2020 Consolidated Financial Statements

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(*) This document has been translated into English from the Italian original solely for the convenience of international readers


ANSALDO
ENERGIA

Contents


OMC

Significant data

ORDERS	**2020: € 1,464.7 M** **2019:** € 1,374.8 M	ORDER BACKLOG	**2020: € 4,697.7 M** **2019:** € 4,396.4 M
REVENUE	**2020: € 1,089.1 M** **2019:** € 984,1 M	EBIT	**2020: € 1.4 M** **2019:** € (233.5) M
NET RESULT	**2020: € (102.8) M** **2019:** € (255.7) M	FREE OPERATING CASH FLOW	**2020: € 36.0 M** **2019:** € (106.8) M
NET FINANCIAL DEBT	**2020: € (896) M** **2019:** € (1,162.5) M	HEADCOUNT (AT THE END OF THE YEAR)	**2020: 3,308** **2019:** 3,451

Report on operations

Dear shareholders

The year 2020 was unfortunately dominated by the development and spread of the COVID-19 pandemic, with no area of the world being spared.
Your Group swiftly responded in every country in which it operates, with all its components, in an effort to minimise the negative impacts of this crisis.
Nonetheless, as will be described in detail below, the economic and financial results were satisfactory. But, more importantly, the health of all the workers was able to be protected thanks to the enactment of strict health protocols and measures to contain the risk of contagion, and the provision of personal protective equipment immediately during the first few days of the March lockdown.
All the workers were provided with specific types of masks based on the risk assessment, and gloves wherever required, and workplace sanitation and safety measures were implemented, complete with the positioning of plexiglass barriers in the crowded offices and in the canteen, and the placement of special signs indicating the appropriate measures and conduct to be adopted. Also, in order to ensure increased social distancing, and therefore greater safety for the workers, new locker rooms were built to help disperse the influx of people onto the company's premises, thus allowing the factories to be reopened earlier than expected after the lockdown.

For all the workers who had the possibility, the use of smart working was greatly encouraged, with a significant effort being made in terms of the provision of individual IT equipment.
All this allowed us to limit the number of worker infections as much as possible, and to avert any potential outbreaks. As explained below, Ansaldo has adhered to the Biosafety Trust Readiness programme.
As required by the new regulations on financial statements issued by the competent international bodies after the onset of the pandemic, the following disclosure contains specific information about the pandemic's possible impacts on the Group's business, risks, operating results, and operations.

COVID-19 and its impacts on Ansaldo Energia Group's consolidated financial statements

The COVID-19 pandemic has been characterised as a critical event, not only from a health perspective, but also from an economic and social standpoint, as it had dramatic effects on unemployment, social inequalities, and entire production sectors.
The pandemic led to one of the worst recessions in world history, with alarming drops in the GDPs of various countries. The governments of these countries reacted by approving major support measures for businesses and households, although these were unable to prevent the ensuing phenomena of unemployment and market decline.
Due to the COVID-19 pandemic, the range of possible assumptions underlying the estimates has become broader, and a detailed disclosure indicating the management's opinions, in application of accounting policies, as well as the main risks characterising the financial statements, in accordance with the provisions of IAS 1, has therefore been provided in the explanatory notes to the financial statements. In this specific case, if there are significant changes in the strategies, objectives and management and control policies as a result of the pandemic crisis, adequate information will be provided in the notes to the risks section.
Ansaldo Group responded swiftly and decisively to the difficulties posed by the crisis, and, after English a lockdown period that lasted for about 50 days between March and April 2020, the Parent Company was among the first in Italy to resume its production activities, while at the same time guaranteeing extremely high safety standards for its workers and staff. Thanks to the efforts made, the full use of the available workforce was able to be restored in just a few weeks' time, also as a result of agreements made with the Trade Unions.
In particular, thanks to the efforts made by all the operators, who worked during the weekends, and the reduction of the summertime closure period to just one week instead of two, the Genoa production site managed to recover most of the hours lost due to the lockdown.
The effects of the pandemic were naturally extremely prominent during the first half of the year, and led to:

- a slowdown in internal production, which was almost entirely recovered during the second half;
- significant limitations or an inability to access construction sites;
- delays in the procurement of materials on the part of suppliers, who were also impacted by the lockdown.

The effects described under the second and third points reappeared again during the last quarter of the year due to the second wave of the pandemic. The Group responded proactively in this case as well, limiting the negative effects to a minimum.

Before addressing the possible impacts that this crisis might have had on the Group's business, several considerations must be taken in to account.
The main negative effect of the COVID-19 pandemic was a slowdown in the negotiations for the sale of certain entities, or rather the subsidiaries Power Systems Mfg., LLC, Ansaldo Thomassen B.V., Ansaldo Energia Holding USA Corporation, and four other minor companies.
This sale was originally planned to take place in late 2020, but was postponed to the first few months of the 2021 financial year.
Based on documents that have since been concluded with the buyer, and pending only the latest authorisations from the competent bodies, the agreement is being finalised at a price whose implications are better described further ahead.
Moreover, within the context of the capital increase and bank debt renegotiation operation described below, a sensitivity analysis was conducted, which assumed the sale of the aforementioned entities at a value of EUR 105 million, an amount which has been largely exceeded by the transaction in progress.
It should also be noted that the Group's business dealings, which are managed through long-term contracts, were not too heavily impacted by the pandemic; in fact, there were no order cancellations or other significant decreases in activity on the part of customers, but only a certain shift in the revenues and margins expected for the coming years. This is demonstrated by the excellent results obtained in terms of orders, which increased by 6.5% with respect to 2019 (already a record year), and by the total final revenue, which increased by 10.7% with respect to the previous year, when the pandemic was not a factor. As will be noted later, despite the extreme difficulties posed by the socio-economic context and the health crisis, the Group managed to obtain satisfactory results thanks to the efforts made by all of its member companies over the past year.
As detailed below, on the markets with the greatest ties to the oil industry, there have been slowdowns in the development of certain projects that could have an impact on the upcoming 2021 fiscal year, and there could also be delays in obtaining several major orders.
The Group has thus managed to minimise the pandemic's impacts on its business dealings without altering its growth objectives in any significant way, while at the same time avoiding a reduction in revenues and profitability, and carefully monitoring liquidity and financial resources, even to the point of exceeding the most optimistic forecasts.
While there continues to be uncertainty regarding the pandemic's progression and the vaccination campaigns underway around the globe, the Group nevertheless believes that its future economic and financial performance will manage to meet the positive goals set by the Management.
As required by the directives issued by the European supervisory authority (the ESMA) impacts that the issue in question has had on certain specific elements of Ansaldo Group's consolidated financial statements are reported below.
In the various recommendations that it has issued, the authority requires adequate disclosure to be given, especially with regard to the aspects most subject to evaluation by the management. For Ansaldo Group, these specific aspects are the following:

- the review of the business plans;
- impairment of other non-financial assets;
- revenue recognition;
- hedge accounting;
- contingent liabilities.

The analyses conducted in relation to the points described above were aimed at verifying any significant impacts on the Group's consolidated financial statements.
Based on that which is stated above and that which is described later regarding the review of the industrial plan, the Parent Company's Management believes that all business continuity risks can be excluded for the companies falling within the scope of consolidation, as the results obtained are generally consistent with, and in many cases even exceed, the budget forecasts, which did not take the issue of the global pandemic into account.

Review of the business plans

In February of 2020 the Parent Company's Management presented the Board of Directors with the Group's budget and the 2020-2024 Business Plan, which was subsequently subjected to a sensitivity analysis in March and April, also taking the risks of possible COVID-19 impacts into account.
The negative effects were identified for issues of a commercial nature, such as the damage to relations with several "Service" customers due to the interruption of the business activities, as well as for issues of an operational nature, such as potential delays in engineering activities due to the reduced workforce, procurement slowdowns due to the interruption of several suppliers' activities, slowdowns in shipments and the interruption of factory activities (with the consequent need to prepare a plan for at least a partial recovery

of the delays to prioritise critical orders), the potential closure of several "New Unit" construction sites, and the suspension and slowdown of the "Service" contracts due to the travel limitations imposed. As a result of the aforementioned situation, the Group has taken proactive measures to recover assets in order to comply with its contracts.

The Group's main economic, financial and equity figures that could have been impacted by the effects of the 2020 crisis in the analysis carried out, with consequences that could even carry over to 2021 and 2022, were identified in the revenues, turnover, EBITDA, and Net Financial Position (NFP), in relation to which the Group's Management had made the commitment to constantly monitor the possible Covid-19 impacts.
In particular, based on the elements that were available as of the date upon which the plan underwent the sensitivity analysis, potential negative impacts were identified in relation to these figures, which did not however affect the overall sustainability of the Ansaldo Group industrial plan, also in consideration of the capital increase and the financial manoeuvre being discussed at the time with the Shareholders and the banks. The 2020 results fully confirmed the considerations previously made.

Impairment of other financial assets

The Parent Company's Management updated the assumptions used during the previous period to reflect the latest available evidence and information represented in the Group's business plans.
Impairment tests were carried out on the intangible assets and goodwill: the effects on the WACC and all other risks related to COVID-19 were taken into consideration, such as procurement and transport difficulties, availability of customer sites, etc. The results of these impairment tests did not lead to write-downs being recorded in these consolidated financial statements.
The various sensitivity tests carried out by modifying the WACC rate or the expected growth rate also demonstrated the overall stability of the values of the other intangible assets recorded on the financial statements.
The Group believes that the effects of the pandemic will still likely been seen in fiscal years 2021 and 2022, and these findings were taken into consideration during the preparation of the business plan upon which all the impairment tests were based.

Revenue recognition

The Group's Management conducted a thorough analysis aimed at verifying whether the pandemic has significantly decreased its customers' ability to pay and whether the assumptions made regarding the recognition of revenues on the financial statements should be considered valid. Since there has not been any significant decrease in business or increase in order cancellations, the risk of a significant reduction in revenues is believed to be low. Furthermore, considering the size of the customers, the risk of defaults or deferred collections has also proved to be almost non-existent, as confirmed by the increase in the working capital items during the course of 2020.

Hedge Accounting

A careful assessment was carried out in order to verify whether the problems arising from the COVID-19 pandemic have affected the hedging relationships of the foreign currency items, which are the only derivative transactions that the Group carries out. Since the future transactions in foreign currencies are all considered to be certain, even if they may be delayed, the effectiveness of the hedging transactions remains in place.

Contingent liabilities

IAS 37 describes the methods for recording risk provisions in financial statements: the Group's management has conducted a careful analysis aimed at verifying that, due to the pandemic, there are no obligations that need to be recognised in these consolidated financial statements. The results of the analysis were negative, as the the COVID-19 pandemic did not cause any problems requiring provisions to be recorded in the financial statements.

Main events of 2020

The most important events of 2020, in chronological order, were the following:

- during the first few days of the year, a loan for € 100 million was disbursed, which was used to settle the debt held in relation to Nomura on January 3, 2020. The duration of this loan, which was originally six months, was extended until 30 June 2021;
- on February 5, 2020, the Parent Company's Board of Di-

rectors approved the Group's industrial plan which outlines an industrial and financial recovery phase;

- during the month of February 2020, the bankruptcy of the company Yeni Elektrik was declared, and the relative insolvency proceedings were consequently begun in Turkey. The Parent Company Ansaldo Energia provided the judge with all the documentation necessary to request the payment of the receivables held in relation to the same, which had been fully written down since 31 December 2019;
- on 12 March 2020, the Parent Company and the other Italian companies in the Genoa area had to temporarily cease operations due to the provisions issued by the Italian government regarding the COVID-19 pandemic. As previously mentioned, operations were resumed gradually starting on 3 May, with all production activities being fully resumed in the second half of the same month;
- on 20 April 2020, an Extraordinary Shareholders' Meeting was held to approve the proposal to increase the share capital, by way of payment, in two tranches, in one or more times, by a maximum amount of € 450 million, through the issuance of shares with regular dividend rights, at par, to be offered as an option to the shareholders of CDP Equity Spa and Shanghai Electric Hongkong Co. Limited, pursuant to art. 2441 of the Italian Civil Code and of the Articles of Association, in proportion to their respective shareholdings in the share capital. On 27 April 2020, the shareholder CDP Equity SpA made a payment of € 400 million;
- following the successful conclusion of the negotiations with the main banks for the rescheduling of the debt in support of the aforementioned Business Plan, on 27 April the definitive agreements with the banks were finalised, within the context of the broader financial manoeuvre underlying the Plan itself. More specifically, these included a bank debt rescheduling agreement concluded by the Parent Company for a total amount of approximately € 450 million with maturity on 31 December 2023, with the possibility of further extending the final maturity date to 31 December 2025;
- on 30 June 2020, the share capital increase approved by the Ansaldo Energia S.p.A. Extraordinary Shareholders' Meeting held on April 20, from € 180 million to € 580 million, was completed. The aforementioned capital increase, against payment, took place for an amount of € 400 million via the payment already made by the shareholder CDP Equity Spa, which also exercised the right of pre-emption for the share not subscribed by the shareholder Shanghai Electric Hongkong Co Limited. As a result of the aforementioned capital increase carried out by the Italian shareholder alone, the shareholding of CDP Equity now amounts to approximately 88%, and that of Shanghai Electric Hongkong Co Limited amounts to approximately 12% of the share capital;
- in July of 2020, the Parent Company became one of Italy's first companies to obtain "Biosafety Trust Certification", the innovative certification scheme developed by the RINA. This certification focuses upon a series of reference best practices, even based on behavioural analysis, which are aimed at minimising risks and preventing and mitigating the spread of epidemics at the workplace. The main benefits that it provides consist of the strengthening of risk management capacity through the implementation of preventive actions during all phases of the work activities, as well as compliance over time with the applicable health and safety legislation relating to the prevention and control of infections;
- as previously mentioned, in February of 2020, the Parent Company Ansaldo Energia began conducting a series of operations aimed at identifying a buyer for the companies it intended to sell, the list of which was provided above. These operations, which resulted in a competitive process that entailed the performance of vendor due diligence activities, followed by the preparation of a Virtual Data Room, revealed a great deal of interest on the part of numerous potential buyers. The process concluded after a thorough selection process, which was nevertheless slowed down due to the effects of the COVID-19 pandemic, and in January 2021 the Parent Company's Board of Directors resolved to approve the aforementioned sale to the buyer who had submitted the best offer in terms of commercial and financial conditions, and well as in terms of replacing all the pre-existing guarantees, and, finally, in terms of guaranteeing the continuity and development of the companies sold and their employees. The explanatory note describes the effects of the sale in question;
- the first Class H gas turbine produced by the Parent Company's Genoa plants, which will be the most powerful and highest-performance model ever built in Italy and obtained through Italian technology, was introduced on 17 November 2020 at an event attended by the customer, the national authorities, and even the highest ranking regional and city officials. In the days that followed, this turbine was loaded onto a ship at the dock in front of the Cornigliano (GE) plant for transport to its final destination in Marghera (VE).

The Group and the Market

The performance of the global market for the construction of power generation plants and components, and the relative outlook

The Ansaldo Energia Group is the world's fourth largest producer of systems for the production of electricity and is present in over 35 countries worldwide.
Its business currently focuses on three main lines:

- New Units, which deals with the design and production of gas turbines, steam turbines and generators, as well as all engineering, procurement and construction of turnkey thermoelectric power plants;
- Service, which provides all the maintenance, repair, and spare parts services and performance improvement solutions for the existing plants, the proprietary fleet and for third party fleets based on Siemens technology;
- Nuclear, which operates in the construction and dismantling of nuclear plants, engineering projects and studies relating to the nuclear fusion project, and the treatment of radioactive waste from existing nuclear plants.

These activities are carried out by the parent company Ansaldo Energia S.p.A. and by other twenty-three entities in Europe and worldwide, in addition to thirty branches located in the countries of customers' plants.
As previously noted, seven of the twenty-three entities mentioned, whose disposal process is at an advanced stage, have been included among the assets held for sale in these consolidated financial statements (dedicated to third fleet Service activities), as they are no longer considered strategic.
With the aim of relaunching and differentiating its business activities, in 2020 your Group began analysing business opportunities that are counter-cyclical with respect to power generation in the field of energy transition technologies. Various opportunities for the diversification of the product portfolio in the renewable energy sector, such as wind and solar, hydrogen production technologies, energy storage solutions and the construction of hybrid plants, are currently being analysed.

