



ANSALDO STS S.P.A.

REGISTERED OFFICE IN GENOA, VIA PAOLO MANTOVANI 3 - 5

SHARE CAPITAL EURO 60,000,000.00 FULLY SUBSCRIBED AND PAID UP

NUMBER OF REGISTRATION IN THE BUSINESS REGISTER OF GENOA AND TAX CODE 01371160662

SUBJECT TO DIRECTION AND COORDINATION BY FINMECCANICA S.P.A.

Ordinary and Extraordinary Meeting of the Shareholders

April 4 – 5, 2011

Explanatory Report of the Board of Directors

drafted pursuant to Art. 125-ter of Legislative Decree No. 58 of February 24, 1998

Item 2 of the agenda for the ordinary part of the meeting – Appointment of the Board of Directors

Dear Shareholders,

We inform you that, on the date of the ordinary Meeting convened on April 4, 2011 in first call and on April 5, 2011 in second call, the Board of Directors of the Company, appointed by resolution of the ordinary Meeting of April 1, 2008 for the three years 2008-2010, shall cease from office.

We therefore invite you to proceed to (2.1) define the number of the Board members; (2.2) define the relevant term of office; (2.3) appoint the Directors; (2.4) appoint the Board Chairman and, lastly, (2.5) define the annual fee for the Board members.

(2.1) Definition of the number of the Board members

Dear Shareholders,

with regard to the definition of the number of Directors, we remind you that, pursuant to art. 16.1 of the Articles of Association, before appointing the Board of Directors, the Meeting is bound to define the number of members of the administrative body, no less than seven and no more than thirteen. We therefore invite you to proceed to the definition of the number of the Board Members.

(2.2) Definition of the relevant term of office

Dear Shareholders,

We remind you that pursuant to art. 16.2 of the Articles of Association, directors are appointed for a period not exceeding three business years. We therefore invite you to proceed to the definition of the term of office of the Board of Directors.

(2.3) Appointment of the Directors

Dear Shareholders,

as was already indicated in the Meeting notice published in *Il Sole 24 Ore* and *Milano Finanza* on February 22, 2011, the appointment of the Board of Directors must be made in compliance with the provisions of arts. 16 and 17 of the Articles of Association.

In particular, we remind you that each Shareholder may submit or concur to submit one list only, and vote only such list. Any shareholders belonging to the same group or being parties to a shareholders' agreement concerning shares of the Company shall not submit or vote more than one list, even by proxy or through trust companies.

The directors shall be appointed as follows:

- a) two thirds of the directors to be appointed shall be drawn (any fraction being rounded-down to the preceding whole number) from the list that has obtained the majority of votes expressed by those entitled to vote, in the progressive order in which they appear in the same list;
- b) the remaining directors shall be drawn from the other lists; for such purpose, the votes obtained by such lists shall be divided successively by one, two, or three, depending on the progressive number of the directors to be elected. The quotients thus obtained shall be progressively assigned to the candidates of each of such lists, according to the order respectively indicated by the same lists. The quotients thus assigned to the candidates of the various lists shall then be ranked in a single list in decreasing order. The candidates with the highest quotients will be elected.

If more than one candidates receive the same quotient, the candidate of the list, which has not elected any director yet, or has elected the lowest number of directors shall be elected.

If none of such lists has elected a director yet, or all of them have elected the same number of directors, the candidate elected shall be, within such lists, the candidate of the one that has obtained the highest number of votes. In case of equal list votes, and always provided that the quotient is equal, a new vote shall be taken by the whole Meeting, and the candidate elected shall be the one that obtains the simple majority of votes.

In the event that only one list or no list is submitted, the Meeting shall adopt a resolution with the majority required by law, without following the procedure indicated above.

Moreover, for companies subject to direction and coordination by another company, either Italian or foreign, with shares listed on regulated markets, it is required that the Board of Directors be formed for the majority by independent directors in the meaning of Art. 37, subsection 1, letter d) and subsection 1-*bis*, of the Regulation adopted by the Consob [Italian Companies and Stock-Exchange Commission] by resolution No. 16191, dated October 29, 2007 as subsequently amended.

In light of the above, we therefore invite you to appoint the Board of Directors by expressing your vote in favour of the list submitted by yourselves, either alone or together with other Shareholders or, if you have not submitted or concurred to submit any list, in favour of one of the lists submitted.

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

Dear Shareholders,

pursuant to art. 18.1 of the Articles of Association, the ordinary Meeting is entitled to appoint the Chairman of the Board of Directors. We therefore invite you to proceed to the appointment of the Board Chairman.

(2.5) Definition of the annual fee for the Board Members

Dear Shareholders,

Lastly, we remind you that pursuant to art. 26.1 of the Company's Articles of Association, you are to define the fee to be paid to the Board of Directors. We point out that the gross annual fee for

each Board member currently in office, defined by a Meeting resolution dated April 1, 2008, is equal to Euro 60,000/year for the Chairman and Euro 40,000/year for the other directors.

