

[Free translation]

Ansaldo S.p.A.'s Statutory Auditors' presentation at the Shareholders Meeting in accordance with Article 2408 of the Italian Civil Code

On 9 April 2016, Elliott International LP, Liverpool Limited Partnership and Elliott Associates LP (collectively referred to as "**Elliott**") - which had reported on 7 April 2016, in their capacity as shareholders of Ansaldo STS S.p.A. ("**Ansaldo STS**"), that they held a total of 41,174,122 ordinary shares in Ansaldo STS (amounting to 20.583% of the share capital) and "*other long positions*", corresponding to 17,649,288 underlying shares (amounting to 8.824% of the Ansaldo STS's share capital), with a total long position amounting to 29.409% of the share capital of Ansaldo STS – submitted a report (the "**Report**"), under Article 2408 of Italian Civil Code, to the Board of Auditors and to the Board of Directors of Ansaldo STS, as well as to Ansaldo STS itself and the Italian Stock Exchange Commission ("*Commissione Nazionale per le Società e la Borsa*" or "**CONSOB**"), stating that reprehensible actions had been committed.

The Board of Auditors points out that the above Report must be analysed in light of the provisions under Article 2408, paragraph 2, of the Italian Civil Code, according to which, if a report is lodged by shareholders' *representing at least one fiftieth of the companies which make use of venture capital market, the Board of Auditors must investigate the facts reported without delay and present its conclusions and any proposals to the Shareholders' Meeting ...* ".

Before considering the merits of the Report, the Board of Auditors must point out that some of the issues raised in the Report have already been dealt with in the report accompanying the financial statements for the year ending 31 December 2015 prepared by the Board of Auditors and published on 29 March 2016 in view of the Ordinary Shareholders' Meeting convened for 13 May 2016 in a single call (to which reference is made). Appropriate notices concerning such issues have also been served on Consob on a voluntary basis or upon the Authority making specific requests to that effect. Under the aforementioned legal provisions, the Board of Statutory Auditors is called to decide whether the facts that the complainant considers reprehensible (and which, as such, it has reported) are in fact reprehensible. Under the aforementioned laws, the directors (and not the Board of Auditors) are called to comply with requests for information about how the Company is managed.

Accordingly, the Board of Auditors points out as follows.

1. As far as the matter dealt with in the report regarding the "*Failure to protect Ansaldo STS's interests and commercial opportunities*" is concerned, Elliot requested the Board of Auditors to report to the shareholders' meeting of Ansaldo STS on: ... "*(i) the measures and actions taken in furtherance of the integration plan before it was suspended, as well as reporting to the shareholders on the time when such suspension took effect; (ii) report to the shareholders as to whether Ansaldo STS has been damaged by these measures and actions; (iii) report to the shareholders as to whether additional measures on the integration of the Ansaldo STS group in the Hitachi group were taken after the conclusion of the compulsory takeover bid launched by Hitachi on STS's shares and (iv) report to the shareholders as to whether safeguards and procedures have been adopted to ensure that Hitachi cannot exercise an undue influence in the future (more specifically by taking part in tenders in which other Hitachi subsidiaries submit independent bids).*"

In relation to items (i), (iii) and (iv) above, the Board of Auditors must point out that, from the date on which the Ansaldo STS's Board of Directors was informed of Finmeccanica S.p.A.'s ("**Finmeccanica**") possible sale of its transport operations (the "**Sale Transaction**"), the Ansaldo STS's Board was well aware of the fact that Hitachi was a potential competitor of Ansaldo STS. It was, therefore, of the opinion that all the necessary protective measures should be taken in order to avoid, in both the due diligence and the transitional phase (i.e., until the necessary authorisations had been obtained and the Sale Transaction had been completed), any "sensitive" information being provided to Hitachi and any action being taken that integrated Ansaldo STS into the Hitachi group before knowing the results of the compulsory takeover bid.

