



Ansaldo STS

Una Società Finmeccanica

ORDINARY SHAREHOLDERS' MEETING

1 OCTOBER 2015, FIRST CALL

2 NOVEMBER 2015, SECOND CALL

1 DECEMBER 2015, THIRD CALL

**Report drafted by Finmeccanica as shareholder pursuant to Article 125-ter of
Legislative Decree No. 58/1998**

with respect to the following items on the agenda:

- 1. *Appointment of the Board of Directors***
 - 1.1 Determination of the number of members of the Board of Directors*
 - 1.2 Determination of the term of office of the Board of Directors*
 - 1.3 Appointment of the members of the Board of Directors*
 - 1.4 Appointment of the Chairman of the Board of Directors*
 - 1.5 Determination of the remuneration of the members of the Board of Directors*
- 2. *Waiver of the corporate liability action against ceased Directors pursuant to Article 2393 of the Italian Civil Code.***

Report drafted by the Shareholder Finmeccanica S.p.A. pursuant to Article 125-ter, Paragraph 3 of the Legislative Decree 24/02/1998, no. 58 on the items 1 and 2 of the agenda

Dear Shareholders,

on 30 July 2015, Finmeccanica S.p.A., as Shareholder holding 80,131,081 ordinary shares equal to approximately 40% of the share capital of Ansaldo STS S.p.A., requested to call a Shareholders' Meeting of the Company, pursuant to Article 2367 of the Italian Civil Code, to appoint the new Board of Directors and to resolve on the waiver of liability actions against directors that have resigned from office pursuant to Article 2393 of the Italian Civil Code.

Please find below the report drafted by the Shareholder Finmeccanica S.p.A. pursuant to Article 125-ter, Paragraph 3 of the Legislative Decree 24/02/1998, no. 58 with the attached *vademecum* on the listing-vote based appointment procedure for the Board of Directors, drafted by the same Shareholder.

Report drafted by Finmeccanica S.p.A. as shareholder pursuant to Article 125-ter, paragraph 3, of Legislative Decree No. 58 of 24 February 1998

Description of the items on the agenda of the Ordinary General Meeting of Ansaldo STS S.p.A. following the request by Finmeccanica S.p.A. pursuant to Article 2367 of the Italian Civil Code

Dear Shareholders,

Finmeccanica S.p.A. (“**FNM**”), a shareholder holding 80,131,081 of the Company’s ordinary shares (the “**Shares**”), representing approximately 40% of its share capital, requested to call an ordinary Shareholders’ Meeting of Ansaldo STS S.p.A. (the “**Company**”), pursuant to Article 2367 of the Italian Civil Code, to resolve on the appointment of the new Board of Directors.

This request follows the signing:

- on 24 February 2015, of a preliminary contract for the sale to Hitachi Ltd. of all the Shares of the Company held by FNM (the “**Contract**”), as has been notified by the parties and the Company, to the extent each party is concerned, on 28 February 2015, as provided for by law;
- on 28 July 2015, of an agreement amending the Contract, with which the parties have agreed the possible closing dates of the transaction, as reported by the FNM’s press release of 28 July 2015.

The parties signed this further amendment agreement since they considered it appropriate – not only in their own interest, but also in the interest of both the Company and the market – to speed up the closing of the transaction, and provide more certainty as to the date of transfer of the Shares. In light of the above and whereas the Contract provides that – *inter alia* – the Shareholders’ Meeting shall be called to appoint the new Board of Directors on the day on which FNM will transfer the Shares to Hitachi Ltd, with the amendment agreement signed on 28 July 2015, the parties agreed on the dates for the Meeting (on first, second and third call), as outlined in greater detail below.

As a result, upon FNM’s request, on 28 July 2015 Mr. De Luca, Mr. Siragusa, Mr. Braccialarghe, Mr. Poggiali, Prof. Pavesi and Mrs. Genco resigned from their respective offices. These resignations are subject to the fulfillment of the suspensive conditions provided for in the Contract and will be effective from the date on which the new Board of Directors will be appointed.

Therefore, in light of the above and pursuant to Article 2367 of the Italian Civil Code, FNM requested to the Company’s Board of Directors to call a Shareholders’ Meeting on:

- 1 October 2015, on first call;
- 2 November 2015, on second call;
- 1 December 2015, on third call,

in order to appoint the new Board of Directors and to resolve on any other matter related to the new Board's appointment (number of members, term of office, remuneration and appointment of the Chairman).

With regard to the aforementioned dates of the Meeting, in the amendment agreement of 28 July 2015, FNM undertook to attend the Meeting on first call and to vote for the appointment of the new Board of Directors if the conditions precedent to the closing of the sale of the Shares are satisfied (or waived by the interested party) within 18 September 2015.

