved by EUR 56.1 million, rising from EUR 77.7 million to EUR 133.8 million in the first half of 2006, **with a net credit financial position strengthening** from EUR (161.3) million to EUR (181.6) million, up **12.6%**.

FIRST HALF 2006**		PRO - FORMA*** first half 2006/2005		
Key figures (EUR m)	First half 2006	First half 2006	First half 2006	% chg.
Acquired orders	585.0	821.9	674.4	21.9%
Order backlog	2,446.0	2,446.0	2,210.0	11.7%
Value of production	327.0	444.8	373.6	19.1%
EBIT	29.8	35.6	33.5	6.3%
	36.6*	42.4*		26.6%*
EBIT margin	9.1%	8.0%	9.0%	(1.0%)
	11.2%*	9.5%*		0.5%*
Net profit	13.3	15.9	17.0	(6.5%)
	20.1*	22.8*		34.1%*
Working capital	(278.0)	(278.0)	(138.7)	100.4%
Net financial position	(181.6)	(181.6)	(161.3)	12.6%
R&D	14.3	20.0	15.0	33.3%
Total staff	3.808	3,808	3,495	9.0%
EPS	0.13	0.16	-	-

* Net of listing costs of EUR 6.8 million for the first half of 2006;

**First half 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006.

*** First half 2006 with effect from 1 January 2006.

RESULTS FOR THE FIRST HALF OF 2006 (PRO-FORMA FIGURES)

The Ansaldo STS Group reports stronger performance at 30 June 2006 compared with the year-earlier period, net of non-recurring costs associated with the stock exchange listing of the company.

Orders rose from EUR 674.4 million in first half of 2005 to EUR 821.9 million in the same period of 2006. The **Value of production** increased by 19.1%, from EUR 373.6 million to EUR 444.8 million. **The Group's profit margin** (EBIT/PAR) went from 9% at 30 June 2005 to 8% at 30 June 2006 (the latter figure comes to 9.5% net of listing costs, an increase of 0.5 percentage points).

Both net profit and cash flow improved markedly net of listing costs.

Consolidated net profit for the period amounted to EUR 16 million, compared with EUR 17 million at 30 June 2005.

Net of listing costs, equal to EUR 6.8 million, Group net profit would come to EUR 22.8 million, an increase of EUR 5.8 million on the year-earlier period.

The rise of EUR 5.8 million is attributable to the increase in operating profitability (EBIT), which excluding listing costs would be EUR 8.9 million, and a rise of EUR 0.8 million in financial income, offset by an increase of EUR 3.9 million in income taxes.

At 30 June 2006 **income taxes** totalled EUR 20.9 million (EUR 17 million at 30 June 2005), of which EUR 3.4 million for IRAP (regional business tax), EUR 13.6 million for IRES (corporate income tax) and EUR 3.9 million for taxes paid by foreign subsidiaries and other taxes.

The Group's **net financial position** at 30 June 2006 showed a net creditor position of EUR 181.6 million, compared with a net creditor position of EUR 120.8 million at 31 December 2005, up EUR 60.8 million. **Free operating cash flow** for the period amounted to EUR 133.8 million, a rise of EUR 56.1 million on the EUR 77.7 million posted at 30 June 2005.

The main factors in the change in the group's cash position were as follows:

- acquisition of equity investments for EUR 100.1 million
- dividend payments to Finmeccanica SpA for EUR 32.0 million
- receipt of funds from capital increase for EUR 10.0 million and payment of EUR 50.2 million in capital contributions
- recovery of VAT credit for EUR 19.2 million
- payment of taxes for EUR 33.7 million

The remainder is attributable to the positive developments in operating cash flow.

The **value of production** rose from EUR 373.6 million to EUR 444.8 million, an increase of EUR 71.2 million or 19.1% on the year-earlier period.

Signalling generated a value of production of EUR 332.2 million (+24% on the EUR 268 million of the same period of 2005) net of intercompany revenues. The increase breaks down as follows:

- EUR 19.6 million from the Italian subsidiary from the SCMT Wayside project (CAR of Florence) and greater volumes for the high-speed rail project on the Milan-Bologna section;
- EUR 14.2 million from the US subsidiary;
- EUR 20.2 million from the Asia/Pacific subsidiaries;
- EUR 8.4 million from the French subsidiary;
- EUR 1.7 million from other European subsidiaries, such as U.K. Ireland.

Transport Systems generated EUR 116.3 million (+1.4% on the EUR 114.7 million of the same period of 2005) net of intercompany revenues. The increase was produced on the contracts relating to high-speed train lines, Copenhagen, MetroGenova, Alifana, Line 6, and MetroBrescia.

EBIT amounted to EUR 35.6 million in the first half of 2006 (EUR 42.4 million excluding listing costs), compared with EUR 33.5 million in the corresponding period of 2005.

More specifically:

- *Signalling* closed the period with operating income of EUR 32.3 million, compared with EUR 22.4 million a year earlier, an increase of EUR 9.9 million;
- *Transport Systems* posted operating income of EUR 12.3 million, compared with EUR 11.1 million in the year-earlier period, an increase of EUR 1.2 million.