In this regard, the Board of Auditors must point out that, at the first Board meeting (during which information about the possible Sale Transaction was given), the Ansaldo STS's Board of Directors, under the Board of Auditors' supervision and within the limits of its powers, resolved that, as far as access to the Ansaldo STS data room by Hitachi was concerned: (i) A confidentiality agreement for online content should be signed, which should be in line with the best market standards for similar transactions and which should contain a standstill clause and, where possible, an obligation on Hitachi's part not to hire Ansaldo STS's employees; and (ii) Hitachi should not be provided with commercial information that could impoverish Ansaldo STS in terms of its know-how or its competitive positioning, with the provision that, in each case (a) any sharing of information with Hitachi should be done in compliance with antitrust law; (b) any delegation of Ansaldo STS's managers taking part in the management presentation would have to be led by the Chief Executive Officer and would have to be supervised by the Chairman of the Board of Directors; (c) the Ansaldo STS's managers could meet with representatives of Hitachi Finmeccanica only in the presence of the Chief Executive Officer or the Chairman of the Ansaldo STS's Board of Directors.

After having announced the Sale Transaction, which took place on 24 February 2015, the Ansaldo STS's Board of Directors continued to operate, under the supervision of the Board of Auditors, within the limits of its powers, so that the Sale Transaction could be completed in accordance with principles of fairness and transparency, proposing solutions which had been extensively debated in Board Meetings.

In such context, the Board of Auditors must also point out that the Ansaldo STS's Board of Directors, among other things:

- Requested that, during the course of the meetings held between the Hitachi management and Ansaldo STS for the purpose of getting to know each other, sensitive information was not exchanged, which, conversely, could only be shared at clean team level;
- Requested that those participating in the Hitachi clean team and Ansaldo STS should only be a small number of persons that did not deal with the business; and

- Assessed the different positions discussed in the Board Meeting about whether it was appropriate or not to introduce a new organisational structure of the Ansaldo STS's management at that stage of the Sale Transaction, reaching, in the end, an intermediate solution, according to which an external consultant would present the new organisational model to the Ansaldo STS's management team, in line with what had already happened for Ansaldo Breda.

The Board of Auditors must point out that, following the completion of the Sale Transaction on 2 November 2015, the Ansaldo STS's shareholders meeting appointed, on the same date, the new Ansaldo STS's Board of Directors, which, as indicated in the 2015 corporate governance report, underwent numerous changes until the expiry of its term of office on 30 March 2016.

Following the appointment of the Board, which took place on 10 November 2015 and the need to assess the possible impact on the Ansaldo Group of the completion of the Sale Transaction (also in light of the possible outcome of the compulsory takeover bid, which is still uncertain), the Ansaldo STS's Board of Directors has discussed, on several occasions, issues concerning the ongoing integration process and any measures aimed at reconciling the different needs arising from completing the Sale Transaction whilst the compulsory takeover bid is still pending. Such discussions were held in light of the contribution of some independent directors and under the supervision of the Board of Auditors, and after having heard (depending on the circumstances) the Control and Risk Committee's and/or the Related Parties Committee's assessments

In this regard, the Board of Auditors reminds the attendees that the Ansaldo STS's Board of Directors, after having heard the Control and Risk Committee and/or the Related Parties Committee's assessments (as appropriate), among others:

- Ascertained, also on the basis of the opinions issued by the GOP and Chiomenti law firms that Hitachi, as a result of the Sale Transaction, manages and coordinates Ansaldo STS under Article 2497 of the Italian Civil Code. It must also be pointed out that the Board of Auditors, in a separate meeting, took note of the conclusions reached by the Board of Directors, which were, however, in line with the conclusions reached in the opinions provided by the said law firms. For completeness' sake, the Board of Auditors must also point out that this issue was also the subject-matter of a specific notice served on Consob by the Board of Auditors on 21 December 2015, following a specific request that had been made to this effect by the said Authority;
- Approved the 2016 Audit plan only after it had been expanded to include a specific Audit on the integration process, in compliance with the request made to this effect by the Board of Auditors;
- (i) Requested that no action should not be taken out with a view to implementing the ongoing integration process; and (ii) thereafter engaged, in the light of the results of the compulsory takeover bid and, as a result of there no longer being any expectation of Ansaldo STS imminently merging with Hitachi, in an intense debate in order to

define the "outlines" of a co-existence between Ansaldo STS and Hitachi, on the assumption that, even though Ansaldo STS was managed and coordinated by Hitachi, it could maintain its independence by identifying what needed to be focused on when considering the commercial relationships between Ansaldo STS and the Hitachi Group, the transfer of technology, strategic suppliers and the use of Ansaldo STS's staff by Hitachi. This activity, which was necessary for avoiding reprehensible behaviour, appears, in light of Article 2497 of the Italian Civil Code, not to have been carried out after the Ansaldo STS's Board of Directors' term of office ceased on 30 March 2016.

