

Genoa, 28 July 2008

THE BOARD APPROVES THE FIRST- HALF RESULTS

- **Net profit at EUR 31.1 million (+9.5%)**
- **Value of production at EUR 502.6 million (+9%)**
- **EBIT at EUR 50.8 million (+11%)**
- **Order backlog at EUR 2,942 million (+18%)**

The board of directors of Ansaldo STS (STS.MI), headed by Alessandro Pansa, has approved the first-half results to 30 June 2008, which showed an improvement compared to the same period last year.

FIRST-HALF 2008 RESULTS

In the first half of 2008, the Ansaldo STS group registered a **net profit** of EUR 31.1 million, a rise of 9.5% compared to the figure of EUR 28.4 million reported for the same period last year.

Value of production for the period was EUR 502.6 million, of which EUR 387.6 million relates to the Signalling Unit (excluding dealings with the Transport Systems Unit) and EUR 115 million to the Transport Systems Unit. This represents a rise of 9% compared to the figure of EUR 461.3 million in 1H07.

EBIT also advanced, from EUR 45.8 million in 1H07 to EUR 50.8 million in 1H08 (10.9%). The group's EBIT margin rose, from 9.93% the previous year to 10.12%. By business, Signalling generated EBIT margin of EUR 42.6 million, up from the figure of EUR 40.6 million in the same period last year, while EBIT margin in Transport Systems came in at EUR 12.4 million, in line with 1H07.

Free operating cash flow (FOCF) before strategic investments showed an absorption of EUR 1.4 million, compared to cash flow generated of EUR 28.5 million in the same period of 2007. The difference of EUR 32 million, better than foreseen for the period, is attributable to changes in working capital.

At 30 June 2008, **consolidated working capital** was negative to the tune of EUR 185.2 million, compared to a negative figure of EUR 216.7 million at 31 December 2007. This change was due to the rise in inventory and work in progress net of progress billings and the fall in trade payables, partly offset by the drop in trade receivables.

PRESS RELEASE



At 30 June 2008, the group had a positive **cash position** of EUR 163.4 million, compared to EUR 184.5 million at the end of 2007.

The change was mainly due to the payment in 2Q08 of the dividend related to the fiscal year 2007, of EUR 20 million, equivalent to around 34% of consolidated group profit for 2007.

The group continues to focus on innovation: in the first half of 2008, it invested EUR 21.8 million in **research and development**.

Key figures (EUR m)	6 Months 2008	6 Months 2007	% chg.
New orders	491.6	546.7	-10.1%
Order backlog	2,942.3	2,487.8	18.3%
Value of production	502.6	461.3	9.0%
EBIT	50.8	45.8	10.9%
EBIT margin	10.12%	9.93%	+0.19 p.p.
Net profit	31.1	28.4	9.5%
Working capital	(185.2)	(237.2)	-21.9%
Net financial position	(163.4)	(184.7)	-11.5%
R&D	21.8	24.0	-9.2%
Headcount	4,264	4,161	2.5%
EPS	0.31	0.28	

New orders totalled EUR 491.6 million in 1H08, compared to EUR 546.7 million in 1H07. Specifically, new orders for the **Signalling Unit** totalled EUR 430.2 million (EUR 429.6 million excluding dealings with the Transport Systems Unit), while the *Transport Systems Unit* secured orders of EUR 62.0 million.

Note in particular the contract to design, build and put into operation high-speed signalling equipment for the Zheng zhou-Xi'an railway line in China, one of the most important markets in the sector. This large contract has given Ansaldo STS a foothold in the Chinese ERTMS market, where it will work on an ongoing basis with local group Beijing HollySys to supply ERMTS systems for high-speed networks across the country in the future.



The main orders acquired in the first half of 2008 relate to the following projects:

Country	Project	Client	Value (EUR m)
Italy-France-USA	Components / Service and maintenance	Various	60.5
China	ERTMS On Board & Wayside on Zheng zhou-Xi'an line	MoR	48.3
Italy*	Rome Line C	Rome Metro	47.7
Sweden	ERTMS Lev 2 ("ESTER")	BV	26.2
France	On Board Bi - Standard Equipment	SNCF	25.5
Italy	ATC Onboard 6th Application Contract	Trenitalia	21.1
Tunisia	Signalling and electrification in Tunis suburbs	SNCFT	18.2
China	China: Shanghai Line 2 east extension	Shentong	15.8
Italy	ACC Rho	RFI	14.0
Australia	ATMS phase 2	ARTC	14.0
Italy	ACC Pisa	RFI	13.5
UK	Cambrian Line phases 2/3	Network Rail	13.2
France	Various contracts for Vital Relays components	ADIF	11.8
Italy	MI – BO High Speed	CEPAV 1	11.7
Australia	Various Rio Tinto projects	Rio Tinto	9.8
Australia	Various ARTC projects	ARTC	9.4
Australia	Goonyella – Broadlea Wotonga	QR	9.2
Australia	ICSS Fitout	Hamersley Iron	9.1
Australia	Clearsway 3 Kingsgrove – Revensby	TIDC	9.1

PRESS RELEASE

* Orders acquired by the Transport Systems Unit in 1H08

The **order backlog** at 30 June 2008 totalled EUR 2,942.3 million, an increase of EUR 454.5 million, or +18.3%, compared to 30 June 2007; this is equivalent to around 2.5 years' production.

