



**ANSALDO STS S.p.A.**

With registered office in Genoa, Via Paolo Mantovani 3-5

Share capital Euro 60,000,000.00 fully subscribed and paid up

Registration number in the Business Register of Genoa and Taxpayer's Code 01371160662

Subject to direction and coordination of Finmeccanica S.p.A.

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**REPORT BY THE BOARD OF STATUTORY AUDITORS**

**Submitted to the Shareholders' Meeting of Ansaldo STS SpA**

Dear Shareholders,

pursuant to art. 2429 of the Italian Civil Code, to art. 153, 1<sup>st</sup> paragraph of the Legislative Decree No. 58 of February, 24<sup>th</sup> 1998, we hereby inform you that during the financial year ended on December, 31<sup>st</sup> 2010 we carried out our auditing activities in compliance with the provisions of the Italian Civil Code, under art. 148 *et. seq.* of the aforesaid Legislative Decree, with the *Testo Unico* (Comprehensive Act) on Legal Auditing (Legislative Decree No. 39/2010), as well as with the indications contained within the CONSOB recommendations (National Commission for Companies and Stock Exchange), and by taking into account the auditing standards and criteria recommended by the Italian National Council of Accountants and Tax Advisers.

This report has been drafted pursuant to and in compliance with the current law regarding Companies listed on the stock exchange, in consideration of the fact that shares of ANSALDO STS S.p.A. have been negotiated by the STAR segment for the financial markets managed by Borsa Italiana S.p.A. since March, 29<sup>th</sup> 2006 and that since March, 23<sup>rd</sup> 2009 they have been included in the FTSE MIB Index.

We hereby refer to the auditing activities under legal provisions that were carried out by us during

the financial year ended on December, 31<sup>st</sup> 2010.

In particular, we:

- attended all the meetings of the Board of Directors, for a total of twelve meetings, where we were informed of the activities carried out and of the most important operations performed by the Company and its subsidiaries. In this context we received from the Managing Director a quarterly report about the execution of powers;
- attended six periodic meetings, where a mutual exchange of information with the auditing company and the Managing Director took place, to ascertain that no imprudent or reckless operation, or activities with a potential conflict of interest or in contrast with the law or with the By-Laws, or with the resolutions issued by the shareholders' meeting or such to jeopardize the integrity of the corporate assets, were carried out;
- collected further information about the organizational structure of the Company by examining, during periodic meetings, the progress of the re-organizational project of Ansaldo STS Group and by meeting the relevant managers of the Company;
- attended five meetings of the Remuneration Committee, thus acquiring knowledge of the work performed during the financial year;
- received from the Internal Control Committee the information about current activities, audit programs and implementation projects of the internal control system, also by attending seven meetings of the Committee, where we were acquainted with the activities carried out by the Committee itself;
- periodically examined, within the assessment activities for the adequacy of the internal control system adopted, the updated mapping of risks related to the company and its subsidiaries and we received, from the Person in Charge of Internal Control, according to the assessment of the risk map and overall monitoring of the internal control system, a positive assessment about the adequacy of the examined system in obtaining an acceptable overall risk profile;

- examined the documents governing the intercompany financial, industrial and supporting operations, which can be reasonably considered as complying with the principles of good management and compatible with the corporate By-Laws and coherent with the spirit of current law provisions;
- verified that no irregular and/or unusual operation was carried out, as defined in the CONSOB memorandum DEM/6064293 of July, 28<sup>th</sup> 2006, with other Group companies or related parties or third parties, as per the confirmation in the indications given by the Board of Directors, by the Auditing Company and the internal Watch Officer;
- supervised the methods of real implementation of the corporate governance rules provided in the code of self-discipline adopted by Borsa Italiana S.p.A. that the company agreed upon, including the assessment by the Board of Directors and by internal Committees;
- drafted the proposal issued at the Company meeting held on April, 23<sup>rd</sup> 2010 regarding item 4 on the agenda “Proposal for Adjusting the Fees Due to the Auditing Company PricewaterhouseCoopers S.p.A”, suggesting to increase to Euro 450,000.00, per each financial year, the amount due for the auditing services referred to Ansaldo STS S.p.A. for financial years 2009 to 2014, due to the greater volume of activities that the auditing company has to carry out because of additional auditing procedures, so-called “system assurance” procedures, which have to be carried out on SAP system and Hyperion System 9 for Ansaldo STS Espana SA and Ansaldo STS Australia Pty;
- ascertained the adjustment of the functions of the Board of Statutory Auditors due to the variations defined under art. 19, 1<sup>st</sup> paragraph of the Legislative Decree No. 39/2010, which assigned to the Board the supervision, among the others, on legal auditing of annual and consolidated accounts, as well as on the independence of the legal auditor or of the legal auditing company, with particular reference to the non auditing services rendered to the company subject to legal auditing;

