



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.

**Ordinary Shareholders' Meeting**  
**31<sup>st</sup> March – 1<sup>st</sup> April 2008**

**Explanatory Report by the Board of Directors**  
**pursuant to article 3 of Ministerial Decree no. 437 of 5<sup>th</sup> November 1998**

**Point 2 on the agenda – Appointment of Board of Directors**

Dear Shareholders,

On the occasion of the Ordinary Shareholders' Meeting for the approval of the financial statements for the year ended 31st December 2007, convened for 31<sup>st</sup> March 2008 at first call and 1<sup>st</sup> April 2008 at second call, the Company's Board of Directors, appointed by means of a resolution by the Ordinary Shareholders' Meeting of 21<sup>st</sup> November 2005 for the three year period from 2005 to 2007, and subsequently amended by means of the resolutions passed on 24<sup>th</sup> March and 14<sup>th</sup> June 2006, comes to an end.

You are therefore asked to (2.1) decide on the number of Board members; (2.2) decide on the term of office; (2.3) appoint the Directors; (2.4) appoint the Chairman of the Board of Directors and, finally, (2.5) decide on the annual remuneration due to the members of the Board.

**(2.1) Decision on the number of members of the Board of Directors**

Dear Shareholders,

With reference to the number of Directors to be appointed, you are reminded that, in accordance with the terms of article 16.1 of the Articles of Association, prior to electing the Board of Directors the Meeting must decide on the number of members to be appointed to the board, which should be no fewer than seven and no more than thirteen. You are therefore asked to decide on the number of members of the Board of Directors.

## **(2.2) Term of office**

Dear Shareholders,

You are reminded that, in accordance with the terms of article 16.2 of the Articles of Association and article 2383 of the Italian Civil Code, the Directors are appointed for a term of no more than three financial years. You are therefore asked to decide on the term of office of the Board of Directors.

## **(2.3) Appointment of Directors**

Dear Shareholders,

As mentioned in the notification of the meeting published in the second part of the Official Journal of the Republic of Italy, classified announcements page 24, the Board of Directors has to be appointed in accordance with the terms of articles 16 and 17 of the Company's Articles of Association.

In particular, you are reminded that each shareholder may submit and second the submission of a single list only, and may vote for that list only.

The members of the board are elected as follows:

- a) two thirds of the directors are elected from the list which obtained the greatest number of votes from the shareholders, in the sequential order in which they are set forth in the list. In the event that the number of members elected in this way is not a whole number, the number of members elected is rounded down to the nearest whole number;
- b) the remaining directors are taken from the other lists. To this end, the votes obtained by the lists in question are subsequently divided by one, two or three, as per the order in which the directors to be elected are numbered. The quotients thus derived are allocated in order to the candidates from each of the lists, in the order in which these are numbered. The quotients thus allocated to the candidates from the various lists are set forth in a single sliding scale. Those who have obtained the highest quotients are elected.

In the event that a number of candidates obtain the same quotient, the list candidate who has not yet elected any director or who has elected the smallest number of directors is elected.

If no-one from these lists has elected a director or they have all elected the same number of directors, the candidate from the list who has obtained the greatest number of votes is elected. In the event of equal list votes and quotient, the voting process shall be repeated by the entire Meeting, and the candidate who obtains the simple majority of votes shall be elected.

If a single list is submitted or no list is submitted, the meeting will resolve on a legal majority basis, without applying the procedure described above.

In light of the above, you are therefore asked to appoint the Board of Directors, by expressing your vote in favour from the list submitted by you, either alone or together with other shareholders, or, if you have not submitted or seconded the submission of any list, by expressing your vote in favour of one of the lists submitted.

## **(2.4) Appointment of the Chairman of the Board of Directors**

Dear Shareholders,

In accordance with the terms of article 18.1 of the Company's Articles of Association, the Ordinary Shareholders' Meeting has the right to appoint the Chairman of the Board of Directors. You are therefore asked to appoint the Chairman of the Board of Directors.

**(2.5) Determination of the annual remuneration due to the members of the Board**

Dear Shareholders,

Finally, you are reminded that in accordance with the terms of article 26.1 of the Company's Articles of Association, you are asked to determine the remuneration due to the Board of Directors. The gross annual remuneration paid to each member of the Board of Directors currently in office, as determined by the Meeting of 24<sup>th</sup> February 2006, is Euro 40,000 for the Chairman and Euro 30,000 for the Directors, on a pro rata basis in proportion to the term effectively in office.

The Board of Directors refrains from making specific proposals on this matter, and you are asked to decide on the basis of the proposals that might be made by the Shareholders in the course of the meeting.

