



ANSALDO STS S.p.A.

REGISTERED OFFICE AT VIA PAOLO MANTOVANI 3/5, GENOA
FULLY SUBSCRIBED AND PAID UP COMPANY CAPITAL 50,000,000.00 EUROS
GENOA COMPANY REGISTER NO. AND TAX CODE 01371160662
SUBJECT TO MANAGEMENT AND COORDINATION OF FINMECCANICA S.P.A.

REPORT BY THE BOARD OF AUDITORS

To the Meeting of the Shareholders of Ansaldo STS SpA

Dear Shareholders,

Pursuant to the terms of articles 2429 of the Italian Civil Code, 153, paragraph 1, of Legislative Decree no. 58 of 24th February 1998 and 2403 of the Italian Civil Code, we wish to inform you that during the financial year ended on 31st December 2007 we carried out supervisory operations pursuant to the terms of the Italian Civil Code, articles 148 and following of the aforementioned legislative decree and the instructions contained in the CONSOB notifications, while at the same time taking into consideration the standards of conduct recommended by the National Association of Chartered and Registered Accountants.

This report has been drafted in accordance with the provisions and regulations applicable to companies listed on the stock exchange, in view of the fact that the ANSALDO STS S.p.A. shares have been traded in the STAR segment of the markets managed by Borsa Italiana S.p.A. since 29th March 2006.

In light of all of the above, we hereby submit our report on the supervisory operations carried out during the financial year ended on 31st December 2007, as prescribed by law.

More specifically:

- we attended all the meetings of the Board of Directors - 10 in total - during which we were informed on the business activities of the company and of the most relevant operations performed by the company and its subsidiary companies;
- we held 8 regular meetings, during which we were also able to exchange information with the auditing company and Managing Director, with a view to ensuring that none of the operations performed were in any way imprudent, risky or in potential conflict of interest with or contrary to the resolutions adopted by the shareholders' meeting, such as to compromise the integrity of the company equity. To this end, we were provided with quarterly reports from the Managing Director concerning the operations under his mandate;
- we gathered further information on the organisational structure and held meetings with the relevant executives of the company, with reference to, *inter alia*, the implementation of the information systems with a view to achieving the substantial uniformity of the IT programmes and platforms for the entire group within the medium to long term;
- we were provided with information from the Internal Control Committee on operations currently in progress, the inspection programmes and the implementation plans for the internal control system, and we attended 9 meetings during which we were informed of the work carried out by the Committee;
- we attended 8 meetings of the Remuneration Committee, during which we were informed of the work it carried out during the financial year;
- we were provided with information from the Internal Audit Department concerning the work it carried out for the implementation of the operating plan, the plan for issuing group directives and company procedures. During these meetings, we were also provided with

extensive and detailed information on the supervisory and assessment operations performed on the companies controlled by ANSALDO STS S.p.A.;

- in order to assess the suitability of the internal control system adopted, we carried out regular examinations on the risks to which the company and its subsidiaries were exposed and the directives regarding such risks;
- we noted that the Company's Articles of Association have been adapted in line with new legislation and the Corporate Governance Code of Borsa Italiana S.p.A., as well as with the directives and regulations issued by the Supervisory Authority;
- we expressed our approval of the decision to appoint the CFO of the company as manager Responsible for the drawing up of the company's financial reports pursuant to the terms of article 154 bis of Legislative Decree no. 58 of 24th February 1998 as subsequently amended and modified, subject to compliance with the legal and statutory requirements;
- we met the Boards of Auditors of the subsidiary companies Ansaldo Trasporti Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A., to verify the suitability of their internal control systems. During these meetings, we were not informed of any events or facts that require any mention in this report;
- we examined the financial, industrial and supporting documentation on the inter-group operations, and were able to conclude that these conform with the principles of good management practice, are compatible with the Company's Articles of Association and in line with the spirit of the regulations in force;
- we were able to note that none of the inter-group operations or any operations carried out with affiliates or third parties were atypical and/or unusual as defined in Consob notification DEM/6064293 of 28th July 2006, as further confirmed by the Board of Directors, Auditing Company and head of the internal control department;