If these conditions are not satisfied (or waived) on the date above mentioned, FNM shall not attend the Meeting on first call. If attending, FNM will request the Meeting to be postponed to 2 November 2015. Thereafter, regardless of whether the Meeting is postponed following the request for an adjournment or is held on second call, FNM will vote for the proposed resolutions only if the conditions precedent set out in the Contract are satisfied (or waived) within 20 October 2015.

If the Meeting on first call does not reach the *quorum* and the conditions precedent set out in the contract are not fulfilled (or not waived) by 20 October 2015, FNM shall not attend the Meeting on second call. If attending, FNM will request the Meeting to be postponed to 1 December 2015. Thereafter, regardless of whether the second call Meeting is postponed following the request for an adjournment, or is held on third call, FNM will vote for the proposed resolutions only if the conditions precedent set out in the Contract are satisfied (or waived) within 20 November 2015.

If the Meeting does not reach the *quorum* on first and second call and the conditions are not fulfilled (or waived) within 20 November 2015 either, FNM shall attend the Meeting in third call in order to request it to be postponed to 4 January 2016. FNM will vote for the appointment of the new Board of Directors only if the conditions precedent under the Contract are fulfilled (or waived) within 20 December 2015. Otherwise, FNM will request the Board of Directors to call a new Meeting.

With respect to the appointment of the Company's new Board of Directors, in any case, Hitachi Ltd. shall provide FNM with a list of names by 2 September 2015. FNM will deposit such list at the Company's registered office, in accordance with the Articles of Association and the applicable law.

Finally, in the Contract, FNM reserved the right to vote in favor of waiving liability actions pursuant to Article 2393 of the Italian Civil Code against directors of the Company that – at the date of the Meeting – have ceased to hold office in relation to the activities performed by each one of the latter in their respective offices.

The above provisions are part of a set of provisions of the Contract and the amendment agreement of 28 July 2015 designed to implement the Transaction, which that could theoretically be construed as a shareholders' agreement. Therefore, the parties have conservatively chosen to comply with all publicity formalities required by law. FNM hereby informs the Company's Shareholders that all the above formalities have been complied with.

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For these reasons, Finmeccanica S.p.A., a shareholder holding 80,131,081 of the Company's ordinary shares, equal to approximately 40% of its share capital, proposes to approve the appointment of the new Board of Directors, after the related resolution of the Shareholders' Meeting, on the basis of the proposals that shall be put forward and regarding:

- 1) the number of Board members, which in accordance with the Articles of Association (Article 16.1) cannot be lower than seven nor exceed thirteen, and
- 2) the term of office, which under Article 16.2 of the Articles of Association cannot exceed three years.

The appointment of the Board of Directors shall be based on lists submitted by the Shareholders, according to Article 16.3 of the Company's Articles of Association.

The Meeting shall also appoint the Chairman of the Board of Directors (Article 18.1 of the Company's Articles of Association) from among the candidates who will be elected for the office of Director of the Company.

At last, on the basis of the proposals that shall be put forward, the Shareholders' Meeting shall determine the remuneration for the Board of Directors (Article 26.1 of the Company's Articles of Association).

FNM S.p.A. will put forward to the Meeting any proposals it might have on the last item on the agenda (*“Waiver of liability actions against directors that have resigned from office pursuant to Article 2393 of the Italian Civil Code”*).

Rome, 31 July 2015

FINMECCANICA S.P.A.

PROCEDURE TO APPOINT THE BOARD OF DIRECTORS BASED ON A LIST VOTING SYSTEM

(Article 16.3 of the Articles of Association)

The appointment of the Company's Board of Directors will be carried out in accordance with the provisions of Article 16 of the Articles of Association.

Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by the Shareholders, where the candidates shall be slated with a progressive ranking.

Pursuant to CONSOB Resolution no. 19109 of 28 January 2015, only Shareholders who, alone or together with other Shareholders, represent at least 1 % of the company's share capital, are entitled to submit lists.

Each Shareholder may submit one list only, and may vote one list only.

Each candidate may submit his or her name on only one list, on penalty of losing the right to be elected.

Each list must include two candidates who satisfy the independence requirements provided for by law (*i.e.* the independence requirements applicable to the statutory auditors of listed companies pursuant to Article 148, paragraph 3 of Legislative Decree No. 58/98), specifying their names and placing one of them at the top of the list.

Pursuant to Article 37 of the Consob Resolution no. 16191 of 29 October 2007 (the "Markets Regulation"), the Board of Directors of listed companies subject to the management and coordination of another listed company, must be composed of a majority of Directors who satisfy the independence requirements laid down in paragraph 1 letter d), and paragraph 1-*bis* of the aforementioned Article 37, also including the independence requirements provided for by Article 3 of the Corporate Governance Code promoted by Borsa Italiana S.p.A.