In the first half of this year, **R&D** expenditure amounted to EUR 20.0 million, compared with EUR 15.0 million in the first six months of 2005, up 33%.

At 30 June 2006 **consolidated net invested capital** was a negative EUR 85.3 million, compared with positive invested capital of EUR 38.6 million at 31 December 2005. The difference of EUR 123.9 million is essentially attributable to working capital, which stood at EUR (278) million at 30 June 2006, compared with EUR (123.6) million at 31 December 2005.

The change is largely due to a decrease in net inventories caused by the growth in invoicing on account, the decrease in trade receivables (increased payments from customers) and the rise in current liabilities in respect of trade payables.

Acquired orders amounted to EUR 821.9 million in the first half of 2006, compared with EUR 674.4 million in the year-earlier period, an increase of EUR 147.5 million, or 21.9%.

The Signalling Unit acquired orders worth EUR 396.7 million, while Transport Systems acquired orders totalling EUR 425.3 million.

The main orders acquired by the **Signalling Unit** in the first half of this year involved the following projects

Country	Project	Customer	Value (EUR m)
India	Ghaziabad – Kanpur	IRPMU	55.7
Other	Components & Services	Various	51.4
Italy	ATC Wayside	RFI	47.5
USA	Dearborn – Congress	CTA	24.1
Italy	ATC On Board	Trenitalia	23.0
Netherlands	Eurocab HSA	Ansaldo Breda	11.8
Australia	Line CTC	ARTC	11.1
India	Gooty – Pullanpet – Doubling of line	Leighton Emrail	10.7
Spain	HSL-Perpignan – Figueras	IFP Cobra	7.9
Italy	SCMT–SSB–ERTMS	A.Breda	7.2
USA	Track Circuit Replacement	WMATA	7.1
Spain	Eurocab CAF	CAF	5.9
Venezuela	Venezuela – Los Teques	Caracas Metro	5.0
Australia	Lower Hunter Valley	ARTC	4.1
Australia	MossValo to Wingello	ARTC	3.5
Australia	ICSS Ioso Futout x 10	Pilbara Iron	3.4
France	Maintenance	RATP	3.1
China	BDU	MOR	3.0
France	HSL / RBI	SNCF/RFF	2.8

The main orders acquired by the **Transport Systems Unit** in the first half of this year involved the following projects:

Country	Project	Customer	Value (EUR m)
Greece	Thessaloniki	Attiko Metpo A.E.	166.4
Denmark	Copenhagen	Orestad	128.5
Italy	Metro Milano	Metro 5	118.4
Italy	High-Speed Rail	R.F.I.	8.1
Italy	Alifana	Metro Campania	3.7

The order backlog at 30 June 2006 totalled EUR 2,446 million, an increase of EUR 236.0 million, or 11%, on 30 June 2005 (EUR 2,210 million).

The order backlog of the **Signalling Unit** at 30 June 2006 came to EUR 1,185 million (net of orders with the Transport Systems Unit).

Of the total, EUR 645 million regards the Italian subsidiary, EUR 251 million the US subsidiary, EUR 203 million the French subsidiary and EUR 152 million the companies in the Asia/Pacific area.

The order backlog of the **Transport Systems Unit** at 30 June 2006 amounted to EUR 1,260.7 million and mainly regarded the following projects:

- High-Speed Rail Italy (EUR 138 million)
- Copenhagen metro (EUR 214 million)
- Concessions for the construction of the metro systems of Naples, Rome and Genoa (EUR 290 million)
- Driverless metro of Brescia (EUR 213 million)
- Driverless metro of Milan Line 5 (EUR 118 million)
- Driverless metro of Thessaloniki (EUR 164 million)
- Alifana metro (EUR 63 million)

OUTLOOK

The situation of the signalling and transport system market remained positive in the first six months of 2006. The strong performance achieved by Ansaldo STS in both sectors during the period boosted the Group's order backlog, which will grow even further in the second half with the contract for Line C in Rome, expected to be formalized in the coming months.

The order backlog at the end of the year is therefore expected to increase, as are revenues. Net of listing costs, the profitability of both sectors is forecast to continue its rising trend, with an improvement in operating income, net income and cash flow compared with the already positive results posted in 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Ansaldo STS Group

Consolidated Profit and Loss Account (EUR m)	FIRST HALF**	PRO - FORMA*** first half 2006/2005	
	2006	2006	2005
Revenues	323.8	442.4	369.4
Change in inventories, semi-finished and finished products and goods	3.2	2.4	4.2
	327.0	444.8	373.6
Purchasing and staff costs	(291.4)	(402.6)	(336.3)
Depreciation and amortisation	(3.5)	(4.8)	(4.5)
Writedowns	(0.1)	(0.1)	(0.1)
Restructuring costs			
Other net operating revenues (costs)	(2.2)	(1.6)	0.9
EBIT	29.8	35.6	33.5
Financial income (expense)	0.7	1.3	0.5
Income taxes	(17.2)	(20.9)	(17.0)
NET PROFIT	13.3	15.9	17
Earnings per share	0.13	0.16	