- we monitored the methods adopted for the application of the company management rules contemplated in the Corporate Governance Code of Borsa Italiana S.p.A., including self-assessments by the Board of Directors and internal committees of the Company;
- we held a meeting with the Oversight Body , which informed us of the supervisory and assessment operations carried out on the organisational, management and control model pursuant to legislative decree 231/01, which was adopted by ANSALDO STS S.p.A. in 2006;
- we were able to note that, following the adoption of its Code of Internal Dealing, the company had established specific operating and management procedures for dealing with notifications from ‘relevant’ parties;
- we obtained the draft financial statement for the 2007 fiscal year, the consolidated financial statements and the management report from the Board of Directors within the deadlines prescribed by law;
- we were able to note that the Directors referred in their management report to the operations carried out with group companies and affiliated parties, in accordance with the CONSOB regulations. With the assistance of the company’s internal control manager, we were able to verify that the procedures established to guarantee the completion of such operations on the basis of appropriate conditions and in line with the company interests had been adhered to;
- we examined the annual report prepared by the Internal Control Committee and the Corporate Governance report.

We also received a report under the terms of article 2408 of the Italian Civil Code from the Mr Carlo Fabris, a shareholder, who brought to our attention a presumed conflict between the prevailing regulations and the following provisions of the Articles of Association:

- article 14, paragraph 1, where it states that if the Chairman and Vice-Chairman of the Board of Directors are absent or otherwise unable to attend, the Shareholders' Meeting will be chaired by "*another person delegated to do so by the Board of Directors*". According to Mr. Fabris, this provision is contrary to the terms of article 2371 of the Italian Civil Code, which states that "*the meeting is chaired by the person indicated in the Articles of Association, or, in the absence thereof, by the person elected to do so by the votes of the majority of those present*", and does not take into consideration the possibility that the person called upon to chair the meeting might be designated to do so by the Board of Directors.
- article 16, paragraph 3, which states that the directors are appointed by the ordinary shareholders' meeting "*on the basis of lists submitted ... by the outgoing board of directors*".

Mr. Fabris believes that "*the right of the outgoing board of directors to submit a list for the appointment of the directors is contrary to the regulations in force, which lay down that the Articles of Association must determine the minimum quota of shares required for the submission of the lists, and leave no space for lists submitted by non-shareholders*".

On this subject, and taking into account the legal opinion sought by the company, the recent ruling no. 19160 of 21st June 2007 by the Italian Corte di Cassazione and the interpretation derived from Assonime, the Board of Directors resolved to propose to the Shareholders' Meeting, convened at first call for 31st March 2008 and 1st April 2008 at second call, amendments to articles 14.1 and 16.3 of the Company's Articles of Association, to bring these into line with the interpretation of the rules by the Supreme Court.

In addition, we would like to point out that we have received no information regarding the assignment of any mission to PricewaterhouseCoopers S.p.A. or its related parties other than that of auditing the annual financial statements, with the exceptions of:

- the resolution adopted by the Board of Directors on 31st July 2007 to instruct that company to verify the conformity of the accounts and information set out in the manual prepared by ANSALDO STS S.p.A. with the IFRS international accounting standards adopted by the European Union. In this sense, the Board of Auditors was able to confirm that this mission involves the supply of services other than those listed in paragraph 1-ter of article 160 of the T.U.F.(Italian Consolidated Law on Finance);
- the resolution adopted by the Board of Directors on 19th December 2007 to ask PricewaterhouseCoopers Advisory S.r.l. for assistance in identifying any deficiency in the current report on the financial statements of ANSALDO STS S.p.A. with respect to the requirements of international accounting standard IFRS 7. The services supplied on the basis of this second mission also differ from those listed in paragraph 1-ter of article 160 of the T.U.F.

In light of all of the above, we carried out the required examinations on:

- compliance with the legislation and Company's Articles of Association, and observance of the standards of good management practice;
- the suitability and concrete application of the organisational structure, of the internal control and administrative and accounting systems of the company;
- compliance with the legislation on the drafting and layout of the financial statements and the management report, by means of direct inspections and of the information obtained from the auditing company;
- the suitability of the instructions conveyed by the company to its subsidiary companies.

In addition, the Auditing Company informed us that during its inspections on the correct keeping of accounts no facts emerged which were worthy of mention to the Board of Auditors, and that in their report to be issued pursuant to the terms of article 156 of Legislative Decree 58/98, it intends to express a judgement on the individual company financial statements and the consolidated group financial statements which will contain no particular comments.

On the basis of all of the above, we would ask you to approve the financial statements for the period ended 31st December 2007, as presented by the Board of Directors, as well as its management report and its proposal for the allocation of profits for the financial year.

Milan, 13th March 2008

THE BOARD OF AUDITORS

(Paolo Andrea Colombo)

(Antonio Rosina)

(Francesca Tripodi)