

ANSALDO STS S.p.A.  
REGISTERED OFFICE VIA PAOLO MANTOVANI 3-5, GENOA.  
SHARE CAPITAL €100,000,000.00, FULLY SUBSCRIBED AND PAID UP  
REGISTRATION NUMBER AT THE GENOA COMPANY REGISTER AND TAX IDENTIFICATION NUMBER:  
01371160662  
A COMPANY UNDER THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

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## STATUTORY AUDITORS' REPORT

### to the Shareholders' Meeting of Ansaldo STS S.p.A.

Dear shareholders,

Pursuant to Article 2429 of the Italian Civil Code and Article 153, paragraph 1 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance or "CLF"), you are informed that, during the financial year ending 31 December 2016, we performed the supervisory and control activities as provided in the Italian Civil Code, Articles 148 et seq. of the CLF, Legislative Decree No. 39 OF 27 January 2010 and the recommendations contained in the Consob communications, while also taking into account the principles of conducted by the Italian National Council of Chartered and Registered Accountants.

This report has been drafted pursuant to applicable legislation on listed companies, in view of the fact that since 29 March 2006, the shares of Ansaldo STS S.p.A. ("Ansaldo STS" or the "company") have been traded on the STAR segment of the Electronic Stock Market (*Mercato Telematico Azionario*, MTA) organised and managed by Borsa Italiana S.p.A. In the period between 23 March 2009 and 23 March 2014, the company's shares were included in the FTSE MIB index, whereas between 24 March 2014 and 6 April 2015 the Ansaldo STS shares were included in the FTSE Italy Mid Cap, and were then re-listed in the FTSE MIB from 7 April 2015 to 20 December 2015. Since 21 December 2015 the company's shares have once again been re-listed on the FTSE Italy Mid Cap index.

This stated, this report concerns the supervisory and activities conducted in accordance with

applicable legislation in the financial year ending 31 December 2016. It should be noted that some issues have already been comprehensively addressed in the intervention of the Board of Statutory Auditors pursuant to Article 2408 of the Civil Code at the ordinary shareholders' meeting of Ansaldo STS held on 19 January 2017, to which we refer in full.

In particular, in our capacity as statutory auditors:

- We attended the Ansaldo STS shareholders' meeting held on 13 May 2016 and all meetings of the Board of Directors, a total of 16 meetings, during which we were informed of the activities and the most important transactions of the company and its subsidiaries. In this context, the Managing Director and General Manager have provided reported to us on a quarterly basis on the exercise of mandates;
- We held 25 meetings of the Board of Statutory Auditors, during which we exchanged information with the external auditing firm KPMG S.p.A. (appointed by the Ordinary Shareholders' Meeting held on 7 May 2012 for the period 2012-2020, and which resigned by letter dated 14 November 2016 as a result of "*situations capable of compromising the independence of the independent auditors, as defined in Article 5 (1) (f) of Ministerial Decree 261 of 28 December 2012*"). It was replaced as external audit auditor by Ernst & Young, following a resolution of the ordinary shareholders' meeting of 19 January 2017. For more information on the appointment of Ernst & Young, see the proposal of 15 December 2016 of the Board of Statutory Auditors to the ordinary shareholders' meeting of 19 January 2017 for the award of a new audit mandate for the period 2016-2024 and for the determination of the relevant fee, to which we refer in full. and with the Chief Executive Officer and General Manager, with the objective of ensuring that no transactions took place that were imprudent, risky, involving a potential conflict of interest, contrary to law, the By-laws, the resolutions of the shareholders' meeting, or which could compromise the integrity of the company's assets;
- We have constantly collected information on the company's organisational structure and

any changes made thereto;