*** First half 2006 with effect from 1 January 2006.

**First half 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006.

CONSOLIDATED FINANCIAL POSITION

Ansaldo STS Group

	<i>First half**</i> 2006	<i>Pro-forma***</i> 31.12.05	<i>Pro-forma***</i> 30.06.05
<i>Consolidated Financial Position (EUR m)</i>			
Non-current assets	234.5	205.3	109.0
Non-current liabilities	41.8	43.1	41.1
	192.7	162.1	67.9
Inventories	89.0	91.4	82.1
Contract work in progress	90.0	64.8	82.6
Trade receivables	233.4	342.2	248.4
Trade payables	179.7	173.5	170.6
Advances from customers	431.2	406.1	337.3
Provisions for short-term risks and charges	25.5	19.8	10.8
Other current net assets (liabilities)	(54.1)	(22.6)	(33.0)
<i>Net working capital</i>	<i>(278.0)</i>	<i>(123.6)</i>	<i>(138.7)</i>
<i>Net invested capital</i>	<i>(85.3)</i>	<i>38.6</i>	<i>(70.8)</i>
Group shareholders' equity	95.9	158.9	90.1
Minority interests	0.4	0.4	0.3
<i>Shareholders' equity</i>	<i>96.3</i>	<i>159.3</i>	<i>90.4</i>
Net debtor (creditor) position	(181.6)	(120.8)	(161.3)

The figures for 2005 (December) were drawn from the aggregate financial statements prepared at the time of the stock market listing;

***First half 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006.*

**** First half 2006 with effect from 1 January 2006.*

CASH FLOW

Ansaldo STS Group

<i>Cash Flow</i> (EUR m)	<i>First half**</i> 30.06.06		<i>Pro-forma***</i> 31.12.05		<i>Pro-forma***</i> 30.06.05	
Cash and cash equivalents at 1 January	35.9		44.3		44.3	
Gross cash flow from operating activities	54.7		102.9		46.2	
Change in working capital	124.0		18.4		51.2	
Changes in other operating assets and liabilities	(31.5)		(15.4)		(13.8)	
Cash flow generated (used) by operating activities	147.3		105.9		83.7	
Cash flow from ordinary investments	(13.4)		(107.6)		(5.9)	
Free operating cash flow		133.8		(1.7)		77.7
Strategic investments	(54.8)					
Cash flow generated (used) by investment activities	(68.3)		(107.6)		(5.9)	
Dividends paid	(32.0)					
Capital increases and capital contributions	60.2		39.9			
Cash flow from financing activities	(80.8)		(46.2)		(68.7)	
Cash flow generated (used) by financing activities	(52.6)		(6.2)		(68.7)	
Translation difference	(0.5)		(0.4)		(0.3)	
Cash and cash equivalents at 30 June	61.8		35.9		52.9	

The figures for 2005 (December) were drawn from the aggregate financial statements prepared at the time of the stock market listing;

*** First half 2006 with effect from 1 January 2006.

**First half 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006.

RESULTS BY BUSINESS SEGMENT (PRO-FORMA FIGURES)

Key figures by segment	First half 06 Signalling	First half 06 Transport Systems	First half 06 Tot	First half 05 Signalling	First half 05 Transport Systems	First half 05 Tot
(EUR m)						
Acquired orders	399.2	425.3	821.9	493.5	200.1	674.4
Order backlog	1,257.3	1,260.7	2,446.0	1,253.4	1,042.5	2,210.0
Value of production	332.2	116.3	444.8	268.0	114.7	373.6
EBIT	32.2	12.3	35.6	22.4	11.1	33.5
EBIT margin	9.7%	10.5%	8.0%	8.4%	9.7%	9.0%
Working capital	(108.5)	(166.1)	(278.0)	(16.3)	(122.4)	(138.7)
R&D	19.1	0.8	19.9	14.2	0.8	15.0
Total staff	3,481	327	3,808	3,179	316	3,495

Notes to the table

The values reported in the table include relations between segments

The figures for the first half of 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing

Ansaldo STS confirms that on 8 September at 9:30 a.m. it will meet with the financial community at the Hotel Principe di Savoia (Milan) to discuss the results for the first half of the year.

The conference will be transmitted on-line and replayed via web on the company's website.

To participate via conference call:

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For the replay of the conference call, in the 72 hours after the event, with access code 995#

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Ansaldo STS S.p.A., listed on Borsa Italiana since 29 March 2006 (ticker: STS), is the parent of a group of companies operating in the rail and metro transport systems sector. Ansaldo STS controls Ansaldo Signal N.V., a Dutch company that is the parent of a group operating in the rail and metro signalling sector, and Ansaldo Trasporti-Sistemi Ferroviari S.p.A., an Italian systems/technology integration company that operates in the "turnkey" rail and metro transport systems sector. Ansaldo STS, which is headquartered in Genoa, is present in 18 countries and has about 3,600 employees. In 2005 the company posted revenues of EUR 840 million with a gross operating margin of EUR 89 million and a net profit of EUR 44 million.