

Ansaldo STS S.p.A.

Registered Office in via Pietro Mantovani, 3/5 - 16151 Genoa, Italy

Registration number at the Genova Company Register and Tax Identification Number 01371160662

Registered capital €100,000,000.00 fully paid up

www.ansaldo-sts.com

Statutory Auditors' Report

(Pursuant to Article 153 of Presidential Decree 58/1998)

To the Shareholders of Ansaldo STS S.p.A. (The "**Company**" or "**ASTS**")

Dear Shareholders,

The undersigned Board of Statutory Auditors - appointed during the Shareholders' Meeting held on 11 May 2017 - carried out its supervisory duties in accordance with the current provisions of the law and the regulations, according to the principles of conduct recommended by the National Council of Chartered Accountants and of Accounting Experts, observing the duties referred to in Article 149 of Legislative Decree No. 58/1998 ("**CFBA**") and, to the extent applicable, of the Italian Civil Code as well as of CONSOB communications related to corporate control mechanisms and the activities of the Board of Statutory Auditors (in particular, communication No. DEM/1025564 of 6 April 2001 et. seq.).

With reference to the provisions of the application criteria 8.C.1. of the Corporate Governance Code for listed companies approved by the Corporate Governance Committee (the "**Corporate Governance Code**") regarding the independence requirements for the members of the Board of Statutory Auditors, we have verified that none of the members maintain nor have recently maintained, directly or indirectly, relationships with the Company or with entities linked to the Company that would influence their independence of judgement. The findings of this examination were included in the report on Corporate Governance and Ownership Structures (the "**Corporate Governance Report**") prepared pursuant to Article 123-bis CFBA.

Each statutory auditor has also complied with the limit on the number of posts held, provided for by Art. 148-bis CFBA and related implementing legislation (Articles 144-duodecies to 144-quinquiesdecies of CONSOB Regulation 11971/99 ("**Regulation on Issuers**"), as referred to in the Articles of Association.

1. Supervisory activities on the observance of the law and the Articles of Association

During the financial year, thirteen meetings of the Board of Directors were held. We participated in eight of those meetings, which took place after our appointment. The meetings were held in compliance with the provisions of the Articles of Association and laws and regulations governing the operation of the Board. During these meetings, the Directors provided, in accordance with the procedures established by the corporate governance rules of the Company, information on the general operating performance and on business outlook, on the activities performed and on the most important transactions related to the earnings, cash flow and financial position of the Company and/or its subsidiaries. In referring to their report for the explanation of the main initiatives undertaken during the year, we certify that, to our knowledge, said initiatives have been based on principles of sound administration and are not manifestly imprudent or risky.

2. Supervisory activities related to compliance with principles of sound administration

We have monitored compliance with the principles of sound administration. The operations approved and implemented by the Board of Directors appear to comply with the law and the Articles of Association, not to conflict with the resolutions adopted by the Shareholders' Meeting and to be based on principles of sound administration.

In the Directors' Report for the 2017 financial year, the Directors have indicated the most significant operations in terms of earnings, cash flow and financial position for the financial year. This Report complies with the laws and regulations in force and is consistent with the resolutions adopted by the Board of Directors, with the facts of the separate and consolidated financial statements and with significant events after the end of the financial year. The Half-Yearly Financial Report has been published as required by current laws and regulations.

3. Supervisory activities on adequacy of the organisational structure and the internal control system.

We have examined - by obtaining data and information from the managers of the various corporate units, and also through direct investigations when necessary - and monitored, within our remit, the adequacy of the Company's organisational structure. We believe that said structure is appropriate to the characteristics of the Company and to the Ansaldo Group as well as to the activity carried out.

We have monitored the adequacy of the internal control system by: (i) participating in the meetings of the Control and Risks Committee; (ii) examining the related reports; (iii) obtaining information from the heads of the corporate control departments and; (iv) from the auditing company, as well as; (v) by examining company documents.

On the basis of these activities, we believe that the internal control system has been set up and organised correctly in order to guarantee a regular and proper performance of the activity. This

makes it possible, *inter alia*, to provide a faithful representation of the performance and operating results from the point of view of earnings, cash flow and financial position.