- We attended 13 meetings of the Nomination and the Remuneration Committee and became familiarised with the Committee's work during the year;
- We received information from the Control and Risk Committee ("CRC "), the director responsible for the internal control and risk management system, and from the head of the Internal Audit office on the ongoing risk mapping of current activities, audit programmes and plans for the implementation of the internal control system. This included attending 10 CRC meetings (including in its function as the Committee for Transactions with Related Parties);
- We participated at one meeting of the Executive committee established during the meeting of the Board of Directors on 28 October 2016, the establishment of which was confirmed during the meeting of the Board of Directors on 24 November 2016;
- In supervising the efficiency of the internal audit and risk management system adopted by the company, we have regularly examined the latest risk mapping for the company and its subsidiaries as produced by the director responsible for the internal control and risk management system and submitted to the Board of Directors following for review;
- We have examined the periodic reports produced by the Head of the Internal Audit, which contain information on activities the latter's activities during the period in question, on the methods by which risk management has been conducted within the company, on the compliance with the plans that have been drawn up to limit them, and on the strategic containment and efficiency objectives. We have also taken note of the Internal Audit Head's assessment that the internal audit and risk management system is adequate for the company's characteristics and risk profile. In particular, on 15 February 2016, 25 July 2016 and most recently on 24 February 2017, the Board of Statutory Auditors issued a positive assessment of the adequacy, efficacy and effective functioning of the company's internal control and risk management systems with respect to the characteristics of the company.

In this regard, it should be noted that on 20 January 2016 the head of Internal Audit resigned with effect from 1 April 2016, that on 15 March 2016 the Board of Directors appointed the company Protiviti as the entity responsible for this function, and that on 29 March 2016 the Board of Statutory Auditors approved the award of a mandate for the Internal Audit to Protiviti S.r.l. and the appointment of Mr Giacomo Galli, Managing Director and Country Leader of that company, as the Head of Internal Audit in replacement of Mr Mauro Giganti. At the same meeting, the Board of Statutory Auditors approved and endorsed the organisational, administrative and accounting structure of Ansaldo STS and its strategic subsidiaries, with specific reference to its internal audit and risk management system. Furthermore, following the appointment of the new Board of Directors, on 16 May 2016 the Board of Statutory Auditors once again endorsed the appointment of Mr Roberto Carassai as executive responsible for preparing the accounting documents pursuant to Article 154 bis of the CLF. Mr Carassai resigned from this position as of 28 February 2017. For further information on the resignation of Dr Carassai, see the intervention of the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code at the ordinary shareholders' meeting of 19 January 2017. It should also be noted that on 27 February 2017, the Board of Directors appointed Mr Renato Gallo as the new executive responsible for preparing the accounting documents, following his endorsement by the Board of Statutory Auditors at its meeting on 24 February 2017;

- We also verified that activities performed under the coordination of the executive responsible for preparing the accounting documents complied with the requirements of Law No. 262/2005, entitled: "Provisions for the Protection of Savings and the regulation of financial markets", as amended and supplemented. The Board of Statutory Auditors has, *inter alia*, been informed of the outcome of tests and has endorsed the reports submitted by the Head of Internal Audit Head and the executive responsible for preparing the accounting and corporate documents on administrative and accounting procedures

pursuant to the aforementioned Law No. 262/2005, and has discussed the findings of such reports, inviting the CRC to report on the matter to the Board of Directors;

- We verified that the company has an organisational, management and control model (the "Model") that is consistent with the principles set out in Legislative Decree No. 231/01 and with the guidelines issued by the relevant professional associations. As indicated in the Report on the 2015 financial statement, Board of Directors, at its meeting held on 25 February 2016, the updating of the model, which was undertaken mainly for the purpose of:

- i. aligning the special "G" section of the Model dedicated to "*Environmental offences*" to the new offences provided for under Article 25 *undecies* of Legislative Decree 231/01, which have been introduced by Law No. 68/2015 "*Provisions on offences against the environment*": Article 452 *bis* ("*Environmental Pollution*"), Article 452 *ter* ("*Death or injury as a result of environmental pollution*"), Article 452 *quater* ("*Environmental disaster*"), Article 452 *quinquies* ("*Unintentional environmental offences*"), Article 452 *sexies* ("*Trafficking and abandonment of highly radioactive material*"), Article 452 *septies* ("*Obstruction of Controls*") and Article 452 *terdecies* ("*Failure to restore sites*");
- ii. aligning the General Part, Special Parts "A", "B" and "F" of the Model, and Annex 1) with the amendments introduced by Law No. 69/2015 "*Measures related to offences against the public administration, mafia-type criminal association and falsification of financial statements*" in Articles: 317 of the Italian Criminal Code "*Extortion*", Article 416-*bis* of the Italian Criminal Code "*Mafia-type criminal association, including foreign associations*", Article 2621 of the Italian Civil Code "*false corporate reporting*", Article 2622 of the Italian Civil Code "*false corporate reporting by listed companies*."
- iii. Introducing into the Special Section "D" of the Model, concerning "*Offences of*