The business development strategies are focused on opportunities to expand and diversify the Group's product offering, using the organisation's design and manufacturing capabilities, as well as on Mergers and Acquisitions (M&A) processes aimed at improving the Group's competitive market positioning.

Market Prospects

2020 was a year marred by major uncertainties on a global scale. The Covid-19 pandemic not only had significant impacts on public health, but also on the economy and energy consumption.

In 2020 there was an estimated decrease of -3.5% in the real world GDP. This decline affected almost every country around the globe, with the exception of China, whose GDP grew by +2.3% (source: IMF-World Economic Outlook Update Jan21).

In this context, it remains difficult to forecast the growth prospects for the future. The timing with regard to vaccinations and the economic recovery, and the effectiveness of subsidies and aid, are all factors that will influence worldwide economic growth in the coming years.
However, a marked recovery in world GDP growth of about +5.5% can be expected during the course of 2021 (source IMF-World Economic Outlook Update Jan21).

In 2022, the average GDP growth is expected to be around 3.7% per year, with a net growth of 6.4% in developing countries (China +6%, India +7.8% and ASEAN +6.1%), and with lower growth figures in Europe (+2%) and North America (+2%) (source: IMF-World Economic Outlook Update Jan21).

The worldwide crisis has also had an impact on electricity consumption. In particular, from January to September of 2020, Europe witnessed a 5.4% decrease in electricity demand compared to the same period in 2019. Out of all the electricity generation sources, a considerable contribution was made by renewable energy sources (e.g. in Germany, 50% of electricity production in 2020 was obtained thanks to renewable sources).

With regard to electricity production from fossil fuels and nuclear sources, in Europe there was a substantial decrease from January to September of 2020 with respect to the same period in 2019. In particular, there was a reduction of -22.3% in coal, -13.6% in nuclear power, and -8.3% in gas. The determining factor for this reduction was the decrease in demand and the relative decrease in the price of energy, which have rendered many fossil fuel and nuclear plants non-competitive on the electricity market, while plants powered by renewable energy have maintained their productivity.

According to the data published by the World Energy Outlook 2020 (source IEA), the electricity demand in developed economies will return to pre-crisis levels in 2023, and will increase by 0.8% per year up until 2030 driven by electric mobility and heating. Developing economies will recover faster, and will return to pre-crisis levels as early as 2021.
Renewable sources continue to play a decisive role in the future of electricity generation, and are expected to grow by 60% in terms of installed base over the next 10 years thanks to their competitiveness with respect to fossil fuel sources. The situation caused by the COVID19 pandemic has not slowed down the program dedicated to limiting CO2 emissions in Europe, for which in 2020 the European Commission presented its plan to reduce EU greenhouse gas emissions, with respect to 1990 levels, by at least 55% by 2030.

It is estimated that 40% of global electricity demand will be met by renewable sources by 2030 (Source IEA-WEO), while electricity production from coal is expected to recover in 2021, but without ever returning to pre-Covid levels.
The growth of renewables and the decline of coal-fired plants expected to take place over the next decade highlight the need to ensure flexibility in the electricity system worldwide. In this scenario, Gas Turbines will play a decisive role in balancing the electrical grid, reaching 50-60GW of new installed capacity worldwide, in line with the previous years. Thanks to China, nuclear energy production will also continue to grow in the coming years, albeit at very low volumes compared to other energy sources.

In 2020, the global data provided by McCoy regarding plants and components for generating electricity from fossil fuel and nuclear sources, and namely the sale of gas and steam turbines, were not affected by the Covid-19 pandemic, and amounted about 94 GW (+15% compared to 2019). While there has been a major increase in coal plants (+ 90%) with respect to last year, the orders for gas plants were marginally affected by the crisis (-6%).

The reference market for 50 Hz gas turbines with power ratings of over 50 Mw, in which Ansaldo is one of the main players, remained consistent with the previous year, for a total of 21 Gw of power sold.
For the second year in a row, the 60 Hz market for gas turbines with unitary power ratings greater than 70 Mw performed well, with a total of 13 Gw (-6% compared to 2019).
Orders for both open and combined cycle gas turbines are expected to increase over the next few years.

In the nuclear sector, new units are expected to be concentrated mainly in emerging countries. Belgium and Germany are withdrawing, France, Sweden, Switzerland are gradually cutting back; at the same time growth is expected in around 20 countries that are developing new projects including China, India, Russia, the United Arab Emirates and Saudi Arabia. Canada and the United States have recently announced their intention to keep the nuclear share as it is within the energy mix. Nuclear capacity in China is expected to exceed that of the United States and the European Union by 2030.

At the start of 2020, around 62 GW of new nuclear power plants were under construction, about two thirds of which will be built in Asia (including almost 50% in China). With regard to the size of the plants, an increased interest in small modular plants is expected compared to large plants.
While the contribution of nuclear energy to the mix of fuels used to generate electricity is expected to remain stable or to grow slightly in 2040, fluctuating between 5% and 9%, growing attention to environmental issues could affect this estimate (source: GlobalData/International Energy Agency/World Nuclear Association). Due to the increasingly restrictive safety measures adopted by many countries, an increase in the service activities to be carried out upon the existing nuclear power plants is also expected. Furthermore, the exclusion of nuclear fuel from the mix of fuels used to generate electricity by some countries, combined with an increasing number of plants reaching the end of their service lives, will result in a growth of the waste management and decommissioning segment in the coming years.

The constant decline in the cost of electricity (LCOE) from renewable sources, combined with a growing international focus on environmental issues, has allowed renewables to become the main source of new installations in 2020, confirming last year's trend. The new wind and photovoltaic installations mean that the cumulative installed base is constantly growing, highlighting the importance of flexibility in managing production fluctuations; and gas plants remain the main source for guaranteeing this flexibility.

The increased contribution of renewable energies to the energy mix also entails the need for OEMs to provide integrated hybrid solutions that will offer electricity storage, and, at the same time, to develop highly efficient, flexible, and responsive gas turbines in order to meet the network's demands. However, the improvement of electricity storage technologies and the decrease in related costs could allow energy produced from renewable sources to stabilise, constituting a possible alternative to gas peak plants to manage temporary fluctuations in supply/demand, thus constituting a threat for the sale of new traditional plants; for this very reason, your Group is currently analysing opportunities to enter these sectors through both organic and inorganic growth.

Overview of 2020

The data for the first nine months of 2020 provided by McCoy reveal a slightly decline in the GT market only with respect to the same period of 2019 (on the 50 Hz market and for machines with power ratings greater than 50 MW).

Below is a detailed analysis of the main markets where the Group operates.

EUROPE

Europe showed remarkable growth in 2019 compared to 2018 thanks to the introduction of the "capacity market" in Italy and the peak plants for network stabilisation in Germany. The 2020 figures remained high, with 2.8 GW in new capacity being sold compared to 3.7 GW during 2019.
In the coming years, a constant market centred around 3 GW is expected. The main market drivers are the need for stabilization and safety in the electricity supply due to a substantial increase in renewable sources (Capacity market) and the nuclear / coal phase out.

MIDDLE EAST

The Middle East also suffered from the economic crisis caused by the Covid-19 pandemic, which, combined with other factors pre-dating the pandemic, brought the price of oil and gas to historic lows, thus greatly reducing the revenues of many countries in the area. In terms of gas turbines sold, the area recorded sales amounting to 3 GW, as opposed to 6 GW in 2019.

AFRICA

After several years of failing to meet expectations, the African market recorded sales amounting to 1.9 GW, as opposed to 0.8 GW in 2019. It is estimated that the African market will reach 3 GW in the near future.

ASIA

With the exception of China, the Asian market was in line with the previous year, with 4.5 GW of new capacity sold in 2020. China, on the other hand, recorded 6.1 GW of sales during the same period, as opposed to 5.7 GW the previous year. About 50% of the new capacity sold in China during 2020 came from H-class projects.
The Asian market is forecast to become the reference market for gas turbines in the future, and is expected to represent nearly 40% of the global market.

RUSSIA AND THE CIS

After years of stagnation on the gas turbine, Russia and the CIS marked a turning point in 2020 with 2.5 GW of new capacity sold, as opposed to just 0.7 GW of new capacity sold in 2019.
The need to modernise the existing fleet with higher performance technologies suggests that the market size will remain at about 2/3 GW per year in the future.

Service

With regard to the service activities, the medium to long term outlook indicates a growing market for at least the next decade, but one that will be characterised by increasing competition. China, Europe, and the Middle East are the regions where greater growth is expected.
The renewal of the plant range, with a competitive advantage for OEMs, the growth of the upgrade market for existing plants, and the provision of high value-added services like remote monitoring and predictive maintenance, are activities upon which Your Group is now focusing, and will be important factors to be exploited in order to achieve significant growth.

Nuclear

Finally, the Nuclear sector is expected to grow, with the Nuclear Fusion segment being bolstered through participation in the construction of ITER in France, and participation in other international fusion projects as well, even seizing upon the potential opportunities in England. Waste management & decommissioning activities, both in Italy and abroad, have reaffirmed themselves as the second strategic segment, while Service activities and the construction of new nuclear power plants are evaluated on an opportunistic basis, thanks to the Group's in-depth expertise in the field.

In conclusion, a strong interest in the future for gas-fired power plants is conceivable: for these reasons, turbines of a higher class than F, for which your Group has invested significant resources in the last three years, could play an increasingly important role central to the energy scene, up to, according to the best estimate, around 65% of new installations in 2030. The GT36 of Ansaldo Energia therefore, even in a context of heated competitiveness, may represent the flagship product for the Group.

Competitive positioning

The Group has grown considerably since 1997, increasing its market share. The sales market share during the first nine months of 2020 (for the market of gas turbines with power ratings greater than 50 MW) amounted to about 15%.

Financial results

Despite recording a loss of € 102.8 million, the 2020 financial year represented a reversal of the trend compared to the previous two years of 2019 and 2018, with losses of € 256 and € 232 million respectively.

This improvement, which can be seen at all levels, including the revenue trend, EBIT, and financial position, was made possible thanks to a heightened awareness of the operating costs, the reorganisation activities being carried out, and the constant monitoring of the operational cash flow.

These results make up for the effects of a financial management that was in the negative by € 90 million, as opposed to € 48 million in 2019, which weighs on the income statement, but is nevertheless destined to gradually decrease thanks to cash control and focus measures undertaken by the Group.

The significant increase in financial expenses is mainly due to the effects of the change in banking conditions following the refinancing operation concluded in April of 2020, as well as the negative exchange differences resulting from the trends of several currencies other than the Euro, for which the banks do not allow hedging.

EBIT increased by € 235 million with respect to 2019, and returned positive after two years, while the orders stood at a value of € 1,465 million, for an increase of approximately € 90 million, or 6.5%, resulting a portfolio that amounted to € 4,698 million as of 31 December 2020.

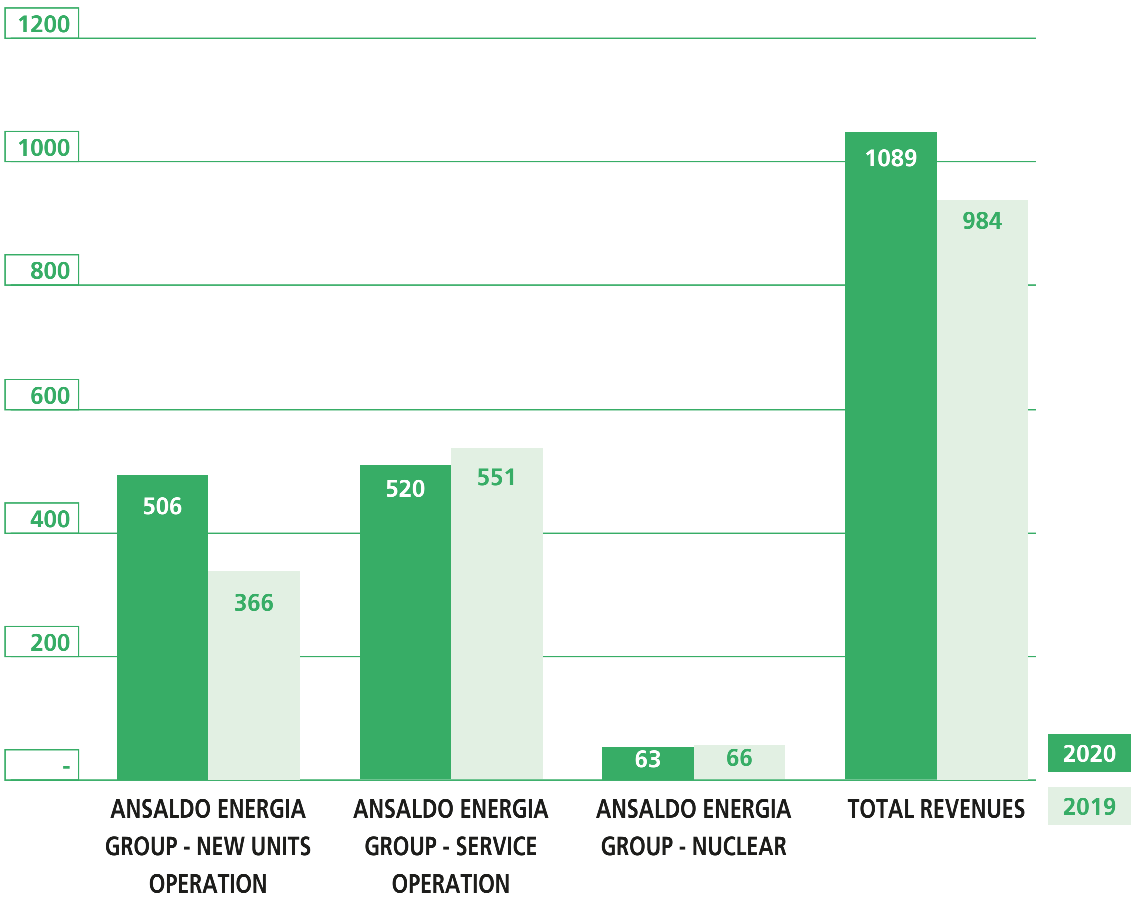
This factor, which confirms Ansaldo Energia Group's value in the Power Generation industry, bodes well for the Company's operating results and performance over the short term.

Analysis of the financial position

The reclassified consolidated income statement is shown below:

Euro/thousands	2020	2019	Delta
Revenues	1,089,114	984,065	105,049
	1,089,114	**984,065**	**105,049**
Purchase and personnel expense	(854,287)	(877,746)	23,459
Other operating net income (expense)	(1,106)	22,339	(23,445)
Change in work-in-progress, semi-finished products and finished goods	(85,155)	5,671	(90,826)
EBITDA	**148,566**	**134,329**	**14,237**
Amortization and depreciation	(79,410)	(48,454)	(30,956)
EBITA Adjusted	**69,156**	**85,875**	**(16,719)**
Extraordinary (costs)/income	(24,834)	(77,239)	52,405
Restructuring costs	(10,617)	(6,826)	(3,791)
Amortization of intangible assets acquired with business combination	(32,284)	(37,795)	5,511
Other assets impairment loss	-	(197,500)	197,500
EBIT	**1,421**	**(233,485)**	**234,906**
Net financial income (expense)	(93,802)	(57,899)	(35,903)
Income taxes	(2,962)	(28,191)	25,229
NET RESULT BEFORE DISCONTINUED OPERATIONS	**(89,419)**	**(263,193)**	**173,774**
Result of discontinued operations	(13,369)	7,473	(20,842)
NET RESULT	**(102,788)**	**(255,720)**	**152,932**
of which third parties	(12)	(20)	8

The trend of operating revenues in the last two financial years and the breakdown of the same by Business Line are shown below (in millions of Euros):



Despite the pandemic, a significant increase in revenues was recorded during the 2020 financial year, above all thanks to the New Units Business Line (+38.3%), which represented approximately 46.5% of the revenues and approximately 21.1% of the gross product margin for the year. This increase was due to the entry into production of the first GT 36 orders and the normal performance of the Ansaldo technology orders. The Service Business Line represented 47.7% of the revenues, but contributed 75.6% to the gross margin. Compared to 2019, the Service Business Line recorded a slight decrease of 6.0% in revenues, which was entirely due to the slowdown in on-site operations during certain periods of 2020 due to the COVID-19 pandemic. Lastly, the Nuclear Business Line represents 5.8% of revenues, a slight decrease compared to 2019, and only contributed 3.3% to the margin.

