Welcome to Ansaldo STS

Ansaldo STS is a technology company which is listed on the Milan Stock Exchange, and is active in the sector of railway transport and urban rail transport systems as designer and supplier of traffic management and signalling systems, and related services. It acts as general contractor, system integrator and turnkey provider of major projects all over the world.

**Highlights 2011**

(All amounts in Euro million)

**Orders**

- **2011**: 2,163.7
- **2010**: 1,985.0

**Order-book**

- **2011**: 5,492.5
- **2010**: 4,351.8

**Revenues**

- **2011**: 1,211.5
- **2010**: 1,283.7

**EBIT**

- **2011**: 49.1
- **2010**: 37.1

**ROS**

- **2011**: 9.6%
- **2010**: 10.7%

**Net Profit**

- **2011**: 72.1
- **2010**: 94.9

**Net Working Capital**

- **2011**: 89.6
- **2010**: 154.3

**Net Cash**

- **2011**: 299.7
- **2010**: 318.2
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Chairman's Letter

The events described and the information gathered in the sustainability report of Ansaldo STS explain how the results of one year's work, with its successes and the objectives that have been met, show that underlying every action undertaken and every decision made in order to achieve these results, there is an understanding of the importance of compliance with and attention to the personal and environmental relations that support economic growth.

Indeed, it is our belief that these relations must not be disregarded, not only for ethical reasons but also because experience has taught us that our working activities and our business derive greater value and wealth when these relations are carefully enhanced, developing and strengthening the positions acquired for the benefit of an even wider circle of Stakeholders.

In this regard, I talked last year of the “natural passion” that exists in Ansaldo STS. I would like to reassert the same this year in order to express our determination to stay true to this passion with care and commitment such as our contribution to the creation of a modern and innovative company, which is at the same time characterised by greater and more widespread well-being and safety.

That is why the strategic decisions of Ansaldo STS aim to ensure consistency between the interests of the company and the general interest, with the intention of allowing all Stakeholders to participate in our results. The basic principles underpinning our action concern therefore the safeguarding of the environment and natural resources, respect and protection for people and their safety, collaboration with local communities and the dissemination of principles of sustainability to all the partners that work with us, also outside the company.

2011 was the first year that Ansaldo STS participated in the Carbon Disclosure Project (CDP); this is an international project whose mission is to facilitate transparent communication of data relating to the subject of climate change by the major global companies. Thus, Ansaldo STS joined the Global 500 of the Carbon Disclosure Leadership Index (CDLI).

Furthermore, Ansaldo STS is among the top ten Italian companies as regards commitment to environmental protection and the reduction of climate change.

Furthermore, in the same year, collaboration and development activities continued with regard to the Global Compact initiatives, with the company also joining the network at Italian level.

The Management of Ansaldo STS is actively working to increase internal understanding and awareness of these issues, by further improving knowledge and laying the foundations for a more systematic approach to sustainable growth.

In fact, Ansaldo STS has a Sustainability Committee in which managers from each key function participate, with the aim of defining strategy and verifying results in the field of sustainable growth. The shared awareness of the Management in this context favours ideas and actions and helps to reinforce confidence in the future, a very rare commodity these days.

Since we know we can contribute to an improvement in the quality of life, we have decided to do it with passion and equal attention to Results and Relations.

We know that, in this way, we can demonstrate that we are continuing to do our job well, generating wealth and strengthening confidence in the future.

We know that there is no development without wealth but it is clear to us that the creation of wealth does not only depend on financial aspects.

I believe that this is the sound ambition of a Management that has the right perception of the present and a suitable vision of the future and which aims for a balance between economic and financial objectives and the quality of our lives, the lives of our families and the lives of those who deal with us every day.

Alessandro Pansa
Chairman of Ansaldo STS Group
Chief Executive Officer’s Letter

In years gone by the sector in which Ansaldo STS operates displayed strong growth prospects and offered significant investment opportunities.

Even today it still has prospects and opportunities in spite of the well-known macro-economic difficulties that have emerged recently and which are felt to a greater extent in Europe.

The reasons for growth are essentially the same ones that have characterised the sector for years, even if today they focus on urban and mass transport where a greater increase is expected than that expected for conventional and high-speed networks.

These reasons are: rapid urbanisation and development of large urban centres; the requirement for greater efficiency in urban transport; but also the growing needs for intermodal features and infrastructures.

All of this means that signalling and transport solutions is a sector in continuous expansion, even though the current market situation appears to differ from that of previous years and is becoming increasingly competitive.

In this context Ansaldo STS not only has the tools to continue to operate at the top of this sector but also has the skill to drive technological innovation to service the increasing requirements of the market.

In a growing business, our objective is to work using sustainable methods, with sustainability being understood as Stable and lasting Growth, Competitiveness, Respect for the Environment and Quality of life.

All of this means being aware that we are not just working with “Human Capital” but with “People”; that it is not just necessary to manage “Investments”, but to develop “Projects”; and that it is not enough just to use “Resources”, but rather clear and lasting “Commitments” to our stakeholders are needed.

These People, Projects and Commitments are blended by Ansaldo STS by means of characteristic values that are well known and shared by all its employees, such as Customer Focus, Innovation and Excellence, People, Team Spirit and Integrity.

These are the basic elements that Ansaldo STS brings to the forefront to ensure the fulfilment of growth objectives in order to face up to competition, develop product innovation and give continuous strength to the profitability generated.

We believe that it is always the people, values and behaviour that make the biggest difference within organisations because they provide the driving force and the incentive to work at one’s best and to answer to all our stakeholders in a matter-of-fact manner that inspires confidence.

In previous years, we launched and renewed our commitment to these principles of behaviour, with the understanding that adhering to them means putting them into practice on an ongoing basis and making them an integral part of our daily work.

Part of this commitment also consists in analysing and understanding where to improve, in order to follow up and respond to problems and economic trends and find new solutions. To this end, also in 2012, we will continue to promote our internal culture with initiatives to be implemented with an awareness of the importance of putting into practice actions and behaviour established to drive our distinctive company identity.

All of this falls into our concept of Sustainability as cited: to create value for Customers and Shareholders, to improve the quality of life of employees and to guarantee the safety of the users of our products. For this very reason, we must be able to properly assess the present and act to guarantee the best future. Therefore, for the results achieved we have to thank all of our 4,100 employees worldwide, who represent the true wealth of the Group (the “People”), showing that a culture has evolved that is destined to last over time because it is founded on solid principles, has clear objectives and is resolute in the methods chosen to achieve them.

Our strategy and, thus, our daily actions must therefore be aimed at having the efficiency to operate in the right sector (Selectivity), with the appropriate people and skills (Technology and Skills) and with the ability to guarantee the effectiveness of our decisions and actions (Innovation).

The quest for the efficiency of our work is driven by an awareness of our impact on the economic and financial and social equilibriums in which we operate. Not only because we work in a sustainable sector but still more because we understand that in order to produce positive effects that last over time it is not enough to “know how to do something”, but it is necessary to “do it well”.

Therefore, also in this third edition of the sustainability report we are focusing on People, on Projects and on the efficient use of resources to fulfil our Commitments, confirming what we achieved in 2011 and providing proof of our adaptation to the world around us while making a commitment to adapt that world to comply with our values.

Self-improvement is not a question of choice but of necessity, in order to create and leave behind a better situation for future generations and provide them with a solid foundation for a better quality of life in the future.

Being able to gather and present the data from our work is not a trivial matter but it would be wasted if it was interpreted in a superficial manner and was limited only to certain aspects and issues. For this reason we are participating attentively in initiatives such as the Carbon Disclosure Project and we joined the Global Compact with conscious conviction. Indeed, by comparing ourselves to others who produce and create value like us, we can seize upon new incentives to tackle our mission and support our stakeholders.

In 2011 we set up the Internal Sustainability Committee, in which - not by chance - managers from all areas of the company take part. Our intention is for this corporate body to provide direction and vision with regard to the development of new initiatives that support the effectiveness of our action on economic, social and environmental performance.

We want to create value for each stakeholder and respond efficiently to a demand for mobility that is continuously growing. By doing this, we would like to maintain our position of leadership in the sector, promoting the culture of quality, reliability, safety and responsibility.

It may seem easy but it would not be possible if we did not seek, in our daily work, satisfaction and respect for the key values in which we believe.

Sergio De Luca
CEO Ansaldo STS S.p.A.
Commitment to fight climate change

The fight against climate change and protecting the environment has become increasingly important over the last few years, becoming a challenge with a global reach.

Acknowledging its responsibilities, Ansaldo STS has developed a Carbon Management strategy and is involved in the fight against climate change, convinced that an improvement in environmental performance contributes to protecting the equilibrium of the planet and, at the same time, gives the company an opportunity to create value.

The climate strategy of Ansaldo STS is based on the following principles:

1. **Global approach**: developing mechanisms which take into account the commitment of all Ansaldo STS sites.

2. **Reasonable and attainable long-term objectives**: it is essential to establish a realistic and clear vision of the actions to be taken.

3. **Support for the development of technologies**: development of technologically advanced solutions.

This is an ambitious commitment, and aims at:
- reducing the ratios of GHG emissions by promoting the development and diffusion of renewable energies;
- promoting energy saving behaviour among suppliers and clients;
- using the best available technologies, in a mix which includes only high-efficiency plants with a low level of emissions;
- reducing energy consumption in the period 2010-2015 by 20%, by promoting the purchase and use of high energy efficiency systems, the use of automated temperature regulation systems for heating systems and the use of lighting switch on/off systems;
- reducing the overall quantity of waste sent to landfills, providing incentives for the replacement of low-impact substances and promoting the reduction, recovery and recycling of waste;
- taking action with regard to traffic and mobility, through incentives in favour of eco-friendly forms of transport (car-pooling, car-sharing, etc.) and the promotion of public transport.

The commitment of Ansaldo STS is shown by the company’s participation in the Carbon Disclosure Project (CDP), an international project whose mission is to facilitate transparent communication of data relating to the subject of climate change by the major global companies. In 2011, the first year of participation, Ansaldo STS joined the Global 500 of the Carbon Disclosure Leadership Index (CDLI).

Furthermore, in the report prepared by Accenture for CDP, Ansaldo STS ranked, with a score of 79/100, among the top ten Italian companies as regards commitment to environmental protection and the reduction of climate change1.

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1. For more details, see the section Environment, Safety and Health, paragraph Carbon Management System.
Identity of Ansaldo STS
Profile of the Group
Governance and organisation
Profile of the Group

The Ansaldo STS Group is active in the sector of Railway Transport Systems, both High Speed and Main Lines, and in the sector of Urban Rail Transport Systems (driverless and traditional metro and tram systems), and specialises in:

- the design, manufacturing, construction, management and maintenance of Railway and Urban Railway Signalling systems, subsystems and components;
- the design, construction, installation, integration, maintenance and management of Railway and Urban Transport Systems of which the Signalling business unit represents a key segment.

Ansaldo STS designs and implements integrated transport solutions, i.e. it studies, designs and plans the procedures required to integrate the design and implementation activities of the technological works which make up the System, it then defines and implements the complex functional and operational integration between track, signalling, power supply, telecommunications and vehicles (whether for intercity, urban or tram railways), together with any other technological works which constitute, collectively, the Integrated Transport System.

Ansaldo STS may also act only as a technological integrator (through the Transportation Solutions Business Unit) and provider of equipment for signalling (through the Signalling Business Unit).

The Group activities are structured through two Business Units, Signalling and Transportation Solutions and a Unit which develops global standard solutions, Standard Platforms & Products.

Depending on the requests of the customer and on the type of order, the Ansaldo STS Group is able to operate in the Railway and Urban Transport Systems segment as a provider of both “turnkey” solutions, and thus as a General Contractor (also managing the civil works required to implement the project), and Integrated Transport Systems with its Signalling products, and independently providing the technological part only and thus the Signalling products or the engineering expertise of the IT system engineer /technology integrator or, partially providing, other subsystems.

Furthermore, through the Signalling unit, it also provides maintenance components and services, both together with the signalling and control system and separately.

Through the Transportation Solutions unit it also provides operation and maintenance services for the Urban Transport Systems.

The leadership of Ansaldo STS in the Railway and Urban Rail Transport Systems segment is maintained and developed by focusing its business on two key aspects:

- the ability in designing innovative solutions and systems capable of ensuring its customers the utmost attention to, and compliance with, the safety standards required, efficiency and interoperability of the systems;
- the multi-local presence and the high technological standard to allow the implementation of highly complex projects.

Within the context of the implementation of each project, the Ansaldo STS Group takes account of the social, economic, logistical, architectural, environmental and infrastructural scenario in which it operates, being able to plan, design and build Signalling and Railway and Metro Transport Systems which offer the best possible combination of safety, efficiency and return on investments.

Ansaldo STS is a company to which Governments, Municipalities and individuals may refer to in order to construct any works concerning rail transport; an organisation which has over 4,200 employees around the world dedicated to the implementation and enhancement of the safety of railway assets.
**Mission**

We combine experience, human, financial and technological resources to provide innovative solutions in designing and constructing equipment and systems dedicated to signalling and to the automation of metro networks and railway lines, both high-speed and main lines.

Our objective is threefold:

- to create increasingly advanced and reliable products favouring the development of the most eco-friendly transport system currently available;

- to create value for each Stakeholder, efficiently responding to an ever increasing demand for mobility;

- to become global leaders in our industry, promoting the culture of quality, safety and responsibility.

**Core Values**

In order to achieve its objectives of growing and maintaining the leadership in its sector, Ansaldo STS bases its business operations on strong ethical foundations comprised of fundamental values and principles; all persons, throughout its worldwide organisation, are required to share this culture and the same moral commitment in pursuing it, by adopting the principles and values of the Group.

The values adopted by Ansaldo STS and on which its corporate business is based are the following:

**Customer Focus** - Ansaldo STS exists thanks to its clients, to the extent that the company is able to understand and satisfy their needs and expectations and help solve the related problems.

**Innovation and excellence** - represent the core of Ansaldo STS business, the constant focus on work aimed at providing clients with innovative and excellent products, which incorporate the basis of the company's competitive advantage in the market.

**People** - clients' satisfaction and the development of new products cannot disregard the skills of the professionals involved. This is why Ansaldo STS is a company founded on people. All the people within our organisation are committed to making Ansaldo STS a place where anyone can be proud to work, where it is possible to learn, achieve and celebrate success.

**Team spirit** - none of the operating targets may be achieved by single individuals; the professionals of the company are able and eager to work together with their colleagues within a single cohesive organisation.

**Integrity** - in order for people to work efficiently together, they must trust each other; this is possible only if everyone works and behaves in a transparent, loyal, honest and fair manner. Likewise, clients must be absolutely certain that integrity represents a core value for Ansaldo STS, which influences the creation of products characterised by the utmost care and attention to all safety-related issues.
**History of Ansaldo - Key milestones**

1853: Giò Ansaldo e C. is founded in Genoa. At the time, Ansaldo was already a distinguished name in the Genoese industry. Ansaldo STS is today headquartered in one of the historical buildings owned by the old Giò Ansaldo e C.

1880: Ansaldo e C. is founded as a company for the manufacture and maintenance of railway equipment. At the end of the century the company started building ships. The company’s factories stretched all along the Genoa bay from Sampierdarena to Settis Ponerio and it employed more than 10,000 employees.

1881: George Westinghouse forms the Union Switch and Signal Company (US&S) by consolidating the Union Electric Signal Company and the Interlocking Switch & Signal Company.

1902: Fernand Cumont founds CSE, Compagnie des Signaux pour Chemins de Fer, with the financial help of the Empain Group.

1903: US&S develops the first alternating current track circuit and vane relay for train detection on direct current lines.

1904: Ferdinando Maria Perrone buys Ansaldo. In a few years, the company came to own 10 factories, including iron and steel processing, foundries and military equipment with approximately 17,000 employees in Genoa alone.

1912: CSE becomes an independent company with activity focused on providing railway equipment for the Paris metro.

1918: Ansaldo reaches a record 80,000 employees.

1920: CSE develops its activities to manufacture cables and lamps.

1923: US&S introduces the first inductive train control system to manage train movement.

1924: US&S develops the first remote controlled gravity hump yard wheel speed “retarder” to regulate car speed.

1926: US&S invents the first “copper oxide rectifier”, the first device that converts alternating current to direct current.

1934: US&S introduces coded circuits for longer track circuits and the two-way signalling cabinets which require no cables.

1935: due to the damages caused by the financial crisis of 1929 and the World War, Ansaldo e C. is rescued with the support of the Bank of Italy, which fully restructures the company. The critical period ends with the establishment of IRI (Istituto per la Ricostruzione Industriale, Italian Institute for Industrial Reconstruction) which takes over the control of Ansaldo balancing the financial position and repositioning the company at a technologically advanced level.

1948: IRI transfers the control of Ansaldo to Finmeccanica.


1966: Finmeccanica fully restructures Ansaldo.

1967: CSE develops the first geographical relay-interlocking in France.

1969: CSE develops the first High Speed line in South Korea, equipped with TVM, the same system used in France.


1981: CSE introduces the first High Speed railway line (TAV) in Europe (Paris-Lyon). Its successful TVM High Speed signalling system is thereafter implemented all along the French High Speed network.

1984: US&S develops the first breakthrough technology, Microlok®, that reduces the need for relays from 400 to 1, and installs the first vital microprocessor-based interlocking on Connolly’s Esplen Interlocking in Pittsburgh, Pennsylvania.

1987: US&S develops the first video display designed to show changes in the railway infrastructure network.

1988: Ansaldo Trasporti acquires 100% of the capital of Union Switch & Signal (US&S), now Ansaldo STS USA, headquartered in Pittsburgh, Pennsylvania, USA.

1989: Ansaldo Trasporti acquires 49% of the share capital of CSE Transport, formerly known as Compagnie des Signaux pour Chemins de Fer, headquartered in Paris.

1990: Ansaldo Trasporti enters the Northern market acquiring the transport division of Standard Radio & Telephone (SRT). The new company is named Ansaldo Trasporti Signal System AB (ATSS).

1993: Ansaldo Trasporti lists US&S on NASDAQ.

1994: CSE opens the Channel Tunnel Rail Link and equips all Eurostar trains connecting Paris to London with TVM 430 signalling systems.


1996: Ansaldo Trasporti creates Ansaldo Signal NV, a Dutch company based in Amsterdam. Ansaldo Signal acquires the remaining 51% of CSE. All activities of Ansaldo, Union Switch & Signal and CSE are concentrated in Ansaldo Signal and the company is listed on NASDAQ.

1997: the Biggest Heavy Haul rail project Australia is successfully delivered, completed, supplied and commissioned for Rio Tinto.

2000: Ansaldo Signal is delisted from NASDAQ.


2002: Ansaldo Trasporti Sistemi Ferroviari delivers the world’s first fully automatic driverless CENELEC approved transit system in Copenhagen, Denmark.

2003: on 11 October the first Chinese passenger line is commissioned.

2004: CSE develops the first High Speed line in South Korea, equipped with TVM, the same system used in France.

2005: US&S introduces the Optimizing Traffic Planner™ designed to maximise capacity and increase railroad speed.

2006: Finmeccanica transfers the entire share capital of Ansaldo Signal and Ansaldo Trasporti Sistemi Ferroviari to Ansaldo STS. Finmeccanica offers 60% of its capital on an IPO. Ansaldo STS is listed in March on the STAR segment of the Milan SE.

2007: Ansaldo STS develops the first Vital Positive Train Control™ system for the railway network in Alaska.

2008: on 1 May, the first ERTMS in India (Chennai-Gummudipundi) is commissioned, supplied and delivered.

2009: the largest signalling project ever is acquired: Libya, construction of the first local railway network.

2010: the company is awarded important contracts for signalling in Libya, Russia and Kazakhstan.

2011: Ansaldo STS arrives in Hawaii by signing a very important contract for the implementation of the technological project and for the provision of vehicles for the new driverless urban railway network of Honolulu.

2011 was also characterised by the effects of the suspension of the activities linked to the contracts acquired in Libya.
Business segments

HIGH SPEED
Ansaldo STS Signalling Systems are installed on more than 50% of all High Speed lines around the world (excluding Japan). Furthermore, the Group is the undisputed leader in ERTMS (European Rail Traffic Management System) Level 2, which is currently the most advanced signalling system available for High Speed lines. Ansaldo STS launched the High Speed railway transport era by putting into operation and completing, in 1981, the very first TVM (automatic train control) signalling system on the first TGV Paris-Lyon line. In Italy Ansaldo STS has, within the scope of the Consortium Saturno, assumed full responsibility for the Turin-Novara line. The company also played a prominent role in another historic achievement, by launching the first High Speed Rome-Naples line running on an ERTMS Level 2 signalling system. The main achievements of Ansaldo STS in this business segment were:

- the first stretch of the new East-European High Speed Paris-Strasbourg Line, which represents the connection between the two most important railway networks in Europe: the French network and the German network. Ansaldo STS supplied a dual signalling system which combines the new level 2 of the ERTMS with the TVM 430 system, implemented on the entire High Speed network in France and already recognised as a successful system;
- the CTRL (Channel Tunnel Rail Link) connection: thanks to the TVM 430 signalling system supplied by Ansaldo STS, Paris and London are closer than ever (just over two hours journey from the Gare du Nord to St. Pancras station);
- the successful award of the first tender for a High Speed line in Germany, for the Saarbrucken-Mannheim stretch of line.

Besides Germany, Ansaldo STS has already commissioned, supplied, delivered and completed High Speed lines in the following Countries: France, Italy, United Kingdom, Spain, Belgium, the Netherlands, China and South Korea.

MASS TRANSIT AND LIGHT RAIL
For more than a century, Ansaldo STS, through its companies operating worldwide, has been providing leading solutions in the Urban Transport System®. Today, its sophisticated systems for metros based on the traditional signalling technology develop a new generation of advanced systems, which meet the new transport requirements.

Driverless metros - ATP (Driverless Automatic Train Control)
After the first fully Driverless train control system, as certified according to the strict European Cenelec (Comité européen de normalisation en électronique et en électrotechnique) safety standards as regards the metro in Copenhagen in 2002, the ATP Driverless technology has been selected by the metros of Rome, Milan, Thessaloniki, Brescia and Riyadh Woman’s University in order to guarantee the safety and efficiency of the frequent passenger transit. The ATP Driverless technology of Ansaldo STS adds fully Driverless functionalities to the ATS (Automatic Train Supervision), ATO (Automatic Train Operation) and ATP (Automatic Train Protection) technologies.

Communications Based Train Control (CBTC)
Regardless of whether it is a single line metro or a continental railway system, the fully integrated CBTC systems ensure continuous high speed two-way radio based communications between wayside and the vehicle. Last year a contract was entered into for the driverless metro Circular Line of Taipei, providing for a CBTC technology-based mobile block.

Conventional Metro
In addition to the most advanced driverless technologies, Ansaldo STS also offers conventional solutions which are supported by safety (ATP) and drive assistance (ATO) systems for the purpose of achieving the best performances.

Light Rail
The solutions of Ansaldo STS as regards urban railways based on track circuits are customised so as to meet any operational requirements. The complete central part of vehicles and wayside systems may be stand alone or integrated with the existing systems.

Decades of experience guarantee the success of the projects.

COMPUTER-BASED INTERLOCKING
Ansaldo STS provides the most complete range of computer-based interlocking systems for rails and transit on an exclusive basis. ACC, SEI and Microlok® represent the perfect solution for all kinds of network, from High Speed to main lines, from freight to metros. Their integration with CTC (Centralized Traffic Control) and ATP (Automatic Train Protection) systems has also been tested on High Speed applications.

ACC is a modular interlocking system suitable for railway and metro applications, capable of managing highly complex systems with no need to integrate different Interlocking systems and without any slowdowns in operations. ACC carries out automatic diagnosis operations, operator assistance and data recording for the purpose of maximising the efficiency of both signalling operators and maintenance staff. A detailed monitoring system allows to identify any malfunctioning on the equipment.

SEI (Interlocking) of Ansaldo STS combines the functions for the constant monitoring of speed and transit time of vehicles, cab display using continuous track-to-train transmission. The main innovation is represented by the interlocking functions in the processors along the tracks.

Microlok® II is the “safety guarantee” of Ansaldo STS. It is a multi-purpose monitoring and control system for rail and transit wayside interlocking equipment. Its wide range of functionalities includes "vital" (causing a system failure) command system applications, train detection, rail integrity, coded track circuit communication, and much more.

Of the many interlocking systems installed worldwide, the most outstanding is that installed at Termini Station in Rome. Roma Termini is the heart of the Italian railway system, and is responsible for the management, from one single control room, of the complexity and capacity of a network of thousands of kilometres through an interlocking system capable of a risk-free control over the railway traffic of almost the whole of Italy. At present, the computer-based interlocking systems of Ansaldo STS are used all over the world, also in more complex High Speed networks (France, Italy, Spain, United Kingdom, Belgium, China and South Korea), main lines (United States, Italy, France, Sweden, India, China, Bangladesh, Botswana, Malaysia and Australia, to name but a few), and metro lines.

PLANNING, SUPERVISION AND TRAFFIC CONTROL
The first CAD (Computer-Aided Dispatching) system of the industry was developed by Union Switch & Signal (now Ansaldo STS USA) in 1966, at the Union Railroad Company of Duquesne, in the United States, launching a new era in train control and track management.

Nowadays, Ansaldo STS continues to manufacture new state-of-the-art intelligent systems, designed to support highest performances.

Ansaldo STS offers the most technologically advanced solutions for supervision and traffic control centres all over the world, whether for main lines, High Speed lines or mass transit. Our long and pioneering experience includes projects from all the continents. A special mention goes to the Optimizing Traffic Control System (OTC2). It is an advanced planning engine which solves the complex logistics problems resulting from ever changing operational conditions, for the purpose of maximising capacity and increasing speed.

The calculation agents respond in real time to updated CAD and field data, generating new movement plans based on the current conditions and on any and all operating rules and constraints.

COMPONENTS
Ansaldo STS manufactures the most innovative and reliable equipment, such as track circuits, switch machines, signals, sensors for wayside data transmission (Eurobalise train, relays, hot box detectors, level crossing equipment, event recorders, the interlocking system Microlok, famous all over the world, equipment for monitoring the integrity of the train, etc.).

OPERATION & MAINTENANCE
Ansaldo STS provides its customers with a 24/7 operation and a complete maintenance service to ensure full service availability. This demonstrates the company’s commitment to maximising the return on investment for its customers.
Ansaldo STS around the world

The Group, which is headquartered in Genoa, operates through four key operating companies: the Italian Ansaldo STS S.p.A. with sites in Genoa, Naples, Piossasco (Province of Turin) and Tito Scalo (Province of Potenza); the American Ansaldo STS USA, with sites in Pittsburgh (Pennsylvania) and Batesburg (South Carolina); the French Ansaldo STS France, with sites in Paris and Riom; the Australian Ansaldo STS Australia based in Eagle Farm (Australia).

The Group also owns minor operating companies in Germany, Sweden, Finland, Ireland, United Kingdom, Spain, China, India, Malaysia, South Africa, Botswana and Brazil, as well as many permanent establishments and partnerships in other countries such as Korea, Brazil and Turkey.

GROUP STAFF PER ENTITIES

<table>
<thead>
<tr>
<th>Company/Region</th>
<th>2011</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASTS Italy*</td>
<td>1,583</td>
<td>1,570</td>
<td>13</td>
</tr>
<tr>
<td>ASTS France**</td>
<td>862</td>
<td>839</td>
<td>23</td>
</tr>
<tr>
<td>ASTS USA</td>
<td>928</td>
<td>1,021</td>
<td>-93</td>
</tr>
<tr>
<td>ASTS China</td>
<td>77</td>
<td>84</td>
<td>-7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,100</td>
<td>4,217</td>
<td>-117</td>
</tr>
</tbody>
</table>

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

ORDERS (EUR MILLION)

<table>
<thead>
<tr>
<th>Geographical Areas</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>416</td>
<td>479</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>462</td>
<td>870</td>
</tr>
<tr>
<td>North America</td>
<td>942</td>
<td>156</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>325</td>
<td>257</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,164</td>
<td>1,985</td>
</tr>
</tbody>
</table>

REVENUES (EUR MILLION)

<table>
<thead>
<tr>
<th>Geographical Areas</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>487</td>
<td>557</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>203</td>
<td>254</td>
</tr>
<tr>
<td>North America</td>
<td>119</td>
<td>118</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>328</td>
<td>216</td>
</tr>
<tr>
<td>Other</td>
<td>75</td>
<td>139</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,212</td>
<td>1,284</td>
</tr>
</tbody>
</table>
### Central, Eastern Europe and Middle East

<table>
<thead>
<tr>
<th>OUR LOCATIONS</th>
<th>ACTIVITIES</th>
<th>COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy, Naples</td>
<td>Human Resources, RAMS, Administration, Finance &amp; Control, Project Management, Engineering, Site Management, Logistics, Marketing and Sales, Research and Development, Legal Affairs, HSE</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Italy, Genoa</td>
<td>Human Resources, RAMS, Administration, Finance &amp; Control, Project Management, Engineering, Logistics, Quality, Product Development, Research, Sales, Legal Affairs, Customer Service</td>
<td>Ansaldo STS S.p.A. Registered Office</td>
</tr>
<tr>
<td>Italy, Pissoscaro (Province of Turin)</td>
<td>Engineering, Product, Development, Quality, Site Management, Logistics, Project Management, HSE</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Italy, Tito Scalo (Province of Potenza)</td>
<td>Production, Local Support, Testing, Industrialization</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Italy, Rome</td>
<td>Representative and commercial office</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Denmark, Copenhagen</td>
<td>Copenhagen Metro: Maintenance</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Greece, Thessaloniki</td>
<td>Project Management, Engineering</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Czech Republic, Prague</td>
<td>Signalling Systems</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Romania, Bucharest</td>
<td>Signalling Systems</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Germany</td>
<td>Signalling Systems</td>
<td>Ansaldo STS Deutschland GmbH</td>
</tr>
<tr>
<td>Finland</td>
<td>Marketing and Sales</td>
<td>Ansaldo STS Finland OY</td>
</tr>
<tr>
<td>Turkey, Ankara</td>
<td>Signalling Systems, Engineering</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Greece, Athens</td>
<td>Signalling Systems</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
</tbody>
</table>

### Western Europe and Africa

<table>
<thead>
<tr>
<th>OUR LOCATIONS</th>
<th>ACTIVITIES</th>
<th>COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>France, Les Ulis</td>
<td>Marketing and Sales, Project Management, Engineering, RD, Quality, RAMs, Human Resources, RAMS, Administration, Finance &amp; Control, HSE</td>
<td>Ansaldo STS France S.A.</td>
</tr>
<tr>
<td>France, Riom</td>
<td>Engineering, Test, Manufacturing, Purchasing, Human Resources, RAMS, Administration, Finance &amp; Control, Project Management</td>
<td>Ansaldo STS France S.A.</td>
</tr>
<tr>
<td>France, Paris</td>
<td>Paris Metro: maintenance</td>
<td>Ansaldo STS France S.A.</td>
</tr>
<tr>
<td>Portugal, Lisbon</td>
<td>Lisbon Metro: maintenance</td>
<td>Ansaldo STS France S.A.</td>
</tr>
<tr>
<td>Ireland, Tralee</td>
<td>Sales, Manufacturing, Engineering</td>
<td>Ansaldo STS Ireland Ltd.</td>
</tr>
<tr>
<td>Spain, Madrid</td>
<td>Marketing and sales, project management, Engineering, Madrid-Leirida maintenance</td>
<td>Ansaldo STS Espana S.A.U.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Marketing and sales, project management, Engineering, local support, Research &amp; Development</td>
<td>Ansaldo STS Sweden AB</td>
</tr>
<tr>
<td>Tunisia, Tunis</td>
<td>Signalling Systems</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>Botswana, Gabonaba</td>
<td>Business development, project management, Engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Southern Africa (Pty) Ltd. (Botswana)</td>
</tr>
<tr>
<td>South Africa, Johannesburg</td>
<td>Engineering, Sales</td>
<td>Ansaldo STS South Africa PTY Ltd.</td>
</tr>
<tr>
<td>UK, London</td>
<td>Marketing and sales, project management, Engineering, local support</td>
<td>Ansaldo STS UK Ltd.</td>
</tr>
</tbody>
</table>

### Americas

<table>
<thead>
<tr>
<th>OUR LOCATIONS</th>
<th>ACTIVITIES</th>
<th>COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA, Pittsburgh</td>
<td>Human Resources, RAMS, Administration, Finance &amp; Control, Project Management, Engineering, Construction, Logistics, Marketing and sales, Research &amp; Development, Legal affairs</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>USA, Batchesburg</td>
<td>Manufacturing, Service Shop, Engineering, Logistics; Quality; Administration</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>USA, New Jersey</td>
<td>Engineering, Sales</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>Canada, Kingston</td>
<td>Sales Services</td>
<td>Ansaldo STS Canada Inc.</td>
</tr>
<tr>
<td>USA, Norristown</td>
<td>Yard Planning Engineering (RMStar acquisition)</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>USA, Chicago</td>
<td>Area-related marketing and sales; Engineering Services</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>USA, Jacksonville</td>
<td>Area-related marketing and sales; Engineering Services</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>Brazil, Rio de Janeiro</td>
<td>Engineering, Sales, Maintenance, After-sales Service</td>
<td>Ansaldo STS Sistemas De Transporte e Sinalizacao Limitada</td>
</tr>
<tr>
<td>Venezuela, Caracas</td>
<td>Engineering</td>
<td>Ecosen c.a.</td>
</tr>
<tr>
<td>USA, Kansas City</td>
<td>Area-related marketing and sales; Engineering Services</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
</tbody>
</table>

### Asia Pacific

<table>
<thead>
<tr>
<th>OUR LOCATIONS</th>
<th>ACTIVITIES</th>
<th>COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia, Brisbane</td>
<td>Business development, project management, Engineering, Assembly, testing, maintenance and support offices</td>
<td>Ansaldo STS Australia PTY Ltd.</td>
</tr>
<tr>
<td>Australia, Perth</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Australia PTY Ltd.</td>
</tr>
<tr>
<td>Australia, Kanatha</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Australia PTY Ltd.</td>
</tr>
<tr>
<td>Australia, Sydney</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Australia PTY Ltd.</td>
</tr>
<tr>
<td>Australia, Newcastle</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Australia PTY Ltd.</td>
</tr>
<tr>
<td>India, Bangalare</td>
<td>Business development, project management, engineering, testing, maintenance and support offices, software development</td>
<td>Ansaldo STS Transportation Systems India Private Ltd.</td>
</tr>
<tr>
<td>India, Kolkata</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Transportation Systems India Private Ltd.</td>
</tr>
<tr>
<td>India, Delhi</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Transportation Systems India Private Ltd.</td>
</tr>
<tr>
<td>Malaysia, Kuala Lumpur</td>
<td>Business development, project management, engineering, testing, maintenance and support offices</td>
<td>Ansaldo STS Malaysia SDN BHD</td>
</tr>
<tr>
<td>China, Beijing</td>
<td>Signalling Systems</td>
<td>Ansaldo Railway System trading (Beijing) Ltd.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Design, Sales, Production, Installation, Maintenance and Services</td>
<td>Ansaldo STS S.p.A.</td>
</tr>
<tr>
<td>China, Shanghai</td>
<td>Marketing, Sales, Engineering</td>
<td>Ansaldo STS USA Inc.</td>
</tr>
<tr>
<td>China, Beijing</td>
<td>Marketing and sales, project management, engineering, integration</td>
<td>Ansaldo STS Beijing Ltd.</td>
</tr>
<tr>
<td>China, Hong Kong</td>
<td>Project management, engineering</td>
<td>Ansaldo STS Hong Kong, Ltd.</td>
</tr>
<tr>
<td>Korea, Daegon</td>
<td>Korea Project Management</td>
<td>Ansaldo STS France S.A.</td>
</tr>
</tbody>
</table>
The main projects

- Madrid-Lerida High-Speed Line
- Manchester Node & Metrolink Campion Line
- Channel Tunnel
- Copenhagen Driverless Sweden
- Saarbrücken Mannheim ERTMS Lev. 2
- Akron / Canton BRT
- Bina and Skytrain
- Manisa and Konya
- Incheon
- Athens
- Shenzhen
- Rome, Naples, Milan, Brescia, Genoa
- Tokyo
- Thessaloniki
- Lagos
- Riyadh
- CPTM CAB
- Conventional & Driverless Metros
- ACS Palermo
- Rome Station C.B.I. SCMT / ACS
- Installations
- Thessaloniki Metro ETCS Lev. 1
- Terra ERGA OSE
- Clearways 3
- Hamersley: Hope, Dows
- Sirti & Sirti-Bengazi line
- Rajya Metro Women’s University
- Istanbul
- Gaziabad Kampur
- Indian Railways
- Saarbrücken
- Mannheim
- ERTMS Lev. 2
- O&M contracts
- Copenhagen City Ring
- C.P.T.M. CAB
- Conventional & Driverless Metros
- Rome, Naples, Milan, Brescia, Genoa
- American High-Speed Binhai, Daegu Busan Shhilal Line
- China & Korea High-Speed
- C.B.I. SCMT / ACS
- O&M contracts
- Rome City Ring
- Copenhagen City Ring
- China & Korea High-Speed
- Binhai, Daegu Busan Shhilal Line
- Shenyang Line & Shanghai Metro
- ERTMS Zhengxi Line
- Hangzhou Metro Line 3
- Talpi Circular Line Phase 3
- Kuala Lumpur LRT North Ipoh ti Pedang Besar
- Istanbul
- Riyadh
- CPTM CAB
- Conventional & Driverless Metros
- Rome, Naples, Milan, Brescia, Genoa
- American High-Speed Binhai, Daegu Busan Shhilal Line
- China & Korea High-Speed
Governance and organisation

Corporate Governance

Ansaldo STS adopts a Corporate Governance system based on the highest transparency and fairness standards in business management. This corporate governance system is compliant with the provisions of law and with the regulatory provisions of CONSOB and Borsa Italiana, and is also in line with the contents of the Self-Regulatory Code of listed companies adopted by Borsa Italiana S.p.A. - adopted by Ansaldo STS - and the international best practices.

This governance system is focused on the maximisation of the value for shareholders, on monitoring corporate risks, on transparency to the market and reconciliation of the interests of all the components of the shareholder base, particularly as regards retail shareholders.

The Corporate Governance of Ansaldo STS is based on a traditional model, and includes:
- the Shareholders’ Meeting;
- the Board of Directors (which includes the Internal Audit Committee and the Remuneration Committee);
- the Board of Statutory Auditors;
- the Independent Auditors responsible for statutory audit.

Below are listed the main Governance tools currently available to the Company:
- By-Laws;
- Code of Ethics;
- 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;
- Transactions with related parties - Procedure adopted pursuant to article 4 of Consob Regulation 17221 of 12 March 2010;
- Regulation for managing Inside Information and Register of persons who have access to Inside Information;
- Internal Dealing Code;
- Regulations for Shareholders’ Meetings.

Governance bodies and instruments

SHAREHOLDERS’ MEETING

It is competent to resolve, at ordinary and extraordinary meetings, on issues reserved to its competence by law or by the company’s By-Laws. Particular emphasis is placed on encouraging the highest attendance of those entitled to vote, as well as on ensuring the highest quality of information provided to them in such circumstances, in accordance with the restrictions and procedures for disclosing price sensitive information.

In order to allow the persons entitled to vote to take informed decisions, the Board of Directors publishes detailed reports on each item on the agenda of the meeting (as regards the issues within its competence).

Protection of minority shareholders

Regulations for Shareholders’ Meetings (as approved by the meeting itself on 12 December 2005 and as amended by the meeting of 5 April 2011) define the procedures required to allow for the orderly and functional proceedings of the meetings, guaranteeing the right of the persons entitled to attend the meeting to take floor on the issues on the agenda and also specifying certain aspects (time limits of the interventions, voting procedures and operations) aimed at facilitating the correct course of the proceedings of the meeting. The directors are appointed by the Ordinary Shareholders’ Meeting through list voting; for the purpose of ensuring the actual participation of minority shareholders in the management of the company, the company’s By-Laws explicitly provide that every shareholder is entitled to submit, individually or with other shareholders, only one list. Each person entitled to vote may vote for one list only. Shareholders who belong to the same group and shareholders who are a party to a shareholders’ agreement involving the Company’s shares may not submit or vote for more than one list, not even through third parties or trust companies. The directors are elected according to the following procedure: (i) two thirds of the directors to be elected shall be elected from the list that receives the majority of the votes cast by shareholders being entitled, in the numerical order of their appearance in the list itself, with the resulting number rounded down in case of fractional number; (ii) the remaining directors shall be elected from the other lists according to the criteria and procedures specified in the company’s By-Laws.

BOARD OF DIRECTORS

The Board of Directors of Ansaldo STS is granted the widest powers as regards the management of the Company, with the right to take any and all appropriate actions for achieving the corporate purpose, except for those reserved to the Shareholders’ Meeting. The Board of Directors is comprised of not less than seven and no more than thirteen members.

The Shareholders’ Meeting shall set, prior to their election, the number of the members of the Board within the abovementioned limits.

On 5 April 2011 the Shareholders’ Meeting set the number of directors at 9 and appointed the new Board which shall hold office up to the Ordinary Shareholders’ Meeting called to approve the financial statements at 31.12.2013.

On 30 November 2011 the independent director Filippo Giuseppe Maria Milone, following his appointment as Defence Undersecretary of the present Government, notified his resignation with effect from 13 December 2011.

Below is reported the Table relating to the current composition of the Board of Directors.

<table>
<thead>
<tr>
<th>BOARD OF DIRECTORS</th>
<th>INTERNAL AUDIT COMMITTEE</th>
<th>REMUNERATION COMMITTEE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECTOR</strong></td>
<td><strong>POSITION</strong></td>
<td><strong>EXECUTIVE</strong></td>
</tr>
<tr>
<td>Alessandro Pansa</td>
<td>Chairman</td>
<td>M</td>
</tr>
<tr>
<td>Giancarlo Grasso</td>
<td>Deputy Chairman</td>
<td>M</td>
</tr>
<tr>
<td>Sergio De Luca</td>
<td>CEO</td>
<td>M</td>
</tr>
<tr>
<td>Maurizio Cereda</td>
<td>Director</td>
<td>m</td>
</tr>
<tr>
<td>Paola Girdinio</td>
<td>Director</td>
<td>M</td>
</tr>
<tr>
<td>Giovanni Cavallini</td>
<td>Director</td>
<td>m</td>
</tr>
<tr>
<td>Tatiana Rizzante</td>
<td>Director</td>
<td>m</td>
</tr>
<tr>
<td>Attilio Salvetti</td>
<td>Director</td>
<td>M</td>
</tr>
</tbody>
</table>

(*) “M”: Director elected from the majority list; “m”: Director elected from the minority list.

(***) The Board of Directors has not granted the Chairman any specific delegated powers and, therefore, the Chairman does not hold any executive power within the Company. However, he is considered to be an executive director pursuant to the provisions under the Self-Regulatory Code, as he holds the position of General Manager of Finnmeccanica S.p.A., a company which carries out direction and coordination activities in relation to Ansaldo STS.

(****) Risto Umori della Finanza, Consulente Legale on Financial Intermediation.

Directors Alessandro Pansa, Sergio De Luca, Paola Girdinio, Giancarlo Grasso, Attilio Salvetti were elected from the majority list submitted by Finnmeccanica Societá per Azioni, which held a 40.065% stake in the share capital.

Director Maurizio Cereda was elected from the list jointly submitted by the minority shareholders Medobanca -
Banca di Credito Finanziario S.p.A. and Banca IMI S.p.A., Directors Giovanni Cavallini and Tatiana Rizzante were elected from the list jointly submitted by the minority shareholders Allianz Global Investor Italia SGR S.p.A., the company managing the Allianz Azioni Italia fund; Anima SGR S.p.A., the company managing the funds named Europa, Iniziativa Europa and Italia, Visconteo; Arca SGR S.p.A., the company managing the funds Arca Azioni Italia and Arca BB; Fidelity Investment Funds-European Fund; Fideuram Investimenti SGR S.p.A., the company managing the fund Fideuram Italia; Fideuram Gestioni SA, the company managing the funds Fonditalia Equity Italy and Fideuram Fund Equity Italy; Interfund Sicav, the company managing the fund Interfund Equity Italy; Mediolanum Gestione Fondi SGRpA, the company managing the fund Mediolanum International Funds - Challenge Funds; Pioneer Asset Management SA; Pioneer Investment Management SGRpA, the company managing the fund Pioneer Azionario Crescita; Prima SGR S.p.A., the company managing the fund Prima Geo Italia, which held an aggregate stake of 2.176% in the share capital.

Requirements and competencies of the directors

The company’s By-Laws provide for the appointment to the office of director to meet the honesty requirements prescribed by the current provisions of laws and regulations, as well as to meet certain professional requirements specified in the By-Laws themselves. Specifically, only those shall be appointed as directors of the Company who have gained an aggregate experience of at least three years in the conduct of:

- administration or supervision activities or managerial duties with joint-stock companies with a share capital of not less than two million Euros;
- professional activities or university teaching as permanent professor of legal, economic, financial and technical-scientific subjects closely connected with the business conducted by the Company; or
- top management functions with public bodies or administrations active in the credit, financial and insurance sectors, or, in any case, in industries which are closely related to the business conducted by the Company.

