



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. 72 of the Regulation adopted by the Consob by Resolution No. 11971/1999, as subsequently amended.

Item 1 of the agenda for the extraordinary part of the Meeting - Amendments to articles 11, 15 and 23 of the Company's By-Laws. Related resolutions

Dear Shareholders,

with respect to the first item of the agenda for the extraordinary part of the Meeting, you are called to discuss and deliberate on the proposal for amendment of certain provisions of the By-Laws of Ansaldo STS S.p.A. (the "**By-Laws**"), in order to implement certain novelties introduced by Legislative Decree No. 27 of January 27, 2010, which transposed the directive 2007/36/EC of July 11, 2007 on shareholders' rights ("**Lgs. Decree 27/2010**"). Such legislative decree, which contains provisions aimed at facilitating participation in meetings by shareholders of listed companies, also for the purpose of encouraging an activity, on the part of the same, of monitoring and influence on the good governance of such companies, has already been partially implemented in the By-Laws by the resolution adopted by the Board of Directors on November 26, 2010, pursuant to Articles 2365, subsection 2, of the Italian Civil Code and 23.2, letter a), of the By-Laws.

The proposed amendments are also aimed at introducing the necessary provisions in the By-Laws to give full effect to the rules contained in articles 6.2.2 (ii), 6.2.5 and 10.2, letter (d), of the procedure adopted by the Company to the effects and purposes of the

Regulation adopted by the Consob by resolution No. 17221/2010, as subsequently amended and integrated, regarding related-party transactions (the “**Related Party Regulation**”).

This being stated, we illustrate below the proposed amendments to articles 11, 15 and 23 of the By-Laws.

Article 11

Article 11.2

Further to the amendments brought by Lgs. Decree 27/2010 to Art. 154-*ter* of Legislative Decree No. 58 of February 24, 1998 (Consolidation Act on Finance, the “**TUF**”), it has been reintroduced for listed companies the right to extend the period for the approval of financial statements by the Meeting up to one hundred and eighty days of the end of the financial year, without prejudice to the provisions of Art. 2364, subsection 2 of the Italian Civil Code. Pursuant to this latter article, the By-Laws may set out a longer period (however not exceeding one hundred and eighty days) for the approval of the annual financial statements in the event that the Company is obliged to draw up consolidated financial statements, or if there are particular needs relating to the company structure or purpose. Considering that the Company is obliged to draw up consolidated financial statements, it is proposed to reintroduce in art. 11.2 of the By-Laws the possibility to approve the annual financial statements within one hundred and eighty days of the end of the corporate year. The obligation to approve and publish draft financial statements within one hundred and twenty days of the end of the corporate year, pursuant to Art. 154-*ter*, subsection 1, of the TUF, remains however unprejudiced.

Current Text¹	Proposed text
<p>Article 11.2 The ordinary meeting shall be called at least once a year for approval of the financial statements, within one hundred and twenty days of the end of the financial year.</p>	<p>Article 11.2 The ordinary meeting shall be called at least once a year for approval of the financial statements, within one hundred and twenty days of the end of the financial year, <i>or within one hundred and eighty days insofar as the Company is obliged to draw up consolidated financial statements, or whenever particular needs relating to the Company structure and purpose so require.</i></p>

¹ For each proposal, the text of the current provisions of the By-Laws involved in the proposed amendments is reported for comparison, showing the proposed changes in the “proposed text” column, enhanced in bold type, and the parts of text which we propose to remove in the “current text” column, in bold type, crossed out.

Article 11

Article 11.4

Pursuant to Art. 2369, subsection 1 of the Italian Civil Code, the By-Laws of companies which have recourse to the market of risk capital may exclude recourse to subsequent calls by introducing the possibility for the meeting to be held in one single call, subject, for ordinary meetings, to the majorities required for the second call and, for extraordinary meetings, to the majorities required for calls subsequent to the second one. In order to simplify the Meeting convocation procedure, it is proposed to amend the By-Laws by providing that – although the meeting is normally held in more than one calls – the Board of Directors may decide, if it deems it appropriate, that the meeting be held in one call only. This implies that the Board of Directors, in the exercise of its technical discretion, may evaluate whether the mechanism of multiple calls should be used, or the single-call one, and in this second case, it shall make specific mention thereof in the meeting notice. This amendment implies that references to subsequent calls in the By-Laws should be changed in order to consent that the Meeting may also be held in a single call.