With respect to 2017, and after the end of the financial year, on 14 March 2018, the Board of Directors - based on the information and evidence gathered with the support of the investigative activities of the Control and Risks Committee - assessed the adequacy of the internal control and risk management system. In this regard, it has expressed a favourable opinion of the system with respect to: (i) its adequacy, taking into account the characteristics of the company and the risk profile assumed and; (ii) its effectiveness.

ASTS has adopted, subsequently updated and modified the organisational model provided for by Legislative Decree 231/2001 (the "**231 Model**"), aimed at preventing the possible commission of the relevant offences pursuant to said statute and, consequently, the administrative liability of the Company.

The Supervisory Body ("**SB**"), the body entrusted with the task of monitoring the correct functioning of the 231 Model, and of updating it, periodically met with the Board of Statutory Auditors and no significant issues or specific violations of the Model have been highlighted in the reports on the activities carried out by the SB.

4. Supervisory activities on the administrative and accounting system and on the financial reporting process

The Board of Statutory Auditors - also in the capacity of the Committee for Internal Control and Audit, as well as pursuant to the changes made in the Italian statutory framework by Legislative Decree No.135/2016 - assessed the adequacy of the administrative and accounting system to correctly represent the results of operations as well as the effectiveness of the risk management systems, also as regards cash flow information.

We have verified the updating of the internal procedures for management of Inside Information - following the entry into force of EU Regulation 596/2014 on market abuse - assessing the periodic reporting and the releases issued to the public.

5. Concrete implementation of corporate governance rules

ASTS adheres to the Corporate Governance Code; the Board of Statutory Auditors has monitored the concrete procedures for the implementation of the corporate governance rules that the Code provides for and it refers in this regard to the Corporate Governance Report.

The Board of Directors is currently made up of nine members, six of whom are independent. In accordance with the provisions of section 3.C.5 of the Corporate Governance Code, we have monitored the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of the Directors, as well as their compliance with

the provisions contained in section 3.C.1 of said Code.

During the 2017 financial year, the Board of Statutory Auditors met eight times. Moreover, since 11 May 2017, the following meetings have been held: i) [5] meetings of the Control and Risks Committee, in which at least two members of the Board of Statutory Auditors have always participated; (ii) [3] meetings of the Nomination and Remuneration Committee attended by at least one statutory auditor, (iii) [1] meeting of the Related Parties Committee attended by at least two statutory auditors; (iv) [1] meeting of the Executive Committee attended by at least two statutory auditors.

During the financial year, on 15 December 2017, the Board of Statutory Auditors, according to the law, issued its opinion on the proposal to revise the remuneration of the Chief Executive Officer and General Manager.

The Board of Statutory Auditors also reports that on 22 June 2017 it received requests from Consob pursuant to Article 115, paragraph 1, of Legislative Decree 58/98 (CLF), concerning certain facts and circumstances that arose during the shareholders' meeting held on 11 May 2017, to which it promptly responded.

The Board of Directors: i) during the meeting held on 28 July 2017, appointed the new head of the Internal Audit Office effective as of 1 October 2017; ii) during the meeting of 14 March 2018, analysed the letter from the Chairman of the Corporate Governance Committee sent to all listed companies on 13 December 2017. Taking into account the fact that on this latter date, the 2017 self-assessment process had already been completed, the related recommendations will be taken into consideration during the 2018 self-assessment.

6. Supervisory activities regarding the adequacy of the instructions given by the company to the subsidiaries pursuant to Article 114, paragraph 2.

We have examined and monitored, within our remit, the instructions given by the Company to subsidiaries, pursuant to Art. 114, second paragraph, CFBA, which appear adequate. We have analysed the suitability of the company organisation and the procedures adopted to regularly provide the Company with the data related to the earnings, financial position and cash flow of the subsidiaries.

7. Supervisory activities regarding statutory audit activities

In accordance with the provisions of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors, in the capacity of the Committee for Internal Control and Audit, has carried out the required supervisory activity on the work performed by the auditing company, Reconta Ernst & Young Spa S.p.A. (the "**Auditing Company**" or "**EY**"), periodically meeting with its representatives and exchanging data and information on the activity carried out, also pursuant to Article 150, CFBA. During these meetings, no significant issues nor any irregularities were brought

to our attention.