Non-executives directors

The Board of Directors is comprised mainly of non-executive members (who are not granted any operational delegated powers and/or have no managerial functions within the company) so as to guarantee, given their number and authoritative status, that their opinion may have a significant influence on the decision-making process of the Board.

Non-executive Directors bring the wealth of their specific expertise to the discussions of the Board, so as to support the review of the issues being discussed under different perspectives, and the subsequent adoption of motivated, conscious resolutions, in line with the interest of the company. Except for the Chief Executive Officer and the Chairman, the other 6 members of the Board are all non-executive members.

Independence of the directors

In the implementation of the provisions of the Code, the Board of Directors has assessed, following the appointment of the directors, i.e. after 5 April 2011, and on the basis of the statements made by each of them and available to the Company, the existence of any relationships which might be, or appear to be, such as to jeopardise the independent opinion of the independent directors.

The results of such assessment were disclosed to the market by means of a press release dated 5 April 2011.

Subsequently, on 13 December 2011, the Board, based on the documents submitted by the individual independent directors, verified whether such directors still met the independence requirements provided for by the current laws and regulations, as well as pursuant to the Code. In making such assessments, the Board applied all the criteria required under the Code. The Board of Statutory Auditors, based on the statements issued by the Directors and having acknowledged the assessment expressed by the Board of Directors, certified that the assessment criteria and procedures adopted by the Board itself in assessing the independence of its members were duly applied.

Activities of the Board of Directors and its functioning

During the 2011 financial year, the Board of Directors, in its composition prior to the Shareholders’ Meeting of 4-5 April 2011, held 4 meetings, while the current Board of Directors held 8 meetings. Every failure to attend to the meeting is duly justified. For the 2012 financial year, 13 meetings have already been planned.

Since the beginning of 2012, the Board of Directors has met on 16 January 2012, 27 January 2012, 9 February 2012 and 5 March 2012.

The table reported below specifies the number of meetings of the Board of Directors in its composition prior to the Shareholders’ Meeting of 4 and 5 April 2011, as well as the participation of the individual directors for the 2011 financial year:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>No. of Meetings</th>
<th>No. of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alessandro Pansa</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Sante Roberti</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Sergio De Luca</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Maurizio Cereda</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Gerlando Genuardi</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Gregorio Gatti</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Francesco Lalli</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Eugenio Pinto</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Attilio Salvetti</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

The table below specifies the number of meetings held by the current Board of Directors, as well as the participation of the individual directors for the 2011 financial year:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>No. of Meetings</th>
<th>No. of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alessandro Pansa</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Giancarlo Grasso</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Sergio De Luca</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Giovanni Cavallini</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Maurizio Cereda</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Paola Girdino</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Tatiana Rizzante</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Attilio Salvetti</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

It is specified that Filippo Giuseppe Maria Milone attended 7 meetings of the Board of Directors during his term of office, from the appointment on 5 April to the termination of the office, which became effective at the end of the Board of Directors’ meeting of 13 December 2011.

The Board of Directors assesses, at least once a year, the size, composition and functioning of the Board itself and of its Committees, providing, when necessary, guidelines on the professional profiles which ought to be included in the Board. For the purpose of taking the most appropriate actions which would allow the Board of Directors to fulfil its duties in the most efficient and effective manner, starting from the 2008 financial year the Board has resolved to make an evaluation of the Board itself and of its Committees, based not only on the opinion given by the Directors, but also on the opinion issued by a consultancy firm expert in this field (the so-called “Board Performance Evaluation”).

According to the evaluations made in the 2008 financial year, the operations, size and composition of the Company’s Board of Directors are in line with the application principles and criteria under the Self-Regulatory Code and with the Italian and international best practices.

In 2009, the Board, for the purpose of experimenting with different methodological approaches and verifying the objectivity of the positive opinions expressed in the past, decided to continue the board performance evaluation process started by resolving to reiterate the evaluation of the performance of the Board itself but appointing a different consultancy firm that is expert in the field.

The evaluation process developed through: (i) the compilation of a specific questionnaire and the carrying out of individual interviews with each Director, as well as with the Chairman of the Board of Statutory Auditors and with the General Counsel and the Secretary of the Board of Directors; (ii) the analysis of the minutes of the meetings of the Board of Directors and its Committees, and of the relevant documentation; (iii) the analysis of the “modus operandi” of the Board of Directors and its Committees by attending some of their meetings; (iv) the analysis of the instructions and comments reported; (v) the discussion by the Board of the main results and the consequent follow up.
The procedures used were compared with the best practices adopted by the main Italian and foreign companies. The survey carried out by the person in charge of the evaluation of hundreds of Boards of Directors, by comparing the main criticalities found at international level, showed an overall successful functioning of the Board of Directors of Ansaldo STS and that the internal audit system is "largely in line with the Self-Regulatory Code, and its functioning compares favourably with the best corporate governance practices arising from the international scenario."

On 2 November 2010, the Board resolved to repeat the Board Performance Evaluation and appointed, as in 2009, the consultancy firm expert in this field Egon Zehnder International (EZI).

Also with reference to the 2010 financial year, from the Board performance evaluation - the findings of which were submitted to the Board for evaluation in the meeting held on 29 March 2011 - it is emerged that the Board of Directors "is not only fully in line with the provisions under the Self-Regulatory Code, but its functioning compares favourably with the best corporate governance practices arising from the international scenario."

On 13 December 2011, the Board of Directors, in its new composition, resolved to appoint, once again, the consultancy firm expert in this field Egon Zehnder International (EZI) to carry out the Board Performance Evaluation. The Board Review for the 2011 financial year, i.e. the first year of appointment of the Board, was carried out through a number of personal interviews with each member of the Board of Directors, the Chairman of the Board of Statutory Auditors and the Secretary to the Board. It also involved the participation of the appointed consultant in more than one meeting of the Board and of the Remuneration and Internal Audit Committees. Furthermore, the minutes of the Board and of the related Committees were analysed which related to the meetings held in the course of 2011-2012. The evaluation carried out was also based on the comparison with Italian and foreign companies that have a shareholding structure similar to that of Ansaldo STS, making use of the considerable experience accumulated by EZI in Italy and abroad. The consultant found that the opportunity offered to it to attend the meetings of the Board and of the Committees, as well as to read the relevant Minutes, allowed the evaluation to be carried out according to an approach that even exceeds the requirements laid down in the Code.

The Committee’s activities are governed by a Regulation, in line with the provisions under the Self-Regulatory Code, and the best corporate governance practices on the international scenario. As to the renewed composition of the Board, following the appointments made on the occasion of the Shareholders’ Meeting of 5 April 2011, it was pointed out that it maintained an interesting and balanced composition, which was enriched by a diversity of people.

**INTERNAL AUDIT COMMITTEE**

In compliance with article 37 of the Markets Regulations, the Internal Audit Committee holding office is made up of three directors, who are all non-executive and independent directors, and was appointed by the Board of Directors on 5 April 2011. The members are Directors Attilio Salvetti (Chairman), Maurizio Cereda and Paola Girdinio.

On 5 April 2011, the Internal Audit Committee was made up of the following Independent Directors: Gregorio Gitti (Chairman), Maurizio Cereda, Eugenio Pinto and Attilio Salvetti.

Pursuant to the Self-Regulatory Code promoted by Borsa Italiana, the Board of Directors, on the occasion of the abovementioned appointment, considered that the experience possessed both by the Chairman of the Board, Attilio Salvetti, and by the members Maurizio Cereda and Paola Girdinio, in accounting and financial issues was adequate.

The Committee’s activities are governed by a Regulation, in line with the provisions under the Self-Regulatory Code, which was approved by the Board on 29 January 2007, as amended on 1 April 2008 and, subsequently, on 26 November 2010. The updated Regulation is available on the Company’s website.

The main activity of the Internal Audit Committee consists of assisting the Board of Directors, on a consultative, proactive and investigation basis, in relation to the performance of the activities to define the guidelines of the internal audit system and to periodically assess the adequacy and the effective functioning of the organisational structure relating to the internal audit system.

Specifically, the Committee has the task of checking the levels of functionality and adequacy of the internal audit system, as well as the effective compliance with the internal procedures and directives adopted both in order to ensure sound and effective management, and in order to identify, prevent and manage, as far as possible, financial and operational risks and frauds to the detriment of the Company. The specific functions of the Committee include, but are not limited to:

- to assist the Board of Directors in carrying out the tasks entrusted to it by the Code in relation to internal audit;
- to examine the work plan prepared by the Internal Audit Manager, as well as the periodical reports prepared by the same;
- to assess, together with the Executive in charge of the preparation of the corporate accounting documents and the auditors, the adequacy of the accounting standards that can be used and their uniformity for the purposes of preparing the consolidated financial statements;
- at the request of the executive director appointed for this purpose, to give opinions on specific aspects concerning the identification of the main corporate risks, as well as the design, implementation and management of the internal audit system;
- to report to the Board of Directors, at least on a six-monthly basis, on the occasion of the meetings called to approve draft financial statements and half-year reports, on the work carried out and the adequacy of the internal audit system, providing its relevant evaluations;
- to carry out such other additional tasks as may be entrusted by the Board of Directors;
- to perform functions as a Committee for Transactions with Related Parties, as referred to in the procedure as to transactions with related parties adopted pursuant to article 4 of the Regulations on Related Parties, and to exercise the related powers.

**RENUMERATION COMMITTEE**

In compliance with article 37 of the Markets Regulations, the Remuneration Committee is made up of directors who are all non-executive and independent Directors.

The Remuneration Committee appointed by the Board of Directors of 5 April 2011 was made up of non-executive and independent directors Maurizio Cereda (Chairman), Giovanni Cavallini and Filippo Giuseppe Maria Milone. In compliance with article 7.P.3 of the Self-Regulatory Code, at the time of the appointment of the Remuneration Committee, the Company’s Board of Directors verified and certified that Directors Maurizio Cereda and Giovanni Cavallini have knowledge and experience of accounting and financial issues.

Following the resignation of Mr. Milone, which was submitted on 30 November 2011 and with effect from 13 December 2011, the Remuneration Committee is made up of two Directors. In its first meeting after the Shareholders’ Meeting called to approve the financial statements relating to the Financial year, which will be held to appoint a new Director, the Board of Directors will take steps to integrate the abovementioned Remuneration Committee.

Up to 5 April 2011, the Remuneration Committee was made up of the following Independent Directors: Maurizio Cereda (Chairman), Gerlando Genuardi and Francesco Lalli.

The Committee’s activities are governed by a Regulation, in line with the provisions under the Code, which was approved by the Board on 29 January 2007, as amended on 12 May 2008, as well as on 5 March 2012. This Regulation is available on the Company’s website.

Specifically, the Committee, also in the light of the amendments made to the Regulation, approved the new provisions under article 7 of the Self-Regulatory Code, as well as article 6 of the 2011 Self-Regulatory Code, has the task of performing the following functions:

- to submit proposals to the Board of Directors as to the remuneration policy of directors and executives with strategic responsibilities, where identified;
- to periodically assess the adequacy, the overall consistency and the actual application of the remuneration policy referred to in the previous point, by making use, as regards executives with strategic responsibilities, of the information provided by the Chief Executive Officer, and submitting proposals on the matter to the Board of Directors, if required;

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The auditors who currently hold office are Giacinto Sarubbi, Renato Righetti and Massimo Scotton.

The Board of Statutory Auditors of the Company is comprised of three regular Statutory Auditors and two alternate Statutory Auditors. The Statutory Auditors are elected as follows:

**BOARD OF STATUTORY AUDITORS**

The statutory auditors are appointed by the Ordinary Shareholders’ Meeting through list voting. The Statutory Auditors are elected as follows:

- two regular Statutory Auditors and one alternate Statutory Auditor are elected from the list that receives the majority of votes in the numerical order of their appearance in the sections of the list itself;
- the remaining regular Statutory Auditor and alternate Statutory Auditor are elected from the other lists, in compliance with the current laws and regulations.

The Board of Statutory Auditors of the Company is comprised of three regular Statutory Auditors and two alternate Statutory Auditors and was appointed by the Shareholders’ Meeting on 5 April 2011. The auditors who currently hold office are Giacinto Sarubbi, Renato Righetti and Massimo Scotton.

Remuneration of Directors

The information relating to the remuneration of directors is contained in the remuneration report, which is prepared pursuant to articles 123-ter of the TUF and 84-quater of the Issuers’ Regulations, which are available to the public on the Company’s website6 and according to the other procedures set out in the current legislation.

In consideration of the fact that, in the course of 2011, the issue concerning the remuneration of directors and executives with strategic responsibilities was being defined at a regulatory level, and that, on the basis of notice no. 18916 of 21 December 2010, Borsa Italiana specified that it was to make amendments to the requirements applicable to the companies in the STAR segment in order to take account of the new article 7 of the Self-Regulatory Code, the Board of Directors deemed it appropriate to take steps, in the course of 2011, to outline and define the remuneration policy of the chief executive officer and of such other executives with strategic responsibilities (if any) as may be identified by the Company, in order to also define principles and criteria of the variable remuneration, which constitutes an essential element of the entire remuneration policy of the Company.

On 1 March 2012, the Remuneration Committee of Ansaldo STS approved the proposed remuneration policy, in accordance with the recommendations laid down in article 7 of the Self-Regulatory Code, the abovementioned report was approved by the Board of Directors on 5 March 2012.

With reference to the remuneration of the directors of Ansaldo STS relating to the 2011 financial year, see the abovementioned Remuneration Report, Section 2, which is available on the Company’s website6. It is specified that, in the course of the Financial Year, the Company did not identify executives with strategic responsibilities.

The incentive mechanisms of the internal audit manager and of the executive in charge of the preparation of the corporate accounting documents are consistent with the tasks entrusted to them.

The Board of Statutory Auditors is required to supervise:

- the submission of proposals or to give opinions to the Board of Directors on the remuneration of executive directors and of any other director who holds special positions, as well as on setting of performance objectives correlated to the variable component of this remuneration, and monitoring the application of the decisions adopted by the Board itself and verifying the actual achievement of the performance objectives;
- the assessment of the proposals from the Chief Executive Officer relating to remuneration and incentive policy, as well as the plans and systems for management development, for the key resources of the Group and for those directors of the Group companies who are granted powers;
- the top management of the Company in the definition of the best management policies applicable to the managers of the Group;
- the propose share-based remuneration plans in favour of Directors and Executives of the Company and of the Group companies and the related implementing regulations, performing the functions reserved to it as regards the management of the plans adopted by the Company from time to time;
- the report to the Company’s shareholder on the exercise of its functions.

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In consideration of the fact that, in the course of 2011, the issue concerning the remuneration of directors and executives with strategic responsibilities was being defined at a regulatory level, and that, on the basis of notice no. 18916 of 21 December 2010, Borsa Italiana specified that it was to make amendments to the requirements applicable to the companies in the STAR segment in order to take account of the new article 7 of the Self-Regulatory Code, the Board of Directors deemed it appropriate to take steps, in the course of 2011, to outline and define the remuneration policy of the chief executive officer and of such other executives with strategic responsibilities (if any) as may be identified by the Company, in order to also define principles and criteria of the variable remuneration, which constitutes an essential element of the entire remuneration policy of the Company.

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The incentive mechanisms of the internal audit manager and of the executive in charge of the preparation of the corporate accounting documents are consistent with the tasks entrusted to them.

11 meetings were held in the course of the Financial Year. 5 meetings were held from the beginning of 2012 up to the date of this Report.

The table below reports the data concerning the attendance of each Statutory Auditor, in the period prior to the Shareholders’ Meeting of 4 and 5 April 2011, at the meetings of the Board of Statutory Auditors, as well as at the meetings of the Board of Directors held in the same period of 2011:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>No. OF MEETINGS ATTENDED OF THE BOARD OF STATUTORY AUDITORS</th>
<th>No. OF MEETINGS ATTENDED OF THE BOARD OF DIRECTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giacinto Sarubbi</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>Maximo Scotton</td>
<td>4/4</td>
<td>3/4</td>
</tr>
<tr>
<td>Francesca Tripodi</td>
<td>4/4</td>
<td>4/4</td>
</tr>
</tbody>
</table>

The Board of Statutory Auditors is required to supervise:

- compliance with the laws and with the By-Laws, as well as with the principles for a correct management;
- the adequacy of the organisational structure of the Company, administrative-accounting system, also with reference to the reliability of the latter in correctly representing management-related events;
- the adequacy and efficiency of internal control, internal audit and risk management systems;
- the financial reporting process and the statutory audit of annual and consolidated accounts;
- the independence of the accounting firm, specifically as regards the provision of services other than auditing services to the Company;
- the procedures for the actual implementation of the corporate governance rules provided for in codes of conduct prepared by the companies that manage regulated markets or by trade associations, which the company declares, by means of disclosures to the public, to comply with;
- the adequacy of the instructions given to the subsidiaries companies in relation to the information to be provided in order to fulfil disclosure obligations;
- the compliance of the Procedure as to transactions with related parties adopted by the Company with the principles laid down in the Consob Regulation adopted by resolution no. 17221 of 12 March 2010, as amended and supplemented, as well as compliance with the Procedure itself.

The Board of Statutory Auditors, through periodic meetings, also supervises the activities of the independent auditors responsible for the statutory audit of accounts and approves in advance the assignment by the Company or by any Group companies of any additional duties to the independent auditors and to the companies belonging to the network of the same, in compliance with the provisions of articles 10 and 17 of Legislative Decree no. 39 of 27 January 2010.
Transactions with Related Parties - Procedure adopted pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010

On 26 November 2010 the Company’s Board of Directors, subject to the prior favourable opinion of the Procedure Committee, approved the Procedure relating to transactions with related parties, pursuant to article 2393-bis of the Italian Civil Code and article 4, paragraphs 1 and 3, of Consob Regulation bearing provisions on transactions with related parties as adopted by resolution no. 17221 of 12 March 2010, as amended by resolution no. 17389 of 23 June 2010. On the same date, the Company’s Board of Statutory Auditors assessed compliance by this Procedure with the principles laid down in the Regulation. The purpose of the Procedure is to define rules, methods and principles aimed at ensuring transparency and the material and procedural correctness of transactions with related parties carried out by the Company, either directly or through subsidiaries.

Regulation for managing inside information

The treatment and management of inside information are regulated by a specific Regulation applicable to Ansaldo STS and its foreign subsidiaries. This Regulation isaimed at ensuring compliance by Ansaldo STS with the obligations placed on it as a listed company, regulating:

- the procedures for keeping and regularly updating the “Register of persons who have access to inside information” pursuant to and for the purposes of article 115-bis of the TUF;
- the information flow between the Group companies and Ansaldo STS, with specific regard to the events and circumstances which constitute, or may constitute, inside information pursuant to article 18 of the TUF;
- the management and treatment of inside information, as well as the relating procedures to disclose it to the public.

Internal Dealing Code

Within the procedures for managing and disclosing information concerning Ansaldo STS, the Board of Directors has adopted the Internal Dealing Code (“Internal Dealing Code”), aimed at regulating the information flows regarding transactions identified by Consob in relation to the shares issued by the Company or any other related financial instrument (the so-called relevant transactions) and effected, also through third parties, by the “relevant persons” of Ansaldo STS and by the persons “closely related” to the same, as defined in the Issuers’ Regulations.

Internal Audit System

The Board of Directors, in cooperation with the Internal Audit Committee and also with the support of the Executive Director appointed to supervise the functioning of the Internal Audit System, defines the guidelines of such System, so as to correctly identify and properly measure, manage and monitor the main risks related to the company and its subsidiaries, also determining the criteria for the consistency of such risks with a healthy and fair management of the business.

The methodological approach used to assess and manage risks makes reference to the internationally-recognised framework of the Enterprise Risk Management of the Committee of Sponsoring Organizations of the Treadway Commission” (COSO report).

The Internal Audit System of Ansaldo STS involves the following players and elements.

Executive director responsible for supervising the functioning of the internal audit system

The Chief Executive Officer is appointed to supervise the functioning of the Internal Audit System, and he is also responsible for implementing the guidelines defined by the Board of Directors, by taking actions for the design, implementation and management of the Internal Audit System. The Director who is appointed to supervise the functioning of the internal audit system with the support of the Internal Audit Manager:

- has identified the main corporate risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them to the periodic review of the Board of Directors;
- has arranged the design, implementation and management of the internal audit system, constantly verifying its overall adequacy, effectiveness and efficiency;
- has dealt with the adaptation of this system to the dynamics of the operating conditions and the legal and regulatory framework.

Internal Audit Manager

The Internal Audit Manager, who is the Group manager responsible for Internal Audit, reports to the Chairman of the Board of Directors, is hierarchically independent from the managers of the operational areas, including the Administration and Finance area, has direct access to all information useful and is provided with suitable means to prevent the commission of those crimes referred to in the Decree and which may potentially be committed by Directors, Statutory Auditors, executives, employees or by any person who maintains contractual, financial or commercial relationships with Ansaldo STS S.p.A..

Specifically, in 2011, the Internal Audit Manager:

- constantly verified the adequacy, operations and correct functioning of the control system;
- reported to the Executive Director responsible for supervising the functioning of the internal audit system, to the Internal Audit Committee and to the Board of Statutory Auditors on the procedures governing risk management, as well as on compliance with the programs defined for the mitigation of such risks;
- based on the assessment of the risk map and on the overall monitoring of the internal audit system, expressed his/her positive opinion on the adequacy of the internal audit system to achieve an acceptable overall risk profile.

Organisation, Management and Control model pursuant to Legislative Decree no. 231/01

In relation to the entry into force of Legislative Decree no. 231/01, as amended and supplemented, which introduced a specific regime of liability for the companies as regards certain types of crimes, Ansaldo STS has adopted the appropriate measures to prevent, in accordance with the provisions of such regulations, such liability from arising for the company, with the implementation of specific protocols and supervision systems designed to prevent the commission of those crimes referred to in the Decree and which may potentially be committed by Directors, Statutory Auditors, executives, employees or by any person who maintains contractual, financial or commercial relationships with Ansaldo STS S.p.A..

For this purpose, the company adopted, by a resolution passed by the Board of Directors on 27 June 2006, the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 (the Model), which has been subsequently updated, following subsequent regulatory and organisational changes.

7. For more details, reference is made to the “Board of Directors’ Report on the Corporate Governance system and on the adoption of the Self-Regulatory Code of listed companies” relating to the 2011 financial year.
Specifically, by a resolution passed by the Board of Directors on 6 July 2010, the Model was updated as a result of a new organisation adopted at the beginning of 2010 and to take account of the crimes introduced by the last amendment to Legislative Decree no. 231/01 (by laws no. 94 of 15 July 2009, no. 99 of 23 July 2009 and no. 116 of 3 August 2009) and specifically: offences committed by organised crime; forgery of money, public credit cards, stamp duties and identification instruments or marks; offences against industry or trade; inducement not to make statements or to make false statements to the judicial authority; offences concerning violations of copyrights.

The preparation of the Organisation Model is based on the Guidelines of Confindustria (updated in 2008).

The Model of Ansaldo STS S.p.A. is made up of:
- a "general section" which essentially deals with:
  - the Supervisory Board, the flows of information to be sent to it and the reporting on the activities performed by it as regards the corporate bodies;
  - staff training and dissemination of the Model;
  - the disciplinary system for non-compliance with the provisions of the Model;
- special sections which list the areas potentially exposed to the risk of crime, and lay down the rules of conduct for those operating in the aforesaid areas, and set out the monitoring procedures.

The Model of Ansaldo STS S.p.A. includes the following special sections:
- crimes against the Public Administration;
- corporate crimes and market abuse;
- crimes in breach of accident prevention rules and the protection of hygiene and health at work;
- crimes related to handling stolen goods and money laundering, and use of money, goods or benefits of illicit origin;
- computer crimes and unlawful data processing.

Additional annexes and integral parts of the Model of Ansaldo STS include:
- Code of Ethics;
- the organisational structure;
- the structure of powers and the delegation system;
- the Evidence form to report relations with Public Administrations and the Periodical statement of compliance with the Model and of the delegated powers and signature powers;
- the list of "Relevant Persons" pursuant to the Internal Dealing Code.

The Model is available on the Company’s website (section Governance/Internal Audit System)8.

Executives, middle managers and any persons working in the areas exposed to the risk of crime participated in training activities in e-learning mode on the occasion of the last updating of the Model. The persons who are added to the list of those who are identified as persons working in the areas exposed to the risk of crime are required to carry out this training activity.

Supervisory board

The Supervisory Board of Ansaldo STS S.p.A., which has been set up as a collective body, is comprised of one non-executive Independent Director, who acts as a Chairman, as well as of the managers who are for the time being responsible for the Internal Audit and Corporate Affairs functions as members. The duties, activities and functioning of this Board are regulated by specific By-Laws approved by the Board of Directors and by an internal Regulation approved by the Supervisory Board.

By a resolution passed by the Board of Directors on 6 July 2010, an update was approved in relation to the By-Laws mainly with regard to a more detailed description of the duties of the Board in compliance with the updating of the Model. The Board has also approved an update of the internal Regulation, which was notified during the Board of Directors’ Meeting of 6 July 2010.

In 2011, the Supervisory Board performed verification activities which have also been identified on the basis of the flows of information received from the functions involved.

In order to facilitate the flow of disclosures and information towards the Supervisory Board, Ansaldo STS S.p.A. has established a dedicated information channel (OdV@ansaldo-sts.com), through which it is possible to report any conduct which is not in line with the ethical principles and with the directions of Legislative Decree no. 231/01.

The Supervisory Board assesses the reports received and any possible consequent actions at its reasonable discretion and under its responsibility, and it may hear the author of the report and/or the person responsible for the alleged violation.

The application of any sanctions is regulated by the Model and it takes account of the principles of proportionality and adequacy with respect to the offence committed. In this regard, in 2011 no reports were recorded, nor were sanctions applied for infringements pursuant to Legislative Decree no. 231/01.

Code of ethics

The management of Ansaldo STS continuously confirms the commitments and ethical responsibilities which must guide the conduct of the business and corporate activities of all of those who have relationships of any kind whatsoever with Ansaldo STS. Ansaldo STS, in order to achieve its successful targets, bases its activity on values which are shared by all of those who operate within its global structure, such as:
- Customer focus;
- Innovation and excellence;
- People;
- Team spirit;
- Integrity.

The Code of Ethics is available on the company’s website (section Governance)9.

The Code of Ethics is a component of the internal audit system; respecting the code ensures compliance with the rules that require Ansaldo STS and the group companies to adopt management systems capable of preventing the commission of certain irregularities or offences by corporate representatives which are forbidden by the regulations of the different countries where the Ansaldo STS group is active, specifically, for Italy, Legislative Decree n. 231/2001. The Code of Ethics was reviewed by a resolution passed by the Board of Directors on 6 July 2010. This review satisfies the need for alignment to the updated Model and for a Code of Ethics that is easier to use and understand at an international level, within the context of the new structure adopted by Ansaldo STS.

Manager in charge of the preparation of the corporate accounting documents

After having acknowledged the favourable opinion given by the Board of Statutory Auditors and after having established the existence of the professionalism requirements laid down in the Company’s By-Laws, the Board of Directors appointed, up to the expiry of the term of office of the Board itself, the Company’s Chief Financial Officer as the Manager in charge of the preparation of the corporate accounting documents pursuant to article 154-bis of the TUF, as amended.

In compliance with the current regulations, the Executive in charge of the preparation of the corporate accounting documents has prepared appropriate administrative and accounting procedures for preparing annual and consolidated accounts, as well as any other notice of a financial nature. Furthermore, he has planned periodic checks of the actual implementation of these procedures.

The Manager in charge of the preparation of the corporate accounting documents, together with the Chief Executive Officer, also issues the certifications prescribed by law on the aforesaid financial notices.


## Organisational Structure

The success of Ansaldo STS is mainly based on its ability to satisfy the needs of the customers with high technological solutions with high added value.

The growing demand for standardised solutions in the railway transport industry, particularly as regards the signalling technology, the pressure on prices in the traditional markets and the considerable growth in emerging areas, have evidenced the need for the organisation to adopt a more integrated, coordinated and efficient approach, both as regards business processes and in relation to staff activities.

Thanks to the project named “Fast Forward Driven By Business” Ansaldo STS has implemented an important change in the organisation, thus becoming a Company characterised by a strong centralised governance focused on the two Business Units - Signalling and Transportation Solutions - and on one unit for the development of standard solutions, platforms and products (Standard Platforms & Products).

The 4 pillars of the cultural and organisational change of the company are:

<table>
<thead>
<tr>
<th>Business Driven</th>
<th>Strategic Centre</th>
<th>Efficiency</th>
<th>Global approach</th>
</tr>
</thead>
</table>
| Business-oriented organisation  
  • Business Units reporting directly to the CEO of Ansaldo STS...  
  • ...globally responsible for the execution of projects and centrally-managed regional business units | Strategic Management Model based on strong centralised leadership  
  • Strong centralised leadership on operational activities  
  • Standardisation of operating procedures and transfer of expertise | Industrialisation of the implementation procedures  
  • Harmonisation and standardisation of procedures for the execution and management of global projects, to facilitate the diffusion of know-how and best practices | Global management of procurement processes  
  • To ensure flexibility in the production and promotion of synergies in logistics |
| | | Globalisation of R&D activities for the development of portfolios of standard products  
  • Definition and development of standard and global products and platforms, through standard development and design instruments design standard  
  • Products and solutions to be customised for specific local applications | |

The new organisation of the Ansaldo STS, in line with the 4 principles outlined above and with the intent to create a single and strong central business-driven Company, is structured as follows:

- **Process standards**
  - Signalling Business Unit
  - Transportation Solutions Business Unit
  - Standard Platforms & Products SPP Unit

- **Staff functions**
  - Ansaldo STS

This structure is able to ensure:
1) that the Business Units define the strategies and manage the resources;
2) that the development of global standard solutions is assigned to a dedicated unit (SPP Unit) and that the adjustment to the clients’ needs is realised by the Business Units;
3) the flexibility and empowerment of local resources.

The Business Units (Signalling and Transportation Solutions) have the task of:
- defining and implementing at worldwide level, and for each individual Country, specific business strategies to ensure efficiency and effectiveness;
- managing the resources at worldwide level and monitoring markets and competitors;
- ensuring the implementation of processes, procedures and tools;
- ensuring the capitalisation and sharing of knowledge at worldwide level.

The SPP Unit - Standard Platforms & Products - has the task of:
- developing and managing the portfolio of products/platforms/general applications;
- developing strategies and innovations which ensure efficiency and effective development;
- verifying and ensuring the safety of the products and platforms implemented, through the "RAMS - Reliability, Availability, Maintainability and Safety" activity;
- providing the Business Units with all components, systems and services with a view to optimising timing and costs of the procurement and production process;
- managing technical resources;
- ensuring the implementation of common processes, procedures and tools;
- ensuring the capitalisation and sharing of knowledge.

The Fast Forward Driven by Business project, which was concluded on 31 December 2011, transformed Ansaldo STS S.p.A. from the initial configuration of financial and strategic parent company into an operating company, centralizing all the business responsibilities in its business units; at the same time, the programme for the implementation of the new IT system was made operational within all the main Group companies.
The central staff functions ensure coordination of business support functions. The concept of Market Unit has been eliminated and replaced by the geographical areas defined on the basis of the requirements of the Sales & Business Development and Delivery functions of the two Business Units.

Team approach
The new organisational structure has defined structured and formalised teams - bidding team, project team, innovation team and development team - to ensure an effective and coordinated activity of design, definition of offers, product development and implementation.

The "team approach" ensures "flexibility", "customer intimacy" and "empowerment" necessary to deliver the Business.

Team members act as a link to the respective functions to obtain the necessary resources, support and methodologies.

The alignment of the team members is ensured by an appropriate performance appraisal system, by standard operational processes (all over the world) which clearly define roles and responsibilities, and by common control procedures.

Compliance activities (RAMS - Reliability, Availability, Maintainability and Safety)
The new structure allows a careful management of all phases concerning compliance activities throughout the entire life-cycle of the product.

On one hand, the SPP unit is responsible to certify, verify and validate the products developed and their generic application; on the other hand the Business Units are responsible for specific applications.

The certification, validation and verification activities are carried out by independent units, both within the SPPs and the Business Units. The foregoing ensures the safety and reliability of the product for the customer.
Sustainability of development

Sustainability and management systems
Listening to and dialogue with Stakeholders
Sustainability programme
Sustainability and management systems

The value of the sustainability of the development of the Ansaldo STS Group is twofold:

- is closely linked to the accomplishment of our mission, i.e. the development of railway and mass transit transport systems through the implementation of ever more advanced, safe and environmentally friendly products and solutions, in order to stimulate their use;
- originates in the procedures through which the company accomplishes its mission: the strategies of Ansaldo STS concern the economic, social and environmental dimension of its development. The Management Systems adopted - in relation to risks, quality, ethical and legal compliance, health, safety and environment - are based on a combination of shared values which allow the Group to ensure consistency between the culture of a responsible conduct and the actions of the individual collaborators, thus enabling the company to continue in its path of sustainable growth.

**Internal Sustainability Committee**

In 2011 Ansaldo STS set up the Internal Sustainability Committee, which is made up of the managers responsible for the main corporate functions represented by them within the committee itself.

The Committee’s mission is to define the company’s strategic lines and their implementation as to sustainable development and to promote social responsibility initiatives.

The Internal Sustainability Committee directly reports to the Chairman and to the Chief Executive Officer of Ansaldo STS and collaborates with and coordinates the corporate business units.

The Committee’s responsibilities are:

- the assessment of social and environmental risks that concern the company’s operations and the assessment of the related performance;
- the definition and monitoring of the Sustainability programme, made up of economic, social and environmental objectives;
- the implementation of the relevant codes and rules of conduct from the social and environmental point of view that are internally defined by the Company (Code of Ethics and HSE procedures and policies) or relating to international standards (compliance with the Global Compact, the Carbon Disclosure Project, etc.);
- the definition and coordination of the activities of listening to, dialoguing with and involving stakeholders: sharing of results and actions to be undertaken.
- the definition and implementation of an internal and external sustainability communication plan.

**Materiality analysis**

In carrying out an in-depth analysis of the different issues that may have an impact on the company’s sustainability, the Internal Sustainability Committee has considered their “materiality” (i.e. of their importance), taking into account two dimensions: the extent to which these issues affect the economic, social and environmental performance of Ansaldo STS and the extent to which the company perceives that they may affect the decisions of the stakeholders or the opinion that they may have about the company.

The in-depth analysis carried out was an important moment to share the company’s values and culture and to improve the sensitivity of the Internal Sustainability Committee about the effects that decisions, behaviours and operational procedures may have on the sustainability of Ansaldo STS and, therefore, on its medium- and long-term growth.
The chart below illustrates the result of the analysis.

Materiality Analysis

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>7.30</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Key Stakeholders Engagement</td>
<td>7.00</td>
<td>6.80</td>
<td>6.60</td>
</tr>
<tr>
<td>Human Rights</td>
<td>7.00</td>
<td>6.80</td>
<td>6.60</td>
</tr>
<tr>
<td>Climate Stewardship</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Health And Safety</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Respect For Intellectual Property</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Impact of Economic Development</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Impact of Social Development</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Impact of Environmental Aspects</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Impact of the Code of Ethics</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>7.20</td>
<td>7.00</td>
<td>6.80</td>
</tr>
<tr>
<td>Product Liability</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Value Creation</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Impact on Shareholders</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Impact on the company</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
</tr>
</tbody>
</table>

Economic sustainability is, therefore, increasingly linked to social and environmental aspects, both at the level of the individual enterprise and at market level: Ansaldo STS has assessed the effects that macro-trends, which involve variables related to the environment, health and safety, demographic growth and economic development in emerging countries, may have on transport systems.

As pointed out by the analysis, the global transport market will increasingly privilege safe and efficient rail transport, which is capable of responding to growing environmental concerns.

### MACRO-TRENDS
- Population and urbanization growth, increase in traffic.
- Demand for High Speed lines, especially in Europe.
- Growing environmental concerns.
- Greater competitiveness of High Speed compared to air transport.
- Emerging markets will drive world GDP growth.
- Increase in global trade of goods.
- Interoperability requirements.

### IMPACT ON THE TRANSPORT SYSTEMS
- Growth in demand for urban and mass transit transport systems.
- Investments in signalling systems, the most efficient way to enhance safety and capacity of the lines.
- Demand for High Speed lines, especially in Europe.
- Need for new railway infrastructures to support economic growth.
- Demand for railway transport systems for raw materials (USA, China, Russia, India, Australia, etc.).
- Development of the ERTMS standard not only in Europe but also in the rest of the world.

The abilities and the organisation developed by the Ansaldo STS Group fully satisfy the need to innovate the transport industry in order to increase its efficiency and safety, as well as to reduce its impact on the environment.
Ansaldo STS, in fact, is a company that is active in the global market, has great flexibility in meeting the international demand and is open to new markets; it carries out a research and development activity for transportation solutions which pay particular attention to the environment and safety; it supports the standardisation of solutions, while developing the ability to deliver “tailor-made” products which are able to satisfy the different needs of its customers. It has the financial resources required to face future challenges, drive innovation and seize growth opportunities by promoting new projects. The customer-focused business model of Ansaldo STS allows profitable and long-lasting relationships to be established at a global level.

**RISK MANAGEMENT SYSTEM**

As of 2009 Ansaldo STS Group has introduced a Risk Assessment process aimed at identifying the main risks - of a strategic, operational, financial and information-related nature - with respect to processes identified as important, and the related mitigating actions, as well as at defining any further actions to be taken in order to further reduce risks or to improve the performance of the process. The Risk Assessment process adopted by Ansaldo STS refers to the internationally accepted “Enterprise Risk Management” framework of the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO Report) and intends to integrate Risk Assessment into the processes for planning and implementing corporate purposes, in order to create value in accordance with adequate risk management, while seizing possible opportunities.

**Project operating risks**

Factors that mitigate the risks inherent in quality, timing and costs of the project, include:

- Adoption of Risk Management processes, in both the offering and execution phases of the project, and Lifecycle Management processes based on the continuous comparison between physical progress and accounting progress and phase review processes;
- The clear allocation of responsibilities to the Project Manager and to the Controller of risks;
- Managerial reviews of project performance (periodical reviews at different management responsibility levels) and processes for the review of estimates during the offering;
- Independent review by the Risk Management function;
- According to the Risk Management process, the identification, for each project, of specific mitigating actions and adequate contingency clauses in the quotation for the order.

Further actions are being planned for the purpose of improving efficacy and efficiency of the controlling processes, as well as to standardise such processes, according to existing best practices, with respect to the different Group entities and to the different levels of competence existing within such entities.

**QUALITY MANAGEMENT SYSTEM**

Ansaldo STS is able to develop its positioning in domestic and international markets because it offers increasingly advanced, safe and reliable railway signalling and automation products and systems, thus supporting the development of a transport system (both railway and mass transit) which is environmentally friendly and capable of attracting even more users.

To be able to offer innovation, safety and respect for the environment requires the company to provide high quality performances, both at individual and collective levels. For this purpose Ansaldo STS has adopted a quality management system which is compliant with the UNI EN ISO 9001 certification, for the following activities: general governance and quality policy of managerial activities, risk management, product development, marketing and sales, resource management, production and control for all companies in the Ansaldo STS Group which are active in the sectors of railway and mass transit transport systems.

The rule is based on the following principles:

- Customer-oriented approach - satisfaction and enhancement of productivity of the Customer;
- Leadership - organisational transparency and unity of purposes and directions;
- Involvement of the staff - communication and development of the awareness of the individual contribution to the safety of passengers and operators;
- Process approach - transparency and periodical review for the purpose of a continuous improvement;
- Systematic management approach - assessments of the risks related to the targets on the occasion of any changes in the process;
- Continuous improvement - systematic review and openness to any proposal;
- Fact-based decisions - indicators, measurements and analysis of data;
- Mutually beneficial relationships with suppliers - selection and cooperation in order to create shared values.

For each of these principles, global goals are set which are translated into operational targets to be constantly monitored in order to verify the effectiveness of the Quality Management System. Principles, goals and targets are shared with all corporate functions and are notified to all the staff.

**Environmental sustainability, health and safety**

In recent years Ansaldo STS has undertaken its own path of sustainability in the belief that acting in accordance with environmental and social values leads to the creation of lasting value for the company.

In 2011 an important element was the publication of the Group’s Sustainability Report by which values, strategies, policies and choices from the perspective of the economic, environmental and social sustainability are communicated in a transparent manner. From the environmental point of view, Ansaldo STS is involved:

- As an ordinary manufacturer which is committed to pursuing environment and workers’ health and safety protection policies with the intent not to limit itself to the simple compliance with existing laws, regulations and directives but to pursue a continuous improvement of the environmental and safety performance related to its products and production processes;
- As a supplier of rail transport systems, which is conscious of the fact that the offer of increasingly advanced, safe and reliable railway traffic control and automation products drives the rapid development of the most environmentally- and safety-friendly transport system currently available, thus attracting a higher number of users of freight and passenger transport services.

**Integrated management system**

The company has implemented an Integrated Management System (IMS) for Environment, Safety and Quality, establishing, at Corporate level, global policies and procedures to ensure the controlled management of processes and activities for safety at work and the protection of the environment. Subsequently, each Legal Entity has established, according to the legislative requirements and the Corporate policies and procedures, local policies (environment, safety and quality) and instructions, thus committing to achieving the following objectives:

- Ensuring compliance with the provisions of law applicable to its processes, in the different countries where the subsidiaries are required to operate, through the formalisation of procedures that facilitate the knowledge of the relevant legislative framework;
- Identification of significant environmental aspects, both direct and indirect, in order to reduce and control the related impact on the environment, both of the company and of its suppliers and partners;
- Definition of key indicators for a straightforward monitoring of performances.

**ADOPTION OF THE ENVIRONMENTAL POLICY AND MANAGEMENT SYSTEM**

Ansaldo STS has adopted an Environmental Policy and has implemented the related Management System defining the required structures, responsibilities, operational procedures and investments. It is thus committed to achieving the following objectives:

- Ensuring compliance with the legal provisions applicable to its processes, through the formalisation of procedures which support the knowledge of the relevant legislative framework;
- Identification of significant environmental issues, for the reduction and monitoring of the relevant impacts on the environment;
- Involvement of suppliers/subcontractors in its environmental issues, raising their awareness on this subject;
- Definition of indicators for a straightforward monitoring of performances.
All the corporate entities are responsible for strict compliance with the principles of the Environmental Management System, and actively contribute to its preparation and update.

The Ansaldo STS Group is completing the process for the certification of its sites in accordance with the UNI EN ISO 14001 rule.

The EMAS (Eco-Management and Audit Scheme) registration, issued by the Ecolabel-Ecoaudit Committee, was obtained for the plant of Tito Scalo (Province of Potenza), where the production activities of the Signalling Business Unit in Italy are concentrated.

ADOPTION OF THE HEALTH AND SAFETY POLICY AND MANAGEMENT SYSTEM

To ensure and maintain a healthy and safe work environment, prevent accidents, illnesses or damage to the health of employees, suppliers, customers and visitors represents one of the priorities of the business activity of the company.

Ansaldo STS has adopted a health and safety policy based on compliance with all requirements laid down in the relevant rule, OHSAS 18001, and on full compliance with mandatory national regulations governing this issue.

This policy goes beyond the classic concept of preventing occupational injuries and diseases, in that its primary objective is to continuously improve the health of all workers, defined as the complete physical, intellectual and social well-being, and not just the absence of any illness and disease.

The Workplace Safety Management System adopted by Ansaldo STS is such as to ensure the following:

- assessment of risks and planning of the resulting prevention and protection measures;
- any organisational activities, such as emergencies, first aid, contract management, periodic meetings on safety, consultation with workers’ representatives on safety;
- health monitoring activities;
- information and training of the workers;
- supervision of compliance with the procedures and directions concerning safety in work on the part of the workers;
- acquisition of mandatory documents and certificates required by law;
- periodic checks on the effectiveness of the procedures adopted;
- systems for recording the activities carried out.

Social sustainability

The presence of Ansaldo STS and of its subsidiaries, widespread on domestic and international markets, the operations in different contexts and the variety of its counterparties make the management of the relations between Ansaldo STS and the stakeholders of the utmost importance; stakeholders means any persons - individuals, groups, enterprises, institutions, either public or private, both Italian and foreign - which have contacts, for any reason whatsoever, with Ansaldo STS or which have an interest in the activities carried out by the company.

Compliance with laws, transparency and honesty in the management activities, confidence and cooperation with the stakeholders are the ethical principles which inspire Ansaldo STS - and on which its models of conduct are based - in order to effectively and fairly compete in the market, enhance the level of satisfaction of its customers, increase the value for shareholders and develop the competencies and professional growth of its human resources.

The social element of the sustainability of the Ansaldo STS Group is, therefore, related to the company’s focus on the quality of the relations with its stakeholders; this requires the definition of policies related to them and a conduct of the business which should give consideration to their needs and expectations.
RESPECT FOR HUMAN RIGHTS

In 2009, Ansaldo STS held training courses for almost the entire working population of the company in Central and Eastern Europe, the Middle East and America, which specifically dealt with ethical aspects related to human rights.