*receiving stolen goods, money-laundering and use of money, goods or benefits of illicit origin", the new offence of self-laundering provided for under Article 25 octies of Legislative Decree No. 231/01, which was introduced by Law No. 186/2014 entitled "Provisions on the voluntary disclosure and return of investments held abroad and reinforcing the battle against tax evasion. Provisions on self-laundering".*

Note also that the Board of Directors, at its meeting of 27 February 2017, approved a further update of the Model, in particular: (i) introducing into Special Section (F) of the Model, dedicated to "*Organised crime offences*", the offence of "*Trafficking in organs harvested from a living person*" established in Law No. 236 of 11/12/2016, which introduced Article 601 *bis* of the Criminal Code; (ii) introducing into Special Section (C.1) of the Model, dedicated to "*Offences involving the employment of third country nationals with irregular immigration status, enslavement and the keeping of slaves*", the new offence of "*Unlawful intermediation and exploitation of labour*" established by Article 25 *quinquies* of Legislative Decree 231/01, introduced by Law No. 199 of 29 October 2016, by means of amendment of Article 603 *bis* of the Criminal Code.

On 18 April 2016 and on 28 February 2017, at meetings specially held for such purpose, the company's Supervisory Board reported to the Board of Statutory Auditors on its activities. Subsequently, the Supervisory Board has periodically provided reports to the Board of Statutory Auditors, informing it of activities during the first half of 2016 and in 2016 as a whole. In both reports it was confirmed that the Model was functioning and being observed;

- We have verified that the company complies with the Corporate Governance Code for listed companies which was approved in March 2006 and last amended in July 2015. The

Annual Report on Corporate Governance describes the corporate governance system and the decisions taken in this regard. For more information, see the intervention of the Board of Statutory Auditors at the ordinary shareholders' meeting of 19 January 2017 and the following paragraphs of this report.

Furthermore, the Board of Statutory Auditors:

- has endorsed the approval of the 2017 audit plan, produced and explained by the internal audit function and approved by the Board of Directors;
- has supervised the methods of implementation of the rules of corporate governance established in the Corporate Governance Code. For more information, see the intervention of the Board of Statutory Auditors at the ordinary shareholders' meeting of 19 January 2017 and the following paragraphs of this report;
- has attested - on 10 June 2016, with respect to the appointment of the new Board of Directors appointed by the ordinary shareholders' meeting held on 13 May 2016, and, with respect to Mr Michele Crisostomo, on 9 February 2017 - on the basis of statements made by the Directors and after taking note of the views expressed by the Board – that the criteria and procedures adopted by the Board for evaluating the independence of its members had been correctly applied. With respect to the independence requirements of the director de Benedictis, see the intervention of the Board of Statutory Auditors at the ordinary shareholders' meeting held on 19 January 2017;
- acknowledged of the procedures adopted and instructions issued by Ansaldo STS for the production of the Interim Management Statement of the Ansaldo STS Group as at 31 March 2016 and the preparation of the report as at 30 September 2016;
- endorsed the independence criteria of each of the Statutory Auditors, as required by the Corporate Governance Code. This verification was conducted on 15 April 2014, following the shareholders' meeting that appointed the Board of Statutory Auditors for a three year term from 2014 to 2016. The fact that the independence requirements continue to be met

was subsequently verified on 9 December 2014, on 2 February 2016 in relation to the 2015 financial year, and most recently on 28 November 2016. The Board of Statutory Auditors has indicated the outcome of these verifications in its Annual Report on Corporate Governance for the year;