In accordance with the general Meeting's notice of call, lists with three or more candidates shall also include candidates different genders, to make sure that at least one third of the new Board of Directors will be composed by members of the less well-represented gender, rounded up to the higher figure in case of a fractional number.

Please refer to the Company's website at www.ansaldo-sts.com under section "Governance" for the Board of Directors' guidance on the maximum number of offices as directors or auditors that the members of the Board of Ansaldo STS can hold in other companies listed on regulated markets (including foreign markets), in financial, banking and insurance companies or large companies, in order to ensure effective performance of a Director of the Company.

The Shareholders must file the lists of candidates at the registered office within the terms and in accordance with the procedures specified in the Meeting's notice of call. The lists will be made available to the public by the Company, at least twenty one days prior to the Meeting, as provided by law.

The lists must be filed along with the documentation and information required by the Articles of Association and by the applicable laws. To this purpose, the lists must be filed along with as follows: information relating to the identity of the submitting Shareholders and the total percentage of shares that they hold; declarations by which the individual candidates accept their candidature and certify, under their own responsibility, that no basis for ineligibility and incompatibility of office exists and that all the integrity and professional requirements provided for by Article 17 of the Articles of Association and by applicable rules relating to the office of Director of the Company are satisfied, and the *curriculum vitae* of each candidate containing detailed information about the candidates' personal and professional details. Candidates who are specified in the list as being independent pursuant to law must also file, under their own responsibility, declarations attesting that they satisfy the independence requirements provided for by law.

In its Communication no. DEM/9017893 of 26 February 2009 Consob recommended that shareholders who submit a "minority list" for the election of the administrative body should file - together with the list - "a declaration attesting the absence of the relationships or connections (direct or otherwise) - referred to Article 147-ter, paragraph 3 of the Consolidated Finance Act (*i.e.* "TUF") and Article 144-quinquies of the Issuers Regulations - with shareholders who hold, also jointly, a controlling or majority participation, where

identifiable on the basis of the notifications of significant holdings referred to Article 120 TUF or based on the publication of shareholder agreements pursuant to Article 122 of the same Decree," specifying "any existing relationships, if significant, with shareholders who hold, also jointly, controlling or majority participation, if identifiable, and the reasons why such relationships have not been considered decisive in showing the existence of the aforementioned relationships or connections, i.e. the absence of the aforementioned relationships and connections will have to be indicated".

Pursuant to Article 16.5, letter a), of the Articles of Association, if during the financial year one or more directors cease to hold office, then, provided that the majority of members consists of directors appointed by the General Meeting, pursuant to Article 2386 of the Italian Civil Code, the Board of Directors will appoint substitute directors from the same list from which the outgoing directors were elected - if applicable - choosing, as the case may be, a substitute who satisfies the independence requirements provided by the law and in compliance with applicable rules relating to gender balance; the General Meeting shall resolve in accordance with the majorities laid down by law, in conformity with the same principles.

The directors should be appointed as follows:

- a) two-thirds of the directors to be appointed are drawn from the list that has obtained the highest number of votes cast by those entitled to vote, in the sequential order in which they appear therein, with rounding down to the lower unit, in the case of a fractional number;
- b) the remaining directors are drawn from the other lists. To this purpose, the votes obtained from these lists are divided successively by one, two or three, on the basis of the progressive number of directors to be elected. The quotients thus obtained are assigned progressively to the candidates on each of these lists, in the order respectively envisaged by the said lists. The quotients thus attributed to the candidates on the various lists are arranged in decreasing order. Those who have obtained the highest quotients are elected.

Pursuant to Article 147-ter, paragraph 3, of Legislative Decree No. 58/1998, at least one of the members of the Board of Directors is elected from the minority list that has obtained the highest number of votes and is not connected in any way, including indirectly, with the shareholders who presented or voted on the list with the highest number of votes.

If several candidates have obtained the same quotient, the candidate from the list that has not yet appointed any director, or that has appointed the lesser number of directors, will be appointed.

If none of these lists has already appointed a director or if all the lists have appointed the same number of directors, the candidate from the list that has obtained the highest number of votes will be appointed. In the event of parity of list votes and parity of quotient, a new vote will be taken by the entire General Meeting and the candidate who obtains a simple majority of votes will be appointed.

If, as a result of the nomination procedure described above, there is a failure to appoint (i) the minimum number of independent directors required by applicable law and/or (ii) the minimum number of directors of the less-represented gender required by applicable rules relating to gender balance, the "sliding" mechanisms provided for respectively by Article 16.3, paragraph 8, letter c) and letter c-bis) of the Articles of Association shall apply, and reference is made thereto.

If a single list or no list is presented, the General Meeting resolves in accordance with the majorities provided for by law, without resorting to the aforementioned procedure.