Freedom of Association and Collective Bargaining

The freedom of association and collective bargaining is always firmly recognised within the Ansaldo STS Group as an inviolable right of the workers, and it has never been exposed to risks and/or sabotage of any kind.

No discrimination

In order to contribute to the development of corporate purposes and to ensure that such objectives are pursued by everyone in compliance with the ethical principles and the values adopted by the Group, Ansaldo STS offers equal work opportunities, guaranteeing fair treatment based on individual competence and skills. To date, in fact, no discrimination cases and/or events of any kind whatsoever have been reported. In order to avoid situations of discrimination, even potential ones, the Ansaldo STS Group, at the time of the assignment of the task or start of the employment relationship, requires that its directors, employees, consultants and collaborators sign, for various reasons, an appropriate statement that commits the persons to promptly inform in detail the Supervisory Board (pursuant to Legislative Decree no. 231/2001) in the event that the persons should find themselves in actual or potential situations of discrimination. This Board also has the fundamental task of overseeing the operation of and compliance with the Organisation and Management model adopted by Ansaldo STS pursuant to Legislative Decree no. 231/01, as amended and the Code of Ethics. The Supervisory Board has autonomous powers of initiative and control. Furthermore, this Board operates with wide discretion and with the full support of the top management of Ansaldo STS, with which it cooperates in full independence. In order to facilitate the flow of reports and information to the Supervisory Board, a dedicated information channel (OdV@ansaldo-sts.com) was established through which all those who become aware of any illegal behaviour and/or discriminatory practices put in place may report to the Supervisory Board freely, direct and confidentially.

LABOUR POLICIES

The Ansaldo STS Group offers equal work opportunities, ensuring a fair treatment based on individual expertise and skills, and employs its workers with a regular employment contract, mainly on a permanent basis in compliance with the current laws, collective agreements, internal agreements and applicable regulations. Within the evolution of the employment relationship, training represents a key lever to enhance human resources and adapt their competences to the context provided by the market, thus expanding the skills and knowledge of each individual in accordance with the values of the Group, following a policy based on the acknowledgment of merits and equal opportunities. The reorganisation process and the relevant change in work procedures within the company are incentives to increase internationalisation and multiculturalism between people located in different sites of the Group worldwide. Industrial relations are managed in a framework of calm and friendly relations, in which workers may directly express their opinions, either directly or through employee representatives, to the Human Resources Department.

Employment of minors

The staff of the Ansaldo STS Group is hired by virtue of a regular employment contract, mainly on a permanent basis in compliance with the laws, collective agreements, internal agreements and applicable regulations. Specifically, the Group does not allow or tolerate any employment relationship - not even when established by external collaborators, suppliers or business partners - which breaches the current regulations governing the employment of minors, women or immigrants.

Forced labour

Within the Ansaldo STS Group the risk of forced labour is absent. In addition, the Group also requires its contractors and sub-contractors to ensure the same irreproachable conduct in order to contribute to the abolition of such unlawful practices.

FIGHT AGAINST CORRUPTION AND CORPORATE CRIMES

Since the start of its operations in 2006, Ansaldo STS has adopted the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, which deals, inter alia, with bribery offences. The Organisation, Management and Control Model has been adopted by the preexisting Italian Group companies (merged into the Parent Company in 2009) since the enactment of Legislative Decree no. 231/2001. The employees of Ansaldo STS S.p.A. are required to comply with the Organisation, Management and Control Model and the corporate procedures that specify the operational procedures of the various corporate processes. Among these procedures is a procedure, which is applicable to all Group companies, which regulates the procedures for selecting and managing agents and providers of services to support business activities in order to ensure transparency and traceability in relation to these subjects.

In case of corruption events (which have never occurred so far in the Group), the reaction would be the disciplinary sanction as required by the Model, which also provides for dismissal without notice. The main risk areas, which include both those exposed to direct risks and those which support the commission of bribery offences, and which are subject to the formalities required by the Organisation, Management and Control Model are: sales, management of orders, sites, administration, finance and control, HP and soft loans. All the employees are given an information notice whenever the Model is subsequently updated. Certain employees who have been identified as operating within the areas subject to the risk of crime, or executives and middle managers of the company, received a specific e-learning training on the occasion of updates of the Organisation, Management and Control Model and of the regulations under Legislative Decree no. 231/2001. The same persons also sign periodical statements to attest to the compliance with the Organisation, Management and Control Model and, where applicable, the statement also specifies the most significant relationships maintained with representatives of public administrations.

SOCIAL AND CULTURAL PROGRESS

Ansaldo STS promotes the social progress of the communities in which it operates by financing humanitarian initiatives for people affected by natural disasters and by supporting non-profit organisations and specialized health care centres in services provided to and care of people suffering from serious illnesses. Ansaldo STS also promotes technological and managerial training through partnerships with Universities, specifically with regards to issues relating to Information Communication Technology and to the sustainability, health and safety of transport systems. It is actively involved in research projects co-financed by national and EU Public Institutions on issues relating to improvements in safety, energy efficiency, environmental impact, sustainable mobility and the interoperability of transport systems.

PRODUCT LIABILITY

The Ansaldo STS Group is constantly committed to providing its customers and end users (passengers and cargo) with the best products with the highest safety, the best system solutions, the use of the best design methods and procedures and the best manufacturing methods and processes available, which is all consistent with the commitment to reduce energy consumption and the direct and indirect impact on the environment.

10. Ansaldo STS acts in compliance with the Universal Declaration of Human Rights of the United Nations (and related protocols); the UN Convention (International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights; ILO Declaration on Fundamental Rights and Principles at Work of 1998 (specifically the eight fundamental ILO covenants); the OECD Guidelines destined to multinational companies.
Sustainability of development | Sustainability and management systems

**Global Compact**

Also in 2011 Ansaldo STS joined Global Compact, a voluntary initiative launched in 1999 by the UNO to spread the culture of respecting human rights, labour, the environment and fight against corruption, based on 10 principles. By confirming its participation, Ansaldo STS undertakes to have Global Compact and its principles become an integral part of its strategy, culture and daily operations, disclosing its commitment and publishing, within its Sustainability Report, a description of the procedures with which the GC and its 10 principles are applied.

<table>
<thead>
<tr>
<th>Principles of Global Compact</th>
<th>In Ansaldo STS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HUMAN RIGHTS</strong></td>
<td></td>
</tr>
<tr>
<td>1. to support and respect the protection of internationally proclaimed human rights within the respective spheres of influence</td>
<td>• Code of Ethics and training activities</td>
</tr>
<tr>
<td>2. to make sure that one is not complicit, even indirectly, in human rights abuses</td>
<td>• Declaration of human rights</td>
</tr>
<tr>
<td>3. to uphold the freedom of association of the workers and the effective abolition of child labour</td>
<td>• Personnel management policy</td>
</tr>
<tr>
<td>4. to uphold the elimination of all forms of forced and compulsory labour</td>
<td>• Equity of pay</td>
</tr>
<tr>
<td>5. to uphold the effective abolition of child labour</td>
<td>• Corporate climate and improvement initiatives</td>
</tr>
<tr>
<td>6. to uphold the elimination of any forms of discrimination in respect of employment and occupation</td>
<td>• Internationalisation and multiculturalism management</td>
</tr>
<tr>
<td><strong>LABOUR</strong></td>
<td></td>
</tr>
<tr>
<td>3. to uphold the freedom of association of the workers and the effective recognition of the right to collective bargaining</td>
<td>• People Care</td>
</tr>
<tr>
<td>4. to the uphold the elimination of all forms of forced and compulsory labour</td>
<td>• Personnel management, recruitment and selection policy</td>
</tr>
<tr>
<td>5. to uphold the effective abolition of child labour</td>
<td>• Training and development</td>
</tr>
<tr>
<td>6. to uphold the elimination of any forms of discrimination in respect of employment and occupation</td>
<td>• Industrial relations</td>
</tr>
<tr>
<td><strong>ENVIRONMENTAL PROTECTION</strong></td>
<td></td>
</tr>
<tr>
<td>7. to support a precautionary approach to environmental challenges</td>
<td>• Corporate climate and improvement initiatives</td>
</tr>
<tr>
<td>8. to undertake initiatives to promote greater environmental responsibility</td>
<td>• Liability management</td>
</tr>
<tr>
<td>9. to encourage the development and diffusion of environmentally-friendly technologies</td>
<td>• Code of Ethics and training activities</td>
</tr>
</tbody>
</table>

**FIGHT AGAINST CORRUPTION**

<table>
<thead>
<tr>
<th>Principles of Global Compact</th>
<th>In Ansaldo STS</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. to work against corruption in all its forms, including extortion and bribery</td>
<td>• Code of Ethics and training activities</td>
</tr>
</tbody>
</table>

**Listening to, and dialogue with, Stakeholders**

The Ansaldo STS Group pays particular attention to understanding the needs and expectations of its stakeholders in line with its culture of social responsibility.

Also in 2011, Ansaldo STS launched several feedback activities aimed, in particular, at customers (Customer Satisfaction investigation) and major institutional investors and analysts (Perception Study), as well as involvement activities, in particular to gather suggestions and proposals from employees in the manufacturing sector (IDEA project).

These initiatives highlighted areas for enhancing relations and ideas for projects and the company responded to them with actions and programs aimed at a greater satisfaction of the needs and expectations expressed.

### 1. Customer Satisfaction

Since 2011, the division responsible for market intelligence was also given the task of defining and managing the customer satisfaction activities.

These activities are based on the continuous search for items of information and input from the market and from customers which are gathered methodically and have the objective of monitoring the customer throughout the projects, which are typically long term, and obtaining observations, critical issues and opportunities to then share with the internal structures up to the top management of the company.

The above entails the existence of an organisation which duly fulfills the following tasks:

- Propose and keep updated an analysis methodology and the reporting;
- Identify the activities to be implemented to enhance the perception of customer satisfaction;
- Monitor the mitigation / improvement actions and the awareness / responsiveness of the company, by means of suitable reporting for the project group and the top management;
- Be the point of reference (externally and internally) for the management of customer relations during the development of the project in order to support the project manager.

The purpose therefore is to analyse the projects and the supplies that could potentially herald customer dissatisfaction, to acknowledge the situations and to identify the actions to be taken, both for the project in question and to improve future performance. Each customer complaint must be identified and monitored.

Complaints which do not have a direct effect on the projects are passed to the local sales manager and to the Business Development division, which acts in concert with the project manager who has the responsibility of analysing, managing and closing the complaint.

There is therefore a process of collection, analysis and closure of the complaint which is considered both as an element of the continuous improvement of the relationship with the customer and as the management of risks and cost control. The process begins and ends with the formal opening and closure of the complaint, both of which are carried out by the customer. Also other expressions of complaint (verbal, expressed in a meeting, through the media or in situations where the customer is visibly not satisfied) are treated in the same way as formal complaints.
A statistical analysis is carried out periodically of complaints received and managed through a database; it is then distributed by the project group to the appropriate managers and the top management. The type of information and analysis perspectives are varied and start with aspects relating to the physical progress of the project, then going on to consider product quality, identifying in the process any opportunities to improve one or the other of these.

The project manager has the task of allocating a customer satisfaction level (grade), according to a range which goes from -2 (very unsatisfied) to +2 (very satisfied).

The management of the encounter between the customer and the project manager is entrusted to the arbitration of the customer satisfaction team, which in this way assesses the completeness of the information and the effective and efficient management of the situation.

A monthly report is prepared focusing on all the key projects, which briefly describes the complaints and the proposals for their solution and also includes the position expressed by the managers of the functions that might be involved in this complaint (Sales, Business Development, Portfolio and Supply Chain Management).

At least twice a year, the summary report for top management is prepared, showing statistics relating to: complaints in progress, proposed mitigation actions and complaints that have been closed.

All the information gathered from the customer is confidential and can only be distributed within Ansaldo STS, through a tool made available only to the relevant functions as specified.

More specifically, and to be considered as areas of improvement for the customer satisfaction team activity, we can summarise as follows:

- Gear interviews to the customer for a more efficient collection of information;
- Have and maintain a tool for the reporting, monitoring and filing of problems relating to complaints;
- Promote actions and ideas to improve the measurement of customer satisfaction even at production level;
- Measure customer satisfaction by means of:
  - Information extracted from product quality reports;
  - Analyses of certificates;
  - Non-compliance of products;
  - Error/Failure indicators;
  - Information from tenders (analysis of tenders lost and warranty claims);
  - Monitoring and analysis of performance after closure of the project;
  - Reclassification of the types of complaints (e.g. quality, value, duration, by geographic area, technology).

2. The perception of the financial markets

Once a year, the Ansaldo STS Group conducts an in-depth analysis aimed at getting the opinion of the financial markets as regards the company. This survey, which is commissioned from a specialist company, was carried out via telephone in October 2011 and involved 9 major institutional investors (buy-side) and 6 of the most influential analysts (sell-side).

The survey was carried out in a strictly anonymous form and obtained a great level of interest from both categories of respondents. The interviews were recorded so as to guarantee the accuracy of the reporting and rigorous analysis.

The results of the analysis are shown below.

CRITICAL ISSUES

- The global macroeconomic situation and the sovereign debt crisis which could lead to a reduction in expenditure on infrastructure are other sources of concern for the financial markets.
- A number of those interviewed are of the opinion that Ansaldo STS’s projects in Libya cannot be completed, given the country’s situation; others are following the situation very closely and are less pessimistic.
- Ansaldo STS's ability to improve its margins through the efficiency plans, which have already been announced to the markets, is being monitored very carefully.

STRENGTHS

According to respondents, the technology expertise of Ansaldo STS in the field of signalling has allowed it to gain a leading position. The ability to fulfil orders in time and profitably is another particular strength of the company. The large order backlog is an excellent attraction for investors, who believe that the target market of Ansaldo STS is particularly resistant to the current economic crisis, considering the development of the company in emerging markets where the urban population is growing as rapidly as the needs for a rapid and efficient mass transport system. Finally, a very solid financial position and a management that is known for its expertise are important strengths identified by the financial market.

WEAKNESSES

Although respondents had difficulty in identifying them, the main weaknesses are the influence of the uncertain general financial situation in Italy on a company that is still considered as not very internationalised, the lack of M&As, the lack of clarity regarding the situation in Libya and the lack of visibility with regard to margins.

OPPORTUNITIES

The greatest opportunities for Ansaldo STS are the emerging markets such as China, Russia and South America: growth in these areas should compensate for the slowdown in Europe. Any transactions involving market consolidation are seen as opportunities, insofar as Ansaldo STS is able to remain attractive, win new major projects and pursue efficiency projects.

THREATS

Competition is considered the major challenge for Ansaldo STS. A number of respondents consider that the great experience in the sector can give the company a certain level of immunity from the pressure of competition; others think that this is becoming increasingly difficult, in particular with regard to larger competitors who can provide more services. The appearance of Chinese competitors also in the signalling sector is another threat perceived by the financial markets.

MARKET PROSPECTS

Although the respondents thought that the economic uncertainties, especially in Italy, and the possibility of the slowdown of projects or cancellations are not positive elements, at the same time they consider that these elements could be offset by the development of infrastructure in emerging markets. Furthermore, they are confident in the recovery of a number of projects, such as those in Libya, and they see new ones in France, Italy and the UK. The increase in investments in mass transport, in cities which are increasingly congested, remains the best prospect for Ansaldo STS’s business model; but the company must face competition in terms of price, a reduction in advance payments by customers as well as having to deal with competitors that are much bigger and which have strong political influence.
CURRENT MARKET PRICE
There is general agreement among those interviewed that the price has been heavily affected by the profit-warning following the events in Libya and that the stock is currently performing better than the market thanks to M&A rumours. Some think that the price is in any case lower than that paid in a potential M&A transaction; others, on the contrary, think that it is too high, given the current global economic situation.

GUIDANCE
The majority of those interviewed consider the publication of the guidance very useful, also given Ansaldo STS’s ability to stick to it. Others, with a more long-term perspective, tend to give more weight to orders acquired in order to assess overall company performance and attach less importance to quarterly results.

Precisely because of a general assessment of the reliability of the company in the publication of the data and the objectives, a number of respondents were surprised by the two recent profit warnings. However, there is still a general appreciation for the management for the company; indeed the reason for these profit warnings can be traced back to matters that are out of their control, such as the crisis in Libya.

Regarding expectations for the future, respondents would like to have more information on margin forecasts.

FREE CAPITAL INCREASE
The majority of the respondents consider that the capital increase was carried out to increase the liquidity of the stock, even if the effect was not substantial.

The consequent reduction in the share price was compounded by the fall caused by the profit warning and this created a few difficulties of comprehension, particular for those who do not normally follow the stock.

RETURN OF VALUE FOR SHAREHOLDERS
Dividends are seen as the preferred means of distributing excess liquidity to shareholders. Some respondents believe that the management should retain the liquidity for possible acquisitions. With the exception of one respondent, the purchase of treasury shares is considered inconsequential for Ansaldo STS as its effects could be cancelled by the free capital increase.

CORPORATE AND SOCIAL RESPONSIBILITY
Some investors believe that CSR does not greatly influence their decisions to invest in the company. However, if involvement in unlawful practices were to emerge, the respondents would terminate their investments in the company.

In general, respondents think that corporate governance has a greater influence on investment decisions than sustainability (environmental and social). Ansaldo STS is however seen as a frontline player in the green economy.

COMMUNICATION ABILITY
The CEO of Ansaldo STS received a score of 6.8 out of 10. The sell-side awarded him a slightly higher score of 7.2, against the 6.6 from the buy-side. He is seen as a charismatic leader who is able to provide a good description of the market.

The CFO received the same score of 6.8 for his ability to speak to the market; both analysts and investors gave the same judgement. He is seen as a strong CFO with a good knowledge of Ansaldo STS’s financial data. A number of respondents reported that his communication has improved significantly along with his ability to go into depth on company data.

INVESTOR MEETING
All those interviewed consider that the Investor Meeting was as important as ever and should focus on the business of the company. Indeed, Ansaldo STS as a public company has the duty of informing the market of its developments, its strategy, the trends of the market in which it operates and its forecasts.

The Investor Meeting helps investors to make more informed decisions also in the case of an offer to purchase the company.
Sustainability of development | Listening to, and dialogue with, Stakeholders

The response of Ansaldo STS to the expectations highlighted by the survey

Following an analysis of the survey results, the following key points were identified and dealt with.

- In response to the request for more details concerning the free capital increase, we included an explanatory slide in the presentation of the quarterly results to the analysts after the second tranche of the free capital increase, which took place on 4 July 2011.

Below is the relevant slide.

**Five years of free capital increase - details**

<table>
<thead>
<tr>
<th>Free capital increase plan</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Mil of shares after the capital increase</td>
<td>100</td>
<td>120</td>
<td>140</td>
<td>180</td>
<td>180</td>
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<tr>
<td>Mil of shares after the capital increase</td>
<td>120</td>
<td>140</td>
<td>160</td>
<td>200</td>
<td>200</td>
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<tr>
<td>Factor of correction</td>
<td>0.833</td>
<td>0.857</td>
<td>0.875</td>
<td>0.889</td>
<td>0.9</td>
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</tbody>
</table>

This factor of correction (in 2010 was 0.833) must be used to make comparable the prices above periods of time.

For instance, in order to compare the present value of the share with the one concerning one year ago, it is necessary to correct last price multiplying it for 0.833. In fact the IPO offering price adjustment will be:

<table>
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<tr>
<th>Year</th>
<th>Offering price adj., after each tranche</th>
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<td></td>
<td>i.e. Offering price adj., after each</td>
<td>6.5</td>
<td>5.7</td>
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The free cap. increase is just an accounting operation with no effects on the financial structure of the company.

- The Investor Day was an opportunity to discuss the main issues concerning our industry, also with the valued assistance of guests not belonging to the company, and to illustrate the objectives of Ansaldo STS for the next few years, for the purpose of giving visibility to our expected economic and financial performance.

- To facilitate and deepen the knowledge of the business of analysts and investors, a visit was organized to the Copenhagen Metro built by Ansaldo STS, which is one of the highest technology companies in the sector.
3. IDEA: suggestions and proposals for improvement in manufacturing

At the production sites of Riom, Tito and Batesburg the IDEA project was launched, a method of gathering suggestions and proposals for improvement in manufacturing; it is a system which contributes to the creation of an organisation that promotes initiatives.

IDEA consists of a notice-board, used to suggest ideas and provide information on the progress of improvement proposals, plus software to support the management thereof. The improvement proposals are gathered within each team or by a service. A bonus system is established for the purpose of encouraging proposals. The improvement ideas are assessed and three of them are selected every three months at each production plant.

Once a year, a committee comprised of the Head of Manufacturing and the Heads of Improvements Project, Quality and Human Resources selects the best three proposals as regards the following categories: workplace improvements, product quality improvement and cost reduction. In 2011 261 improvement proposals were analysed for all sites. 44% of the initiatives were solved, while 34% are being handled by the organisation that promotes initiatives.

The initiatives concerned:
- System repair
- Other
- Prototypes
- Improvements and upgrading of equipment
- PCB - Printed Circuit Board
- Improvements in on-board equipment

Once a year, a committee comprised of the Heads of Improvements Project, Quality and Human Resources selects the three best proposals of the last year amongst those selected in the previous four quarters.

The chart illustrates the state of progress of the initiatives at the various sites.

Progress of the number of improvement proposals issued

In order to disclose the results of the IDEA initiative, the possibility is being investigated (at present for the Tito site) of using, through a display connected to a server, a program (XIBO) that displays the state of progress of the project, the results obtained and the winners of the best project.

4. Customers and railway sector

Ansaldo STS organises periodical meetings between the technical and commercial staff of the company and the most qualified representatives of the different railways and metros that have been built, for the purpose of identifying current, emerging and future needs of its customers, of both a functional and a performance nature. During these meetings, technologies, platforms and processes being developed or being assessed by internal innovation and/or Research & Development bodies, are also presented.

Ansaldo STS actively participates in seminars, conferences and exhibitions in the railway and metro industry, through briefs, round tables and stands, in order to present currently available products and/or products being developed, identifying the best solutions available with the lowest technological and economic impact. Moreover, the company attends work groups at European level aimed at identifying and defining the necessary developments in the railway sector in order to achieve results that are mutually beneficial to the railway industry and railway operators. For instance, the adoption of new standards capable of reducing the developments that are necessary any time a new product is adopted from another railway entity, whether European or non-European.

Within the UNISIG (Union Industry of Signalling), Ansaldo STS participates in the following Work Groups: Steering Committee, “Supergroup”, STM, RAMS, Euroradio, Eurobalise, Key Management, Onboard Test Specifications Mirror Group, IOP and RBC-RBC.

Within the UNIFE (Union des industries Ferroviaires Européennes), it participates in: Train Interface Experts, Train Interface Safety Experts, “Supergroup”, STM, RAMS, Eurobalise, Key Management, Onboard Test Specifications Mirror Group, IOP and RBC-RBC.

Within the ERA (European Railway Agency), it participates in the Common Safety Target. Within the CENELEC (European Committee for Electrotechnical Standardization), it participates in the Work Groups: TC9, WG14, Urban Rail JPC Rail working group. Within the CEI (Comitato Elettronico Italiano, Italian Committee for Electronics), it participates in CT9A and WG14IT. Within the IEC (International Electrotechnical Commission), it participates in WG40 UGTMS (Urban Guided Transport Management System), Performance radio (CBTC-related), TC9 AHG3. Within the IEEE (Institute of Electrical and Electronics Engineers), it participates in CBTC Specs.
Sustainability programme

The analysis conducted by the Ansaldo STS Group as regards the relations with the different categories of stakeholders, and the environmental, health and safety aspects which characterise its activities, has enabled the company to define, in 2010, a Sustainability Programme including improvement targets.

The Sustainability Report of this year reports the actions implemented by the company in 2011 in consideration of the commitments undertaken and the set of new targets defined for the future operations.

Reporting of commitments

GOVERNANCE AND ORGANISATION

Commitments undertaken in 2010 Activities carried out in 2011

- Consolidation of the Performance Development Project and Global Job System processes.
- Support the process for the global integration of Ansaldo STS, through the promotion and diffusion of the new corporate values.

- The new ASTS development processes, which are defined through the HR Integrated Development System, were consolidated at worldwide level. US employees, who were involved in the organisational integration of FFDB in the course of the year, were also trained with respect to the new development processes (PDR GLS, Talent management). Specifically, information workshops were held with all the managers, in order to inform them of the new guidelines regulating the HR management and development processes. The support of the local HR managers further contributed to the cascading of information to all organisational levels. In each geographical area, HR contact persons were identified who were “expert” in the management of the new processes and who were appointed to guide, through a continuous and structured coaching, all managers and employees who use these processes. Furthermore, central and global coordination ensures the continuous monitoring of the process management and the development of improvement actions.

Commitments undertaken in 2010 Activities carried out in 2011

- Support the process for the global integration of Ansaldo STS, through the promotion and diffusion of the new corporate values.
- In order to ensure widespread adoption and internalization of the 5 corporate values, a new Values Campaign has been designed which is based on the importance of the behaviours to be adopted at Ansaldo STS. This campaign is aimed at stressing the importance of moving from envision to action: affirming the existence of values does not suffice, rather it is essential to ensure that they are put into practice and that they constitute the driving behaviours actually adopted by each worker of ASTS. The concept chosen uses the metaphor of cinema: the “Action” image is a reference to the construction of a scene in a film, which has well defined characters who are called upon to be the main actors of that scene. To this end, each value represents an action with specific protagonists: these protagonists are the behaviours selected as representative of the values themselves and the campaign will impact upon these behaviours.

- All global processes were implemented in the USA through specific workshops.
- The company has implemented an Integrated Management System (IMS) for Environment, Safety and Quality, establishing, at Corporate level, global policies and procedures to ensure the controlled management of processes and activities relating to quality, safety at work and the protection of the environment.

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Commitments undertaken in 2010 Activities carried out in 2011

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- All corporate management systems have been integrated into a single documentary system as described in the corporate handbook - MNL001 - issued on 4 July 2011. The integration, and then the implementation of the system was subject to the ISO 9001 audit of certification which was successfully completed in December 2011.

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RELATIONS WITH INVESTORS

**Commits undertaken in 2010**
- Support the internal development of sustainability awareness and decide to actively participate in the Global Compact and similar initiatives, such as the commitment of the IR towards ethical values.

**Activities carried out in 2011**
- Participation in a working group for the identification of sustainability criteria to be applied to suppliers in order to create a list of these within the GC organisation.
- Adequately and promptly react to remarks resulting from the perception study, highlighting responsiveness and focusing on the remarks themselves.
- Keep the image and the valuation of the stock linked to the real situation of the company and business.

**Commits undertaken in 2010**
- This objective was achieved also in relation to the difficulties faced in 2011 due to the unforeseeable situation in North African countries, which caused a suspension and then a review of the guidance, which was in any case communicated to the market in time.

**Activities carried out in 2011**
- This objective was partially achieved in relation to the communication possibilities on the market: the Investor Day was postponed to the following year due to important business commitments.
- This objective was achieved also in relation to the difficulties faced in 2011 due to the unforeseeable situation in North African countries, which caused a suspension and then a review of the guidance, which was in any case communicated to the market in time.

RELATIONS WITH CUSTOMERS AND MARKETS

**Commits undertaken in 2010**
- BU Transportation Solutions: To continue to satisfy and exceed the expectations of its clients, ensuring long-term relations based on cooperation and trust. To leverage on its technological excellence, on its undisputed leadership at a European level and on its first important successes in the farthest international markets in order to consolidate its role as a worldwide leader.

**Activities carried out in 2011**
- BU Transportation Solutions: we successfully performed the contracts awarded to the company in previous years, thus always honouring the commitments undertaken with our customers and partners.
- We continued our global leading position in the driverless metro sector with the acquisition of the Copenhagen Chiyogin contract, which took place in the very last days of 2010, and which will also involve us as operators and with the acquisition of the contract related to the extension of line 5 of the Milan underground network.

**BU Signalling**
- To become more competitive through:
  - greater internal efficiency (the adoption of the Engineering Management Framework process; implementing the Worldwide Competency Framework and Global Resource Planning Tool; periodical review of the projects on a quarterly basis);
  - the use of standards with generic platforms which can be easily adapted through dedicated application development tools;
  - cooperation between the Business Units on technical, commercial and marketing aspects;
  - more selection in the decision of the markets in which to compete or operate.

*The initiatives aimed at increasing internal efficiency were:
  - Simplification of the Delivery structure with the creation of managers responsible for local delivery and having direct control over the PM, D&H and C&C functions;
  - Reorganisation of the Engineering team by creating teams dedicated to applications that are peculiar to the market: Railway and Mass Transit;
  - Consolidation of technological subjects within the abovementioned two areas;
  - Creation of simulation environments/slabs for the new applications in order to reduce troubleshooting times and delivery at site;
  - Aggregation of the team of Engineers projects and Support to the bidding function, attracting the best expert resources worldwide.*

*The improvement in corporate competitiveness through business actions was achieved with the following activities:
  - Use of the large Sales & Business Development network of the SBU for marketing activities, also for TSBU;
  - Preparation of a centralised database for the collection and management of all SBU opportunities;
  - Focusing of efforts on a reduced number of countries and preparation of a process aimed at giving them priority on the base of their probable success.*

As regards initiatives undertaken in order to improve the organisation and results of the activities of the Delivery function, the following initiatives were implemented:
- Establishment of a standardisation and monitoring team;
- Definition of an internal Engineering process which provides clear indications on the activities to be carried out and clarifies the roles and mandates of the various professional positions, starting from the PE;
- Creation of periodical meetings, also on a monthly basis, on critical projects, with the involvement of the various professional positions, starting from the PE;
- Creation of a centralised database for the collection and management of all SBU opportunities;
**SUPPLY CHAIN MANAGEMENT**

### Commitments undertaken in 2010

- To increase the level of expertise in the procurement area, through:
  - In-depth implementation of the new global processes;
  - Use of cooperation tools to enhance teamwork internally, with internal suppliers and clients;
  - To develop a strong plan for managing expertise.

- To strengthen the Account Management role within procurement in order to:
  - Develop a long-term strategy with key suppliers;
  - Guarantees an efficient interface;
  - Optimise the added value created by the partnership between Ansaldo STS and suppliers.

### Activities carried out in 2011

- We started training resources in agreement with the strategy adopted by the Supply chain.
- We created cross-cutting teams between the corporate functions in order to identify improvement areas in the management of supplies.
- We identified managers responsible for supplier relations for each category/commodity.
- We carried out an in-depth analysis of suppliers in order to identify the supplier which can guarantee us the best global service.
- We considered the launch of IT tools in order to automate, as far as possible, supplier relations as regards the part of the relationship with the least added value.

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**EXCHANGE RELATIONSHIPS WITH THE COMMUNITY**

### Commitments undertaken in 2010

- RELATIONS WITH ITALIAN AND EUROPEAN INSTITUTIONS - To respond to funding calls for Research, at both an Italian and European level, by coordinating proposals to increase the Safety, Security and Environmental Compatibility of the Railway Transportation System.
- RELATIONS WITH UNIVERSITIES - To contribute to the creation of specialisation in the sector through the financing of and scientific contribution to postgraduate Masters courses in cooperation with the major Italian universities. Increased cooperation with foreign universities, particularly in the USA. In 2011 the Human Resources department will also participate in many meetings with new graduates from academic institutions (Career Days, Job Fairs) for the purpose of encouraging links between universities and the labour market. In coordination with External Communications, these participations are part of the global project “Get your Career on Track”.
- MEDIA RELATIONS - It is the intention of Ansaldo STS to intensify its relations with the media, and in particular with the financial press, to better illustrate the potential of the company in an increasingly international market. One of the major targets is to provide the media with a more in-depth and direct knowledge of the business in which the Company is active, also through the visits of journalists to the different facilities of Ansaldo STS, also through the visits of journalists to the different facilities of Ansaldo STS, allowing them to collect direct information on the technological excellence of the products of the Group and on the perspectives of the railway transportation market.
- RELATIONS WITH THE COMMUNITY - To continuously support social, cultural and environmental initiatives promoted by Associations and Institutions.

### Activities carried out in 2011

- In 2011, Ansaldo STS started the following projects:
  - SFERE,
  - SICERI,
  - Secured.
- Partnership continued and were strengthened with Italian universities for specialist-technological and managerial training.
  - Furthermore, Ansaldo STS has a master agreement in place with the German University of Dresden, which is particularly expert in the Railway Signalling sector and it is continuing to develop the establishment of relations with international universities in strategic countries for the future of the Group.
  - Throughout 2011, ASITA participated in meetings with new graduates promoted by academic institutions (Career Days, Job Fairs) for the purpose of stimulating contact between Universities and the world of work. This participation falls within the scope of the global “Get your Career on Track” project, a campaign to attract young talents to the corporate environment, the cornerstone of which is the creation of an image of a single image with strong visual impact for all the countries where the group operates.
- 2011 saw the continuation of the consolidation of media relations, above all in consideration of the particular period of reference. Furthermore, 2012 will be a year full of significant new works and important new construction sites.
- Also in 2011, Ansaldo STS increased its commitment to charity campaigns, financing humanitarian, environmental, cultural and social initiatives.

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**ENVIRONMENT, HEALTH AND SAFETY**

### Commitments undertaken in 2010

- GENDA, NAPLES, PIOSSASCO - Increase of 20%/40% in the number of training hours dedicated to the environment, through training meetings with external entities.
- TITO SCALO - Reduction in electricity consumption of 2% by increasing employee awareness.
- PIOSSASCO - Reduction in electricity consumption of approximately 100kWh and disposal of 134 kg of R22 gas, through the replacement of n. 2 Refrigeration Units.
- Reduction in electricity consumption of approximately 9,000 kWh through the replacement of open space ceiling fittings.
- BATESBURG - Reduction in electricity consumption through the replacement of 50 HP air compressors with one variable-speed 50 HP air compressor.
- BRISBANE, PERTH, SYDNEY, BANGALORE, KOLKATA, NL OFFICE AND FACTORY, NOIDA, NEWCASTLE, KARRATHA, PITTSBURGH, LIS ULSI, ROM, SOLLN, BRINKINGTON AND KERRY - Reduction in electricity consumption - through the replacement of the existing lamps with low-energy consumption ones, - through the provision of information material and training courses for employees focused on the correct management of the activities which impact on energy consumption.
- TITO SCALO - Reduction in gas consumption of approximately 14,000 cubic meters through the replacement of 6 sequential boilers with condensing boilers.
- BATESBURG - Reduction in CO2 emissions through the replacement of 5 HVAC cooling units containing 20 tonnes of R22 with units containing R410A.

### Activities carried out in 2011

- Activity in progress.
- The objective was achieved (reduction of 8.03%).
- Activity in progress.
- The implementation of the photovoltaic system is being studied.
- The objective was achieved (reduction of electricity consumption of 13.75%, equal to 165 Kwh).
- Activity in progress.
- A pilot project is being studied for energy efficiency which provides for the replacement of the lighting system with the LED and DALI systems.
- The objective was achieved (reduction in electricity consumption of 2.96%).
- Activity in progress.
- The objective was achieved (reduction in gas consumption of 14.85%, equal to 49,588 m³).
Sustainability of development - Sustainability programme

Ansaldo STS - Sustainability Report 2011

Commitments undertaken in 2010 | Activities carried out in 2011

**HEALTH AND SAFETY - OHSAS 18001**

- **TITO SCALO** - Reduction of the production of hazardous wastes of approximately 1 ton, thanks to the conclusion of the divestment of equipment containing hazardous substances CEP 161253.
  - The objective was achieved (reduction of production of hazardous waste of 73%, equal to 4.7 tonnes).

- **BRISBANE, PERTH, SYDNEY, NEWCASTLE, BANGALORE, HULOKA, KL OFFICE AND FACTORY, NOIDA, KARIMNAGAR, PITTSBURGH, LES ULIS, RIOM, SCOLA, KERRY AND BRINTONING** - Reduction of waste production through the provision of information material and training courses for employees focused on the careful management of the activities which impact on waste production.
  - The objective was achieved for Pittsburgh (from 565 to 106 tonnes), Les Ulis (from 98 to 50 tonnes), RIom (from 104 to 34.1 tonnes), Bangalore (from 5.1 to 3.6 tonnes), Huloka (from 0.5 to 0.3 tonnes), and Sydney (from 5 to 4.2 tonnes). The production of waste was stable for the Noida and KL Office (1 ton). It was on the rise in Perth (from 32.4 to 14.2 tonnes) and London (from 145 to 185 tonnes).

- **TITO SCALO, PROSSASCO AND GENOA** - Full recycling of wood packaging through an agreement entered into with the waste disposal company for the recycling of wood.
  - The objective was achieved.

- **GENOA, TITO SCALO, NAPLES AND PROSSASCO** - Reduction of CO2 emissions through Travel Policies which provide for Long travel lease agreements only for LPG and methane-fuelled cars. Reduction in the number of employee journeys between the locations of Ansaldo STS through the arrangement of video-conference rooms and the implementation of PC workstations.
  - Activity in progress.

- **GENOA, TITO SCALO, NAPLES AND PROSSASCO** - Reduction of CO2 emissions through Travel Policies which provide for Long travel lease agreements only for LPG and methane-fuelled cars. Reduction in the number of employee journeys between the locations of Ansaldo STS through the arrangement of video-conference rooms and the implementation of PC workstations.
  - Activity in progress.

- **GENOA, NAPLES AND TITO SCALO** - Reduction in the number of environmental accidents at sites and yards through the training and information of staff.
  - The objective was achieved. A module was implemented for recording environmental near misses in order to implement all preventive actions in order to reduce the number of environmental accidents.

- **PROSSASCO** - Control of the number of environmental accidents at sites and yards through the training and information of staff.
  - The objective was achieved. A module was implemented for recording environmental near misses in order to implement all preventive actions in order to reduce the number of environmental accidents.

**Wood Packaging**

- **NAPLES, GENOA, TITO SCALO AND PROSSASCO** - Increase of 10% in training hours on safety.
  - The objective was achieved, as the total training hours more than doubled as a whole.

**Emergency**

- **GENOA, NAPLES, TITO SCALO AND PROSSASCO** - Increase of 20% in reports of near misses points to increase awareness on this issue.
  - The check was successfully concluded confirming the system certification according to the UNI EN ISO 14001:2004 and BS OHSAS 18001:2007 standards.

**Future commitments**

**GOVERNANCE AND ORGANISATION**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of the implementation of the Code of Ethics in the remaining companies of the Group and definition of the relevant application procedures.</td>
<td>1st half 2012</td>
</tr>
<tr>
<td>Maintenance of the quality system and extension of the UNI EN ISO certification to the registered office in China.</td>
<td>2012</td>
</tr>
<tr>
<td>Implementation of the improvement plan, as defined within the KORU, RT150 and Lean Manufacturing modules of the efficiency-increasing programme.</td>
<td>2012</td>
</tr>
<tr>
<td>Implementation, within the development process of new products and applications, of an improvement plan based on the “Capability Maturity Model Integration” model - maturity level 3.</td>
<td>March 2013</td>
</tr>
</tbody>
</table>

**RELATIONS WITH HUMAN RESOURCES**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of the skills model on the corporate IT tool (SABA) used for assessing performance (PDP).</td>
<td>2012</td>
</tr>
<tr>
<td>Insertion of the classification of resources in terms of “Profession/work level” into the corporate management tool.</td>
<td>2012</td>
</tr>
<tr>
<td>Amendments to the remuneration policy in compliance with the new regulations envisaged by CONSOB.</td>
<td>2012</td>
</tr>
<tr>
<td>Implementation and consolidation of the integrated evaluation system between PDP and GJS.</td>
<td>2012</td>
</tr>
<tr>
<td>Continuation of the “Values in action” campaign in order to give substance to the importance of behaviour which supports the validity of corporate values.</td>
<td>2012</td>
</tr>
<tr>
<td>Improvement of the performance, efficiency and team spirit of project teams, promoting specific actions to strengthen the leadership skills of the persons in key roles operating within them. In this regard the “Key roles empowerment” initiative will be implemented, which is aimed at developing a higher level of competence and awareness of and in the roles of PM, Project Engineer, Product Development Engineer, Supply Chain Planner and Controller.</td>
<td>2012</td>
</tr>
</tbody>
</table>
### RELATIONS WITH INVESTORS

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We confirm the objective of keeping the image and the valuation of the stock linked to the real situation of the company and business.</td>
<td>2012</td>
</tr>
<tr>
<td>• The Investor Relations function remains strongly motivated in order to develop sustainability aspects and therefore it will continue to keep alive the attention through the promotion and management of initiatives shared with the Internal Sustainability Committee. The company intends to organize an event / initiative which will involve ethical investors or which has a concrete value locally.</td>
<td>2012</td>
</tr>
<tr>
<td>• The function’s commitment is aimed at ensuring respect of the shareholding structure in all its expressions: majority, minority, institutional and retail shareholders. The 2012 objective is to promote detailed and comprehensive information also through specific initiative aimed at minority and retail investors.</td>
<td>2012</td>
</tr>
</tbody>
</table>

### RELATIONS WITH CUSTOMERS AND MARKETS

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BU - TRANSPORTATION SOLUTIONS</strong></td>
<td></td>
</tr>
<tr>
<td>• Further development of the Transportation Solutions business in the new emerging markets.</td>
<td>1.3 years</td>
</tr>
<tr>
<td>• Maintaining the global leadership in the sector of driverless metros.</td>
<td></td>
</tr>
<tr>
<td><strong>BU - SIGNALLING</strong></td>
<td></td>
</tr>
<tr>
<td>• Implementation of the tool and process associated with the prioritisation of offers at worldwide level.</td>
<td>June 2012</td>
</tr>
<tr>
<td>• Higher coordination of the S&amp;BD at worldwide level through the use of the centralised data base containing the opportunities identified.</td>
<td>June 2012</td>
</tr>
<tr>
<td>• Application of the new Engineering and Project Management processes to all the projects acquired in 2012.</td>
<td>December 2012</td>
</tr>
<tr>
<td>• Development of sets of standard documents for applications (CBT, ERTMS, IXL, etc.).</td>
<td>2012</td>
</tr>
<tr>
<td>• Adoption of a single reporting and progress format on a worldwide basis for critical projects subject to monitoring.</td>
<td>June 2012</td>
</tr>
<tr>
<td>• Redefinition and standardisation of the check and validation process.</td>
<td>September 2012</td>
</tr>
</tbody>
</table>

### SUPPLY CHAIN MANAGEMENT

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Focus, in relations with suppliers, on the issues that can create higher value to the company. In it is expected to issue a detailed Vendor Rating through the tool developed in 2011.</td>
<td>2012</td>
</tr>
<tr>
<td>• Implementation of an efficient preliminary analysis of the requirements of the different Business Unit. 2012 saw the single preliminary segmentation of the main tenders for the Purchasing and Integration function to improve the efficiency of purchasing in the phase of cost estimates.</td>
<td>2012</td>
</tr>
</tbody>
</table>

### EXCHANGE RELATIONSHIPS WITH THE COMMUNITY

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RELATIONS WITH ITALIAN AND EUROPEAN INSTITUTIONS</strong></td>
<td></td>
</tr>
<tr>
<td>• Responding to funding calls for Research, at both an Italian and European level, by coordinating proposals to increase the Safety, Security and Environmental Compatibility of the Railway Transportation systems.</td>
<td>2012</td>
</tr>
<tr>
<td><strong>RELATIONS WITH UNIVERSITIES</strong></td>
<td></td>
</tr>
<tr>
<td>• Contributing to specialist training in the sector through the financing and scientific contributions to master courses in collaboration with the main Italian and foreign Universities.</td>
<td>2012</td>
</tr>
<tr>
<td><strong>MEDIA RELATIONS</strong></td>
<td></td>
</tr>
<tr>
<td>• Memory as a resource: to further enhance the historical archive so that it can be not only a corporate resource, but also for the community. First phase: to streamline the project, to understand costs, to define the timing.</td>
<td>2012</td>
</tr>
<tr>
<td><strong>RELATIONS WITH THE COMMUNITY</strong></td>
<td></td>
</tr>
<tr>
<td>• Continuation of activities in support of social, cultural and environmental initiatives promoted by non-profit organisations and Institutions.</td>
<td>2012</td>
</tr>
</tbody>
</table>

### ENVIRONMENT

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Training in GENOA, NAPLES, PIOSSASCO: Increase of 20%/40% in the number of training hours dedicated to the environment, through training meetings with external entities. A project is being studied concerning environmental training as a result of the Global Job Systems implemented in 2011.</td>
<td>2012</td>
</tr>
<tr>
<td>• TITO SCALO: Reduction in electricity consumption of 2% through the construction of a photovoltaic system.</td>
<td>2013</td>
</tr>
<tr>
<td>• PIOSSASCO: Replacement of n. 2 Refrigeration Units.</td>
<td>2012</td>
</tr>
<tr>
<td>• BRISBANE, PERTH, SYDNEY, BANGALORE, KOLKATA, KL OFFICE, NOIDA, HARRATHA, PITTSBURGH, LES ULIS, Riom, SOLNA: Reduction in electricity consumption: - through the replacement of the existing lamps with low-energy consumption ones, - through the provision of information material and training courses for employees focused on the careful management of the activities which impact on energy consumption. A pilot project is being studied for energy efficiency which provides for the replacement of the lighting system with the LED and DALI systems.</td>
<td>2012-2013</td>
</tr>
<tr>
<td>• SAFEBOURG: Reduction in CO₂ emissions through the replacement of 5 HVAC cooling units containing 29 tonnes of R22 with units containing R410A.</td>
<td>2012</td>
</tr>
<tr>
<td>• GENOA, TITO SCALO, NAPLES AND PIOSSASCO: Reduction in the number of employee journeys between the locations of Ansaldo STS through the arrangement of video-conference rooms and the implementation of PC workstations with cameras.</td>
<td>2012</td>
</tr>
</tbody>
</table>

### HEALTH AND SAFETY

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Implementation of a common reporting system of the EHS performances at worldwide level.</td>
<td>2012</td>
</tr>
<tr>
<td>• Extension of the ISO 14001 and OHSAS 18001 certification to all sites that fall within the scope of the EHS reporting.</td>
<td>2012</td>
</tr>
</tbody>
</table>
Creation of economic value and innovation

Creation of value
The governance of innovation
Ansaldo STS is committed to maintain and develop an array of competence and distinctive skills capable of creating value and ensuring the long-term growth of the company over time. This commitment is reflected in the three strategic lines of the company:

1. **Selectivity** - Focus on attractive markets where Ansaldo STS enjoys good competitive positioning.
2. **Innovation** - Focus on innovation as a lever to create a competitive advantage and ensure long-term growth.
3. **Flexibility and efficiency** - Stay competitive through the optimization of the business model by focusing on the flexibility of the offer and operating efficiency.