Current Text	Proposed text
	<i>11.4 Ordinary and extraordinary meetings are normally held further to more than one calls. However, the Board of Directors may decide, if it so deems appropriate and giving a specific indication thereof in the meeting notice, that both ordinary and extraordinary meetings may be held further to one single call.</i>

Article 15

Article 15.2 and ff.

Pursuant to the joint provisions of art. 8, subsection 2, of the Related Party Regulation and of art. 6.2.2 (ii) of the procedure for related-party transactions adopted by the Company (and available on the Internet site of the same), the Board of Directors may approve related-party transactions of greater importance (as defined in the procedure) notwithstanding a negative opinion of the Committee for Related-Party Transactions, provided that the such transactions are authorised by the meeting, which shall take a resolution in compliance with the provisions of art. 11, subsection 3, of the Related Party Regulation. In particular, in such events the operation cannot be performed when the majority of the non-related voting shareholders express a contrary vote, provided that the non-related shareholders present at the Meeting represent at least 10% of the share capital. Considering that the mechanism for the authorisation to carry out related-party transactions (so-called *whitewash*) may only apply if it is expressly consented by the By-Laws, it is proposed to state in art. 15 that the Meeting shall be competent to authorise such transactions pursuant to Art. 2364, subsection 1, 5), of the Italian Civil Code.

It is also proposed to specify in the By-Laws that, in the case of transactions for which the meeting is competent, if the Board of Directors intends to submit to the Meeting a transaction of greater relevance notwithstanding a contrary opinion of, or however without taking account of the observations formulated by, the Committee for Related-Party Transactions, the transaction shall not be carried out if the majority of the non-related voting shareholders vote against such transaction, provided, though, that the non-related shareholders present at the Meeting represent at least 10% of the share capital entitled to vote.

Lastly, in consistency with the introduction of the possibility to provide a single call for shareholders' meetings, it is proposed to amend the original art. 15.2, in order to add a reference to such single call.

Current Text	Proposed text
<p>15.2 Resolutions, both in ordinary and in extraordinary meetings, in first, second or third call, are taken with the majorities required by the law in the single cases, except for what is provided for elections to corporate offices, for which the provisions of articles 16.3 and 27.2 shall apply</p> <p>15.3 All meeting resolutions taken in compliance with the law and with these By-Laws shall bind all shareholders, even though not present or dissenting.</p> <p>15.4 Votes in meetings, both ordinary and extraordinary, shall be taken in accordance with the procedures established by the meeting chairperson, and however in compliance with the legal provisions.</p> <p>15.5 The minutes of ordinary meetings shall be undersigned by the chairperson and the secretary of the meeting.</p> <p>15.6 The minutes of extraordinary meetings shall be drafted by a Notary Public.</p> <p>15.7 The copies of the minutes, authenticated by the chairperson or the person acting on his/her behalf and by the secretary, provide full evidence even before third parties.</p>	<p>15.2 <i>Pursuant to the Procedure for related-party transactions adopted by the Company and available on the Internet site of the same:</i></p> <p><i>(a) the Meeting may, pursuant to Art. 2364, subsection 1, No. 5), of the It. Civil Code, authorise the board of directors to carry out related-party transactions of greater importance, notwithstanding a negative opinion of the Committee for related-party transactions, on condition that, apart from the application of the majorities required by the law, the majority of the non-related voting shareholders do not express a contrary vote, and that the non-related shareholders present at the Meeting represent at least 10% of the share capital entitled to vote;</i></p> <p><i>(b) if the Board of Directors intends to submit to the Meeting a transaction of greater relevance notwithstanding a contrary opinion of, or however without taking account of the observations formulated by, the Committee for Related-Party Transactions, the transaction may be carried out if, apart from the application of the majorities required by the law, the majority of the non-related voting shareholders do not vote against such transaction, and the non-related shareholders present at the Meeting represent at least 10% of the</i></p>