- has reviewed the annual report prepared by the CRC and the Corporate Governance Report produced by the company, ensuring that the latter contains the information required pursuant to Article 123-*bis* of the CLF;
- has examined the wording of the Report on Remuneration produced by the company and approved by the Board of Directors at the meeting held on 24 March 2017, ensuring that it contains the information required pursuant to Article 123-*ter* of Legislative Decree No. 58/98 and Article 84 *quater* of the Regulation on Issuers;
- has verified that information flows between the parent company and other companies of the Ansaldo STS Group take place in a timely manner and that the instructions given to subsidiaries pursuant to Article 114 paragraph 2 of the CLE are adequate;
- has ascertained, on the basis of verifications conducted and information received by the company, that an adequate administrative and accounting system has been put in place and that the additional conditions established by Articles 36 and 37 of Consob Resolution No. 16191/2007, concerning significant subsidiaries established and governed by the laws of non-EU Member States have been fulfilled;
- has confirmed that it had not been obliged to inform Consob and the market management company of any circumstances that entail the non-fulfilment of the requirements established by Articles 36 and 37 of the Market Regulations;
- has examined the documentation concerning intra-group financial, industrial and support transactions and has established that they can be reasonably considered to be compliant with the principles of good administration, compliant with the company's By-laws and consistent with the spirit of applicable legislation;



- has verified that no atypical and/or unusual transactions - as defined by Consob Communication DEM/6064293 of 28 July 2006 – have been concluded between companies belonging to the group or with related parties or third parties. Confirmation of this can be found in the instructions given by the Board of Directors, the External Auditors and the director responsible for the internal control and risk management system;
- has performed tasks entrusted to the Board of Statutory Auditors in the light of the amendments introduced by Article 19, paragraph 1 of Legislative Decree No. 39/2010, which attributed to the Board, *inter alia*, the duty of supervising the statutory audit of the annual and consolidated accounts and verifying the independence of the statutory auditor or external auditor, in particular as regards the provision of non-audit services to the company;
- has supervised the financial reporting process and the effectiveness of the internal audit and risk management systems, pursuant to Article 19, paragraph 1, of Legislative Decree No. 39/2010;
- has regularly met with the external auditors:
  - a) for the purposes of exchanging information on verifications carried out by the latter in accordance with Article 19 of Legislative Decree No. 39/2010 and Article 150, paragraph 3 of the Consolidated Law on Finance, which regulate the manner in which company accounts are kept and the correct reporting of the company's financial position and results of operation in its accounting records. No critical issues or anomalies were raised at the meetings;
  - b) for the purpose of examining and assessing the training process (including assessing whether the accounting principles have been properly applied and are homogeneous), as well as examining and assessing the Ansaldo STS financial statements and Ansaldo STS consolidated financial statements as of 31 December

2016, the Ansaldo STS Group Financial Report as of 30 June 2016, and the results of the review and appraisal of these documents;

- has received from external auditing company on 27<sup>th</sup> March 2017 the reports without any remarks pursuant to articles 14 and 16 of the Legislative Decree No. 39/2010, as it was until 31<sup>st</sup> December 2016, for the financial statements and consolidated financial statements as at 31 December 2016, drafted pursuant to the International Financial Reporting Standards – IFRS - adopted by the European Union. From this reports result that the financial statements and the consolidated financial statements of Ansaldo STS S.p.A. provide for a real and correct representation of the assets and financial situation of Ansaldo STS S.p.A and of the Ansaldo STS Group at 31<sup>st</sup> December 2016, the economic result and the cash flows for the financial year then ended. With reference to the financial statements and the consolidated financial statements, the external auditing company stated that the Directors' report and the Corporate Governance Report with reference to the information indicated in the article 123-bis, paragraph 4, of the Legislative Decree No. 58, 24<sup>th</sup> February 1998, are consistent with the financial statements. Please note that EY, as external auditing company, responsible for external audit of the financial statements and the consolidated financial statements at 31<sup>st</sup> December 2016 of Ansaldo STS S.p.A. has received for its services with reference the period 1<sup>st</sup> January 2016 – 31<sup>st</sup> December 2016 a remuneration for the external audit of the financial statements of 2016 equal to 176,000.00 Euro. For completeness, please note that Ernst&Young provided to the Company for the limited audit service of the Sustainability Report of Ansaldo STS Group to 31<sup>st</sup> December 2016 for a remuneration equal to 60,000.00 Euro. Such activity is included in the multiannual office for limited audit as well as for the review of the translation of the Sustainability Report of Ansaldo STS for the financial years which end from 31<sup>st</sup> December 2016 to 31<sup>st</sup> December 2024;