### Description of the market

**Healthy and growing market**

In general, the target market of Ansaldo STS remains solid and shows, at global level, growth rates in the order of 3-4% a year, in spite of the serious economic and financial crisis. With the exception of the financial difficulties of governments, all the other key market drivers remain positive: growth in global trade and increase in traffic, processes of urbanisation, environmental worries, and growth in emerging markets, in infrastructure and in intermodal transport.

**Geographical development of the market**

Emerging markets, also thanks to trends of urbanisation, are growing faster than the West (e.g. India, Turkey, the Middle East, Africa), increasing their relative importance. There are also good opportunities for growth however in the United States and in Australia for the signalling segment. The result of this trend is a reduction in the importance of Western Europe.

**Traditional and emerging technologies**

The core technologies - ERTMS (European Railway Traffic Management System), CBTC (Communications Based Train Control), completely integrated systems which guarantee uninterrupted two-way radio communications at high speed between the track and the vehicle, and Driverless, a completely automated operation without a driver which reduces operating costs and reduces the time interval between the passage of trains - are increasingly becoming global solutions.
New growth possibilities are also emerging as a result of GNSS (Global Navigation Satellite System) satellite technologies to serve very extensive lines in low density zones (e.g., goods traffic lines in Australia, Russia or the USA) and low-traffic routes.

Price pressure

2011 saw a dramatic intensification of competitive pressure between the major global players, with the effect being a large reduction in unit prices, mainly in the signalling segment.

Positioning of Ansaldo STS

Ansaldo STS is already well positioned for seizing the opportunities of a market with the features described above.

Healthy and growing market - Ansaldo STS has solid roots in the markets of the western world and is well positioned in the growing markets.

Geographical development of the market - Ansaldo STS is able to respond to global demand thanks to its globally integrated operations and its competence and skill in delivering on time and within budget.

Traditional and emerging technologies - Ansaldo STS offers cutting edge transport technologies, both traditional and non-traditional, including the GNSS solutions, thanks to its technological leadership in the field of safety.

Price pressure - the business model of Ansaldo STS which features the customer in a central position is characterised by flexibility and efficiency along the entire value chain. Using this good positioning as a starting point, Ansaldo STS focuses on three strategic guiding principles in order to better face the challenges of the future.

The strategy of Ansaldo STS

1. Selectivity: focus on attractive markets where Ansaldo STS enjoys good competitive positioning.

Ansaldo STS's growth is the result of a continuous process that starts from its knowledge of its positioning and competitive advantages, from the identification of market opportunities connected to its competitive levers to translating these into action plans.

This process has led to the definition of strategic markets - the domestic market and the areas in which the company has a strong recognised presence, such as India for example - and markets in which there are opportunities for growth by focusing on large projects with reduced fixed costs.

2. Innovation: focus on innovation as a lever to create a competitive advantage able to ensure long-term growth.

Ansaldo STS's strategy of innovation to increase its turnover is based on improving the current offering of products to its customers and on differentiating the product portfolio in order to expand the offering; on extending its business model by offering of complementary services that meet needs expressed by the customers (management and maintenance activities); and on satisfying specific customer needs arising from particular local geography (complex regions and low traffic routes) by proposing cutting edge solutions based on satellite technologies.

3. Flexibility and efficiency: stay competitive through the optimisation of the business model by focusing on the flexibility of the offer and operating efficiency.

Efficiency is one of the strategic levers in which Ansaldo STS invests in order to strengthen its competitive position and guarantee excellence in the performance of the activity. In order to pursue these objectives, a programme of improvement was launched which covers all the business areas, playing on the opportunities provided by a global organisation. The purpose of the programme is to render company processes efficient by identifying and sharing best practices, seizing at the same time the economies of scale that the new organisation provides.

The programme is divided into five different modules, each one focused on a particular area of the company.

- **Global Supply Chain:** “Road to 150” project\(^1\) for the optimisation of external purchase costs.
- **Lean Manufacturing:** design of an integrated production structure able to respond to current and future needs of customers.
- **Flexible Delivery:** flexible and comprehensive management and planning according to the specific needs of the projects.
- **Streamlined Support Functions:** exploitation of potential synergies and benefits arising from the global scale and the review of the processes.
- **Global Development Centres:** standardisation of platforms and optimisation of product families.

Each module is made up of a set of projects whose contents were defined with the participation of Ansaldo STS staff at all levels; the areas of improvement were identified during a diagnostic phase in which suggestions were collected by means of an interview campaign, questionnaires addressed to all staff and the mapping of activities performed.

The result of the diagnostic phase was consolidated by a special team and submitted for the attention of the Top Management which provided input, in line with the company strategy, for the definition of priorities and therefore for the planning as to which projects to launch.

The improvement projects are managed by teams which make use of internal staff selected on the basis of specific skills and aptitudes, supported by a central project management office.

A programme governance structure was formalised which ensures that objectives are defined for the individual projects consistently with the company objectives, that these are managed in an appropriate and coordinated manner, as well as traceability and reporting to the programme's Steering Committee which is made up of the Top Management of Ansaldo STS.

The competitive advantages of the Business Units

**SIGNALLING**

To leverage on successes in order to establish a global leadership - To rely on a strong relationship with the customer, in order to accelerate the adoption of standards and strengthen our presence in key countries; select global opportunities to support a profitable growth, such as being awarded contracts for the best stimulus plans and the best of emerging markets.

To leverage portfolio standardisation - To develop a portfolio of platforms standard, constructed in a flexible manner so as to satisfy the specific and local needs of the customers; leverage our leadership in R&D in order to standardise the product portfolio; continue investing in R&D; adopt a make or buy policy as regards components; optimise hardware and platform costs.

To industrialise delivery - To extend our expertise in delivery to all customers by adopting standard criteria; improve timeliness of delivery and cost reduction, by sharing the best practices developed by the Group.

To take advantage of the good performance of the industry - To strengthen our technological leadership through maintenance services in both mature and emerging markets, and to support, where possible, the award of works by introducing the pay per use formula for larger contracts, in order to optimise the management of the total cost of the customer.

**TRANSPORTATION SOLUTIONS**

**Strategic access to signalling** - The transportation solutions business is growing fast and represents a privileged access to the signalling business; 15-20% of the future signalling business will be part of “turnkey” transportation solution projects; the transportation solutions market may also originate Operation & Maintenance opportunities.

**Flexibility with regard to rolling stock** - High Speed may be developed by selecting key partners, with no need to supply rolling stock; urban transit projects may be developed in partnership with local independent operators which offer a competitive price and relations already established in the emerging markets.

\(^1\) See the “The Stakeholders of Ansaldo STS” section of the Supply Chain Management chapter.
### Important projects and technological references

- Award of contracts for important high-technology projects, including driverless CBTC (Communications Based Train Control) and the timely delivery of the projects being implemented within the expected costs.

### Local activities and global knowledge

- The professional local management of the activities as well as the availability of processes and tools to efficiently share the know-how acquired at global level, are the key to implementing the projects in accordance with the commitments undertaken. Local agreements and relations with civil partners and key suppliers are crucial to negotiations and the success in the various markets.

### Propensity to financing in order to seize the opportunities in the industry

- Some projects require the Financial Packaging (PF/PPP) with the commitment to an equity investment; leverage the economic-financial strength of the company in order to support participation in licensed projects, which may also originate Operation & Maintenance opportunities.

### Multi-discipline and inter-disciplinary skills

- Thanks to the experience gained in the different roles played within the projects implemented, Ansaldo STS has been able to increase its competence also in a complementary and cross-cutting manner, thus developing a single and complete vision of the transport systems which is extended to all their life cycle.

### Maximisation of local contents

- In the projects it implements, Ansaldo STS always tends to maximise the purchase of materials, services and labour locally, with the objective of being increasingly competitive and contributing to the development of local economies, also in emerging countries. For example, below are reported the data relating to the Taipei and Honolulu projects:
  - Local Taipei content: about 80% of total design and construction costs;
  - Local Honolulu content: about 93% of total design, construction, operation and maintenance costs.

This value is very high just because this project includes several years of O&M where the use of local workforce reaches almost 100%.

### Performance of operations and key figures

At 31 December 2011 the Ansaldo STS Group reported a final net profit of EUR 73,056 thousand compared with EUR 94,908 thousand for the 2010 financial year. Revenues were EUR 1,211,944 thousand compared with EUR 1,283,710 thousand of the previous year. The Group's operating revenues stood at 9.6%, compared to 10.7% of the 2010.

#### Key Figures12 (EUR 000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>2,163,745</td>
<td>1,985,012</td>
<td>18%</td>
</tr>
<tr>
<td>Order backlog</td>
<td>5,463,770</td>
<td>4,551,127</td>
<td>20%</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,211,944</td>
<td>1,283,710</td>
<td>-6%</td>
</tr>
<tr>
<td>EBIT</td>
<td>116,120</td>
<td>137,065</td>
<td>-15%</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>118,459</td>
<td>139,411</td>
<td>-15%</td>
</tr>
<tr>
<td>Net profit</td>
<td>73,056</td>
<td>94,908</td>
<td>-22%</td>
</tr>
<tr>
<td>Net working capital</td>
<td>(89,031)</td>
<td>(154,253)</td>
<td>42%</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>154,462</td>
<td>63,311</td>
<td>143%</td>
</tr>
<tr>
<td>Net Financial Position (liquidity)</td>
<td>(289,674)</td>
<td>(318,150)</td>
<td>9%</td>
</tr>
<tr>
<td>Free Operating Cash Flow</td>
<td>7,219</td>
<td>65,983</td>
<td>-91%</td>
</tr>
<tr>
<td>R.O.S.</td>
<td>9.6%</td>
<td>10.7%</td>
<td>-1.1 p.p.</td>
</tr>
<tr>
<td>E.V.A.</td>
<td>63,243</td>
<td>94,162</td>
<td>-30%</td>
</tr>
<tr>
<td>Research and Development</td>
<td>33,900</td>
<td>34,827</td>
<td>-2%</td>
</tr>
</tbody>
</table>

At 31 December 2011 new orders amounted to EUR 2,163,745 thousand compared to EUR 1,985,012 thousand at 31 December 2010, up by EUR 178,733 thousand, equal to 9%.

In this regard, note:
- for the Transportation Solutions Business Unit, acquisitions of EUR 1,256,058 thousand, mainly referable to the contract for the Driverless Metro of Honolulu, the extension of line 5 of Milan, the Australian Rio Tinto project;
- for the Signalling Business Unit, acquisitions of EUR 1,045,870 thousand, mainly referable to the order for upgrading the technological capabilities of the Furin-Padua route, the project concerning the red line of Stockholm, the contract for the design and construction of the 2nd-level ETMS signaling system for the new High Speed stretch Le Mans-Rennes in France, the order for the technological systems of the Kolkata Metro in India.

At 31 December 2011, the value of the order backlog amounted to EUR 5,452,770 thousand, reflecting the trend in acquisitions and showing an increase of 20% compared to that recorded at the end of 2010, equal to EUR 4,551,127 thousand.

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12 ALTERNATIVE PERFORMANCE INDICATORS

Ansaldo STS’ management (hereinafter also referred to as ASTS) also 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 the definition of the components of each of these alternative non-GAAP performance indicators used in this notice:

- **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 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 the sole equity investments accounted for with the equity method, under “effects of the valuation of equity investments accounted for using equity method”.

- **Adjusted (Adj) EBIT**: it is obtained by deducting, from the EBIT, as previously defined, the following elements: impairment of goodwill (if any); amortisation of the portion of the purchase price allocated to intangible assets within business combinations, as required by IFRS 3; restructuring costs, within defined and significant plans; other charges or income of a non-recurring nature, i.e. referable to events of particular importance that are not attributable to the ordinary course of the relevant business.

- **Net Financial Position**: the calculation scheme complies with that envisaged under paragraph 127 of the recommendations under CESR/05-054b that implement Regulation (EC) No 809/2004.

- **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".

- **Return on Sales (ROS)**: this is the ratio between EBIT and revenues.

- **Return on Equity (ROE)**: it is calculated as the ratio between the net result and the average value of shareholders’ equity in the two periods under comparison.

- **Economic Value Added (EVA)**: it is calculated as the difference between EBIT, net of taxes, and the cost of the average value of the invested capital in the two periods under comparison, measured on the basis of the weighted cost of capital (WACC).

- **Research and Development Costs**: they are the sum of costs incurred for research and development activities, as expensed (referred to the so-called "basic technology") and sold (commissioned by the Customer). The values reported are net of grants received (€ 3,781 thousand in 2011).
**Ansaldo STS: focus on backlog evolution**

**Geographical mix and business**

- **2008: 3,136 M€**
  - Italy & Europe > 80%
  - Signalling and Transportation Solutions almost equal

- **2011: 5,453 M€**
  - Emerging Market and Transportation solutions taking the lead

---

**Backlog evolution**

**By Geographical Area**

- **By Business**
  - O&M
  - EPC

---

**Economic value directly generated and distributed**

The data on the creation and distribution of economic value provide a basic indication of how the company has generated wealth for the stakeholders.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Revenues</td>
<td>Revenues from sales Interest income</td>
<td>1,215,120</td>
<td>1,285,511</td>
<td>1,178,892</td>
</tr>
<tr>
<td>b) Operating Costs</td>
<td>Payments to suppliers Payments for investments Payments for rentals and operating leases</td>
<td>941,022</td>
<td>866,900</td>
<td>882,900</td>
</tr>
<tr>
<td>c) Remuneration and benefits</td>
<td>Payments to employees (salaries and severance pay) Dividends Interest expense</td>
<td>303,000</td>
<td>302,800</td>
<td>281,900</td>
</tr>
<tr>
<td>d) Payments to suppliers of capital</td>
<td></td>
<td>35,394</td>
<td>33,033</td>
<td>32,609</td>
</tr>
<tr>
<td>e) Payments to the Public Administration</td>
<td>Payment for taxes and duties</td>
<td>48,080</td>
<td>37,669</td>
<td>38,738</td>
</tr>
<tr>
<td>f) Investments in the community</td>
<td>Donations, Association dues, gifts, Sponsorships</td>
<td>1,511</td>
<td>1,371</td>
<td>996</td>
</tr>
</tbody>
</table>

**Directly-generated economic value**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,215,120</td>
<td>1,285,511</td>
<td>1,178,892</td>
</tr>
</tbody>
</table>

**Distributed economic value**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained economic value</td>
<td>-113,887</td>
<td>43,738</td>
<td>-58,251</td>
</tr>
</tbody>
</table>

**Signalling and Transportation**

- **Cover ratio 2.9x**
- **Cover Ratio 4.5x**

**Transportation Solutions**

- **Cover ratio 6.5x**

---

The reduction in investments and the increase in competitive pressure, within the wider international context, is to be considered positive, notwithstanding the significant decrease in revenues and margins, both with respect to the initial expectations and compared to the previous year; this reduction is due essentially to the suspension of contracts in Libya, a country where in the course of the year the Company was to have implemented an enormous amount of work.

**COVERAGE RATIO**

The actions undertaken and results achieved during the year have paved the way for the continuation of a positive trend for the Group also for the near future.

The current order backlog guarantees approximately four and a half years of future revenues (Backlog to sales) and the new orders/revenues ratio has always been above one (Book to bill).

**Ansaldo STS: Strong Backlog Build-up in the last 4 years sustained by an above average Book to Bill ratio**

---

**Distribution of direct economic value generated in 2011**

- Operating costs
- Employees - Remuneration and benefits
- Payments to suppliers of capital - dividends and interests
- Payments to the Public Administration - taxes and duties
- Investments in the community
### Income Statement and Balance Sheet

#### Income Statement (EUR 000)

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

(*): as re-determined following the free 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" (net of restructuring costs) less "Work performed by the Group and capitalised”.
- (**) Includes the net amount of "Other operating income" and "Other operating expenses" (net of restructuring costs).

#### Balance Sheet (EUR 000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>129,936</td>
<td>127,632</td>
</tr>
<tr>
<td>Contract work in progress</td>
<td>283,302</td>
<td>216,928</td>
</tr>
<tr>
<td><strong>Trade receivables</strong></td>
<td>680,069</td>
<td>624,808</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(431,851)</td>
<td>(403,133)</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>(706,735)</td>
<td>(657,150)</td>
</tr>
<tr>
<td><strong>Working Capital</strong></td>
<td>(45,279)</td>
<td>(90,951)</td>
</tr>
<tr>
<td>Provisions for risks and charges</td>
<td>(23,136)</td>
<td>(22,417)</td>
</tr>
<tr>
<td>Other net assets (liabilities) (*)</td>
<td>(20,616)</td>
<td>(40,921)</td>
</tr>
<tr>
<td><strong>Net working capital</strong></td>
<td>(89,031)</td>
<td>(154,253)</td>
</tr>
<tr>
<td><strong>Net invested capital</strong></td>
<td>134,462</td>
<td>63,311</td>
</tr>
<tr>
<td>Capital and reserves attributable to equity holders of the Company</td>
<td>423,014</td>
<td>380,411</td>
</tr>
<tr>
<td>Minority interests in equity</td>
<td>1,122</td>
<td>1,050</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>424,136</td>
<td>381,461</td>
</tr>
<tr>
<td><strong>Net financial debt (liquidity)</strong></td>
<td>(289,674)</td>
<td>(318,150)</td>
</tr>
</tbody>
</table>

Notes for reconciling the reclassified Balance Sheet and the Balance Sheet:
- (*) Includes "Income tax receivables", other current receivables from related parties (carried under “Current receivables from related parties”) and "Other current assets" less "Income tax payables", other current payables from related parties (carried under "Current payables to related parties”), "Other current liabilities", except for 8 percent receivables from related parties (carried under "Current receivables from related parties”)

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 portion of EUR 5,929 thousand and in Net Working Capital of EUR 65,222 thousand.

The change in working capital is due to the combined effect of the increase in inventories of work in progress and trade receivables and the rise in trade payables and advances from customers. Specifically, trade receivables increased due to the persistence of some credit positions relating to the Parent Company ASTS.

The Net Financial Position (mainly financial receivables and cash and cash equivalents on borrowings) was EUR 289,674 thousand compared to EUR 318,150 thousand in 2010, down by EUR 28,476 thousand after the payment of dividends of EUR 33,592 thousand, (EUR 30,982 thousand in 2010). It should be pointed out that the financial position at 31 December 2011 (EUR 289,674 thousand) includes EUR 70,643 thousand for the advance collected from the Russian customer Zarubezhstroytechnology for the project for the construction of signalling, automation, telecommunication, power supply, security and ticketing systems on the stretch from Sirth to Benghazi in Libya.
### Intangible assets

#### Values at 31 December 2010

<table>
<thead>
<tr>
<th>EUR (000)</th>
<th>Goodwill</th>
<th>Patents and similar rights</th>
<th>Concessions, licenses and trademarks</th>
<th>Assets under development</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in scope of consolidation</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation and impairment</td>
<td>(225)</td>
<td>(720)</td>
<td></td>
<td>(2,038)</td>
<td>(2,983)</td>
<td></td>
</tr>
<tr>
<td>Other movements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening/closing foreign exchange rate differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer account from work in progress</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassifications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Values at 31 December 2011

<table>
<thead>
<tr>
<th>EUR (000)</th>
<th>Goodwill</th>
<th>Patents and similar rights</th>
<th>Concessions, licenses and trademarks</th>
<th>Assets under development</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in scope of consolidation</td>
<td></td>
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<tr>
<td>Acquisitions</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Capitalizations</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(2,401)</td>
<td>(2,027)</td>
<td>(1,825)</td>
<td></td>
<td>(3,675)</td>
<td>(156)</td>
</tr>
<tr>
<td>Opening/closing foreign exchange rate differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassifications</td>
<td>66</td>
<td>2,737</td>
<td>575</td>
<td></td>
<td>(3,683)</td>
<td>194</td>
</tr>
</tbody>
</table>

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 S.p.A. (EUR 5,735 thousand), mainly referable to the projects started in the context of the wider reorganisation activities at world level (Fast Forward Driven by Business).

Specifically, the increase is attributable to the following projects:

- Implementation of the Group “New Controlling Model” on the new transactional platform SAP ECC 6.0, started in the course of 2009;
- Product Data Management (PDM), regarding the implementation of Team Centers as the only product data management system, integrated with SAP;
- Life Cycle Management (LCM), relating to the implementation of the new Project Planning and Control Model made through SAP / Primavera integration;
- Ansaldo STS Australia PTY Ltd and its subsidiaries mainly for long-term costs linked to software development projects;
- Ansaldo STS France SA 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 80 thousand.

As regards goodwill (EUR 35,067 thousand), they are in line with the value of 2010 (EUR 35,052 thousand). The increase of EUR 15 thousand is due to the effects of the foreign exchange differential for the share attributable to the US subsidiary Ansaldo STS USA.

The overall value of goodwill is to be attributed for EUR 18,520 thousand to the Signalling Business unit and for EUR 16,547 thousand to the Transportation Solutions Business Unit.

### Property, plant and equipment

#### Values at 31 December 2010

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings</th>
<th>Plant and machinery</th>
<th>Equipment</th>
<th>Assets under construction</th>
<th>Other</th>
<th>Leased assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions</td>
<td>29</td>
<td>728</td>
<td>1,190</td>
<td>1,843</td>
<td>1,182</td>
<td>-</td>
<td>4,972</td>
</tr>
<tr>
<td>Capitalizations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>386</td>
<td>-</td>
<td>386</td>
</tr>
<tr>
<td>Sales</td>
<td>(2)</td>
<td>(41)</td>
<td>(13)</td>
<td>-</td>
<td>(151)</td>
<td>(90)</td>
<td>(297)</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>(61)</td>
<td>-</td>
<td>(64)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(2,401)</td>
<td>(2,027)</td>
<td>(1,825)</td>
<td>-</td>
<td>(3,675)</td>
<td>(156)</td>
<td>(10,084)</td>
</tr>
<tr>
<td>Opening/closing foreign exchange rate differences</td>
<td>98</td>
<td>282</td>
<td>17</td>
<td>16</td>
<td>19</td>
<td>(1)</td>
<td>431</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>66</td>
<td>2,737</td>
<td>575</td>
<td>(3,683)</td>
<td>194</td>
<td>-</td>
<td>(111)</td>
</tr>
</tbody>
</table>

#### Values at 31 December 2011

Property, plant and equipment (EUR 93,886 thousand) include the value of the building located in Genoa, at Via Mantovani no. 3/5 16151, owned by the Parent Company Ansaldo STS S.p.A. and acquired in December 2005 by the controlling company Finmeccanica S.p.A. for EUR 62,378 thousand.

Investments for the period came to EUR 5,358 thousand and mainly referable to:

- EUR 1,758 thousand for Ansaldo STS S.p.A. mainly relative to renovation works and to the instrumentation acquired for the Tito factory;
- EUR 1,302 thousand for 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 for Ansaldo STS USA mainly relative to the maintenance of the plants in the Batesburg factory;
- EUR 415 thousand for the 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 differences were positive for EUR 431 thousand.
**Significant transactions and transactions that occurred after the closing at 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 new Honolulu driverless metro line; it will be a 32 km long entirely on flyover tracks along 21 stations; the share of Ansaldo STS 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 2019, up to 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.

**The Governance of innovation**

The history of Ansaldo STS is characterised by the professionalism and passion of the various generations of people dealing with the evolution of new signalling technologies and with the solutions to be adopted in the transportation solutions. The expertise of senior staff (men and women alike) is combined with the enthusiasm and creativity of young engineers, regardless of the economic situation, and the capital structure of the company.

To innovate is a constant principle, in order to both improve what is already known and applied in real terms, and satisfy the needs of the customer and develop new solutions for the benefit of the life of the individual user.

Therefore, Ansaldo STS has always paid particular attention to the Research & Development activities, aimed at identifying and implementing innovative technical solutions and at developing products at the highest quality standards which are essential to operate at international level in markets in a rapid technological progress.

The governance model for innovation adopted by Ansaldo STS involves all of its companies and it links strategies, technologies, products, resources and markets so that the Research and Development activity may be driven by the combination of excellent and distinctive competencies within the Group and the actual needs of its customers.

The matching of internal factors with external evaluations is made systematic by the company's organisational structure through the relationship between the Standard Platforms and Products Unit and the Signalling and Transportation Solutions Business Units.
The main products designed and under development

Over the years Ansaldo STS has been designing and developing products which have made it the leader in the segment of Signalling systems and railway transport and urban rail transport.

Optimizing Traffic Planner™

The OTP is an innovative railway traffic and operation management system which allow, in real time, for the redirection of traffic in order to increase the speed of circulation and optimise the movement of vehicles, by identifying the shortest and more efficient routes for the trains the circulation of which is expected in a certain period of time. The OTP system allows to considerably increase the network capacity, while reducing operating expenses.

ATC (Automatic Train Control) and ATP (Automatic Train Protection) systems

These are automatic train control systems in line with the ERTMS (European Rail Traffic Management System) standards, allow for the control of the safety of the train traffic on the railway, as well as ensure the identification of their position, keeping a safe distance and compliance with speed limits on a continuous basis. The ATC system also includes the driverless function, with different levels of automation. The systems which adopt the ERTMS standards make it possible for the trains to run on the entire European interoperable network without being required to change the engine crew or the rolling stock at the borders, to increase the safety of the national and international traffic and to improve the management of passenger and freight traffic. Ansaldo STS applies the ERTMS standard to the Signalling systems for the High Speed lines in Italy, to the LGV Est line in France, to the Madrid-Lleida line in Spain and to the Saarbrücken-Mannheim line in Germany, as well as to the Signalling systems for the Main lines in Italy, China, India, South Korea, Romania, Greece, Czech Republic, Turkey, Libya, etc.

CBTC - Communications Based Traffic Control

Ansaldo STS is developing the CBTC, which, in line with the international standards, bases the urban railway traffic control activities on Radio communications, in order to allow for the full interoperability on the metro lines between different system/technological operators in the case of maintenance or expansion of existing lines. The control systems installed on board calculate the position of the vehicle and adjust its movement to the authorised limits. Thanks to the communications between the control systems placed in the adjacent area, at the interlocking points and on board, it is possible to safely manage the headways of vehicles and the capacity of the line. Additional advantages relate to:

- the complete systems for central control rooms, on board and round that can be of a "stand alone" type or can be integrated with the existing systems;
- optimisation of the headways of vehicles, only 60 seconds (introduction of the concept of "moving block");
- reduction or elimination of the requirement for track circuits or any other devices to calculate the position of the trains.

Ansaldo STS has already installed this technology on line 3 of the Paris metro, on line 1 of the Chinese metro of Shenyang and Chengdu, while other systems are being designed and, in some cases, are being installed such as the Ankara metro, the Taipei metro and the Copenhagen metro (the last two projects will manage the driverless mode).

Interlocking Platform

Ansaldo STS has implemented new requirements which will render the platform "open" to standard protocols, capable of managing a greater number of trackside equipment, integrating into single central locations safely, diagnostic and traffic management functions capable of representing the best possible response to the increasingly developed requests of the market.

The contribution to research in 2011

The significant contribution given by Research & Development activities to the success and growth of Ansaldo STS Group in the world continued also throughout 2011.

The major results were: the impressive orders acquired, driven by the recently developed products in the railway segment and, in particular, by the ERTMS/ETCS (European Train Control System) Level 2 for High Speed lines, the innovative metro product based on the Communication Based Train Control (CBTC), the interlocking systems, in addition to the innovative products in the Security and Risk Reduction segments.

In the two-year period 2010-2011 some important results were achieved within the signalling of metro systems, both as regards fixed-block systems (based on track circuits) and above all as regards moving-block systems such as the CBTC (Communication Based Train Control), which are characterised by continuous two-way communication between ground and train on secure channels (according to the IEEE 1474-1-2-3 standard).

Significant transactions involved the activation of Line 3 of Paris in the first four months of 2010 with a CBTC system and the activations of two metro lines, in "reduced-functionality" mode, in Shenyang and Cheng Du (China). Furthermore, the abovementioned two-year period saw the acquisition of some metro system projects of a very significant size, with different solutions for the interlocking system:

- Hang Zou Line 1 - CBTC
- X’ian Line 1 - CBTC
- Mumbai Monorail - Monorail system
- Copenhagen CityRing - CBTC Driverless (GOA 4)
- Stockholm Red Line - Migration of an existing system to the CBTC
- Milan Line 4 - CBTC Driverless (GOA 4)
- Honolulu - Track circuit driverless system
- Kolkata Metro - Track circuit driverless system

In the CBTC systems, the on-board systems, which is based on the secure and high-reliable DIVA architecture, shows interesting interoperability characteristics: it has been installed on the metro vehicles of different manufacturers, such as Siemens, Bombardier, AnsaldoBreda, Rotem, etc.

All international tenders launched in the last two-year period in which ASTS participated show an increasingly strong market push towards innovative moving-block solutions (CBTC) which are totally unattended (UTO = Unattended Train Operation) and which are characterized by strong integration, on which ASTS has been working for some years and whose technology is constantly evolving.

In the field of rolling stock control, a new system was designed for the thermal scan of underground carriages: at the request of the Genova underground company, a system was constructed, based on the experience in the railway TCCS - rain Conformity Check System, which allows alarms to be detected on the carriages in transit and the alarm to be associated with the damaged carriage, through the integrated use of linear infrared cameras and TAG RFID readers.

In this sector, activities were started for the development of the centralised management system of monitoring subsystems, with data recording and the integration of measures and alarms with the detected transits. This system will be used in the orders acquired in 2011 and in early 2012 (RFI - train composition detection system, Abu Dhabi, Freight control system, RFI - multi-function portals).

In the security sector, the company completed the development of further functions required for the SMS (Security control system) and started, in agreement with RFI, the project for the protection of a railway line with integrated sensors. The relevant project will be implemented in Sicily, and will be integrated into, and the results will be illustrated in, the Protect Rail project, which involves Ansaldo as leader.

Furthermore, interferometric technologies were explored for uses within the monitoring of railway lines, which will be the object of a proposed innovative testing in the railway sector.

13. For the research projects co-financed by national and European public institutions, see the chapter "Exchange relationships with the community".
Tramwave
In 2011 the pilot Tramwave system, which was installed in Naples for more than 400 kilometres, allowed
the conduct of all necessary tests to consolidate the system. In February 2012 the system obtained the SIL4
certification, attesting to the maximum security and integrity level that can be achieved by a railway and urban
transport system.

At present, the company is waiting to obtain, for the stretch affected by the installation, the pre-operation
authorization from the Ministry of Transport/USTIF (Ufficio Speciale Trasporti a impianti fissi, Special
Fixed-system Transport Office), while tests are regularly conducted which are aimed at monitoring the
performance and availability of the Tramwave system.

The concept of this innovative tram system and the excellent results achieved after the testing arouse great
interest in the Eastern city planners who are looking for public transport systems which are secure,
eco-friendly and with a low environmental impact; for this reason, ASTS has currently proposed the Tramwave
system in a tender in the Middle East and is discussing possible implementations in various developing cities
in China.

Investments in innovation and intellectual property
As 31 December 2011, Research and Development costs, excluding grants, came to EUR 33.9 million
(compared to EUR 34.8 million in 2010) equal to 2.8% of the turnover, with the involvement of over 440
resources. The activities developed by the Signalling Unit, for an aggregate value of almost EUR 32.5 million,
account for 95% of the total.

Ansaldo STS carefully protects its intellectual property, applying, inter alia, for the registration of patents and
trademarks. At 31 December 2011 it held 88 patents and 37 registered trademarks.

Additional 18 patents and 3 trademarks have been applied for and are being assessed.

The Innovation Award of Finmeccanica
The Innovation Award is the symbol par excellence of the investment made by Finmeccanica in people, and
every year it allows to find innovative ideas related to the business areas in which the Group is involved.
This project is based on the idea that at Finmeccanica there is a wealth of expertise, skills and creativity of
the individual persons which is not fully emerged yet but which represents the engine of all of its activities.
The purpose of this award is to express and share the “silent” knowledge not only of the specialist
technicians, engineers, basic research staff, but also of each individual who works in any company unit, and
to transform it in “explicit” knowledge which enhances the individual talent by making it a common asset.

As a company of the Finmeccanica Group, Ansaldo STS actively participates in the Innovation Award.
The company encourages the participation of its employees, and confers an award to the first three projects qualified.
In 2011 about 40 proposals were submitted which were received from the Italian, US and Australian Units.
The winning proposals were:
• the winning project: G-SAE: GNSS Selective Accuracy Enhancer, which proposes some innovative ideas
to increase the Security level (Safe Integrity Level) of satellite localisation solutions applied to railway
signalling;
• first winner ex aequo: High Data Rate Track Circuit Using Advanced Digital Modulation Techniques;
• first winner ex aequo: Decrease of Boarding Time by means of people distribution optimization at station
through vehicle loads analysis.
The Stakeholders of Ansaldo STS

Human Resources
Investor relations
Relations with Customers and markets
Supply chain management
Exchange relationships with the Community
The Stakeholders of Ansaldo STS |

IDENTITY CARD HUMAN RESOURCES

STAFF IN NUMBERS

• 4,100 people in 5 continents and in 27 different Countries
• 96.8% of people employed on a permanent basis

Geographical distribution of employees

PROJECTS AND HIGHLIGHTS

Consolidation of the integrated human resources development model, “HR Integrated Development System”, at worldwide level.

New campaign for the internalization of corporate values based on the importance of the behaviours to be adopted at Ansaldo STS.

The GJS project for the mapping of corporate roles and for the definition of skills of the behaviours to be adopted at Ansaldo STS.

Implementation and consolidation of the integrated evaluation system.

“Values in action” campaign in order to give substance to the importance of behaviour.

Improving performance, efficiency and team spirit in project teams.

SUMMARY OF FUTURE COMMITMENT

• Implementation and consolidation of the integrated evaluation system
• Implementation of initiatives aimed at developing corporate talent
• Project for the inter-institutional co-participation in order to make corporate social responsibility concrete and operational
• “Values in action” campaign in order to give substance to the importance of behaviour
• Improving performance, efficiency and team spirit in project teams.

Human Resources

Personnel management policy

Human resources are an indispensable element for the existence of the company and a crucial factor to successfully compete on the market. Therefore, honesty, loyalty, capacity, professionalism, seriousness and technical expertise are among the determining conditions for the achievement of the objectives of the Ansaldo STS Group and represent the characteristics which are also required of its own directors, auditors and collaborators for any reason.

Starting from the selection process, the Group offers equal job opportunities, guaranteeing equal treatment according to individual skills and expertise.

The staff is hired under a regular employment contract, in compliance with the current laws, collective agreements, internal agreements and regulations. Specifically, the Group does not allow or tolerate any employment relationship - also on the part of external collaborators, suppliers or business partners - which breaches the current regulations governing the employment of minors, women or immigrants. In the development of the employment relationship, the Ansaldo STS Group undertakes to establish and maintain the conditions required to further expand the skills and knowledge of each individual according to these values, applying a policy based on merit recognition and equal opportunities, and providing for specific programmes for professional development and acquisition of greater skills. By reason of this, the employee is required to develop and demand the acquisition of new competencies, skills and knowledge, while executives and department managers must pay the utmost attention to enhancing and increasing the professionalism of their staff.

In pursuing its corporate objectives, the worker must in any case operate in the awareness that ethics represents an interest which is of a primary importance to the Group and that, therefore, no behaviours will be tolerated which, even if they theoretically appear to be aimed at promoting the Group, are in conflict with the law, regulations, the Organisation, Management and Control Model and the Code of Ethics in force (see page 114 for Training on the Code of Ethics).

Headcount and breakdown

The workforce of the Ansaldo STS Group at 31 December 2011 stood at 4,100 people (down by 117 people compared to 2010), broken down as follows14:

<table>
<thead>
<tr>
<th>REGION</th>
<th>2010</th>
<th>% of total</th>
<th>2011</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and Eastern Europe, Middle East</td>
<td>1,570</td>
<td>37.2%</td>
<td>1,583</td>
<td>38.6%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>703</td>
<td>16.7%</td>
<td>650</td>
<td>15.9%</td>
</tr>
<tr>
<td>America</td>
<td>839</td>
<td>19.9%</td>
<td>862</td>
<td>21.0%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,021</td>
<td>24.2%</td>
<td>928</td>
<td>22.6%</td>
</tr>
<tr>
<td>China</td>
<td>84</td>
<td>2.0%</td>
<td>77</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,217</strong></td>
<td></td>
<td><strong>4,100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Compared to 2010, headcount shows an increase in Central and Eastern Europe and the Middle East (increase of 13 workers) and in America (increase of 23 workers). The decrease was recorded in the other Regions, specifically in Asia Pacific, which recorded a decrease of 93 employees, followed by Western Europe (decrease of 53 persons) and China (decrease of 7 persons compared to the previous year).

Compared to the previous year, note a slight increase in the number of women (21.6% of the total) compared to their male colleagues (78.4%).

14. The Regions are defined as follows:
• Central and Eastern Europe and Middle East Region: Italy, Denmark, Finland, Germany, Holland, Romania, Czech Republic, Tunisia, Turkey and Greece.
• Western Europe Region: France, United Kingdom, Ireland, Spain, Portugal and Sweden.
• America Region: USA and Canada.
• Asia Pacific Region: Australia, Malaysia, Taiwan, South Africa, India and Botswana.
• China Region: China, Hong Kong and South Korea.
## Human Resources

### The Stakeholders of Ansaldo STS

In acknowledging the importance of the stability of the job for its own staff, the ASTS Group applies open-ended contracts to 96.8% of its staff. The data reflects the criteria which are closer to the Italian/European laws. The data related to non-EU Countries was attributed to the aforementioned categories according to the principle of the similarity of contracts.

In addition to the 4,100 regular staff, Ansaldo STS also employs 95 temporary workers (73 in 2010), 37 workers with a project contract (co.co.pro. or contratto di lavoro a progetto) (28 in 2010), 27 trainees (43 in 2010) and 222 staff employed with contracts of different categories applicable in the different countries where the Group is active (404 in 2010). The breakdown of staff by professional category at Group level is the following:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of total</td>
<td>Total</td>
<td>% of total</td>
</tr>
<tr>
<td>Higher mgmt</td>
<td>118</td>
<td>2.8%</td>
<td>114</td>
<td>2.7%</td>
</tr>
<tr>
<td>Middle mgmt</td>
<td>539</td>
<td>12.2%</td>
<td>502</td>
<td>12.8%</td>
</tr>
<tr>
<td>White collar</td>
<td>3,008</td>
<td>72.4%</td>
<td>2,666</td>
<td>71.3%</td>
</tr>
<tr>
<td>Blue collar</td>
<td>552</td>
<td>12.6%</td>
<td>518</td>
<td>13.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,217</td>
<td></td>
<td>4,100</td>
<td></td>
</tr>
</tbody>
</table>

Compared to 2010, the pyramid by professional category showed a narrowing in the upper part, i.e. higher management, passing from a value in terms of percentage of the total staff equal to 2.8% to 2.7% and an increase in the lower part, i.e. blue collars (from 12.6% to 13.1%).

In absolute terms, compared to 2010, the breakdown shows a decrease of 4 higher managers, of 37 middle managers, 42 white collars and 34 blue collars.

The breakdown of staff by educational qualification at Group level is the following:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of total</td>
<td>Total</td>
<td>% of total</td>
</tr>
<tr>
<td>Technical High school</td>
<td>979</td>
<td>23.2%</td>
<td>872</td>
<td>21.3%</td>
</tr>
<tr>
<td>Other High School</td>
<td>711</td>
<td>16.9%</td>
<td>684</td>
<td>16.7%</td>
</tr>
<tr>
<td>Technical graduated</td>
<td>1,860</td>
<td>44.1%</td>
<td>1,824</td>
<td>44.5%</td>
</tr>
<tr>
<td>Other graduated</td>
<td>496</td>
<td>11.8%</td>
<td>499</td>
<td>12.2%</td>
</tr>
<tr>
<td>Other education*</td>
<td>171</td>
<td>4.1%</td>
<td>221</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,217</td>
<td></td>
<td>4,100</td>
<td></td>
</tr>
</tbody>
</table>

* The reference scheme, compared with the Italian one, could be the following:
  - Technical Graduates - "laureati in discipline tecniche" (mainly engineering); Other Graduates - "laureati in discipline non tecniche" (in humanities, for instance);
  - Technical High School - "diplomati in discipline tecniche" (perito elettronico, qualified electronics technician, for instance); Other High School - "diplomati in discipline non tecniche" (liceo, for instance);
  - Other education - "titoli di studio inferiori al diploma" (lower secondary school, for instance).

### The Stakeholders of Ansaldo STS

The breakdown of staff by age at Group level is the following:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of total</td>
<td>Total</td>
<td>% of total</td>
</tr>
<tr>
<td>&lt; 30</td>
<td>633</td>
<td>15.0%</td>
<td>586</td>
<td>14.3%</td>
</tr>
<tr>
<td>30-35</td>
<td>905</td>
<td>21.5%</td>
<td>776</td>
<td>18.9%</td>
</tr>
<tr>
<td>36-40</td>
<td>586</td>
<td>13.9%</td>
<td>619</td>
<td>15.1%</td>
</tr>
<tr>
<td>41-45</td>
<td>471</td>
<td>11.2%</td>
<td>463</td>
<td>11.3%</td>
</tr>
<tr>
<td>46-50</td>
<td>588</td>
<td>13.9%</td>
<td>543</td>
<td>13.2%</td>
</tr>
<tr>
<td>&gt; 50</td>
<td>1,034</td>
<td>24.5%</td>
<td>1,113</td>
<td>27.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,217</td>
<td></td>
<td>4,100</td>
<td></td>
</tr>
</tbody>
</table>

The overall average age of employees is 41 years, for both men and women.

Compared with 2010, there is a decrease in the number of collaborators in the two younger age brackets, (under 30 years, down by 47 people, and between 30 and 35 years, down by 129 people) and in the age bracket between 46 and 50 years (down by 45 people); at the same time, an increase of 33 people was recorded in the age bracket between 36 and 40 years and an increase of 79 people was recorded in the number of workers over 50.

### The Stakeholders of Ansaldo STS

The breakdown of staff by length of service at Group level is the following:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of total</td>
<td>Total</td>
<td>% of total</td>
</tr>
<tr>
<td>&lt; 5 years</td>
<td>1,875</td>
<td>44.5%</td>
<td>1,585</td>
<td>38.7%</td>
</tr>
<tr>
<td>5-10 years</td>
<td>1,090</td>
<td>25.8%</td>
<td>1,126</td>
<td>27.5%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>202</td>
<td>4.8%</td>
<td>310</td>
<td>7.6%</td>
</tr>
<tr>
<td>16-20 years</td>
<td>184</td>
<td>4.4%</td>
<td>190</td>
<td>4.6%</td>
</tr>
<tr>
<td>20-25 years</td>
<td>351</td>
<td>8.3%</td>
<td>327</td>
<td>8.0%</td>
</tr>
<tr>
<td>&gt; 25 years</td>
<td>515</td>
<td>12.2%</td>
<td>562</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,217</td>
<td></td>
<td>4,100</td>
<td></td>
</tr>
</tbody>
</table>

The length of service in the company is just under 11 years, as that of the male gender, while that of the female gender is just under 10.

The Ansaldo STS Group grants - in accordance with technical and organisational requirements - part-time work procedures. In this regard, 88 part time workers - of which 78 women - (which were equal in number compared to the previous year, as it can be inferred from the table) were recorded in 2011.
Given the decrease in the workforce, part-time female workers passed from 86% in 2010 to 88.6% in 2011.