The trend of the main indicators in the reclassified income statement is as follows (in millions of Euros):

The Ebitda increased compared to 2019 (+10.6%), mainly due to the increase in revenues and the stability of the margins, an effect which was generated across all the business lines.

EBIT was mainly made up of the following items:

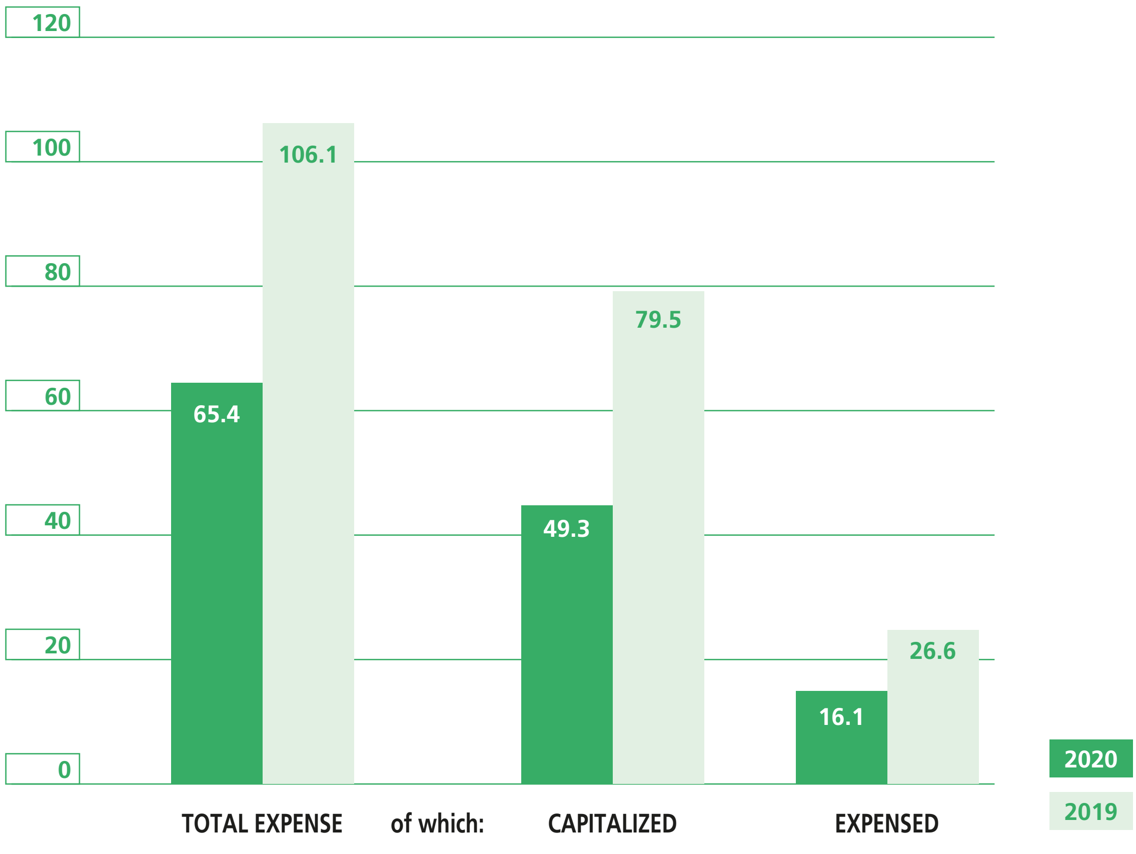
- ordinary depreciation and amortization of € 79.4 million (€ as opposed to 48.5 million in 2019). The significant increase was due to the first year of amortization of the GT 36 development costs;
- depreciation and amortization deriving from the allocation of the PPA of € 32.3 million (€ 37.8 million in 2019);
- net non-recurring charges, integration costs, impairment of other assets and restructuring charges of € 35.5 million (€ 281.6 million in 2019), detailed as follows:

	2020	2019
Extraordinary expenses and integration costs	(24,834)	(7,559)
Turkey risk provision	-	(69,680)
Impairment of intangible assets	-	(197,500)
Restructuring costs	(10,617)	(6,826)
	(35,451)	**(281,565)**

The non-recurring expenses include expenses incurred in relation to the fight against the Covid-19 pandemic (€ 8.2 million), expenses incurred for refinancing operations (€ 2.4 million), expenses for consultants (€ 10.5 million), consultancy and IT costs associated with the Volta project relating to the disposal of the companies for sale.

The restructuring costs include substitute allowances and extraordinary redundancies.

The trend of the total R&D expenditure can be summarised as follows (in millions of Euros):



The continuous major investments in research and development were mainly attributable to the completion of the development of the products acquired in Ansaldo's gas turbine portfolio in 2016 and the relative upgrades. The corresponding benefits are found in the revenues for 2020 and in the order backlog, where several major projects relating to these new concept products have been recorded.

Financial management, which was in the negative for € 93.8 million (as opposed to € 57.9 million in 2019) mainly consists of € 45.8 million in net interest expenses and bank commissions, € 14.2 million for interest expenses on the Shareholder's loan, net foreign exchange losses of € 13.7 million and, a net write-down of equity investments for € 4.3 million.

The income taxes had a positive impact of € 3.0 million (positive for € 28.2 million in 2019) and include direct income taxes for € 6.4 million, of which IRAP amounting to € 1.7 million; the item also includes releases of deferred taxes for € 10.6 million.

The results of discontinued operations includes the operating results of the companies held for sale, as well as the effect of the write-down calculated between their book value in the consolidated financial statements and their sale price.
For further details, see the dedicated section in the explanatory notes.

The following table shows the reclassified consolidated balance sheet as of 31 December 2020 and as of 31 December 2019:

Euro/thousands	31/12/2020	31/12/2019	Delta
Non-current assets	**1,798,775**	**1,762,429**	**36,346**
Non-current liabilities	**190,035**	**227,402**	**-37,367**
	1,608,740	**1,535,027**	**73,713**
Inventories	532,319	534,926	-2,607
Contract work in progress	140,090	190,391	-50,301
Trade Receivables	295,679	354,380	-58,701
Trade Payables	438,299	417,576	20,723
Progress payments and advances from customers	785,488	722,611	62,877
Working capital	**-255,699**	**-60,490**	**-195,209**
Current provisions	73,670	57,712	15,958
Other net current assets (liabilities)	-16,712	-219,940	203,228
Net working capital	**-346,081**	**-338,142**	**-7,939**
Net invested capital	**1,262,659**	**1,196,885**	**65,774**
Equity	**485,959**	**193,010**	**292,949**
Of which third parties	-39	-171	132
Net assets (liabilities) held for sale	**895,966**	**1,162,507**	**-266,541**
Net financial debt (cash)	**119,267**	**158,632**	**-39,365**
Of which HFS	33,348	30,287	3,061

Non-current assets mainly include intangible fixed assets for € 1,382.0 million, tangible fixed assets for € 272.5 million, trade receivables with payments beyond one year for € 56.0 million, equity investments for € 17.2 million and deferred tax assets for € 71.0 million.

Non-current liabilities include employee severance indemnities (TFR) and other defined-contribution plans for employees for € 40.6 million, provisions for risks for € 58.3 million, the provision for deferred taxes for € 76.7 million and other non-current liabilities for € 14.4 million. The decrease for the year in non-current liabilities is mainly due to the reduction in provisions for risks and charges for € 28.7 million, as well as the decrease in deferred taxes for € 9.6 million, and other minor changes.

Net working capital went from a shortfall of € 338.1 million in 2019 to a shortfall of € 346.1 million in 2020, for a change of € 7.9 million. This change is mainly attributable to the net effect of the decrease in inventories, work in progress and trade receivables for € 111.6 million, and the increase in trade payables and advances for € 83.6 million, which were offset by changes in provisions for short-term risks and other short-term assets and liabilities for € 187.7 million. The significant reduction in the other current liabilities by € 203.2 million was partly due to the payment of € 40 million in 2020 for the second tranche of the payable held in relation to Gastone, and the payment of approximately € 117.2 million for the Nomura debt during the first few days of the year, as well as other various payments.

Shareholders' equity amounted to € 486.0 million and consisted of share capital of € 580 million, and other reserves of € 8.8 million, less a loss for the year of € 102.8 million.

Financial situation

The net financial debt as of 31 December 2020 and 2019 is shown below.

Euro/thousands	31/12/2020	31/12/2019	Delta
Current loans and borrowings	211,350	730,186	-519,325
Non-current loans and borrowings	695,596	467,834	228,251
Cash and cash equivalent	266,346	318,155	-51,809
BANK LOANS, BORROWINGS AND BONDS	**640,600**	**879,865**	-239,265
Other financial receivables	10,818	-	10,818
Related parties financial receivables	-	127	-127
CURRENT FINANCIAL RECEIVABLES	**10,818**	**127**	10,691
Related parties loans and borrowings	223,453	209,690	13,763
Other current loans and borrowings	1,177	23,414	-22,237
Other non-current loans and borrowings	2,296	-	2,296
Current Lease liabilities	6,800	4,878	1,922
Non-current Lease liabilities	65,805	75,074	-9,269
OTHER LOANS AND BORROWINGS	**299,532**	**313,056**	-13,524
NET FINANCIAL DEBT (CASH)	**929,314**	**1,192,794**	-263,480
Net debt (cash) attributed to assets/liabilities held for sale	**33,348**	**30,287**	3,061
NET FINANCIAL DEBT (CASH)	**895,966**	**1,162,507**	-266,541

The net financial debt amounted to € 896 million as of 31 December 2020 a significant decrease (€ 266.5 million) with respect to the same figure for 2019.

The change in short, medium and long-term financial payables (for a reduction of € 291.1 million) should be considered cumulatively, and is affected by the following factors:

- the repayment of the first tranche of the bond loan, with maturity at the end of April of 2020, for the amount of € 260 million;
- the renegotiation of the Parent Company's financial debts, again in April 2020, which resulted in a reduction in the level of the Revolving Credit Facility's use;
- the stipulation of a bridge loan for € 100 million linked to the aforementioned sale of several equity investments;
- the reduction of the financial payables linked to commercial advances.

The short-term financial payables, including other financial payables, amounted to € 212.5 million as of 31 December 2020, and mainly consist of the aforementioned Revolving Credit Facility for € 50.0 million, the bridge loan for € 100 million, reclassifications from medium/long-term payables on the part of the Parent Company for € 23 million, and advances on invoices for € 16.4 million.

The medium/long-term financial payables, which amounted to € 697.9 million as of 31 December 2020, mainly consist of € 350.0 million for the existing bond loan, € 300.0 million for the new term loan stipulated for the previously mentioned debt renegotiation in April of 2020, and € 40.5 million for the EBI loan.

The explanatory notes contain detailed information regarding the aforementioned financial relationships.

With the exception of the bonds, some of the loans require compliance with certain financial covenants, the descriptions of which are provided in the appropriate section of the explanatory notes regarding the financial payables.

Total cash and cash equivalents amounted to € 266.3 million, a decrease of € 51.8 million during the year, as reported in the reclassified statement of cash flows below.

Euro/thousands	2020	2019
Cash and cash equivalents as at January 1st	**318,155**	**229,324**
Gross cash flows from operating activities	130,778	127,103
Change in other operating assets and liabilities	(63,415)	(58,226)
Funds From Operations (FFO)	**67,363**	**68,877**
Changes in working capital	49,340	(62,346)
Gross cash flow generated from (used in) operating activities from discontinued operations	25,218	8,750
Cash flow generated from (used in) operating activities	**141,921**	**15,281**
Cash flow used in ordinary investing activities	(99,528)	(114,404)
Cash flow used in ordinary investing activities from discontinued operations	(6,390)	(7,646)
Free operating cash-flow (FOCF)	**36,003**	**(106,769)**
Strategic investing activities and other non-recurring items	(158,000)	(41,446)
Cash flows generated from (used in) strategic investing activities and other non-recurring items	**(158,000)**	**(41,446)**
Capital increase	399,719	-
Net changes in other financial receivables/payables	(325,676)	246,456
Net changes in other financial receivables/payables from discontinued operations	(3,385)	(10,439)
Cash flows generated from (used in) financing activities	**70,658**	**236,017**
Exchange rate differences	**-**	**900**
Other movement	**(470)**	**129**
Cash and cash equivalents as at December 31st	**266,346**	**318,155**
of which cash from discontinued operations	-	6,437
of which cash and cash equivalents from statement of financial position	266,346	311,718

The strategic transactions consist of the payment of the Nomura debt for € 99 million, the payment of the second tranche to GE for € 41 million, and the payment of the Working Capital Facility guarantee on Gebze for € 18 million.

The net change in receivables/payables and other financial assets/liabilities is mainly due to the payment of the bond that matured in April of 2020, for € 260 million.

Alternative “non-GAAP” performance indicators

The management assesses the Group’s financial performance using certain non-IFRS indicators, as described below.

Indicator	Description	2020	2019
EBIT	Profit before taxes and financial part	**€ 1.5 million**	**€ (233.5) million**
Adjusted EBITA	EBIT net of: • Impairment on goodwill; • Amortizations on PPA allocations; • Restructuring expenses; • Other non-recurring expenses/income	**€ 69.2 million**	**€ 85,9 million**
EBITDA	Adjusted EBITA net of amortizations and depreciations of fixed assets	**€ 148.6 million**	**€ 134.3 million**
Free Operating Cash Flow (FOCF)	Cash flow from operational and investment activities, net of that for “strategic investments”.	**€ 36.0 million**	**€ (106.8) million**
Funds From Operations (FFO)	Cash flow of the operational management, net of the changes in working capital	**€ 67.3 million**	**€ 68.8 million**
Working capital	Trade receivables and payables, work in progress and advances	**€ (255.7) million**	**€ (60.5) million**
Net working capital	Working capital net of risk provisions and other current assets and liabilities	**€ (346.1) million**	**€ (338.1) million**
Net Invested Capital	The net working capital and the algebraic sum of the non-current assets and liabilities	**€ 1,263 million**	**€ 1,197 million**
Orders	Sum of the contracts signed with clients during the fiscal year	**€ 1,465 million**	**€ 1,375 million**
Order Backlog	Difference between orders acquired as of the balance sheet date and progressive sales	**€ 4,698 million**	**€ 4,396 million**
Return On Sales (ROS)	Ratio of adjusted EBITA and Revenues	**6.40%**	**8.70%**
Return On Investments (ROI)	Ratio of adjusted EBITA and average invested capital during the two years	**5.60%**	**6.70%**
Return On Equity (ROE)	Ratio of Net Income and average equity during the two years	**-73.70%**	**-79.60%**
Workforce/Average Workforce	Number of employees as of the reporting date	**3,308**	**3,451**
	Average number of employees during the year	**3,304**	**3,469**

Management performance

Production activities

NEW UNITS

During the course of 2020, Ansaldo Energia achieved the expected results despite the impacts of the Covid-19 pandemic, especially during the initial lockdown period, and with a more distributed effect on the production activities, the supply chain, and the on-site activities throughout the rest of the year.

While continuing to operate all over the world, the Group has intensified its production activities for supply contracts in Italy due to the portfolio of orders acquired on the domestic market. The main countries in which the Group operates and the main results achieved in relation to the various projects are listed below.

EUROPE

Italy

With regard to the contracts entailing the provision of power plants equipped with the new class H technology GT36 turbine, the manufacturing of the first machine was successfully completed at the end of November 2020, and it was subsequently shipped to the Marghera site in December for delivery to the end customer (Edison).

With the entry into force of the Presenzano contract for the construction of a turnkey combined cycle power plant featuring the new GT36 turbine, which was also stipulated with Edison at the end of 2019, the relative work activities have begun, and are expected to be completed in October 2022, with the commercial commissioning of the plant.