We have received information from EY regarding the hours worked and the fees invoiced for the statutory audit of the separate and consolidated financial statements as at 31 December 2017. The explanatory notes to the financial statements disclose the fees as required by Art. 149-duodecies of the Regulation on Issuers, in paragraph 40, "List of mandates pursuant to art. 149-Duoedecies of the Regulation on Issuers" of the annual report.

At the Board meeting of 24 January 2018 the Board of Statutory Auditors expressed its favourable opinion, in accordance with the provisions of EU Regulation 537/2014, in relation to the award of certain mandates to EY consisting of various non-auditing services other than those that are prohibited. In particular, these are:

- the limited examination of the 2017 Non-Financial Report with reference to 2017 data;
- ii) the limited review of the 2017 Report on Sustainability with reference to 2017 data, in order to obtain the assurance level provided for by the ISAE 3000 international audit principles on the Report's compliance with the principles and standards indicated in the note on methodology of the document itself.

On 7 March 2018 the Board of Statutory Auditors formulated its reasoned proposal on the amendment of the timetables and fees established by the contract with the auditing company EY S.p.A. for the financial years 2017-2024 concerning the following activities:

- Audit activities on the new accounting standards IFRS15 and IFRS9
- Greater depth in content of the Additional Report compared to the Report on Key Issues
- New Audit Report
- Identification of legislation relevant to information to be provided in the Directors' Report and consequent operational aspects and verification of reporting.

On 27 March 2018, EY issued its audit reports on the separate and consolidated financial statements, which do not contain any qualifications and required no additional disclosures. We refer to these reports, underlining how the related text has changed profoundly, with a significant increase in the informational value, following the amendments to the applicable legislation.

The Auditing Company also expressed its opinion: (i) on the consistency with the financial statement; and (ii) on the compliance with the law of the Directors' Report and of certain specific information contained in the Corporate Governance Report.

The Board of Statutory Auditors, pursuant to Article 19 of Legislative Decree No. 39/2010, on 27 March 2018, has: (i) informed the Board of Directors of the results of the statutory audit; and (ii) submitted without comment the "Additional Report" referred to in Article 11 of EU Regulation 537/2014.

Finally, on 27 March 2018, EY received the annual confirmation of independence pursuant to Art.

6 (2) (a) of EU Reg. 537/2014 and we have analysed the risks related to the independence of the auditing company and the measures it has taken to guard against such risks, also taking into consideration the mandates for non-audit services previously described. During the financial year, no critical issues have emerged related to the independence of the Auditing Company.

8. Separate and consolidated financial statements as at 31 December 2017 and non-financial report

The annual financial statement as at 31 December 2017, submitted for your approval, shows a profit of €71.98M, while the consolidated financial statement shows a consolidated profit of €64.86M.

The company has tested the value of the goodwill recognised for impairment without identifying losses due to impairment. The notes to the financial statements detail the assumptions and parameters underlying the impairment-testing procedure, which was approved by the Board of Directors on 14 March 2018.

In the "Main Risks and Uncertainties" paragraph of the Directors' Report, the Directors describe the main operational risk factors and uncertainties to which the Company and the Group are exposed, indicating the risks of a strategic, operational, financial and reporting nature.

In the "Litigation" paragraph, the status and the foreseeable evolution of existing litigation are disclosed on a case-by-case basis. In this context, the "Stockholm Red Line" litigation, particularly as reported in the aforementioned paragraph, is particularly significant, *"with reference to the 'System Delivery Agreement' 'signed on 3 November 2010 between Ansaldo STS Sweden (a wholly-owned subsidiary of Ansaldo STS S.p.A.) and AB Storstockholms Lokaltrafik (the "client") concerning the updating of the signalling system of one of the lines of the Stockholm Underground called the "Red Line" (with a total value of approximately €127M), the client, in October 2017, requested the return of advance payments of around €35M, plus VAT and interest and, subsequently, on 7 November 2017, it announced the unilateral termination of the contractual relationship, alleging breach by Ansaldo STS Sweden (the "Company ") and demanding the restitution of the residual advances paid (about €24M plus VAT and interest), as well as the application of penalties and compensation for damage estimated at around €17M. The Company has challenged both the unilateral termination of the contract and the demand for restitution of advances and compensation for damage, considering them to be unfounded. On 20 December 2017, the Parties signed an agreement regarding the return to Ansaldo STS Sweden of all the bonds previously issued to the client, against the simultaneous return of the advances on account paid by the client, for a total of approximately €31M (VAT and interest included). On the basis of this agreement, the Company repaid the amount indicated above on 25 January 2018, receiving the simultaneous return of all the bonds held by the client. This payment, as well as previous payments in favour of the client for €45M (VAT and interest included), is made by the Company, reserving the right to seek recovery, without prejudice to its rights and pending the legal resolution of the dispute. The Company is evaluating all possible legal actions for the defence of its rights,*