- implemented, during our meetings, the reports of quarterly audits carried out by the auditing company pursuant to article 19 of the Legislative Decree No. 39/2010 and to the CONSOB memorandum No. 23932 of March, 29<sup>th</sup> 1999 in order to verify the regular corporate book-keeping as well as the correct reporting of management facts in book-keeping entries;
- ascertained that the Company adjusted the Management Organization and Control Model during 2010 pursuant to Legislative Decree 231/01 and Ethical Code, in order to make it compliant with the new provisions of July/August 2009 and consistent with the new organization adopted by the Company and which is based upon an integrated management of the different situations of Ansaldo STS Group;
- express a favourable opinion for the compliance of the Procedure for Operations with Related Parties arranged by the Company with the principles under the Consob Regulations reporting provisions for such operations as adopted through the resolution No. 17221 of March, 12<sup>th</sup> 2010 and amended through the resolution No. 17389 of June, 23<sup>rd</sup> 2010;
- attested, on the basis of the statements issued by Directors and after having considered the evaluations provided by the Board, that the assessment criteria and procedures adopted by the Board for assessing its members' independence were duly applied;
- successfully carried out the annual audit assessing that independence criteria were met for each of our members, as required by the Code of Self-Discipline;
- waived, upon the reasonable request of the Company, the terms required for the notification of the Draft Financial Statements under art. 154-ter, paragraph 1-ter, of the *Testo Unico* (Comprehensive Act) on Finances;
- received, in compliance with legal provisions, from the Board of Directors the draft financial statements for the financial year 2010 and the relevant Ansaldo STS S.p.A. management report, as well as the consolidated financial statements of Ansaldo STS for 2010 within the terms agreed in the request and in the waiver hereinbefore;

- ascertained that the Directors, in compliance with the recommendations given by CONSOB, identified in the management report the operations carried out with the Group Companies and with related parties. On our side we verified, thanks to the assistance provided by the Person in Charge of Internal Control, the compliance with the procedures aimed at guaranteeing that the same were concluded upon fair conditions and met the interests of the Company.
- examined the annual report prepared by the Internal Control Committee including the Corporate Governance report drafted by the Company;
- supervised, pursuant to art. 19, 1<sup>st</sup> paragraph of the Legislative Decree No. 39/2010, the process for financial reporting, the efficacy of internal control systems, of internal review and of risk management, the legal auditing of annual and consolidated accounts, the independence of the legal auditing company, with particular reference to the non-auditing services rendered to the Company;
- received, pursuant to art. 19, 3<sup>rd</sup> paragraph of the Legislative Decree No. 39/2010, the report by the auditing company, reporting the main issues arisen during the legal auditing and any significant failure detected in the internal control system with respect to the process of financial reporting, that did not identify any failure.
- received, pursuant to provisions under art. 17, 9<sup>th</sup> paragraph, letter a) of the Legislative Decree No. 39/2010, from the legal auditing company of the Company, the confirmation of their independence, as well as the notification of the non legal auditing services rendered by the legal auditing company and by its affiliates to the Company;
- discussed, pursuant to provisions under art. 17, 9<sup>th</sup> paragraph, letter b) of the Legislative Decree No. 39/2010, with the legal auditing company the risks connected with their independence as well as the measures adopted by the legal auditing company to reduce such risks.