Also with regard to the new flagship product of the gas turbine range, within the context of the investments targeting the Capacity Market in Italy, several agreements have been stipulated with other major customers in Italy for construction of three plants to be equipped with GT36 gas turbines. These agreements were concluded with ENEL for the Fusina and La Spezia sites, and with EP Produzione for the Tavazzano site. These contracts were initially launched for the limited purpose of developing the basic engineering and issuing critical supply orders.

The activities for the contract acquired by Baker Hughes General Electric, for the provision of eight electric generators for the LNG Arctic project in Russia, remained on track. The manufacturing of the eight generators will conclude with the delivery of the last two electric generators in mid-2021.

With regard to the contract acquired by Acciaierie Arvedi for the provision, assembly and commissioning of an 80 MW model AE64.3A gas turbine and the relative electric generator, to be installed at the Servola (Trieste) power plant, the turbine was delivered as scheduled.

Work continued on contracts with Terna for the turnkey supply of synchronous compensators for power factor correction and stabilization of the national grid to be installed at various sites in southern Italy. At the end of 2020, the deadline for the preparation of the compensator in Matera was reached, which will be followed by other plants throughout Italy during the course of 2021.

Germany

Irsching 6: work continued on the EPC contract stipulated with Uniper System Stabilitaet (USS) for the turnkey construction (excluding civil works and connection to the HV network) of a plant for operation in peak conditions aimed at stabilizing the network in case of insufficient generation of energy from renewable sources. It includes an open cycle AE94.3A gas turbine, outdoor type, with natural gas fuel, its alternator, auxiliaries and all accessory systems (mechanical and electrical). The gas turbine and generator were successfully tested at the factory in the presence of the end customer, and were prepared shipment, which is scheduled to take place in early 2021.

Marbach: the contract stipulated with EnBW for the provision of a turnkey plant for operation under peak conditions has been definitively acquired. It includes an open cycle AE94.3A gas turbine, outdoor type, with dual fuel, its alternator, auxiliaries and all accessory systems (mechanical and electrical). The main engineering activities, the purchase of the main components, and the start of the on-site activities in Germany all took place during the second half of 2020.

Serbia

Pancevo: the technical support activities by specialised Ansaldo Energia personnel continued for the assembly and start-up of the two AE64.3A turbines, the alternators, and all the auxiliaries at the site.

MIDDLE EAST

Iran

The AE94.3A gas turbine for the second unit at Dalahoo was rendered operational during the second half of the year, and the supervision of the steam turbine's assembly is currently under way.

The Heris AE94.3A gas turbine has been commissioned, and the preliminary acceptance of the entire project has been obtained. The completion and commissioning of the combined cycle at the Mazandaran and Heris sites is currently under way, both of which are expected to be completed during 2021.

The following were shipped: the AE94.3A gas turbine destined for the Butia power plant and the main machine auxiliaries; several auxiliaries will be sent during the first months of 2021.

ASIA

China

Bengang: the tests conducted on the first AE94.2KS gas turbine designed and built by Ansaldo Energia to operate with low calorific power fuels have been successfully passed. The unit was delivered in November 2020 despite the slowdowns caused by the Covid-19 pandemic.

The activities for the provision of parts and components for AE94.3A and AE 64.3A gas turbines continued, with a great deal of effort being focused on limiting the impacts of Covid-19 during the second half of the year.

Minhang: construction of the GT36 gas turbine continued, and is scheduled to be completed in 2021.

NORD AFRICA

Egypt

The completion of the contractual obligations at various sites throughout Egypt continued, with a particular focus on the 6 October and West Damietta projects.

Tunisia

Mornaguia: with regard to the EPC contract, in accordance with the additional commitments undertaken with the customer, the preliminary acceptance of the plant was obtained, with the customer expressing great satisfaction with the time frame in which the plant was able to be commissioned, even despite the pandemic.

Algeria

The completion of the Ain Djasser III and Hassi Messaoud plants continued, with some slowdowns as a result of the pandemic.

SUB-SAHARAN AFRICA

The Final Completion Certificate was obtained for the Avon project (South Africa).
The completion of the CEC Expansion Project contract (Cote Mateve) continued, and the final performance test of the AE94.2 gas turbine is expected to be carried out at the beginning of 2021 in Pointe Noire (Congo).

SERVICE

The COVID-19 pandemic has had a major impact on the Service activity with regard to both the production of spare parts and the activities at the customers' production sites, with the consequent rescheduling of the maintenance inspections. In order to eliminate and/or mitigate this impact, in addition to all the precautions taken to limit the spread of the virus and allow the work to be carried out in complete safety, Ansaldo Energia has also established new processes for carrying out its activities based on the remote management of the maintenance interventions and the subsequent reactivation of the plants, which have been greatly appreciated by its customers.

Thanks to this innovative approach, the Service Business Line's economic results recorded volumes that were only slightly below expectations, but with increasing margins. From a financial standpoint, collection greatly exceeded the expectations, and this was also thanks to the extraordinary commercial success in acquiring new orders.

Despite the impact of COVID-19, over 350 inspection activities on customer work sites were completed, with more than 1,000,000 work hours being logged by the workers employed by the Group's various companies.

Finally, the excellent safety performance reported at all the domestic and international construction sites should be noted.

Careful coordination of resources from the Group's various geographies has allowed us to have a uniform approach to safety and quality with tangible results for the Group and for all its customers.

To an even greater extent than in previous years, the Service Business Line continued the process of introducing new products and services, such as the MXL power and efficiency upgrades, and the MXL2 developed jointly by the Genoa and Baden teams, as well as the innovative digital management of activities like APEX, FlexSuite and Autotune.

NUCLEAR

The year's activities mainly focused on 2 major projects, namely Krsko and ITER.

The Krsko contract contributed 60% of the financial year's revenues. During the course of the year, the construction activities for the BB2 building were carried out and completed, with the installation of the mechanical systems and all mechanical and electrical components being initiated and largely completed in 2020. In addition, the 2 tanks of 1,600 and 1,500 cubic metres respectively (ACYT and ABWT), which act as a water reserve for the safety utilities, were erected right on schedule inside the dedicated rooms of the BB2 Building. During the course of 2020 the mechanical and electrical installations within the existing buildings were also completed, which will allow the BB2 systems' connections up to the reactor building to be completed. The construction of the electrical and mechanical connection trenches of Building BB2 and the Existing Building were also begun, and have been partially completed. During 2020, the on-site activities were interrupted due to the need to fight the spread of COVID-19. The suspension period noted was from March 2020 to May 2020; when the activities resumed, in agreement with the Customer and with the support of all the local subcontractors, we proceeded in an accelerated manner to recoup the time lost and to maintain the Outage 2021 date already established in the Contract's initial planning (April 2021). All the mechanical and electrical components were installed during the second half of 2020. The design provided by Ansaldo Nucleare, which was approved by the customer and the local safety authorities, allowed the installation phases to continue. The activities on the Nuclear fusion project, which contribute 28% of the financial year's revenues, involved a number of contracts during the year. The manufacture of the ITER vacuum chamber (European sectors) continued, in consortium with Mangiarotti and Walter Tosto, with the delivery of the first sector expected by 2021; the ITER machine assembly activities continued in Cadarache (F) through the TAC-2 contract, in which Ansaldo Nucleare is serving as the leader of a project involving Ansaldo Energia, Endel, Oris and Simic. The activities relating to the TEEC, Remote Handling, and the Demo Dones project also started during the last quarter.

The main orders acquired by Ansaldo Nucleare include the TB13 ITER, for a total amount of € 66.7 million. This contract is for the construction of the ITER emergency power supply systems, including the buildings containing them. In Italy, the design of the assembly of the DTT machine was acquired.

This contract reaffirms and consolidates the Company's and the Group's involvement in the ITER project and in the fusion sector in general.

The Waste Management & Decommissioning sector underwent a significant recovery in 2020.

With regard to the Supercompactor project, the on-site activities suspended in June of 2017 by SOGIN resumed following a "Friendly Agreement" between the parties (SOGIN-ANC) in June of 2020. With regard to the Caorso Resins, the recovery of the drums from the ERSMA building in Caorso continued during 2020.

Despite several interruptions due to the pandemic, the activity resulted in the successful filling of the containers intended to be transported to Bohunice, in accordance with the schedule agreed upon with the customer Sogin. Finally, the activities relating to supply contracts for the Latina Material Cutting Facility (FTM) continued, namely the on-site supply of the three trolleys for the main handling system and all the secondary handling systems.

With regard to the activities carried out by the English subsidiary, the 2020 activities were heavily concentrated in the defence sector, where several projects were delivered for key customers in this area. The COVID-19 pandemic has led to delays in the supply chain, as well as in access to the customers' sites.

2020 also saw the completion of the MSSS contract for Sellafield in the decommissioning sector, with all the project's final milestones being successfully reached.

Commercial activities

ORDERS BY GEOGRAPHICAL AREA AND BUSINESS LINE

The data for the 2019 and 2020 orders are shown below, broken down by Business Line and geographic area.
During 2020, the Group acquired orders amounting to € 1,464.7 thousand, and recorded a higher-than-expected operating result, for an increase of 6.5% compared to the previous year, mainly due to the excellent sales performance levels in the Service and Nuclear segments, respectively +17.5% and +58.1%. Despite a slight decrease with respect to 2019, the New Units recorded orders amounting to an exceptionally high value, representing 56.9% of the Group's total sales.

ORDERS 2020	NEW UNITS	SERVICE	NUCLEAR	TOTAL
TOTAL	**832.8**	**532.9**	**99.0**	**1,464.7**
ITALY	565.0	296.1	0.9	861.9
EUROPE	118.1	82.6	98.1	298.8
MIDDLE EAST	-	40.2	-	40.2
AFRICA	3.3	49.1	-	52.4
ASIA	146.5	54.1	-	200.5
AMERICA	-	10.3	-	10.3
OCEANIA	-	0.5	-	0.5

ORDERS 2019	NEW UNITS	SERVICE	NUCLEAR	TOTAL
TOTAL	**858.6**	**453.6**	**62.6**	**1,374.8**
ITALY	414.7	194.7	0.3	609.7
EUROPE	91.4	100.8	60.6	252.8
MIDDLE EAST	83.0	125.4	-	208.4
AFRICA	8.0	24.0	-	32.0
ASIA	261.5	38.6	0.7	300.1
AMERICA	-	153.2	1.0	153.2

NEW UNITS

Despite the slowdown in many countries caused by the pandemic and the crisis in the oil sector, in 2020 there was a consolidation of the volumes on the gas turbine market; in fact, the volume of the orders amounted to approximately 21 GW, which was more or less equivalent to that of 2019 (in the segment of gas turbines with a frequency of 50 Hz and power ratings greater than 50 MW).

In this context, the Group managed to consolidate its portfolio by obtaining orders amounting to a total of € 833 million. In particular, it should be noted that the Group succeeded in obtaining contracts for major projects on the Italian market, which have already won auctions on the Capacity Market, and the relative work activities are expected to begin in 2021 once the respective Unified Authorisations are obtained. These projects entail the construction of plants with 3 GT36 model (Class H) turbines.

The orders obtained during the course of the year include the following:

- acquisition of the Terna contract for the provision of 3 synchronous compensators for the Candia, Villanova and Codrongianos sites;
- acquisition of a Polish contract for the provision, supervision of assembly, and start-up of an 80 MW model AE64.3A gas turbine and relative electric generator to be installed at the industrial site in Synthos (Oswiecim);
- acquisition of the EnBW contract for the turnkey construction, with the sole exclusion of civil works, of an open cycle plant equipped with a F class gas turbine model AE94.3A and related electric generator in the Marbach plant (Germany);
- acquisition of contracts with the Shanghai Electric Gas Turbine joint venture for the provision of components for 6 AE94.3A gas turbines and 4 AE64.3A gas turbines;
- acquisition of the Iren contract for the turnkey construction of a new combined cycle block for the Turbigo plant (Milan);
- acquisition of the EPP Italia contract for the turnkey construction of a new combined cycle power plant with a GT36 Class H gas turbine for the Tavazzano power plant (Lodi). While the preliminary engineering activities have already begun, the customer expects to obtain the Unified Authorisation needed to render the contract fully effective during the course of 2021;
- acquisition of the supply contract for two GT26 gas turbines in Bangladesh for the Rupsha power plant.

SERVICE

Despite the difficulties caused by the COVID-19 pandemic, the service orders received in 2020 were in-line with the forecasts, reaching a volume of € 533 million, for an increase of 17.0% with respect to the previous year.

Combined with the negative trend in the price of oil, the restrictions put in place due to the pandemic were particularly disadvantageous on the Middle Eastern and Asian markets (with China being the only exception), and caused widespread slowdowns in procurement activities for utilities and independent energy producers.

This negative trend was offset, however, by a growing demand for plant flexibility and performance improvement Service solutions throughout Europe, an area in which the market for the new units (GT36 and AE94.3A in particular) has also been extremely active, accounting for more than 20% of the Service segment's overall turnover.

The key to achieving these results lay in a range of technological solutions for gas turbine improvement (MXL, MXL2, Autotune, Apex, and FlexSuite) that's broader and more attractive in terms of emissions, consumption, and support for renewable energy sources.

The overall uncertainty of the economic recovery and the consequent consumption of electricity, which plays a decisive role in the demand for Service activities, weighs heavily on the medium-term prospects for the future.

At the same time, the acceleration of the transition to renewable energy, which took place as a result of the pandemic, offers ever greater opportunities in the field of technological solutions for improving plant flexibility and performance, which are absolute priorities for achieving the results expected for the coming years.

In order to better understand the performance dynamics, the main considerations relating to the specific areas are provided below.

ITALY

The growing need for plant generation capacity and flexibility, which is linked to the energy transition, the capacity market and the phase-out of coal, has facilitated the sale of both technological upgrades and new units (accompanied by the relative service contracts). Ansaldo Energia has reaffirmed its position as one of the industry's major players, with service orders amounting to a value of € 296 million, for an increase of 52% with respect to 2019. The implementation of the upgrades has also led to the extension of several multi-year maintenance contracts, with other extensions expected in the coming years.

EUROPE

The new clean technologies of combined cycles and innovative digital applications have led gas plants to play a major role in the energy transition throughout the rest of Europe as well. Driven by this trend, the Group managed to secure contracts for upgrades and the sale of new units even beyond its traditional markets (in Germany and Poland). The total overall result was slightly below expectations, amounting to approximately € 83 million. The Russian market, which was particularly hard hit by the COVID-19 pandemic, with major orders being postponed to next year, weighs heavily on this area.

AFRICA

In addition to the traditional commercial activities in the countries where the Ansaldo fleet is most prominent (Algeria, Tunisia, Congo and South Africa), significant results have also been achieved in Libya with regard to OEM-like machines (non-OEM machines, but built according to the same technology as Ansaldo Energia), thus paving the way for additional future acquisitions and a structured localisation within that country. While the pandemic has unfortunately slowed the acquisition of similar orders on OEM-like machines in Nigeria, the foundations have been laid for future growth thanks to the localisation policy implemented with Ansaldo Energia Nigeria. The orders in this area nevertheless increased with respect to 2019, amounting to a total of € 49 million.

THE AMERICAS

Despite the general economic crisis throughout the continent, which has been aggravated by the pandemic, Ansaldo Energia's traditional customers in Chile, Argentina and Ecuador have reaffirmed their confidence in Ansaldo Energia's services, thus allowing the expected objectives to be achieved (€ 10 million).

MIDDLE EAST

This region has not only been hit hard by the pandemic, but also by the sharp drop in the price of oil, a resource upon which many of the region's economies depend. The result has been a general postponement, if not the outright cancellation, of numerous investments in both new plants and upgrades. Significant ongoing political-military tensions and embargoes have further slowed the commercial process. The installed base of Ansaldo production machinery and the high level of localisation (with Ansaldo Thomassen Gulf in Abu Dhabi and the MESH Field Service in Dubai) have allowed for total acquisitions amounting to € 40 million, consisting almost entirely of small orders, which nevertheless represented a decrease with respect to the previous year.

ASIA

Despite the pandemic, the strategic partnership with Shanghai Electric Corporation and the constant follow-ups conducted on the fleet of Ansaldo Energia machinery have allowed for a remarkable result of € 54 million to be achieved, for a considerable increase with respect to the previous year. Unfortunately, several OEM-like acquisitions, which were originally in the works, have now been postponed. In this context, new prospects are opening up for the coming year, both in Singapore and Vietnam. The recent acquisition of the New Units contract for the Rupsha plant opens up the prospect of further expanding activities in Bangladesh.

