

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

SUBJECT TO THE MANAGEMENT AND COORDINATION OF HITACHI LTD.

Ordinary and Extraordinary Shareholders' Meeting

11 May 2017

Explanatory Report of the Board of Directors

compiled pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998 on the

first item on the agenda of the Ordinary session:

"1. Financial Statements as of 31 December 2016

1.1 Financial Statements as of 31 December 2016; Reports of the Board of Directors, the Board of Statutory Auditors and the External Auditor. Related and consequent resolutions.

1.2. Allocation of profit for the financial year. Related and consequent resolutions."

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"1.1 Financial Statements as of 31 December 2016; Reports of the Board of Directors, the Board of Statutory Auditors and the External Auditor. Related and consequent resolutions."

Dear Shareholders,

We submit the Financial Statements of 2016 for your approval, filed and published pursuant to the laws in force, inter alia, also available on the internet site of the company www.ansaldo-sts.com, to which reference is made, that closed with a net profit of EUR 145,857,237.53.

You are reminded that the Shareholders' meeting has also been called on to pass resolution on the profit indicated in the aforementioned Financial Statements, as provided in Article 2433 of the Italian Civil Code.

In this regard, the Board of Directors of the company has formulated a proposed resolution on the allocation of the profit for the financial year and the distribution of the dividend, as indicated in the relevant explanatory report produced pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance or CLF), as amended,

which is made available to the public according to the terms and conditions of the applicable legislation.

The proposal provides for: (i) the distribution to Shareholders of a dividend of EUR 0.18, before statutory withholding taxes, per share, with a nominal value of EUR 0.50, in issue on the date hereof and with dividend rights; (ii) the carrying forward of the residual amount.

No provision is made for allocation to the legal reserve, in view of the fact that the reserve stands at EUR 20,000,000.00, or 20% of the share capital, which is the maximum amount provided for in Article 2430 of the Italian Civil Code.

In particular, the proposal provides for the distribution to Shareholders of EUR 36,000,000.00 of the profit for 2016 through a dividend of EUR 0.18 before statutory withholding taxes for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, and to carry forward the remainder of EUR 109,857,237.53.

The total amount of the dividend which is proposed to distribute corresponds to 36% of the registered capital, to approximately 25% of the net profit of Ansaldo STS S.p.A. in 2016 and approximately 46% of the Group's consolidated net profit in 2016, which amounts to EUR 77,968,238.27.

For further information on the ex-dividend date, the dividend payment date and the relevant record date pursuant to Article 83-*quater* of the CLF, see the aforementioned explanatory report produced by the Board of Directors pursuant to Art. 125-*ter* of the CLF.

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Dear Shareholders,

if you are in agreement with the proposal indicated above, please approve the following resolution:

"The Ordinary Shareholders' Meeting of Ansaldo STS S.p.A.

- *having regard to the Report of the Board of Directors;*
- *having regard to the Report of the Board of Statutory Auditors;*
- *having reviewed the Financial Statements as of 31 December 2016;*
- *acknowledging the Report of the external auditor Ernst & Young S.p.A.,*

resolves

- *to approve the Report of the Board of Directors and the Financial Statements as of 31 December 2016;*
- *to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives,*

with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution.”

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“1.2. Allocation of profit for the financial year. Related and consequent resolutions.”

Dear Shareholders,

The Board of Directors of Ansaldo STS S.p.A. hereby convenes you to an Ordinary Shareholders' Meeting on 11 May 2017, in a single convocation at 11:00 A.M. at Corso F.M. Perrone 118 (Villa Cattaneo dell'Olmo) Genoa, at the headquarters of the FONDAZIONE ANSALDO, to discuss and pass resolution on, *inter alia*, the proposal to distribute the net profit as indicated in the financial statements of Ansaldo STS S.p.A. as of 31 December 2016.

The Financial Statements for 2016 closed with a net profit of EUR 145,857,237.53.

The Shareholders' meeting is also called on to pass resolution on the profit indicated in the aforementioned Financial Statements, as provided in Article 2433 of the Italian Civil Code.

The proposal submitted for your approval provides for: (i) the distribution to Shareholders of a dividend of EUR 0.18, gross of statutory withholding taxes, per each share with a nominal value of EUR 0.50, in issue on the date hereof and with dividend rights; (ii) the carrying forward of the residual amount.

This proposal does not make any provision for allocation to the legal reserve, in view of the fact that the reserve stands at EUR 20,000,000.00, or 20% of the share capital, which is the maximum amount provided for in Article 2430 of the Italian Civil Code.

We therefore formulate the following proposal to allocate the entire profit of the financial year amounting to EUR 145,857,237.53:

- the sum of EUR 36,000,000.00 to be distributed to Shareholders through a dividend of EUR 0.18, before statutory withholding taxes, for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, with detachment of coupon No. 15 on 22 May 2017 and payment from 24 May 2017. Pursuant to Article 83-*terdecies* of Legislative Decree No. 58 of 24 February 1998, entitlement to the dividend payment is determined with reference to the intermediary's accounts as provided in Article 83-*quater*, paragraph 3, of the Legislative Decree No. 58/98, at the end of the accounting day of 23 May 2017 (the record date);
- the residual amount, of EUR 109,857,237.53 to be carried forward.

The total amount of the dividend which is proposed to distribute corresponds to 36% of the

share capital, to approximately 25% of the net profit of Ansaldo STS S.p.A. in 2016 and approximately 46% of the Group's consolidated net profit in 2016, which amounts to EUR 77,968,238.27.

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In view of the foregoing, we submit the following resolution for your approval:

“The Ordinary Shareholders’ Meeting of Ansaldo STS S.p.A., after examining and discussing the proposal of the Board of Directors, as set out in the explanatory report on this agenda item for this Shareholders’ Meeting

resolves

- *to approve the following proposal formulated by the Board of Directors to distribute the entire profit for the year amounting to EUR 145,857,237.53:*
 - *the sum of EUR 36,000,000.00 to be distributed to Shareholders through a dividend of EUR 0.18, before statutory withholding taxes for each of the 200,000,000 shares in issue on the date hereof and with dividend rights, with detachment of coupon No. 15 dated 22 May 2017 and payment from 24 May 2017. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of 24 February 1998, entitlement to the dividend payment is determined with reference to the intermediary's accounts as provided in Article 83-quater, paragraph 3, of the Legislative Decree No. 58/98, at the end of the accounting day of 23 May 2017 (the record date);*
 - *the residual amount, of EUR 109,857,237.53 to be carried forward.*
- *to grant a mandate to the Board of Directors and on its behalf, the Chairman and Chief Executive Officer, permitting them, separately, including through special representatives, with the widest powers, without exclusion or exception, to proceed with the formalisation of all obligations and formalities related to the execution of this resolution.”*

Genoa, 29 March 2017

For the Board of Directors

The Chairman
(Alistair Dormer)