Below is the table reporting the changes in human resources within the Ansaldo STS Group in 2011:

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>2011 Increases</th>
<th>2011 Decreases</th>
<th>2011 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and Eastern Europe, Middle East</td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>Western Europe</td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>America</td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>China</td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>TOTAL</td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
</tbody>
</table>

Note a reduction of 7.5% in the total number of employees in Western Europe due to the closure of the Irish plant.

The parental leave

In 2011 the parental leave was taken by 2 men in Spain (both of which have returned to work after the leave and are still present in the company) and 8 women in France (3 of which are employed on a full-time basis and 5 are employed on a part-time basis). Only one of them has returned to work from maternity leave and in 2011 she resigned.

In Asia Pacific, in 2011 the parental leave was taken by 10 women. 8 of which have returned to work after the leave (for none of them more than 12 months are passed from their return), only one of them has returned to work on a part-time basis (60%).

In China, in 2011 the parental leave was taken by 3 women and 2 men. After more than 12 months from the end of the leave, all 5 employees have returned to work, with the same salary and the same professional role after 12 months.
People with disabilities and mobility schemes

As regards policies for the inclusion of disabled people in the workforce, it should be borne in mind that such policies fall within the framework of a programme defined at European level by social inclusion policies.

In Italy, the issue of integrating disabled citizens or citizens belonging to protected groups into the employment market is governed by Law no. 68 of 12 March 1999, the first result of which was the recognition of the dignity and social value of the disabled person through his/her effective inclusion in the labour market. Disregarding the concept of "mandatory" inclusion, as provided for in the previous law (Law no. 482/1988), Law no. 68/99 introduces the key concept of "targeted" employment, defined in article 2 as "a set of technical and support tools which make it possible to adequately assess disabled people in their work abilities and to introduce them to the right position, by means of an analysis of jobs, forms of support, positive actions and solutions to the problems related to environments, tools and interpersonal relations in the daily workplace and in the areas dedicated to contact and relationship".

In order to comply with the provisions under Law no. 68/99, companies are required to employ a percentage, as set by the law itself, of staff belonging to protected groups. Specifically, in Italy the percentage of disabled people required by law, in the case of companies of the same size of our company, is 7%. In 2011, the Central and Eastern Europe and Middle East reported, in its staff, 35 disabled men and 14 disabled women, 2.7% and 5%, respectively, with respect to the obligation prescribed by law.

In France, the percentage required by law is 6%. In the Western Europe Region, 2011 reported a number of disabled people of 4 men and 5 women, 0.75% and 3%, respectively.

In Spain the percentage required by law is 2% and the Law also provides for the possibility of suspending these requirements in case of particular needs (for instance, restructuring plans) and of entering into agreements for the gradual and deferred employment of staff belonging to these categories. Should it be impossible to comply with the provisions of the Law for reasons which are objectively documented, such as difficulties in finding the right profiles of skills and expertise for the specific environment of ASTS, the law provides for the payment of an economic contribution additional to that normally payable.

In the United States, the EEO (Equal Employment Opportunity) Act is based on non-discrimination, providing for obligations to employ candidates belonging to protected groups or who are disabled. In the absence of any collective labour agreements which govern employment relationships, each individual employee negotiates the conditions of his employment on an individual basis. There are, however, supervisory and worker-protection bodies: EEOC - Equal Employment Opportunity Commission (see the following page), and FLSA - Fair Labour Standard Act (see the following page).

In Australia, India and Malaysia the situation for the employment of people with disabilities is similar to that of the USA. In Malaysia, the government also offers incentives for the employment of people with disabilities, but there is no legal requirement.

In China (Beijing), the percentage required by law is 1.7% with additional economic contributions similar to those applied in Europe, where it is difficult to comply with requirements. Also in 2011, China regularised the position on people with disabilities with additional economic contributions.

Pay and incentive schemes

The Ansaldo STS Group manages the employment relationship with its employees in accordance with the provisions of law applicable in the different countries where it is active.

Below is a brief summary of the main relevant legislative/regulatory frameworks:

ITALY

The employment relationship is governed by the Constitution, the Civil Code and Special Laws, national collective labour agreements (CCNL) and the European Union laws. Ansaldo STS applies the CCNL related to the engineering industry and the CCNL for Managers of companies producing goods and services, which provide for standard minimum economic/regulatory conditions for all the contractual categories. In addition, supplementary company agreements (excluding managers) negotiated with the Trade Unions are also applied, which provide for more favourable conditions for employees.

UNITED STATES

There are no collective labour agreements regulating the employment relationship. Each employee individually negotiates his/her terms of employment. There are, however, supervisory and worker-protection bodies:

- EEOC - Equal Employment Opportunity Commission, This federal Commission ensures equal employment opportunities (no discriminations on grounds of religion, gender, age, disability, etc.);
- FLSA - Fair Labour Standard Act: this federal standard regulates child labour, overtime and minimum wages. These same subjects are also regulated internally in each State according to the specific needs of the individual State. All of these rules are brought to the attention of the employees through posting in conspicuous places.

FRANCE

There are collective agreements with the trade unions, both at national level (Conventions Collectives) and at company level. The “Conventions Collectives” define the minimum wage for each category and the main working conditions (levels, trial periods, notice periods, etc.). The working conditions defined in the individual agreement may be better, but never worse, than the conditions defined by the general labour laws.

In addition, the law requires an annual second-level negotiation with the trade unions as regards remuneration, term of contract, equal opportunities between men and women, disabled people, training and development. The French law protects human rights, equal opportunities, child labour, freedom of association, privacy, etc.

SPAIN

Spain also applies collective agreements with the trade unions, both at national level in relation to all workers and at regional level. The working conditions defined in the individual agreement may be better, but never worse, than the conditions defined by the general labour laws.

Spanish laws specify more in detail what is already sanctioned in the Constitution as regards equal opportunities, non-discrimination at the workplace, freedom of association, bargaining units, employment of minors, maternity, identifying specific benefits for working mothers.

AUSTRALIA

There are no national collective agreements. The employee individually negotiates his/her contact, which must comply with the minimum legal requirements. As regards human rights, laws are applied:


These laws are expressly referred to in internal procedures.
As regards blue collars, there is a collective company agreement negotiated with the trade unions.

As regards remuneration, the main reference is the Fair Work Act which establishes how the minimum salary is to be determined with reference to the work performed. The following instruments are used:
- Pay scale - i.e. salary ranges determined at national level by type of work within a specific industry;
- Federal Minimum Wage - i.e. a minimum salary level established by government authorities for those industries for which there are no pay scales;
- Workplace Agreement - i.e. the individual employment contract, which may in no case be lower than the pay scale or the Federal Minimum Wage;
- Enterprise Agreement - i.e. a supplementary agreement entered into between the company and the bargaining agents.

The remuneration of blue collars is then defined by the supplementary agreement which is automatically applied. Therefore, this category is excluded from the annual salary review process.

ASTS Australia holds a competitive position on the market and guarantees higher remuneration than the average ones. In 2011, the Australian Bureau of Statistics reported changes in the salary trends equal to 3.2% in the private sector and 3.8% in the public sector.

### Equity of pay

The Ansaldo STS Group periodically carries out the assessment (fine tuning) of the most important organisational positions, making use of specialist companies in the industry, and compares the remuneration of the persons holding such positions, under similar conditions in terms of the weight of the position, with the relevant market.

In case of any misalignment with the market (and, obviously, in case of a positive judgment on the individual performance), pay adjustments are made. These pay adjustments are concentrated during the period of the salary review, except for specific actions which may be taken during the year due to promotions or for needs linked to the retention of the resource.

Sometimes, the identification of a panel of specific companies which avail themselves of professional profiles similar to those of ASTS, is aimed at comparing and, possibly, aligning the pays of some types of resources of ASTS who are particularly crucial and valuable resources for the purposes of the business, with those of potential competitors for the purpose of limiting the risks of retirement and consequent dispersion of competence. In these cases, the salary ranges resulting from the panel of the companies selected may be then higher than the general market references for the professional profiles required, thus ensuring remuneration levels usually higher than the average to such category of employees of ASTS.

The weight of the position held is directly proportional to its complexity, which is assessed based on three parameters: the required competence, the problem solving and the economic or numerical dimension.

In 2011 about 200 positions were fine-tuned, at worldwide level, by also using the findings of the GJS project. If necessary, the activity will also continue in 2012 in relation to organisational developments (if any). After the process, pay adjustments were made, to a more limited extent than in the past, both in accordance with the above provisions and consistently with the financial and economic trend.

In 2011, in addition to the periodical reviews of the positions, ASTS extended the fine-tuning activities also to the lower levels of the structure using the results of the “Global Job System”15, which involved about 3,000 resources of the corporate staff. This represents a useful tool in assessing the consistency between responsibilities assigned and remuneration worldwide, with no distinction as regards to country, gender, culture etc., in compliance with the values of the company which protect and promote fairness between people under any circumstances.

The table below reports the average gross remuneration paid by the Ansaldo STS Group as broken down by category and gender:

<table>
<thead>
<tr>
<th>Category</th>
<th>Central and Eastern Europe (€/000)</th>
<th>Western Europe (€/000)</th>
<th>America ($ USA/000)</th>
<th>Asia Pacific ($ AUS/000)</th>
<th>China (Renminbi/000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M. W.</td>
<td>M. W.</td>
<td>M. W.</td>
<td>M. W.</td>
<td>M. W.</td>
</tr>
<tr>
<td>Higher mgmt</td>
<td>113 78</td>
<td>108 101</td>
<td>214 147</td>
<td>226 146</td>
<td>1,025 70</td>
</tr>
<tr>
<td>Middle mgmt</td>
<td>50 47</td>
<td>76 71</td>
<td>127 104</td>
<td>128 89</td>
<td>1,560 888 60</td>
</tr>
<tr>
<td>White collars</td>
<td>34 33</td>
<td>45 40</td>
<td>80 63</td>
<td>75 58</td>
<td>10,812 4,305 90</td>
</tr>
<tr>
<td>Blue collars</td>
<td>25 25</td>
<td>23 21</td>
<td>39 35</td>
<td>41 49</td>
<td>57 00</td>
</tr>
</tbody>
</table>

15. The Global Job System represents the structure of the role and competence system of Ansaldo STS. This project originates from the need to map the entire system of roles, competences and skills, which makes up the new organisational structure of Ansaldo STS, in a structured and uniform manner at global level, thus helping to support transition of Ansaldo STS from a “constellation” of companies to a worldwide integrated “single company”. The project outputs for each of the professional families will be: mapping of the present jobs (Family Backbone); details of responsibilities, missions, competences and skills relating to each job (Work Levels); a model of organisational behaviour throughout all the professional families (Competency Model); a dictionary of specific technical skills for each professional family (Skills Dictionary); the identification of structured career plans within any professional family, the association of all Ansaldo STS employees with a work level.
Variable incentive plans

The variable incentive plans are mainly linked to the “management by objectives” process (MBO) or to specific performance indicators (KPI) of strategic projects, upon achievement of which bonuses are granted.

They are applicable to executives, some middle managers of “key” importance to the business, or to team staff working on strategic projects. The bonuses, which are granted in terms of percentage of the gross annual remuneration (RAL, Retribuzione Annua Lavoro), vary according to the position held.

As regards the remaining workforce, when included in structured Performance Management systems (see page XX), bonuses are granted which are of a more limited amount for those performances considered as high. In accordance with the regulations laid down for listed companies, ASTS is provided with a Remuneration Committee which has been set up by a resolution passed by the Board of Directors of the Ansaldo STS Group (see page XX). The Committee meets regularly and the Human Resources Manager also attends its meetings.

The duties of the Committee are as follows:

• to propose the economic/ regulatory treatment of the CED and of executives with strategic responsibilities, who will be identified in 2012. For this purpose, it avails itself of the market surveys carried out by Companies expert in this field which can provide an appropriate benchmarking;
• to assess the proposals of the CED on the general remuneration and incentive criteria for the managers of the Company.

The Committee has also reviewed and approved a document prepared by the HR Management which is aimed at positioning all of the members of the Group management into a performance/potential matrix, with the purpose of also taking into account, in determining the remuneration, the impact of replacing the individual and of moving him/her to other positions, etc..

The fixed and variable incentive schemes are, then, defined consistently with the position held, the importance of such position and the positioning of the individual manager into the aforementioned matrix. Similar assessments are also made for those who are eligible for the stock-grant plan (medium-term plan).

The variable incentive plans are mainly linked to the “management by objectives” process (MBO) or to specific performance indicators (KPI) of strategic projects, upon achievement of which bonuses are granted.

Employee benefits

The Ansaldo STS Group has a very structured policy for managing the initiatives in favour of the employees. This policy includes a set of benefits whose grant and use vary according to the professional categories and the social and cultural peculiarities of the country of residence of the employee. Below are reported a list and a brief description of the main benefits and initiatives for the employees provided for by the Group policy.

Company health insurance

The Ansaldo STS Group Italy provides its employees with medical assistance additional to that provided by the healthcare systems in the various countries where the employees of Ansaldo are resident. These policies cover a number of medical needs (e.g. specialist examinations, hospitalisation, medical services, etc.) and are diversified according to the professional category of the employee (executive and middle manager have different refund limits). It is up to the employee to decide whether to take out these additional policies, and, in the case of signing, he/she pays a monthly contribution for the registration, which is deducted from the pay, while the remaining amount for the policy is charged to the company. The same policy is provided in France, Spain and USA and covers the entire spectrum (executives, middle managers, white collars and blue collars), whereas it is not contemplated in China. Recently, the “Medical Insurance” policy was adopted in Saudi Arabia for those employed locally on a permanent basis.

Check Up

The Ansaldo STS Group Italy provides for the possibility of having an annual medical check-up for executive staff whose costs are fully borne by the company. It is provided for all employees in China, while it is not provided in Australia, France and USA. In Spain the annual medical check-up for all employees is required by law. The Spanish employees may refuse to carry out the check only if their professional role does not involve risks for health.

Company accident insurance

The Ansaldo STS Group Italy provides its employees with an occupational and non-occupational accident insurance policy that covers employees’ accidents both at work and outside 7 days a week and 24 hours a day. The costs of this policy, which covers the entire staff, are fully borne by the company. The same policy is provided in France, Australia and in China where it is provided to all white collars, while it is not granted in the USA, as it is included in the Company Life Insurance.

Abroad travel insurance, e.g.: Europe Ass

The Ansaldo STS Group Italy, France, Australia and USA provides its employees with an accident insurance policy which covers any accidents and first aid needs for the employees working abroad (either on a business trip or seconded). The costs of this policy are fully borne by the company. This policy is not provided in China.

Company Life Insurance

The Ansaldo STS Group provides its employees with a life insurance policy. The costs of this policy are fully borne by the company. In France the policy includes the insurance covering staff during the sickness period and a life insurance policy for all employees. This policy is intended for the executives of Ansaldo STS Italy, the executives and all full-time white collars working in USA (Company Life Insurance, Accidental death & dismemberment & LTD Insurance); it is also provided in France, but not in China and Australia.

Company Car

The Ansaldo STS Group provides its employees with a company car (through a formula which is similar to leasing). The car may be assigned for multipurpose use, i.e. it may be used by both the employee and his/her relatives/next of kin, subject to prior notice to the company. The employee pays a monthly contribution and the company pays the difference. Company cars may be assigned to executives and middle managers of a high profile working for Ansaldo Italy and Spain, and to the executives of ASTS USA. It is provided in France, in Australia and in China.

Fuel Allowance

The Ansaldo STS Group provides its employees with a fuel allowance up to an annual limit, which may be used for car refuelling. The costs of this benefit are borne by the company. This benefit may be assigned to executives working for Ansaldo Italy. It is provided in France and Australia but it is not granted in Spain, USA and China.
Company Housing
The Ansaldo STS Group will make housing arrangements for those employees working on secondment for medium-to-long-term periods. The costs of this arrangement are fully borne by the company. This benefit is available to the employees of Ansaldo STS Italy and to all the staff working in USA, China and Australia, but not to the French staff.

Professional membership allowance
The Ansaldo STS Group offers its employees the possibility to join professional associations (e.g., the register of engineers). The costs of this registration are fully borne by the company. This benefit may be granted to executives in ASTS Italy and to the entire workforce in USA, but it is not provided for ASTS Australia and ASTS France (where the benefit is provided on a case by case basis).

Corporate credit cards and banking arrangements
The Ansaldo STS Group Italy offers its employees the possibility to get, under concessional terms, a corporate credit card linked to the current account of the employee, but which is regulated by the terms and conditions agreed between ASTS and the credit institution. The credit cards available to the employees of ASTS are Visa and Master Card. The costs for the Visa card are fully borne by the company, whereas the employee contributes to a small portion of the costs charged by American Express. ASTS also offers its Italian employees the possibility to open current accounts under concessional terms with selected banks. Furthermore, bank branches and ATMs are located at some of the main offices of Ansaldo STS which allow the employees to benefit from a better and more efficient performance of the main banking services. These arrangements are also applied by ASTS USA, but they are not applied by Ansaldo STS Australia, China. In Spain and France the credit card, which is linked to the current account of the employee, is granted only to staff who travel frequently for business purposes and exclusively covers expenses documented by supporting documents.

Canteen and break area service
The Ansaldo STS Group Italy, France and Australia - this is not applied in China and Australia - provides a canteen service at all of its main offices (e.g.: Genoa, Pittsburgh, Les Ulis, Tito, Riom, etc.). In Italy the employee contributes to pay the canteen costs through a deduction from his/her wages sheet, whereas in the other countries he/she pays such costs directly when using the canteen services. This service is provided under concessional terms which are regulated by the agreements entered into between ASTS and the companies that run the canteens. Many offices of ASTS (e.g.: USA, Australia, etc.) are provided with break areas where the employee may have hot drinks (e.g.: coffee, etc.) and other facilities (e.g.: use of microwave oven, refrigerator etc.) free of charge.

Recreation Centres
The employees of the Ansaldo STS Group Italy have created some recreation centres also known as CRAL. They represent a free association of workers and are structured in the form of a real entity independent from the company. The employees who join the CRAL association will pay a fee deducted from their pay envelope. The members of the CRAL association may participate in a number of activities (sports or other), take advantage of discounts at partner shops (bookshops, opticians, etc.) and periodically receive gadgets. No agreements are in place with ASTS France, USA and Australia.

Sport Initiatives
The Ansaldo STS Group Italy offers the possibility of taking part in the events of the Finmeccanica Group, such as the football tournament and skiing competitions organised by the employees of the different Group companies on an annual basis. Ansaldo STS also provides its Italian employees with the opportunity to participate in motorcycle gatherings. Similar initiatives are taken in USA and France, but not in China and Australia. Moreover, in the USA a gym has been created within the company building, fully equipped and free of charge for all employees. In China an agreement was entered into for the participation in the Badminton Tournament of the employees.

Transportation agreements
The Ansaldo STS Group has entered into a number of agreements with transport operators (e.g. the “consorzio unico Campania”, the French railways, etc.). The relevant subscriptions may be purchased by the employees under the concessional terms negotiated by Ansaldo STS. The cost of the subscription is deducted monthly from the wages sheet of the employee. Favourable agreements were entered into also in China for transport through American Express or for specific international flights.

Benefit plan obligations
The Ansaldo STS Group manages the Pension Schemes with its employees in compliance with the laws applicable in the different countries where it is active.
AUSTRALIA
In Australia the Pension Scheme is defined as Superannuation, a sum of money set aside during the life of an employee, starting from the beginning of the employment relationship, to cover the future pension. Ansaldo STS pays the pension funds, on behalf of the employees, calculated as a percentage of the Annual Fixed Remuneration (the percentage defined by the Australian Taxation Office is currently 9%) and pays the pension fund directly to the provider selected by the employee. Employees are encouraged to increase the contributions to their pension funds also through the opportunity to benefit from a government grant.

The temporary residents who have left Australia may require the payment of their Superannuation.

INDIA
1. Pension Fund:
   contributions to the pension fund are equal to 12% of the basic salary of the employee to which a further 12% of the basic salary must be added, paid by Ansaldo STS. These contributions are deposited in a current account of the employee opened with a Pension Fund, and will be returned to the worker upon retirement, through monthly pension payments, plus accrued interest.

2. Superannuation:
   15% of the basic salary of the employees is deposited with the Life Insurance Corporation of India through the Superannuation Trust Fund. This amount will accrue interest and, upon retirement, the employees will be entitled to elect to receive a pension amount based on different terms of payment.

MALAYSIA
In Malaysia, Pension Schemes are defined in a Pension Fund for the Employees (EPF), set up with the contributions of the workers by means of a deduction from the monthly salary of the employee (at least 11%) and through the contributions of the employer (at least 12%), both of them accumulated during the working life of the employee.

SPAIN
In Spain, all of ASTS employees have a supplementary pension fund “Plan de Previsión Social Empresarial” (PPSE), which is completely similar to regular pension schemes and is regulated by Spanish law. This is an important social benefit, a decision taken by the company to take care of its employees.

The contributions to the PPSE are paid by the company only and not by the employees. The amount of the contributions is set ensuring a minimum contribution for all the employees, also taking into account the basic salary of each employee. By way of example, in 2011 the annual contribution paid by Ansaldo STS Spain to the PPSE was equal to EUR 42,600.

FRANCE
In France, different pension regimes exist depending on the classification of the workers in the national labour agreement. There is nothing specific for Ansaldo STS France.

In the French system, pensions are funded directly with the contributions of the employees and employers through basic regimes (CNAVTS) and supplementary combinations (AGIRC ARCCO).

USA
Ansaldo STS USA offers a Benefit Pension Plan the responsibility of which is assumed directly by the worker, who is consequently required to manage the relevant funds. ASTS has no segregated account to guarantee the relevant funds. For each employee, the deduction from the salary is equal to 2% regardless of whether he/she contributes to any of the Pension Funds. Furthermore, if the employees defer any payments, ASTS shall pay 100% of the first $250 and 50% of the following 6% being deferred.

This type of Pension Scheme is significantly different from the traditional one.

People care
The concept of “People Care” has a very broad meaning for the Ansaldo STS Group and is applied to the concept of "well-being" of the worker both as a professional and as an individual. The basic concept is linked to the "Total Reward" strategy, which is based on tangible and intangible aspects, capable of improving the satisfaction of the people. It is not a coincidence, in fact, that "People" is one of the 5 values selected by the Group as the symbol of its "identity": the concept of people “at the heart” of the organisation implies the attention paid by the company to making the working environment a place where experiences, competencies, relationships and motivation may be developed on a continuous basis.

The attention to people at Ansaldo STS is expressed primarily in ensuring a comfortable and motivating working environment by actively supporting, through the corporate processes in place, the relationship between managers and employees and between colleagues. Furthermore, various services are available in different countries, which are dedicated to the employees and sometimes they are extended to their families.

Flexibility of working hours, agreements with commercial and sports facilities, benefits such as health insurance (for some categories) and mobile phones, Family Open Days, education allowances for employees are some of the tools already implemented. Other initiatives aimed at the employees will be developed in the coming years in order to strengthen the sense of belonging to the company and the motivation. Starting from 2013 a health policy will be extended gradually to all employees.

Recruitment and selection
Globally, 2011 was a year of consolidation of the recruiting procedure issued in 2010 and applied to all the Major Entities in the Group.

Both the new procedure and the new support tool have proven to be very useful to be able to oversee the selection process and to create a single database at worldwide level. In 2011, many initiatives were started which strengthened even more the effectiveness and use of the tool. Some of the actions taken in 2011 will impact 2012 in terms of rationalization of the providers used for selection at worldwide level (framework agreements) and the subsequent acquisition of the Vendor module within the tool itself (the Vendor module only includes those providers that have a framework agreement).

2011 was also the year when the company started to use the Internal Job Posting tool in Italy, in a more standardised manner, and the year of acquisition of the IP section on the recruiting tool. This tool has allowed us to centrally supervise the movement of resources and, while providing all the Major Entities with a single system where it is possible to store all the IPAs made and to trace the internal selection path.

Numerous relationships are constantly in place with the local Universities, an excellent tool to encourage Partnerships between the Company and Universities and the use of temporary work and head hunting agencies, although in a much more careful manner than in the past, thanks to the use of the recruiting tool databases.

In 2011 the following employment agreements were entered into by the Ansaldo STS Group as a whole (this data refers to the number of employment agreements which became effective in 2011, and not to the number of hires):
9 executives, 9 middle managers, 497 white collars and 37 blue collars.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher mgmt</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Middle mgmt</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>White collars</td>
<td>497</td>
<td>327</td>
</tr>
<tr>
<td>Blue collars</td>
<td>37</td>
<td>63</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>552</strong></td>
<td><strong>423</strong></td>
</tr>
</tbody>
</table>
It should be pointed out that in the Asia Pacific Region the employment agreements entered into with female staff significantly increased (29 agreements in 2010 against 83 in 2011), although the volume of employment agreements is indicatively in line with that of 2010. The table below illustrates the number of employment staff:

<table>
<thead>
<tr>
<th>Year</th>
<th>Central and Eastern Europe, Middle East (€/000)</th>
<th>Western Europe (€/000)</th>
<th>America ($ USA/000)</th>
<th>Asia Pacific ($ AUS/000)</th>
<th>China (Remminbi/000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>28 9 4</td>
<td>4 69 10</td>
<td>40 26</td>
<td>0 2</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>36 1 4</td>
<td>4 20 5</td>
<td>65 30</td>
<td>0 0</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>9 3 9</td>
<td>0 20 5</td>
<td>46 18</td>
<td>0 0</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>62 2 2</td>
<td>0 21 2</td>
<td>39 9</td>
<td>0 0</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>78 15 24</td>
<td>8 130 22</td>
<td>190 83</td>
<td>0 2</td>
<td></td>
</tr>
</tbody>
</table>

As regards recruitment procedures for people resident in the local community, it is important to point out that the ASTS Group privileges employees resident locally if the working activities in question need to be carried out locally. Conversely, in view of the internationalisation of the activities and of the business of ASTS, staff, including senior management, is hired worldwide and based on the specific expertise required.

**Training and development**

The market scenarios, which significantly changed during the last two years, see the Ansaldo STS Group facing commercial, technological and managerial challenges which call for organisational and management actions capable of redirecting the corporate culture, of adjusting its professional system and updating its distinctive skills. In this framework, professional, managerial and specialist training has represented, and will represent, even more in the future, a key lever to enhance human resources and adapt their skills to the contexts offered by the market, through the search for a continuous improvement of the quality standards of training activities.

The basic approach is to translate the strategic objectives of the company into consistent operating procedures, through the development of “core” skills, on one hand (which are necessary to allow the control over working activities), and, on the other hand, through the requirement to comply with the distinctive values from a managerial point of view.

The investment in training, which is also made in line with the initiatives promoted by the Corporate area of Finmeccanica, is developing through initiatives related to four main areas of issues:

- regulatory training;
- language training;
- managerial training;
- technical-specialist training.

These types of training are in part cross-sector, in that they are aimed at different targets, especially where they deal with the compliance with specific regulations and updates of common interest, and in part are specific to functions, where they are focused on developing specialist skills.

In addition the Group offers specific training initiatives dedicated to certain categories of the company’s workforce, such as executives, middle managers under development and young people with potential, ensuring paths functional to the career development or to the enhancement of the skills necessary to control the responsibilities linked to the role.

Below is a summary of the training hours broken down by Region of the ASTS Group, professional qualification and training categories:

**Number of training hours by professional category**

<table>
<thead>
<tr>
<th>Professional Category</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>69,876</td>
<td>78,157</td>
</tr>
<tr>
<td>General Management</td>
<td>15,954</td>
<td>24,000</td>
</tr>
<tr>
<td>Technical and Specialist</td>
<td>22,000</td>
<td>35,456</td>
</tr>
</tbody>
</table>

**Number of training hours by Region (%)**

- Central and Eastern Europe, Middle East: 22%
- Western Europe: 32%
- America: 12%
- Asia Pacific: 22%
- China: 5%

**Training costs 2011**

<table>
<thead>
<tr>
<th>Category</th>
<th>Central and Eastern Europe, Middle East</th>
<th>Western Europe</th>
<th>America</th>
<th>Asia Pacific</th>
<th>China</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial training</td>
<td>103,464</td>
<td>-</td>
<td>28,349</td>
<td>64,003</td>
<td>4,104</td>
<td>302,334</td>
</tr>
<tr>
<td>Mandatory/institutional training</td>
<td>-</td>
<td>28,229</td>
<td>-</td>
<td>40,506</td>
<td>-</td>
<td>68,735</td>
</tr>
<tr>
<td>Human rights and ethical aspects</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Language training</td>
<td>265,061</td>
<td>97,836</td>
<td>7,419</td>
<td>3,556</td>
<td>3,034</td>
<td>380,905</td>
</tr>
<tr>
<td>Refresher training</td>
<td>18,000</td>
<td>9,480</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,480</td>
</tr>
<tr>
<td>EHS, Quality</td>
<td>21,355</td>
<td>5,482</td>
<td>-</td>
<td>13,675</td>
<td>-</td>
<td>40,512</td>
</tr>
<tr>
<td>Technical and specialist training</td>
<td>145,499</td>
<td>170,711</td>
<td>175,988</td>
<td>195,852</td>
<td>1,800</td>
<td>689,850</td>
</tr>
<tr>
<td>Other</td>
<td>100,000</td>
<td>70,200</td>
<td>91,400</td>
<td>7,466</td>
<td>-</td>
<td>269,066</td>
</tr>
<tr>
<td>TOTAL</td>
<td>657,379</td>
<td>484,353</td>
<td>303,156</td>
<td>325,058</td>
<td>8,938</td>
<td>1,778,882</td>
</tr>
</tbody>
</table>

It should be stressed that the company attaches importance to the technical and specialist training in line with the corporate mission and, then, to the language training, largely due to the multiculturalism and internationalization of the company (which will continue to be a strategic activity in which ASTS will invest, also in terms of increasing international leadership and partnerships with multicultural teams).
TRAINING ON THE CODE OF ETHICS

The Ansaldo STS Group promotes and constantly supervises the knowledge of the Code of Ethics, the attached protocols and the related updates, as well as of the areas of activity of the different functions with allocation of responsibilities, reporting lines, job descriptions and staff training. The information and knowledge of the Code of Ethics and related specific protocols firstly takes place through the distribution of specific documentation to all employees and persons who collaborate with the company for any reason. These persons are required by the Group to sign - at the time of delivery of the information material on the Code of Ethics - a statement in which they declare that they have perused the documentation received. Secondly, the Group provides for its employees and persons who work for it for any reason and at any level to participate in special education and refresher programs on the Code of Ethics and related protocols which are managed by the relevant functions. In any case, the company’s staff may, at any time, to ask advice and clarifications from their superiors regarding the Code of Ethics and the protocols and the tasks assigned to them. On the occasion of the establishment of new employment and/or collaboration relationships, Ansaldo STS will promptly provide any information necessary for an adequate knowledge of the Code of Ethics and of the protocols, with particular reference to those pertaining to specific skills (Code of Ethics, 6 March 2009, pages 7/8, paragraph 3.1-3.4).

Staff assessment, development and enhancement plan

The appraisal of performance is one of the fundamental tools to manage the development of human resources. ASTS has implemented a global, structured and uniform process at international level, the PDP which was launched for the first time in 2010 and which provides for the allocation and assessment of performance and development targets, aimed to everyone working for ASTS (only excluding executives).

This process is structured into 3 phases:

- **phase 1 - planning**: relates to the formalised assignment of targets linked to the business and/or individual performance indicators and to professional development objectives;
- **phase 2 - coaching**: is based on the continuous monitoring of the performance by the direct responsible manager;
- **phase 3 - review**: is the phase of the final assessment in which all the assessments related to the employee are consolidated (self-assessment, assessment of the direct manager and of third persons, selected within the organisation which allow a comprehensive vision of individual performance).

During 2011, the PDP process further consolidated: the process also included the employees of Ansaldo STS USA, the company. Transparency and structured feedbacks, which are necessary to adapt their performance to the actual expectations of which is considered to be a crucial phase of the process, for the possibility of involving the employee in the sharing of worldwide level, by which they were provided with tools for the management of and support to the PDP coaching phase, which is considered to be a crucial phase of the process, for the possibility of involving the employee in the sharing of transparent and structured feedbacks, which are necessary to adapt their performance to the actual expectations of the company.

The implementation of the new “Global Job System” structure (see page 105), which has been designed to allow the monitoring of the capabilities expected of each professional role, made the PDP a “more complete” process, as the evaluation of expertise and skills, which is carried out at the same time as the evaluation of performances, will allow the construction of individual objectives and development paths that are actually in line with the expectations of the role.

The final assessment also includes the considerations related to the extent to which the resources actually apply corporate values: “customer focus, innovation & excellence, people, integrity, team spirit.”

The final assessment will make it possible to identify the "best performers" and the valuable resources (all of those who are in line with or exceed expectations). In fact, in line with the new HR integrated development model, the results of the PDP and GJS evaluations represent the main inputs to select “Key people”, which, through a further process of evaluation of potential, will populate the lists of corporate talents.

Internationalisation and multicultural environment

In 2011 the reorganisation process was further strengthened, thus encouraging even more, within the company, the exchange of knowledge, communication and exchanges between the resources of the Group’s different sites worldwide. The company continued to develop and encourage significant internal mobility processes, which involved all of the functions, although with new attention to costs. This occurred partially in support of the change management. Obviously, the personnel’s International Mobility also helped to start development, in an integrated manner and at worldwide level, of some important orders, such as for example the Taipei or Riyadh Metros. The development of the worldwide integration of Ansaldo STS requires that the personnel experience new relations, thus positively perceiving integration in new geographical and cultural environments. The availability to travel must then be a widespread tendency, both in the short and long term, both at a national and international level.

At year end, there were 79 temporary expatriates from 6 different countries spread over 17 host countries/companies/branches. Internationalisation and multiculturalism continue to be witnessed also thanks to the use of resources of different nationality, in particular where the company’s staff are significantly present: Italy, France, Australia and USA. Finally, the company continued the positive placement of young graduates selected worldwide together with Finmeccanica and included, prior to start working with the company, in a Finmeccanica Master (MasterFinhink) plan which has been a valid tool for the international opening which is currently being experienced by the company and its people. Currently, there are 16 people coming from the MasterFinhink working in different locations of the Group, both in Italy and abroad.

To govern the difficult issue of the internationalization process, the company continued the supporting actions which had been implemented in the previous year:

- consolidation of a global policy on the international mobility capable of standardising the common practices for managing staff abroad;
- development, within the company’s specialist functions, of the management of the process of relations that are widespread in all the group’s locations;
- consolidation of the supporting tools both in terms of use of the intranet network, to disseminate corporate information and practices, and to promote internal communication with advanced and widespread IT tools and video-phones;
- maintenance of integrated activities with H&S and Security;
- constant cooperation with the Administration for accounting and tax issues;
- maintenance of the use of common specialist services with specialist providers (information on costs/living, tax, insurance, relocation, immigration/emigration, security issues).
Industrial relations

The kind of relationship which the Ansaldo STS Groups maintains with its employees, together with the high cultural level of the employees themselves, contribute to a relaxed climate, characterised by an extremely low rate of trade union disputes. Such a context allows the resolution of any problems of the employee through a direct employee-company relationship, with low recourse to the intervention of trade unions. The only strikes declared refer to general political/trade union issues, which in any case are external to the company.

The industrial relations system of the Ansaldo STS Group is based on two levels of participation, due to the existence of different operating offices of the Company located in several national geographic areas:

1. Strategic Observatory
2. National Coordination

STRATEGIC OBSERVATORY

In order to analyse the market scenario and the competitive positioning of the business areas of Ansaldo STS, a Strategic Observatory has been established which is made up of 6 members selected by the trade unions (3 national secretaries and 3 members of the National Coordination) and the company’s top management. Within the context of the activities of the Observatory, which meets annually (usually within the first quarter), the company’s Management provides appropriate information on:
- corporate strategies;
- the main organisational changes;
- employment trends.

The observatory may also meet on the request of one of the parties if, during the year, any significant changes should occur with respect to the issues discussed in the annual meetings.

NATIONAL COORDINATION

The National Coordination board of the Bargaining Units (RSU, Rappresentanze Sindacali Unitarie) of FIM, FIOM and UILM, represented in the local Operating Units, was established for the purpose of guaranteeing to the bargaining units an appropriate knowledge on any issues related to technological, organisational and production-related changes, horizontal mobility, investment and employment programmes, professional training projects and production decentralisation policies.

The National Coordination, which is made up of a maximum of 15 bargaining agents elected in the RSUs of the different company offices, is one of the national parties involved in the integrative 2-level bargaining and in restructuring and reorganisation processes (if any).

Finally, a system is envisaged for labour relationships with the individual RSUs of the production offices in relation to specific issues related to the individual sites.

In Italy, the data related to the trade unions may be gathered from the trade union subscriptions deducted from the pay envelopes.

There is no such deduction abroad and therefore the Ansaldo STS Group is not able to report any specific data. The Trade Unions represented in the Ansaldo STS Group are the following: FIOM-CGIL (with 9 union representatives), FIMCISL (with 8 union representatives), UILM-UIL (with 4 union representatives), CIISA and UILM.

Metalmeccanici (no union representatives),

Also in 2011, the workers who are members of a Trade Union are slightly less than 34% of the total workforce, while 100% of the members is broken down as follows:
- FIOM: 45.17%, FIM: 29.98%, UILM: 24.46%, UGL: 0.20% and CIISA: 0.20%.

SPAIN

Industrial relations at Ansaldo STS Spain are maintained in a serene and friendly framework. To express their opinions, workers may contact, either directly or through the personnel representatives, the Human Resources Head Office, thus adding value to the direct relationship between the company and its employees.

The system of industrial relations of Ansaldo STS Spain is based on:
- STRATEGIC LINES - the information related to corporative trends, organisational changes and, in short, corporate procedures and policies are provided by the Ansaldo STS Group and consequently adopted and applied also in Spain;
- NATIONAL COORDINATION - the structure of Ansaldo STS Spain includes personnel representatives who represent the trade unions CC.OO and UGT (the most representative trade unions in Spain). In Spain, the trade union meetings are held very often with all personnel representatives for the achievement of general agreements.

FRANCE

Each month, in France, the personnel representatives have the chance to present individual or collective issues to the employer, which are connected with the application of the law, regulations and collective agreements.

The employees may also, either alone or with the assistance of delegated staff, submit their requests directly to the Human Resources Head Office.

The strikes called in 2011 were due to national political issues related, specifically, to the new regulations of the pension system.

The system of industrial relations in France is defined by specific and extensive regulations, the key points of which are the following:
- personnel representatives: are elected every 3 years by the employees. Their role is to manage individual or collective complaints related to remuneration, working conditions, application of the labour law, health and safety.
- monthly meetings with the employer, who is required to respond to all requests,
- factory board: is elected every 3 years by the employees. It is informed about, and consulted on, issues related to the organisation (restrictions, new organisations, new technologies...), employment (staff, temporary workers, subcontracts, work-loads...), corporate strategies, business and related results, on training, health and safety...
- monthly meetings with the legal representative of the company,
- committees on training, hires, health and safety, social "shock absorbers", etc.

trade union representatives: are appointed by the trade unions. Their role is to represent the trade unions, organising it within the company, to negotiate corporate agreements and to provide guidelines for all mandatory agreements and those defined by law.

The main trade unions in France are: CGT, CFDT, CFE-CGC, of which 100% of the members is broken down as follows:
- CGT 55.76%, CFDT 16.58%, CFE-CGC 18.73%.

Staff covered by collective agreements

The table below reports the total number of employees covered by collective bargaining agreements, where this procedure for maintaining industrial relations is applicable:

<table>
<thead>
<tr>
<th>Region</th>
<th>Central and Eastern Europe, Middle East</th>
<th>Western Europe</th>
<th>Asia Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>Higher mgmt</td>
<td>N.A.</td>
<td>N.A.</td>
<td>18</td>
</tr>
<tr>
<td>Middle mgmt</td>
<td>65</td>
<td>6</td>
<td>84</td>
</tr>
<tr>
<td>White collars</td>
<td>302</td>
<td>76</td>
<td>308</td>
</tr>
<tr>
<td>Blue collars</td>
<td>50</td>
<td>5</td>
<td>55</td>
</tr>
<tr>
<td>TOTAL</td>
<td>417</td>
<td>87</td>
<td>465</td>
</tr>
<tr>
<td></td>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>Higher mgmt</td>
<td>N.A.</td>
<td>N.A.</td>
<td>16</td>
</tr>
<tr>
<td>Middle mgmt</td>
<td>70</td>
<td>7</td>
<td>77</td>
</tr>
<tr>
<td>White collars</td>
<td>306</td>
<td>75</td>
<td>289</td>
</tr>
<tr>
<td>Blue collars</td>
<td>44</td>
<td>5</td>
<td>63</td>
</tr>
<tr>
<td>TOTAL</td>
<td>420</td>
<td>87</td>
<td>445</td>
</tr>
</tbody>
</table>
In the Asia Pacific Region, the total number of employees covered by collective bargaining agreements is minimum, thanks to the company’s continuous effort to invest to maintain a internal climate of internal equity with respect to the market.

The table does not include the America and China Regions since their data is not significant as there are no collective labour agreements in place (see page 104, Labour legislation).

**Types of agreements**

At Group level, Ansaldo STS has entered into formal agreements with the trade unions in the different Countries involved, as reported in the table:

<table>
<thead>
<tr>
<th>Central and Eastern Europe, Middle East</th>
<th>Western Europe</th>
<th>Asia Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.</td>
<td>W.</td>
<td>M.</td>
</tr>
<tr>
<td>Health and safety</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Working hours</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Salary</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

In Australia the agreements are entered into through union bargaining, while in Malaysia there are no formal agreements and the company is required to comply only with the Employment Act 1955 (which provides for the weekly working hours not exceeding 48) and the specific Acts enacted by the Government in terms of health and safety.

**Internal communication**

Internal communication has assumed a strategic role at Ansaldo STS.

The Change Management experience launched in 2009, the increased complexity of the organisational framework and the increasing speed required to be able to satisfy the needs of the business, have made the use of internal communication systems even more essential, so as to align the external scenario with the internal operations of the company.

In 2011 the communication systems were further implemented which had been consolidated in 2010. Specifically:

- the new Global Intranet has been enhanced with new contents and new functionalities to ensure a more immediate and efficient communication. For example, the section named “People” now includes new sections, thus enlarging the range of information to be provided to the employees. Furthermore, a Toolbar has been inserted in each page to allow a continuous and immediate connection to the Group Portal;
- the communication and image campaigns were consolidated in support of global initiatives and processes such as: PDP, Integrated Management System, results and improvement of the Survey Business Culture, Internal Job posting;
- the company’s screens (ASTS channel) were implemented, thus becoming a vehicle for the launch campaigns of corporate processes;
- floor stands were made available at each office of Ansaldo STS in order to host poster notices and flyers of the various internal communication initiatives;
- periodic communications continued from the CEO, aimed at notifying quarterly business results;
- video messages were launched which were linked to contents of major strategic importance based on procedures of use with an immediate and more effective impact.

**Corporate climate**

The Ansaldo STS Group has always monitored the corporate climate, which is considered to be one of the “thermometers” to measure people’s satisfaction as regards their working environment and professional expectations.

Starting from the results emerged from the Survey on the Corporate Climate and Culture carried out in 2010 and extended to all the employees of the Finmeccanica Group all over the world, Improvement Actions were identified and implemented which are able to give a concrete response to the opinions expressed by the persons.

The survey showed 2 priority action areas on the basis of which the company has constructed specific initiatives.

1. Enhancement of people
2. Optimisation of industrial processes

1. **IMPROVEMENT ACTIONS - ENHANCEMENT OF PEOPLE**

- New integrated resource development model
  - The integrated development model has been designed which is aimed at structuring carrier paths consistent with the individual performances and the business expectations and which integrates the new processes implemented by Ansaldo STS, such as the Global Job System (GJS) and the Performance and Development Plan (PDP) into a single homogenous system of reference at a global level.
  - Coaching for optimal performance
    - “Coaching for optimal performance” is the training initiative developed by ASTS which is addressed to all the company’s managers with the objective of:
      - Supporting implementation of the new evaluation process, promoting comfort and transparency in the communication between managers and collaborators;
      - Improving the approach to coaching and encouraging feedback between managers and collaborators, in order to achieve the company's objectives and recognize merit.
    - About 200 managers in 8 Countries followed the programme of 2 days.

2. **IMPROVEMENT ACTIONS - OPTIMISATION OF INDUSTRIAL PROCESSES**

- Efficiency-increasing projects
  - In 2011 Ansaldo STS launched some efficiency-increasing projects:
    - Flexible Delivery - to organise the delivery so as to be able to respond to the needs of the market in a flexible manner, Global Development - to promote standardisation of platforms and applications in order to respond to the needs of the customers in a more effective and efficient manner, also by leveraging a more organized management of performances of the different teams.
    - Streamlined Support Function - to focus the staff functions on the added-value activities, thus reducing costs and improving the service level offered.
  - Knowing the integrated management system
    - Following the organisational integration of Ansaldo STS which was implemented with the FDB project, the beginning of 2010 saw the shift from the previous local management systems to an Integrated Management System. The purpose of the action is to make the communication and the knowledge of the Integrated Management System - through which to share the new and common procedure for the execution of our processes, conceived as a global consistent system - efficient and appropriate.