	<p>share capital entitled to vote.</p> <p>15.3 Resolutions, both in ordinary and in extraordinary meetings, in first, second or third call, or in single call, are taken with the majorities required by the law in the single cases, except for what is provided for elections to corporate offices, for which the provisions of articles 16.3 and 27.2 shall apply</p> <p>15.4 All meeting resolutions taken in compliance with the law and with these By-Laws shall bind all shareholders, even though not present or dissenting.</p> <p>15.5 Votes in meetings, both ordinary and extraordinary, shall be taken in accordance with the procedures established by the meeting chairperson, and however in compliance with the legal provisions.</p> <p>15.6 The minutes of ordinary meetings shall be undersigned by the chairperson and the secretary of the meeting.</p> <p>15.7 The minutes of extraordinary meetings shall be drafted by a Notary Public.</p> <p>15.8 The copies of the minutes, authenticated by the chairperson or the person acting on his/her behalf and by the secretary, provide full evidence even before third parties.</p>
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Article 23

Article 23.4

Pursuant to art. 13, subsection 6, of the Related-Party Regulation, the procedures for related-party transactions may provide, where it is permitted by the By-Laws and on condition that the Shareholders' Meeting is not competent with regard to such transaction and the relevant authorisation, that, in case of urgency, such transaction may be carried out in derogation from the provisions of articles 7 and 8 of the Related-Party Regulation. The obligation to comply with the requirements under art. 13 of the said Regulation remains however unprejudiced.

In adopting its procedure for related-party transactions (art.10.2, letter d)), the Company has provided for the possibility to avail of such simplified procedure as it has considered that the interests of the Company and of the Shareholders are however ensured by the particular protection given by art. 13, subsection 6, of the Related-Party Regulation.

This being stated, since the said procedure may only apply provided that it is expressly

permitted by the By-Laws, it is proposed to include in art. 23 a specific clause to that effect. The proposed clause regards even transactions carried out through subsidiaries, insofar as (i) art. 10.3 of the procedure for related-party transactions adopted by the Company provides that even such transactions may benefit from the simplified procedure and (ii) paragraph 20.2 of the interpretive notice of the Consob No. DEM/10078683 of September 24, 2010 specifies that listed companies must in such cases include a specific provision in their By-Laws.

Current Text	Proposed text
	<p>23.4 In cases of urgency, the Board of Directors or the competent body may, either directly or through subsidiaries, carry out related-party transactions, provided that the Meeting is not competent with regard to such transactions and the relevant authorisation, by applying the simplified rules set out by the Procedure for related-party transactions adopted by the Company and available on the Internet site of the same.</p>

The proposed amendments do not imply a right of withdrawal under Art. 2437 of the Italian Civil Code for those shareholders who do not concur to approve them.

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Dear Shareholders,

if you agree with the proposed amendments as formulated above, we invite you to approve the following resolution:

“The extraordinary Meeting of the shareholders of ANSALDO STS S.p.A. of April 4 – 5, 2011, having examined the Board of Directors’ Report,

resolves

a) *to amend articles 11, 15 and 23 of the Company By-Laws as indicated below:*

Article 11

Article 11.2

Current Text	Proposed text
<p>Article 11.2 The ordinary meeting shall be called at least once a year for approval of the financial statements, within one hundred and twenty days of the end of the corporate year.</p>	<p>Article 11.2 The ordinary meeting shall be called at least once a year for approval of the financial statements, within one hundred and twenty days of the end of the financial year, or</p>

	<i>within one hundred and eighty days insofar as the Company is obliged to draw up consolidated financial statements, or whenever particular needs relating to the Company structure and purpose so require.</i>
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Article 11

