Signalling

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2009</th>
<th>31 Dec 2008</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>1,243,016</td>
<td>963,569</td>
<td>279,447</td>
</tr>
<tr>
<td>Order backlog</td>
<td>1,980,191</td>
<td>1,526,383</td>
<td>453,808</td>
</tr>
<tr>
<td>Production Revenues</td>
<td>804,978</td>
<td>824,497</td>
<td>(19,519)</td>
</tr>
<tr>
<td>EBIT</td>
<td>98,992</td>
<td>96,980</td>
<td>2,012</td>
</tr>
<tr>
<td>R.O.S.</td>
<td>12.3%</td>
<td>11.8%</td>
<td>+0.5 p.p.</td>
</tr>
<tr>
<td>Net working capital</td>
<td>(66,712)</td>
<td>(37,216)</td>
<td>(29,496)</td>
</tr>
<tr>
<td>Research and Development</td>
<td>36,764</td>
<td>41,618</td>
<td>(4,854)</td>
</tr>
<tr>
<td>Workforce (no.)</td>
<td>3,821</td>
<td>3,901</td>
<td>(80)</td>
</tr>
</tbody>
</table>

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

The Signalling Business Unit operates at an international level, designing and building railway and urban railway signalling components and systems worldwide mainly through four companies: the Italian company, Ansaldo Segnalamento Ferroviario SpA, with offices in Genoa, Naples, Turin, and Tito; the American subsidiary, Ansaldo STS USA, with branches in Pittsburgh (Pennsylvania) and Batesburg (South Carolina); Ansaldo STS France, a French company with offices in Paris and Riom; and the Australian company, Ansaldo STS Australia, based in Eagle Farm (Australia).

The Group also has minor companies in Germany, Sweden, Finland, Ireland, the United Kingdom, Spain, China, India, Malaysia, South Africa, and Botswana and Brazil. The Group also has a large number of long-standing collaboration agreements with organisations in other countries such as Korea, Brazil and Turkey.

The main projects in which the Business Unit is participating, or in which it has participated, either carrying them out in their entirety or doing part of the work, include:

- the installation of computerised interlocking systems at the stations of Rome Termini, Manchester South, and the Sandbach-Winslow link (United Kingdom);

- the building the signalling systems for the driverless metros in Copenhagen and Brescia, for the New York and Los Angeles (Green Line) subways, and the metros of Shanghai (Line 2) and Tianjin/Binhai (China),

- the building of electrical/rail systems for the Milan Metro (Line 3) and complete signalling systems for the railways of Rawang Ipoh (Malaysia) and Hammersley Iron (Australia);
• Installing signalling systems on high-speed trains on French (TGV) lines, on the Madrid-Lerida line, Spain, the Seoul-Taegu line, Korea, and the Qinhuangdao-Shenyang line in China. In Italy the Group is working on the Milan-Bologna and Turin-Novara high-speed lines, supplying signalling systems via the Saturno consortium.

• the construction of the signalling, telecommunications, security and power supply system for a total EUR 541 million for the Ras Ajdir ? Sirt line (650 kms) and the Al-Hisha ? Sabha line (800 kms).

Production Revenues at 31 December 2009 in relation to the Signalling Business Unit amounted to EUR 804,978 thousand and reflect a decrease of EUR 19,519 thousand (-2.4%) with respect to the prior period (EUR 824,497 thousand).

The most significant production activities for 2009 are summarised below:

ANSALDO STS - ITALY REGION

HIGH-SPEED RAILWAYS

With regard to the High-Speed Railways at the end of 2009, as it was planned, the Bologna ? Florence, Novara ? Milan sections and the second lot of the Rome ? Naples were delivered. In particular, as regards the Bologna ? Florence line, this delivery brings to less than two interconnections (Parma and Fidenza) the activities on the main line of the Italian High Speed Railways.

The two-year guarantee period started in January 2010.

With regard to new works, through the Saturno consortium the detailed engineering and offers for the Brescia ? Treviglio and the Milan ? Genoa lines were prepared.

For the systems being built abroad, the Paris-Ostfrankreich-Sudwestdeutschland (POS) project in Germany saw the closing of the re-negotiation of the scope of work and, in line with the activation objectives, works were completed for the ZhengXi project in China, where commercial traffic is expected to start in the first quarter of 2010.

WAYSIDE SCMT

The truck relating to the installation programme for the Train Speed Control System for RFI is nearing completion, as pointed out in the past. The production revenues resulting from the numerous reconfigurations requested by the Customer for systems formerly constructed and activated remains significant. With a view to this, interesting master agreements are being formalized with the various segments concerned in order to ease the implementation of such reconfigurations. Addendums to individual contracts are being defined. These contracts constitute the programme through which the final amount of the works to be done and the final amount of works done and of works done in pursuance of the original contractual provisions.

At the same time, activities were completed for the introduction of SCMT technology in the Circumvesuviana railway.

AUTOMATED CONTROL SYSTEMS (ACS)

The production on the national territory particularly concerned the activation of the systems in Mestre (phase 1) in June, the one of Rho-Pero and Rebaudengo at the same time at the end of September, the goodwill of the cargo phase in Rogoredo at the start of September, the completion of the retrofit activities on the Safe Commands in the Messina-Patti line and the start of activities for the job order in Palermo.

Particularly important and challenging also is the reconfiguration of the Rome Termini system achieved at year-end.
The Addendums for the Naples junction, Rho fiera and Messina Patti are being defined. Due to its possible future technological and innovation repercussions, attention should be paid to the migration to the QMR technology of the Central Station of the ACC in Pisa. The migration was successfully performed in September.

Activities abroad regarded the contracts acquired in Romania, Tunisia and Turkey.

**SIGNALLING CONNECTION CONTROL (SCC) LARGE NETWORKS**

The activities on the SCCs, which are now nearing completion, continue as scheduled. However, numerous future reconfigurations are to be expected, due to the normal development of the underlying systems. For these activities, as for SCMT, the creation of master agreements as contractual management instruments can be expected as well.

Contractually the Addendums to the Bologna Brenner line (activities are completed as with the Venice Junction) and the Adriatic Line were defined and signed for 2010.

**ANSALDO STS - FRANCE REGION**

**ATP ON BOARD CHINA**

In accordance with the commitments undertaken by Ansaldo STS France with MOR fifty-seven trains have been put into service so far and are operating, using the new Chinese standard CTCS. BTMs were replaced on all trains. The new software released to improve availability and to meet customer?s needs was successfully installed.

**KOREAN HIGH-SPEED TAEGU ? BUSAN LINE**

In December 2006 Ansaldo STS France acquired a contract from Korea Rail Network Authority (KRNA), as part of a Korean consortium, related to the Stage 2 of High Speed for the 125 km-long line linking Taegu to Busan. The original value of the contract was some EUR 38 million, which has now become EUR 49 million.

The contract also covers the "Command Control System? of the two main stations of this line, Osong and Kimcheon. The contract is currently 58% completed, and full completion is expected for December 2010.

An agreement was reached in the last quarter for a contractual change due to ?price review?.

This project confirms and strengthens the more than ten-year-long partnership with the Korean railway Authorities, which started with the contract for the first stage awarded in 1994 for the supply of wayside and onboard signalling for the 250 Km of the high speed line linking Seoul and Taegu, which was inaugurated in March 2004.

**SHITAI CHINA**

In November 2007 Ansaldo STS France acquired from the Chinese Ministry of Railways a contract for the supply of railway signalling systems for a new line in the northern part of the country. The contract, of the overall value of some EUR 32 million, relates to the designing and installation of the new system of the CTCS (Chinese Train Control System) 2 type, thanks to which passenger trains can be controlled up to 300 Km/h on the new Shijazhuang ? Taijuan line, which is 190 km long, and to the previously existing railway line in the area.

The contract is currently 88% completed.

The line was partly opened in May. It is expected to be fully opened in the first part of 2010.

**ANSALDO STS - AMERICAS REGION**

**UP CADX**

The project, which is highly important for the US subsidiary Ansaldo STS USA, involves the development and
installation of a ?Next Generation Computer Aided Dispatch (CAD) System? and an ?Optimising Traffic Planner System?. These systems must be installed along all 33,000 miles of the Union Pacific's North American railway network. The contract also covers maintenance of the CAD system through 2021.

With regard to the development of the OTP, it is noted that a Factory Acceptance Test Plan was agreed and signed with the customer on 23 September 2009 for phase 1. Most of the Test Plans for phases 2 and 3 are included in the same plan, but must be agreed yet with the customer for finalization and signature. The FAT of all the three phases is scheduled for completion within March 2010.

With regard to the hardware, UP and ASTS USA worked together to upgrade the configuration on order to use the most upgraded commercial version available.

**CTA DEARBORN**

On this project, Ansaldo STS USA is a subcontractor of Aldridge Electric Inc. (AE). The contract calls for the design, supply and testing of a new automatic train control system and an optional communication system to replace the system currently installed on Chicago's Blue Line/Dearborn-Congress from the Forest Park Terminal to the Jefferson Park station on the O'Hare Service/Kennedy Line.

The project involves wayside equipment for 22 miles of line, which is expected to be completed in August 2010.

With regard to the work status, it should be noted that all of 24 foreseen locations were completed, and 23 of them are currently operating. The project is nearing completion (progress is at 98%). Some minor activities are to be completed and should be finished in a period ranging between three and six months.

**NYCT CHAMBERS STREET**

On this project, Ansaldo STS USA is a subcontractor of RWKS Comstock. The supply relates to the modernization of the signalling system of three interlockings and the construction of station equipment in Chambers Street, World Trade Center and Canal Street on the NYC Eighth Avenue line.

The work is expected to be completed by April 2010. The contractual value for Ansaldo STS USA is US$ 15.9 million; the project is currently 91% completed.

**EBIT** of the Signalling Business Unit at 31 December 2009 came to EUR 98,992 thousand (12.3% of revenues) (EUR 96,980 thousand at 31 December 2008); the increase of EUR 2,012 thousand is mainly attributable to the improvement in profitability of the US subsidiary Ansaldo STS USA.

With regard to the contribution margin for the period of the Signalling Business Unit, the following should be reported:

- the group parent Ansaldo STS shows an increase in volumes by some EUR 23 million over December 2008 (+7%). Productive activities were essentially developed on contracts made with the main national customer, in particular on the High Speed segment. The production of Automated Control Systems (ACS) as compared with the same period of the previous year significantly increased and the Metro business production almost doubled. Average profitability fell from the previous year, partly due to the partial completion of the activities on the job orders acquired in the domestic market, partly to the lower profitability of foreign job orders;

- Ansaldo STS France has volumes that are slightly greater than in the year 2008 (some EUR 4 million), deriving from the improvement if the job orders of Systems and Service & Maintenance and from a substantial confirmation of volumes on the job orders for Components. Average profitability for the period also slightly
increased over the same period of the previous year, due to greater profitability/mix of job orders for Components;

- Ansaldo STS US production volumes above those for the previous financial year of some USD 15 million (+9%), substantially due to a good level of Signalling Systems orders. Average profitability for the period improved from December 2008, due to the favourable mix effect on the Signalling System orders, which enables the absorption of lower volumes of orders for components, which are more profitable;

- the Signalling in the Asia Pacific Area realised a significant decrease in production volumes (AUD 90 million, equal to -27%), mainly due to delays in various orders and to the cancellation of the ATO project, Stage 3 with Rio Tinto. On the contrary, average profitability for the period is slightly greater than in same period of 2008, due to orders of Components and Service which rose profitability, although on not particularly high volumes.

As regards other structure costs, the rise over December 2008 (3%) is due to the increase in supply activities and commercial operations in general and administrative costs. This increase, far below the increase in production volumes, is also the result of the extension of the scope of consolidation, with the inclusion of China, South Africa and Botswana.

Net working capital of the Signalling Business Unit at 31 December 2009 amounted to a negative EUR 66,712 thousand and reflect an increase of EUR 29,496 thousand (a negative EUR 37,216 thousand at 31 December 2008). This effect is mainly due to greater advances received in the period.

Research and development spending at 31 December 2009 stood at EUR 36,764 thousand, compared with EUR 41,618 thousand at 31 December 2008.

The projects in which the companies of the Signalling Business Unit were involved regard the following market segments:

- HSL/ERTMS Level 2
- Main Lines/ERTMS Level 1 & 3
- Wayside
- Mass Transit
- Components
- Security/New initiatives

The workforce at 31 June 2009 came to 3,821, down by 80 on the same period last year (3,901). This decrease is
mainly attributable to the reduction of 118 employees of the American subsidiary, due to the ongoing reorganisation plan (whose main objective is to streamline the Batesburg production facility) and to the passage of 19 employees from the Signalling Business Unit to the Transportation Solutions Business Unit of the Malaysian subsidiary for the performance of the activities for the order acquired in 2008 for the North Ipoh - Pedang Besar railway line. The decrease was partially offset by new employees hired in China, France, Italy and Australia.