including the right to obtain full payment for the work performed to date as well as compensation for the damage suffered, 'also' in view of the unilateral termination of the contract by the client. In this regard, it should be noted, inter alia, that the expert opinion of a well-known international consultant on the subject was provided to the client. Said opinion related to the analysis of the contractual delay in dispute, in which it is preliminarily indicated that said delay - with respect to the originally specified time frame - was the fault of the client, thereby resulting in the extension of the expected final acceptance deadline from 30 September 2014 (date specified in contract) at least to 4 June 2021. Pending the resolution of the dispute, Ansaldo STS Sweden and AB Storstockholms Lokaltrafik have agreed on provisional activities that are to be implemented starting from January 2018 ". The undersigned Board of Statutory Auditors states that it has carried out audits and analyses on this matter, also following the obtaining of all the relevant documentation for this purpose from the Company management.

It is still to be noted - with reference to the portfolio of job orders, as set out in the Directors' Report on the consolidated financial statements with regard to the occurrence, in the context of the MBTA PTCS (Positive Train Control System) project - that there are certain critical issues related to technical and contractual matters and the relationship with the client, in respect of which the Company has taken and is continuing to take the appropriate corrective actions.

The notes to the separate and consolidated financial statements disclose the details of the financial relationships among the companies of the Group and between Group companies and related parties. The latter refer to commercial transactions carried out under market conditions, essentially with Hitachi Group companies.

In the notes to the consolidated financial statements, with regard to transactions on treasury shares, it is noted that on 23, 24, 25, 26, 29 and 30 May 2017, the Company proceeded, in execution of the Shareholders' resolution of 11 May 2017 and to service the plan called "Stock Grant Plan 2014-2016", to the purchase of 128,299 treasury shares, equal to 0.06% of the total shares of the share capital, for a total equivalent value of €1,508,320.

The directors certify, and the Board of Statutory Auditors acknowledges, that to the best of its knowledge, no atypical or unusual transactions have occurred.

In accordance with Legislative Decree 254/2016 ("**Decree 254**"), the Company has drafted its consolidated non-financial report. This report was drafted in accordance with the Sustainability Reporting Guidelines ("**GRI4**") of the Global Reporting Initiative and contains, where possible, comparative data for the previous financial year.

On 27 March, EY issued its own certification of the compliance of the information provided with the requirements of the non-financial reporting Decree and the principles and methodologies envisaged by the GRI4. In this regard, we acknowledge that we have monitored compliance with Decree 254 and that we have no comments in this regard.

9. Events after the end of the financial year, complaints pursuant to Art. 2408 and

conclusions

There were no events after the end of the financial year except for what is reported in this document.

During the meeting held on 11 May 2017, the undersigned control body, as "incoming Board of Statutory Auditors", received two complaints pursuant to Art. 2408 of the Italian Civil Code filed by shareholders Elliot International LP and BlueBell Partners. The undersigned Board of Statutory Auditors, despite having found that some of the facts complained of had already been investigated by the Board of Directors and by the previous Board of Statutory Auditors, has nevertheless carried out its own investigations and analyses, reserving the right to formalise the related findings in sufficient time for the Shareholders' Meeting of 10 May 2018.

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To conclude our business, we can state that our supervisory activity took place during the course of the 2017 financial year, under normal circumstances, and it did not reveal any omissions, improper conduct or irregularities to be noted in this report, nor do we have any proposals to make, pursuant to Art. 153, second paragraph, CLF.

That said, considering all that is described and indicated above, we believe that the Directors' Report contains adequate information on the activities of the financial year and we agree with the proposal made by the Board of Directors on the allocation of profit for the financial year.

Milan, 28 March 2018

Antonio Zecca – Chairman

Alessandra Stabilini – Statutory Auditor

Giovanni Naccarato – Statutory Auditor