**Litigation management**

During 2011, the Ansaldo STS Group reported 6 disputes brought against the Group in Central and Eastern Europe, Middle East, for a value of EUR 432,121, no disputes brought against the Group in Western Europe, 2 disputes brought against the Group in America (these disputes, which refer to the Equal Employment Opportunity Commission office, are still pending), 28 disputes brought against the Group in the Asia Pacific region for a value of AUD 130,000 and no disputes in China (neither disputes brought by the Group, nor disputes brought against the Group).
The corporate governance system of Ansaldo STS is focused on the maximisation of the value for shareholders, on monitoring corporate risks, on transparency to the market and reconciliation of the interests of all the components of the shareholder base, particularly as regards retail shareholders. Ansaldo STS is the only company listed on both the official list of the Milan Stock Exchange, the FTSE MIB, which includes the major companies by market capitalisation, and the Star segment, which includes companies of excellence for specific and binding requirements (Liquidity, Corporate Governance and disclosure Transparency). The inclusion in the FTSE MIB segment in 2009 offers a higher visibility to Ansaldo STS, and a wider audience of investors; the listing on the Star segment confirms the company positioning amongst the highly ethical companies in Italy.

Share capital and dividends
The subscribed and paid-up share capital of Ansaldo STS amounts to EUR 70,000,000. The share capital is divided into 140,000,000 ordinary shares with a unit value of EUR 0.50 each. No other categories of shares have been issued, nor any financial instrument which may be converted into or exchanged for shares.

The Extraordinary Shareholders' Meeting of 23 April 2010 resolved a free capital increase, for a total of EUR 50,000,000, to be implemented through the allocation of equity reserves, through the issue of 100 million of new ordinary shares of the Company, with a par value of EUR 0.50 each, to be implemented by 31 December 2014, in five annual tranches for an amount of EUR 10,000,000 each, represented by 20,000,000 new ordinary shares. The shares relating to each tranche of the issue will be distributed in proportion to the allocation of new shares which will be determined on the basis of the share capital outstanding at the date of execution of the capital increase. The issue will be made during the second half of each year: in 2011 it took place on 4 July.

On each communication occasion, in addition to the requirements provided for by law, extensive information has been provided concerning the procedures of the capital increase, together with an explanation for the benefit of the shareholders/investors, also verifying that the media and other entities which may comment on the stock, have provided a correct interpretation of the type of transaction. Ansaldo STS is subject to the direction and coordination activities of Finmeccanica S.p.A., pursuant to and for the purposes of article 2497 of the Italian Civil Code.

As at December 2011, according to the data reported in the Register of Shareholders and taking account of notices received pursuant to Article 120 of the TUF and of any other information received, the following entities hold, directly or indirectly, company shares which represent 2% or more of the share capital:

<table>
<thead>
<tr>
<th>Investor</th>
<th>Number of shares</th>
<th>% position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finmeccanica S.p.A.</td>
<td>56,000,000</td>
<td>40.00</td>
</tr>
<tr>
<td>Altrinsic Global Advisors LLC</td>
<td>2,928,800</td>
<td>2.09</td>
</tr>
<tr>
<td>Columbia Wanger Asset Management LLC</td>
<td>2,913,400</td>
<td>2.08</td>
</tr>
</tbody>
</table>
Geographical distribution of the free float
In March 2011, the free float was broken down by geographical areas as follows:

<table>
<thead>
<tr>
<th>Country/Area</th>
<th>No. of shares March 2012</th>
<th>Free float % March 2012</th>
<th>Free float % February 2011</th>
<th>Free float % September 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of Europe</td>
<td>15,036,000</td>
<td>17.9%</td>
<td>12.9%</td>
<td>12.5%</td>
</tr>
<tr>
<td>USA and Canada</td>
<td>11,592,000</td>
<td>13.8%</td>
<td>15.6%</td>
<td>24.2%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7,644,000</td>
<td>9.1%</td>
<td>30.4%</td>
<td>27.8%</td>
</tr>
<tr>
<td>France</td>
<td>6,720,000</td>
<td>8.0%</td>
<td>13.9%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>2,772,000</td>
<td>3.3%</td>
<td>0.4%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Italy</td>
<td>1,932,000</td>
<td>2.3%</td>
<td>8.8%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Unknown</td>
<td>38,304,000</td>
<td>45.6%</td>
<td>18.4%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Free Float</td>
<td>84,000,000</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Finmeccanica</td>
<td>56,000,000</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Earnings per share and dividend
2007 was the first year when the company distributed dividends one year after its listing on 29 March 2006. The dividend policy provides for a pay-out of about 35% in proportion to the consolidated net result. The distribution of the dividend has always maintained this commitment, and in 2011 a dividend was proposed to the Shareholders’ Meeting which was equal to EUR 28 million, corresponding to 38.3% of the consolidated net result for the period. Therefore, the dividend per share is 0.20€/share, compared to 0.24€/share of 2010 (both of which are based on 140 million of outstanding shares).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EPS and Diluted EPS **</td>
<td>0.52</td>
<td>0.68</td>
<td>0.63</td>
<td>0.55</td>
<td>0.42</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>0.20*</td>
<td>0.24</td>
<td>0.22</td>
<td>0.19</td>
<td>0.14</td>
</tr>
</tbody>
</table>

* as per the proposal submitted to the Shareholders’ Meeting,
** as re-determined following the free capital increase and the related issuance of shares of 4 July 2011 which brings the number of shares to 140 million.

Investor Relations activity
In order to establish and maintain a continuous and professional relationship with the majority of shareholders, institutional investors and general public investors, Ansaldo STS has created a specific corporate “Investor Relations” function, with a Manager fully dedicated to such activity. First of all, this function provides the key elements so as the financial market may get a perception of the Company which is consistent with the intrinsic value of the Group’s activities.

The aim is to develop a transparent and continuous dialogue with the Italian and international financial community, based on a clear strategic vision of the businesses of the Company and their development. The Investor Relations function maintains a continuous liaison with shareholders and Analysts and general public investors, also through the drafting and disclosure of the management’s estimates and objectives, as well as a thorough monitoring of the consensus estimate. In line with the aforementioned objectives, the Group’s financial communication has been formulated establishing specific moments of confrontation and verification during the year, to which each external stakeholder may refer as a typical moment of the company-external environment relation.

Therefore, a number of events are organised during the year.

In 2011, as for the previous years, these communication events were maintained. As usual, a conference was organized on the occasion of the publication of the 2010 results (Milan, at Borsa Italiana).

In July the first site visit was organised for Analysts at the Copenhagen underground. In addition to the company’s top management, 11 sell side analysts participated in the visit. The visit started with a ride on the underground that brought them to the offices of the service operator Metrovej, where they had the opportunity to visit the central post control, the nerve centre of the transport security management.

The conference planned for mid-November was postponed to 9 February 2012, in Milan, Palazzo Mezzanotte, Borsa Italiana. This allowed the guidance of the year to be disclosed to the market in advance, while it is usually issued on the occasion of the year-end results in March.

The Investor Conference is the most important event of the year in that it involves some of the major counterparties and partners of the activities of the Group at worldwide level. This initiative is particularly appreciated by the market regardless of whether the audience is comprised of the Group’s shareholders or investors or not. Three editions of the event (2008-2009-2010) were attended by testimonials from 8 different countries: Italy, France, Brazil, Australia, USA, China, Russia and Turkey.

In the second half of December a road show was organised with the top management in New York, also in order to bridge the communication gap left by the postponement of the event.

In addition to the activities referred to above, note that many road shows were held in 13 different cities worldwide (including site visits) in 2011 and the participation in the major conferences/events organised by Borsa Italiana and by the brokers in several centres around the world, ensuring the presence and availability of the management in the different areas of interest.

Below is the table reporting a summary of the main events and contacts and reflecting a careful monitoring of the activities of the function in question.

During the site visits in Genoa, some investors and shareholders had a chance to visit the plants of a central control post developed by Ansaldo STS for the national client, from which it is possible to control approximately 250 km of the conventional regional railway network.

Finally, there is a daily and continuous work: the dialogue with the financial community through the arrangement of conference calls and direct contacts with the management, which make it possible for Ansaldo STS to be generally recognised as a company available in terms of communication and contact.

In 2011, through its Investor Relations activity, Ansaldo STS met, for different reasons, approximately 300 institutional investors.

The road-shows and each meeting are always attended by the Investor Relations Manager, who involves, for different purposes and depending on the event, the top management: CEO, CFO and directors of business units, as well as some managers of the Group, ensure their availability to meet the financial community.

This Function, therefore, adopts a policy in line with the best practices of listed companies, ensuring the exchange of information between the management and the financial market, in order to seize any opportunities and needs which may arise from a communication increasingly focused and efficient.
One of the characteristics of the management of Ansaldo STS is its general caution in forecasting the future performance of the company, only disclosing to the markets objectives which are actually achievable and thus showing a responsible attitude. Communication is always non-discriminatory and made to all the public and, although the contracts are with institutional investors, the Group is developing new initiatives aimed at achieving an increased involvement of retail investors. For the first time in 2010 Investor Relations has been involved in a web initiative organised by Borsa Italiana and Finanzaonline, through which for a period of approximately one month a forum gathered questions from the public, to which the head of the function replied with an interview.

The commitment to the so-called retail investors is, thus, constant also by means of a prompt reply to each occasional request, providing a certain and timely reference also to small investors. In support of the possible assessment of the actions of the management and of its performance, the necessary assessment elements are provided periodically, through the disclosure of a 3-year plan (on the occasion of the investor day/conference), the visibility and an interim review of the guidance.

They are called “perception studies” and are surveys conducted by an external company through a questionnaire and a telephone interview. The result of the survey is managed in a completely anonymous manner and provided, in a non-modifiable version, to the head of Investor Relations function, who will transmit it to, and discuss it with, the CEO and Chief Financial Officer. The survey also reports comments regarding communication styles, transparency and availability of management.

**Transparency and accuracy of information**
Ansaldo STS pursues its mission ensuring the full transparency of the decisions taken and providing the market with all the necessary elements which would allow the investors to base their decisions on complete and accurate information.

Therefore, all Group’s communications are characterised not only by the strict compliance with legal and regulatory provisions, but also by a clear language, by the comprehensiveness of the information, by the timeliness and equality of information to all of the investors. The communication of the Group-related information outside the Group itself is only made by the functions in charge of such activity and according to the applicable corporate procedures aimed at ensuring their truthfulness and correct disclosure. Particular attention is paid to the dissemination of communications related to extraordinary transactions effected by the Company, solicitations for investment, Takeover bids and Share-for-Share Offers, or any commercial initiatives, treatments and agreements of a particular importance.

As regards the communication to the market of new contracts awarded to Ansaldo STS, the Company has adopted the well-known procedure according to which any contract with a value exceeding EUR 10 million is promptly disclosed by means of a press release to the market, after the formalisation and signing of such contract. In addition, specific protocols provide for verification and control elements, so as to ensure that the corporate communications required by law, the information to shareholders or to the public as regards the Company’s position and the expected economic, financial and equity outlook (of both the Company and the Group), the prospectuses required for the purposes of solicitations for investment, are always truthful and complete, and that they present true facts, even though they are still being assessed, so as not to mislead the intended recipients of the disclosure. Likewise, the transactions on financial instruments, both listed and unlisted, effected on behalf or in the interests of Ansaldo STS, are based on the principles of accuracy, compliance with applicable laws and regulations, effectiveness and transparency, so as to allow market players to get a full and accurate understanding of the transaction and of its underlying reasons, in view of a conscious investment decision and for the protection of interests.

**Stock performance and rating from analysts**

In the period 2 January - 30 December 2011, the official stock price passed from € 9.15 (a value which was recalculated for comparison purposes - initially it was € 10.67 - following the free capital increase that took place on 4 July) to € 7.31, thus recording a fall equal to 20.1%.

In fact, on 4 July 2011, the second tranche was implemented (while the first one was effected in July 2010) of the free capital increase through the issue of 20,000,000 new shares, with a ratio of 1 share distributed per each 6 shares owned.

The stock reached its peak at € 9.61, the price at 14 January 2011, and its lowest value at € 5.46, the price at 13 September 2011.

Average daily volumes for the period in question were equal to 849,470 traded shares. The stock performance was poorly correlated with respect to the benchmarks. In 2011 the FTSE All Share Italy index lost 24.3%, while the performance of the Star segment, the FTSE Italy Star, lost 19.0%.

In 2011 3 new formal coverage of the stock were provided by the following merchant banks: Bank of America - Merrill Lynch, Banca Proﬁlo and Nomura. At 31 December 2010 analysts’ valuations had reached an average consensus, in terms of objective price, equal to € 8.6 (on the basis of the data gathered by the IR ofﬁce). Below is reported the stock performance and the analysts’ valuations as resulting from the source: Factset at 13 January 2012.

**Dialogue with the financial community on sustainability issues**

The Investor Relations function continues to be committed within the framework of the sustainable relation with the outside world and the business sector. The type of the relevant sector and the availability of the management continued to attract great interest from some French, English and US ethical funds in the Ansaldo STS stock. The Investor Relations function has been immediately involved in an active dialogue with international players specialised on this issue, through specific references to the governance, the social and environmental aspects of the operations and the relationships with stakeholders. This natural relationship between the function and the stakeholders mentioned above is also confirmed by the great number of requests from European and North American funds handled by the Investor Relations department.

In 2011 Ansaldo STS adopted the Global Compact principles and participated in a working group to establish useful criteria to create a list of “upright companies” with which the participants in the Global Compact collaborate or may collaborate. The sustainability criteria under consideration are not only of an environmental nature, but also of a social nature. In fact, a number of companies already meet very well defined environmental requirements and they deem it appropriate to insert social elements in the qualification procedure.
Lenders

Treasury management and capital raising

Treasury activities relate to financing and investment transactions in the short term (liquidity management) or with an expiry due within one year and to the management of banking current accounts of Ansaldo STS, as well as to the transfer of intragroup funds. The capital raising activities refer to the long-term financing of Ansaldo STS and its subsidiaries. In Ansaldo STS the financial coordination of the corporate treasuries are organised and carried out centrally by the Group’s Finance and Treasury Function, which is responsible for the activities of capital raising, investment and treasury. The financial capacity (intended as the capacity to finance current operations and investments) of both the Group and its individual subsidiaries, must be guaranteed at any time; therefore, the centralisation of capital raising, investment and treasury activities is possible as long as it does not hinder the compliance with the minimum financial capacity requirement. The subsidiaries are not authorised to enter into any financial transaction with third parties without the prior approval of the Group’s Finance and Treasury Function and are required to transmit any positive balances to Ansaldo STS S.p.A. Capital raising, investment and treasury requirements are monitored on the basis of the information provided by the subsidiaries, which include the budget, the financial plan and the updated annual and monthly forecasts.

As regards Capital Raising activities, the objective of Ansaldo STS is to minimise the aggregate weighted average cost of capital in the medium / long term. The weighted average cost of capital includes the cost of Equity, the cost of short- and long-term borrowing and the cost of Working Capital.

Foreign currency transactions and foreign exchange risks

Long-term borrowing and investments in foreign currencies, as well as short-term transactions (liquidity management) in foreign currencies, are only permitted in those currencies for which Ansaldo STS has frequent cash flows. Furthermore, these transactions must always comply with the restrictions imposed by the Group policies on foreign currency exposure.

The Ansaldo STS Group focuses its foreign exchange risk management on limiting potential losses (as defined in terms of cash flow rather than in accounting terms) generated by adverse exchange fluctuations against the relevant currency of ASTS and its subsidiaries, thus limiting costs connected to the execution of these transactions. Foreign exchange risks must be hedged only when they have a material impact on the cash flows in the relevant currency.

The subsidiaries are not permitted to carry out any foreign exchange risk management transactions directly with the banks.

The latter may submit a “deal request” (hedge request and hedge documentation) to the Group’s Finance and Treasury function that carries out back-to-back transactions with the banks. The transaction described is defined as “cash flow hedge”. Furthermore, the fair value hedging of currency current accounts is carried out. Partner banks play a key role in hedging foreign exchange risks in a reliable and impartial manner, as described in the following paragraph.

Relationships with banks

Good and well-established relationships with the banks represent a corner stone of the strategy of Ansaldo STS. This objective is achieved through a multi-product approach in terms of management of:

- activities related to exchange rates (FX, Derivatives, etc.);
- bonding (guarantee management);
- treasury (management of receipts, payment of taxes, cash pooling, etc.);
- liquidity (deposits, current account overdrafts);
- investment banking (M&A, structured finance);
- for the purpose of avoiding the concentration of one specific activity (e.g. guarantee management) to one individual bank, while achieving cost efficiency. The turnover of services required between the banks will be made during the year according to how frequently the different banking products are needed. The Ansaldo STS Group maintains relationships with the major banks worldwide, such as BancaIntesa, Unicredit, CitiGroup, ING, Credit Agricole, BNP Paribas, JP Morgan Chase, HSBC, Nordea.

The Group’s Finance and Treasury function is responsible for giving mandates for “primary” banking relationships, which include (short and long term) payables, investments, bank guarantees, bonds, project financing, documentary credits, treasury operations, treasury management - liquidity management, payments and receipts - and financial advisory services. The counterparties which imply a counterparty risk for Ansaldo STS must have a long-term credit rating of at least A+/Aa (Moody’s, S&P). In exceptional cases transactions may be entered with counterparties assessed on the basis of the rating assigned to investments. The limits for each counterparty are regarded deposits, investments and derivatives are determined based on the credit rating and the financial statements. For each financial product and service at least two counterparties are invited to submit a quotation. In the case of frequent transactions in the money market and/or minor transactions in foreign currencies one single quotation may be sufficient. In the case of several competitive price offers, the decision on the counterparty may be taken based on the existing relationships. Counterparties representing key relationships are invited to specific meetings at least once every two years. Ansaldo STS S.p.A. aims at establishing real partnership relationships with the main banking institutions in order to better support the company in its business activities which are developing in “frontier” foreign countries which are challenging in terms of difficulty and peculiarity also as regards the financial and banking context. This requires a reliable banking partner and, possibly, with a local presence to support the activities in the different phases of the operating process, starting from the assessment of tenders to the establishment of a local Branch to complete one or more projects acquired.

Types of guarantees, bonds and their amount

Ansaldo STS adopts stringent policies in relation to the management of parent company guarantees, both direct and indirect, and as regards the issue of bank and insurance guarantees with reference to the subsidiaries, for the purpose of:

- identifying the form of guarantee and financing to be issued and the terms of hedging financial risks arising from contracts, as well as the most appropriate banking counterparties;
- managing at a centralised level and/or coordinating the preparation of direct and indirect guarantees and the structured finance for sales activities with the aim of facilitating the proper conclusion of such transactions within the policies defined by the Group as to the relationships with counterparties and the risk profiles;
- maintaining a minimum level of guarantee instruments, in order to ensure continuity of on-going transactions and the ability to finance new transactions, if required;
- minimising the cost of the guarantees given by the Group and optimising work-loads by leveraging the specific competencies of each organisation.

Ansaldo STS issues different types of guarantees and bonds in favour of its customers, such as: bid bonds, advanced payment bonds, performance bonds, retention money bonds and warranty bonds.

There are two main types of guarantees which may be issued:

1. Direct guarantees: are issued directly by Ansaldo STS in favour of the customer, without involving the bank. This category of guarantees includes the Parent Company Guarantee (PCG) which represents the undertaking to fulfill, for another Group company, its financial obligations in the event that the latter does not discharge such obligations;

2. Indirect guarantees: are issued through a bank in favour of the beneficiary. Generally, the customer prefers to apply for an indirect guarantee, even during the tender phase, by reason of the presence of the bank. In percentage terms, more than 90% of the guarantees issued for the Group companies is made of indirect guarantees. The Treasury and Finance function has negotiated a certain amount of credit lines with several banks, in order to support the requirements of the Group for bonds and guarantees, which are useful in facilitating the growth of the business: without the ability to obtain guarantees, no contracts could be entered into with the customers.
The policy of continuing to use some local guarantees is due to the need to maintain, during periods of crisis, the greatest possible number of facilities. Indirect Guarantees are used in order to ensure the participation of subsidiaries in:

- offers / performance of contracts, related to minor orders and absent any complex clauses concerning guarantees;
- offers / performance of contracts, related to major orders and with complex clauses concerning the guarantees and the performance in exotic countries.

Generally, the subsidiary may use two types of guarantee allocation:

- “granting of credit” which represents the most popular method used: in this case the bank issues an ad-hoc guarantee for a specific project;
- “umbrella”, where the subsidiary may use a maximum number of small guarantees up to a given limit of amount.

The most popular guarantee instrument is the advance payment bond, which allows the purchaser to recover an advance payment relating to a job order or a new order, in the event that the supplier does not fulfil its contractual obligations.

At 31 December 2011 the aggregate amount of guarantees was equal to about EUR 2.9 billion.

The main issuers are:

- 35 Banks (36% of the amount of guarantees used);
- 18 Insurance Companies (40% of the amount of guarantees used).

The table below reports the guarantees outstanding at the end of 2011 compared to 2010:

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees issued by Finmeccanica (Parent Company Guarantees) and Finmeccanica Finance S.A. (advance payment bonds, performance bonds, retention money bonds) for business transactions.</td>
<td>260.0</td>
<td>71.0</td>
<td>545,696.0</td>
<td>525,483.0</td>
<td>545,956.0</td>
<td>525,554.0</td>
</tr>
<tr>
<td>Guarantees issued by Ansaldo STS and Ansaldo Signal NV (Parent Company Guarantees) for business transactions.</td>
<td>86,142.0</td>
<td>77,195.5</td>
<td>0.0</td>
<td>0.0</td>
<td>86,142.5</td>
<td>77,195.5</td>
</tr>
<tr>
<td>Guarantees and bonds (advance payment bonds, performance bonds, bid bonds, retention bonds) issued by banks or insurance companies for business transactions.</td>
<td>772,391.4</td>
<td>836,446.6</td>
<td>883,361.0</td>
<td>1,374,323.0</td>
<td>1,655,752.4</td>
<td>2,210,769.6</td>
</tr>
<tr>
<td>Direct guarantees and other guarantees issued by Finmeccanica and Ansaldo STS, banks or insurance companies NOT for business transactions (financial or tax transactions).</td>
<td>18,932.1</td>
<td>35,868.7</td>
<td>7,973.2</td>
<td>7,973.2</td>
<td>26,905.3</td>
<td>43,841.9</td>
</tr>
<tr>
<td>Total</td>
<td>877,726.00</td>
<td>949,581.8</td>
<td>1,437,030.2</td>
<td>1,907,779.2</td>
<td>2,314,756.2</td>
<td>2,857,361.0</td>
</tr>
</tbody>
</table>

From the comparison it emerges that, in addition to the gradual return of the old guarantees that were expiring, there was a significant increase in the Bank and Insurance Guarantees, mainly due to USD 600 million for the Honolulu Project and the third tranche of the Advance P Bond for the Circular Line Taipei Project for about EUR 60 million.
Features of the Customers

A new transport system is the result of an initiative by a government, a municipality or in any case a typical public competent body. The purposes, in addition to those closely linked to the need for transport of people and goods, can be numerous, such as: the requalification and development of a certain local area or to solve problems related to environmental pollution.

The projects can be fully financed by public or private bodies or financed by both of them, this being a case of PPP (Public-Private Partnership).

The Ansaldo STS Group works mainly for public clients such as: government authorities, national and regional managers and operators of railway infrastructures, municipalities and the main public transport entities.

The Private clients are mainly comprised of the US railway operators, mining companies and the major Contractors of infrastructural railway and urban works which need a technological partner.

Ansaldo STS operates both as a member of the consortium or Joint Venture financing the work, and as a supplier of signalling systems or “turnkey” transport solutions. In the latter case, the projects often include also the construction of civil works and the supply of rolling stock: it is therefore important to select adequate and reliable partners, in particular when the solution requested is highly complex and the company operates in contexts other than the domestic ones.

The Scope of Work of Ansaldo STS usually includes the following subsystems:

- Signalling
- Telecommunications
- SCADA (Supervisory Control And Data Acquisition)
- Electrification and Power Supply
- Platform screen doors
- Security system
- Passenger information system
- Track
- Storage equipment

Ansaldo STS, over the last ten years, has also gained the experience necessary to play the role of operator of transport infrastructure.
Market performances

Revenue

Revenue passed from EUR 1,283,710 thousand in 2010 to EUR 1,211,944 thousand in 2011 with a decrease of EUR 71,766 thousand. The change is substantially attributable to the Signalling Unit as a result of the completion of the projects relating to High Speed lines in Italy and China and the rolling stock tooling with the SCMT system, in addition to the non-development of orders in Libya.

The Signalling Business Unit closed 2011 with revenue of EUR 728,375 thousand, including relations with the other business segments, down by EUR 113,456 thousand compared to the previous year, EUR 841,831 thousand.

The Transportation Solutions Business Unit closed 2011 with revenue equal to EUR 512,267 thousand, including relations with the other business segments, showing a slight increase of EUR 7,819 thousand, compared to the previous year, EUR 504,448 thousand.

Orders

Orders acquired at 31 December 2011 totalled EUR 2,163,745 thousand compared to EUR 1,985,012 thousand in the same period of 2010, up by EUR 178,733 thousand (equal to 9%).

The orders acquired by the Signalling Unit amounted to EUR 1,045,870 thousand and those acquired by the Transportation Solutions Business Unit amounted to EUR 1,256,058 thousand, both of which include relations with the other business segments.

Orders by Business Unit (M€)

<table>
<thead>
<tr>
<th></th>
<th>Signalling</th>
<th>Transportation Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>728.4</td>
<td>512.3</td>
</tr>
<tr>
<td>2010</td>
<td>841.8</td>
<td>604.4</td>
</tr>
</tbody>
</table>

* The values include eliminations between Business Units.

Orders: 1,212 M€

by Geographical area

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Value (M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>Honolulu Metro</td>
<td>841.8</td>
</tr>
<tr>
<td>Denmark</td>
<td>Copenhagen - vehicles</td>
<td>121.9</td>
</tr>
<tr>
<td>Italy</td>
<td>Milan Line 5 ext. Garibaldi - San Siro</td>
<td>105.2</td>
</tr>
<tr>
<td>Australia</td>
<td>Rio Tinto RAP phase 1</td>
<td>70.0</td>
</tr>
<tr>
<td>Australia</td>
<td>Various Rio Tinto small projects</td>
<td>48.2</td>
</tr>
<tr>
<td>Australia</td>
<td>Rio Tinto RAP phase 2</td>
<td>33.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Riyadh - PNU variation orders</td>
<td>11.8</td>
</tr>
<tr>
<td>Italy</td>
<td>Rome Line C variation</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Below are reported the main orders acquired by the Transportation Solutions Business Unit in 2011:

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Value (M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>Honolulu Metro</td>
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<tr>
<td>Italy</td>
<td>Rome Line C variation</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Below are reported the main orders acquired by the Signalling Business Unit in 2011:

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Value (M€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Turin-Padua line (main orders and variation order)</td>
<td>210.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>Stockholm Red line S L</td>
<td>85.0</td>
</tr>
<tr>
<td>France</td>
<td>HSL Bretagne - Pays de Loire EIFFAGE</td>
<td>62.0</td>
</tr>
<tr>
<td>France</td>
<td>LGV SEA</td>
<td>46.7</td>
</tr>
<tr>
<td>India</td>
<td>Kolkata Metro</td>
<td>46.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>HSL Gezbe - Koskoy</td>
<td>31.5</td>
</tr>
<tr>
<td>Australia</td>
<td>ARTC various projects</td>
<td>30.0</td>
</tr>
<tr>
<td>Italy</td>
<td>HSL variation orders &amp; price escalation</td>
<td>20.3</td>
</tr>
<tr>
<td>South Korea</td>
<td>Uhi-Shinseoul</td>
<td>20.0</td>
</tr>
<tr>
<td>Italy</td>
<td>SLC - CTC validation orders</td>
<td>18.1</td>
</tr>
<tr>
<td>France</td>
<td>RATP Metro Paris Maintenance</td>
<td>17.8</td>
</tr>
<tr>
<td>France</td>
<td>LGVEE Phase 2</td>
<td>15.0</td>
</tr>
<tr>
<td>Germany</td>
<td>Berlin - Rostock</td>
<td>13.8</td>
</tr>
<tr>
<td>Canada</td>
<td>STM Montreal</td>
<td>12.1</td>
</tr>
<tr>
<td>USA</td>
<td>Components, Service &amp; Maintenance</td>
<td>43.5</td>
</tr>
<tr>
<td>France</td>
<td>Other Components, Service &amp; Maintenance</td>
<td>29.7</td>
</tr>
<tr>
<td>Italy</td>
<td>Components, Service &amp; Maintenance</td>
<td>13.1</td>
</tr>
</tbody>
</table>

The order backlog at 31 December 2011 totalled EUR 5,452,770 thousand. Up by EUR 901,643 thousand compared to 31 December 2010 (20%). It should be pointed out that EUR 650,483 thousand refer to the projects in Libya which are currently suspended.

The order backlog of the Signalling Business Unit at 31 December 2011 totalled EUR 2,341,367 thousand (EUR 2,100,179 thousand, excluding relations with the Transportation Solutions Business Unit).

The order backlog of the Transportation Solutions Business Unit at 31 December 2011 totalled EUR 3,442,345 thousand (EUR 3,352,591 thousand, excluding relations with the Signalling Business Unit).
Competitive tenders

Normally, the Group is awarded contracts in Europe and outside Europe mainly by participating in public or private competitive tenders for the supply of Signalling systems, components and plants, or for the supply of "turnkey" Transportation Systems and Operation & Maintenance services.

The Company participates in competitive tenders by submitting its offer through its operating companies within competitive procedures, either participating individually or in association with other partners.

In this second case, based on the provisions laid down in the call for tenders or because of specific strategic decisions, the participating companies may: (a) enter into a partnership establishing unincorporated entities, and then (i) form a joint venture abroad and (ii) establish a temporary consortium in Italy - (in these cases it is necessary to appoint a representative company to which a special, collective mandate with power of attorney is given to submit the offer and manage relationships with the customer); (b) incorporate an entity with an independent legal personality which plays the role of Contractor, in the form of a consortium in Italy, or of a company in Italy and abroad ("Project Company").

This chart outlines the phases for being awarded the tender, which will be followed by the implementation of the order.

Pre-qualification and selection of partners

Within the context of the competitive tenders for the award of the contract, the Group companies - either individually or in association with other partners - are preliminarily subject to a pre-qualification stage aimed at identifying the entities admitted to participate in the tender, and, if found to be eligible, are entitled to participate in the tender and submit their technical-economic offer. Specifically, in accordance with the current regulations, the technical and professional qualifications of the companies (organisation and means) are assessed so as to meet the requirements concerning hygiene and safety at work and the protection of the environment.

Participation in the tender

Once it is decided to submit the offer, the Group company which participates in the tender internally appoints the Proposal Manager, who will be responsible to coordinate all the activities for the preparation of the offer price estimate, and the Offer Project Engineer, who will be responsible for the technical coordination of all the phases of the development of the specific design. The Group company will then take care of the configuration of the product to be offered, in order to make it competitive in technical and economic terms, and will subsequently estimate costs. The offer is then submitted to the customer, together, if required, with the insurance or bank guarantee (bid bond) in support of the credibility of the offer submitted.

Award of the tender

After having reviewed the offers received and assessed the technical-economic specifications of each of them, the customer awards the tender. The contract being awarded provides, in some cases, that the customer will pay a percentage of the consideration agreed for performing the project by way of an advance payment. This advance payment is guaranteed by the Group companies through the submission of an insurance or bank first-demand guarantee (the so-called "advance payment bond"). Furthermore, the Group companies are generally required to provide an additional insurance or bank first-demand guarantee to secure the good and prompt performance of the works (the so-called "performance bond").

Pre-qualification and Selection of Partners | Participation in the Tender | Award of the Tender

Performance of the project

This chart outlines the phases of construction of a Signalling system or a complete Transport System.

Generally, the performance of projects concerning the supply of Signalling and Transportation systems has a multi-year term. For each project, a team and a team leader are appointed: the Project Manager, who supervises the entire project management, including the economic-financial aspects connected to its performance.

The Project Manager represents, as regards the project under his/her responsibility, the link to the customer in his/her capacity as the person delegated to represent the company, and he/she is also required to supervise the progress of all the activities for the performance of the project in accordance with the commitments undertaken with the customer, in order to ensure compliance with the contract terms, the expected profitability margins and the quality of the product.

The progress of all performance activities is monitored using IT technologies for the control of the project, in terms of both costs and revenues.

From the point of view of compliance with laws governing health and safety at work, the company appoints the site technical managers, who are in possession of specific qualifications, to control operations, along with HSE consultants who are able to combine local regulations with high corporate standards.

Product innovation and quality of relationships

The sustainability of Ansaldo STS business is based on two fundamental elements:
• the excellence and the innovative content of its products;
• the quality of the relationships with its customers.

Product innovation

The Ansaldo STS Group is constantly committed to provide its customers and end users (passengers and freight) with the best products with the highest safety, the best system solutions, the use of the best designing methods and procedures, the best manufacturing methods and processes available, in any case consistently with the commitment to reduce energy consumption, as well as the direct and indirect impact on the environment.

This commitment and the relevant results are essentially achieved by Ansaldo STS by enhancing its offer as regards:
• Cost reduction and system integration, by means of powerful technological platforms, integrating more than one function into the same subsystem, reducing the size of the equipment and of their connectors, using simple and effective programming, test, verification, validation and commissioning systems.

• Reduction of energy consumption, using the latest technologies available, as well as implementing the highest possible integration of the components on the same chip by widely using FPGA and the physical integration of the subsystems. Another way to curb energy consumption in the railway control system is to reduce the quantity of equipment used to safely manage train movements. The most recent ATP - Automatic Train Protection - system, applied by Ansaldo is based on the GPS - Global Positioning Satellite - system. It replaces the wayside equipment for detecting moving trains, an expensive method which requires higher energy consumption; this function is now safely carried out on board the train. In fact, the safe calculation of the position of the train is made by appropriately combining the signals received from the geostationary GPS satellites (in future, the Galileo satellites) with those from the traditional tachometers.
• Higher performances, reliability and availability of products and solutions of the Group. This is made possible thanks to the use of redundant platforms which provide “fault tolerant” configurations, i.e. capable of continuing to function also in the event of failure in some sections, together with maintenance staff adequately equipped with sophisticated diagnosis tools, both fixed and portable, which immediately detect the failure and send an alarm to the operator. In addition, in order to ensure the safety and reliability of the service for the end user, the maintenance staff may intervene on the units with failures by replacing the same without any disruption in the correct functioning of the entire system.

• Safety systems which, developed in strict compliance with the IEC/CEN/CENELEC standards, provide solutions which ensure the highest level of safety and MeanTime Between Hazardous Events.

• Total replacement or assistance to the driver using the automatic train operation (ATO) technology. This system is intended to autonomously perform part or all of the operations so as to leave the driver only with the responsibility of opening and closing doors. Although this system is widely used in metro trains, the Ansaldo STS Group is the first to apply this system also in the traditional railway sector.

• Implementation of products and management of production plants according to the most recent and restrictive standards of the ISO 14000 rule. All this for the purpose of taking all necessary measures aimed at protecting the environment not only during production, but also by planning the final disposal of the product at the end of its life.

• To provide safe environments for its customers and end users through a dedicated network of sensors which constantly monitor the railway areas dedicated to control activities and by granting access to restricted areas (e.g. operating control centres, galleries, technical rooms, etc.) to authorised personnel only. These networks of sensors are active 24 hours a day and 7 days a week through the use of Closed Circuit Television (CCTV) systems and of highly sophisticated expert systems which are capable of also detecting unattended luggage, activating the playback function in case of investigations, thus providing all passengers with a safer and more controlled environment.

• Reliable and efficient hourly traffic. This type of tool provides a great number of advantages for the environment. They may provide the most efficient timetable for all the trains which use the railway infrastructure and, in particular, determine which are the best points for stopping, crossing, overtaking and relevant journey times, in order to reduce waiting times and consumption to the minimum. To prevent and provide pro-active measures in order to combat traffic jams caused by train delays, maintenance activities, whether scheduled or not, natural disasters, as well as work shifts of the staff on board the trains. All of the foregoing provides an excellent support to the staff who manage the traffic on the railway line and who has to deal with unforeseen changes in the timetable, while ensuring passengers the punctuality of trains at each station and ensuring that the goods transported reach their final destination in time. This type of supporting instruments have also evidenced a considerable fuel reduction, increasing the average speed of the trains, as well as reducing the consumption of fuel due to accelerations which are soon followed by sudden stops because of temporary slowdowns or red traffic lights.

Quality of customer relations

The Ansaldo STS Group focuses its entire strategy on Customer satisfaction: the ability to understand and satisfy the needs and expectations of the customer is in fact the first of the values underlying the corporate culture. Generally, each customer has an internal counterparty within Ansaldo STS, a specific Project Manager for the performance of its contract. This counterparty is responsible for ensuring the satisfaction of the customer and adequately facing the problems that might arise during the development of the project.

The organisation of Proposal and Project Management activities is essential to implement a project in compliance with the quality requirements of the products and services offered and with the ability to provide them in accordance with time and economic limits. For this purpose, the Project Management represents a vital tool to guarantee the interests of the stakeholders of Ansaldo STS, meaning both the shareholders, who are mainly interested in the economic result of the business, and the customers, who are interested in receiving a high quality response within the time limits set and in a manner which is consistent with the transport requirements of a city or, more in general, of the community. As regards this last issue, the most significant evolution which characterised the market trends in the last few years has led to the gradual shift from the supply of products and technologies to the request from customers for transportation solutions which effectively satisfy the needs expressed by local and national institutions. This new type of offer requires the ability to work alongside the customers, seen less as buyers and more as partners, in the management of a project during the entire life cycle, also acting, where necessary, within the context of Project Financing activities and then with the contribution of private financing and the subsequent involvement not only in design and implementation activities, but also in the subsequent phase of management and maintenance.

The context in which Ansaldo STS operates is characterised by Customers who are mainly represented by public entities and by multi-year projects, and thus it is subject to a great variety of external factors such as, but not limited to, the macroeconomic scenario and the consequent availability of financing sources, the need to operate, especially as regards the projects related to urban public transport, in urban centres with a great number of interferences which might impact on the regular implementation of a project.

It is clear that in such a context, the Project Management skills and processes are essential for the achievement of the pre-set objectives and to ensure the sustainability vis-à-vis stakeholders. For this purpose, it is necessary to identify and monitor any uncertainties which are typical of this business and, more in general, to manage risks. Ansaldo STS, in accordance with the policies of Finmeccanica, implemented appropriate Lifecycle Management and Risk Assessment procedures for the purpose of monitoring the performance of the projects through a regular comparison between physical and accounting progress and the consequent identification of any divergences according to the “Earned Value” techniques and with the consequent identification of appropriate action plans aimed at maintaining the objectives of the project.

The Risk Assessment process provides for any and all significant risks to be identified starting from the offer stage, and to be monitored during the entire life cycle of the project, for the purpose of promptly detecting any possible mitigating actions to be taken.

Furthermore, in accordance with international best practices, Ansaldo STS directly collaborates, when required, with the Customers to jointly face the risk management, thus minimizing impacts not only as regards the risks for Ansaldo STS itself, but also for the end Customer and, accordingly, for all stakeholders. In this regard, Ansaldo STS has provided itself with standard procedures which uses for the integrated risk management with the end customer.
Ethics in business

Within the context of its business relationships, Ansaldo STS adopts the principles of integrity and compliance with law and with the values expressed in the Code of Ethics, as well as with the values of openness to the market, and requires a similar conduct from all of those with whom it maintains business and/or financial relationships which entail formalities for which Ansaldo STS may require compliance. Ansaldo STS commits to its own customers to operate according to the Code of Ethics.

Relations with authorities and public administrations must be established and managed in compliance with the laws and the principles laid down in the Code of Ethics and in the specific procedures. These relations, as well as the related management of financial resources, must be established by the authorised corporate functions. Specifically, relations with international persons, authorities and public administrations are maintained at the appropriate levels, by the authorised persons and duly tracked.

Authorities and public administrations may include customers, public officers or persons in charge of public services, international institutions, magistrates, public supervisory authorities, as well as private partners who operate a public service concession. The transactions effected with these persons may include competitive tenders, management of contracts, authorisations, licenses, concessions, applications and/or management of public loans, verifications or notices with public authorities.

With regard to any requests of any nature submitted by the Judicial Authority and in general in any contact with the same, Ansaldo STS undertakes to provide the utmost cooperation and to refrain from adopting any conduct which could be an impediment, in full compliance with the laws and in accordance with the principles of loyalty, fairness and transparency.

In the relationship with authorities and public administrations, Ansaldo STS is committed to represent its interests and its needs according to fairness and transparency, in compliance with the independence and impartiality of the decisions of the public administration.

In business relations with consultants, customers, suppliers, contracting counterparties, business and/or financial partners, etc., any donations, benefits (both direct and indirect), gifts, acts of courtesy and hospitality are forbidden, except where the nature and value thereof are such that they may not harm the image of the company nor be interpreted as aimed at obtaining favourable treatment. In any case, any gifts, acts of courtesy and hospitality must be notified and be subject to the decision of the responsible persons.

The persons at whom the Code of Ethics is targeted and who receive gifts or benefits which conflict with the policies of the company must immediately inform their superiors who will take the appropriate measures. The functions in charge of managing external communication shall inform the person who made the gift or present about corporate policies on this issue.

Any irregularities which involve requests or offers of money, gifts or favours must be notified also to the Supervisory Board of the Code of Ethics.

Communication activities

The purpose of the communication to the Customer and, more in general, to the market, is to contribute to creating value, improving the perception of the Ansaldo STS brand with the many professional figures who participate in the decision making process as regards investments and the main operations.

The "product" of Ansaldo STS, which consists of innovative systems with a high technological content, often performs "Vital" functions for the integrity of the infrastructures and the safety of the users, with a useful life of some decades. Communication activities are thus numerous and diversified in form and content so as to match the different professional profiles of their intended recipients.

The communication of an "Institutional" nature is aimed at the top management of the main national railway companies and at the Public Administrations of the urban areas interested in transportation solutions, at the operating units of the customers in charge of the performance of contracts, at the technical/contractual Supervisory Boards appointed by the Customer or required under local regulations, at any professional Associations in the industry and at the Opinion Makers. The objective of technical/commercial communication is to inform the different professional profiles which are more involved in the phases of: qualification with the Customer, design, implementation, commissioning, approval, after-sales service, staff training and workers’ safety at the sites.

These objectives are pursued by creating a working community that, leveraging the sense of belonging, is able to adjust timing and procedures of the responses to the market; by participating in the exhibitions of the sector; through the presence of institutional and product-specific advertising on specialist magazines, integrated with editorial activities for an in-depth analysis of the issues; corporate current affairs press published on the website, the publication of leaflets and video related to sales and marketing activities, training of customers’ staff, workers’ safety at the sites.

EXHIBITIONS

In 2011 the most important exhibitions of Ansaldo STS were:
- Middle East Rail (28 February-3 March) - Abu Dhabi
- Expo Rail Russia (16-18 March) - Moscow
- 59th UITP World Congress and Exhib., (10-14 April) - Dubai
- RailLog Korea (15-18 June) - Bussan/Korea
- Railway Interchange (18-20 September) - Minneapolis
- Nordic Rail (4-6 October) - Jonkoping/Sweden
- APTA Expo 2011 (4-6 October) - New Orleans
- IRSE (9-14 October) - Singapore
- AUS Rail Plus 2011 (22-24 November) - Brisbane

The exhibition is one of the most important moments of corporate communication for Ansaldo STS, as it is the site of close contact between the exhibitor and its target. Therefore, for the purposes of a careful preliminary planning, from 12 to a maximum of 9 months before the exhibition, the External Communication and the Marketing offices establish objectives and therefore the relevant markets. To clarify goals is a crucial step for Ansaldo STS in order to determine the strategy and methodology of communication that will be implemented.
Litigation management

Disputes between Ansaldo STS and its Customers are mainly of a "physiological" nature, i.e. that they mainly refer to financial claims of Ansaldo STS submitted in the form of reserves for extra-costs incurred within the context of the works carried out in the implementation of the projects assigned to it.

The claims submitted from time to time will lead to actions brought before courts or arbitration panels specified in the contract, unless they are absorbed in the context of subsequent amending, supplementing deeds or settled by means of amicable settlements.

The number of the aforesaid proceedings always remains well below the physiological average compared to the number of contracts in place. Nevertheless, Ansaldo STS often tries to reach settlement agreements, considering that:

a) settlement is a normal instrument to resolve disputes arising for claims;
b) settlements represent an excellent way to improve relations with the customers involved in the aforesaid disputes, as well as an added value, where, as in the case of Ansaldo STS, the Customer is usually perceived as a privileged partner with which significant long-term relationships must be established.

For this purpose, the management of disputes, as illustrated above, cannot be separated from the consideration of the Customers’ economic and commercial interests in the current political and economic situation.

Therefore, the approach adopted by Ansaldo STS is aimed at ensuring success not only before courts, but it is also aimed at ensuring, in the short term, the collection of its debts, also by resorting to conventional debt restructuring agreements towards its Customers.