With reference to item (ii) above, the Board of Auditors is, as things stand, not in possession of information which enables it to give its opinion about any damage that Ansaldo STS may suffer or has suffered in the context of the Sale Transaction (also in light of the resolutions adopted by the Board of Directors about its management and coordination). It must, however, point out that the Board of Directors (in particular thanks to the contribution of some independent directors) and, as far as it is concerned, the Board of Auditors have played a proactive role in identifying and addressing key issues arising from the integration process that is being analysed here.

2. With reference to the matter dealt with in the Report named "*Conflict of interest of some Ansaldo STS's directors*", Elliot requested the Board of Auditors to examine carefully the circumstances described in the Report investigating, by way of example: "*(i) whether, within the meaning of Article 2390 of the Italian Civil Code, the Chairman and the Deputy Chairman of the Board may hold the position of director or general manager of Hitachi Rail Europe without the approval of the Ansaldo STS's shareholders' meeting; (ii) whether procedures have been adopted to ensure that the Mr Dormer's and Mrs Boswell's conflict of interest did not influence the Board's related decisions; and (iii) whether the shareholders' meeting must adopt specific resolutions in this regard.*"

As regards item (i) above, the Board of Auditors must point out that, as already indicated in the CONSOB notice dated 21 December 2015, while verifying - in conjunction with Hitachi - the compliance of the non-independent directors belonging to the list presented by Finmeccanica with Article 2390 of the Italian Civil Code (for the purpose of the Ansaldo STS's shareholders' meeting held on 2 November 2015), it requested a further in-depth analysis in relation thereto. This analysis consisted in two legal opinions issued respectively given by the GOP and Chiomenti law firms, which both came to the conclusion that, when the statements made by Messrs Dormer and Boswell took effect (i.e., 2 November 2015), the effective and specific competition level requested in order that the prohibition provided for under Article 2390 of the Italian Civil Code could apply to the case at hand had not been achieved. Messrs Dormer and Boswell were not, at such date, carrying out any activities in breach of Article 2390 of the Italian Civil Code. Most Italian legal scholars are, in fact, of the opinion that the said provision does not apply to corporate groups, on account of the fact that two companies belonging to the same corporate group do not perform activities in competition with each other since they pursue the group's overall interests.

In a meeting specifically held for such purpose, the Board of Auditors thus took note of the conclusions reached in the two law firms' opinions and of the resolutions taken in the meantime by the Ansaldo STS's Board of Directors in terms of the direction and coordination thereof.

As far as item (ii) above is concerned, the Board of Auditors points out that it has also checked whether Italian law is being applied to the management of potential conflicts of interest among all the Board Members and reminds them of the importance of a correct and transparent management of this issue. It follows therefrom, that during the Board meetings - and especially after the appointment of the new Board of Directors (and also in light of the completion of the Sale Transaction) - issues have been dealt with that have forced the concerned directors to issue statements pursuant to Article 2391 of the Italian Civil Code.

For completeness' sake, the Board of Auditors points out that, in this regard, as stated in the Ansaldo STS's Board of Directors' Notice issued pursuant to Article 103, paragraph 3, of the TUF (which was made public on 31 December 2015), the Chairman Dormer exercised his casting vote in one case, and more specifically with reference to the Ansaldo STS's Board resolution passed on 30 December 2015 which approved using the opinion issued by Lazard to help the Board of Directors assess the compulsory takeover bid launched by Hitachi. The Chairman Dormer abstained, instead, from the vote in which the fairness of the compulsory takeover bid fee was assessed since he had taken part in the Sale Transaction negotiations with Finmeccanica, in the context of which the compulsory takeover bid had been launched. The Board of Auditors points out, finally, that the Board of Auditors gave Consob specific notice of this issue on 11 January 2016.

As far as item (iii) above is concerned, the Board of Auditors believes that, in order to avoid any disagreements on this matter, the Ansaldo STS's shareholders' meeting should prudently decide in relation thereto, also with regard to Article 2390 of the Italian Civil Code.