Article 11.4

Current Text	Proposed text
	<i>11.4 Ordinary and extraordinary meetings are normally held further to more than one calls. However, the Board of Directors may decide, if it so deems appropriate and giving a specific indication thereof in the meeting notice, that both ordinary and extraordinary meetings may be held further to one single call.</i>

Article 15

Article 15.2 – 15.8

Current Text	Proposed text
<p>15.2 Resolutions, both in ordinary and in extraordinary meetings, in first, second or third call, are taken with the majorities required by the law in the single cases, except for what is provided for elections to corporate offices, for which the provisions of articles 16.3 and 27.2 shall apply</p> <p>15.3 All meeting resolutions taken in compliance with the law and with these By-Laws shall bind all shareholders, even though not present or dissenting.</p> <p>15.4 Votes in meetings, both ordinary and extraordinary, shall be taken in accordance with the procedures established by the meeting chairperson, and however in compliance with the legal provisions.</p> <p>15.5 The minutes of ordinary meetings shall be undersigned by the chairperson and the</p>	<p><i>15.2 Pursuant to the Procedure for related-party transactions adopted by the Company and available on the Internet site of the same:</i></p> <p><i>(a) the Meeting may, pursuant to Art. 2364, subsection 1, No. 5), of the It. Civil Code, authorise the board of directors to carry out related-party transactions of greater importance, notwithstanding a negative opinion of the Committee for related-party transactions, on condition that, apart from the application of the majorities required by the law, the majority of the non-related voting shareholders do not express a contrary vote, and that the non-related shareholders present at the Meeting represent at least 10% of the share capital entitled to vote;</i></p>

<p>secretary of the meeting .</p> <p>15.6 The minutes of extraordinary meetings shall be drafted by a Notary Public.</p> <p>15.7 The copies of the minutes, authenticated by the chairperson or the person acting on his/her behalf and by the secretary, provide full evidence even before third parties.</p>	<p><i>(b) if the Board of Directors intends to submit to the Meeting a transaction of greater relevance notwithstanding a contrary opinion of, or however without taking account of the observations formulated by, the Committee for Related-Party Transactions, the transaction may be carried out if, apart from the application of the majorities required by the law, the majority of the non-related voting shareholders do not vote against such transaction, and the non-related shareholders present at the Meeting represent at least 10% of the share capital entitled to vote.</i></p> <p>15.3 Resolutions, both in ordinary and in extraordinary meetings, in first, second or third call, <i>or in single call</i>, are taken with the majorities required by the law in the single cases, except for what is provided for elections to corporate offices, for which the provisions of articles 16.3 and 27.2 shall apply</p> <p>15.4 All meeting resolutions taken in compliance with the law and with these By-Laws shall bind all shareholders, even though not present or dissenting.</p> <p>15.5 Votes in meetings, both ordinary and extraordinary, shall be taken in accordance with the procedures established by the meeting chairperson, and however in compliance with the legal provisions.</p> <p>15.6 The minutes of ordinary meetings shall be undersigned by the chairperson and the secretary of the meeting.</p> <p>15.7 The minutes of extraordinary meetings shall be drafted by a Notary Public.</p> <p>15.8 The copies of the minutes, authenticated by the chairperson or the person acting on his/her behalf and by the secretary, provide full evidence even before third parties.</p>
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Article 23

Article 23.4

Current Text	Proposed text
	<i>23.4 In cases of urgency, the Board of Directors or the competent body may, either directly or through subsidiaries, carry out related-party transactions, provided that the Meeting is not competent with regard to such transactions and the relevant authorisation, by applying the simplified rules set out by the Procedure for related-party transactions adopted by the Company and available on the Internet site of the same.</i>

b) to entrust the Chairperson of the Board of Directors and the Managing Director, even separately and even through special attorneys, with addressing all requirements and formalities however connected with or consequent to this resolution and with bringing to this latter any changes as may be necessary for the purposes of its registration in the Business Register”.

Rome, February 18, 2011

For the Board of Directors
The Chairman
(Alessandro Pansa)