Currently Ansaldo STS S.p.A. is involved in 14 civil, administrative and arbitration judicial proceedings (as both plaintiff and defendant), 3 of which are arbitration proceedings, 8 are judicial proceedings brought against Ansaldo STS, while the remaining 6 are proceedings brought by Ansaldo STS. The company is not involved in any criminal proceeding.

Specifically, as regards the most significant proceedings brought against Ansaldo STS S.p.A., the Company has appeared in:

• 4 civil and 1 arbitration proceedings with an aggregate higher value of approximately EUR 60 million, related to the refund of higher amounts or damages;
• 3 administrative proceedings with an aggregate value exceeding EUR 2.5 million related to the cancellation of deeds of approval of work-related projects.

As regards, on the other hand, the proceedings brought by Ansaldo STS, the company has appeared in:

• 4 civil proceedings of which 1 administrative proceeding with an aggregate value of approximately EUR 200 million, related to requests for higher charges and damages for any reason whatsoever;
• 2 arbitration proceedings with an aggregate value exceeding EUR 32 million, related to the acknowledgement of claims, higher fees, higher charges and damages for any reason whatsoever.

The disputes for considerable amounts are monitored on a quarterly basis according to the procedures in force, and the existing communication flow ensures a prompt disclosure of any significant updates and the proper circulation of the related news for the corporate accomplishments.

As regards subsidiaries, both within the Transportation Solutions Business Unit and within the Signalling Business Unit, there are no disputes whose amount and risks are such as to require a specific report.
Supply Chain management

Ansaldo STS considers the process for managing the entire supply chain as a critical factor of success for its business. A strategic management of purchases entails a wider vision of the process, throughout the entire value chain, from the definition of product and service specifications to the delivery.

The type of management adopted by Ansaldo STS is interfunctional and requires the involvement and approval of all the entities involved in the overall logistic process, each for the part that falls under its competence.

Costs and types of purchases

An efficient management of purchases is essential to ensure and further improve the profitability of Ansaldo STS: costs for purchases and services from third parties represent the most relevant item of the income statement.

The growth in purchases is in line with the trend in turnover. The concentration of purchases of materials in Italy derives from a number of major projects, for which the purchases have been globalized.

The Stakeholders of Ansaldo STS | Supply Chain management

IDENTITY CARD SUPPLY CHAIN MANAGEMENT

SUPPLIES IN NUMBERS

EUR 625 million of overall supplies (of which):

- EUR 290 million for materials
- EUR 204 million for services
- EUR 131 million for "turnkey" contracts and subcontracts

Geographical distribution of supplies

PROJECTS AND HIGHLIGHTS

Project "THE ROAD TO 150": to achieve, within 2012, EUR 150 million of savings accumulated on the current and future portfolio of supplies, without any impact on the flexibility which is typical of our business model, to be pursued in terms of savings in indirect costs, greater efficiency and effectiveness in the value chain and higher productivity.

SUMMARY OF FUTURE COMMITMENTS

- Focus, in relations with suppliers, on the issues that may create higher value for the company.
- Implementation of an efficient preliminary analysis of the needs of the various Business Units.

2011 - Types of purchases

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Selection and qualification of suppliers

The selection of the suppliers and the process which leads to the purchase of assets, goods and services take place in accordance with the principles of the Code of Ethics of conduct and of the internal quality procedures, as well as in compliance with environmental, health and safety regulations currently in force.

Within the context of relations with suppliers and contractors, just as for all of those entities with which commercial and financial relations of any kind are maintained, Ansaldo STS demands conduct based on the principles of loyalty, fairness, transparency, efficiency, compliance with law. For this purpose, suppliers and contractors are selected on the basis of objective, transparent and verifiable assessment criteria, in accordance not only with the principles of the Code of Ethics, but also with all the procedures envisaged in the specific protocols, in written form, and in line with the existing hierarchical structure. The selection is based only on objective parameters such as quality, appropriateness, price, professionalism, competence, efficiency, and only where appropriate guarantees are given as regards the honesty of the supplier, provider or advisor.

Suppliers of materials and services

This relationship is based on the correct management of the supply in terms of quality, economic convenience, compliance with delivery times and checks for compliance with the requirements related to the assets purchased. There are limited relations with these suppliers as regards sharing of information and/or critical issues concerning the construction of other systems and, in general, of the entire project to which such supplies refer. But the objective is to develop long-term partnerships in order to optimise the supply chain management, both at an operating level (logistic flows, for the purposes of cash interfaces) and at the level of the management of tactical obsolescence.

Packages/subcontracts

The purchase of a package is intended as the appointment for the implementation of a "turnkey" system which shall be properly integrated with the rest of the technologies comprising the entire Project. In this case, the contractor is not considered to be a "simple" supplier but a real "partner" and thus it must be, inevitably, an integral part of all the phases of the implementation of the entire project, from the preliminary design to the commissioning phases. Therefore, such "contractors" work alongside all the entities of Ansaldo STS (PM, Engineering, Quality, Logistics, Constructions) throughout the process and, just in line with the principles of fairness and transparency mentioned above, they are informed of the actual progress of the other technologies, of any possible critical issues regarding the project, and are invited to attend the meetings held with other constructors and with the end Customer.

The selection process

The process for the selection and assessment of Suppliers develops through the phases reported below, in compliance with the procedures envisaged for the management of this process.

The Procurement function of Ansaldo STS selects potential suppliers of materials/services, particularly those related to Packages/Contracts, with the support of the other corporate functions (Engineering, Administration & Finance, Legal Affairs, Quality, HSE, Constructions). Throughout the entire assessment process, the company checks for compliance of the suppliers with the expected requirements, thus determining the possible approval and the inclusion in the list of qualified suppliers to which purchase orders may be issued. According to the importance of the commodity classes, the assessment methods used range from the mere analysis of the documents required and received from the supplier, to the preparation of an assessment report following a visit to the supplier in question. An inspection may be requested:

- by the Procurement function in order to better assess the reliability of "strategic" suppliers;
- by the interested functions when no sufficient information is available;
- by the Quality function when the judgement on the organisational system or on the Quality Management System or on the overall skills of the suppliers, appears not to be satisfactory in light of the type and relevance of the supply.

The assessment team reviews the different corporate areas according to the type of purchase (materials, services, packages, etc.), based on the processes required (design, supply, assembly, etc.) and, finally, based on the relevance of such purchases.

Qualification criteria

The Procurement function, availing itself of the technical and specialist skills of the Corporate Entities involved, assesses the potential suppliers on the basis of very detailed requirements whose main categories are outlined below:

- economic and financial position;
- management, commercial and logistic organisation;
- production potential;
- the existence of any Quality Management Systems certified by accredited bodies;
- the existence of any Environmental Management Systems and Health and Safety Systems certified by accredited bodies;
- the availability to accept inspections;
- certification from RFI (Rete Ferroviaria Italiana) or other Bodies;
- identification and traceability of production lots.
As regards the “turnkey” Packages/Contracts, Ansaldo STS enters into ad-hoc contracts which require the Contractors to undertake the implementation of the system or service assigned using their structure and resources, and at their own risk. The most important issues unequivocally defined by the sections of such contracts include:

- the purpose of the work;
- the list of the entire contractual documentation;
- financial considerations;
- obligations and duties of the supplier;
- provisions of law to comply with;
- terms of payment;
- procedures for managing variations;
- penalties imposed for non-compliance with the performance requirements required;
- guarantees (sureties) and insurances required;
- procedures for managing disputes.

Furthermore, the entire “contractual documentation” should be attached to the contract, which is usually comprised of the Main Contract (entered into between Ansaldo STS and its Customer), the technical documents that define in detail the Purpose of the Work, the detailed Programmes of the project, the Code of Ethics of Ansaldo ASTS, the documents required under applicable laws (PSC, specimen of the declarations to be made as regards workers’ protection), etc.

**Monitoring activities**

Suppliers are constantly monitored through the contacts between them and the functions of Ansaldo STS with which they interact (Procurement, PM, Engineering, Quality and Quality Supply Chain, Logistics, Constructions). At least once a year, those members of the staff who are in contact with the suppliers take part in the “Vendor rating” process, which analyses the conduct and the related performance within the context of the supplies awarded, in order to update the assessment of the suppliers and determine whether they can continue to be included in the lists of Ansaldo STS suppliers. The valuations expressed are based on four significant indexes: Quality, Punctuality, Flexibility and Costs. Any partial assessment is determined based on the weighted average of the opinions expressed by the various corporate Entities. On the basis of these opinions, a report is prepared on the quality ratios of the suppliers and, by means of an appropriate weighted average formula, a value is determined for each supplier. Only for the suppliers of strategic materials this monitoring process takes place on a quarterly basis and the parameters taken into account are the following:

- Price (calculated as the change compared to the cost of the product);
- Quality (calculated as the percentage of defects detected);
- On-Time delivery.

**Litigation management**

Generally, the disputes between Ansaldo STS and its Suppliers/Contractors may relate to breaches of contract by the aforesaid counterparties, which are attributable to both framework agreements (if any) for works/supplies, and to individual orders issued by Ansaldo STS in favour of such counterparties. Even though it is unlikely to achieve a complete prevention of such disputes, Ansaldo STS endeavours to periodically improve the contents of its general terms and conditions and, whenever possible, to standardise sub-supplies. This proved to be a virtuous path, since at present there are some disputes pending between Ansaldo STS and its suppliers and Contractors.

As regards project-specific materials and services, Ansaldo STS uses Purchase Orders (PO) which, in their standard model, summarise the general terms and conditions of supply, the provisions of law to comply with - with specific regard to Workers’ and Personal Data Protection - and the provisions of the Code of Ethics. The wording of the Purchase Order describes the features and requirements, quantities and delivery times of the materials and services purchased, referring, where applicable, to specific documents related to technical specifications of the more complex Equipment.
Exchange relationships with the community

Institutional relations management model

The management of the relations with Public Institutions, local and territorial authorities, essential to the existence of the Group under many aspects, falls, at Ansaldo STS, under the responsibility of the External Communication function, as well as all the Communication and Image activities and the media relations.

Considered together, these topics contribute, each in its context, to build the reputation of Ansaldo STS, which is its very important intangible value to which the overall credibility of the company and the quality of the relationships with its shareholders and stakeholders are linked.

Even though the management model of Ansaldo STS acknowledges wide operational independence to the different offices, the coordination of the commitments of the Group on this issue, so as to make it consistent and to enhance it, represents one of the main activities of the External Communication function, whose specific mission is to:

- ensure uniformity of the Group’s approach, for the purpose of protecting and strengthening interests and contractual power;
- control relationships with the different local institutions;
- follow, together with the sales area, the decision-making procedure related to some key measures for the Group;
- promote framework agreements, programme agreements and other local exchanges;
- define and develop adequate information tools;
- ensure the strictest ethical compliance when approaching Institutions and local authorities;
- monitor and strengthen the image of the Group by means of appropriate communication campaigns and activities with the media;
- organise regular meetings for sharing strategies;
- provide the other corporate units, particularly as regards the sales area, with the tools necessary to perform their duties.

Another key tool for the functioning of institutional relations is the so-called “Professional Family”, i.e. the network of colleagues that do the same job in the different offices around the world.
Research projects with national and European Union public institutions

Currently Ansaldo STS has in place:

3 projects financed in Italy by the Ministry for Research (of which the Security-related SAFER project is worth mentioning, which is coordinated by Ansaldo STS and which sees the participation of many Finmeccanica companies);

3 projects financed by the Ministry for Productive Activities, included in the context of the plan Industry 2015 Sustainable Mobility (of which, the SITRAM project is worth mentioning, which concerns a catenary-free tram system with high power efficiency);

1 project financed by the Ministry of Environment: Piezorail, related to the utilisation of piezoelectric devices to recover energy in the railway transport.

Ansaldo STS participates in the District of the Liguria Region “Integrated Technological Intelligent Systems” together with other Finmeccanica companies active in the region.

### PROJECT SAFER - Active Safety in Railway Systems

**SUMMARY**  
*The objective of the project is to develop technologies and systems to increase safety in the national railway transport system, which increases the quality of life of personnel and users. Competences of an advanced industrial type, of research entities, of excellence in specific research are allocated to the team in charge of the project.*

**DESCRIPTION AND SUSTAINABILITY**  
The project includes specific activities, development of prototypes and experimentation, in line with the European project and study initiatives in the field of security. ASTS will contribute to the definition of the system requirements, and to the specification of the main modules and experimentation.

**PARTNERS**  
- ANSALDO STS (Lead Manager)
- CONSORZIO TRAIN
- ELIASG S.P.A.
- GALILEO AVIONICA
- SELEX COMMUNICATIONS S.P.A.
- TELESPAZIO S.P.A.

**PROJECT DETAILS**  

### PROJECT SITRAM - Sistema Tranviario Innovativo (Innovative Tramway System)

**SUMMARY**  
*“Sustainable Mobility” is the key target of the SITRAM program since the proposing enterprises considered it to be a competitive factor essential for the acquisition of new market shares and for the maintenance of the existing ones. The main “target” services to be enhanced are: Safety, Energy Efficiency, Environmental Impact, Regularity of Service and Availability. Relevant aspects: Eco-compatibility of the surface transport vehicles; noise reduction (intervention on mechanical parts on-board), visual impact reduction (elimination of the overhead line) and increased energy efficiency (TramWave). Safety of people and goods in surface transport (both in terms of safety and security against criminal unlawful acts in urban contexts: tramway system where the driver controls are supported by safety functions, centralised system for the prevention of safety threats etc.)

**DESCRIPTION AND SUSTAINABILITY**  
*Sustainable Urban Mobility: an intervention which will produce great benefits is the elimination of stray currents from the traction circuit, which, in an urban context, create major damage due to the high density of civil substructures and structures in the territory. A STS is the coordinator of the project. In addition, it is directly involved in the development of TramWave and in the ground energy storage systems. ASTS will construct the tramway signaling system and the security systems, whereas AnsaldoBreda will construct the innovative components of tramway vehicles.*

**PARTNERS**  
- ASTS first offeror and coordinator
- AnsaldoBreda
- ELIASG DATAMAT
- 12 Small/medium-sized Enterprises (involved by the Large Enterprises)
- 30 research entities (involved by the Large Enterprises), including: TEST (transport centre of Naples), University of Naples, SESAMO, Politecnico University of Milan
- 2 End users: Municipality of Naples and ATM of Milan

**PROJECT DETAILS**  

### PROJECT PIEZORAIL (Systems for the generation of energy through piezoelectric components)

**EXPIRY**  
We are waiting for the loan granting decree.

**STATUS**  
In progress

**DESCRIPTION**  
The purpose of the proposal is to design and test innovative prototypes capable of producing electricity from the passage of vehicles, by placing piezoelectric mats under the tracks, thus being potentially able to produce significant quantities of energy exploiting the weight of the rolling stock itself. The following activities are expected to be carried out: definition of functional and non-functional features based on the applicable regulations; system specification; specification of the track and of the systems for electricity generation/storage; designing and construction of the demonstrator; on-site installation and testing; assessment of technical and economic results. ASTS will be the Project Manager and will be directly involved in the activities described above and specifically, in those necessary for the definition of system requirements, for the definition of system and layout solutions. It will contribute to the construction of the “on-site” demonstrator, the testing and the relevant assessment of the results.

**MAIN PARTNERS**  
- Ansaldo STS (Project Manager)
- Politecnica
- University of Naples, Faculty of Engineering

**DETAILS**  


**EXPIRY**  
Stated start time: January 2011.

**STATUS**  
Application submitted in April 2010 (No. 00595). The first phase of evaluation has been passed.

**DESCRIPTION**  
The project is aimed at implementing a system of energy storage in Supercapacitors for railway systems. This system will consist of storage systems placed both on board vehicles and in the ground subsystem. The modules are constantly monitored by an appropriate test equipment, will be coordinated and managed through an appropriate software which will also coordinate the actions of the security functions in order to avoid dangerous situations.

After the preliminary study of creation of the systems in Supercapacitors for railway systems, the project provides for the definition and sizing of on-ground and on-board storage systems, taking into account of the interoperability required between the two systems in their sizing. The expected outputs will be the construction of two prototypes of on-board and on-ground energy storage systems which will be individually tested in order to verify their proper operation. Furthermore, the energy management software will also be tested. Ansaldo STS will be engaged in the activities necessary to design and test the on-ground storage system and in the activities of integration with the on-board storage system in order to reach an optimized sizing and management.

**MAIN PARTNERS**  
- AnsaldoBreda (lead manager)
- Ansaldo STS
- Una PMI (TRIS)
- The Engineering faculties of the Universities of Naples, Salerno and Sannio

**DETAILS**  

In addition, Ansaldo STS is currently involved in 11 projects financed by the European Union within the context of the seventh framework programme, 6 of which were approved in 2009. Of these projects, the most significant are:

- the security-related PROTECTRAL project, coordinated by Ansaldo STS, with the participation of primary railway operators such as the French, Italian and Polish railways, and the Finmeccanica companies Elsagdatamat and Giesecke & Devrient;
- INESS project for the standardisation of the interfaces with the European Interlocking systems;
- GAL+ for the development of the use of satellite in railway signalling;
- CESAR and MBAT projects on the issues of the verification and validation of Embedded Systems; these projects have been financed within JTI Artemisia, of which Finmeccanica is a member.
### PROJECT Iness “Integrated European Signalling System”

**SUMMARY**
The project helps to improve the interoperability of railway systems with consequent reduction in the cost of the plants, which may accelerate the process for the modernisation of the plants, to the benefit of all stakeholders. In Europe there are many different types of signalling systems which ensure the movement of trains in stations (interlocking), to which many types of interface correspond. The INESS project aims at standardising interfaces, and represents the continuation and completion of the previous “Euro Interlocking” Project, (which saw the participation of ASTS) integrating in the ERTMS/ETCS Program. The project will lead to the reduction in the Life Cycle Cost (LCC) as a consequence of the simplification of products, of scale effect, reduction in V&V (verification and validation) investments, validation of commissioning.

The INESS project will allow the Operators of Railway Infrastructures to activate those programs for the upgrading of interlocking systems required to support the development of the ERTMS/ETCS in Europe. As for the other FP7 Projects, the participants establish a Consortium to develop the Project.

**MAIN PARTNERS**
- Sector associations: UIC (Coordinator) and UNIFE, Railway Infrastructures Operators: ADIF, BANVERKET, DB NETZ, NETWORK RAIL, PRORAIL, RFI, Signalling companies: ALSTOM, ANSALDO STS, Bombardier Transportation, ELIOFT Ferrières IT, Infrastrutture Rail, MER-MEC, Scheid & Bachman, Siemens, THALES Rail Signalling Solutions, Universities and consultancy firms: ALMA, BBF, Eindhoven University of Technology, German Aerospace Center DLR, Railisette Consulting Ltd, RNTH Aachen, University of Southampton, Technical University Braunschweig, TFSA, Universidad Politecnica de Madrid, University of York.

**DETAILS**
- Call: research FP7 project co-financed by the European Union - Start date: 1/10/2008 - term: 36 months - costs EUR 16.6 million - financing: EUR 10.3 million - ASTS share of costs: EUR 0.8 million (distributed between France and Italy).

### PROJECT PROTETCRAIL (The Railway-Industry Partnership for Integrated Security of Rail Transport)

**SUMMARY**
The purpose of the project is to increase safety of railway transport against malicious attacks by both common criminals (vandalism, thefts, aggressions) and terrorists, thus contributing to the improvement of the quality of life of staff and users of the transport services. The protection of the railway will consist of protecting:

- fixed assets (protection of stations and buildings, of structures such as tunnels, bridges, platforms and depots, tracks, signalling, command and control systems, electricity distribution systems, ICT systems, rolling stock, staff);
- transported assets (passengers, luggage and goods clearance).

**MAIN PARTNERS**
- Ansaldo STS S.p.A. (IT coordinator), Thales Security Systems (FR), Alstom (FR), Bombardier (BE), Elsag Datamat (IT), Selex Sistemi Integrati (IT), TNO (NL), UIC (FR), UNIFE (BE) - other partners under negotiation.

**DETAILS**
- Call: DG Enterprise - Security - Start date: October 2010 - term: 42 months - estimated costs of EUR 22.0 million - estimated financing of EUR 13.0 million - Ansaldo STS share of costs: EUR 2.0 million - Ansaldo STS share of financing: EUR 1.5 million.

### PROJECT GAL+ (GNSS Application on Lines for Performance of Low Traffic and GAL+ Upgraded Safety)

**SUMMARY**
The project aims at studying the application in the railway industry of satellite technologies (GNSS satellite localisation) which may allow for the reduction of the cost of the system, the level of safety being equal, in particular geographical areas. Consequently, it will be possible to increase the security level in railway systems which are presently lacking of adequate technologies due to the high costs of traditional solutions. The main objective of GAL+ is to develop innovative applications Sol, (Safety Of Life) EGNOS and GALILEO within Low Traffic Lines (LTL). For GAL+, satellite localisation represents the basis of train separation, train routing and train control functions. Particular attention should be paid to the “Integrity” aspects linked to the accuracy of the localisation: such aspects are essential to guarantee the safety and availability of the function.

**MAIN PARTNERS**
- UIC, RFI, SNCF; Bombardier, Alstom, Siemens, University of Braunschweig, Artic.

**DETAILS**
- Call: FP7 of the CE - call Galileo - term: 36 months - costs: EUR 2.5 million - financing: EUR 1.8 million - ASTS share of costs: EUR 0.2 million - ASTS share of financing: EUR 0.1 million.

### PROJECT Model-based Analysis and Testing of Embedded Systems (MBAT)

**SUMMARY**
This project intends to increase the safety levels of the railway systems thanks to innovative methodologies and technologies which can be used in the verification and validation processes, with clear benefits for all stakeholders. One of the main factors which can ensure quality of the embedded systems is the use of verification and validation systems (V&V) during the development process. The group in charge of the MBAT project has identified and quantified the benefits which may result from the use of such technologies. MBAT will allow the production of high-quality embedded systems through the transfer of the most advanced, effective and efficient technologies from research projects to industrial practice, and will prove the economic benefits achieved.

**MAIN PARTNERS**
- 37 partners are expected to participate, including:
  - Main industrial partners: Daimler (Coordinator), Airbus, AleniaSIA, Alstom, Ansaldo STS, AVL, EADS, ElsagDatamat, Infineon, Rockwell, Siemens, Thales, Alenia Space France, VOVO
  - Main research partners: Fraunhofer Institute, OFIS, Austrian Institute of Technology

**DETAILS**
**PROJECT "CESAR" (Cost-efficient methods and processes for safety relevant embedded systems)**

**SUMMARY DESCRIPTION AND SUSTAINABILITY**

This project, precursor of the MBAT project, develops technologies and tools which will be used for the purpose of a better verification and validation process of the embedded safety-related systems, including railway systems. Benefits will thus be achieved in terms of better quality in processes and lower costs. Hence, the result will be safer products, which may be more easily acquired by the owners/operators of transport infrastructures. The participation of Ansaldo STS provides, in an initial phase, for a contribution to the definition of the methodology of the identification of requirements, modelling techniques and validation tools. In the second phase, Ansaldo STS will apply the results of the first phase to the development of the ARTESIA Level 1 systems and, specifically, to the on-board subsystem, which defines safe speed profiles, and to the interface towards the ground subsystem, which gathers and transmits signaling data such as speed limits and aspect of the signals. Ansaldo STS coordinated its participation with other Italian companies and, in particular, with those in the Frimmeccanica group, within the context of the European association ARTESIA of which it is a member.

**MAIN PARTNERS**

Fifty-three persons participate in the project, which include research entities, large- and small-sized enterprises. Below are reported the main partners of the railway sub-project.

- Siemens (sub-project leader)
- ASTS
- Danieli Automation
- Universities and Research Centres (including the Universities of Bologna and Trieste)

Note the participation of ELSAGDATAMAT for the definition of validation models and tools, and of Alenia SIA for aeronautics applications.

**DETAILS**


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**PROJECT SECUR-ED Secured Urban Transportation - European Demonstration**

**CALL**

DG Enterprise - Security Call SEC-2010.2.3.1 Security of mass transportation - phase II

**EXPIRY**

The application has been submitted.

**STATUS**

The project has been started.

**DESCRIPTION**

The objectives of the project are the following:

- analysis of the public transport's policies, legislation and specifications in Europe;
- proposing a risk assessment method and development of the related tools that may be used by public transport operators in medium-large sized cities in the future;
- development of an interoperability framework for security technology in order to face the main risks;
- integration of technology in real test cases and in various environments in order to validate both its interoperability and its adhesion;
- use of scenarios that take account of the requirements submitted by the public transport operators in order to propose demonstrators in large cities (Milan, Paris, Berlin, Madrid);
- assessment of the efficiency of the proposed method, the tools and technology used while carrying out demonstrations;
- circulation of the results of the methodologies tested and validated in order to improve the mass transport security in Europe.

**MAIN PARTNERS**

Thales (coordinator), Ansaldo STS, ATC Milan, Bombardier, Alstom, London Underground, Metro Madrid, UITP/RATP/Wien Linien, Elsag Datamat, Selex SI.

**TERM**


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**PROJECT OSIRIS - Optimal Strategy to Innovate and Reduce energy consumption In urban rail Systems**

**CALL**


**EXPIRY**

Submitted on 2 December 2010.

**STATUS**

Eligible for financing.

**SUMMARY DESCRIPTION**

The primary objectives of the project are: the definition of benchmarking concerning energy consumption of urban rail systems (LRV, tram and metro) and energy efficiency indicators related to cycles of standard operation; the development of a holistic model that appropriately interfaces with a multistage simulation tool and for the global modeling of energy flows and consumption in urban railway systems; to carry out electrical, thermal and mechanical simulations; to test the effects of the introduction of new specific technologies and operational strategies for the future reduction of consumption in urban transport systems; to demonstrate and validate technologies and strategies studied on a series of real demonstration scenarios that include LRV, metro and trams.

Below are the main innovations:

- Vehicles: technologies for traction, braking, and control of operation; energy storage systems based on Li-ion batteries; smart control systems of ancillary services, development of innovative converters.
- Infrastructures: reversible substations, on-ground energy storage; low-consumption auxiliary services; design criteria for low-consumption substations; heat pumps to reduce the consumption of HVAC systems.
- Technologies to support operations: specification of ventilation systems optimized for undergrounds; evaluation of the effects of an optimized driving operations; feasibility of a real-time system for an energy-efficient management (smart grid energy management).

**MAIN PARTNERS**

- Constructors: UNIFE (Co-ordinator), SIEMENS, ALSTON (technical leader), CAR: AREVA, ASTS, SATP.
- CMNM - University of Santiago do Chile; VUT - University of Wien

**DETAILS**

Alleged Start: 01/01/2012; Term: 36 months; Estimated costs of the project: EUR 8.5 million; Estimated financing of the project: EUR 5 million; Ansaldo STS share of costs: about EUR 0.9 million.

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**Participation in trade associations**

Ansaldo STS is actively involved in the initiatives of the UNIFE (Union of European Railway Industries), UNISIG (the European Union Industry of Signalling) and UITP (International Association of Public Transport), ANIE (National Federation of Electro-technical and Electronic Industries), AIQ (Italian Association for Quality Culture) Italian partner of EFQM (European Foundation for Quality Management), COSILE (Consortium for safety at work) and the Manufacturers’ Association/Confindustria, in particular in Naples and Genoa.

In particular, as regards the UNIFE, Ansaldo STS cooperates to promote the extension of the rail transport system through the implementation of the technological standards (ERTMS, TSI) and the proposed European research projects aimed at improving safety, energy efficiency and respect for the environment, within the railway transport industry.
Partnerships with universities: technological and managerial training

In the academic year 2010-2011, Ansaldo STS participated, together with the Ferrovie dello Stato Group, AnsaldoBreda and Roma Metropolitane, in the implementation of the 2nd level University Master in Engineering of Infrastructures and Railway Systems promoted with the La Sapienza University of Rome. The objective of the Master was the training of high-level technicians in the field of railway transport.

Another major initiative was ITS “special schools of technology”, i.e. post-secondary technical training courses with a duration of 2 years, managed by private-law foundations specifically established in Italy. Finmeccanica joined the ITS project, launched by the Ministry for Education and University, participating in 7 Foundations which were joined by 8 Finmeccanica Group companies, including Ansaldo STS. In particular, the ITS project followed by Ansaldo STS is a specific project for the railway world. The training program was launched in mid-October 2011 and will be concluded in early 2013 (at the end of a period of internship at Ansaldo STS and at the companies in the chain). There are 24 participants in the classroom. The courses are held at “il Villaggio dei Ragazzi” in Maddaloni (Province of Caserta).

Ansaldo STS is also a member of the ISICT of Genoa, Istituto Superiore di Studi in Tecnologie dell’Informazione e della Comunicazione (Institute of Studies on Information and Communication Technologies). ISICT is a consortium established by the University of Genoa and by some Enterprises, Institutions and Entities operating in the territory of the Liguria Region. The purpose of the ISICT is to promote excellence training in the Information and Communication Technology sector.

Ansaldo STS participates in the proceedings of the Institute through its presence in the decision-making bodies and by cooperating with teaching activities to the education of the students.

Furthermore, Ansaldo STS organizes, in collaboration with the Faculty of Engineering at the University of Genoa, annual conferences in the field of Cyber Security which are aimed particularly at students and the industrial fabric of the area.

Ansaldo STS participates in workshops with graduate or undergraduate students organized by Universities in agreement with the most important regional businesses. During these meetings the company listens to the needs and aspirations of the young people who are entering the university’s world and then it presents, together with the various companies present at the meeting, specific details relating to its business environment, as well as more general information on the choice about university and the possible working opportunities.

2011 saw the start of the “Get Your Career On Track” project; a campaign was launched, in agreement with the external relations function, to attract young talent to the corporate environment; the cornerstone of this campaign is the creation of a single image with strong visual impact for all the countries where the group operates. In fact, the latter was used in all events in which the company has participated, with the stated objective of capturing attention of younger generations and of presenting itself, once again, as a winning company in the key sector of Employer Branding.

AGREEMENTS WITH UNIVERSITIES

Ansaldo STS has in place Framework Agreements with the Italian Universities of Genoa, Naples, Turin and of the Basilicata Region, with which it has an active cooperation in the form of three-year PhDs, one- or two-year research contracts, as well as many doctoral thesis and apprenticeships.

In 2011 these agreements made it possible to organise some workshops for specific purposes, which were held at the University of Genoa. A number of the Group’s managers directly attended the meetings, where they illustrated various engineering issues of fundamental importance to Ansaldo STS, such as electric traction.

The Group increasingly stimulates the use of such instruments, with the common objective of offering a training experience to young resources who perform activities which involve issues directly applicable to the projects followed by the company.

Furthermore, Ansaldo STS has entered into a framework agreement with the German University of Dresden, which has a great experience in Railway Signalling; it also develops cooperation relationships with the Universities of Rome and Milan.

Finally, Ansaldo STS continues to intensify the creation of profitable and lasting relations with international Universities in countries which are strategic for the future of the Group. For example, it is important to mention the USA, where the Group has promoted important training initiatives, such as:

- participation in numerous academic Career Fairs;
- participation in the Computer Science Day event at the University of Pittsburgh;
- promotion of meetings and interviews with students at the local universities;
- promotion of job and internship offers through university channels;
- recruitment of stagiaires and trainees (i.e. 35 candidates during the 2011 summer).

Media relations

As regards communication with the media, Ansaldo STS relationships are mainly focused on those of an economic-financial nature:

- national news agencies, both non-specialist (including ANSA, ADN-Kronos, AGI) and specialised in financial issues (including Radiocor, MF Dow Jones, Reuters), as well as international agencies specialised in financial issues (Reuters International, Dow Jones, Bloomberg);
- newspapers (including Il Sole 24 Ore, MF, Finanza & Mercati, Italia Oggi);
- magazines (including Il Sole 24 Ore Plus, Milano Finanza, Borsa Finanza, Corriere Economia, Repubblica Affari&Finanza, Economy, Il Mondo);
- radios (Radio 24);
- TV (Class CNBC).

Relations with online economic and financial sites (including IlSole24Ore.com, Solidonline.it, Finanza.com, Virgilio Economia) are also developed.

Furthermore, continuous and successful relationships are maintained with the local media, with both business and news editorial staff, where the offices of Ansaldo STS are located, Genoa and Naples, or where the company develops its projects on the territory, such as in Rome, Milan and Brescia.

Finally, note the contacts established with the main international newspapers in the railway transport/signalling industry, such as Railway Gazette International and Railway Market.

RELATIONS MANAGEMENT

The management of media relations focuses on the “quality” of information, which must always meet the requirements of transparency, punctuality, truthfulness, usefulness and widespread dissemination. These features allow Ansaldo STS to ensure that its communication is always based on a constant equality of information to all the interested media.

In this regard, it should be pointed out that the equality of disclosure is the essential requirement that must be met as regards the communication of listed companies. The direct relationship with the journalists is maintained at different levels: from the highest ones, Directors and Deputy Directors, to the ordinary Editors. In fact, it is necessary to maintain the relationship with all the players of the media industry in order to be able to provide constant support whenever any issues related to the Ansaldo STS business are dealt with.

QUALITY OF THE EXTERNAL COMMUNICATION

Each “Price Sensitive” communication from Ansaldo STS to the market (i.e. a communication which may significantly impact the stock performance on the Stock Exchange and which is disclosed through the NIS - Network Information System - of Borsa Italiana) is subject to a standard procedure which strictly links and coordinates the IR function, the internal communication function of Ansaldo STS and the external communication company. Each communication to the media is thus shared, verified and approved prior to its dissemination outside, thanks to a constant and accurate monitoring which involves, each with its specific duties, the three functions mentioned above. Any contact with the media must both proactive and follow-up, concerning communications made to the market is shared between the internal communication function of Ansaldo STS and the external communication company so as to maintain the required overall uniformity and consistency of the information on the relationships of Ansaldo STS with the media.
Relationships with the community

Every year Ansaldo STS is strongly involved in several charity campaigns, financing humanitarian, environmental and cultural initiatives. In 2011, donations amounted to over EUR 750 thousand.

Particularly important are the activities of financing non-profit organisations and Specialist Healthcare centres, for the benefit of those suffering from serious illnesses, such as:

- Fondazione Ansaldo ONLUS,
- Fondazione Bambino Gesù ONLUS,
- Telethon,
- Flood Relief Donations,
- Multiple Sclerosis Foundation,
- Donation for Yushu Earthquake.

Finally, in 2011 Ansaldo STS also supported cultural and social entities such as:

- Fondazione Teatro San Carlo,
- Fondazione Teatro Carlo Felice,
- Fondazione Politecnico di Milano,
- Carnegie Institute,
- Temple Building Fundraising.

The NEW WEBSITE

2011 was the year of the new website: it was a great job of designing, planning and coordinating, which involved all branches of the company. In August 2011 Ansaldo STS officially announced the online publication of the new institutional site, which had been completely renewed as to graphics and enhanced with new sections and functionalities.

We tried to make the website of Ansaldo STS a more effective, modern, flexible tool of communication, which is able to respond adequately to the needs of communication and information required by the world situation in which Ansaldo STS operates.

The Chief Executive Officer, Sergio De Luca, while launching the renewal project of the corporate website, reported the company’s intentions as follows: “Ansaldo STS, after its listing on the stock exchange, which took place in 2006, immediately entered the international markets, operating in many countries with a growing interest from investors all over the world. Such a vast audience requires great attention to the way you a company presents itself, the quantity and quality of information provided and the ability to be able to adequately meet the cognitive needs of our customers and our investors.

For this reason, we decided to deeply renew our institutional website (www.ansaldo-sts.com) as to graphics and contents, accepting the suggestions we received, with only one objective: to make our image more in line with the new size of our operations and the complexity of institutional and market relations achieved.”

During these months, many aspects have been further revised and improved, with a view to continuous improvement that is peculiar to the Internet world and Ansaldo STS.

On 28 November, Ansaldo STS was awarded the 2011 Best Improver prize by KWD Webranking, the agency that is appointed to monitor and assess the effectiveness of the websites of listed companies, and that compiles the annual ranking which is considered to be the reference in this type of communication. The criteria applied for the allocation of positions in this special ranking are designed for every aspect of the companies’ communication, from investor relations to media relations, from the implementation of social networks to the transparent management of governance information. In recent months Ansaldo STS managed to pass from 40th to 26th position, thus recording the best performance of the year.
Environment, Health and Safety

Environment
Worker’s health and safety
Environmental Policy

The Ansaldo STS Group is convinced that the fact of taking account of the environment in all its business activities is essential to help create a harmonious coexistence between people, technology and environment. Technological innovations, the commitment to the development of products which are intended to increase the safety, effectiveness and efficiency of rail transport systems, railways, metros and tram systems are the key to success and growth.

In fact, developing ever higher performing products means, in environmental terms, an even more attractive offer of passenger and freight transport services: a safer, faster, more punctual and more frequent circulation of trains attracts a higher number of users, while significantly reducing the use of less environmentally friendly transport systems.

Within its organisation, Ansaldo STS, consistently with its mission, involves all of its staff in the reduction and control of the environmental impact resulting from its business through the definition of well-defined targets and responsibilities. By doing so, Ansaldo STS aims at being recognised as one of the leading companies as regards environmental preservation and protection.

Ansaldo STS undertakes:

- to improve its activities also for the purpose of reducing its overall impact in terms of climate-altering gas emissions in the atmosphere;
- to work in compliance with the legal provisions applicable to its procedures, through the formalisation of procedures which support the knowledge of the relevant legislative framework;
- to prevent environmental pollution;
- to identify significant direct and indirect environmental issues for offices and sites in order to control and monitor impacts on the environments;
- to involve staff, suppliers and contractors in the environmental issues, raising their awareness on this subject;
- to set targets for the achievement of increasingly ambitious targets and objectives, consistently with the technological progress of the sector and with the budgeted expenses;
- to define indicators for a straightforward monitoring of performances;
- to start an open dialogue with the Public Authorities, the communities and the public, aimed at raising awareness of the real environmental impacts and cooperating to update environmental regulations.

This policy is based on the application of the requirements of the relevant rule UNI EN ISO 14001:2004 and of any other relevant rules applied at an international level, on the full compliance with national and international regulations in force on the matter, developing a program focused on the continuous improvement of environmental standards. The policy is notified and circulated to all employees of Ansaldo STS and to all the interested parties through the web and the company intranet network.
Management systems, certifications and registrations

The commitment of the Ansaldo STS Group to environmental issues has grown in the last few years alongside the evolution of its corporate policy and objectives. The decisions taken required a considerable investment of resources and a significant organisational effort, but led to the implementation of innovative industrial processes increasingly more sustainable from an environmental point of view and more responsible management procedures.

For this purpose, the Ansaldo STS Group has implemented an Integrated Management System (IMS) for Environment, Safety and Quality, establishing, at Corporate level, global policies and procedures to ensure the controlled management of processes and activities for safety at work and the protection of the environment.

Subsequently, each Legal Entity has established, according to the legislative requirements and the Corporate policies and procedures, local policies on environment/safety and instructions, thus committing to achieving the following objectives:

- ensuring compliance with the provisions of law applicable to its processes, in the different countries where the subsidiaries are required to operate, through the formalisation of procedures that facilitate the knowledge of the relevant legislative framework;
- identification of significant environmental aspects, both direct and indirect, in order to reduce and control the related impact on the environment, both of the company and of its suppliers and partners;
- definition of key indicators for a straightforward monitoring of performances.

The ISO 14001 standard and the EMAS Regulation represent the model indicated by the Ansaldo STS Group to its subsidiaries for the development of management systems the certification of which represents the instrument to develop a permanent environmental awareness both with internal staff and with suppliers and subcontractors.

Market requirements and the resulting experiences for some of the subsidiaries has led to the development of environmental management systems the certification of which represents the instrument to ensure legal compliance on a continuous basis and to seize any and all opportunities to limit environmental impacts which the opening of a site would inevitably entail.

Ansaldo STS acts by following the procedure “On-site environmental management” starting from an initial environmental analysis of the works to be carried out on site and to be processed and agreed with the subcontractors; this activity is followed by an environmental monitoring plan which is able to ensure legal compliance on a continuous basis and to seize any and all opportunities to limit environmental impacts which the opening of a site would inevitably entail.

Furthermore, Ansaldo STS is constantly committed to providing the best products with the utmost safety, the best system solutions, the use of the best design methods and procedures, the best existing manufacturing methods and processes, all in accordance with the commitment to reducing energy consumption, as well as the direct and indirect impact on the environment.

The table below illustrates the current state of the certifications obtained and being obtained:

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Scope of application of the Environmental Management System

The Environmental Management System adopted by the Ansaldo STS Group companies is applied to the following activities:

- as regards production sites, to the manufacturing of the products intended for safety, control and supervision systems supplied by the Ansaldo STS Group;
- as regards (non-production) sites, mainly dealing with: design of signalling systems; safety, reliability and availability analysis; lab tests; project management and control; research and development; procurement; prevention and protection;
- activities related to the work sites. The activities carried out directly by Ansaldo STS on work sites are related to the management and coordination, the monitoring and control of the manufacturing, the activation and commissioning of the systems, and their delivery to the customer. With reference to the environmental issues related to such activities, Ansaldo STS acts by following the procedure "On-site environmental management" starting from an initial environmental analysis of the works to be carried out on site and to be processed and agreed with the subcontractors; this activity is followed by an environmental monitoring plan which is able to ensure legal compliance on a continuous basis and to seize any and all opportunities to limit environmental impacts which the opening of a site would inevitably entail.

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<td>YES</td>
</tr>
<tr>
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<td>Pittsburgh</td>
<td>YES</td>
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</tr>
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<td>ASIA PACIFIC</td>
<td>Voika Brisbane</td>
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</tr>
<tr>
<td></td>
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</tr>
<tr>
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<td>Noida</td>
<td>YES</td>
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</tr>
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<td></td>
<td>Bangalore</td>
<td>YES</td>
<td>2013</td>
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<td></td>
<td>Karachi</td>
<td>YES</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>Kuala Lumpur Office</td>
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<td>2013</td>
</tr>
<tr>
<td></td>
<td>Kuala Lumpur Factory</td>
<td>YES</td>
<td>2013</td>
</tr>
<tr>
<td></td>
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<td>Sydney</td>
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<td>PRODUCTION SITES</td>
<td>ISO 9001</td>
<td>ISO 14001</td>
<td>ISO 18001</td>
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<tr>
<td>USA</td>
<td>Batesburg</td>
<td>YES</td>
<td>2012</td>
</tr>
<tr>
<td>FRANCE</td>
<td>Riom</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>ITALY</td>
<td>Tito</td>
<td>YES</td>
<td>YES + EMAS</td>
</tr>
</tbody>
</table>
Implementation of regulations

Together with the Integrated Management System (IMS), a management system has been defined which integrates all the processes of Ansaldo STS into a complete structure which allows the organisation to operate as a single unit with shared objectives and with the application of environmental regulations at global level.

The operating process-related procedures have been defined which permit complete competence to be achieved as regards the legislative framework in which the processes performed and the products and services put on the market are included, so as to verify their adequacy and compliance. In addition, according to these procedures, the Ansaldo STS Group is also required to rely on local advisors for the purpose of improving the competence relating to the legislative and regulatory framework applicable in the Country in question.

In line with the Environmental Policy, the main commitment of Ansaldo STS is not simply limited to the compliance with the existing laws, regulations and directives, but to pursue a continuous improvement of the environmental performance linked to its products and production processes.

Project “HSE DISCOVERY PHASE”

In 2011 the Ansaldo STS Group completed the project “HSE DISCOVERY PHASE”, related to the standardisation of EHS legislative requirements of different Countries. This project started by analysing how the EHS issues are managed at the different sites of the Group: the objective was to implement policies based on best practices, which were applicable to the entire Group and which allowed the implementation of significant improvements in environmental, health and safety performances. In 2011, following the analysis and comparison, the following procedures were defined:

- the global procedures to standardise the operating EHS system integrated into the IMS;
- the definition of processes which ensures full compliance at Group level as regards EHS issues;
- the implementation of a common reporting system (Enablon) on the EHS performance at global level, according to the Finmeccanica guidelines, and the definition of a set of performance indicators.

Training in environmental issues

The Ansaldo STS Group considers training in environmental issues an increasingly important aspect. The promotion of the sense of environmental responsibility and the constructive dialogue with the staff on environmental issues mainly depend on the specific training process for all the employees who, according to their role, apply the principles set out in the Environmental Policy. For these reasons, the Ansaldo STS Group environmental issues mainly depend on the specific training process for all the employees who, according to promotion of the sense of environmental responsibility and the constructive dialogue with the staff on environmental issues.

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Education and training sessions are held by expert staff in the subject involved. The technical-specialist nature of the training programmes underlines the intention of the Ansaldo STS Group to specifically address those professional profiles who perform duties and activities potentially critical for the environment. In 2011, about 187 training hours were recorded for these figures.

Environmental performances

The planning of future environmental strategies depends on the extent of the Company’s environmental performances. For this purpose, the Ansaldo STS Group, thanks to the Environmental Management System and to the Initial Environmental Analyses developed for sites and yards, has defined and identified the specific environmental issues of its activities so as to establish specific indicators in order to reduce environmental impacts.