The Board of Directors refrains from making specific proposals in this regard and invites you to deliberate on this matter on the basis of such proposals as may be advanced at the Meeting.

Item 3 of the agenda for the ordinary part of the meeting – Appointment of the Board of Statutory Auditors for the three years 2011-2013

Dear Shareholders,

We inform you that, on the date of the ordinary Meeting convened on April 4, 2011 in first call and on April 5, 2011 in second call,, the Board of Statutory Auditors of the Company, appointed by resolution of the ordinary Meeting of April 1st, 2008 for the three years 2008-2010, shall cease from office.

We therefore invite you to proceed to (3.1) appoint the three Statutory Auditors and the two Deputy Auditors; (3.2) appoint the Chairman of the Board of Statutory Auditors and (3.3) define the annual fee for the members of the Board of Statutory Auditors.

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

Dear Shareholders,

as was already indicated in the Meeting notice published in *Il Sole 24 Ore* and *Milano Finanza* on February 22, 2011, the appointment of the Statutory and Deputy Auditors must be made in compliance with the provisions of art. 27 of the Articles of Association.

In particular, we remind you that each Shareholder may submit or concur to submit one list only, and vote only such list, even by proxy or through trust companies. Any shareholders belonging to the same group or being parties to a shareholders' agreement concerning shares of the Company shall not submit or vote more than one list, even by proxy or through trust companies.

The Auditors shall be appointed as follows:

- a) two Statutory Auditors and one Deputy Auditor shall be drawn from the list that has obtained the majority of votes, in the progressive order in which they appear in the relevant sections of the same list;
- b) The remaining Statutory Auditor and the remaining Deputy Auditor shall be drawn from the other lists, in compliance with the applicable laws and regulations. For such purpose, the votes obtained by each section of such lists shall be divided by one. The quotients thus obtained shall be progressively assigned to the candidates of each section of each list, according to the order respectively indicated by the same lists. The quotients thus assigned to the candidates of each section of the various lists shall then be ranked in a single list in decreasing order. For each section, those who have obtained the highest quotients shall be elected.

In the event that only one list is submitted and/or voted, or no list is submitted, the Meeting shall adopt a resolution with the majority required by law and without following the procedure indicated above, but however in such manner as to ensure a composition of the Board of Statutory Auditors complying with the provisions of Art. 1, subsection 1 of the Decree of the Minister of Justice No. 162 of March 30, 2000.

If more than one candidates receive the same quotient, the candidate of the list, which has not elected any Auditor yet, or has elected the lowest number of Auditors shall be elected.

If none of such lists has elected an Auditor yet, or all of them have elected the same number of Auditors, the candidate elected shall be, within such lists, the candidate of the one that has obtained the highest number of votes. In case of equal list votes, and always provided that the quotient is equal, a new vote shall be taken by the whole Meeting, and the candidate elected shall be the one that obtains the simple majority of votes.

We also point out that the Board of Statutory Auditors you are going to appoint shall remain in office for the financial years 2011, 2012, 2013 and the terms of its members shall expire on the date of the ordinary Meeting called to approve the financial statements as at December 31, 2013.

In light of the above, we therefore invite you to proceed 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 Statutory Auditors

Dear Shareholders,

with regard to the appointment of the Chairman of the Board of Statutory Auditors, we point out that pursuant to Art. 148, subsection 2-*bis*, of Legislative Decree No. 58, dated February 24, 1998, and to art. 27.2, last subsection of the Company's Articles of Association, the Chairman of the Board of Statutory Auditors is to be appointed among the Statutory Auditors of the minority list.

The above being stated, in the event that only one list or no lists are submitted, the Chairman of the Board of Statutory Auditors shall be appointed by the Meeting with the majority required by law (see art. 27.2, last subsection, of the Company's Article of Association).

Pursuant to the provisions referred to above, we invite you to appoint the Chairman of the Board of Statutory Auditors.

(3.3) Definition of the annual fee for the members of the Board of Statutory Auditors

Dear Shareholders,

Finally, we remind you that you are called to define the fee to be paid to the Board of Statutory Auditors. Pursuant to Art. 2402 of the Italian Civil Code and art. 27.1 of the Company's Articles of Association, upon the appointment of the Board of Statutory Auditors, the Meeting is to define the annual fee to which the Statutory Auditors are entitled for the entire term of their office. We point out that the fees of the Board of Statutory Auditors currently in office are equal to Euro 60,000/year for the Chairman and Euro 40,000/year for the other Statutory Auditors.

The Board of Directors refrains from making specific proposals in this regard and invites you to deliberate on this matter on the basis of such proposals as may be advanced at the Meeting.

Rome, February 18, 2011

For the Board of Directors
The Chairman
(Alessandro Pansa)