NUCLEAR

Overall, the 2020 acquisitions for the nuclear sector stood at a value of 99.0 million, up sharply compared to 2019 and are broken down as follows, in millions of Euro:

	2020	2019
New Units	72.4	18.5
Service	4.4	11.9
Decommissioning	9.5	12.4
Defence	12.7	19.8
Total Orders	**99.0**	**62.6**

For the UK subsidiary (€ 17.5 million), generating new orders in 2020 was a challenge, as the UK markets were all experiencing delays and other factors that impacted procurement decisions. During the course of the year, a significant amount of bidding activity was carried out, and relationships with key customers were bolstered, but, in the end, many decisions for the awarding of contracts were postponed (e.g. the contract with the glovebox for over € 13 million), resulting in a total order amount lower than expected in 2020.

Organisational and process/product developments

FACTORY

During the course of 2020, the need arose to increase the use of the factory's production facilities due to the increase in the workload. This entailed the establishment and implementation of a project for the recruitment of machine tool operators and installers, even through internships, for an increase in the workforce of about 18%.
The arrival of the COVID-19 pandemic had a significant impact on the Factory's operations during the lockdown period, with a production stoppage being imposed as of 12 March. However, thanks to the safety and sanitation measures promptly implemented, some of the Factory's activities were able to be resumed as early as late March/early April, albeit to a limited extent, in order to allow the Service division to complete the ongoing overhaul activities and to carry out critical interventions to ensure the continuity of the electrical power service. The establishment of a detailed plan for returning to the factory, and a management plan for smart working, even in collaboration with the trade union representatives, allowed the workforce to gradually return to the workshops, which returned to full occupancy levels during the week of 18 May. The activities carried out during the lockdown, from 12/3 to 15/5, allowed for the equivalent of 5 working days to be completed, as opposed to the 40 which would have normally been the case.
A trade union agreement was also signed at the end of May to implement a production recovery plan, in order to mitigate the impact of the suspension of activities imposed by the COVID-19 lockdown. The agreement provided for a one-week reduction in the company's summertime closure period and an increase in shift work on weekends. This recovery plan made it possible to reduce the number days lost during the year to just 16 by the end of 2020.

The team work, in which the factory, the supply chain, and the scheduling Bodies played a major role, made it possible to heighten the monitoring of the activities' progress, thus allowing significant contractual objectives to be achieved.
The most significant result, even in terms of the relative technological aspects, was the on-time delivery of the first GT36 class H gas turbine, which was shipped to the Porto Marghera shipyard in November, in accordance with the contractual deadline.
Other significant results included the delivery of 6 alternators for ARCTIC's LNG plants, which are intended to operate under extreme conditions in Siberia, the delivery of the Bengang gas turbine destined for the Chinese market, which is capable of running gas of extremely low calorific value, and the construction of the first TH12/65 model alternator, to be combined with the GT36 gas turbine. During 2020, functional tests were also carried out on the first set of new technology (cannular) burners to be installed on the GT36 gas turbine.
The contracts acquired with the GT36 model gas turbine also required the planning and implementation of analyses and measures aimed at increasing production capacity. The first necessary measure entailed a major investment in the purchase of a new machine tool (boring machine) to be retrofitted onto an existing workstation, in order to resolve the critical bottleneck issue during the rotor machining phase.
At the beginning of 2020, the factory and supply chain departments were also working with the IT department on the go-live of the new SAP and MES platforms, which required a particular commitment throughout the entire year.

SERVICE

Following the strategic decision to concentrate its service activities on its OEM and OEM-like fleet, which led to the deconsolidation of the Ansaldo Energia Holding USA companies and its subsidiary PSM, as well as Ansaldo Thomassen, Ansaldo Energia initiated a process of reorganising its Service units in order to (i) obtain better integration between the traditional Ansaldo technology and that acquired from Alstom in 2016, (ii) ensure greater efficiency through a single Profit&Loss organisation broken down by departments, with a consequent positive impact on margins, and (iii) provide its customers with a single point of contact during both the commercial and executive phases of the contracts.
In addition to the organisational aspects, a review of the processes has also been initiated in order to standardise them among the various legal entities, thus simplifying the business activities while at the same time ensuring greater flexibility of resources.
Finally, in close collaboration with the innovation and product engineering bodies, work continued on the development and testing of innovative solutions aimed at improving the performance of the machinery, extending the maintenance intervals, and increasing the flexibility/reliability of the plants, and introducing digital techniques for the prevention of failures and remote maintenance management.

ENGINEERING

During the course of 2020, the power plant engineering activities continued to support the Group's key initiatives.
The plant engineering and "system engineering" capabilities provided the differential value necessary for the introduction of the new GT26/GT36 technologies, especially the class "H" (GT36). In particular, the activities carried out for the various projects currently underway included:

- Edison Marghera (power skid equipped with GT36 including the main machines (TG, TV, Gen.), boiler and related balance of plant): execution of most of the detailed engineering aspects;
- Edison Presenzano (plant with GT36 including the entire plant with EPC approach): execution of most of the detailed engineering aspects;
- EPP Tavazzano: plant with GT36 including the entire plant with EPC approach, execution of most of the pre-engineering aspects;
- Enel La Spezia and Fusina (power skids not equipped with GT36): execution of most of the pre-engineering aspects, with the full achievement of all the contractual milestones;
- signature of the Rupsha contract and initiation of the relative engineering activities for the provision of the two GT26 models covered by the contract.

With regard to the class "F" machines, the following should be noted:

- the achievement of the challenging goal of completing the Mornaguia project to the complete satisfaction of the customer STEG, and in accordance with the contractual deadlines;
- start of the engineering activities for the Irsching and Marbach orders on the strategic German market;
- start of the engineering activities for the IREN power plant in Turbigo;
- signature of the Oswiecim contract in Poland with the AE64.3A Plus Gas Turbine.

Once again leveraging its skills as a "plant system engineer", the first application of the Ansaldo Energia (AE brand) plant optimiser plant management system was implemented within the context of the work activities at the Servola plant for Arvedi Group.
The power plant engineering activities not only included support for the sale of new machinery, but also contributed to the execution and offer phases for various Service initiatives, in order to promote the upgrading of existing plants with a mix of plant solutions in support of the various kits (e.g. MXL2 and MXL3).
This body also conducts key OEM and EPC activities internally through:

- the analysis and implementation of EU product directives, as well as the analysis of functional safety and compliance with applicable local legislative frameworks;
- the establishment and implementation of digital solutions in the field of engineering, from the design stages to possible applications for customers.

With regard to product engineering activities, the following should be noted:

- the completion of the engineering activities on the first AE94.2KS for the Bengang plant (China). This activity required considerable effort with regard to the design of the syngas supply system (first of its kind) and the control system, the testing of which was carried out during the second wave of the Covid-19 pandemic. The major commitment required for the technical coordination of the various job order interfaces (AEN, SGC and MAN) should also be noted;
- the completion of the engineering activities for the Servola contract within the context of the new Italian Capacity Market. The project involves the installation of the first AE643A+ unit (78MW), which features a combustion chamber equipped with ceramic tiles and the Emerson Ovation control system. The design of the control system required a particular effort due to the Covid-19 scenario in which it took place;
- the completion of the on-site warranty tests for the two AE943A EVO2 machines in Mornaguia (Tunisia). The tests were carried out quickly, with the interventions being planned to comply with the Covid-19 restrictions imposed by the Tunisian government. Thanks to the organisation and planning of the performance team, the tests were able to be successfully completed in October of 2020, with the consequent attainment of the PAC and relative invoicing taking place by the set deadline (end of 2020);
- the start of the engineering activities for the German orders in Irsching and Marbach. Both sites provide for the installation of an AE943A machine to be used as "peakers";
- the finalisation of all the engineering activities for the Marghera order, the first Ansaldo project involving the GT36. The focus has now shifted to support for the procurement activities, the execution of the FAT for the control system, and the preparation of the on-site activities

for the transfer of documentation and know-how. The highlights of the activities include the finalisation of the outdoor configuration and the finalisation of the control hardware design;

- the continuation of the development activities for the standard Ovation-based control platform for the GT36: transfer of the test campaign's control application to the Birr plant and subsequent verification on the emulator.
  A special effort was required for all the activities related to the Emerson Ovation control system due to the Covid-19 scenario. In fact, since the HWIL system is housed at the laboratories in Genoa, the tests were all performed remotely from Baden, coordinating the remote activities of Emerson and providing specialised support from Genoa. This served as an excellent example of efficient team work and integration, and technical skills;
- completion of the technical qualification of an Italian supplier and verification of the necessary skills for the construction of an Italian-made gas turbine control system as an alternative to those currently in use. This new control system produced and branded by Ansaldo Energia will be called EquiNOX;
- the completion of the detailed engineering of the turbine for Marghera Levante. This machine is associated with the class H gas turbine (GT36). For this, the design of both high and medium pressure high temperature modules was finalised and the design of the bi-flow low pressure module with the 48-inch blade was completed;
- the continuation of the engineering activities for the Presenzano and Tavazzano steam turbines, also associated with the class H gas turbines (GT36), once again with high steam intake conditions (in terms of temperature, pressure and flow rates), but with a different layout. The two configurations are similar, but feature different specific construction solutions, which are designed based on the specific needs of the customer and the site;
- the configurations for the turbines offered for other applications were developed, especially within the context of the Capacity Market, for the A2A, EPH, AXPO and Tirreno Power sites. These consist of large turbines, each with different combinations rendering them unique with respect to the others, but with the common denominator of high steam conditions and performance;
- service activities continued to be supported, for the supply of components and solutions to improve existing machines. In particular, the repair processes for several damaged rotors were supported, new stages of fixed and mobile blading were introduced, and several arrays of exhaust blades were modified to resolve vibration problems;
- the turbogenerators specially developed for the Arctic LNG2 order, the first application in the oil & gas market, were further developed: the tests were performed both at the factory in the generator test room and at the Massa rig test facility, where the first generator of the supply contract was temporarily installed together with the first gas turbine, thus allowing for the complete validation of the assembly;
- finally, high inertia flywheel solutions were developed for the Terna synchronous compensators; the testing carried out during the first few months of 2020 in the generator test room allowed for the confirmation of the contractual requirements, especially the vacuum level maintained inside the flywheel containment box.

Investments

From a technological standpoint, the investments in 2020 were aimed at completing the projects begun in 2019 and meeting the processing needs of the new GT product line, while from a safety standpoint they focused on the continuous renewal and streamlining of the plants and work areas.
Several major projects were completed relating to the GT assembly and performance tests, as well as the renewal of the equipment to ensure high standards of workmanship.
Significant new investments were made in relation to the generator line, with equipment capable of ensuring an ever greater degree of precision, thus ensuring the constant improvement of the processing quality.
Another point of focus was the improvement of the diagnostic systems following the increasing number of intervention requests for both the New Unit and Service Business Lines.
Other investments were aimed at acquiring specific equipment for mechanical machining and special processes to support the supply chain, especially in relation to the GT technology.
With regard to Information Technology, progress continued on the S4A Project, involving Ansaldo Energia and Ansaldo Nucleare: in January of 2020, the system went live, following the migration of the data from the old ERP. The focus throughout the entire year was on consolidating the system and training its users. Particular attention was paid to the introduction of the new module for the management of the physical warehouses, and integration with the factory flow management system.

In order to allow for a greater number of remote connections, thus ensuring the possibility of using the smart working tool, an investment had to be made to upgrade the Client to Site VPN concentrators. In this context, the previous hardware solution has been replaced with a newer and technologically more advanced one that allows all the collaborators to work remotely.

In addition, the processing capacity at the Server Farm in Genoa was improved by increasing the RAM memory of the physical servers. This activity led to a greater exploitation of the hardware solutions available thus far.

Particular attention was paid to the Lighthouse Plant project of the Business Plan 4.0, focused on the digital transformation process, which aims to apply digital technologies and the data/processes associated with them to the world of the factory, as well as to increase corporate competitiveness thanks to the strengthening of ICT infrastructures and platforms.

With this regard, the main issues that have been addressed are the follow:

- the introduction and development of a system for the management of technical, quality and management data related to the world of manufacturing;
- the evaluation of an IOT platform for collecting data from CNC machines and using them for predictive purposes and for evaluating the quality of the machined pieces;
- the adoption of systems for improving workplace safety at the factory ("man down alarm"; "hazard warning/management");
- the development of Cyber Security to ensure the protection of critical assets of the company and customers, in relation to the digitisation and interconnection of machines and systems.

Research and development activities

In 2020, the need arose to develop and implement containment measures in order to address the consequences and health restrictions posed by the Covid-19 pandemic. As far as the development activities are concerned, this required a quick transition towards the possibility of granting a large number of individuals complete access to the company's computing resources for smart working purposes (through the previously mentioned upgrading of the IT infrastructure), as well as the management and planning of the necessary support for the production line (especially to ensure the successful delivery of the first GT36) and the construction sites, all in strict compliance with Covid-19 prevention measures.

The highlight of 2020 was the delivery of the first GT 36 unit, which will be installed at the Marghera combined cycle plant. All the assembly activities were successfully completed via the over-speed cell test designed to complete the checks prior to use in the field.

Another significant element related to the development of the class H gas turbines was the conclusion of the test campaign at the Birr plant, which centred upon the validation of new technologies for future GT36 upgrades.

As for the activities regarding the class F turbines, for the GT26 these were focused on supporting the manufacturing process for the realisation of the latest upgrade for the Rupsha project in Bangladesh. On the Service front, the manufacturing of the hot parts for the MXL3 service package and the activities aimed at improving the operational flexibility of the GT26 platform continued: a further step was achieved through the experimentation of even more difficult conditions in the field in terms of the technical minimum and the parking load.

With regard to AE gas turbine technology, the support activities for the manufacture of the most recent version of the AE94.3A unit continued with the qualification of the fixed and mobile turbine blades with innovative cooling technologies. Also for the AE94.3A, the diesel oil burner project no.2, which is compliant with the most stringent applicable emission standards and will be used in the open cycle peaker units as emergency resources for guaranteeing the stability of the electrical grid, was also successfully completed and validated, with testing conducted under machine conditions. Within the context of the Capacity Market, there has been a growing interest in power boosting applications involving the use of systems like high fogging or wet compression. The latest release of the package was therefore issued, which significantly reduces material attack phenomena, thus resulting in decreased maintenance costs. On the Service front, the solution for the improvement of combustion chamber performance was commercially validated in the plant, increasing its safety factor.

Development of the AE94.2KS gas turbine continued during the course of the year, with the completion of the engineering and manufacturing phases of the project for the Bengang plant. At the same time, the design and preparation of the measurement points for monitoring the plant's operation during the start-up phases, which will take place in 2021, were completed.

As for the development of the AE64.3A model class F unit, the package for operation using preheated gas, in order to achieve a significant increase in combined cycle efficiency, was released.

In January of 2020, the validation tests for the E 94.2 class gas turbine were completed at the Pointe Noire plant in the Republic of Congo, and reaffirmed the excellent performance levels achieved by this model, which holds a top a high ranking among the class E models.

In terms of upgrade packages, the efforts were focused on modifying the turbine exhaust diffuser by introducing a new cooling system to eliminate the deformations of the component during operation, thus resolving the critical issues that arose during the Service activities.

Within the context of the technological development activities in support of the energy transition, the testing of the AE combustion systems continued in order to verify and improve the possibility of using greater quantities of hydrogen mixed with natural gas. This could help increase the competitiveness of the company's portfolio in a scenario of increasing decarbonisation, and the initial results have confirmed the positive expectations in this regard.

With regard to the steam turbine product, during the first part of the year the activities focused on the design of the exhaust diffuser with a side outlet for 48" flows. This allows the 48" blade to be applied even at sites where the steam turbine cannot be raised for the positioning of the exhaust diffuser. The resulting configuration has been applied to offers made for the Tavazzano and La Spezia plants.

Within the context of the continuous performance improvement of the blade portfolio, the 48" blade design for highly flexible operating cycles has been updated.