Scope of reporting

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Scope of reporting

The scope of reporting considered for the measurement of environmental, health and safety performances is comprised of 18 sites of subsidiaries of Ansaldo STS; the environmental aspects of which resulted to be significant: the sites where the production activities are carried out (mechanical work, processing of metal and non-metal materials, thermal treatments, surface treatments, gluing or resin finish) and non-production sites with a number of employees of not less than 10.

**Production sites**

These sites are those of Tito Scalo in Italy, Riom in France, Batesburg in the USA, where electromechanical elements and electronic appliances are produced for railway security, control and supervision are produced. They occupy an aggregate area of 203,330 sq. m., 16% of which is comprised of plants, storage deposits, warehouses and offices, 26% of roads, parking and excavation areas, 1% of airfields and strips (Riom site) while the remaining 57% is dedicated to green areas such as flower beds and lawns. An aggregate of 558 people (287 in Batesburg, 136 in Tito Scalo and 135 in Riom) are employed, who, in 2011, worked for an aggregate of about 997,566 hours.

The largest site is Batesburg with an area of 146,329 sq. m.; on the contrary, Tito Scalo covers an area of 40,000 sq. m., while Riom covers a total area of 17,000 sq. m.

**Non-production sites**

There are 15 non-production sites which mainly carry out activities for the design of signalling systems; safety, reliability and availability analyses; laboratory tests; management and control of job orders; research and development; procurement; prevention and protection.

From a geographical point of view they are distributed as follows:

- 3 in Italy: Genova, Piossasco (TO) and Naples;
- 3 in Europe: Les Ulis in France, Bravington House - London (UK) and Solna - Stockholm (Sweden);
- 1 in USA: Pittsburg;
- 8 in the Asia Pacific region: Brisbane, Perth, Sydney and NewCastle (Australia); Kuala Lumpur (Malaysia); Bangalore, Noida and Kolkata (India).

Non-production sites cover a total area of 162,952 square metres and employ 3,282 collaborators for a number of worked hours equal to 5,951,717 in 2011.

None of the 18 sites of the Ansaldo STS Group is subject to the IPPC (Integrated Pollution Prevention and Control) directive.

The Batesburg and Tito sites are located in an area included under contaminated sites of national interest.
EMAS Registration
The plant of Tito Scalo (Province of Potenza) centralises all the production activities of the Signalling Business Unit Italy for which all the components and systems conceived, designed, verified and validated by the development units located at other sites are industrialised, manufactured and tested. The products manufactured in this plant include: circuit boards, electronic devices and equipment such as, for example, ground traffic light signalling, impedance bonds (automatic block systems which ensure the safe management of distances between trains) and the Eurobalise (i.e. transponders installed along the railway lines, which transmit information which allows the protection of the movement of the train). The plant adopts an Environmental Management System based on successive objectives and targets and on the principles under Regulation EMAS EC No. 1221/09 (Eco Management Audit Scheme) which is compliant with the UNI EN ISO 14001 standard to ensure the absolute control of the environmental issues linked to its activities. The environmental analysis has led to the identification of such aspects and the procedures for their management.

Reduction of 20% in energy consumption
The technological progress, the implementation of investments and the implementation of an environmental management system and Emas, made it possible to increase, over years, energy efficiency of the plant, and launched an ambitious project: -20% in energy consumption. The project was started by adopting low-energy consumption lighting systems, specifically:
1. artificial lighting control (DALI) based on the quantity of natural light, with the possibility of additional regulation at any time, where necessary;
2. activation of the lighting system only when the presence of people in the room is detected;
3. circuits for the regulation of light independent of one another, which may be switched off individually in order to optimise energy consumption;
4. renovation of false ceilings and external walls.

Application of the prudential approach
The chemical products used at the Tito Scalo plant are divided into those intended to be incorporated in the products of the plant and the consumables used in the manufacturing processes. Amongst the first there are resins, paints, tin alloys for electronic welding. As regards the reduction of hazardous products required by Legislative Decree no. 151 of 25 July 2005, even though the products of the plant do not fall within the scope of application of such decree (see ANIE Guidelines dated March 2006), the company has arranged the gradual adoption of a welding process for circuit boards through the use of unleaded solders.

Energy consumption is an environmental aspect assessed and measured at all offices of the Ansaldo STS Group and when the environmental aspects of the site set-up and of the implementation of civil and technological works are analysed.

For its own production and operational purposes, in 2011, the Ansaldo STS Group consumed energy resources for an aggregate of 97,820 GJ. This consumption is determined by: electricity drawn from the grid for 68%, methane gas for 19%, diesel for the production of energy and motor propulsion for 9% and petrol for motor propulsion for 3%.
Energy efficiency and renewable energies

Ansaldo STS participates in periodic operational meetings organised by Finmeccanica on the issues of Energy and Environment, within the context of the Community of the Group’s Energy Managers. These meetings, which are held every four months, represent an essential element for sharing the Group’s guidelines, the best practices, for the development of synergies between the Group companies and for the introduction of innovative technologic, process and contractual elements. In July 2009, Finmeccanica officialised and circulated to all the Group companies the “Guidelines for managing energy expenditure, investments in systems and renewable energy sources” which are used to identify the main energy-related guidelines:

- application of the evolution model of energy supply;
- identification of new initiatives to be included in the Energy Efficiency Program;
- assessment of new initiatives for the development of renewable sources.

20% energy reduction project

Ansaldo STS is implementing the project for a 20% reduction in the energy absorption of the Italian offices of Genoa, Piossasco (Turin), Naples and Tito Scalo (Potenza) by 2015.

This project started in 2010 with the analysis of energy consumption (Electricity and Home Heating Gas) in the last years and with a future projection that highlighted the related increase. Hence the need for actions aimed at curbing and reducing consumption and at consequently reducing GHG emissions (in particular CO2).

The types of action referred to in the project provide for the replacement, for the Turin office, of many of the energy infrastructures which are becoming obsolete (supply mains, valves, lighting systems, etc.) whereas, for the Genoa, Tito and Naples offices, they provide for an approach more focused on streamlining consumption (reduction of lighting in offices when no staff is present, switching off of PCs and displays when their operators are absent, etc.) according to the actual needs, and, only in case of obsolescence, the replacement of some systems with other “energy saving oriented” systems.

It is estimated that the costs amount to between EUR 200 - 300 thousand per year for 5 consecutive years, 70% of which will account for investments for the construction of systems which are equivalent to those which must be necessarily replaced and, as regards the residual 30% amount, as actual cost of the energy saving project. Against of which will account for investments for the construction of systems which are equivalent to those which must be necessarily replaced and, as regards the residual 30% amount, as actual cost of the energy saving project. Against

In 2011 the sites of Genoa and Piossasco obtained a reduction in energy consumption of 8% and 14%, respectively. The plant of Tito Scalo obtained a reduction in gas consumption of about 15%, which would make it possible to achieve the target of 20% in 5 years.

Renewable sources

Ansaldo STS has acquired the 2011 RECS certificates relating to the consumption of Electricity at the Italian sites. The RECS (Renewable Energy Certificate System) certificates, with a denomination of 1 MWh, are instruments which certify the use of renewable sources - as defined by the Community directive 2009/28: wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases. Through the purchase and subsequent cancellation (withdrawal of the certificate from the market) Ansaldo STS confirms its commitment in favour of the environment by making itself available to pay a positive delta compared with the price for electricity from traditional sources.

EMISSIONS IN THE ATMOSPHERE

The emissions in the atmosphere mainly relate to production sites and only to some of the offices (Les Ulis - France and Piossasco - Italy) as the most of them are not involved in the production of emissions.

<table>
<thead>
<tr>
<th>EMISSIONS IN THE ATMOSPHERE</th>
<th>PRODUCTION SITES</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO2 (Kg)</td>
<td></td>
<td>0.004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOx (Kg)</td>
<td>341.352</td>
<td>100.669</td>
<td>192.730</td>
<td></td>
</tr>
<tr>
<td>CO (Kg)</td>
<td>170.682</td>
<td>50.000</td>
<td>96.370</td>
<td></td>
</tr>
<tr>
<td>Volatile Organic Compounds (VOC - kg)</td>
<td>1,376.714</td>
<td>1,332.813</td>
<td>737.500</td>
<td></td>
</tr>
<tr>
<td>Volatile Inorganic Compounds (kg)</td>
<td>1.017</td>
<td>0.120</td>
<td>0.100</td>
<td></td>
</tr>
<tr>
<td>Heavy metals (Pb, Hg, Cd, Cr, As, Co, Ni) (kg)</td>
<td>0.026</td>
<td>0.118</td>
<td>0.100</td>
<td></td>
</tr>
<tr>
<td>Particulate (kg)</td>
<td>7.000</td>
<td>0.900</td>
<td>0.900</td>
<td></td>
</tr>
</tbody>
</table>

The emissions of CO and NOx is mainly due to the thermal systems equipped with effective filters for reduction of polluting substances. The emissions are measured directly from the chimneys.

The reduction in the quantity of VOC is mainly due to the reduced use of solvents and to the presence of reduction systems.

The data on the particulate refers to the plant of Tito Scalo and is related to the emissions resulting from production activities and handling of goods. Its decrease is due to the reduction of the soldering activities of the components of the cards which are now purchased complete, and to the management of the forklifts for handling goods which is now outsourced.

MANAGEMENT OF WATER RESOURCES

The sustainable management of the waters of the site during the phases of collection, use and discharge, favours the maintenance and the enhancement of water efficiency, ensuring a reduced waste of the resource and a reduction in the environmental impact.

The water resources are then managed with particular attention by Ansaldo STS which has been implementing saving actions, over the years, such as the installation of photocell electronic taps in Italy, rainwater recycle projects at the Riom site in France and projects for the replacement of the cooling towers by means of “dry” systems.

In November 2010 Finmeccanica officially announced and issued, for all the Group companies, the “Guidelines for water management”, aimed at defining the procedures by which the companies in the Finmeccanica Group in Italy must implement the sustainable management of water resources within their own sites, regardless of whether they are industrial sites or offices.

The application of management systems, technical actions and procedures is aimed at reducing:

- the withdrawal of water;
- any losses in the water network;
- the use of water;
- the environmental impact due to waste water.
The objective is:
- to cause the companies to adopt a plan for sustainable water management and to prepare the necessary actions for the preparation, testing and regular review of the same;
- to cause the companies that already have a plan for water management to review and revise the same, based on the contents of this Guideline.

The sources of supply of Ansaldo STS are water mains and the aquifers from which water is pumped through wells.

The use of water resources is linked mainly to domestic uses. The consumption of water at the plants of Tito Scalo and Riom - France is very moderate.

The reduction in the indicator of cubic metres of water consumed per worker related to the production sites is mainly due to a lower consumption of water for the irrigation of the green areas at the site of Batesburg - USA. The waste water produced at the sites may be classified, based on its use prior to the discharge, as domestic water (or water treated as such) and industrial water. Most of the Group sites produce only waste water classified as domestic water or water treated as such.

The water discharges of Tito Scalo are divided into drinkable water that discharges into sewers, industrial water that is used for fire fighting and gardening, and technological water which is discharged into the sewerage system of sewage water.

WASTE PRODUCTION AND MANAGEMENT
Waste generation is an environmental aspect assessed and measured at all offices of the Ansaldo STS Group, as well as at the sites, both when analysing the environmental impact of the site-setup and during the implementation of civil and technological works.

In all the locations of the Group, waste collection points have been arranged according to the type of waste and of the company layout.

In 2011, the reduction, in absolute terms, in the waste produced by the offices was also affected by the downsizing of some of them which, for this reason, were excluded from the scope of reporting of environmental data (passing from 22 to 15).

Hazardous substances
No site of the Ansaldo STS Group presents hazardous substances R40. Plans for the disposal of the R22 air-conditioning systems (ozone-depleting substances) have been successfully implemented in Tito Scalo; therefore, they must be implemented only in Piossasco (quantity equal to 0.13 tons) and in Batesburg (quantity equal to 0.1 tons).

In July 2011 Finmeccanica officially announced and issued, for all the Group companies, the “Guidelines for hazardous substances management”, with the objective of:
- causing the Company to adopt a plan for the management of hazardous substances, which considers all the activities linked to the life cycle of the same;
- allowing the Companies that already have a plan for the management of hazardous substances to verify and improve their efficiency and completeness on the basis of the contents of this Guideline.
RECLAMATION
In September 2010, the US Agency DHEC (Department of Health and Environmental Control) forwarded to Ansaldo STS, Batesburg site, a letter of request for more aggressive corrective measures for the removal of polluting substances from the land around the site in Batesburg, South Carolina. ERM, a consultancy firm contacted in this regard, immediately submitted a proposal for the characterisation of the soil and underground waters in the vicinity of the plant. The history of water pollution at this site is comprised of different periods in which the Group has faced and tried to solve this issue. In the 70s and at the beginning of the 80s, some metal dumping occurred, resulting from production waste (in particular cadmium, chromium and copper) and coloured waste water, to the detriment of the septic tank and of the sewers. The results of the continuous monitoring of underground waters showed a peak in the presence of Volatile Organic Compounds (VOC), particularly as regards tetrachloroethylene (PCE) and trichloroethylene (TCA).

From 1983 to 2000 the plant took a set of corrective actions aimed at pre-treating and recovering underground waters, using several techniques, such as the Pump & Treat (on site pumping and treatment), to which a chemical oxidation on site was later added, for the reclamation of underground water in the area of origin. The treatment continued with some variations, but the results of the post-treatment monitoring evidenced the presence of additional liquid organic substances, denser than water, which continued to pollute aquifers.

Subsequently, it was decided to continue with a modified version of the chemical oxidation treatment, by means of “dosing wells”, with the addition of sodium permanganate. These wells, however, proved to be ineffective in the fine-grain part of the aquifer, and thus the treatment of the concentration of VOC in the water was only partial and such concentration was not reduced at source. In January 2007, the DHEC approved an addendum to the Corrective Action Plan aimed at the installation of an “air sparging” system on site, along the torrent adjacent to the site. This system is based on the injection of air under pressure beneath the level of the aquifer for the purpose of triggering the mass transfer of VOC out of the aquifer water.

The letter from the DHEC dated September 2010 induced the representatives of Ansaldo STS and the company ERM to better define the additional assessment of the area of origin, before designing any supplementary reclamation measures. This assessment shall characterise more in depth the location and the distribution of the residues of VOC in the soil and in the underground waters and confirm the absence of any other secondary sources in the vicinity of the area of origin.

In June 2011 the DHEC Agency received the “pre-remedial” document prepared by ERM which provides for:
• sampling of soil and subsoil in the peripheral zone of the Ansaldo plant;
• surveys with gas in groundwater to determine the concentration of VOC in the production area of the plant.

After the approval, the implementation may be started.

NOISE
At all of the sites of the Ansaldo STS Group, noise levels are always low and both external and internal noise levels are monitored according to the timetable specified under the legislation in force, in order to check for compliance with the limits applicable therein. Subcontractors carry out their phonometric measurements. When Ansaldo STS acts as a main contractor, it may require the subcontractors to provide the results of the measurement so as to monitor that there are no breaches of the limits. Finally there are some Health and Safety Plans which provide that no noise limits must be exceeded in the entire site.

The Carbon Management System
In 2009 Ansaldo STS renewed its commitment to the reduction in the emission of greenhouse gases directly and indirectly in the performance of its activities, by implementing the Carbon Management System (CMS), a system which allows for the regulation of the improvement path defined in this regard, through the planning, implementation and measurement of the emission reduction targets.

The CMS has been developed in line with the relevant international regulations and standards, specifically:
• ISO 14001: international standard for environmental management systems;
• Intergovernmental Panel on Climate Change: for the definition of the inventory of emissions;
• World Resources Institute (2009), GHG Protocol: for the definition of the structure of the Carbon Footprint Model and the use of emission factors related to the sources of energy used;
• ISO 14064 for reporting greenhouse gas emissions;
• IPCC Data Banks, Italian Life Cycle Assessment database: for the calculation of the emission factors related to raw materials and end of the life cycle.

The system makes it possible to perform:
• final analyses related to the emissions produced;
• monitoring and reporting activities for emissions by type (Scope I, Scope II, Scope III);
• comparison with historical data and forecast analyses;
• assessment of the impact of the products in terms of emissions during the entire life cycle;
• economic-environmental impact analyses, with reference to the regulations applicable to the reduction of emissions, for the determination of the potential value-at-risk of the assets;
• activities for measuring the effectiveness of the emission-reduction projects;
• the communication to interested parties, media, investors, rating agencies and other organisations, about the performance of Ansaldo STS as regards emissions.

Reporting on direct and indirect CO2 emissions (Greenhouse Gas)
The determination of the Carbon Footprint is not only a consequence of the need to “report” an existing phenomenon (the emission of climate-altering gases) but becomes the tool which allows the identification of the contexts in which new appropriate and feasible actions are required for the improvement of the environmental performance. Where such actions have already been planned or implemented, the Carbon Footprint becomes the instrument that enhances them, providing the decisions adopted with the visibility they deserve, vis-à-vis domestic and international markets.

In addition, one of the key reasons in support of instruments such as the Carbon Footprint is represented by the awareness that investments in the environment neutralise the risk that, at a later time, higher costs will have to be incurred for any adjustments which will inevitably be required.

In 2009, the reporting detailed by source was launched for direct and indirect emissions as required by the GHG protocol. The emissions reported for Ansaldo STS include the six greenhouse gases regulated by the Kyoto Protocol (CO2, carbon dioxide, CH4, methane, N2O, nitrous oxide, PFC compounds, HFCs hydro-fluorocarbons and SF6 – sulphur hexafluoride) and the following emissions produced:
The Carbon Footprint Model was powered through the provision of a system for collecting, analysing and aggregating data which has been created for this purpose.

The Scope 1 emissions are all direct emissions of greenhouse gases resulting for example from direct production of electricity and heat through plants at the sites.

The Scope 2 emissions are those arising indirectly from the production of purchased electricity or heat (the calculation of the latter has taken account of the acquired energy from renewable and nuclear sources.

The Scope 3 emissions are other indirect emissions from the extraction and production of purchased materials, resulting from employees’ travels with non-owned vehicles, the transport of goods and waste disposal.

The direct and indirect GHG emissions were measured in tonnes of CO₂ equivalent.

GHG emissions (t CO₂eq)

<table>
<thead>
<tr>
<th>Scope</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope I</td>
<td>11,668</td>
<td>10,674</td>
</tr>
<tr>
<td>Scope II</td>
<td>2,012</td>
<td></td>
</tr>
<tr>
<td>Scope III</td>
<td>5,213</td>
<td></td>
</tr>
</tbody>
</table>

Travel Policy

The Ansaldo STS Group has defined a common Travel Policy for all employees, executives and non-executives, thus continuing its path to the standardization and globalisation of processes at all levels. Among the issues covered by the Travel Policy, for the purpose of achieving the corporate objectives, also in terms of cost containment, Ansaldo STS has invited its employees to make journeys only if absolutely necessary and only if they are considered to be the most efficient manner to meet, with respect to any other means available to the company, such as call and video conferences for which significant investments were made.

One of the effects of the Travel Policy can be measured in the drastic reduction in both short and long haul flights.

<table>
<thead>
<tr>
<th>Flights Type</th>
<th>2010</th>
<th>2011</th>
<th>change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHORT-HAUL (km)</td>
<td>43,406,848</td>
<td>20,099,386</td>
<td>-54%</td>
</tr>
<tr>
<td>LONG-HAUL (km)</td>
<td>68,321,327</td>
<td>25,378,957</td>
<td>-63%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>111,728,175</td>
<td>45,478,343</td>
<td>-59%</td>
</tr>
</tbody>
</table>

From the point of view of the greenhouse gas production, the reduction in the air travel kilometres has avoided the emission of more than 9,000 tons of CO₂.

Production of CO₂ from employees’ flights (t)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14,482</td>
<td>5,883</td>
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</tbody>
</table>

THE CARBON DISCLOSURE PROJECT (CDP)

The Carbon Disclosure Project (CDP) is an international non-profit organization whose mission is to facilitate transparent communication by the largest global companies of data related to the climate change to investors.

Year after year, this information is becoming increasingly important in investment decisions.

The CDP provides institutional investors with a single analysis of how the largest global companies respond to climate change due to increased emissions of greenhouse gases.

To support investors in their investment decisions, the CDP Italy Report was prepared which is focused on the management of the carbon management issue by the main Italian companies, for an upcoming convergence to a low-carbon future.

In 2011, the first year of participation, Ansaldo STS entered the Global 500 of the Carbon Disclosure Leadership Index (CDLI) according to the report published by the Carbon Disclosure Project (CDP).

The CDLI only includes companies in the FTSE Global Equity Index Series (Global 500) that have shown greater transparency in the communication of strategies and actions to combat climate change to the stakeholders.

The report, which has been prepared by Accenture for CDP has analysed in detail the responses from the largest Italian companies by market capitalization listed on the Italian Stock Exchange, according to two parameters: the quality of the information used to transparently disclose policies relating to emissions (disclosure) and the quality of initiatives aimed at addressing climate change (performance).

Ansaldo STS ranked, with a score of 79/100, among the top ten companies as regards commitment to environmental protection and the reduction of climate change.

CDP 2011 - Score feedback for Ansaldo STS

As part of the work, CDP works with partners to assess the quality and completeness of companies’ reporting and carbon management.

One of these assessments is presented in the form of a Disclosure Score and a Performance Score. The scores and feedback information used to transparently disclose policies relating to emissions (disclosure) and the quality of initiatives aimed at addressing climate change (performance).

Your Disclosure Score breakdown versus your peers in the Italy 60

<table>
<thead>
<tr>
<th>Category</th>
<th>2010 Score</th>
<th>2011 Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions Management</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Emissions Reporting</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Governance and Strategy</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Opportunities</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Risks</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Stakeholder Engagement</td>
<td>79</td>
<td>79</td>
</tr>
</tbody>
</table>

Compared to Average Disclosure Scores for:
- Your Sample Italy 60: Total Average Score: 64
- Your Sector Industry: Total Average Score: 58

These awards were announced on the occasion of the meeting for the presentation of the Italy 100 Report 2011 in Milan, a report that provides information on trends and developments concerning the monitoring and measurement of the emissions of greenhouse gases.
### Indirect environmental aspects

The commitment of Ansaldo STS is also focused on the control of indirect environmental aspects through rules and actions concerning:

- **suppliers:**
  - selection criteria include environmental requirements;
  - general purchase conditions require full legal compliance from the supplier as regards ethical, safety and environmental requirements;

- **products:**
  - they are conceived in compliance with the Environmental Policy;
  - the Product Development entities are involved in an analysis that allows environmental aspects to be considered in every phase of the life cycle of the product, also involving the suppliers whenever necessary (disposal of hazardous products and waste at the end of the life cycle).

### Non-compliance, environmental claims and assessments

In 2011, at the non-production sites of the Ansaldo STS Group, 4 environmental accidents occurred (2 in Les Ulis, 1 in NewCastle and 1 in Sidney) and 1 external claim was submitted as regards environmental impact. No breaches of the environmental regulations were reported by external control entities and no failures occurred on any plants, which were critical from an environmental perspective.

The Group carried out 17 internal environmental assessments at non-production sites and 5 at production sites. 11 external environmental assessments were carried out at non-production sites, while 6 were conducted at production sites, plus one carried out by the Authority responsible for environmental control.

### Worker’s health and safety

The activities carried out by Ansaldo STS are related to the design, construction and coordination for the implementation and commissioning of highly-complex systems which necessarily require very advanced and diversified technologies and skills.

The performance of the mission requires designing, production, sale, installation, maintenance and assistance of railway and metro transport systems and of the relevant power systems, of mechanical, electric and electronic technology systems and services and software, including telecommunication systems and track systems, railway signalling, supervision and remote controlling systems and the provision of goods and services related to such activities, the carrying out of studies and researches in the field of the technologies applied to the railway and metro transport industry.

### Health and safety policy

The policy of Ansaldo STS concerning health and safety at work is based on the application of the requirements of the relevant standards, OHSAS 18001:2007 and of the other relevant rules applied at international level, on the full compliance with national and international regulations applicable on the issue, developing a program oriented to the continuous enhancement of health and safety standards.

For health and safety, Ansaldo STS undertakes:

- to ensure and maintain a healthy and safe working environment, to prevent accidents, illnesses or damages to the health of employees, suppliers, customers and visitors;
- to extend the OHSAS 18001 certification to all the sites of the Ansaldo STS Group, continuously improving the effectiveness of the Safety and Health Management System at workplace (SGSL);
- to continuously enhance the performances of the SGSL system not only in terms of prevention of accidents and occupational diseases, but also as regards the general well-being of the workers;
- to adopt, for all of the risks linked to the working activity, assessment criteria which, in compliance with national and international laws in force, also take account of best practices;
- to increase training and information activities for all workers, with the aim of increasing their awareness of the risks connected to their activity;
- to continue to develop activities in support of the spreading of a safety culture vis-à-vis all the suppliers and parties involved.

The policy is notified and disclosed to all the staff and to all the parties concerned through the web and the Company's intranet network.
Implementation of regulations

Together with the Integrated Management System (IMS), a management system has been defined which integrates all the processes of Ansaldo STS into a complete structure which allows the organisation to operate as a single unit with shared objectives and with the application of safety regulations at global level.

The Health and Safety Management System of the Ansaldo STS Group has led to the definition of operating process procedures which allow competence to be achieved on the legislative framework so as to be able to check for its adequacy and compliance.

In addition, according to these procedures Ansaldo STS Group is also required to rely on local advisors provided with the necessary competence as regards the legislative and regulatory framework applicable in the Country in question. The Ansaldo STS Group comprehensively applies the regulations under Legislative Decree no. 81/2008 for Italy, and similar regulations in other Countries where the Group is active, identifying and assessing risks on a continuous basis and implementing all the prevention and control measures.

The methodology applied for the identification of the risks and their assessment complies with the legislation in force, with the voluntary regulations adopted by the Ansaldo STS Group, with the working experiences capitalised, and has available control indicators for the risks that the organisation is able to monitor.

Training

The Company internally promotes, divulges and consolidates the health and safety culture through training activities aimed at increasing awareness of risks and the attitude towards a responsible conduct.

For this reason, the Ansaldo STS Group promotes training, educational and information activities for the development of the skills of the staff which, through their activities, may influence safety and health at work. For this purpose, Ansaldo STS has launched a Directive for the training and development of people, as well as the Integrated Management System (IMS) which are part of the new strategic plan for the health and safety of the Group.

Together with the IMS, a management system has been defined which integrates all the processes of Ansaldo STS into a complete structure which allows the organisation to operate as a single unit with shared objectives and with the application of safety regulations at global level.

The Health and Safety Management System of the Ansaldo STS Group has led to the definition of operating process procedures which allow competence to be achieved on the legislative framework so as to be able to check for its adequacy and compliance.

The Health and Safety Management System of the Ansaldo STS Group has led to the definition of operating process procedures which allow competence to be achieved on the legislative framework so as to be able to check for its adequacy and compliance.

The corporate reorganisation process, the implementation of the IMS, the acquisition of foreign orders, the application of the Finmeccanica guidelines have contributed to accelerating the integration of the Job Safety Analysis into Lifecycle Management and Risk Assessment procedures, using a method that, at global level, must operate as a guideline for all the labour scenarios and the applicable national and international regulations.

Safety and health performance

The protection of health and the prevention of any form of accident or injury or occupational disease are considered by the Ansaldo STS Group as primary values, as stated in the Policy.

The historical trend of the performance indicators related to health and safety is analysed so as to be able to set the new targets to be achieved, also dividing them by risk factor and location of the injury.

Therefore, safety is a strategic must for the Ansaldo STS Group, and not only based on its mission, but also as a value that is to be guaranteed to all the workers who, with their daily actions, contribute to make it a guarantee for end users.

Overall in 2011, 34 accidents were reported (compared to 62 of the 2010), 17 at the offices and 17 at production sites, (excluding those still in progress), of which 5 reported an absence exceeding 3 days (4 for offices and 1 for production sites)

The aggregate number of days of temporary disability resulting from each accident is 52 at the offices and 184 at production sites.

The data on the frequency and severity of accidents report extremely low values if compared to those of the construction segment (which show, in Italy for instance, a frequency index of approximately 50 and a severity index of 8.5).

Below are reported the accident frequency and severity rates:

<table>
<thead>
<tr>
<th>Accident frequency rate - NON-PRODUCTION SITES</th>
<th>Accident frequency rate - PRODUCTION SITES</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Graph" /></td>
<td><img src="image2.png" alt="Graph" /></td>
</tr>
</tbody>
</table>

Thus, given the low values of the accident frequency and severity rates, in order to acquire any information useful for the improvement, consistently with the Health and Safety policy, Ansaldo STS also reports the so-called Near Miss (accidents with no consequences, resulting from undesired and unexpected situations which could have exposed people to some risks), so as to be able to collect and analyse data and information, and to identify in advance any possible solutions.

20. The 2011 data also includes the number and work of temporary workers under the total number of employees and worked hours.
COSILAVOROSICURO PRIZE
Ansaldo STS participates in the Consortium for Workers’ Health and Safety at work (Consorzio per la Sicurezza e la Salute dei lavoratori sui luoghi di lavoro, CoSiLa) as a Member of the Steering Committee. Among the various activities carried out and planned, the Consortium has launched the “COSILAVOROSICURO” project, the primary objective of which is to provide the members of the consortium with a set of operational tools and simplified procedures to ensure full compliance with the obligations prescribed by law and that also provides for the recognition of the members’ good behaviour through a certification that the CoSiLa issues at the end of each year.

For the second consecutive year said certification has been issued to Ansaldo STS as 2011 Trustworthy Company for ethical behaviours adopted in relation to the workers’ health and safety at work. The method adopted for selecting the company to be awarded the prize is similar to that adopted by INAIL to grant rebates and rewards and concerns, in particular, the adoption by businesses of higher organization and preventive measures than those provided for by law.
Reporting methodology

The 2011 Sustainability Report of the Ansaldo STS Group reports, for the third consecutive year, the economic, social and environmental impact of management operations. The methodology adopted refers directly to the "Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative) version 3.0."

Materiality - In order to ensure a balanced and fair reporting of its performance, the Internal Sustainability Committee of Ansaldo STS, which was established in 2010, has studied the various topics being reported to secure the quality of the report; the Committee has carried out an analysis of the materiality in order to detect how the different issues affect the economic, environmental and social performance of the company, and how they can affect the stakeholders’ assessments and decisions. The determination of the relevant aspects reported reflects a combination of internal and external factors with respect to the organization.

- **Internal Factors**: mission, values, strategies, policies and management systems aimed at designing and delivering solutions for cutting-edge, safe and environmentally-friendly railway and metro transport and signalling; risk assessment activities carried out according to the Enterprise Risk Management methods of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report); quality, environmental and health and safety management systems; corporate strategy on the issue of Climate Change; distinctive competences of the company specifically focused on the search for solutions that ensure safety in transportation and eco-efficiency.

- **External Factors**: directions resulting from the GRI guidelines; risks linked to climate change (Carbon Management System); interests and expectations of the stakeholders involved in the success of the enterprise (listening to, and dialogue with stakeholders); issues highlighted by the ESG criteria being analysed by financial analysts.

Stakeholder involvement - The application of this principle led the company to define, for each category of stakeholder, the main values which characterise the relationship in order to be able to assess the response ability of Ansaldo STS. Several feedback activities, described in a specific section, were carried out with the objective of better identifying expectations in terms of relationships.

Sustainability framework - The section "Sustainability of development" intends to provide a clear definition of how Ansaldo STS interprets its sustainability in relation to the business segment in which it operates. The chapter dedicated to the environment describes an application of the prudential approach.

Completeness - The report has been prepared with the purpose of providing stakeholders with a full picture of the activities carried out by Ansaldo STS. The scope of reporting refers to the Group as specified in the Consolidated Annual Report at 31 December 2011. Issues relating to the environment, health and safety refer to sites of subsidiaries where the environmental aspects appeared to be important: sites in which production activities are carried out and non-production sites in which at least 10 workers are employed. As a result of the closure and downsizing of some non-production sites, the scope of reporting on environment, health and safety issues passed from 25 sites to 18 (7 less sites) as specified in the paragraph scope of reporting in the section of the report on Environment, Health and Safety. In the Asia Pacific Region Ansaldo STS operates through a joint venture, where 40% of the staff is represented by company employees: the data relating to it is the result of an estimate (calculated by taking 40% of the total staff of the Region).

Equilibrium - The description of the results of the activities carried out by Ansaldo STS tried to reflect both the positive and negative aspects (e.g. in reporting objectives that were not achieved or that were partially achieved in 2011 against the commitments taken or in reporting the results of the perception on the part of the financial markets) in order to allow a balanced assessment of performance as a whole.

Comparability - In order to allow the stakeholders to analyse changes in the performance of the company, the Sustainability Report presents the data relating to the two-year period 2011:2010. If significant, the comparison concerned the three-year period 2009:2011. The economic data, which are expressed in euros, are translated at the exchange rates specified in the 2011 Consolidated Annual Report. The scope of reporting of the data reported is always specified (in the text or in the notes), as well as its changes compared to the past. The structure of the report has not been significantly changed other than to expand upon the in-depth analysis of certain issues. The developments relating to the commitments of Ansaldo STS are also reported in the section "Sustainability programme".

Accuracy - The economic, qualitative and quantitative data directly refer to the 2011 Consolidated Annual Report, while the accuracy of environmental, health and safety data is due to certified management systems (ISO 14001 and OHSAS 18001) and to the use of the data collection platform Enablon implemented in 2010. The corporate data is mainly extracted from the operating system of the Group. Data produced by estimates is clearly specified. The conversion factors for the calculation of GHG emissions refer to The Greenhouse Gas Protocol Initiative.

Timeliness - The Sustainability Report is prepared on an annual basis and is published on the occasion of the Shareholders’ Meeting. In order to meet the information requirements of the stakeholders, the company opted to also report particularly significant events that occurred after the closing of the last financial year.

Clarity - The structure of the report has been defined to facilitate the identification of the information contained therein by the stakeholders. The 2011 Sustainability Report is structured into five sections:

- **Identity of Ansaldo STS** - Profile of the Group, Governance and organisation
- **Sustainable development** - Sustainability and management systems, Listening to and dialogue with stakeholders, Sustainability programme
- **Creation of economic value and innovation** - Creation of value, Governance of innovation
- **The Stakeholders of Ansaldo STS** - Human resources, Investor relations, Relations with customers and markets, Supply chain management, Exchange relationships with the community;
- **Environment, Health and Safety** - HSE policies, management system and certifications, HSE performance.

The document finally reports the G3 Content Index and the Certificate of Compliance. The level of detail of the information has been selected so as to make the report comprehensible, accessible and usable by the different stakeholders.

Reliability - The 2011 Sustainability Report was approved by the Boards of Directors and was assured by an independent third-party (PricewaterhouseCoopers) according to the principles and instructions contained in the International Standard on Assurance Engagement (ISAE 3000) of the International Auditing and Assurance Standard Board (IAAASB). The certificate of compliance assigns level B+ to the report for compliance with the Sustainability Reporting Guidelines of the GRI.
<table>
<thead>
<tr>
<th>GRI Code</th>
<th>Description of the Indicator</th>
<th>Reported</th>
<th>Cross-reference Direct answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA10</td>
<td>Average number of training hours per year for employees, broken down by category of workers</td>
<td>Fully</td>
<td>Human resources - Training and development</td>
</tr>
<tr>
<td>LA11</td>
<td>Pro grammes related to the management of skills and for the promotion of a gradual training/refresher activities in support of the continuity of employment of the staff and for the management of the final phase of their careers</td>
<td>Fully</td>
<td>Human resources - Training and development</td>
</tr>
<tr>
<td>LA12</td>
<td>Composition of the corporate governance index and breakdown of the employees by category based on their gender, age, belonging to selected groups and other diversity indicators</td>
<td>Fully</td>
<td>Human resources</td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio between the basic salary of men and that of women within the same job category</td>
<td>Fully</td>
<td>Human resources - Equity of pay</td>
</tr>
<tr>
<td>FR1</td>
<td>Percentage and total number of significant investment agreements, which include clauses on human rights or which are subject to a related assessment (screening)</td>
<td>Partially</td>
<td>Supply chain management - Selection and qualification of suppliers</td>
</tr>
<tr>
<td>FR2</td>
<td>Percentage of the main suppliers and contractors who are subject to the issue of health and safety conditions</td>
<td>Partially</td>
<td>Supply chain management - Selection and qualification of suppliers</td>
</tr>
<tr>
<td>FR3</td>
<td>Total hours of training of the employees on policies and procedures related to the protection of human rights which are relevant to the activities of the organisation and percentage of trained workers</td>
<td>Partially</td>
<td>Sustainable development - Social sustainability; Human resources - Training and development</td>
</tr>
<tr>
<td>FR4</td>
<td>Number of episodes related to discriminatory practices and actions taken</td>
<td>Fully</td>
<td>Social sustainability - Social responsibility</td>
</tr>
<tr>
<td>FR5</td>
<td>Identification of the activities where the freedom of association and collective bargaining may be exposed to significant risks and actions taken to defend such rights</td>
<td>Fully</td>
<td>Social sustainability; There were no restrictions on the freedom of association</td>
</tr>
<tr>
<td>FR6</td>
<td>Identification of the operations with a high risk of exposure to child labour and measures adopted to contribute to its elimination</td>
<td>Fully</td>
<td>Social sustainability - No violations were reported in this regard</td>
</tr>
<tr>
<td>FR7</td>
<td>Activities with a high risk of recourse to forced or compulsory labour Fully and measures taken to contribute to their abolition</td>
<td>Fully</td>
<td>Social sustainability - No violations were reported in this regard</td>
</tr>
<tr>
<td>FR8</td>
<td>Percentage of suppliers which have been trained on the procedures and policies concerning human rights which are relevant to the activities of the organisation.</td>
<td>Partially</td>
<td>Social sustainability - Human resources - Training and development</td>
</tr>
<tr>
<td>FR9</td>
<td>Number of violations of the rights of the local community and actions taken</td>
<td>Fully</td>
<td>Social sustainability - No violations were reported in this regard</td>
</tr>
<tr>
<td>SO1</td>
<td>Nature, objective and effectiveness of any programme and activity which assesses and manages the impact of the operations on a given community, including the phases of the launching of the activity, operation and disposition</td>
<td>Not</td>
<td>-</td>
</tr>
<tr>
<td>SO2</td>
<td>Percentage and number of external divisions monitored for bribery - Compliance risks</td>
<td>Partially</td>
<td>Sustainable development - Social sustainability - Compliance risks Grade;</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of workers who have been trained on anti-bribery policies and procedures of the organisation</td>
<td>Partially</td>
<td>Sustainable development - Social sustainability - Compliance risks Grade;</td>
</tr>
<tr>
<td>SO4</td>
<td>Actions taken in response to episodes of corruption</td>
<td>Fully</td>
<td>Social sustainability - No violations were reported in this regard</td>
</tr>
<tr>
<td>SO5</td>
<td>Position on the public policy participation in the development of public policies and pressures exercised</td>
<td>Not</td>
<td>-</td>
</tr>
<tr>
<td>SO6</td>
<td>Total of financial contributions and benefits given to political parties list and related institutions by Country</td>
<td>Not</td>
<td>-</td>
</tr>
<tr>
<td>LA21</td>
<td>Total number of legal actions referred to unfair competition, anti-trust and monopoly practices and related judgments</td>
<td>Fully</td>
<td>Relations with customers and markets - No events occurred in this regard</td>
</tr>
<tr>
<td>LA22</td>
<td>Monetary value of any significant fines, and total number of non-monetary sanctions for non-compliance with laws and regulations</td>
<td>Fully</td>
<td>Relations with customers and markets - No events occurred in this regard</td>
</tr>
<tr>
<td>LA23</td>
<td>Phases of the life cycle of products and services for which the impacts on health and safety are assessed in order to promote their enhancement, and percentage of the main categories of products/services subject to such procedures</td>
<td>Fully</td>
<td>Product innovation and quality of relations</td>
</tr>
<tr>
<td>LA24</td>
<td>Number of cases of non-compliance with the regulations and voluntary codes relating to the impact of products and services on the health and safety of products/services during their life cycle</td>
<td>Not</td>
<td>-</td>
</tr>
<tr>
<td>LA25</td>
<td>Type of information relating to products/services required by the procedures relating to information on products and services and labelling</td>
<td>Not</td>
<td>-</td>
</tr>
<tr>
<td>LA26</td>
<td>Number of cases of non-compliance with the regulations and voluntary codes relating to the information on products and services and labelling</td>
<td>Not</td>
<td>-</td>
</tr>
<tr>
<td>LA27</td>
<td>Monetary value of any significant fines, and total number of non-monetary sanctions for non-compliance with laws and regulations</td>
<td>Fully</td>
<td>Relations with customers and markets - No events occurred in this regard</td>
</tr>
<tr>
<td>LA28</td>
<td>Cases of non-compliance with the regulations and voluntary codes relating to the information on products and services and labelling</td>
<td>Not</td>
<td>-</td>
</tr>
</tbody>
</table>

**Legend:**
- **Fully**: Direct answer
- **Not**: Indirect answer
- **Partially**: Indirect answer

[Ansaldo STS | Sustainability Report 2011]
To the Shareholders of
Ansaldo STS SpA

We have carried out the limited assurance engagement of the sustainability report as of 31 December 2011 (hereafter the “Report”) of the Ansaldo STS Group (hereafter the “Group”) following the verification procedures summarized in paragraph 3 of the present document. The Board of Directors of Ansaldo STS SpA are responsible for the preparation of the Report in accordance with the “Sustainability Reporting Guidelines”, version 3.0, issued by Global Reporting Initiative as described in the paragraph “Reporting Methodology” of the Report. The Board of Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. We are responsible for the preparation of this report on the basis of the work performed.

Our work has been conducted in accordance with the principles and guidelines established by “International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information” (ISAE3000), issued by the International Auditing and Assurance Standards Board. ISAE3000 requires the compliance with ethical principles (“Code of Ethics for Professional Accountants”), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors. A limited assurance engagement of the sustainability report consists in interviews, primarily with company’s personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures.

The verification procedures performed on the Report are summarized as follow:

1. a) comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2011;

2. b) analysis of design and implementation of governance and management system of sustainability topics related to strategy and operation of the Group;

3. c) analysis of processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we have carried out the following procedures:

a) meetings and discussions with management representatives of Ansaldo STS SpA, to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up. These representatives were selected on the basis of a qualitative and quantitative risk analysis;

b) on-site verifications at the sites in Naples (Ansaldo STS SpA), Solna (Ansaldo STS Sweden AB), Les Ulis and Riom (Ansaldo STS France Société par Actions Simplifiée);

c) analysis, on a sample basis, of the documentation supporting the Report, in order to confirm the reliability of data and information collected through meetings, interviews and on-site verifications and to confirm they were properly managed;

d) verification of data and information are managed in the selected sites and how they are subsequently aggregated and consolidated at Group level;

e) analysis of the completeness and internal consistency of qualitative information included in the Report in comparison with the reporting guidelines referred to in paragraph 1 of this report;

f) obtaining a representation letter, signed by the legal representative of Ansaldo STS SpA relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the guidelines identified in paragraph 1 of the present document.

As far as the information and data regarding the sustainability report for the prior year are concerned, which are presented for comparative purposes, reference is made to our report issued on 28 March 2011.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

Based on the procedures carried out, nothing came to our attention that causes us to believe that the Sustainability Report as of 31 December 2011 of the Ansaldo STS Group is not in compliance with the guidelines referred to in paragraph 1 of the present document.

PricewaterhouseCoopers SpA
Sede legale e amministrativa: Milano 20129 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. € 100.000,00 i.v. R.E.A. di Milano 1098125 Reg. Imp. Milano 1098125/IS. Trib. di Milano 151 del 22/12/2009 – Aliquote: 20% (società a responsabilità limitata – società cooperativa) – Berlino: 20359 Via Borgo PioVeber 20 Tel. 0805640211 – Cagliari 09152 Corso Italia 12 Tel. 070422519 – Catania 95129 Viale Italia 112 Tel. 095717401 – Firenze 50121 Piazza Cavour 12 Tel. 0552382801 – Genova 16143 Viale Princesse Albani 25 Tel. 010320036 – Milano 20129 Viale Giovanni Herta 321 – Napoli 80125 Viale Gramsci 17 Tel. 0813951948 – Roma 00185 Piazza del Risorgimento 14 Tel. 066790506 – Torino 10129 Viale Quezzi 10 Tel. 011371008 – Verona 37122 Via Castelletto 174 Tel. 045591050 – Venezia 30122 Via Cristo Battista 16 Tel. 0415293088 – Como 22100 Via d’Italia 41 – Firenze 50121 Piazza Cavour 12 Tel. 0552382801 – Roma 00185 Via Cesare Balbo 14 Tel. 066790506 – Torino 10129 Via Monte Grappa 1 Tel. 011371008 – Verona 37122 Via Vittorio Emanuele IV 7 Tel. 045591050 – Venezia 30122 Via G. B. Tiepolo 3 Tel. 0415293088

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This Sustainability Report has been prepared with the contribution and coordination of © Andrea Razeto - Vice President Investor Relations.

Ansaldo STS Investor Relations Dept.

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Studio Badalotti per il Bilancio Sociale S.r.l.

Concept, Graphic design and Realisation: