

move WITH **US**

# Ansaldo STS

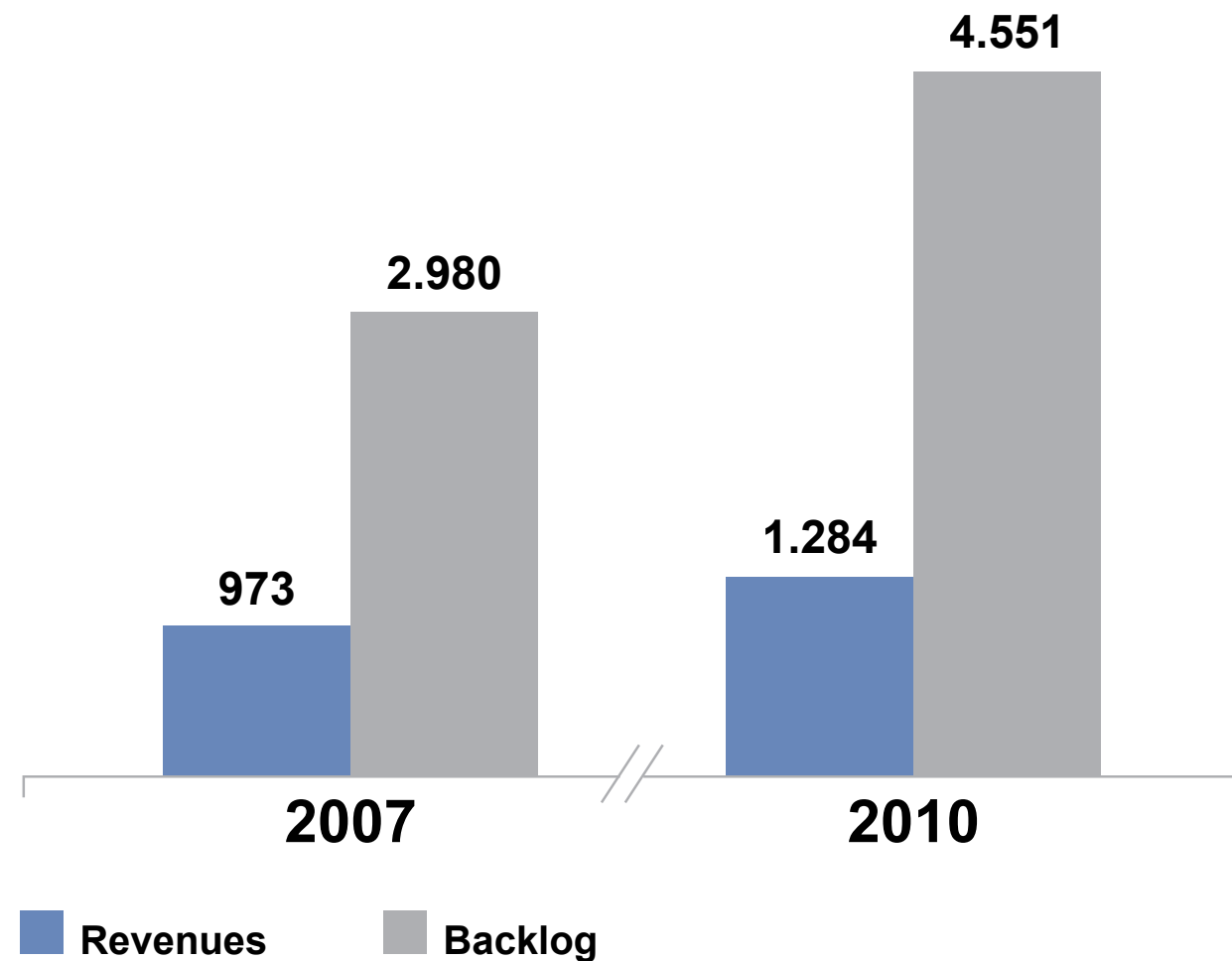
Investor  
meeting  
2012

# Key Messages

- **In such an economic environment, our market is still expected to grow at 3%+**
  - All key market trends in place hedging short term uncertainty
  - Volatility rising due to increased project size and progressive enlargement of scope of work (financing, service, operations & maintenance, training, operations), longer project acquisition process and increasing operational risk
- **Despite competitive environment getting tougher...**
  - All players targeting emerging and growing markets to capture opportunities resulting in strong pricing pressure
- **... Ansaldo STS is best positioned to seize market opportunities...**
  - Global pure player with unique client centric business model, recognized technological leadership in market sweet spots (ERTMS, driverless, mass transit, HSL...) and highly flexible in design
  - Globally active with solid platforms and track record in emerging economies, where demand is
- **... committed and able to continue outperforming market growth...**
  - **Selectivity:** focus on markets/opportunities that are attractive in terms of value and where we already enjoy a significant competitive positioning
  - **Innovation:** adapt and anticipate evolving geographical mix and clients' technological needs
  - **Flexibility and efficiency:** stay competitive and agile, fiercely executing planned efficiency programs
- **... and deliver superior value to shareholders leveraging healthy backlog and protecting profitability**
  - Strong organic growth, high revenue visibility thanks to healthy backlog at 4,5x revenues, solid margin and low risk in execution
  - Asset light business, strong balance sheet, negative NFP to sustain R&D and execution on time and on budget
  - Flexibility and efficiency ensured by key programs already launched and delivering against the promise

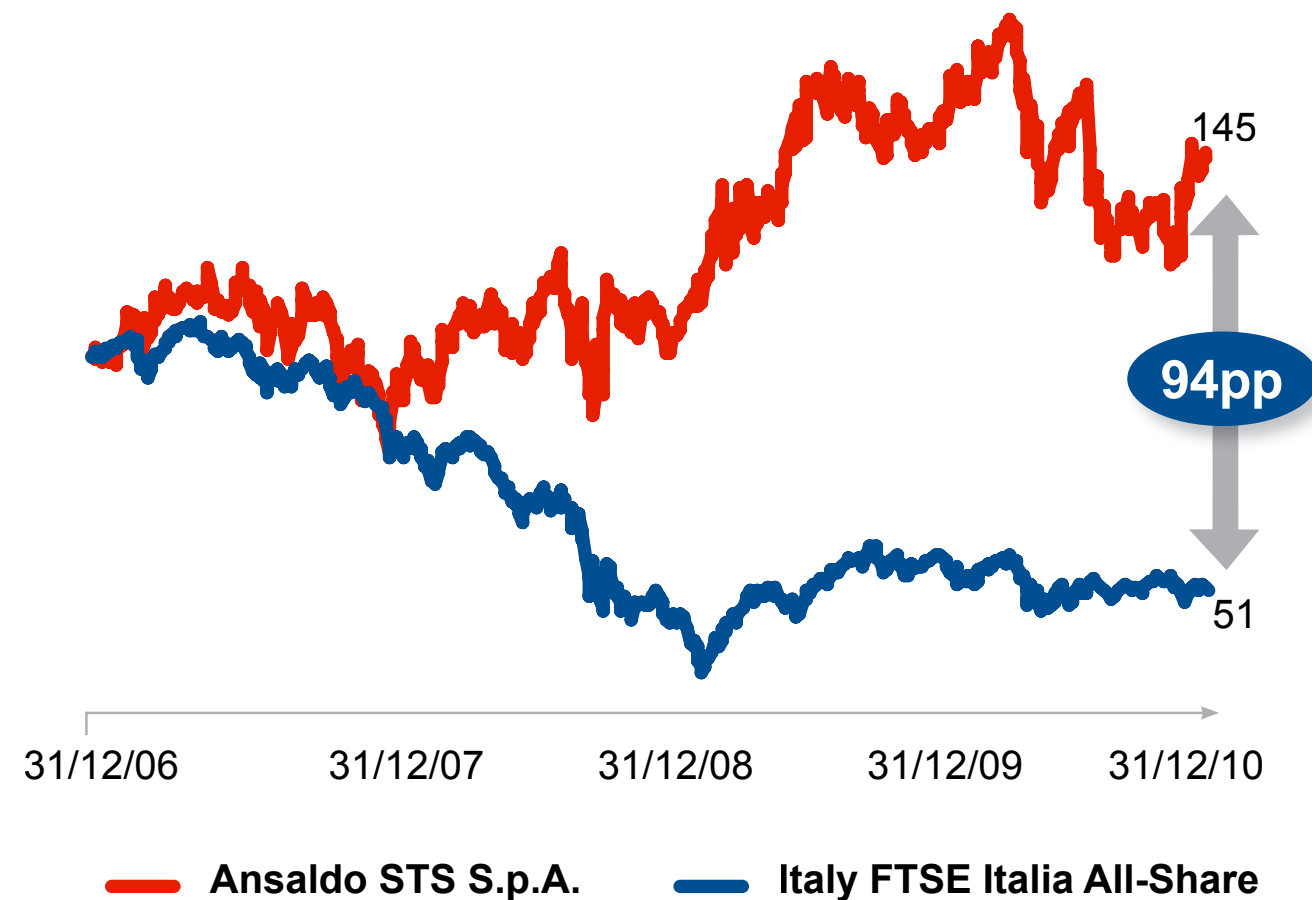
# Ansaldo STS: a history of superior value creation

## Superior Growth, M€



**Revenues: ~10% CAGR**  
**Backlog: ~15% CAGR**

## Superior value creation



**Significantly outperforming the market**

# 2011 was a tough year, but still with relevant results

## Main achievements since our last Investor Day

### Main contracts and agreements

- **Copenhagen Metro** - Cityring, 16 km through the centre of Copenhagen
- **Milan Line 5** - Extension as far as San Siro Stadium
- **Turin Padua Line** - Technological upgrade for interoperability on Europe's railway lines
- **Rio Tinto (RAFA)** - Significant volume of orders within Framework Agreement
- **France** - High Speed Lines
- **Germany** - Berlin-Rostock ERTMS/ETCS
- **Stockholm Underground Red Line** - Upgrade of the on-board and ground signalling
- **Honolulu** - Ansaldo Honolulu JV driverless metro

### Main projects delivered

- **Riyadh** - from desert to trains in operations in 2 years
- **China - Xi'an Metro Line 2** (intermittent ATP)
- **Canada** - Montréal Société de Transport -Wayside and Carborne Train Control
- **Spain** - Madrid Lerida HSL , ERTMS L2 system
- **USA** - Chicago Transit Authority - Train Control and Traction Power Systems Upg.
- **Australia** - Queensland rail mining expansion project Goonyella to Abbot Point
- **France** - High Speed Line Rhin-Rhone, Interlocking + TVM 403
- **UK** - Cambrian Line, Interlocking and ERTMS L2
- **Italy** - Naples, Mestre, and Milan Rogoredo interlocking upgrade, Venice Train Supervision system and Rome-Florence DCO

### Flexibility and Efficiency to protect profitability

- **Effectively launched and mastered all key programs to sustain revenue growth leveraging healthy backlog while protecting profitability**
  - Global Supply chain
  - Lean Manufacturing
  - Flexible Delivery
  - Global Development Centres
  - Streamlined Support Functions



# Despite competitive and macroeconomic environment getting tougher...

## Then...

## ...Today



October 2008



September 2011

Transportation industry is getting hit: players fiercely seeking opportunities resulting in strong price pressure

# ... Ansaldo STS still committed and able to deliver superior value creation in the coming years

## Fundamentals

**Market:** Large & still growing but more competitive, volatile and changing in geo mix

**Technology:** Core technologies becoming global solutions integrated in a diversified and proven portfolio to serve global and local needs

**People&capabilities:** Globally integrated organization delivering on time and on budget

**Business model:** unique client centric business model shaped to win in the competitive arena

## Strategic directions

1

### Selectivity

**Focus** on attractive markets where Ansaldo STS enjoys good competitive positioning

2

### Innovation

**Build** competitive advantages and ensure long-term growth

3

### Flexibility & Efficiency

**Stay** competitive and agile optimizing business model and cost/asset levels

## Commitment

### Superior value creation

- Sustain revenue growth leveraging healthy backlog while protecting profitability

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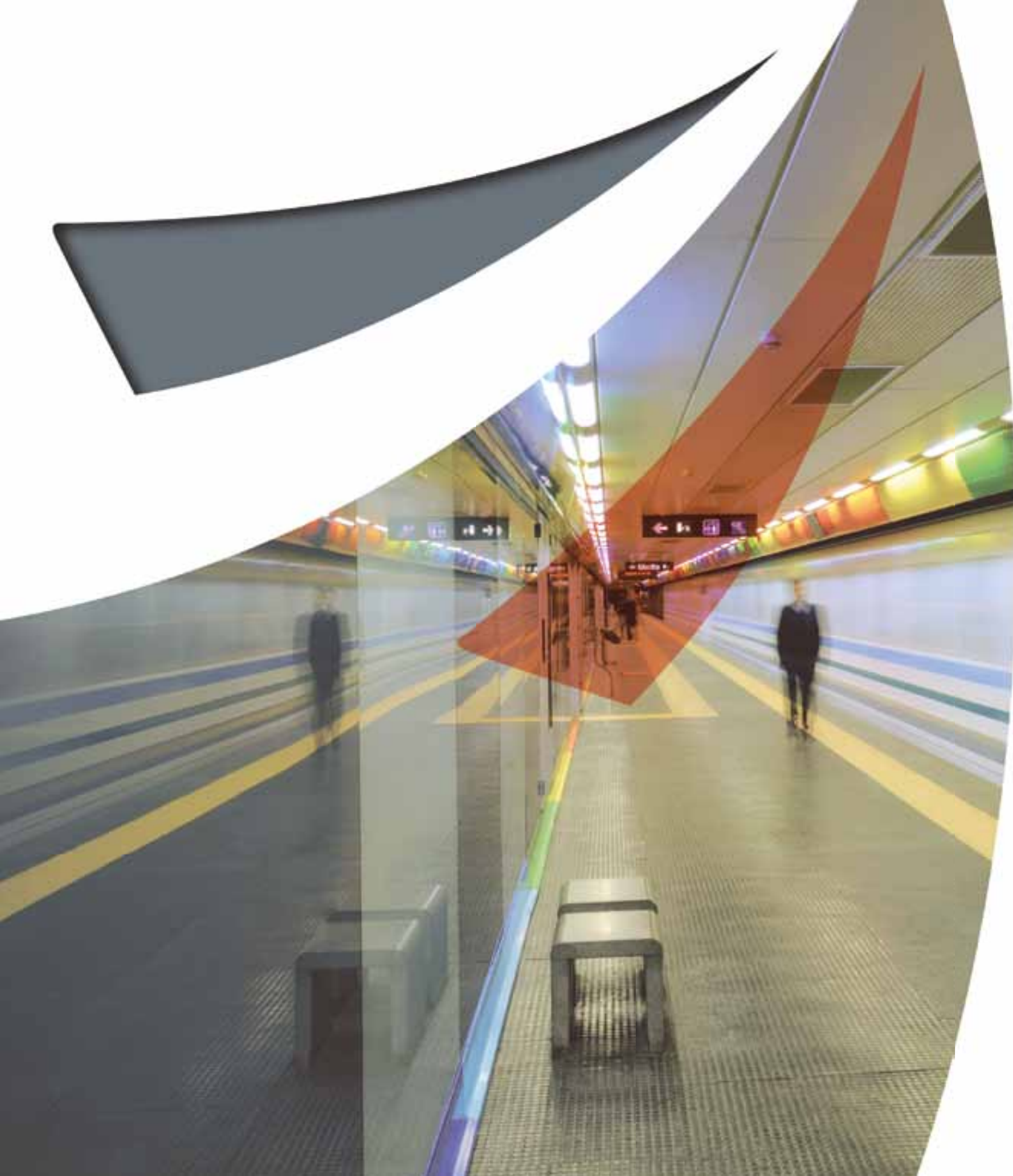
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# Fundamentals: Market

Ansaldo STS,  
Chief Executive Officer  
Sergio De Luca



# A healthy and growing market, evolving in geographical mix and technological trends, facing price pressure

## Healthy and growing market

**Despite challenging environment, our market is still expected to grow at 3%+**

- Transportation Solutions growing at higher rates
- Volatility raising due to project size, scope of work, longer project acquisition process and increasing operational risk

## Evolving geographical mix

**Emerging markets thanks also to urbanization trends are growing faster**

(e.g. India or Turkey/Middle East/South America) **and increasing their relative weight**

(e.g. 70% of Transportation Solutions market)

- Good growth opportunities also in US and Australia for Signalling
- Result is a reducing weight of Western Europe

## Traditional plus emerging technologies

**Core technologies are becoming global solutions**

- e.g. ERTMS, CBTC, driverless

**New source of growth emerging around key technologies kernels**

- e.g. Satellite/GNSS and communication technologies to serve dark territories and low traffic routes

## Price pressure

**Price pressure mainly in signalling business as a consequence of:**

- Product standardization
- Increasing competition amongst traditional and new players
- Aggressive efficiency plans by most players

# Bright outlook: all key market drivers remain strongly positive



# Example - Emerging markets and urbanization: mega-cities are changing beyond recognition...

## SHENZHEN

1990



TODAY



## DELHI METRO

2002



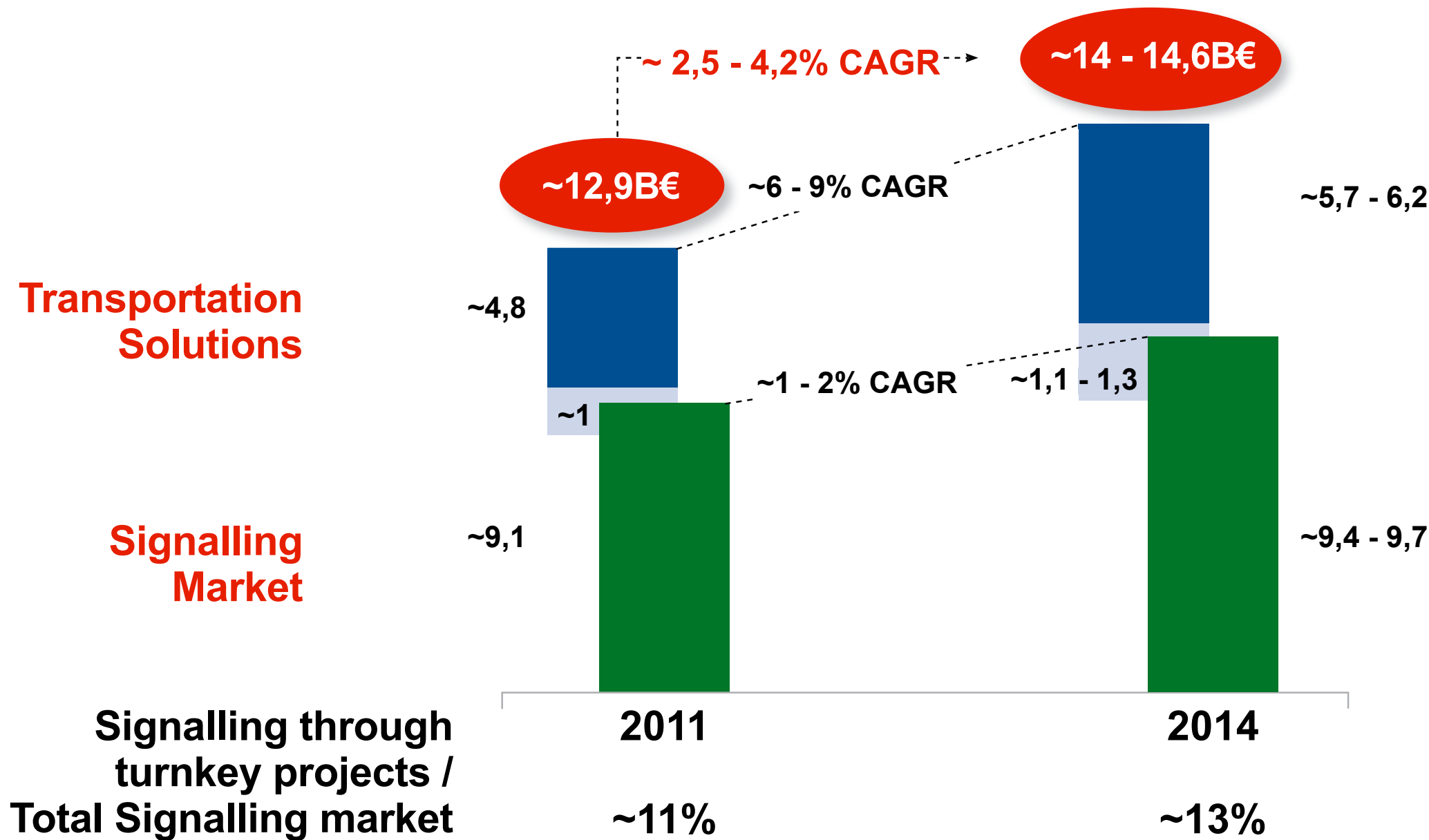
NOW: 4 LINES



... fueling Transportation Solutions growth

# Our market is healthy and still expected to grow at 3%+

Operations and Maintenance not included



Signalling through turnkey projects / Total Signalling market

Note 1 - Transportation Solutions market defined as Electrical & Mechanical component of Rail turnkey projects (Rolling Stock not included); signalling portion assumed to be ~20% of the total perimeter included in the turnkey market

Note 2 - Excluding Japan, including all other Global markets (not only those where Ansaldo STS is present)

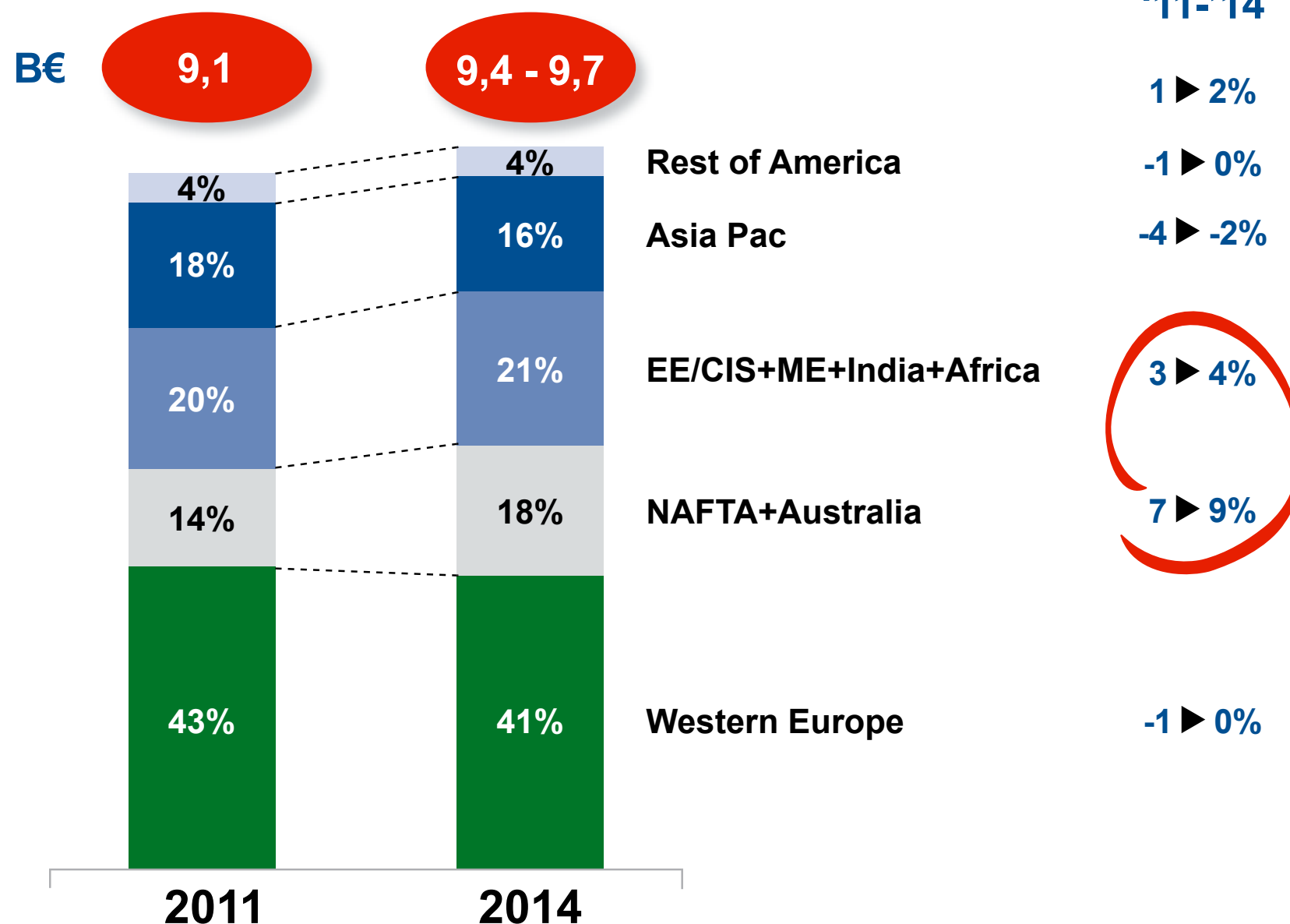
Note 3 - Figures at Current Euro.

Source: Ansaldo STS-BCG estimates based on Unife data among others



# Signalling market: above average growth in Australia, North America, India, and Turkey/Middle East

Healthy market with uneven growth rates

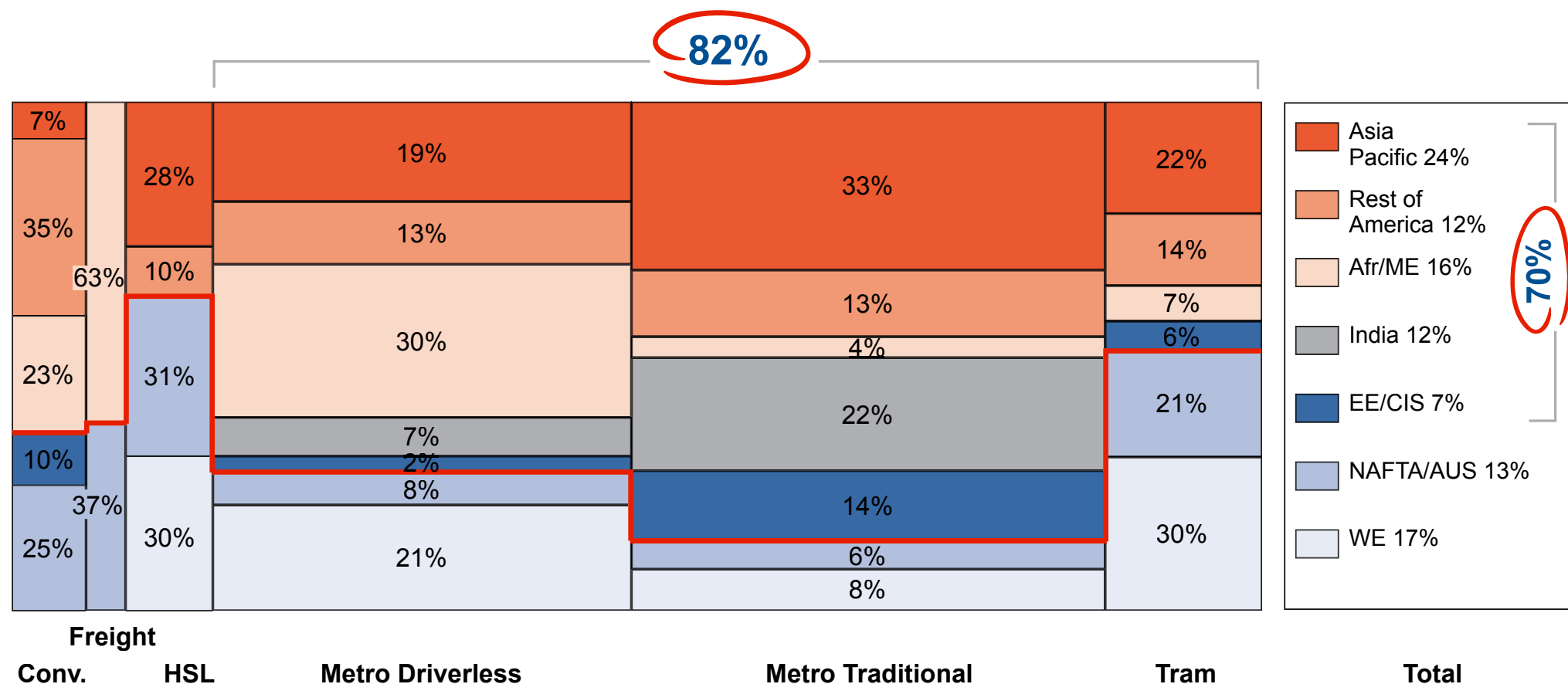


# Transportation solutions: 4,8B€ growing at 6-9% per year

Gatekeeper in emerging areas and for signalling

Market split  
by key  
segments  
and  
geographies  
2012-2014

5,2 - 5,5B€  
per year,  
average  
2012-2014



70% of markets outside of Ansaldo STS home markets - Asia, Middle East, and South America  
Transportation Solutions the gate keeper for Signalling business

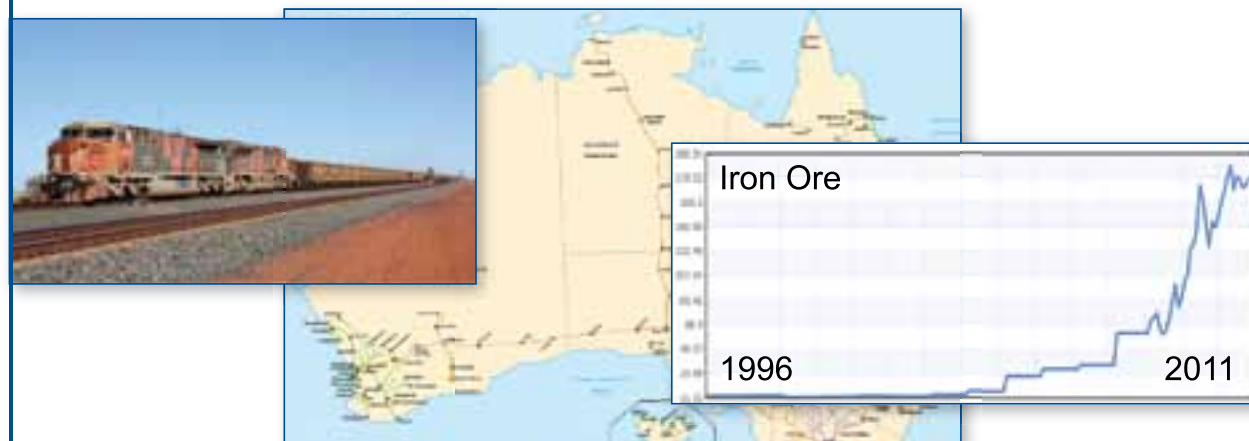
Note: Market calculated on 3 years rolling average. Including systems (Signalling, tlc, power supply, SCADA...); not including civil works and rolling stock  
Source: UIC, ERRAC, Interfleet, World Bank, UNIFE, Ansaldo STS Market Intelligence, BCG analyses

# New sweet spots in signalling and transportation solutions

Hedging core European market

SIG

## New mining freight networks in Australia



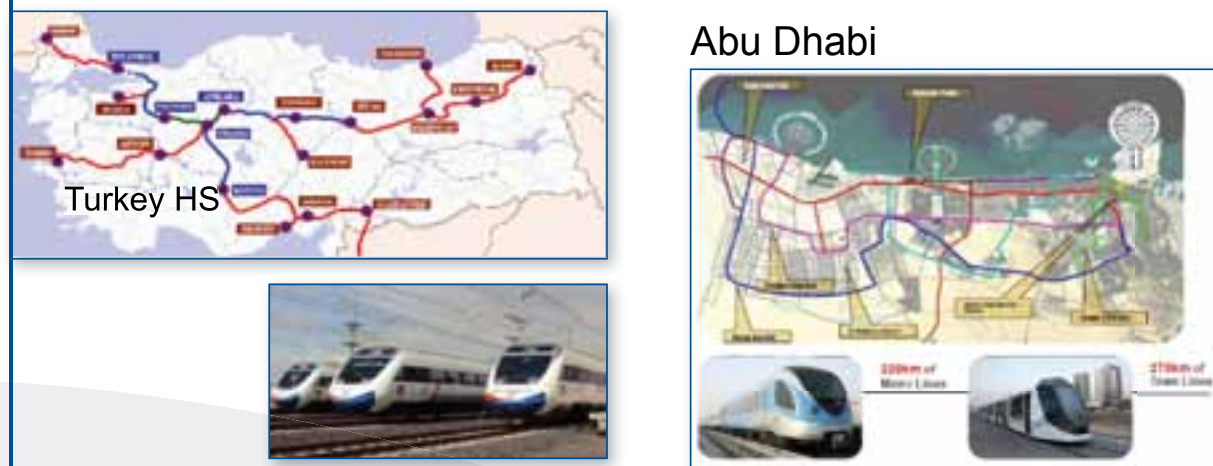
SIG/TS

## Rail and mass transit in India, including turnkey



SIG/TS

## Rail and mass transit projects in Turkey & Middle East



TS

## Major turnkey projects (with/without significant O&M content)

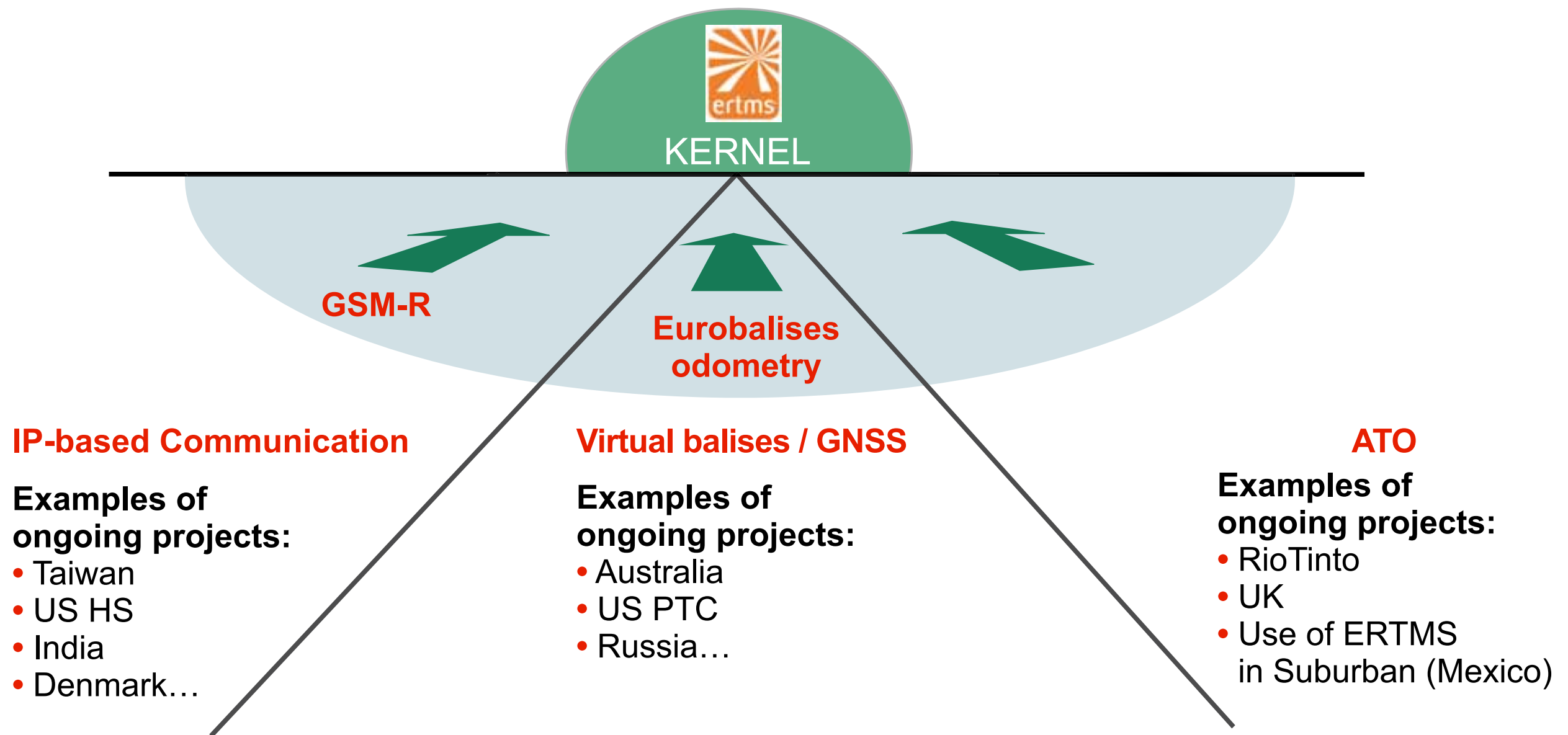


# Core technologies becoming global solutions

	ERTMS	Driverless	CBTC
Description	<ul style="list-style-type: none"> <li>• Interoperable railway signalling system combining automatic train protection and train control with clear enhancement of network capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Fully automatic train operation               <ul style="list-style-type: none"> <li>- Train movement + station stop + door closing + failure recovery</li> <li>- No onboard staff at all</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Continuous, high speed, two-way radio-based communication between wayside and vehicle</li> </ul>
Key benefits	<ul style="list-style-type: none"> <li>• Interoperability; up to 40% of increased capacity</li> <li>• Higher speed, reliability and safety</li> <li>• Lower costs and contracts lead time</li> </ul>	<ul style="list-style-type: none"> <li>• High level of performance, availability, reliability and operational flexibility</li> <li>• No staff increase</li> <li>• Trains can be shorter and run more frequent without cost increase</li> </ul>	<ul style="list-style-type: none"> <li>• Maximizes line capacity and efficiently upgrade/revamping of existing lines</li> <li>• Scalable solutions (thus scalable budgets)</li> </ul>
Market trends	<ul style="list-style-type: none"> <li>• ERTMS becoming de facto industry standard</li> <li>• Adopted in most new lines and major upgrades</li> </ul>	<ul style="list-style-type: none"> <li>• Becoming more and more common in all geographies               <ul style="list-style-type: none"> <li>- Where labor cost is high as well as where labor skills are lower</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Most new metro projects around the world are requiring CBTC Signalling systems</li> </ul>



# New client needs: ERTMS technological specs evolving to meet raising requirements in communication and other functionalities



# Virtual balises / GNSS solutions: ensures safety both in dark territories and low traffic routes

	The need	Virtual balises / GNSS answer
<b>Dark territories</b>	<p><b>Ensure cost-effective train localization and protection over long stretches of semi-deserted areas</b></p> <ul style="list-style-type: none"> <li>Typically freight applications in Regions such as Australia, US, Russia, South America...</li> </ul>	<p><b>Satellite-based localization with SIL4 accuracy combined with TETRA IP-based TLC network</b></p> <ul style="list-style-type: none"> <li>Significant costs for TETRA communication infrastructure...</li> <li>...still very cost-competitive vs. traditional technologies</li> </ul> <p><b>Next step is two-way satellite-based communication</b></p>
<b>Low traffic routes</b>	<p><b>Make it possible to efficiently ensure safety on low traffic passenger lines with satellite-based ATP solutions</b></p> <ul style="list-style-type: none"> <li>Command-control systems or ETRMS/ETCS systems are too expensive to be used on railway lines with low traffic density</li> </ul>	<p><b>Satellite-based localization combined with communication based on public GSM network instead of GSM-R</b></p> <ul style="list-style-type: none"> <li>Major reduction in ground infrastructure costs</li> </ul>
<b>Market expected to boom: above 1B€ in three years</b>		

# Price pressure: a trend already expected, and now in place especially in signalling

## Product standardization

### Clients benefit from standardization

- Established customers can put more suppliers in competition
- Newcomers can leverage proven solutions

### All signalling players have been pursuing product standardization

- Cost to develop and maintain products to cover most global needs is too high without product standardization

## Increasing competition: traditional and new players

### Barriers to entry remain high...

- No Chinese competitor expected to make it to the top 5 for more than a decade

### ...but growth is slowing down

- Especially in Western Europe which is home for most players

### Increased competition both in home markets and in the hot areas where several players are focusing on

- e.g. Nordics
- e.g. Turkey/Middle East
- e.g. South East Asia

## Aggressive efficiency programs by most players

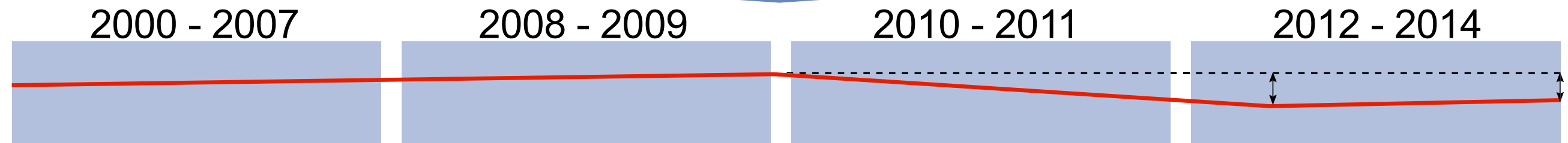
### All competitors have been working systematically on efficiency

- Make or buy and other aspects of external cost optimization
- Business effectiveness
- G&A cost reduction

### Efficiency programs are widely and openly described by the different players

- e.g. Probasis for Thales
- e.g. Top Six for Bombardier
- e.g. Excellence Program in operations for Alstom

## Impact on prices



**Price pressure might ignite industry consolidation**

# A healthy and growing market, evolving in geographical mix and technological trends, facing price pressure

## **Healthy and growing market**

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## **Evolving geographical mix**

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# Fundamentals: Ansaldo STS

Unique positioning

# Ansaldo STS: uniquely positioned to seize market opportunities

## Market trend

Healthy  
and growing  
market

Evolving  
geographical  
mix

Traditional  
plus emerging  
technologies

Price  
pressure

## Ansaldo STS uniquely positioned for value creation

Ansaldo STS with solid roots in Western world, but already positioned with strong **track record** in growing market

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Ansaldo STS shaped to master global demand thanks to its integrated delivery operations guaranteeing **global reach**, competences, experience know-how and best practices to deliver on time and on budget where demand is

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Ansaldo STS delivering **leading edge transportation technologies** bundling traditional and not traditional technologies including GNSS solutions legitimated by technological leadership in safety

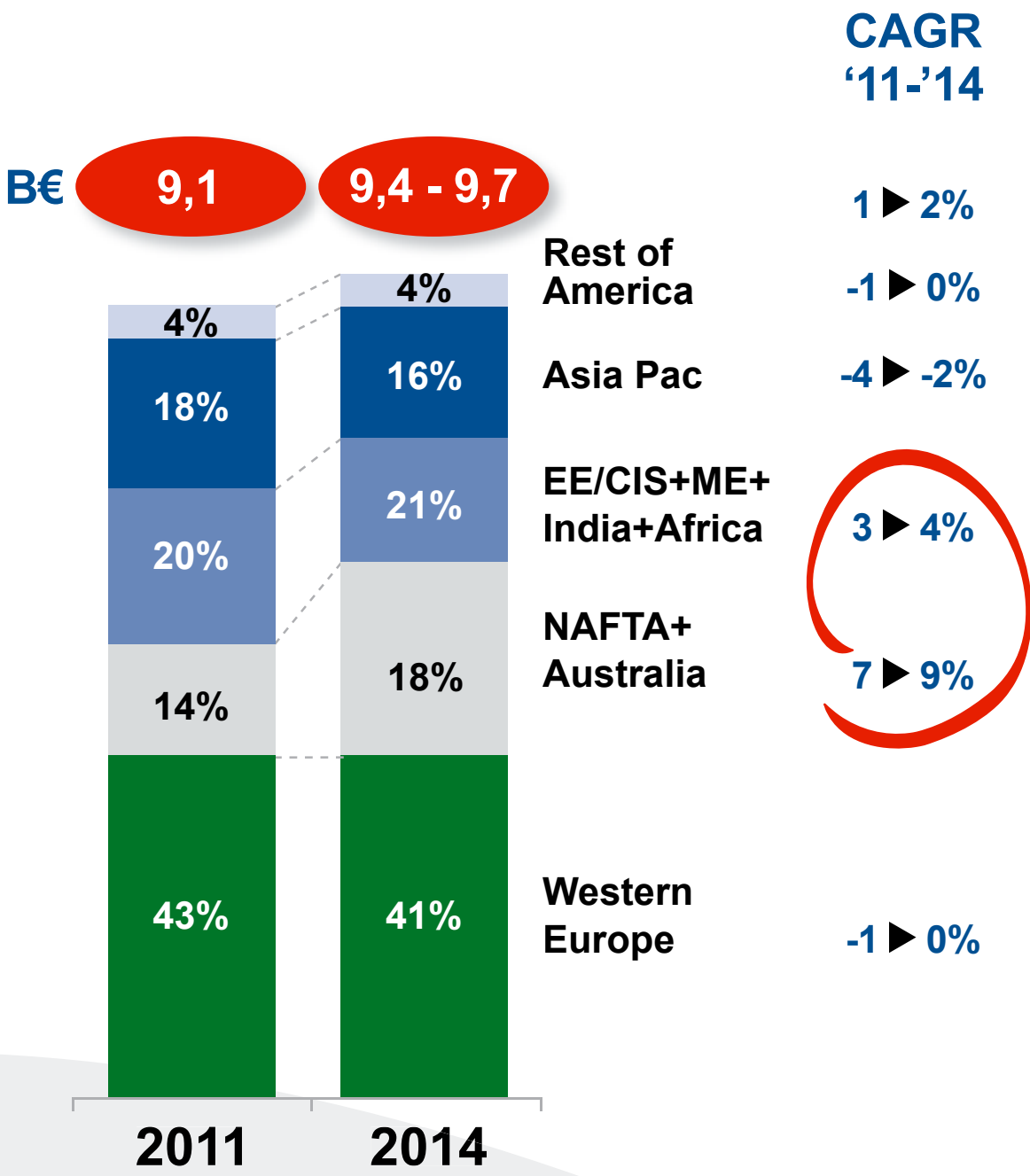
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Enhancing its unique **client centric business model** relentlessly pursuing flexibility and efficiency programs along the whole value chain for a total gross cumulated target of 310M€ by 2014

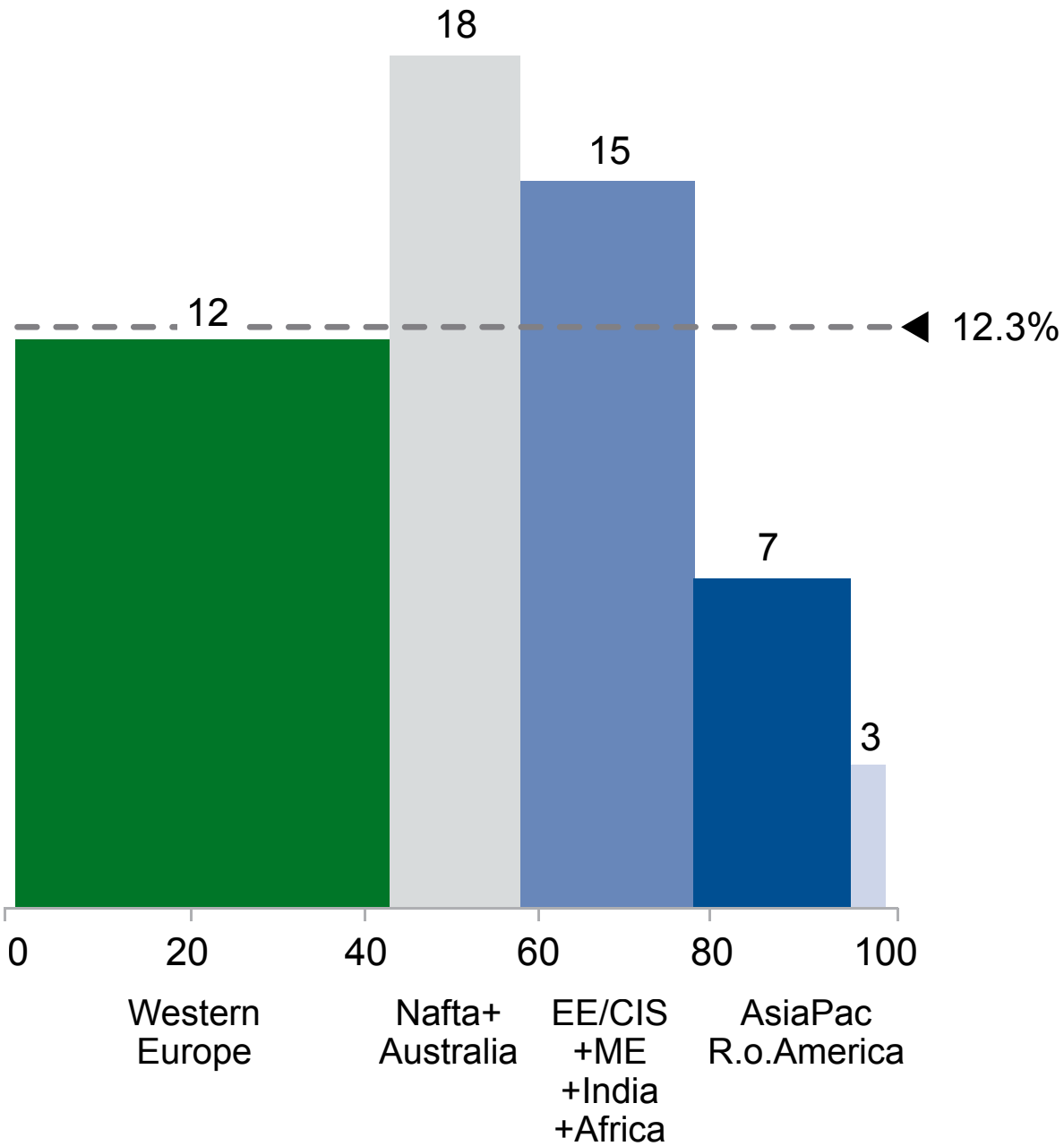
# Ansaldo STS: Strongly positioned to capture growth

## Signalling

### Signalling market

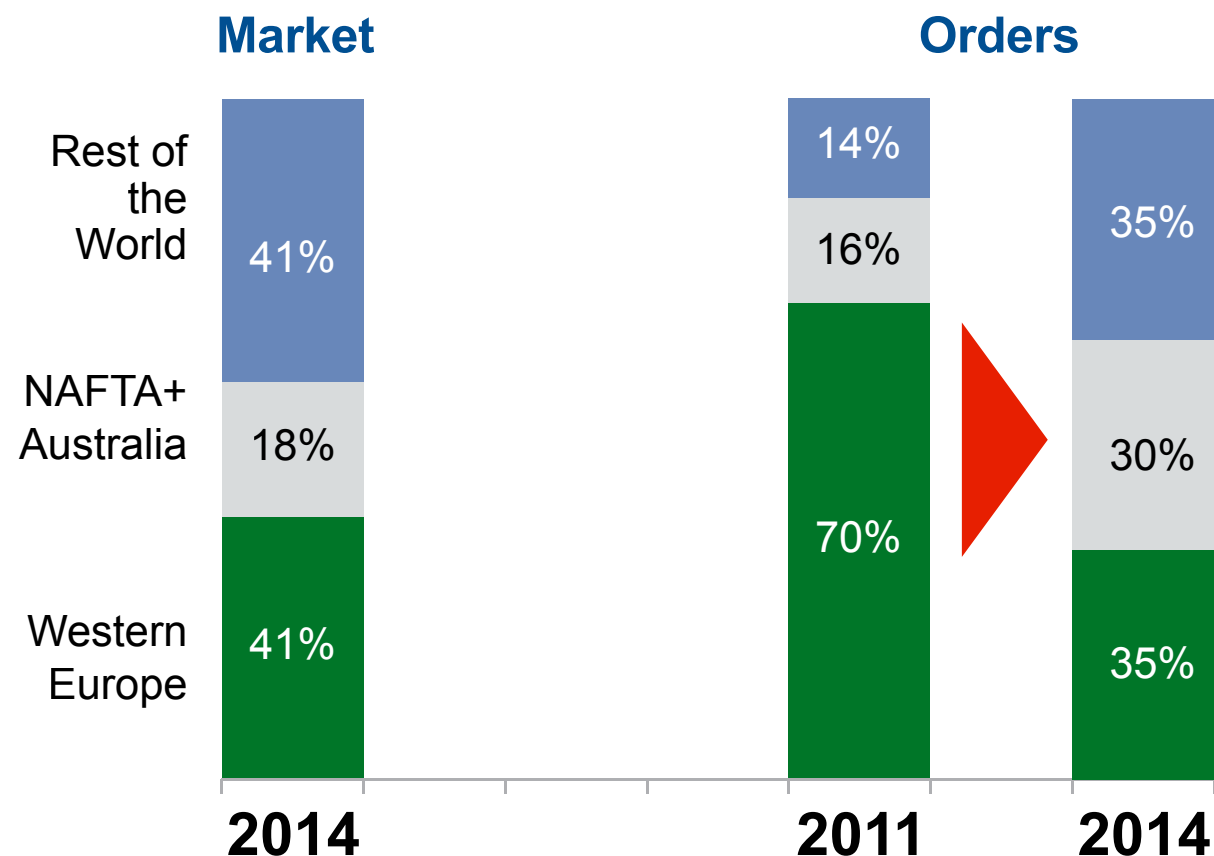


### Ansaldo STS market share, average 2007-2011



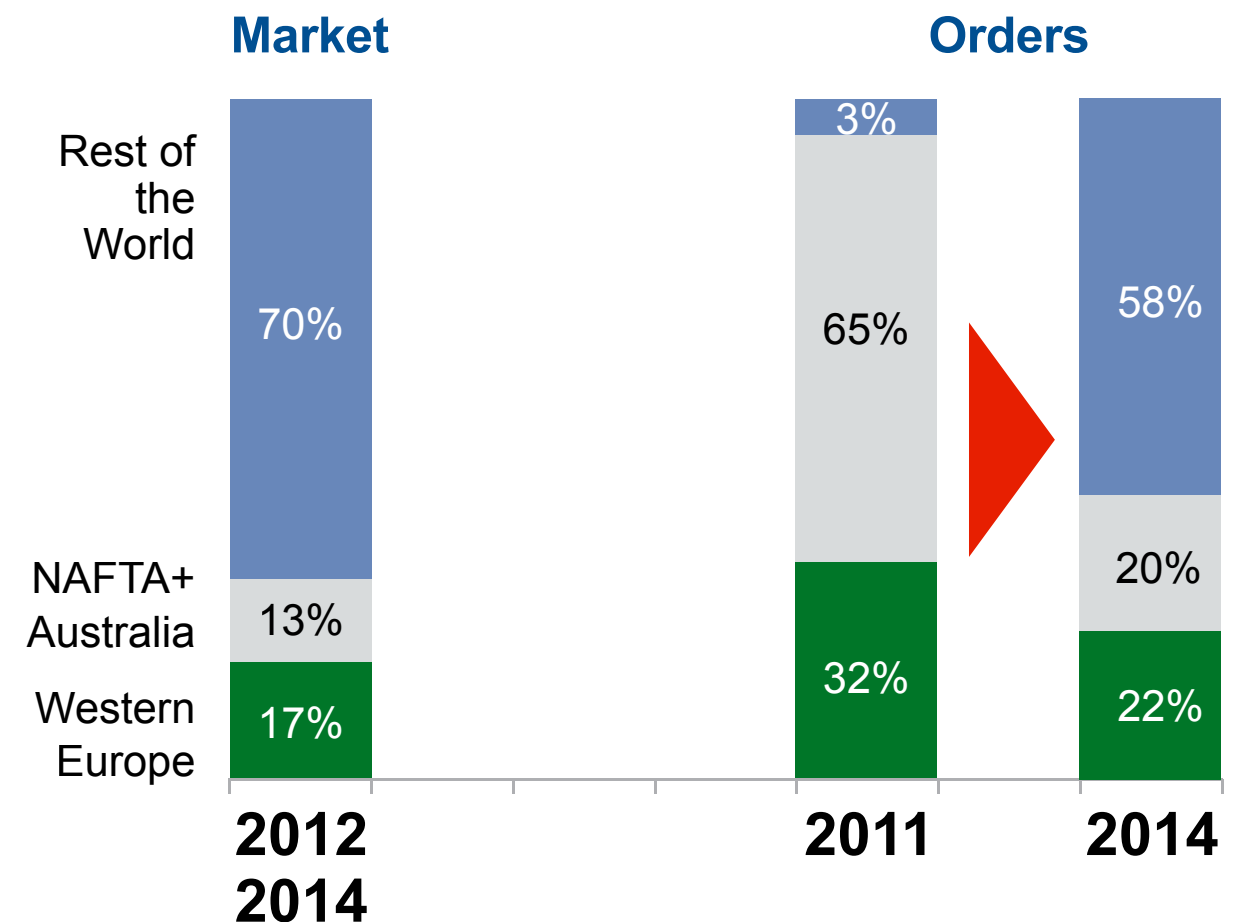
# Ansaldo STS: carefully following geographical evolution

## Signalling



2011 skewed because of big wins in Italy (To-Pd) and France (high-speed)

## Transportation Solutions



2011 skewed because of big wins in Honolulu, Milan and Copenhagen



# Ansaldo STS: unique value proposition to meet client needs

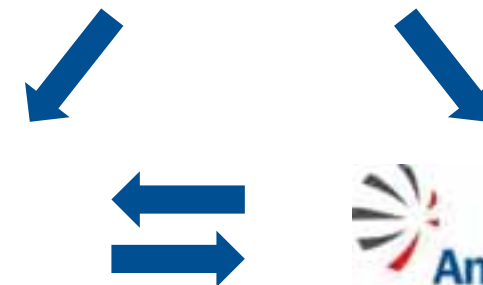
Honolulu recipe for success against all odds, experience + credibility + commitment + American

**A good fit with our experience  
(10 driverless projects in the world)**



- 20 miles (~32 km) double track line
- 100% elevated guideway in the median of existing roadways
- 21 passenger stations
- Train Control Solution: Driverless Unmanned
- Required initial line capacity: 7.200 pphpd

**A proven team for a well  
structured deal**



- **Design-Build: ~550M\$, 2011 through 2019**  
65% Ansaldo STS, 35% AnsaldoBreda; 80% American content
- **Operate-Maintain: ~780M\$, 2015 through 2029**  
100% Ansaldo STS; 95%+ performed locally by permanent employees

# Ansaldo STS: unique delivery capabilities to serve global client needs on time and on budget

DECEMBER 2009



## Princess Noura University (PNU) in Riyadh, Key facts

- <1 year: design, procurement, materials at work site
- <1 year: construction, commissioning, O&M start
- Complete client satisfaction

## A showcase for Ansaldo STS best-in-class delivery capabilities

Quick design of technologies and system integration

- Strong control over procurement & logistics
- Project Management
- Start and support of Operations & Maintenance (O&M) in a country with no pre-existing know-how

JUNE 2011



From desert to trains in operation in 2 years at Princess Noura University (PNU) in Riyadh



# Ansaldo STS: diversified and proven products/ solutions serve portfolio effectively serving global and local needs

## Degree of maturity

**ERTMS**



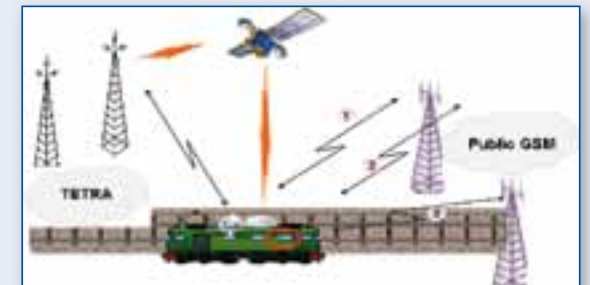
**Driverless**



**CBTC**



**Satellite based/GNSS**



**Computer based interlocking**



**Distributed interlocking**



**PTC wayside**



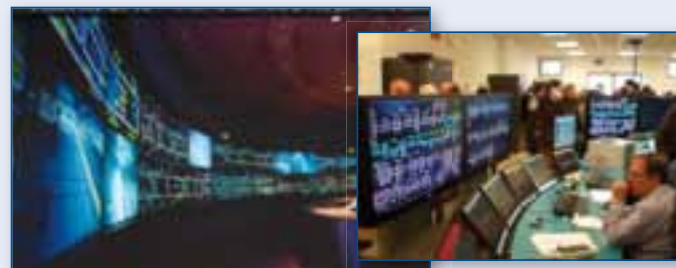
**PTC on Board**



**Yard solutions**



**Automation & supervision**



**Train conformity check**

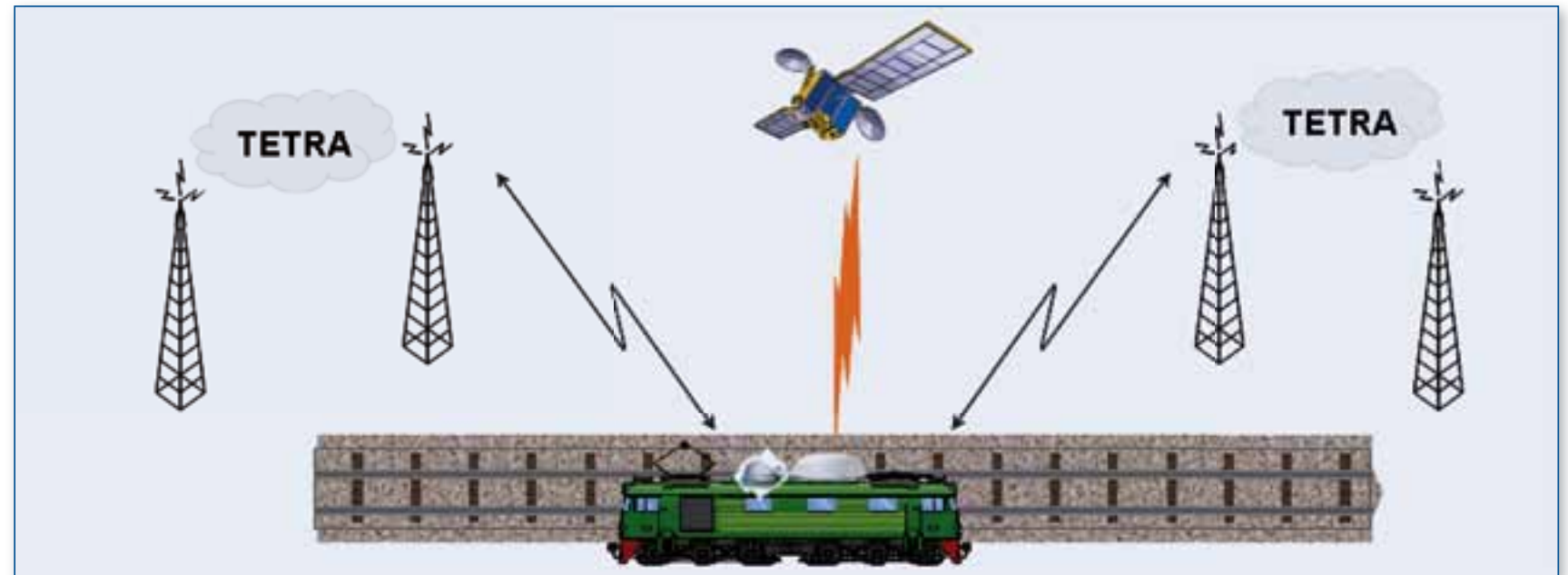


# Ansaldo STS: already pioneering new technological trends to seize new sources of growth. Example Roy Hill



**Roy Hill 1 is a project by Hancock Prospecting to develop a new Iron Ore mine and build the necessary extraction and transportation infrastructure**

- Giant size, low phosphorus iron ore deposit, with 2.4B€ tons of resources
- Posco (3<sup>rd</sup> largest steel manufacturer) owns a 15% stake in the project



**The Roy Hill system is based on key innovative technologies**

- TETRA IP-based TLC network
- Satellite-based localization with SIL4 accuracy

**The satellite-based system relies on a new approach to achieve SIL4 accuracy with the current satellite localizer (LDS)**

- It leverages a multi-constellation (GPS, GLONASS and GALILEO by 2015) as source of the primary data to modify the shape and values of the accuracy function along the route
- The Roy Hill model has been included in the SATLOC project with basic technology to be developed and validated in Italy

**Applications in low density routes being pursued also in Italy**

# Ansaldo STS: unique client centric business model shaped to win in the competitive arena

**Legitimated by  
technological leadership  
in safety**

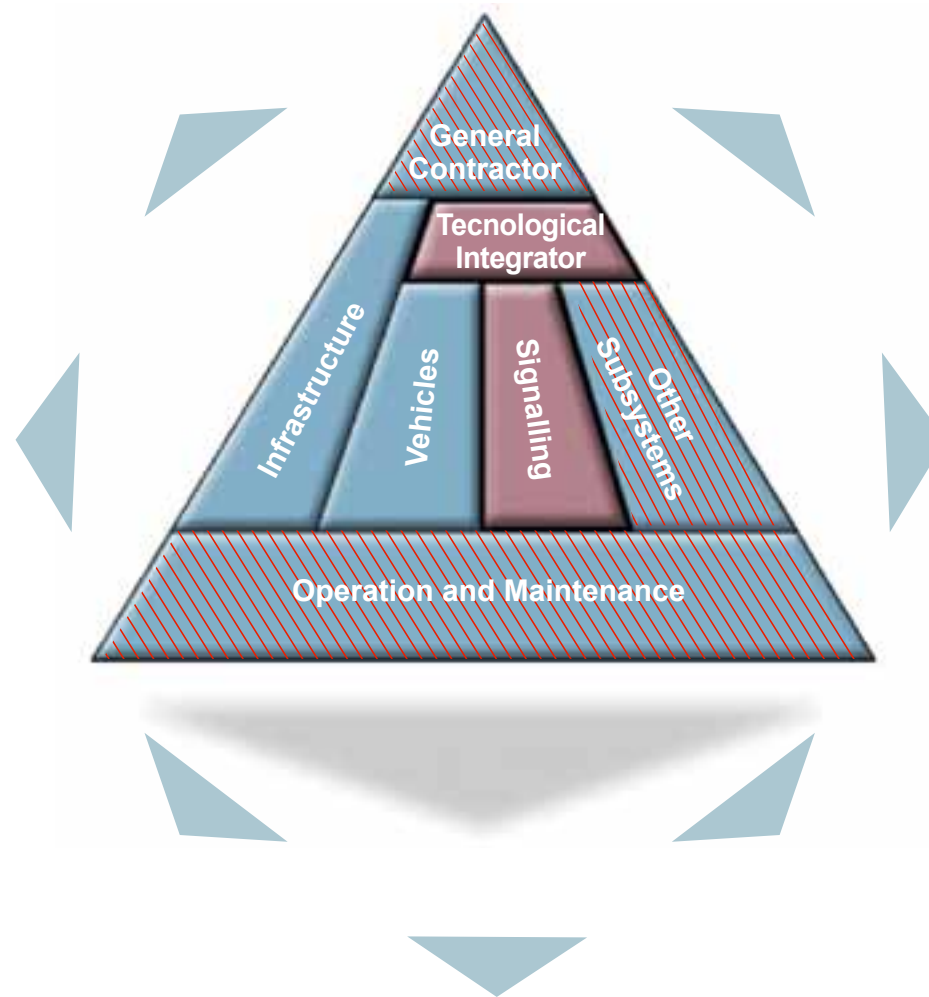
**Rolling stock: no legacy,  
but preferred access**

**Solid roots and track  
records where demand is**

**Partnering along the whole  
client value chain**

**Serving future  
clients needs**

**Easing customer  
financial constraints**



**Global organization**



# Ansaldo STS: uniquely positioned to seize market opportunities

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pressure

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# Strategic directions

Ansaldo STS,  
SVP Strategy  
Marco Fumagalli

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## Commitment

### Superior value creation

- Sustain revenue growth leveraging healthy backlog while protecting profitability



# Selectivity: an imperative to profitably meet global trends

Major world cities - circa 2020



**Prioritizing the right opportunities and focusing resources is critical to achieve profitable growth**

# Selectivity: profitable growth at Ansaldo STS is a process, not a one-off event

## (a) Orient

**Ansaldo STS crisply understands its markets and positioning...**

- Health of starting position, advantages and sets targets that are grounded in facts and explicitly linked to shareholder value creation
- Commitment to outperform market growth cherry picking opportunities
- Commitment to win in Emerging market

## (d) Execute

**Ansaldo STS details prioritized options into action plans and fiercely executes**

- Organization, processes, and culture realigned to drive innovation and growth
- Rigorous monitoring of implementation

## (b) Identify

**Ansaldo STS identifies market opportunities to pursue value creation targets ...**

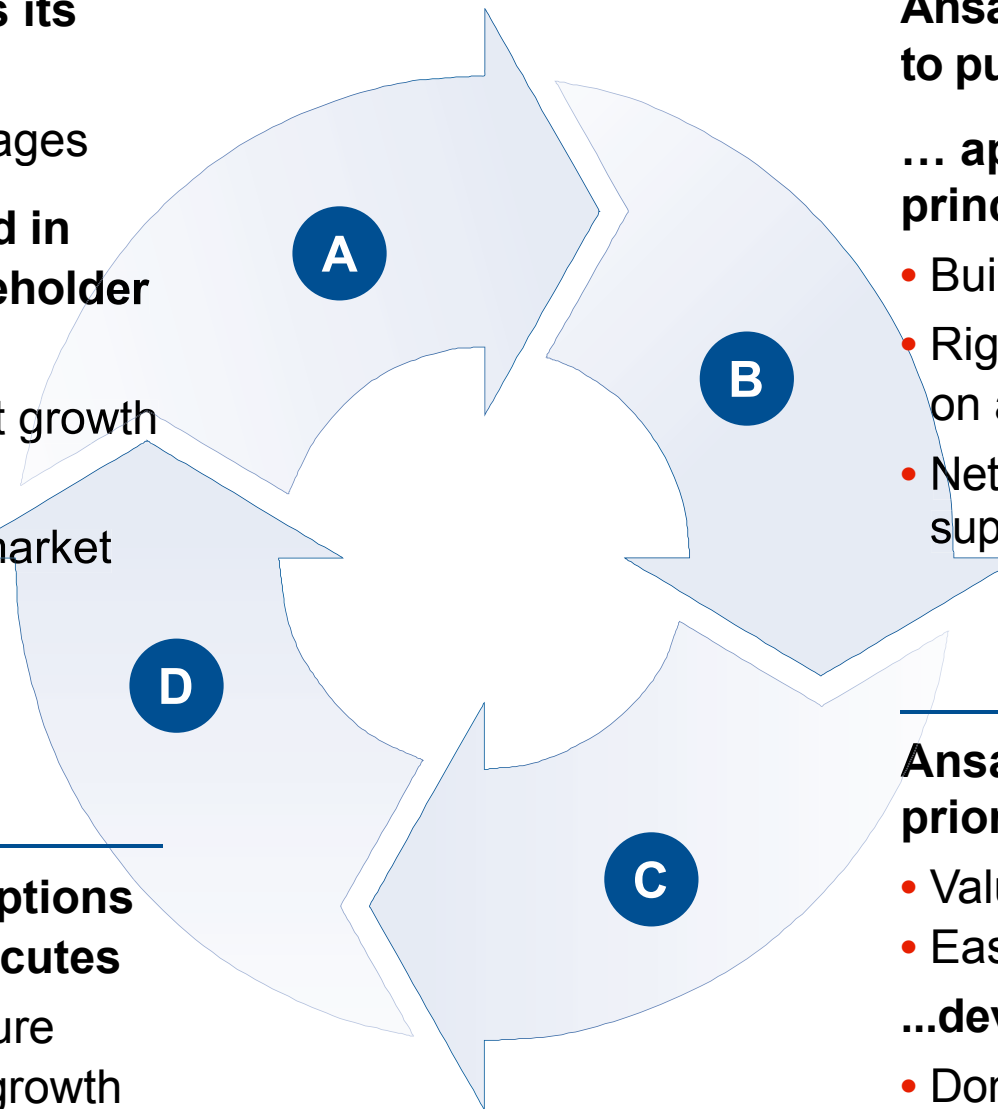
**... applying profitable growth guiding principles, e.g.**

- Build on competitive advantages
- Rigorously leverage the core to build on adjacencies
- Network and execute locally with global support

## (c) Evaluate

**Ansaldo STS systematically evaluates and prioritizes options based on facts...**

- Value creation potential
  - Ease of execution
- ...developing a profitable growth portfolio**
- Don't pursue all options, decide what is important and impacting the bottom line
  - Deliver impact this year and over time

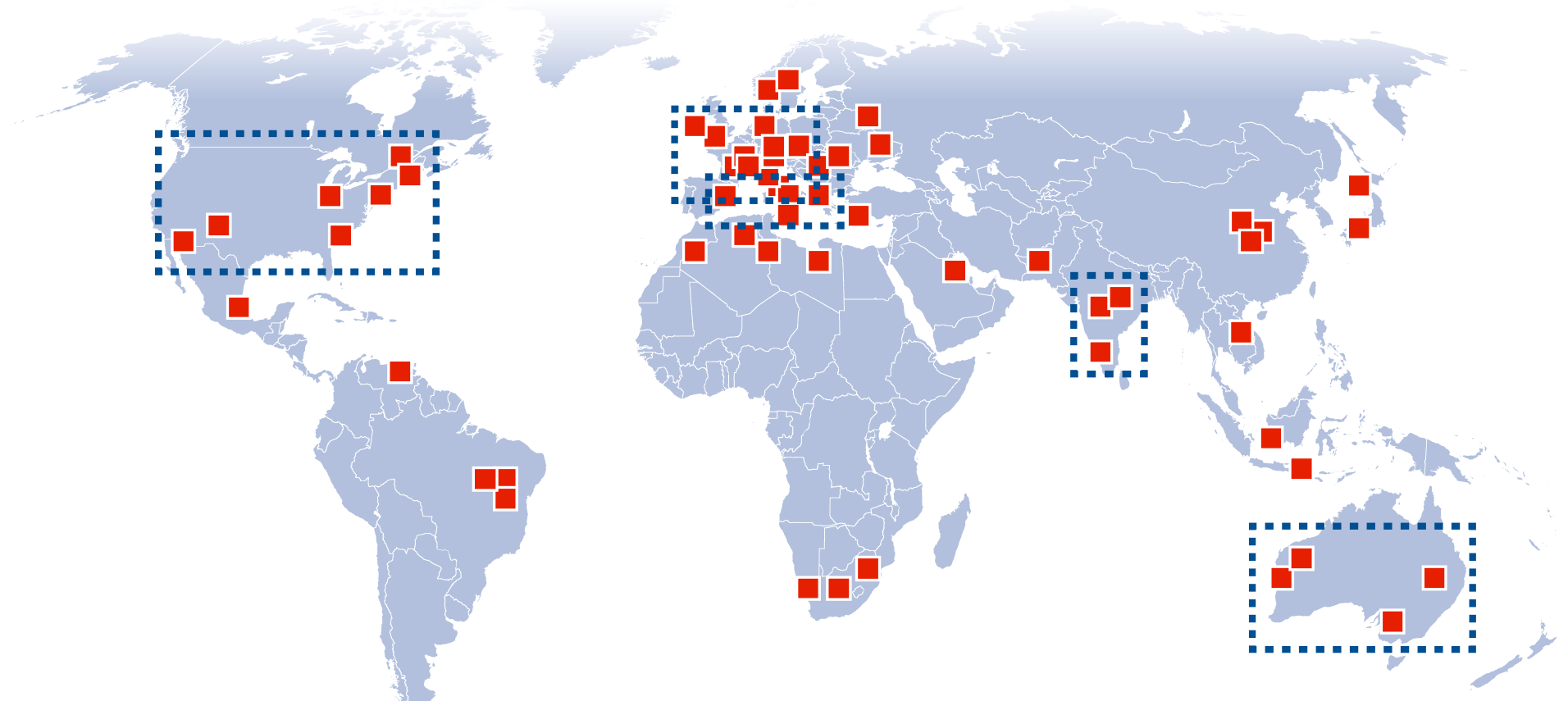




# Selectivity: in Signalling, cherry picking value creation opportunities by applying market logic

From a cloud of projects covering the world to a more focused and segmented approach

Clearly differentiated go to market strategies



**Strategic markets:** the core home markets plus other areas where Ansaldo STS is traditionally present and strong thus recognized (e.g. India)

- Ready to deliver product portfolio
- On-the-ground commercial and delivery organizations (including external partners)
  - In most cases also R&D organizations

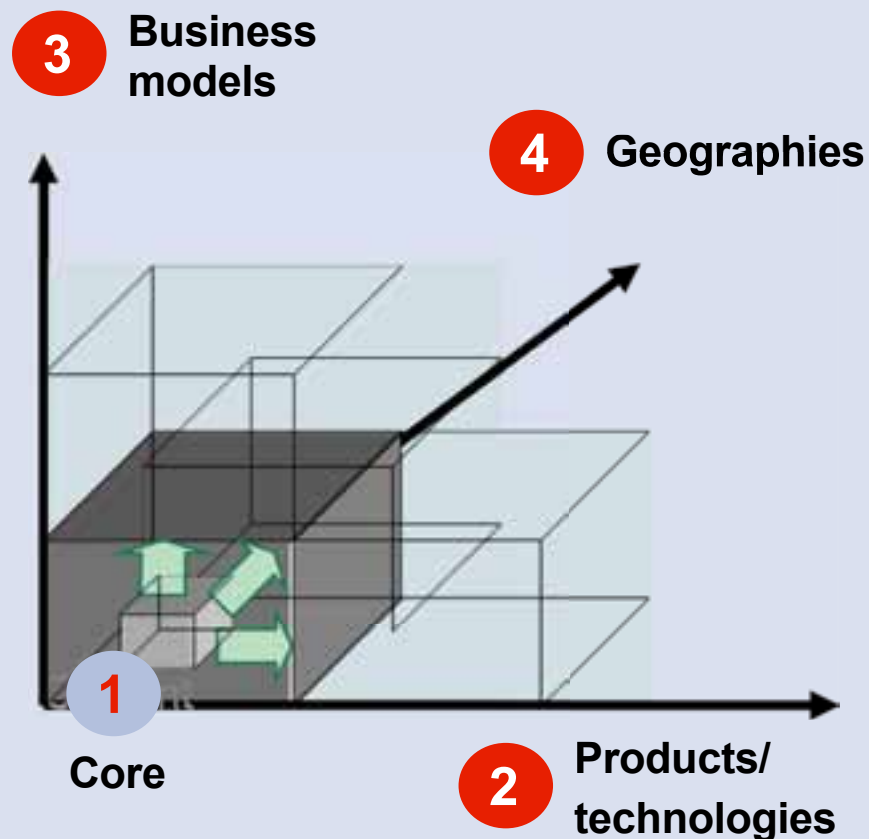
**Opportunistic markets:** remaining markets where premium delivery is recognized

- Focus only on larger projects where we think we can be competitive
- Minimum fixed costs to serve

# Innovation: technology strategy pursues multiple growth vectors

## Growth vectors of innovation

### Ansaldo STS growth vectors



## Ansaldo STS technology strategy to pursue new revenue streams

1

### Maximize position in core

- Enhance/innovate current product offer
  - Need to stay competitive
- Protect position within existing customers
  - Leverage track record to attract new customer

2

### Expand product offering

- Expand technology portfolio into adjacencies
  - Additional product needs of same clients
  - Ansaldo STS can achieve sustainable differentiation

3

### Extend business model

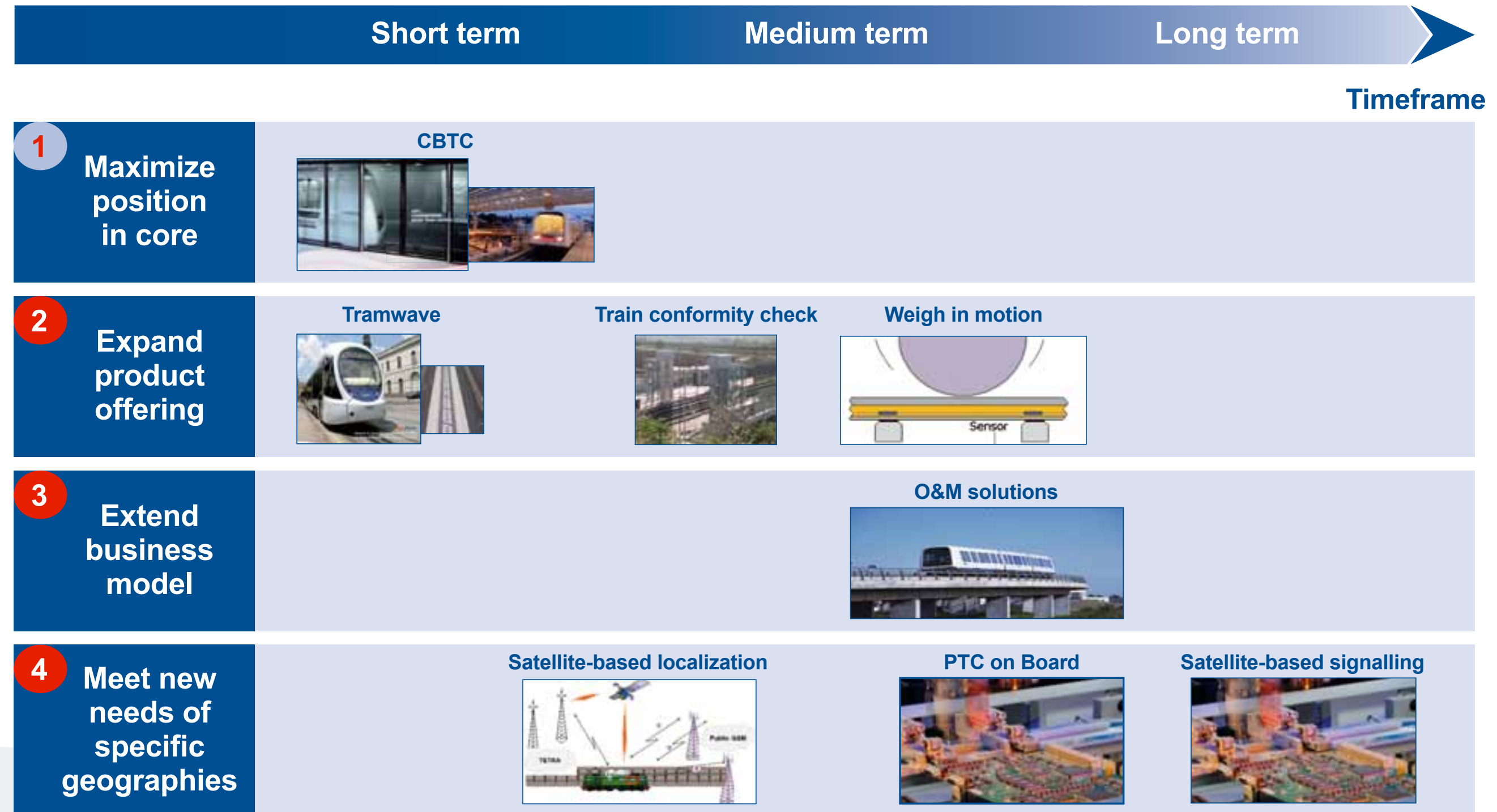
- Develop and leverage complementary services addressing real client needs
  - e.g. Operations & Maintenance
- Evaluate technology partnerships to position Ansaldo STS as a local player with global knowledge

4

### Meet new needs of specific geographies

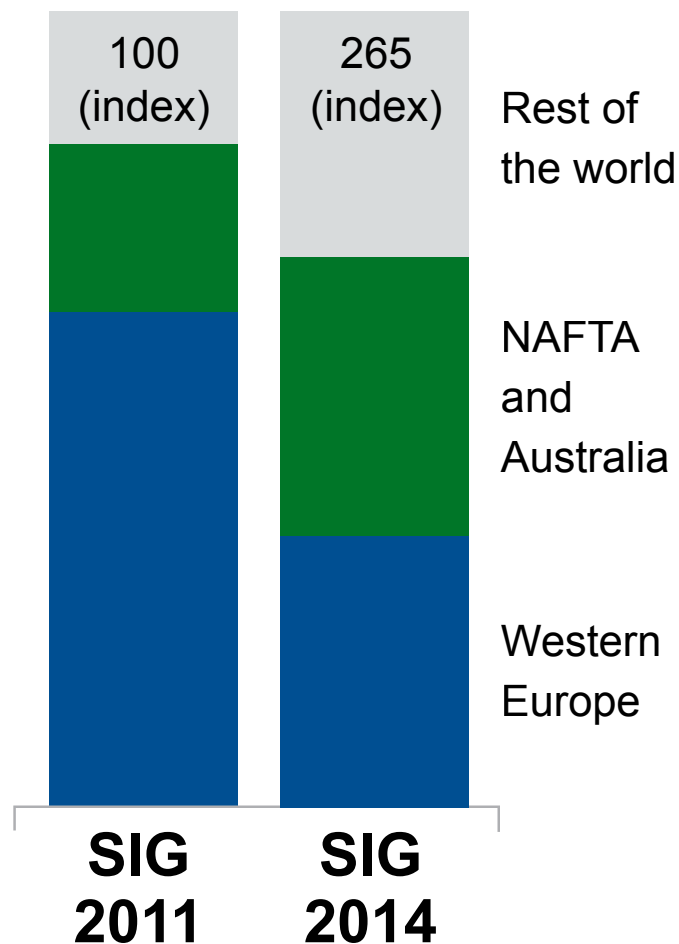
- Master new leading edge technology trends around the Kernel building on core leadership
- Anticipate clients needs as in satellite-based solutions

# Innovation: key elements of Ansaldo STS technology plan



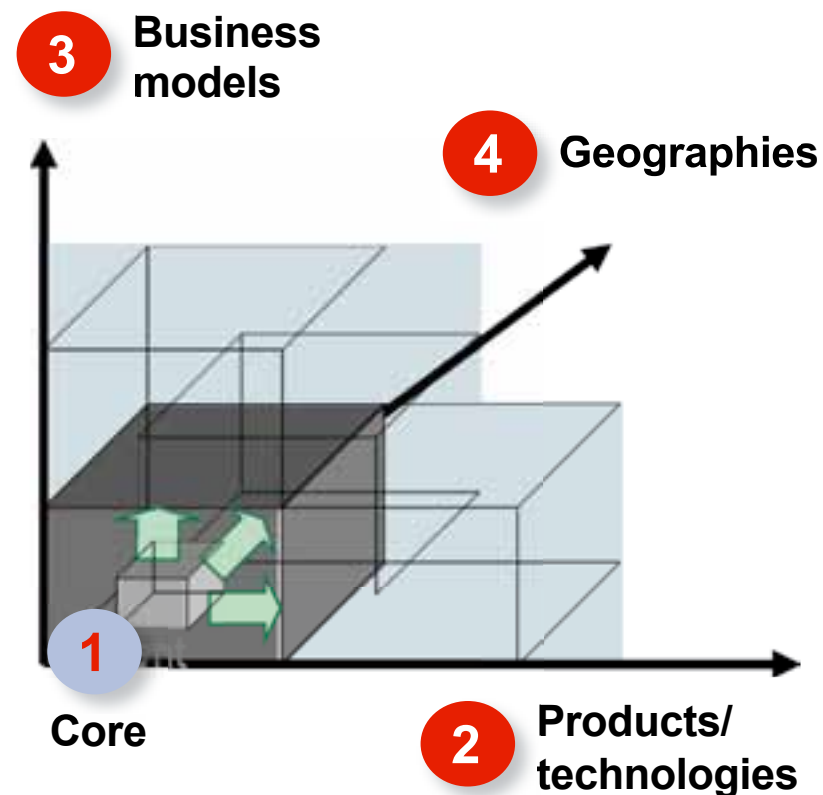
# Flexibility: effective operations to sustain profitable growth

## Expected change in the geographic mix



## Expected change in the source of growth mix

### Ansaldo STS growth vectors



## Need for Ansaldo STS operations to evolve

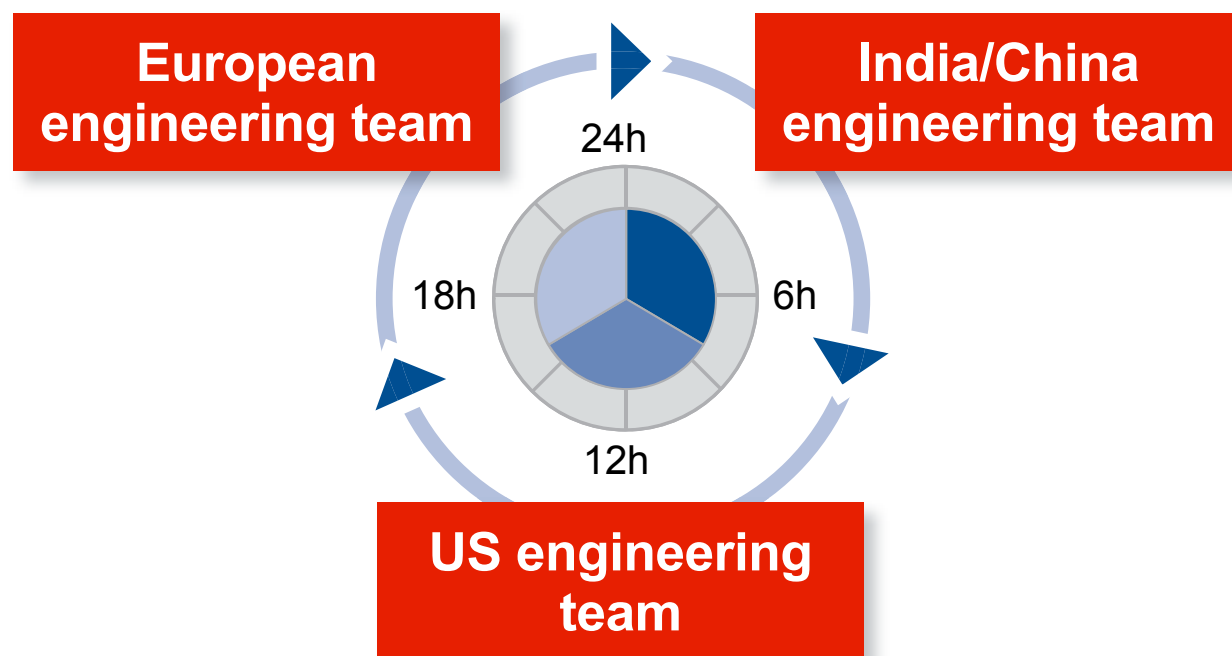


- Core: Traditional Ansaldo STS centers for Commercial and Delivery, possibly R&D
- ◆ Newer low-cost Ansaldo STS centers for Commercial and Delivery, possibly R&D

Management of operational changes made easier by the fully integrated global organization that includes 100% of Ansaldo STS resources as of mid 2011

# Flexibility: New operations leverage core knowledge to constantly deliver superior value to our customers

## 24h engineering operations leveraging different time zones



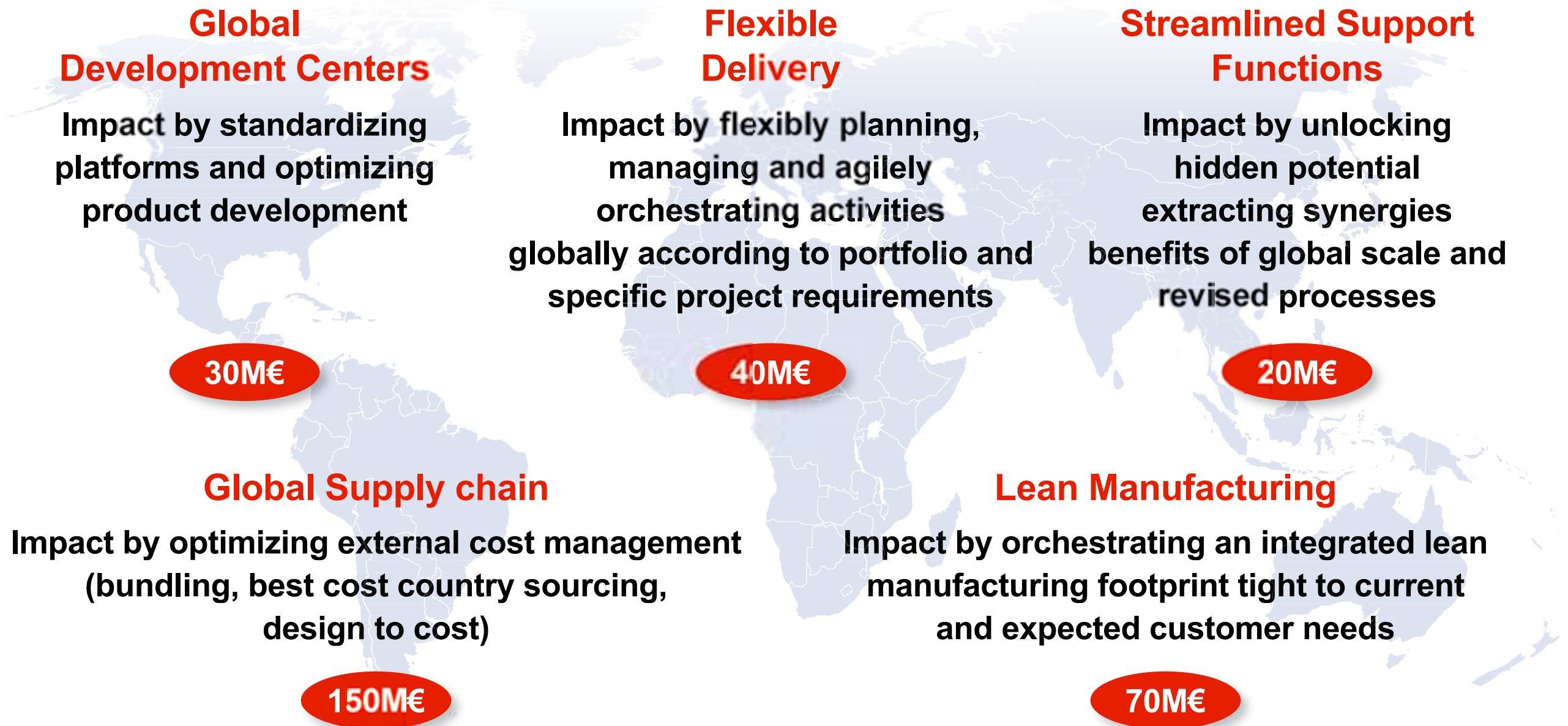
- **Project manager located at client site where core Ansaldo STS capability is**
  - On-field testing as well
- **Development activities where there is competence**

## Shorten development time and increase specialization

- **Involvement RDE engineers enables reduction of development costs compared to current operations**
- **Final responsibility stays with the front-end engineering team**
  - Next to the origin of the customer
- **New RDE-based teams with no global responsibility yet, but importance will increase as soon market develops**
- **Seamless handover between engineering centers only possible through**
  - Fully integrated global organization
  - Continuous worldwide exchange of engineers between the teams



# Flexibility & Efficiency: Ansaldo STS superior value creation through already launched key global transformational programs



Overall ambition of 310M€ gross cumulated savings by 2014 confirmed and well under way

# AIM (Ansaldo STS Implementation Monitoring) will ensure rigor and proper tracking in executing all strategic directions

## Strategic directions

1

Selectivity

2

Innovation

3

Flexibility & Efficiency

- The implementation of each **strategic direction** requires the execution of hundreds of **strategic initiatives** with clear **targets**, **accountabilities**, and **action plans**
- **AIM** is the system that we have developed to monitor the implementation of the **efficiency programs** and that we are now extending to **any strategic initiative**

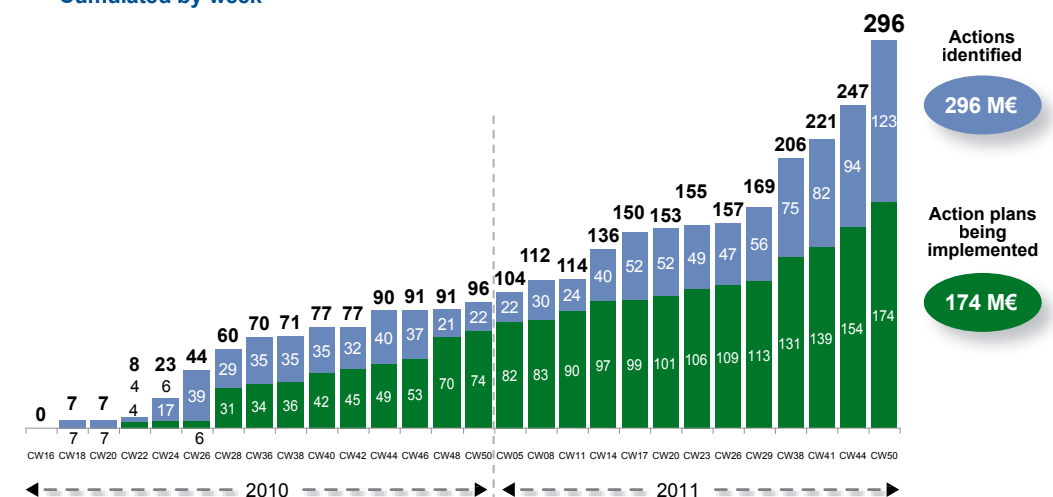
### AIM



- **Data/tools:** to document targets, accountabilities, plans, and to report progress
- **Process:** to rigorously define plans and to diligently monitor their implementation
- **Governance:** to ensure frequent progress reviews with Senior Management and to identify corrective actions

Sample report highlighting impact of identified actions classified by “Degree of Implementation”

Our confidence is grounded on quantified results:  
we will deliver on time and on budget  
Cumulated by week



2012 focus: maintain momentum and fiercely ensure implementation  
Total project costs: ~ 40M€, net headcount reduction of 8% by 2014



# Strategic directions

Focus on  
flexibility and efficiency

Ansaldo STS,  
SVP and  
Efficiency Programs PM  
Christian Andi

# Ansaldo STS still committed and able to deliver superior value creation in the coming years

## Fundamentals

**Market:** Large & still growing but more competitive, volatile and changing in geo mix

**Technology:** Core technologies becoming global solutions integrated in a diversified and proven portfolio to serve global and local needs

**People&capabilities:** Globally integrated organization delivering on time and on budget

**Business model:** unique client centric business model shaped to win in the competitive arena

## Strategic directions

1

### Selectivity

**Focus** on attractive markets where Ansaldo STS enjoys good competitive positioning

2

### Innovation

**Build** competitive advantages and ensure long-term growth

3

### Flexibility & Efficiency

**Stay** competitive and agile optimizing business model and cost/asset levels

## Commitment

### Superior value creation

- Sustain revenue growth leveraging healthy backlog while protecting profitability



# Flexibility & Efficiency: 5 key programs protect profitability ensuring excellence in execution by 2014

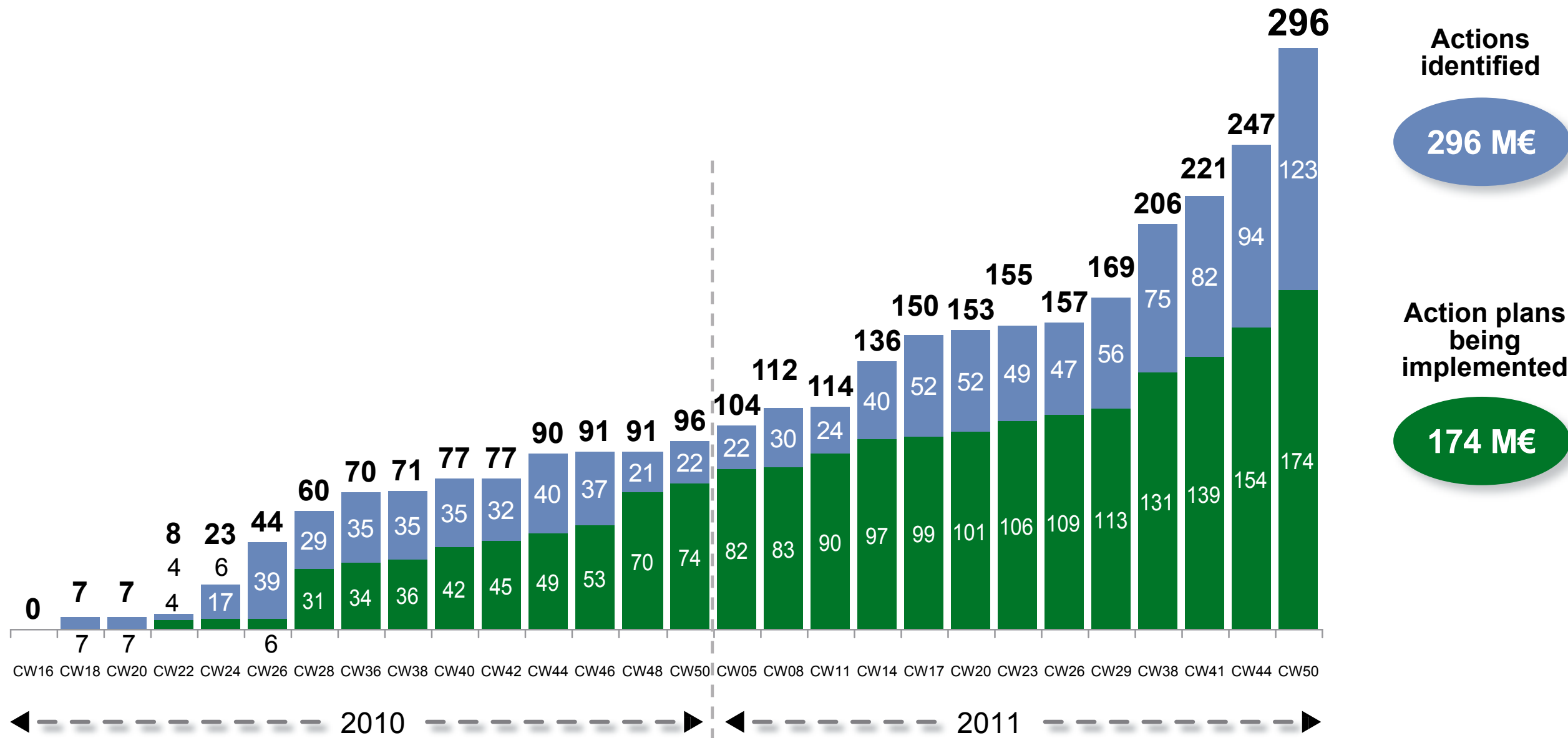
Programs	Description	Gross cumulated target
<b>Global Supply chain</b>	Impact by optimizing external cost management (bundling, best cost country sourcing, design to cost)	<b>150 M€</b>
<b>Lean Manufacturing</b>	Impact by orchestrating an integrated lean manufacturing structure tight to current and expected customer needs	<b>70 M€</b>
<b>Flexible Delivery</b>	Impact by flexibly planning, managing and agilely orchestrating activities globally according to portfolio and specific project requirements	<b>40 M€</b>
<b>Global Development Centres</b>	Impact by standardizing platforms and optimizing product families	<b>30 M€</b>
<b>Streamlined Support Functions</b>	Impact by unlocking hidden potential extracting synergies benefits of global scale and revised processes	<b>20 M€</b>

**We are confident we will deliver against our promise**



# Our confidence is grounded on quantified results: we will deliver on time and on budget

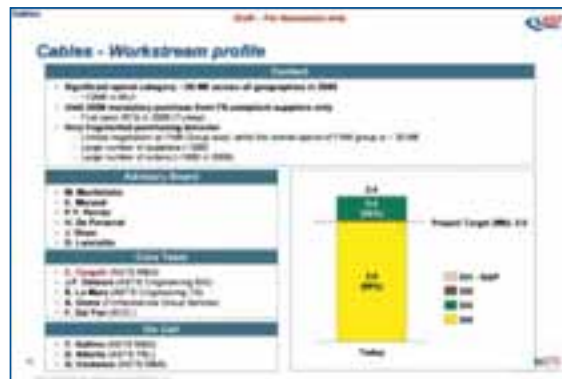
Cumulated by week



2012 focus: maintain momentum and fiercely ensure implementation  
Total project costs: ~ 40M€, net headcount reduction of 8% by 2014

# Whole Ansaldo STS organization is visibly mobilized: we generate opportunities and each is tracked in detail

## Savings clusterized in workstreams with a clear target and deployment plan



- **Each workstream is monitored and report progress every 2 weeks**

- roles and mandates
- targets and timings
- sponsor and advisors



- **List of all initiatives required to over meet the target is detailed**

- baseline, expected saving, timing

- **Short/Medium/Long term initiatives are correctly balanced to ensure proper execution**



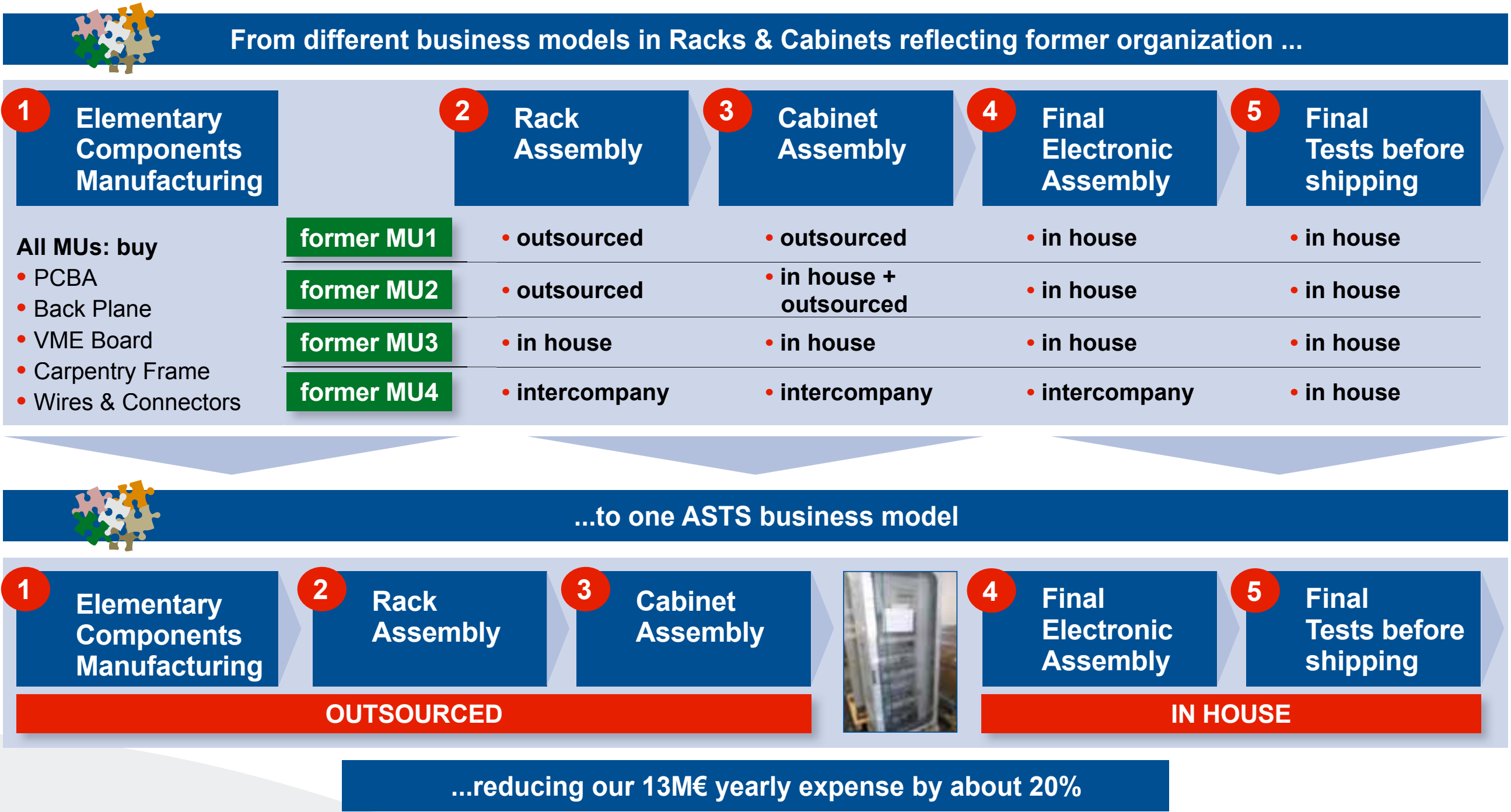
- **Each initiative is detailed**
  - team in charge of the implementation
  - action plan
  - milestones
  - KPIs
  - additional benefits

## Example: Global Supply Chain

	workstream	initiatives in execut. #
Direct Materials	1 PCBAand Electronics	14
	2 Cables	57
	3 Racks & cabinets	38
	4 Electric components	22
	5 Mechanical & plastic parts	27
	22 Wayside equipment	61
	23 Onboard equipment	28
	24 "C" Class materials	5
Subtotal		252
Business Services	6 Design and engineering	86
	7 Temporary work	9
	Subtotal	95
Indirect services	8 IT	51
	9 Facility Management	54
	10 Travel	12
	11 Communication (fixed and mobile)	19
	12 Marketing	12
	13 Utilities	18
	14 Printed Materials	3
	Subtotal	169
Packages & Subcontr.	15 Apparatus and equip. for PSS	100
	16 Telecommunication subsyst.	54
	17 Station Auxiliary subsyst.	31
	18 Onsite installation	97
	19 Others	15
	20. 21. MU4 negotiations (P&S+ M&S)	23
	25. Depot equipment	36
	26. Trackworks	9
	27. Supervision and control system	13
Subtotal		378
TOTAL		894

More than 2000 initiatives being tracked

# Global Supply chain and Lean manufacturing example: We are implementing a unique model across our group...

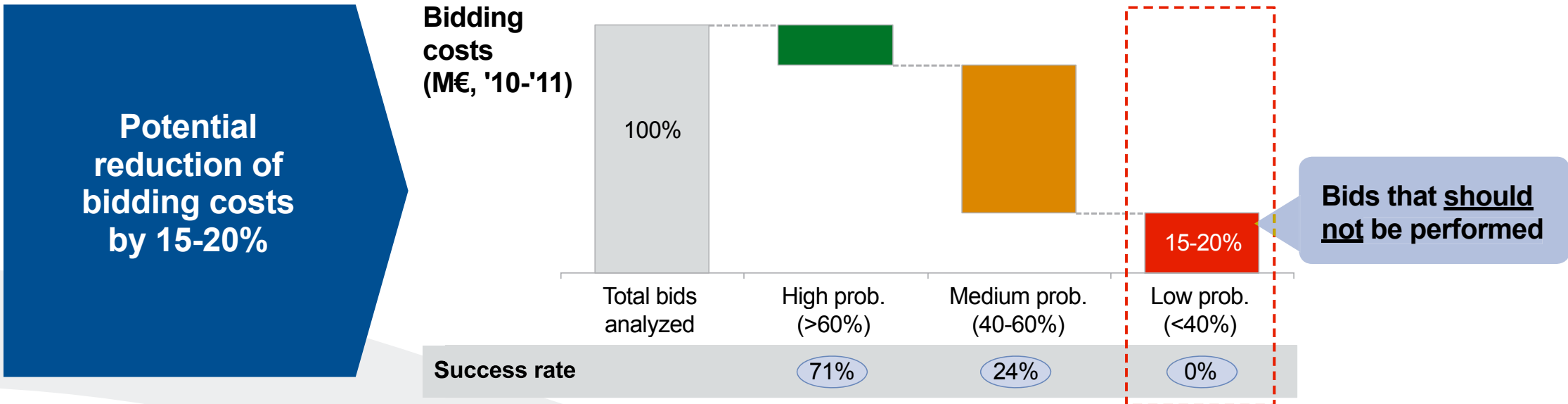
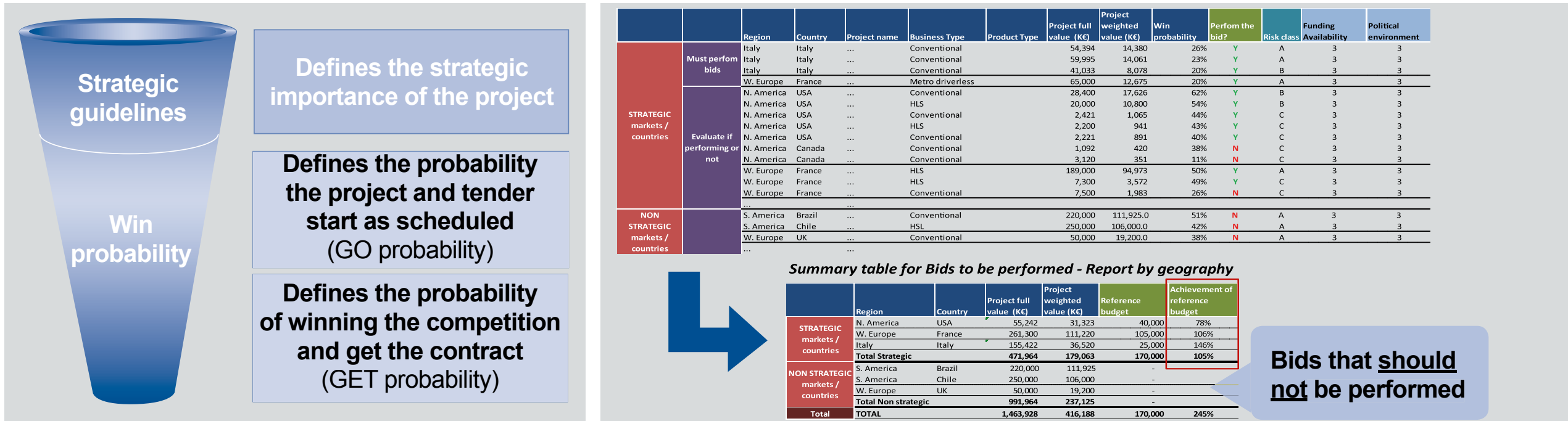


# Streamlined Support Functions Example: Being selective on Bids to enhance hit rate and reduce costs by 15-20%

- 1

Identified criteria for selecting bids to perform...
- 2

...and defined a process for selecting only strategically aligned and higher probability bids







# Recap and Q&A

Ansaldo STS,  
Chief Executive Officer  
Sergio De Luca

# Key Messages

- **In such an economic environment, our market is still expected to grow at 3%+**
  - All key market trends in place hedging short term uncertainty
  - Volatility raising due to increased project size and progressive enlargement of scope of work (financing, service, operations & maintenance, training, operations), longer project acquisition process and increasing operational risk
- **Despite competitive environment getting tougher...**
  - All players targeting emerging and growing markets to capture opportunities resulting in strong pricing pressure
- **... Ansaldo STS is best positioned to seize market opportunities...**
  - Global pure player with unique client centric business model, recognized technological leadership in market sweet spots (ERTMS, driverless, mass transit, HSL...) and highly flexible in design
  - Globally active with solid platforms and track record in emerging economies, where demand is
- **... committed and able to continue to outperform market growth...**
  - **Selectivity:** focus on markets/opportunities that are attractive in terms of value and where we already enjoy a significant competitive positioning
  - **Innovation:** adapt and anticipate evolving geographical mix and clients' technological trends
  - **Flexibility and efficiency:** stay competitive and agile, fiercely executing planned efficiency programs
- **... and deliver superior value to shareholders leveraging healthy backlog and protecting profitability**
  - Strong organic growth, high revenue visibility thanks to healthy backlog 4.5x revenues, solid margin and low risk in execution
  - Asset light business, strong balance sheet, negative NFP to sustain R&D and execution on time and on budget
  - Flexibility and efficiency ensured by key programs already launched and delivering against the promise



## Questions and Answers



# **Commitment: Guidance and Financials**

**Ansaldo STS,  
Chief Financial Officer  
Alberto Milvio**



# Ansaldo STS still committed and able to deliver superior value creation in the coming years

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Stay competitive and agile optimizing business model and cost/asset levels

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- Sustain revenue growth leveraging healthy backlog while protecting profitability

# Ansaldo STS: 2011 a tough year mainly due to Libya

M€	Guidance 2011		Preliminary Unaudited 2011	Actual 2010
	March	July		
Orders	1.500 - 1.700	1.900 - 2.100	2.164	1.985
Backlog			5.453	4.551
Revenues	1.280 - 1.360	1.180 - 1.260	1.212	1.284
ROS	~10,6%	9,5% - 10,0%	9,6%	10,7%
Net Financial Position <sup>1</sup>	(330) - (370)	(280) - (300)	(290)	(318)

# Ansaldo STS: focus on Libya

Preliminary 2011 un-audited data

## Contract status end of 2011, M€

Contract Values - Whole life	743
Advance Payments	205
Revenues recognized	93
% completion	13%
Backlog - 31 Dec 2011	650
Working Capital - 31 Dec 2011	(130)

## 2011: Impact of Libya, M€

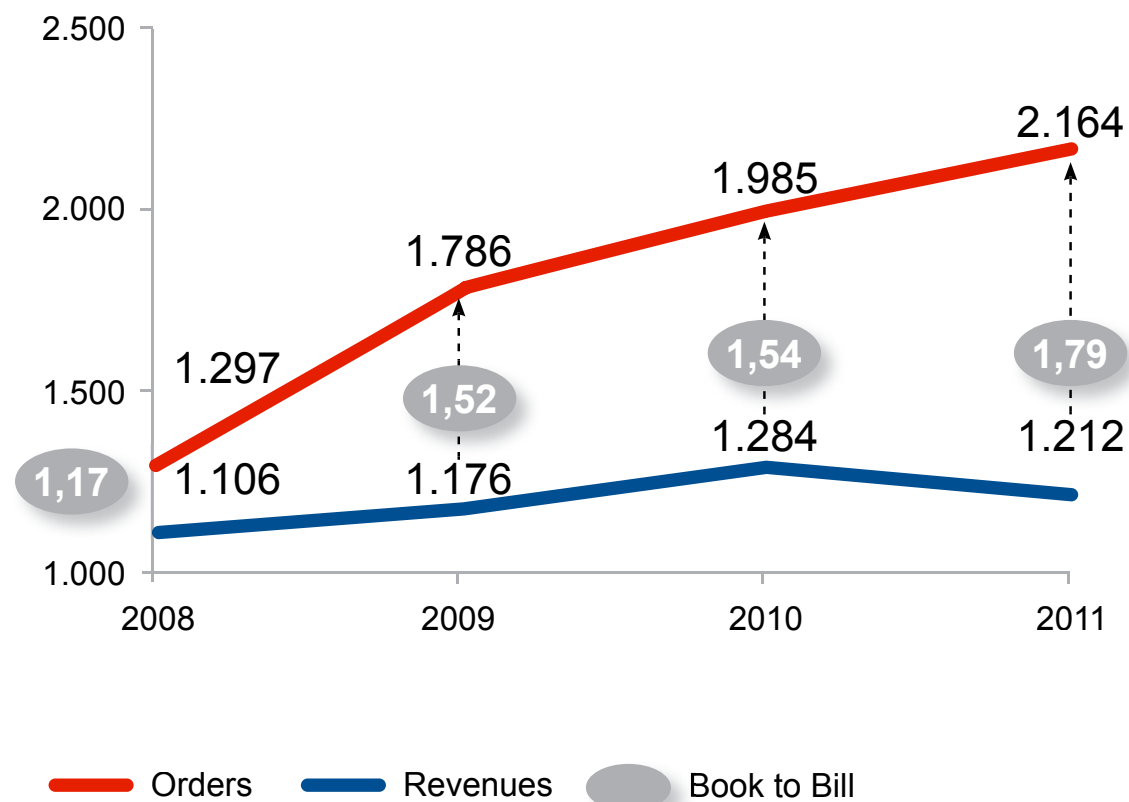
A substantial missing positive contribution

Revenues	~100
Gross Margin	~20
Cash Flow Generation	~35
% completion	~26%
Backlog - 31 Dec 2011	~549

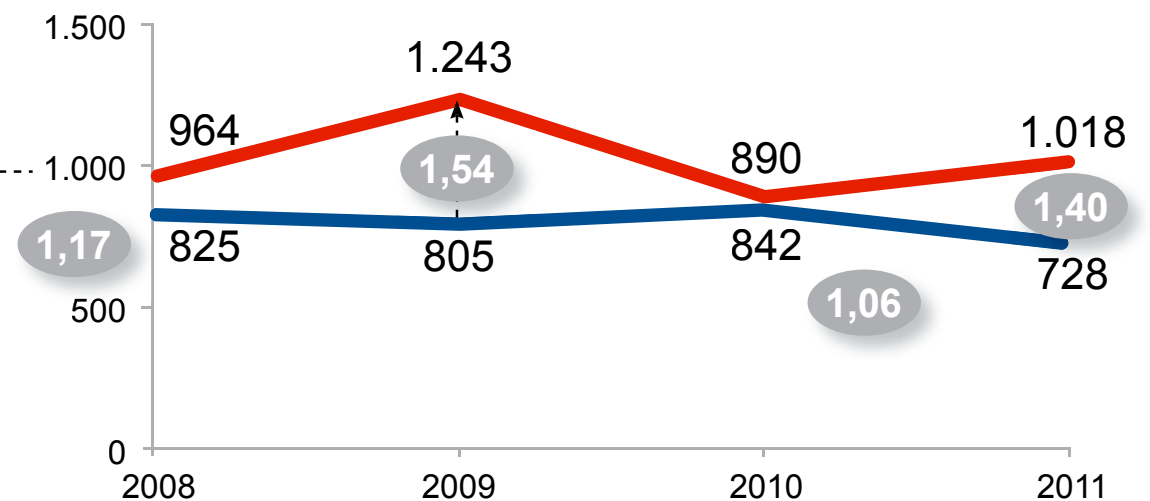
# Ansaldo STS: Strong Backlog Build-up in the last 4 years sustained by an above average Book to Bill ratio

Preliminary 2011 un-audited data

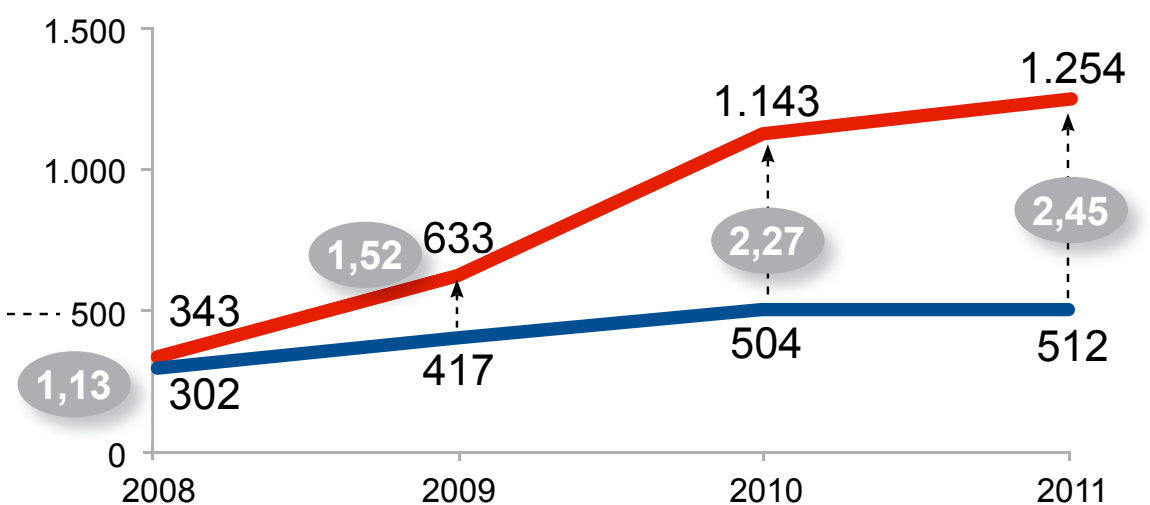
## Ansaldo STS: cover ratio 4,5x



## Signalling: cover ratio 2,9x



## Transportation Solutions: cover ratio 6,5x



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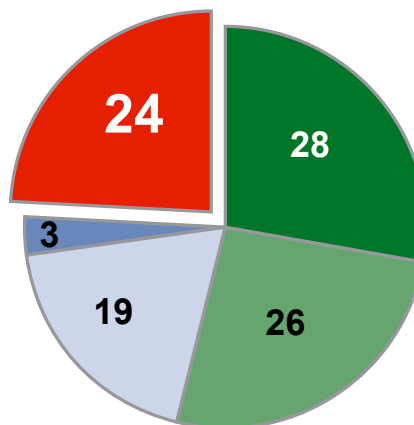
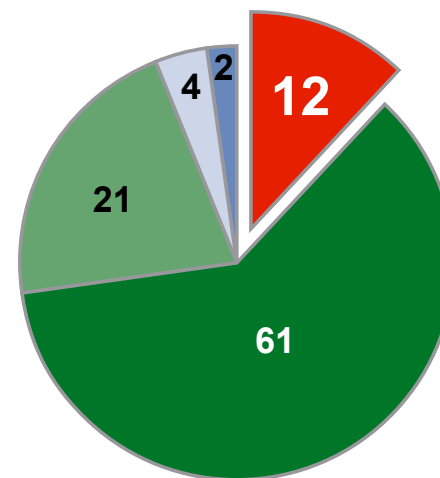


# Ansaldo STS: focus on backlog evolution (i)

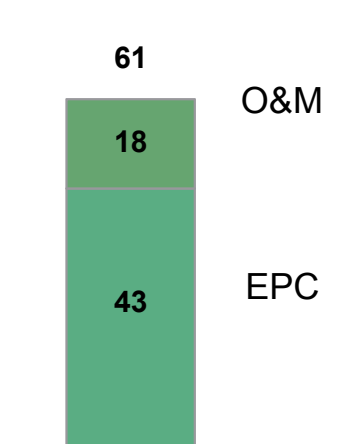
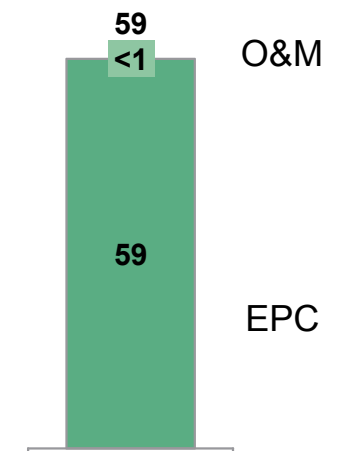
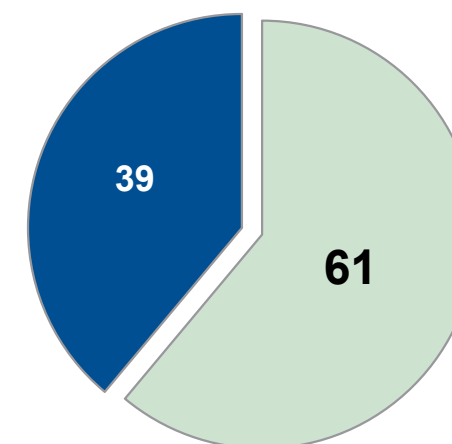
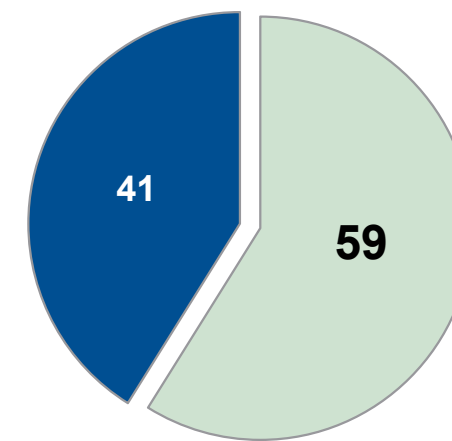
Geographical mix and business, Preliminary 2011 un-audited data

## Backlog evolution

### By Geo Area



### By Business



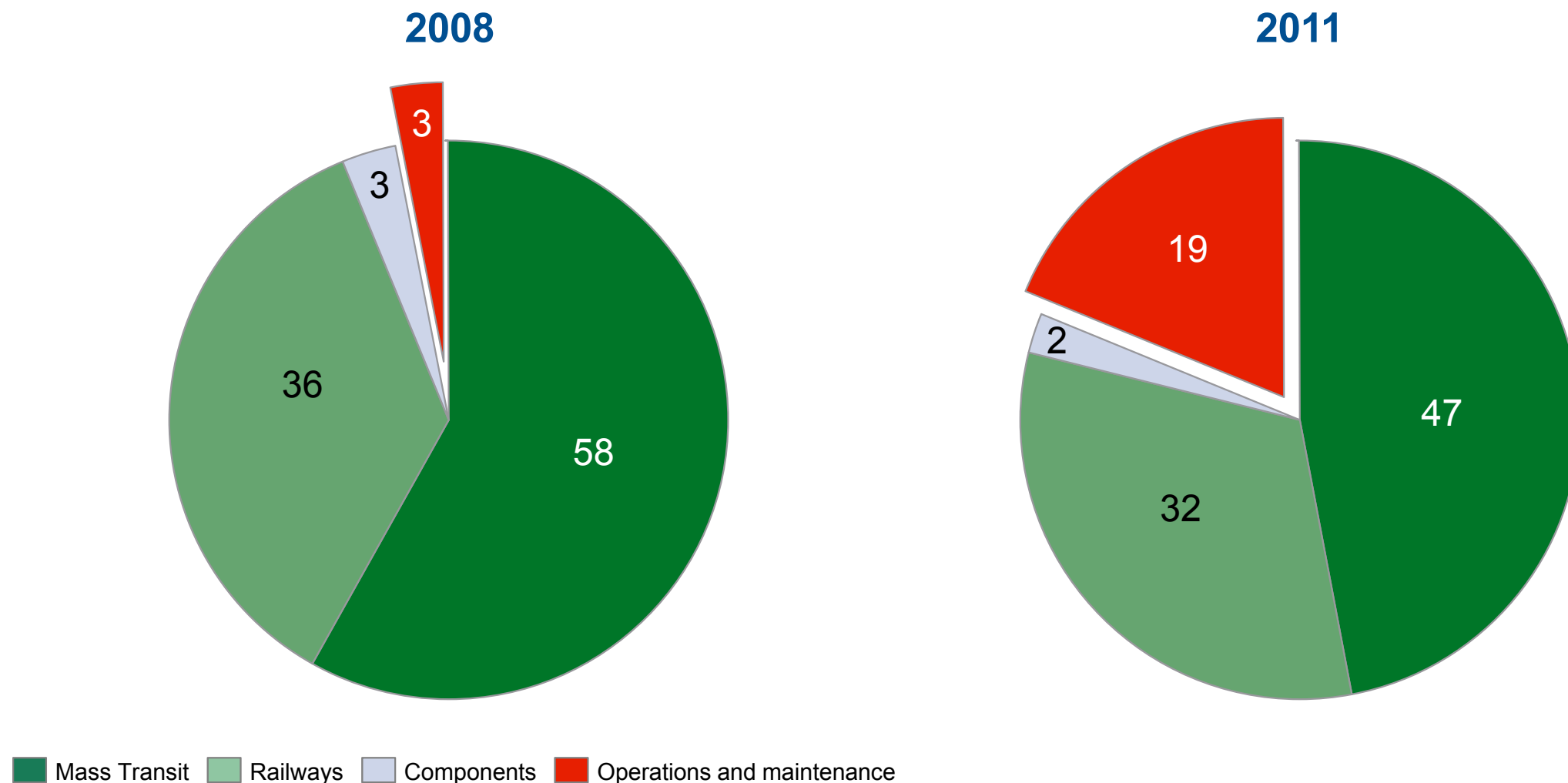
■ Italy ■ North America ■ Emerging ■ Transportation Solution  
■ Rest of Europe ■ Australia ■ Signalling

2008: 3.136M€  
Italy&Europe>80%  
Signalling and  
Transportation  
Solutions  
almost equal

2011: 5.453M€  
Emerging Market  
and  
Transportation  
solutions  
taking the lead

# Ansaldo STS: Focus on backlog evolution (ii)

Business type, Preliminary 2011 un-audited data

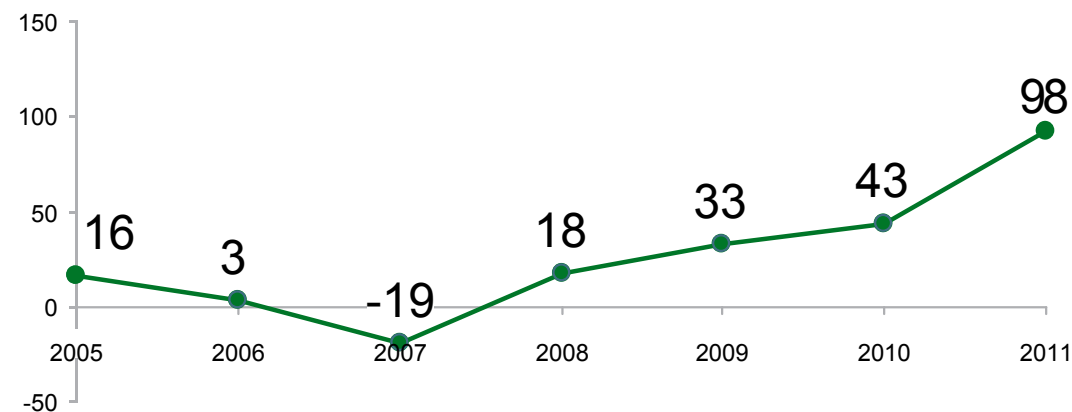


**Operations and Maintenance a key asset in Ansaldo STS portfolio:  
the confirmation of a successful value proposition**

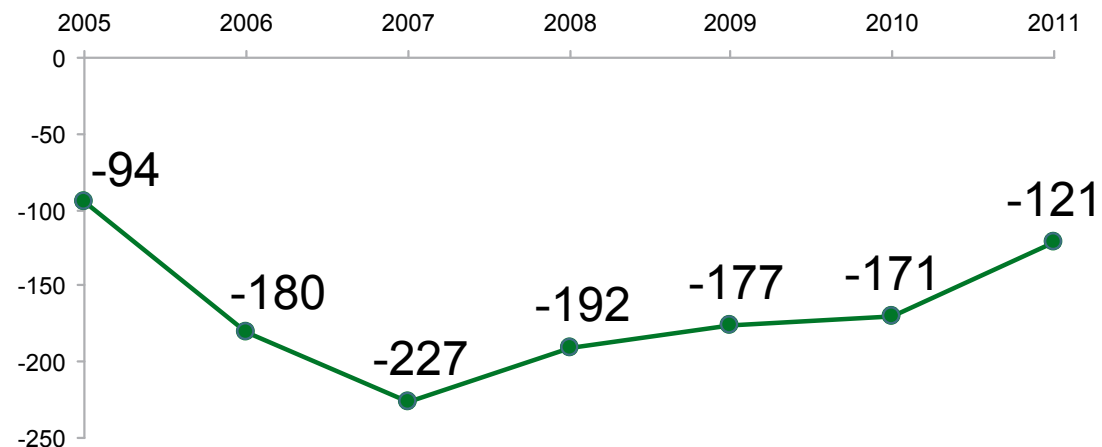
# Ansaldo STS: value creation focus on Invested Capital

Figures in M€, Preliminary 2011 un-audited data

## 2y Average Net invested Capital



## 2y Average Net Working Capital



- **Net Invested Capital driven by Working Capital evolution**
- **Deterioration due to**
  - large contract work-in-progress build-up
  - lower advances
  - customers' tighter financial constraints
- **Working Capital deterioration experienced also by the other major industry players**
- **Invested Capital expected to stabilize and improve**
  - stronger working capital management
  - shift towards "working capital light" Transportation Solutions Projects

# Ansaldo STS: Pre Actual 2011 results and Guidance 2012

(M€)	2011 Preliminary unaudited	2012 Guidance
Orders	2.164	1.500-1.700
Backlog	5.453	5.700-5.900
Revenues	1.212	1.200-1.300
ROS <sup>1</sup>	9,6%	~9,5%
Net Financial position	(290)	(~330) <sup>2</sup>
<b>Volumes still impacted by Libya</b> <b>Profitability also by restructuring costs</b>		

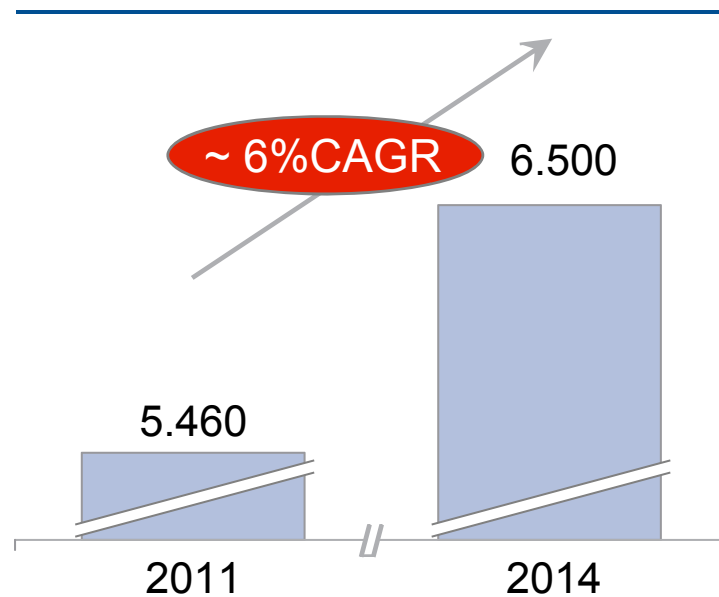
(1) Including restructuring severance costs for **8m€** in 2012, **1m€** in 2011