On this account please note that in 2010 we did not receive any evidence of assignments other than legal auditing services on annual and consolidated accounts to PricewaterhouseCoopers S.p.A., to

its affiliates, members, directors, members of its supervising bodies and/or employees of such legal auditing company, with the sole exception of the assignments hereinafter that, however, were duly authorized by the Board of Directors of the Company:

- (i) on May, 27<sup>th</sup> 2010 they resolved upon the assignment aimed at the evaluation of the English translation of the Report on Sustainability for 2009 of Ansaldo STS Group amounting to Euro 7,700;
- (ii) on November, 2<sup>nd</sup> 2010 they resolved upon the assignment aimed at the drafting and submission of income-tax return forms for Ansaldo Honolulu JV amounting to USD 5,000 charged to JV;
- (iii) on December, 13<sup>th</sup> 2010 they resolved upon the assignment – consisting of two phases – aimed at the review of financial instruments of Ansaldo STS Group amounting up to Euro 76,000, according to the degree of meticulousness as required by the Company. The amount resulting as of December, 31<sup>st</sup> 2010 is of Euro 12,000. This assignment, still being executed, shall end in the third quarter of 2011.

For the exhaustiveness of this report, we hereby state that - in addition to that - on January, 26<sup>th</sup> 2011, the Board of Directors of the Company authorized the assignment to PricewaterhouseCoopers S.p.A. aimed at the implementation of assurance procedures and at auditing the financial statements on Sustainability for the financial years 2010 and 2011. In particular, this assignment includes a preliminary analysis on the Report on Sustainability 2009 (so-called pre-audit), aimed at assessing the planning, the drafting process, the coordination among the different functions involved in the report, as well as the methods for the application of the drafting principles adopted (GRI); such preliminary analysis also includes the review and the assessment of the reporting system used for the management of collected data and qualitative information as reported in the document itself. As far as the Assurance and auditing activities on the Financial Statements of Sustainability for financial years 2010 and 2011 are concerned, please note that they shall be carried out by PricewaterhouseCoopers S.p.A. according to the principles and instructions under the International

Standard on Assurance Engagement 3000 (ISAE 3000) of the International Auditing and Assurance Standard Board (IAASB), aimed at the issuing of a compliance certification, consisting of a negative assurance, referred to the Financial Statements as a whole, as well as of certification stating the level of application of the guidelines provided in the Global Reporting Initiative, which shall be of level A or B. The total amount due for this assignment for both years to PricewaterhouseCoopers S.p.A. is of Euro 114,900.

The Board of Statutory Auditors verified that all the above mentioned assignments include services other than the ones under articles 10 and 17 of the Legislative Decree 39/2010.

No report as per art. 2408 of the Italian Civil Code, nor complaint of any kind by third parties was notified.

During the course of the monitoring activities no omission, reprehensible fact or irregularity of any kind was detected.

Whereas, as far as we are responsible, we verified:

- the compliance with legal provisions, By-laws and accounting principles for a correct management;
- the suitability and correct operation of the corporate organizational structure, internal control system and administrative-accounting system;
- the compliance with legal provisions concerning the drafting and the layout of the Statutory Financial Statements, Consolidated Financial Statements for the Group and management reports, also by means of direct assessments and information provided by the auditing company;
- the compliance of the Procedure for Operations with Related Parties as provided by the Company pursuant to Consob Regulations No. 17221 of March, 12<sup>th</sup> 2010, with the principles reported in the Regulations themselves, as well as the effective compliance of the Procedure by the Company.
- the adequacy of the instructions provided by the Company to its affiliates.

Furthermore, the Auditing Company submitted its reports to the Board of Auditors on the Statutory

Financial Statements and Consolidated Financial Statements for the Group, issued pursuant to art. 14 of Legislative Decree 39 of January, 27<sup>th</sup> 2010, reporting their opinion without findings on the individual financial statements for the company and consolidated financial statements for the group. In consideration of the above, we kindly ask you to approve the financial statements as of December, 31<sup>st</sup> 2010 submitted by the Board of Directors together with the management report, as well as the proposal for the allocation of the operating profit.

Milan, March, 10<sup>th</sup> 2011

THE BOARD OF STATUTORY AUDITORS

(Mr Giacinto Sarubbi)

(Mr Massimo Scotton)

(Ms Francesca Tripodi)