3. As regards the issue mentioned in the Report concerning "*rumours in the press about the exercise of undue influence in the drafting of the financial report of Ansaldo STS*", Elliot requested the Board of Auditors to investigate and clarify: "*(i) what is the assessment being discussed in the Article; (ii) what procedures were followed in preparing the assessment in question; and (iii) whether someone has exercised or attempted to exercise undue influence on the consultants or on Ansaldo STS.* "

As regards points (i), (ii) and (iii) above, the Board of Auditors points out that the Board Meeting held on February 25, 2016 considered and approved the impairment test procedure used by Ansaldo STS for assessing the value of the shareholdings and goodwill respectively recorded in the statutory and consolidated financial statements.

In this respect, the Board of Auditors points out that the Board Meeting was also attended by Mr Roberto Carassai, Ansaldo STS's Chief Financial Officer, who explained the Impairment Test procedure, pointing out that it had been carried out in line with the methodology

previously used by Ansaldo STS, availing itself of Deloitte's support for this purpose, which had already helped Ansaldo STS in the past by providing methodological support to the Ansaldo STS working group. In this regard, the Board of Auditors specified that despite some independent directors' requests to make Deloitte attend such board meeting, the latter - based on what the company told the directors and auditors - *"stated it was not willing to do so, on the basis that its assignment was only to provide methodological support to the Ansaldo STS working group for conducting the impairment test on the consolidated financial statements and the individual financial statements of the individual companies."* Deloitte, in line with the indications provided by Ansaldo STS, stated that *"this assignment does not require us to attend the Company's Board Meetings nor submit a specific report to the Board of Directors."*

It is also apparent from the minutes of the Ansaldo STS's Board Meeting held on 25 February 2016 that the discussion on the impairment test procedure was mainly focused on the proposed changes to the comparables panel that would in turn have generated a greater value on the WACC rate, thereby reducing the theoretical value of Ansaldo STS. Without going into the merits of the reasons for and against the amendment of the comparables panel, the Board of Auditors is of the opinion that the fact that the Chairman of a listed company – which holds the relative majority - intervened in the Company's internal discussions about building an *'Impairment Test'* model without having being mandated to do so does not correspond to the best market practice, since this should be debated instead in the context of the Board meetings.

Such considerations should, in the Board of Auditors' opinion, be read in the context of the Ansaldo STS's Board of Directors' assessment of the fairness of the takeover bid fee and in light of the fact that, although an impairment test does not directly expresses a company's value, it may still be used as an argument for enhancing a company's value. Account must be taken of the fact that, in approving the Ansaldo STS's independent directors' opinion pursuant to Article 39 *bis* of the Issuers' Regulation, the independent directors took into account, for the purpose of determining the fairness of the compulsory takeover bid, the findings of the impairment test conducted on 31 December 2014.

The Board of Auditors may not, however, assess and comment the contents of the newspaper article that appeared in the *Corriere della Sera* on 18 March 2016 and the assertion that someone allegedly exerted undue influence on the consultants or on Ansaldo

STS. The Board of Auditors hopes, however, that the judiciary will shed light on any irregularities that might have occurred.

Finally, for completeness' sake, the Board of Auditors also reminds the Board Members that Ansaldo STS served on CONSOB on 18 April 2016 a specific notice on this matter.

4. As regards the issue contained in its Report concerning the "*Independence of the Board of Directors*", Elliot requested the Board of Auditors to investigate and explain to the Shareholders' meeting: "*(i) the resolutions adopted by the Board of Directors on 30 March 2016 concerning the independence of Mrs Piccinino, giving its opinion in relation thereto; (ii) whether the decision of Mr. Siragusa to step down from his office had been disclosed to the markets on the date on which notice thereof was given (i.e., on 30 March 2016) or whether, instead, there were agreements or understandings regarding the timing of the resignation; (iv) the procedure followed before Mr. Siragusa's resignation to choose a new managing director of Ansaldo STS and the procedure that will be followed in future, as well as the measures that have been and will be taken to ensure that the new Chief Executive Officer has the professional qualifications and the stature needed to act independently and pursue the overriding interest of Ansaldo STS.*"

With regard to point (i), the Board of Statutory Auditors must point out that, on 30 March 2016, the Board of Directors did not decide on the independence of Mrs Piccinino since Mr Dormer, in his capacity as Chairman, informed the Board of Directors, that "*in view of the in-depth analysis required to enable the Board to vote on such matter and in light of the legislation regulating the independence requirements, the vote verifying Mrs Piccinino's fulfilment of these requirements must be postponed to the next Board Meeting*".