- pursuant to Article 19, paragraph 3 of Legislative Decree No. 39/2010, has received the report from the company's external auditor, which explains the main issues that emerged from the accounting audit together with any significant shortcomings in the internal control system with respect to the information reporting system. The report did not reveal any significant shortcomings;
- has received from the company's external auditing company, pursuant to Article 17, paragraph 9, letter a) of Legislative Decree No. 39/2010, confirmation of its independence as well as notification of the non-statutory audit services provided by the auditing company or by companies belonging to its group;
- has discussed with the external auditing company the risks to the latter's independence and the measures that the auditing company has adopted to mitigate such risks in accordance with Article 17, paragraph 9, letter b) of Legislative Decree No. 39/2010. In this regard, please note - as a above mentioned and specified in the "Proposal of the Board of Statutory Auditors at the Ordinary Shareholders' Meeting for the appointment of the new external auditor for the period 2016-2024 and for the determination of the related remuneration" - that the external auditing company KPMG S.p.A. has resigned from its office through a resignation letter of 24<sup>th</sup> November 2016 and that the Ordinary Shareholders' Meeting of 19<sup>th</sup> January 2017 appointed Ernst&Young as new external auditing company for the period 2016-2024.

It should be noted in this regard that during 2016 we did not find evidence of the granting of any mandates other than that of statutory auditor of the financial statements and of the consolidated financial statements, which was awarded to KPMG S.p.A. (or entities/individuals belonging to its network), the company to which the statutory audit of the accounts was awarded at the ordinary shareholders' meeting of 7 May 2012, with the sole exception of the following mandates granted to KPMG S.p.A. that were duly

authorised by the company's Board of Directors following the approval of the Board of Statutory Auditors (in compliance with the recommendation contained in the Consob Communication No. DAC/RM/97001574 of 20 February 1997 and Article 19, paragraph 1 of Legislative Decree No. 39 of 27 January 2010):

<u>Assignment</u>	<u>Remuneration</u>
Limited audit of the financial reporting package at 31 <sup>st</sup> March 2016	38,000.00 Euro
Limited audit of the consolidated interim financial report at 30 <sup>th</sup> June 2016	45,473.00 Euro
Limited audit according to the ISAE 3000 standard and to the costs incurred in Italy for the Taipei Urban Transit System Project	6,500.00 Euro
Assignment for the performance of external auditing procedures on the "General Service Agreement" Contract	8,500.00 Euro
Subscription of the attachment "C2" expected by the invitation to tender called "Tender No 51403" in Israel	8,000.00 Euro
Quarterly verifications and ongoing monitoring until the date of the Shareholders' Meeting which appointed EY as external auditor of ASTS	20,000.00 Euro
Verification of the English translation of the consolidated and separated financial	10,000.00 Euro

statements	
<b>TOTAL 2016</b>	<b><u>136,473.00 Euro</u></b>

The Board of Statutory Auditors was able to verify that all the above mandates involve the performance of services other than those listed in Articles 10 and 17 of Legislative Decree No. 39/2010.

- has drafted the summary sheets of the control activity performed by the Board of Statutory Auditors in the 2016 financial year, in accordance with Consob Communication No. 1025564 of 6 April 2001.

It should also be noted that:

- a) the Statutory Auditors have disclosed any office they hold – as members of the Board of Directors or of the Board of Statutory Auditors – in companies other than Ansaldo STS;
- b) the Board of Statutory Auditors, as specified in greater detail in the intervention of the Chairman of the Board of Statutory Auditors. at the ordinary shareholders' meeting held on 19 January 2017, which is fully incorporated herein by reference, acknowledged the resolution adopted by the ordinary shareholders' meeting of 19 January 2017 to bring a liability action against the director Mr Giuseppe Bivona, with the consequent immediate forfeiture of his position as a director and the appointment of Mr Michele Crisostomo, the first of the unelected candidates on the minority list, as a new director;
- c) No complaints pursuant to Article 2408 of the Italian Civil Code or any kind of third-party complaint have been received, with the sole exception of the claim pursuant to Article 2408 of the Italian Civil Code, received on 23 November 2016, from the shareholders Elliott International LP, the Liverpool Limited Partnership and Elliott Associates LP (jointly “Elliott”), as shareholders in Ansaldo STS, intended to *“raise some matters related to the administration of Ansaldo STS and its corporate governance structure...”* The Board of Statutory Auditors responded to this complaint in its intervention at the ordinary

shareholders' meeting on 19 January 2017, which is fully incorporated herein by reference.

No omissions, reprehensible actions or irregularities were revealed during the performance of its supervisory activities, except as indicated in the clarifications made in the intervention of the Board of Statutory Auditors at the ordinary shareholders' meeting of 19 January 2017, the intervention of the Chairman of the Board of Statutory Auditors at the said meeting, and in the Board of Statutory Auditors' proposal to the ordinary shareholders' meeting for a new independent auditing mandate for the period 2016-2024 and for the associated fees" which is fully incorporated herein by reference and without prejudice to the considerations set out hereunder.

In particular:

- as already indicated in the Report of the Board of Statutory Auditors on the 2015 financial statement, on 11 January 2016, the Board of Statutory Auditors, to the extent of its remit, responded to the requests submitted by Consob to the company and the Board of Statutory Auditors on 7 January 2016 in accordance with Articles 102, paragraph 7 and 115, paragraph 1 of the CLF, with reference to the tender offer launched by Hitachi in accordance with Articles 102 and 106, paragraph 1-bis of the CLF for the purchase of all of the ordinary shares issued by Ansaldo STS and, specifically, to the Issuers' Statement under Articles 103, paragraphs 3 and 3-bis of the CLF;
- as already indicated in the Report of the Board of Statutory Auditors on the 2015 financial statement, on 26 January 2016, the Board of Statutory Auditors responded to further requests submitted by Consob on 22 January 2016 in accordance with Articles 102, paragraph 7 and Article 115, paragraph 1 of the CLF, with reference to the mandatory takeover bid submitted Hitachi, in accordance with Articles 102 and 106, paragraph 1-bis of the CLF for the purchase of all of the ordinary shares issued by Ansaldo STS and, specifically, to the Issuers' Statement under Articles 103, paragraphs 3 and 3-bis of the CLF,

- and provided the requested assessments;
- as already indicated in the Report of the Board of Statutory Auditors on the 2015 financial statement, on 9 February 2016, in accordance with Article 149, paragraph 3 of the CLF, the Board of Statutory Auditors issued a communication to Consob concerning the keeping of the register pursuant Article 152-bis, et seq. of the Regulation on Issuers in the context of the tender offer made by Hitachi, in accordance with Articles 102 and 106, paragraph 1-bis of the CLF, for the purchase of all of the ordinary shares issued by Ansaldo STS;
  - as already indicated in the Report of the Board of Statutory Auditors on the 2015 financial statement, on 11 March 2016, the Board of Statutory Auditors responded to the request submitted by Consob on 8 March 2016 pursuant to Article 115, paragraph 1 of the CLF, with regard to circumstances disclosed to the Supervisory Authority concerning a report by an independent director concerning, albeit indirectly, the independent director Ms Alessandra Piccinino;
  - on 5 July 2016, the Board of Statutory Auditors responded to the request of Consob dated 28 June 2016 pursuant to Article 115, paragraph 1, of the CLF concerning a report relating to (i) the total number of posts held by an independent director; and (ii) the convocation of a meeting of the Board of Directors without being accompanied by any supporting informative material;
  - during the meeting of the Board of Statutory Auditors on 20 September 2016, the Board:
    - (i) the company's failure to promptly provide the Board of Directors with the clarifications and information requested in relation to the mandate granted to a law firm in relation to assistance given to an independent board member; (ii) completed its verification of the statements made by Mr Romano during the meeting of the Board of Directors on 24 May 2016 with respect to the alleged lack of agreements on his position in the event of termination of his employment. In this respect, following the examination of the documents requested and a meeting with the person concerned, the Board of Statutory