(2) Before Dividend payment

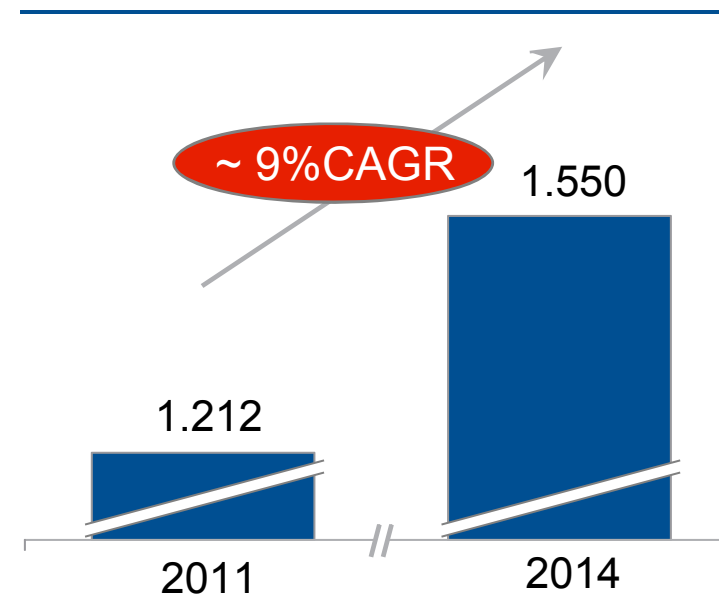


# Ansaldo STS: Strategic pillars will ensure strong growth and profitability by 2014

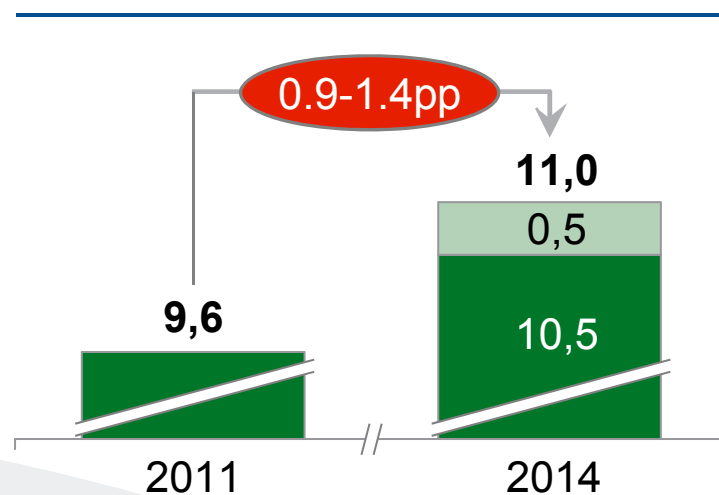
Backlog, M€



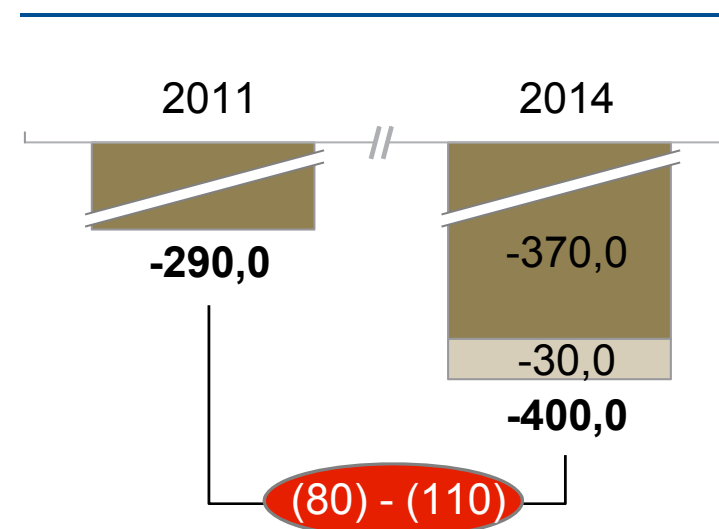
Revenues, M€



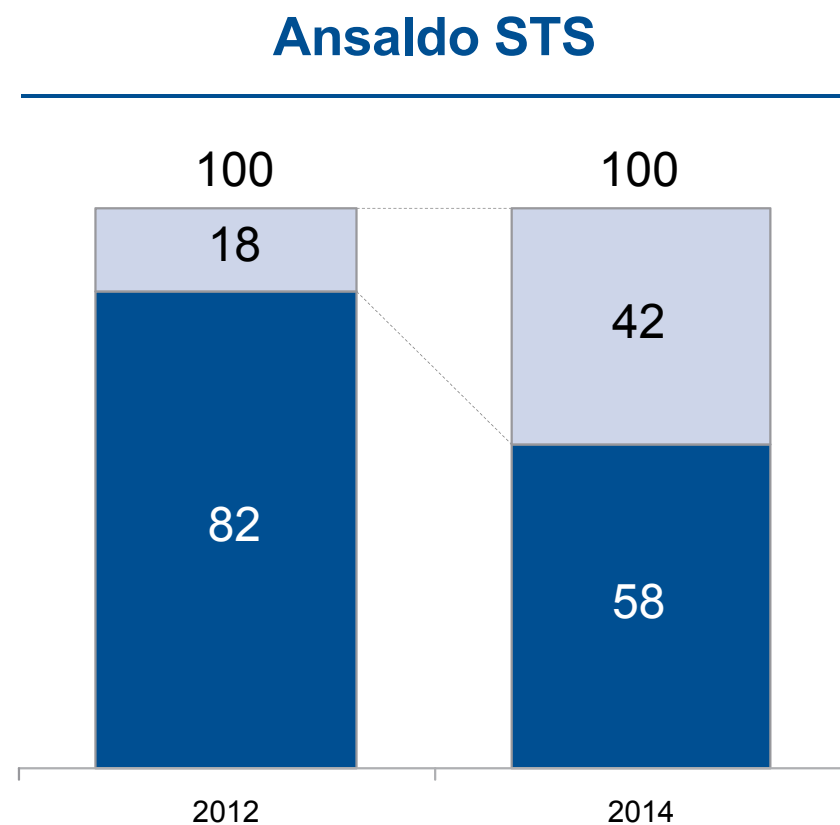
ROS, pp



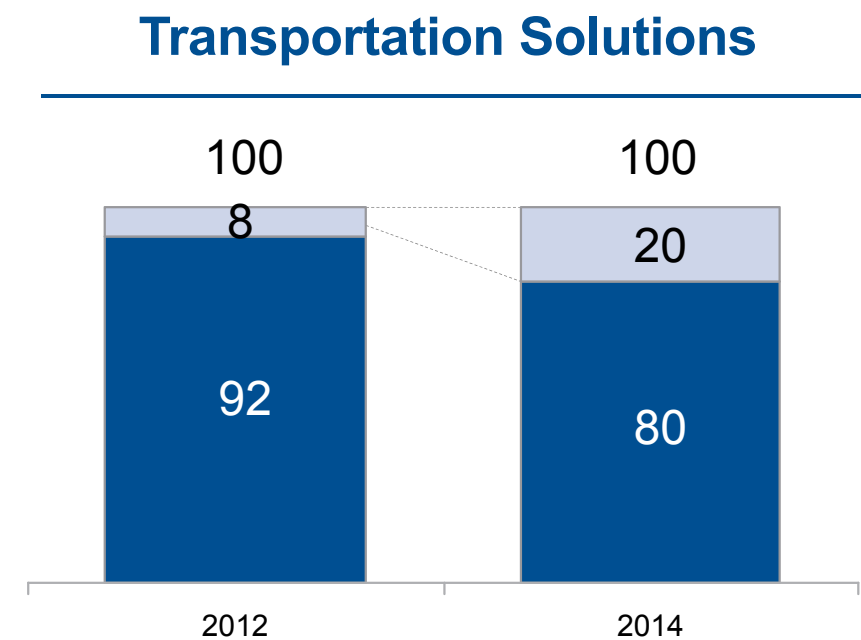
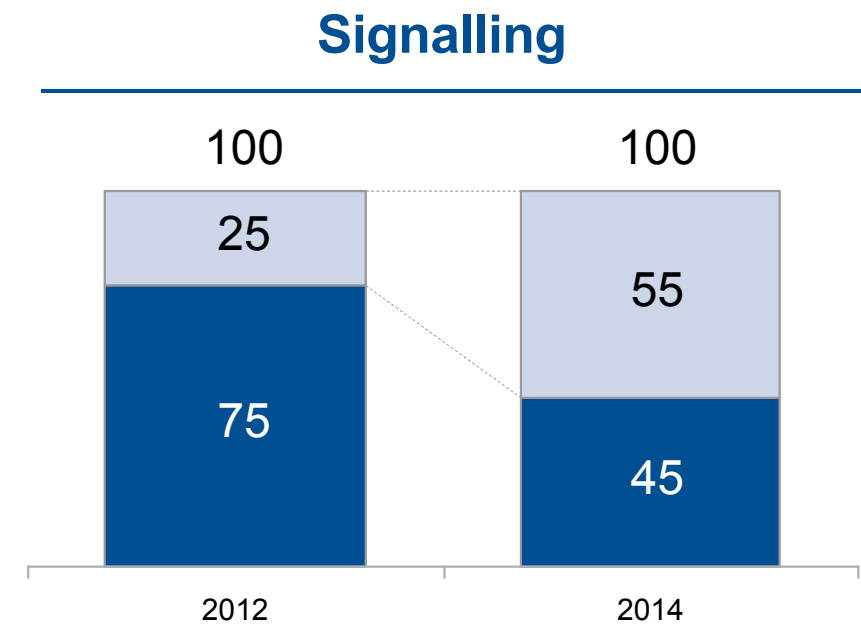
Net Financial Position, M€



# Ansaldo STS: Superior performance already booked thanks to strong revenue coverage from backlog



■ New Orders  
■ Backlog



f

# Ansaldo STS: stock performance since IPO

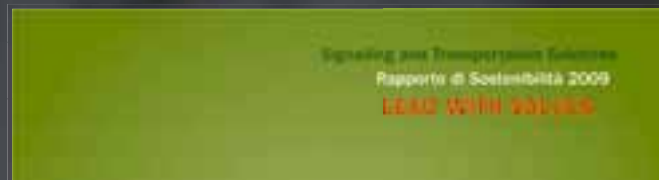


**Total Shareholders Return (TSR) since IPO : about 46 %**



## Questions and Answers



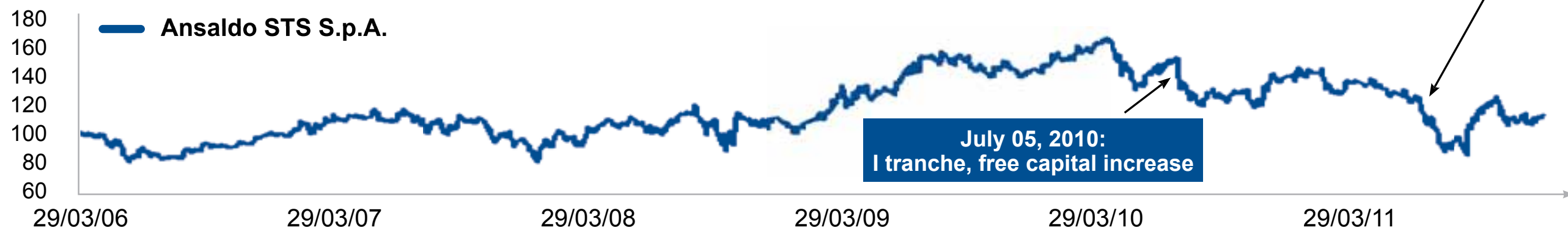


**Our commitment to the theme of sustainable development is expressed in the countries where we operate, across five continents, through the dissemination of our corporate vision, attention to environmental, social, and promote our work through a climate of cooperation with local cultures.**



**In coherence with our vision this year we have joined the Global Compact, a voluntary initiative launched by the UN to spread the culture of respect for human rights, labour, environment and the fight against corruption.**

# Five years of free capital increase - details

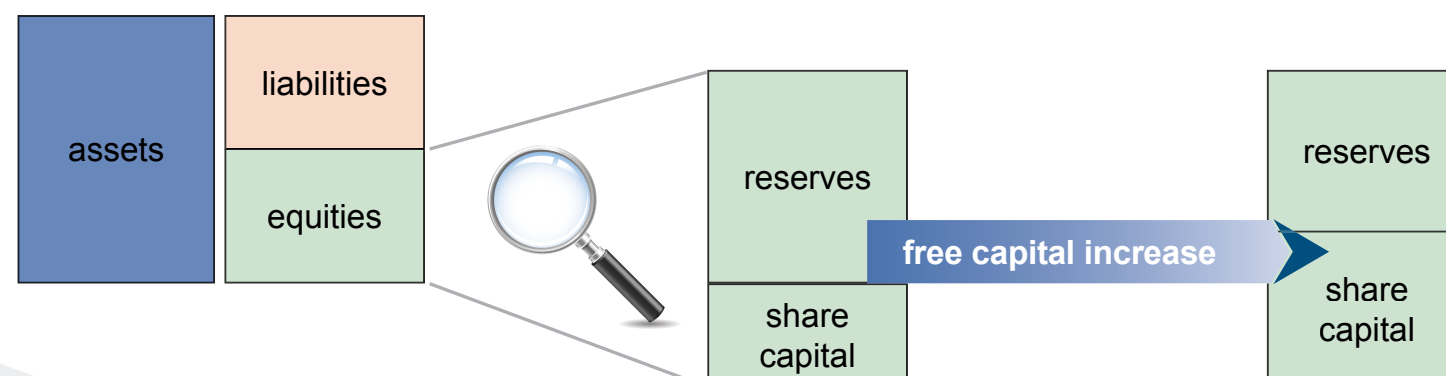


Free capital increase plan:	2010	2011	2012	2013	2014
Mil of shares before the capital increase	100	120	140	160	180
Mil of shares after the capital increase	120	140	160	180	200
Factor of correction	0,833	0,857	0,875	0,889	0,9

This factor of correction (in 2011 was 0.857) 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 0.857. **In fact the IPO offering price adjustment will be:**

	2010	2011	2012	2013	2014
i.e. Offering price adj., after each tranche of free cap. increase	6,5 = 7,8X0,833	5,57 = 6,5X0,857	4,87 = 5,57X0,875	4,33 = 4,87X0,889	3,9 = 4,33X0,9

The free cap. increase is just an accounting operation with no effects on the financial structure of the company:



# Glossary

AF-900® - Part of an Automatic Train Control System (ATC), providing both train detection and transmission of digital cab signalling data for the Automatic Train Protection (ATP) function of the ATC.

ATC - Automatic Train Control, or ATC, is an integrated signalling system that guarantees the secure movement of trains. ATC integrates various subsystems positioned on-board and wayside. In addition to a full interlocking system, a complete ATC system consists of three subsystems: (i) ATP, (ii) ATO and (iii) ATS.

ATP - Automatic Train Protection, or ATP, is an ATC subsystem responsible for the safe operation of a signalling system. It imposes speed limits on trains, both to maintain a safe operating distance between them and to comply with safety and speed requirements. The ATP system is designed to be a fail-safe (vital) system.

ATO - Automatic Train Operation, or ATO, is an ATC subsystem which performs on-board, non-vital functions normally performed by a train driver, including ensuring a smooth acceleration of the train to the running speed, speed regulation and smoothly stopping the train at the proper position at station platforms or in front of stopping signals. ATO subsystems are primarily located on-board and represent one of the principal components of a driverless system. Additionally, ATO subsystems report vehicle health status to the central control offices.

ATS - Automatic Train Supervision, or ATS, is an ATC subsystem which operates to control trains automatically by means of ATO and ATP, in accordance with the railway timetable. This also involves a CTC system.

ATSF - Ansaldo Trasporti Sistemi Ferroviari, Transport Solutions Business Unit.

Balise - An electronic beacon or transponder placed between the rails of a railway as part of an Automatic Train Protection system.

CBI - Computer Based Interlocking, or CBI, is an Interlocking System (see below) where the traditional wired networks of relays are replaced by software logic running on special-purpose fail-safe control hardware. The fact that the logic is implemented by software

rather than hard-wired circuitry greatly facilitates the ability to make modifications when needed by reprogramming rather than rewiring.

CBTC - Communication Based Train Control, or CBTC, is a system under development that will allow for the interchangeability of different technological systems in use on various metro lines. CBTC can be understood as an attempt to create an ERTMS type standard for the mass transit industry.

CPTM - The Companhia Paulista de Trens Metropolitanos runs the city of São Paulo's suburban passenger services.

CTC - A Centralized Traffic Control system, or CTC, monitors the status of signalling on a line or network and displays the relevant status information to a central operator, assists in the management of the line or network consistent with the timetable and exercises control to prevent small schedule disturbances from becoming traffic jams. CTC also notifies the operator of ATC equipment failures and of failures in traction power and passenger station support facilities.

DPL - Dedicated Passenger Line.

GNSS (Global Navigation Satellite System) satellite-based global navigation system, can rely on US GPS (Global Positioning System) or Russian GLONASS (Global Navigation Satellite System) or European Galileo system under development.

ETCS - The European Train Control System (ETCS) is a signalling, control and train protection system designed to replace the many incompatible safety systems currently used by European railways, especially on high-speed lines.

ERTMS - The European Rail Traffic Management System, or ERTMS, ERTMS was introduced by the EU in 1992 as a means of creating a uniform system of command, control and coordination of rail traffic to allow for "interoperability" throughout EU territory. The ERTMS standard exists at three levels (ERTMS 1, 2 and 3) depending on use, each distinguished by the type of wayside and on-board equipment used and the manner in which this equipment communicates relevant data.



# Glossary

EUROCAB - Onboard computer used to process ETCS information.

FS - Ferrovie dello Stato S.p.A, or FS, the operator of the Italian railway network.

HSL - High Speed Line, or HSL, refers to railway lines with capacity for speeds in excess of 200 km/h (125 mph).

ICSS - Integrated Control & Safety System. Integrated Communication Switching System.

Interlocking System (IXL) - An interlocking system is responsible for the reliable and safe movement of trains inside a station, through complex junctions and for the length of the line. The interlocking system ensures that train movement is permitted only when a route is available and the switches along this route are safely locked in their position. In all cases the interlocking allocates a track portion or a route to one train at a time, excluding all others.

LRT - Light Rail Transit, or LRT, refers to a form of urban rail transit that utilizes equipment and infrastructure that is typically less massive than that used for metro systems, with modern light rail vehicles usually running along the system.

MicroLok® - Wayside control system consolidating vital and non-vital control logic, data transmission and coded track circuits into a single package.

MT - Mass Transit.

OTP - Optimizing Traffic Planner, or OTP, is a traffic management system that permits real time monitoring of the positioning of trains throughout a railway system. OTP optimizes system or network capacity by safely minimizing the time between trains, thereby reducing operating costs. OTP is primarily designed for those markets where railway systems infrastructure is being used to full capacity.

OURAGAN - A large-scale programme implemented by RATP for the re-signalling of 13 lines. OURAGAN is intended to standardize CBTC technology and diversify suppliers, based on the concept of interchangeability.

PTC - Positive Train Control: North American freight railway implementation of CBTC.

RBC - Radio Block Centre. All trains automatically report their exact position and direction of travel to the RBC at regular intervals.

RFF - Réseau Ferré de France: manager, project leader and owner of the French national rail network.

RFI - Rete Ferroviaria Italiana S.p.A., or RFI, is a subsidiary of FS (defined above), responsible for managing the Italian railways infrastructure.

RZD - Rossiyskie Zheleznnye Dorogi/Russian Railways is the state-owned railway company of Russia.

SCADA A Supervisory Control And Data Acquisition system, or SCADA, allows for the supervision of the various subsystems at work in a railway or mass transit environment. SCADA collects information from remote installations, transfers it back to a central office, analyzes the information, takes appropriate action and displays that data on a number of operator screens.

SCMT - Sistema di Controllo della Marcia del Treno: automatic train protection system.

SNCF - Société Nationale des Chemins de fer Français. The French National Railway Company is concerned with the operation of rail services for passengers and freight, and the maintenance as well as signalling of rail infrastructure owned by RFF.

SSC - Sistema Supporto Condotta: Italian train stopping system. Less sophisticated than SCMT.

TLC - Trainline Controller provides an interface between CBTC equipment and the rolling stock's conventional controls.

TTCS: Train Conformity Check System verifies the conformity of running Rolling Stocks



**Mr. Alberto Milvio, the Manager in charge of preparing the company's financial reports, hereby declares, pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the actual accounting information contained in this presentation corresponds to document results, books and accounting records**

NB:

The management of Ansaldo STS also assesses the business and financial performance of the Group and its business segments based on a number of indicators not provided for by IFRS.

As required by CESR recommendation CESR/05 - 178 b, the components of each of the non-GAAP alternative performance indicators used in this press release are defined below.

**EBIT:** i.e. earnings before interest and tax, with no adjustments. It excludes income and expenses from the operations of unconsolidated subsidiaries and securities, and gains/losses on any sales of consolidated subsidiaries, which are recorded under "financial income and expenses", or in the case of profits/losses from shareholdings valued using the equity method, under the item "effects of the valuation of shareholdings at equity".

**EBIT margin:** is calculated as the ratio of EBIT to revenues.

**Free operating cash flow (FOCF):** this is the sum of the cash flows generated by/used in operations, cash flow generated by/used in investments in or disposals of tangible and intangible assets and shareholdings, net of cash flows from the purchase/sale of shareholdings that, due to their nature or size, are considered "strategic investments".

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