This argument was, however, resumed during the Board Meeting held on 18 April 2016, during which the Board of Directors voted that Mrs Piccinino fulfilled the independence requirements. The Board of Auditors' Meeting on 5 May 2016 then established, within the limits of its powers, that the criteria and procedures adopted by the Board of Directors to assess the independence of Mrs Piccinino had been correctly applied.

With regard to point (ii), the Board of Auditors confirmed that Mr Stefano Siragusa resigned on 30 March 2016, and that, until such date, there had been no certainty about the managing director's exit, as can be seen from the minutes of the Ansaldo STS's Nomination and the Remuneration Committee ("**NRC**") meeting held on 15 March 2016, in the context of which the Committee further stated that "*despite the fact that Mr. Siragusa demonstrated*

himself willing to comply with the Committee's request to remain in office, such solution, however desirable, appears difficult to achieve and the Committee reserves itself the right to carry out further checks in relation thereto".

With regard to point (iii), the Board of Auditors must point out that the procedure followed in searching for the new Chief Executive Officer was recorded in detail in the NRC minutes dated 15 February 2016, 4 and 15 March 2016. More specifically, during the course of the NRC meeting held on 15 February 2016, after information had been given by the Chairman Dormer on Hitachi's preliminary assessments *vis-à-vis* Mr Siragusa's possible replacement, NRC set out the guidelines to be followed when submitting to the Ansaldo STS's Board of Directors its proposal for the Chief Executive Officer succession plan, according to which: (i) the candidate may be a person from either inside or outside Ansaldo STS; (ii) the selection criteria had to focus mainly on technical, managerial and relational requisites; (iii) the NRC will have to be entitled to meet with the different candidates; and (iv) a list of executive search companies was set out (which was subsequently not used for a lack of time).

The Board of Auditors continued stating that in the next NRC meeting held on 4 March 2016, the Board examined the candidacy of Andrew Barr proposed by Hitachi and invited him to attend the said meeting, during which it came to the following conclusions: (i) it considered Mr Andrew Barr a viable candidate for succeeding Mr. Siragusa; (ii) it considered it appropriate to assess the internal candidates submitted by [omission], inviting them to attend the next meeting of the NRC; and (iii) Mr. Siragusa's willingness to remain at the helm of the company at least until the approval of 2016 financial statements by the Ansaldo STS's shareholders' meeting should be sounded out.

Finally, at the next meeting of the NRC on 15 March 2016, the NRC concluded that *"in view of the changed shareholder structure of Ansaldo STS, which is more polarised than was the case prior to the takeover, a candidate to succeed Mr. Siragusa's successor must be identified that may be submitted during the shareholders' meeting in view of the possible difficulties emerging from a debate among the shareholders that would be more intense than those that took place in the past. In light of the above, the Committee believes, therefore, that the internal candidates represented by [omission], are preferable. From a technical, managerial and relational point of view, the Committee unanimously considers, therefore, an internal solution for Mr. Siragusa's successor to be preferable. According to the Committee, such a solution would help stabilise the company's management and, at the same time, convey a motivational message that rewards an internal resource, appointing him or her to run the business. The Committee also believes that*

the [omission] nominations are also capable of developing synergies with the Hitachi group, since these managers are aware of the value of these synergies and the weight they have in implementing Company's budget."

The NRC then suggested to the Ansaldo STS's Board of Directors *"to move towards one of two internal candidates. The Committee, even though it has decided not to suggest a specific candidate to the Board of Directors, expresses its preference for [omission].* The Statutory Auditors must point out that, on account of the Ansaldo STS's Board's term of office having expired on 30 March 2016, the NRC activity has not obviously led to a final choice of the candidate for Mr. Siragusa's successor being made on the Board. Lastly, the Board of Auditors must point out that that a summary of the resolutions passed by the NRC at its meetings in relation to the matter at hand would, unless they were reported in their entirety, give a misleading representation of the matter at hand.

Genoa 13 May 2016

The Statutory Board of Auditors