Auditors verified that the statements made with respect to the ascertainment of facts of his conduct constitute a gross irregularity; and (iii) criticised that fact that the petition by the shareholder Elliott to the Court of Genoa for the appointment of a special liquidator was not raised for discussion previously at an ad hoc meeting of the Board of Directors so that it could discuss collectively the actions to be taken in the light of the existence of a potential conflict of interest;

- during the meeting of the Board of Statutory Auditors on 17 November 2016, the Board criticised the conduct of both the director Mr de Benedictis and the Chief Executive Officer Mr Barr, for not providing the requested clarifications to any meeting of the Board of Directors on the appointment of a law firm as legal advisor to the said director in relation to some matters related to his independence;
- during the meeting of the Board of Statutory Auditors held on 24 November 2016, the Board criticised the conduct of the Chairman of the Board of Directors for not swiftly bringing before the Board of Directors, even following a request by the Board of Statutory Auditors, the matter of whether Mr de Benedictis possessed the independence requirements, in view of the various important roles he held on the Board of Directors and Committees of Ansaldo STS;
- during the meeting of the Board of Statutory Auditors held on 28 November 2016, the Board, acknowledging the communications received from the Chairman of the Board of Directors and from the Chief Executive Officer on the existence of agreements concerning the cessation of the employment of Mr Romano, which show that they were aware that such agreements existed, criticised the conduct of the Chairman of the Board of Directors and the Chief Executive Officer Mr Barr for not having shared this information with the Board of Directors.

Finally, in 2017, the Board of Statutory Auditors:

- received the draft financial statements for financial year 2016 and the Directors' report of



Ansaldo STS from the Board of Directors, as well as the consolidated financial statements of the Ansaldo STS Group within the established deadlines;

- received, pursuant to the provisions of Article 17, paragraph 9, letter a) of Legislative Decree No 39/2010, confirmation of the independence of the company's external auditing company, as well as prompt notifications of non-audit services provided to the company by the independent auditors and entities belonging to its network in the 2016 financial year;
- received the Reports on the statutory accounts and the consolidated accounts of the Group as at 31 December 2016, produced by the external auditing company pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010, which reported that no irregularities had been found in the financial statements of the company and the consolidated accounts of the Group;
- ascertained that, in compliance with the instructions issued by Consob, the Directors have specified transactions with Group companies and related parties in the Directors' Report and have verified (including during financial year 2016), with the support of the head of the company's Internal Audit Department, that the procedures to ensure that that transactions are entered into under fair conditions in accordance the company's actual interests.

In view of the foregoing, without prejudice to the above clarifications and specifications, to the extent of our remit, we have:

- verified compliance with the provisions of law, the By-laws, and the principles of proper management;
- verified the adequacy of the company's organisational structure, its internal control and administration-accounting systems, as they actually operate;
- verified compliance with the provisions of law concerning the drafting of the company's statutory accounts and the consolidated accounts of the Group, together with the Directors' reports for the 2016 financial year, including through direct assessments and

- information acquired from the external auditing company;
- verified that, in accordance with Regulation (EC) No. 1606/2002/EC and Legislative Decree No. 38/2005, the financial statements of Ansaldo STS and the consolidated financial statements of the Ansaldo STS Group as at 31 December 2016 were produced in compliance with IAS/IFRS international accounting standards approved by the European Commission, and supplemented with the interpretations issued by the International Accounting Standard Board (IASB);
  - monitored compliance of the Related-Party Procedure, produced by the company in accordance with Consob Regulation No. 17221 of 12 March 2010, with the principles contained in the said Regulation, and monitored the company's actual observance of the Procedure;
  - verified the adequacy of instructions issued by the company to its subsidiaries.

In view of the foregoing, we invite you to approve the financial statements as at 31 December 2016, submitted by the Board of Directors together with the Director's report and the proposed allocation of the profits for the financial year.

Milan, 29 March 2017

THE BOARD OF STATUTORY AUDITORS

(Mr Giacinto Sarubbi)

(Mr Renato Righetti)

(Ms Maria Enrica Spinardi)