**Point 3 on the agenda - Appointment of the Board of Auditors for the 2008-2010 three year period**

Dear Shareholders,

On the occasion of the Ordinary Shareholders' Meeting for the approval of the financial statements for the financial year ended 31st December 2007, convened for 31<sup>st</sup> March 2008 at first call and 1<sup>st</sup> April 2008 at second call, the Board of Auditors of the company, appointed by means of a resolution by the Ordinary Shareholders' meeting of 21<sup>st</sup> November 2005 for the three year period from 2005 to 2007, reaches the end of its term in office.

You are therefore asked to (3.1) appoint the Board of Auditors, consisting of three statutory auditors and two deputy auditors; (3.2) appoint the Chairman of the Board of Auditors, and (3.3) decide on the annual remuneration due to the members of the Board of Auditors.

**(3.1) Appointment of three Statutory Auditors and two Deputy Auditors**

Dear Shareholders,

As mentioned in the notification of the meeting published in the second part of the Official Journal of the Republic of Italy, classified announcements page 24, the Statutory and Deputy Auditors have to be appointed in accordance with the terms of articles 27 of the Company's Articles of Association.

More specifically, you are reminded that each shareholder may submit or second the submission of a single list only, whether directly, through an intermediary or through trust companies. Shareholders belonging to the same group and those adhering to a shareholders' agreement regarding company shares cannot submit or vote for more than one list, whether directly, through an intermediary or through trust companies.

The voting procedure for the auditors is as follows:

- a) two statutory auditors and one deputy auditor are elected from the list which has obtained the greatest number of votes, in the sequential order in which they are set forth in the sections of that list;

b) the remaining statutory auditor and deputy auditor are elected from the other lists, in accordance with the regulations in force. To this end, the votes obtained by the lists in question are subsequently divided by one. The quotients thus obtained are allocated to the candidates in each section of each list, in the order in which these are numbered. The quotients thus allocated to the candidates from each section of the various lists are entered in a single sliding scale. The candidates who have obtained the highest quotients in each section are elected.

If (i) a single list is submitted and/or voted, or (ii) if no list is submitted, the Meeting will decide on a legal majority basis, without applying the procedure described above, but in any case in such a way as to ensure that the Board of Auditors is formed as provided for in article 1, paragraph 1, of Ministerial Decree no. 162 of 30<sup>th</sup> March 2000 by the Minister of Justice.

If several candidates have obtained the same quotient, the candidate from the list that has not yet elected any auditor or which has elected the lowest number of auditors shall be elected.

If no-one from these lists has elected an auditor or all of them have elected the same number of auditors, the candidate from the list which has obtained the greatest number of votes will be elected. In the event of equal votes and equal quotients, the entire Meeting will repeat the voting process and the candidate who has obtained the simple majority of votes shall be elected.

We also wish to remind you that the Board of Auditors appointed by yourselves will remain in office for the 2008, 2009 and 2010 financial years, and will step down on the date of the Ordinary Shareholders' Meeting convened to approve the financial statements for the period ended 31<sup>st</sup> December 2010.

In light of the above, you are therefore asked to appoint three statutory auditors and two deputy auditors, by expressing your vote in favour of one of the lists submitted.

### **(3.2) Appointment of the Chairman of the Board of Auditors**

Dear Shareholders,

With reference to the appointment of the Chairman of the Board of Auditors, you are reminded that in accordance with the terms of article 148, paragraph 2 (ii), of Legislative Decree no. 58 of 24<sup>th</sup> February 1998, and article 27.2, final paragraph, of the Company's Articles of Association, the Chairman of the Board of Auditors is appointed from the statutory auditors elected from the minority list.

Without prejudice to the above, if a single list is voted or if no list is submitted, the Chairman of the Board of Auditors is appointed by the shareholders' meeting by means of the majorities as established in law (see article 27.2, final paragraph, of the Company's Articles of Association).

In accordance with the provisions referred to above, you are asked to appoint the Chairman of the Board of Auditors.

### **(3.3) Determination of the annual remuneration due to the members of the Board of Auditors**

Dear Shareholders,

Finally, you are reminded that you are asked to determine the remuneration due to the Board of Auditors. Pursuant to the terms of article 2402 of the Italian Civil Code and article 27.1 of the Company's Articles of Association, upon the appointment of the Board of Auditors the Shareholders' Meeting will determine the

annual remuneration due to the statutory auditors for the entire term of their office. The gross annual remuneration paid to each member of the Board of Auditors currently in office, as determined by the Meeting of 24<sup>th</sup> February 2006, is Euro 40,000 for the Chairman and Euro 20,000 for the other statutory auditors, on a pro rata basis in proportion to the term effectively in office.

The Board of Directors refrains from making specific proposals on this matter, and you are asked to decide on the basis of the proposals that might be made by the Shareholders in the course of the meeting.

Rome, 13<sup>th</sup> March 2008

Alessandro Pansa  
Chairman  
For the Board of Directors