Note too that in the period immediately after the end of the first-half, Ansaldo STS acquired:

- through subsidiary Ansaldo STS Malaysia, a contract for the new railway line linking Ipoh to Padang Besar in north Malaysia, worth EUR 135 million;
- through subsidiary Union Switch & Signal Inc, a contract to supply the new signalling, command and control and telecommunications system for lines 7 and 12 of the San Paolo metro (worth EUR 23.5 million)



The order backlog of the **Signalling Unit** totalled EUR 1,409.0 million at 30 June 2008 (EUR 1,185.4 million excluding dealings with the Transport Systems unit); this compares to a figure of EUR 1,313.6 million at 30 June 2007.

The order backlog of the **Transport Systems Unit** on the same date was EUR 1,756.8 million, compared to EUR 1,311.0 million at 30 June 2007.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Ansaldo STS group

<i>Consolidated profit and loss (EUR m)</i>	6 months 2008	6 months 2007	2007
Revenues	502.6	461.3	973.1
Value of production	502.6	461.3	973.1
Purchasing and staff costs**	(452.3)	(414.3)	(860.8)
Change in inventories, semi-finished and finished products and goods	5.1	2.9	1.0
Depreciation and amortisation	(4.9)	(4.6)	(10.4)
Write-downs	(0.1)	(0.1)	(0.6)
Restructuring costs	(1.4)	-	-
Other net operating revenues (costs)	1.8	0.6	(2.0)
EBIT	50.8	45.8	100.3
Net financial income (expenses)**	(0.9)	1.0	3.6
Income taxes	(18.8)	(18.4)	(45.6)
Net profit	31.1	28.4	58.3
<i>Earnings per share</i>	<i>0.31</i>	<i>0.28</i>	<i>0.58</i>

Notes to the table

* 1H07 items have been restated in accordance with IAS 19

PRESS RELEASE

CONSOLIDATED FINANCIAL POSITION

Ansaldo STS group

<i>Consolidated financial position (EUR m)</i>	30.06.08	30.06.07	31.12.07
Non-current assets	252.5	257.1	257.5
Non-current liabilities	(45.7)	(47.2)	(49.2)
	206.8	209.9	208.2
Inventories	104.1	98.3	104.2
Contract work in progress	208.6	151.9	127.1
Trade receivables	251.5	326.5	277.7
Trade payables	(181.7)	(194.5)	(206.0)
Customer advances	(473.0)	(506.8)	(461.8)
Short-term provisions for risks and charges	(26.2)	(26.2)	(22.3)
Other current net assets (liabilities)	(68.5)	(65.9)	(56.1)
Working capital	(185.2)	(216.7)	(237.2)
Net invested capital	21.6	(6.8)	(28.9)
Group shareholders' equity	184.6	177.3	155.5
Minority interests	0.4	0.4	0.3
Shareholders' equity	185.0	177.7	155.8
Net debt	(163.4)	(184.5)	(184.7)

Notes to the table

* 1H07 items have been restated in accordance with IAS 19



CASH FLOW

Ansaldo STS group

Cash Flow (EUR m)	30.06.08	30.06.07	31.12.07
Cash and cash equivalents – opening balance	63.4	48.6	48.6
Cash flow from operations	48.4	42.8	112.3
Change in working capital	(29.3)	16.3	(26.6)
Changes in other operating assets and liabilities	(14.4)	(22.3)	(41.0)
Cash flow generated by (used in) operating activities	4.8	36.8	44.7
Cash flow from ordinary investments	(6.2)	(8.3)	(17.8)
<i>Free operating cash flow</i>	(1.4)	28.5	26.9
Strategic investments	-	(2.4)	(2.4)
Other changes in investments	-	-	0.1
Cash flow generated by (used in) investment activities	(6.2)	(10.720)	(20.1)
Dividends paid	(20.0)	-	-
Cash flow from financing activities	29.1	(32.6)	(8.9)
Cash flow generated by (used in) financing activities	9.1	(32.7)	(8.9)
Exchange rate differences	(0.6)	0.3	(0.9)
Cash and cash equivalents – closing balance	70.5	42.3	63.4

PRESS RELEASE

RESULTS BY BUSINESS UNIT

<i>EUR m</i>	SIGNALLING		TRANSPORT SYSTEMS	
	6 months 2008	6 months 2007	6 months 2008	6 months 2007
<i>New orders</i>	430.2	377.3	62.0	175.1
<i>Order backlog</i>	1,409.0	1,313.6	1,756.8	1,311.0
<i>Value of production</i>	388.7	355.5	115.0	112.2
<i>EBIT</i>	42.6	40.6	12.4	12.6
<i>EBIT margin</i>	10.97%	11.41%	10.79%	11.22%
<i>Working capital</i>	(53.9)	(86.8)	(120.2)	(138.1)
<i>Net invested capital</i>	28.8	(10.1)	(2.6)	(94.8)
<i>Research and development</i>	19.8	22.4	1.2	1.2
<i>Headcount</i>	3,845	3,797	361	316

Notes to the table

The figures reported in the table do not take into account eliminations between divisions.



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

Ansaldo STS confirms that at **4pm** on 29 July, the management will be available to comment on the above, via conference call.
The presentation used in the conference call will be available in advance on our website www.ansaldo-sts.com

To take part in the conference call:

Italy: +39 02 8020911

UK: +44 20 8792 9750

USA: +1 866 239 6425

To replay the conference call in the 72 hours following the call, using access code 718#

Italy: +39 02 80613780

UK: +44 20 7108 6235

USA: +1 866 848 9310

Investor Relations

Andrea Razeto tel. +39 010 6552068

razeto.andrea@ansaldo-sts.com

Press office: PMS

Giancarlo Fre tel. +39 06 48905000

Andrea Faravelli tel. +39 02 48000250

g.fre@pmsgroup.com

a.faravelli@pmsgroup.com

PRESS RELEASE