The maintenance of the machinery fleet is an area in which the development activities are increasingly oriented towards the use of digital technologies. These include the repair and reconditioning of hot parts, predictive diagnostics, the use of advanced robotic systems for inspections in collaboration with the Italian Institute of Technology, the use of additive technologies for the production of highly integrated components with superior performance.

For the activities carried out within the context of the funded projects, it should be noted that the technical-economic reporting for the second and last parts of Ministry of Economic Development project no. F/030044/01/X28, titled "Development of gas turbines with reduced greenhouse gas emissions and high operational flexibility through the use of innovative materials and advanced production systems", was carried out in 2020, with subsequent official technical verification performed in November.

The project titled "Development of advanced thermoacoustic control systems in combustion processes for high efficiency and reduced environmental impact gas turbines" also continued, in which Ansaldo Energia participates in the 2014-2020 National Business and Competitiveness Operational Program in favour of R&D projects in the technological areas identified by the "Horizon 2020" research and innovation framework program. The project, which involves the development of a Helmholtz resonator system for the damping of pressure oscillations in the gas turbine's combustion chamber, started in July of 2018, and suffered a slowdown in activities as a result of the Covid-19 pandemic. The virtual technical inspection held in October had a positive outcome, the general overview of the second year of activity was initiated in December.

The technological development activities underlying the two EU-funded "Turbo Reflex" and "Pump Heat" projects (tender H2020 – LCE 28-2017) continued, with extensions having been requested and obtained for both. The completion dates for the relative activities have therefore been postponed to 31 March and 31 August 2021, respectively.

Still in the European context, the POLKA collaborative project, "POLlution Know-how and Abatement", (Grant n. 813364) supported by the EU H2020 - MSCA ITN 2018 program, which is aimed at tackling the problems of thermoacoustic instability in the combustion of hydrogen, with a pool of international researchers, continued during the course of 2020.

In July of 2020, in response to Liguria's Regional tender POR 2014-2020, Investments for growth and employment, supported by the European fund FESR 2014-2020 Action 1.2.4, the project "PlatfoRm for the Optimisation and Predictive Maintenance of Turbomachines (PROMPT)" was created, in which the Parent Company took part as a "large enterprise", within the context of a specifically established consortium. The project proposes the creation of a predictive analysis platform for the characterisation, long-term monitoring and optimisation of the usage parameters for complex machinery, such as turbomachinery, and the maintenance of the relative components. This platform will make use of IoT technologies, with Machine Learning techniques and Big Data Analytics strategies, integrating and adapting them to enable real-time predictive models. The results of Liguria Region's evaluation are expected to be received in early 2021.

With regard to the Nuclear sector, the development of fourth generation plants during the course of the year was aimed at strengthening Ansaldo Nucleare's market position as a European leader in lead-cooled reactor technology. Since 2013, the construction of a demonstrator in Romania has been promoted through the Falcon consortium, of which ENEA and Raten-ICN are members. The development of the demonstrator's conceptual design continued, as did the finalisation of high-level documents relating to plant safety, licensing, and the relative research and development roadmap. The contract allowed for a capitalisation to be made during the last half of the year through a consultancy contract financed by the Romanian government.

With regard to technological developments for new reactors, work has continued on a European project (Euratom funding, H2020) for the experimental testing and qualification of an emergency system, based on a proprietary patent, in which non-condensable gases are exploited to mitigate transients in the event of an emergency. The project will investigate the potential interest in the system for multiple types of reactors. A parallel project, funded by the Ministry of Economic Development, for the construction of the experimental infrastructure at SIET-Piacenza (necessary for the execution of the experimental tests), suffered delays due to the pandemic.

With regard to the waste treatment line, research on the immobilisation of low and medium activity radioactive waste by means of vitrification continued. The activities, which were conducted within the context of a loan issued by the Ministry of Economic Development (pursuant to Italian Law 311/2014 "Sustainable Industry"), were dedicated to the construction of the pilot plant, which will be operated by the Polytechnic University of Milan as part of the partnership. Furthermore, as part of the same project, the prototype of a high integrity container for low and medium activity waste was created, the qualification tests for which are currently underway and will be completed next year.

In the field of decommissioning, work continued on the conceptual design of component cutting machines expected to be widely used in future central dismantling projects, both in Italy and abroad.

Intellectual Property Rights 2020

Ansaldo Energia Group's IP assets for the year 2020 remained virtually unchanged, and consist of 2,396 patents and 293 trademarks. The constant review of the IP portfolio during the course of the year led to the abandonment of several securities expiring in the next 3 years, which was offset by the filing of a number of new patents.

Specific IP analyses have been undertaken in support of the business development strategies, in order to identify opportunities to expand and diversify the Group's product offering, through the application of proprietary and commercial software based on the semantic analysis of patent texts and data mining.

Particularly noteworthy was the introduction of an innovative system for the protection of industrial secrets, which uses proprietary cryptography and blockchain-based software to ensure non-disclosure and the constant real-time protection of particularly important and competitively advantageous technological solutions.

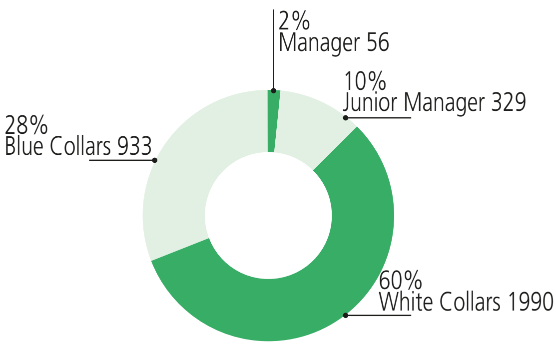
In 2020, during the third edition of the "Innovation and IP Forum and Awards", Ansaldo Energia was awarded the title for the BEST IP DEPARTMENT 2020 out of all companies based in Italy, Spain and Portugal.

Human resources

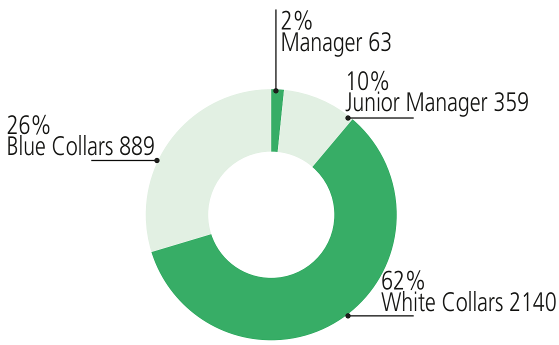
The activities carried out by the Parent Company's and the other Group Companies' Human Resources departments in 2020 consisted of measures aimed at limiting overhead costs and reducing labour costs.
In January 2020, the activities necessary to achieve these objectives were submitted as part of the Business Plan. These included the need to eliminate 300 redundancies identified within the context of Ansaldo Energia S.p.A., and the need to dispose of corporate assets like the companies Ansaldo Energia Holding USA, its subsidiary PSM - Power Systems MFG LCC, and ATH - Ansaldo Thomassen. The goals of the Industrial Plan also include a greater internal balance between direct and indirect staff, which will be achieved through a training program for unemployed youths, who can be recruited as "Machine Tool Operators" and "Electro-Mechanical Installers" within the context of the Genoa plant's production activities, and through the recruitment of specialised figures found on the market.
In order to manage the declared redundancies, during the months of January and February, two union agreements were stipulated by the Parent Company aimed at allowing a total of 160 staff members identified by the Company to resign their positions with the possibility of accruing pension requirements during the two-year period following the termination of their employment relationships.
During the month of March, the Covid-19 pandemic forced Ansaldo Energia SpA to suspend all production activities, with consequent recourse to the Covid-19 redundancy fund introduced by the government institutions for the management of the health emergency.
Only those engaged in design, research and development activities were able to continue operating using smart working methods, and, as of the start of April, all the power plant maintenance activities necessary for the supply and distribution of electricity to the country could also be performed.
In April, in compliance with all the measures for containing and preventing the spread of Covid-19 ordered by the Ministry of Health and the Competent Authorities, the Parent Company initiated a process with the Trade Union Representations that allowed for a gradual resumption of all the production activities, which ended in early May with the company terminating its recourse to the Covid-19 redundancy fund.
In May, in order to allow for the recovery of the hours of production lost due to the lockdown, Ansaldo Energia SpA stipulated an agreement with the trade union representatives aimed at encouraging production activities by allowing extra shifts to be worked on weekends and holidays.
Thanks to this planning, the Parent Company was able to fully recover from the loss of production and remain compliant with all of its contractual commitments, including the delivery of the first GT-36 gas turbine destined for the Porto Marghera plant.
Finally, to complete the process envisaged by the Business Plan, another trade union agreement was stipulated in December, declaring an additional 40 redundancies to be managed the following year, once again with assistance in meeting the pension requirements.

At the end of 2020, the total resources amounted to 3,308 units, not considering the companies held for sale.

HEADCOUNT AS AT 31/12/2020



HEADCOUNT AS AT 31/12/2019



Organisation

During the first six months of 2020, the organisational structure was revised as follows:

- reduction of the number of figures reporting directly to the Chief Executive Officer, with several staff functions being merged into the HR department. In particular, the EHS, Facility and IT functions were merged into Management in an effort to ensure maximum synergy between the functions, thus establishing a governance and control structure for the staff processes;
- net reduction of the management team by 12%, with simultaneous recruitments aimed at bolstering the management team in view of the energy transition;
- greater focus on the responsibilities of the business functions, increasing their impact on the results. In particular, the structures were merged according to a value chain-based rationale that introduces a process perspective; this has resulted in a broader span of control for the Operations structure, uniting all the activities associated with the product's realisation under the responsibility of the same, including design, supply chain, manufacturing, quality, work site activities, and delivery to the end customer;
- consolidation of a structure dedicated to innovation and the expansion of the product portfolio.

The Service Business Unit was reorganised in response to the exit of the previously mentioned companies held for sale from the corporate perimeter and the market competition. The transition was therefore made from a business line organisation to a functional organisation that's more streamlined and more focused on its core responsibilities.

Training 2020

The Covid-19 pandemic caused a slowdown in the provision of training during 2020, with a consequent decrease in hours and attendance with respect to previous years (2,926 attendances, for a total of 15,584 hours). The times and operating procedures were also revised to ensure compliance with the restrictions on gatherings and the movement of individuals.

The courses previously planned had to be redesigned and new technologies had to be employed, focusing on the use of virtual classrooms in order to allow smart workers to attend and carry out lessons in synchronous mode.

Despite the initial difficulties, the training activities resumed, and, in addition to several courses in the technical, linguistic and managerial fields, numerous in-depth courses on the Teams platform have also been organised in order to bolster the skills needed for remote communication and collaboration.

A major commitment was also made to organising sessions on Safety, which were fundamental for providing adequate training to all the Company's personnel, and for increasing the workers' awareness of and preparedness to face the risks present, thus decreasing the likelihood of any workplace accidents and injuries.

The company also carried out the design, recruitment and management processes for two professional training courses intended for unemployed people, for the roles of Machine Tool Operator and Electromechanical Installer.

Customer staff training

9 courses were held for Customer staff members during the course of 2020, with 143 participants attending for a total of 119 training hours.
Some of the most significant activities were the training courses provided for the staff of the Société Tunisienne de l'Electricité et du Gaz (STEG), our client for the Sousse and Mornaguia power plants.
The first, which was particularly demanding in terms of content, as it was intended for 12 managers, was held in February at the company's training school, while the second, which was dedicated to the partial discharge monitoring system and was intended for control engineers, was provided remotely in November; since travel abroad was strongly discouraged due to the Covid-19 pandemic, the possibility of performing the activity remotely was proposed and accepted.

Environment, health and safety in the workplace

Environment

The Ansaldo Energia Group Italian sites fall within the scope of Italian Presidential Decree no. 59 of 13 March 2013 (AUA - Unified Environmental Authorisation) and the Emission Trading Directive due to the presence of boilers for heating the buildings in Via Lorenzi.

In 2020, the certified Group companies achieved the maintenance of their ISO 14001 environmental certification, demonstrating the constant commitment to maintaining legal compliance and ensuring the progressive improvement of their environmental performance.

The periodic update of the assessment of the significance of the environmental aspects and the Group Context Analysis confirms a controlled, marginal and, therefore, widely tolerable level of environmental impact risk.

As in previous years, no major environmental accidents occurred at Group sites in 2020.

The fight against the COVID-19 pandemic entailed the prompt adoption of an effective system of extraordinary safety measures by all the Group's companies, which also affected the environmental management procedures. At Ansaldo Energia S.p.A., the collection and disposal of waste consisting of personal protective equipment used to prevent contagion progressively evolved based on the specific provisions issued by the Italian National Institute of Health (ISS), with the establishment of a specific internal collection and disposal protocol for this purpose, and the recruitment of additional dedicated personnel.

The Group remains committed to sustainability, with major new developments: during the second half of 2020, an internal working group was established, which is specifically dedicated to the preparation of a Sustainability Report for the company Ansaldo Energia SpA, which is compliant with the GRI Sustainability Reporting Standards issued by the Global Sustainability Standards Board.

As part of the activities related to environmental protection, particular attention is and will continue to be paid to progressively decreasing the waste produced and the consumption of natural resources.

In consideration of the extent and complexity of the environmental aspects associated with the activities carried out at the Group's sites, a particular focus is placed on the goal of progressively reducing and increasingly limiting the risks associated with the effectiveness of the environmental management and control processes.

The containment of this risk, which can be understood as a measure of the uncertainty regarding the ability to achieve and/or maintain one's own environmental performance, depends on the use of increasingly advanced IT tools or the extension of the same to new areas.

Occupational health and safety

In 2020, the Parent Company continued to implement initiatives aimed at spreading the culture of safety across all staff involved in the various processes, with the aim of creating a concrete, homogeneous approach and further reducing all Workplace Health and Safety performance indicators.

The Parent Company has obtained the renewal of the certification of its Occupational Health and Safety Management System in accordance with ISO 45001 and local regulations (OSHAD, VCA, etc.), without non-compliance, confirming awareness, now rooted, of the importance of operating in line with the indications of the management system and of its effectiveness in pursuing continuous and progressive improvement.

Significant attention was paid to the issue of the presence of compounds containing hexavalent chromium, on some surfaces of components of the gas and steam turbines operated, produced by both Ansaldo Energia and its competitors. In this regard, the possible training mechanisms and the effectiveness of the measures aimed at significantly reducing the probability of the phenomenon recurring have been confirmed, continuing to apply the necessary prevention and protection measures to protect workers' health.

The Group adopted an aggressive response to the COVID-19 pandemic, implementing numerous measures to reduce the spread of the virus at its factories, offices, construction sites, and canteens, as well as in all gathering areas, and at the entrances to the companies' headquarters. In July, the Parent Company implemented the innovative certification scheme for the prevention and control of the spread of infections, and obtained Biosafety Trust Certification. This certification focuses upon a series of reference best practices aimed at minimising the risks of spreading epidemics at the workplace.

Improvements

In order to improve accident performance, we further developed the methods used to analyse the causes of incidents, and the methods for sharing experiences gained, thus ensuring the correct identification of the best prevention strategies, while at the same time measuring the efficiency and effectiveness of the corrective measures adopted. Furthermore, for the same purpose, the Group and corporate objectives and the technical solutions necessary to resolve any shortcomings detected were shared with managers and supervisors, above all in light of an analysis of the behaviours and avoided accidents (so-called "near misses"), and structured processes were put in place in order to ensure that the workers are more directly involved in the prevention and protection activities, with the aim of ensuring continuous improvement.

Workers and top management involvement: training and auditing

In order to promote a culture of safety, various training pathways were pursued through multiple specialised courses, including notifications put up on company notice boards, articles were published in the company press, proposals for individual improvement were promoted, and meetings were held with resources in the various companies to discuss the topic of workplace safety.

The Health and Safety structure verified the application of the corporate procedures and compliance with the legal requirements on the part of personnel and the subcontractors' staff, even by conducting internal audits. The results were very positive on the whole. The inspection findings were, in any case, analysed in detail, in order to identify any areas to be included in the company's improvement plans, so that corrective action can be taken effectively and efficiently.

Risk Assessment and Emergency and Evacuation Plans

The process of updating the Risk Assessment Document and the Emergency and Evacuation Plan covering all the sites where the Group operates (both permanent and temporary) continued. The risk assessment documents relating to all external construction sites have been prepared, in accordance with the reference and local legislation.

Quality

Company certification

All the certification audits were successfully carried out in 2020.

The surveillance audit of the certification of the Company's Quality Management System (ISO 9001: 2015), the audit for the renewal of the Environmental certification (ISO 14001), and the maintenance of the Workplace Health and Safety certification (ISO 45001) by Lloyds.

It should be noted that ISO 9001 "Multi Site" certification was obtained for the companies AEN, AES, PSM, ATH and ATG in 2020.

The surveillance audit scheduled by the Italian Institute of Welding, for the maintenance of the certification for the welding activities (ISO 3834-2), was postponed to 2021 due to the Covid-19 pandemic.

The certification regarding functional safety (IEC 61511/61508) was confirmed by TUV Italy and, finally, in 2020 ACCREDIA confirmed Ansaldo Energia SpA's accreditation by the calibration centre by completing the required paperwork.

Quality

Within the context of the organisational change undertaken during the second half of the year, the Quality Control and Quality Assurance (QA) functions were separated.

The Quality Assurance function, included in the Innovation & Quality Assurance Department, is responsible for helping the Top Management establish the strategies and objectives of the Group's Quality Management System, providing the organisation with the monitoring activities, support and suggestions for improvement necessary to facilitate the achievement of the given objectives and the attainment of certification according to the reference standards.
During 2020, a "*Quality Focal Point*" team was set up with the aim of helping to establish/revise the procedures and operating instructions, to identify opportunities for improvement, to implement and plan the same, and to execute the internal audit program, all in a wide-reaching and proactive manner, and with one resource dedicated to each process.

With its own dedicated Team (Quality Project Management), the Function continued assisting the New Units and Service orders teams with the management of the quality requirements for the specific orders, starting with the offer phase, and continuing throughout the execution phase.

In order to ensure the adequacy and applicability of the existing documentation system, a specific project was launched for the review of the Quality Management System documentation.

An extensive program of *Key Performance Indicators (KPI) and related Scorecards* was established, the purpose of which is to support the Continuous Improvement activities through the adoption of process evaluation criteria and indices and associating them with specific improvement objectives.

The Vendor Hub project was consolidated during the course of the year, with the aim of consistently and frequently monitoring supplier performance, thus providing the Company's procurement and management functions with a tool for monitoring and improving the quality of their suppliers.

The monitoring of the level of Customer Satisfaction was impacted by the Covid-19 pandemic, which slowed down maintenance activities during the first half of the year, with a subsequent recovery during the second half.

Finally, work continued on the application of the model for detecting costs linked to poor quality (Quality Economics), which brings together all the costs linked to the prevention, detection and management of non-quality events among all the business processes, analyses their relative trends, in order to assist the competent structures in defining and implementing improvement plans. The information collection and analysis system was improved in order to allow for more frequent (monthly) reporting, with the aim of establishing improvement measures to empower the company functions to implement the necessary corrective actions.

Information required as per Law 124/2017

The reference regulations require companies that receive financial contributions from public administrations and their subsidiaries to provide certain details in the explanatory notes.

The standard in question has been clarified several times, without dispelling the doubts as to its practical application. The Company has adopted the position taken by Assonime with Circular no. 5 of 22 February 2019, according to which the statutory information requirement only applies to specific and individual payments.

As a result, the decision was made to indicate the following information in this note, according to the type of contribution/subsidy granted:

- with regard to paid appointments falling within the company's typical activity and at market conditions, the Parent Company declares that it has received paid appointments from persons belonging to the Public Administration; these appointments, being part of the typical company activity and conducted according to market conditions, are not reported in this section, since they are not subject to the reporting obligations provided for in Article 1, paragraph 25 of Law 124/2017;
- with regard to all the contributions/subsidies which may have been used and which must be published in the National State Aid Register (transparency), please refer to this document;
- with regard to contributions provided by private entities (e.g. training grants from Fondimpresa), these are not the subject of any information requirements, as they fall outside the scope of this standard;
- with regard to any tax benefits from which Ansaldo has benefited, we believe, also in accordance with the position taken by Assonime in the aforesaid circular, that they are of a general nature and therefore do not have to be disclosed for the purposes of the provision in question.

Risk management

Regarding the international market, careful and rigorous operational and financial risk management and identification are increasingly important.

In order to eliminate or minimise credit risk as well as optimising cash flow from orders, commercial transactions are carefully analysed from the outset, checking the payment terms and methods to be offered and subsequently agreed.

In particular, based on the contract's amount, the type of customers and the importing country, all the necessary precautions are taken to limit the risks in terms of both the payments and the financial instruments used, including appropriate insurance cover or helping the customer to obtain financing in more complex cases.

For all the most significant transactions in currencies other than the Euro, which are subject to currency risks, the company stipulates appropriate forward contracts.

As previously explained in the first part of this report, although impacted by the effects of the pandemic, Ansaldo Energia Group did not have to significantly alter any of its strategies or objectives.

The credit and liquidity risks are dealt with in the explanatory notes. No significant risks caused by the COVID-19 pandemic have been identified in relation to the Group's financial instruments, which consist exclusively of the forward currency purchase and sale instruments necessary to minimise the risk of volatility in currencies other than the Euro.

Guarantees given as part of the agreement for the sale of the Parent Company's shares

As part of the agreement for the sale of the Parent Company's shares to Fondo Strategico Italiano (now CDP Equity S.p.A.), Finmeccanica (now Leonardo S.p.A.) has issued guarantees for disputes or issues that have required specific accruals to be made for risk provisions in the consolidated financial statements.

The sales agreement requires Leonardo to provide compensation for any outlays required to cover the guaranteed issues, using various mechanisms based on the specific circumstances. At the discretion of CDP Equity, this compensation can be paid directly to either the Parent Company or to CDP Equity itself.

It should be noted that CDP Equity has come to a formal agreement with the Parent Company, whereby all future compensation relating to the "asbestos" issue shall be paid directly by Leonardo to the Parent Company itself.

With regard to all the other issues guaranteed by Leonardo, on the other hand, CDP Equity has not yet determined the recipients of any compensation to be provided.

Related party transactions

The relations of the Group companies with related parties, be they commercial or financial, are all conducted at market conditions and are analytically detailed at the bottom of the explanatory note.

Performance outlook

Following the approval of the five-year plan in February of 2020 and the subsequent capital increase and renegotiation of the bank debt, the execution phase was begun, which, even despite the Covid pandemic, showed remarkably positive results and obtained a significant number of orders, thus offering hope that the Group will soon return to positive economic and financial conditions, even in terms of profits.

Meanwhile, the Management is preparing the new business plan, which is based on the following fundamental guidelines:

- the positive market trend, which manifested itself in an increase of over 6% in orders in 2020 compared to the already positive year of 2019, and in 2021 confirms the 1:1 ratio between orders received and the revenues that will be recorded (so-called "book to bill"). The revenues in 2021 are also expected to increase by 29.8% with respect to 2020;
- a particular focus on cash generation and its stabilisation;
- an improvement in the margins obtained, thanks to a major sales effort and a cost containment program;
- a long-term strategy that will bring the Group back to a central position in the energy market.

The plan also provides for corrective and structural actions in terms of improving working capital, and a reduction in costs through the streamlining of the purchasing processes, the initial results of which could already be seen in 2020.
For all these reasons, confidence in the future of the Group and in its ability to generate value for Shareholders is renewed.

Consolidated financial statements as of 31.12.2020

Consolidated Income Statement

Euro/thousands	Notes	2020	Of which related parties	2019	Of which related parties
Revenue	*30*	1,089,114	63,978	984,065	41,760
Other operating income	*31*	18,744	-	39,414	-
Purchases costs	*32*	390,058	665	321,093	627
Services costs	*32*	305,351	3,127	360,476	12,052
Personnel expenses	*33*	241,569		250,526	
Amortization, depreciation and impairment losses	*34*	111,694		283,749	
Other operating expenses	*31*	19,851	2	86,755	15
Changes in finished goods, work-in progress and semi-finished goods	*35*	-85,155		5,671	
(-) Internal works capitalised	*36*	47,241		39,964	
EBIT		**1,421**		**-233,485**	
Financial income	*37*	18,234	-	12,136	653
Financial expenses	*37*	107,773	14,219	60,588	8,138
Share of profits (losses) of associates and joint ventures accounted for using equity method	*14*	-4,263		-9,447	
Profit (loss) before taxes and discontinued operations		**-92,382**		**-291,384**	
Income taxes	*38*	-2,962		-28,191	
Profit (loss) from discontinued operations	*39*	-13,369		7,473	
Net result		**-102,788**		**-255,720**	

Consolidated statement of comprehensive income

Euro/thousands	2020	2019
NET RESULT	**(102,788)**	**(255,720)**
Items that will not be reclassified to profit and loss:		
- Actuarial gains (losses) on defined benefit plans measurement	(4,407)	(6,412)
revaluation/(devaluation)	(4,407)	(6,412)
Exchange rate differences	-	-
Items that may be reclassified to profit and loss:		
- Changes in cash flow hedges:	10,233	(2,288)
Fair value gains (losses)	10,233	(2,288)
Reclassification to fiscal year profit or loss	-	-
Exchange rate differences	-	-
- Exchange differences	(7,970)	(1,865)
Gains (losses)	(7,970)	(1,865)
- Tax effect	(1,031)	1,494
Other comprehensive income, net of tax effect	**(3,175)**	**(5,341)**
Total comprehensive income (loss)	**(105,963)**	**(261,061)**

Consolidated Statement of financial position

Euro/thousands	Notes	31/12/2020	Of which with related parties	31/12/2019	Of which with related parties
Assets					
Non-current assets					
Intangibles assets	*12*	1,381,999		1,376,161	
Property, plant and equipment	*13*	272,479		290,540	
Equity investments	*14*	17,218		21,420	
Receivables	*15*	56,038		744	
Deferred tax assets	*15*	71,029		73,563	
Other non-current assets	*15*	12		-	
		1,798,775		**1,762,428**	
Current assets					
Inventories	16	532,319		534,926	
Contract work in progress	17	140,090		190,391	
Trade receivables	18	295,679	72,132	354,380	75,327
Tax assets	20	6,379		5,277	
Financial receivables	19	10,818		127	127
Derivatives	29	340	340	-	-
Other current assets	*21*	85,558	6,623	75,190	10,907
Cash and cash equivalents	22	266,346		311,718	
		1,337,529		**1,472,009**	
Assets held for sale		284,298		324,337	
Total assets		**3,420,602**		**3,558,774**	
Equity and liabilities					
Equity					
Share capital	23	580,000		180,000	
Other reserves	23	(94,002)		13,181	
Equity attributable to the owners of the parent		485,998		193,181	
Equity attributable to non-controlling interests		(39)		(171)	
Total equity		**485,959**		**193,010**	
Non-current liabilities					
Loans and borrowings	24	955,231	223,453	716,998	209,690
Employee benefits	25	40,632		39,926	
Provisions	26	58,321		87,046	
Deferred tax liablities	27	76,735		86,327	
Other non-current liabilities	27	14,347	10,225	14,104	10,225
		1,145,266		**944,401**	
Current liabilities					
Progress payments and advances from customers	17	785,488		722,611	
Trade payables	*28*	438,299	6,655	417,576	23,339
Loans and borrowings	*24*	217,899	-	757,354	-
Tax liabilities	*20*	2,170		5,346	
Provisions	*26*	73,671		57,712	
Derivatives	*29*	806		12,996	
Other current liabilities	*27*	106,013	-	282,063	-
		1,624,346		**2,255,658**	
Liabilities related to assets held for sale		165,031		165,705	
Total liabilities		**2,934,643**		**3,365,764**	
Total liabilities and equity		**3,420,602**		**3,558,774**	

Consolidated Statement of cash flows

Euro/thousands	2020	2019
Cash flow from operating activities:		
Gross cash flow from operating activities	130,778	127,103
Changes in working capital and other operating assets (liabilities)	49,340	(62,346)
Net interests paid	(60,776)	(39,879)
Income taxes paid	(2,639)	(18,348)
Gross cash flow generated from (used in) operating activities from discontinued operations	25,218	8,750
Cash flows generated from (used in) operating activities	**141,921**	**15,280**
Cash flow from investing activities:		
Acquisition of companies, net of cash acquired	(147)	(2)
Sale of equity investments	88	1.002
Investments in property, plant and equipment and intangible assets	(99,465)	(116,337)
Sale of in property, plant and equipment and intangible assets	(4)	933
Cash flow generated from ordinary investment activities from discontinued operations	(6.390)	(7.646)
Cash flows generated from (used in) investing activities and other	**(105,918)**	**(122,050)**
Cash flows generated from (used in) strategic investing activities and other non-recurring items	**(158,000)**	**(41,446)**
Cash flow from financing activities:		
Capital increase and payments from shareholders	399,719	-
Net changes in financial receivables/payables and other financing activities	(325,676)	246,456
Cash flow from financing activities from discontinued operations	(3,385)	(10,439)
Cash flows generated from (used in) financing activities activities	**70,658**	**236,017**
Net increase (decrease) in cash and cash equivalents	(51,339)	87,801
Exchange rate gain (losses)	-	471
Exchange rate gain (losses) from discontinued operation	-	430
Other changes	(470)	129
Cash and cash equivalents as at January 1st	318,155	229.324
Cash and cash equivalents as at December 31st	**266,346**	**318,155**
of which cash from discontinued operations	-	6.437
of which cash from statement of financial position	266,346	311,718

Consolidated Statement of Changes in Equity

Euro/thousands	Share capital	Hedging reserve	Actuarial reserve	Other reserves and retained earnings	Total equity of the group
1 January 2019	**180,000**	**(4,966)**	**(19,467)**	**294,030**	**449,597**
Comprehensive income for the year:					
Net result	-	-	-	(255,700)	(255,700)
Other comprehensive income (expenses)	-	(1,876)	(5,330)	1,865	(5,341)
Total comprehensive income	**-**	**(1,876)**	**(5,330)**	**(253,835)**	**(261,041)**
Other changes			23	4,602	4,625
Reclassifications	-	-	-	-	-
31 December 2019	**180,000**	**(6,842)**	**(24,774)**	**44,797**	**193,181**
Comprehensive income for the year:					
Net result	-	-	-	(102,776)	(102,776)
Other comprehensive income for the year	-	8,613	(3,818)	(7,970)	(3,175)
Total comprehensive income	**-**	**8,613**	**(3,818)**	**(110,746)**	**(105,951)**
Shareholders related transactions recorded directly in equity:					
Dividends approved	-	-	-	-	-
Capital increase	400,000	-	-	-	400,000
Repurchase of treasury shares, net of share sold	-	-	-	(281)	(281)
Total shareholders related transactions recorded directly in equity	**400,000**	**-**	**-**	**(281)**	**399,719**
Other transactions	-	(299)	(25)	(627)	(951)
31 December 2020	**580,000**	**1,472**	**(28,617)**	**(66,857)**	**485,998**

Reconciliation of the Parent's equity and net result with consolidated figures as at 31 December 2020

	Equity	Of which net result
Parent company equity and net result as at 31/12/2020	**550,413**	**-68,434**
Equity surplus in annual financial statements compared to the carrying amounts of investments in consolidated companies	-157,480	
Consolidation adjustments for:		
- Differences between the purchase price and the corresponding book net equity		
- PPA Nuclear Engineering Group	15,818	
- PPA Gastone	89,993	-6,891
- Intercompany profit		3,385
- Deferred and prepaid income taxes		
- Dividends		-4,074
- Actuarial gains/losses		
- Other adjustments	-12,745	-26,763
Equity and net result attributable to the owners as at 31/12/2020	**485,999**	**-102,777**
Non-controlling interests	-39	-12
Total equity and net result as at 31/12/2020	**485,959**	**-102,789**

Notes to the consolidated financial statements for the fiscal year ended on 31 december 2020

1. General Information

Ansaldo Energia S.p.A. ("Ansaldo Energia", the "Company" or the "Parent Company", and, together with the other companies controlled by or affiliated with the same, as the "Group" or "Ansaldo Energia Group") is a joint stock company domiciled in Italy, with registered offices at no. 8 Via Nicola Lorenzi, Genoa, and organised according to the legal system of the Italian Republic.

The Parent Company is jointly owned by CDP Equity S.p.A. (an Italian investment holding company belonging to Cassa Depositi e Prestiti Group, formerly known as Fondo Strategico Italiano) and by the Chinese company Shanghai Electric Hongkong Co. Limited.

The non-renewal of the shareholders' agreements between the Shareholders, which expired on 5 December 2019, meant that the Parent Company, starting from this date, is not only formally, but also de facto, controlled directly by the Shareholder CDP Equity S.p.A.

On 20 April 2020, an Extraordinary Shareholders' Meeting was held to approve the proposal to increase the share capital by a maximum amount of € 450 million, via the issuance of shares with regular dividend rights, at par, to be offered as an option to the shareholders of CDP Equity Spa and Shanghai Electric Hongkong Co. Limited, pursuant to art. 2441 of the Italian Civil Code and the Articles of Association, in proportion to their respective shareholdings in the share capital.

On 27 April 2020, the shareholder CDP Equity S.p.A. made a payment of € 400 million.

On 30 June 2020, the share capital increase approved by the Ansaldo Energia S.p.A. Extraordinary Shareholders' Meeting held on April 20, from € 180 million to € 580 million, was completed. The aforementioned capital increase, against payment, took place for an amount of € 400 million via the payment by the shareholder CDP Equity Spa, which also exercised the right of pre-emption for the share not subscribed by the shareholder Shanghai Electric Hongkong Co Limited. As a result of the aforementioned capital increase, the shareholding of CDP Equity now amounts to approximately 88%, and that of Shanghai Electric Hongkong Co Limited amounts to approximately 12% of the share capital.

The Group's mission is to perform, in Italy and internationally, industrial, commercial, design, supply, technology assembly, start-up and service activities in the power generation Plants and Components service line, as well as in similar service lines, in addition to performing all works connected with the aforementioned activities. Cutting-edge technology, high professional standards, extensive production capacity and competitive projects and products have been constant features of the Group from the outset and will drive it forward into the future.

The Parent Company Ansaldo Energia is not subject to management and coordination.

2. Form, contents and accounting standards applied

a) Basis for preparation

The consolidated financial statements for the fiscal year ended on 31 December 2020 (henceforth also referred to as the "Consolidated Financial Statements") have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and adopted by the European Union. The term IFRS is to be understood as the "International Financial Reporting Standards", all the "International Accounting Standards" ("IAS"), and all the interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC"), previously known as the "Standards Interpretations Committee" ("SIC"), which, as of the date of the Consolidated Financial Statements' approval, have been approved by the European Union according to the procedure required by EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In particular, it should be noted that the IFRS have been applied consistently to all the periods presented within this document.

These Consolidated Financial Statements have been prepared:

- based on the best available knowledge of the IFRS, and taking into account the best interpretations in this field; any future interpretative guidance and updates will be reflected in subsequent fiscal years in accordance with the methods required by the financial reporting standards, on a case-by-case basis;
- in accordance with the going concern assumption, as indicated in the Report on Operations;
- based on the conventional cost criterion, with the exception of the valuation of the assets and liabilities in cases where the application of the fair value criterion is required.

b) Form and content of the financial statements

The Consolidated Financial Statements have been prepared in Euros, which corresponds to the currency of the main economic environment in which the entities comprising the Group operate. Unless otherwise specified, all the amounts included in this document are expressed in Euros.

The reporting formats and the relative classification criteria adopted by the Group, within the scope of the options provided by IAS 1 "Presentation of financial statements" ("IAS 1"), are indicated below:

- **the consolidated income statement** – the scheme of which maintains a cost and revenue classification based on the nature of the same. This statement contains the net income before taxes and the effects of any discontinued operations, as well as the net income attributable to minority shareholders and the net income attributable to the Group;
- **the consolidated statement of comprehensive income** – shows the changes in equity resulting from transactions other than capital transactions carried out with the company's shareholders;
- **the consolidated statement of financial position** has been prepared by classifying the assets and liabilities based on the "current/non-current" criterion;
- **the consolidated statement of cash flows** was prepared by reporting the cash flows resulting from operating activities according to the "indirect method";
- **the consolidated statement of changes in equity** contains the total income (expenses) for the fiscal year, transactions with shareholders, and other changes in equity.

The *statement reconciling the profit and equity of the Parent Company and the Group* was also included, which, through the classification of the various consolidation adjustments, explains the reconciliation between the data shown on the Parent Company's financial statements and those shown on the consolidated financial statements.

The templates used are those that best represent the Group's economic, equity, and financial situation.
The preparation of the Consolidated Financial Statements required the use of estimates by the management (for more details, please refer to Note 6, titled "Use of estimates").

The Board of Directors' meeting held on 10 March 2021 approved the draft Consolidated Financial Statements as of 31 December 2020 for presentation to the shareholders, authorising its publication and calling a Shareholders' Meeting for 21 April 2021.

These Consolidated Financial Statements have been audited by PricewaterhouseCoopers S.p.A.

3. Accounting Standards adopted

a) Basis and scope of consolidation

The Consolidated Financial Statements include the economic, equity, and financial situations of the Company and the companies/entities included within the scope of consolidation (henceforth the "consolidated entities"), prepared according to the IFRS. The financial information regarding the consolidated entities has been drafted with reference to the year ended on 31 December 2020, and, where necessary, has been adjusted accordingly in order to render it consistent with the Group's accounting standards. The year-end date of the consolidated entities is aligned with that of the Parent Company; if this does not occur, they prepare special financial statements for the parent company's use. The consolidated entities are listed below, along with the relative percentages of the Group's direct or indirect holdings.

Companies consolidated on a line-by-line basis

	Investimento %			
Company name	Direct	Indirect	Variation of perimeter	Contribution of the Group %
Aliveri Power Unit Maintenance SA	100%			100%
Ansaldo Energia Holding USA Corp.	100%		X[1]	100%
Ansaldo Energia IP UK Ltd	100%			100%
Ansaldo Energia Iranian LLC	70%	30%		100%
Ansaldo Energia Korea Yuhan Heosa	5%	95%	X[1]	100%
Ansaldo Energia Messico S. DE. R.L. DE C.V.	5%	95%	X[1]	100%
Ansaldo Energia Muscat LLC	50%	50%		100%
Ansaldo Energia Nigeria Limited	60%	40%		100%
Ansaldo Energia Spain S.L.	100%			100%
Ansaldo Energia Switzerland AG	100%			100%
Ansaldo Nucleare S.p.A.	100%			100%
Ansaldo Russia LLC	100%			100%
Ansaldo Serviços de Energia Brasil LTDA	5%	95%	X[1]	100%
Ansaldo Thomassen B.V.	100%		X[1]	100%
Ansaldo Thomassen Gulf		100%		100%
Asia Power Project Private Ltd	100%			100%
Consorzio Stabile Ansaldo New Clear	18.18%	72.73%		90.91%
Ghannouch Maintenance Sarl	100%			100%
Niehlgas GmbH	100%			100%
Nuclear Engineering Group Ltd		100%		100%
Power System Manufacturing LLC		100%	X[1]	100%
Power Systems Manufacturing Japan	100%		X[1]	100%
Yeni Aen Insaat Anonim Sirketi	100%			100%

1. Company "Held for sale"

Companies measured using the equity method

Company name	Investment % Direct	Indirect	Variation of perimeter	Contribution of the Group %
A-U Finance Holdings BV	40%			40%
Ansaldo Algerie	49%			49%
Ansaldo Gas Turbine High Technology	60%			60%
Polaris - Anserv Srl		20%		20%
Shanghai Electric Gas Turbine	40%			40%
Ansaldo Netherlands BV		100%	X[1]	100%

1. *Company not consolidated on a line-by-line basis since not operational on the date in question*

Changes to the scope of consolidation

The conditions for classifying Ansaldo Energia Holding USA Corp. among the companies held for sale matured during the course of the 2020 financial year.

The criteria used by the Group to define the scope of consolidation and the relative consolidation principles are shown below.

Subsidiaries

An investor controls an entity when: i) it is exposed to, or has the right to participate in, the variability of its economic returns; and ii) it is able to exercise its own decision making power over the relevant activities of the entity itself in order to influence said returns. The existence of control is verified every time events and/or circumstances indicate a change in any of the above indicators of control. The subsidiaries are consolidated using the full consolidation method starting on the date upon which control was acquired, and cease to be consolidated starting on the date upon which control is transferred to another party. The financial statements of all the subsidiaries have closing dates that coincide with that of the Parent Company.
The following criteria are adopted for full consolidation:

- the assets and liabilities, as well as income and expenses, of the subsidiaries are incorporated line by line by attributing to the minority shareholders, where applicable, the share of equity and the net result for the period pertaining to them; this share is recorded separately in the equity and in the income statement;
- the profits and losses with relative tax effects resulting from transactions between fully consolidated companies, not yet realised with third parties, are eliminated, if significant, with the exception of losses that are not eliminated where the transaction indicates a reduction in the value of the asset transferred. Reciprocal receivables and payables, costs and revenues, and financial income and expenses are also eliminated;
- in the presence of shares acquired after the assumption of control (acquisition of non-controlling interests), any difference between the acquisition cost and the corresponding portion of the acquired equity is recorded directly in the equity attributable to the Group; similarly, the effects arising from the disposal of minority interests without loss of control are recorded in the equity. In contrast, any sale of investment shares resulting in loss of control requires the following to be recorded on the income statement:
  (i) any capital gains/losses calculated as the difference between the consideration received and the corresponding portion of consolidated equity sold;
  (ii) the effect of the recalculation of any residual investment maintained in order to align it with the relative fair value;
  (iii) any values reported among the other comprehensive income components relating to the investee company of which

control has been lost that are required to be reversed on the income statement, or, if not required to be reversed on the income statement, under the "Other reserves" equity item.
The value of any investment maintained, aligned with the relative fair value on the date of loss of control, represents the new carrying amount of the investment, which also constitutes the reference value for its subsequent valuation according to the applicable valuation criteria.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures. A joint venture recognises its interest in a joint venture as an investment and shall account for that investment using the equity method.

Associates

Associates are companies over which the Group has significant influence, which is presumed to exist when the investment represents 20% to 50% of the voting rights. Associates are accounted for using the equity method and are initially recorded at cost. The equity method is described below:

- where necessary, the carrying amount of these investments is aligned with the adjusted equity of the relative company in order to reflect the application of the EU IFRS, and includes the entry of the greater values attributed to the assets and liabilities, as well as any goodwill, identified at the time of acquisition, according to a process similar to that successively described for business combinations;
- the Group's share of the profit or loss is recorded starting on the date that the significant influence begins, and up until the date that the significant influence ceases. If, as a result of losses, the company accounted for using the method in question records a negative equity, the carrying amount of the investment is cancelled, and any surplus attributable to the Group, in the event that the latter has made efforts to fulfil legal or implicit obligations of the investee company, or otherwise to cover its losses, is recorded in a special provision; the changes in equity for companies accounted for using the equity method that are not indicated on the income statement are recorded directly on the income statement;
- unrealised profits and losses generated on transactions carried out between the Company, its subsidiaries, and the investee company accounted for using the equity method, are eliminated based on the value of the Group's share in the investee company itself, with the exception of losses, if these are representative of the asset's impairment, and dividends, which are eliminated entirely.

In the case of objective evidence of impairment, recoverability is verified by comparing the entry value with its relative recoverable amount determined by adopting the criteria indicated in the note titled "Impairment losses on tangible and intangible assets (impairment test)". When the reasons for the write-downs made no longer subsist, the value of the investments is restored within the limits of the write-downs made, with the effects being recorded on the income statement.

Any sale of investment shares resulting in loss of joint control or significant influence over the investee company requires the following to be recorded on the income statement:

- any capital gains/losses calculated as the difference between the consideration received and the corresponding portion of the underwritten value sold;
- the effect of the recalculation of any residual investment maintained in order to align it with the relative fair value;
- any values reported among the other comprehensive income components relating to the investee company that are required to be reclassified on the income statement.

The value of any investment maintained, aligned with the relative fair value on the date of loss of joint control or significant influence, represents the new carrying amount and therefore the reference value for subsequent valuation according to the applicable valuation criteria.

Once an investment accounted for using the equity method, or a share of such an investment, is classified for resale, as it meets the established criteria for such a classification, the investment or investment share in question is no longer accounted for using the equity method.

Business combinations

The *business combinations* under which control of a business is gained are recorded by applying the so-called *acquisition method*, in accordance with IFRS 3. In particular, the identifiable assets acquired, and the liabilities and contingent liabilities assumed, are recorded at their current value on the date of acquisition, or rather the date upon which control is acquired (the "Acquisition Date"), with the exception of deferred tax assets and liabilities, assets and liabilities relating to employee benefits, and assets held for sale that are recorded according to the relative financial reporting standards. If positive, the difference between the acquisition cost and the current value of the assets and liabilities is included among the intangible assets, such as goodwill; if negative, after having double checked the correct calculation of the current value of the assets and liabilities acquired and their acquisition cost, this difference is recorded as income directly on the statement of comprehensive income. When the determination of the values of the acquired business's assets and liabilities is carried out on a temporary basis, it must be concluded within a maximum of twelve months from the date of acquisition, and only taking into account information relating to facts and circumstances that existed as of the Acquisition Date. The temporarily calculated values are recorded with a retrospective effect during the fiscal year in which the determination is completed. Ancillary transaction charges are recorded on the statement of comprehensive income at the time in which they are incurred.
The acquisition cost is represented by the *fair value* of the assets transferred, the liabilities assumed, and the capital instruments issued for the purposes of the acquisition as of the Acquisition Date, and also includes the contingent consideration, or rather the portion of the consideration whose amount and disbursement are dependent upon future events. The contingent consideration is recorded based on the relative *fair value* as of the Acquisition Date, and the subsequent changes in the *fair value* are recorded on the income statement if the contingent consideration is a financial asset or liability, while contingent considerations classified as equity are recalculated and their subsequent extinction is recorded directly in equity.
In the case of acquisition of control at a later stage, the acquisition cost is determined by summing the *fair value* of the investment previously held in the acquiree, and the amount paid for the additional share. Any difference between the *fair value* of the investment previously held and its carrying amount is recorded on the statement of comprehensive income. Upon acquisition of control, any amounts previously recorded among the other comprehensive income components are recorded on the statement of comprehensive income, or else in another equity item if its reclassification on the income statement is not required.

IFRS 5 - Assets held for sale and Discontinued Operations

During the year, the Group indicated the investments in Ansaldo Servicos de Energia Brazil, Ansaldo Energia Holding USA, Ansaldo Energia Korea, Ansaldo Energia Mexico, Ansaldo Thomassen B.V., PSM Power System Manufacturing and PSM Japan among the assets held for sale, in application of IFRS 5.

The standard provides that the disposal activities and groups are classified as held for sale if their book value is recoverable mainly through their disposal rather than through its continuous use.

Specifically, an asset (or a disposal group) is classified as held for sale if it meets the following requirements:
- the asset is held for sale under current conditions and the sale is highly likely or a binding sales program or business has already been started to find a buyer and
- the sale is expected to be completed within one year of the classification date.

In the statement of financial position, the assets held for sale and the assets/liabilities belonging to the group being disposed of are presented as a separate item from other assets and liabilities and their total is reflected respectively in current assets and liabilities.
Discontinued Operation means a significant business unit or a geographical area of assets classified as held for sale and falling within a coordinated disposal program.

In the practical application of the standard in question, and in compliance with the provisions of the reference standards, the Group has adopted the following exhibition choices:
- presentation of the 2020 balance sheet with separate indication of assets and liabilities held for sale;
- separate indication in the consolidated income statement of the profits or losses of discontinued operations net of tax effects in a single item, represented by the total;
- elimination of intercompany asset items;
- reclassification of economic intercompany items to third parties.

In the consolidated income statement for the period, the profit/loss net of discontinued operations, as well as the profit or loss deriving from the measurement at Fair Value Less Costs to Sell or from the disposal of the discontinued operations or groups (Discontinued Operations) are combined in a single item in the final section of the Income Statement, separately from the result for Continuing Operations.
Cash flows for Discontinued Operations are instead shown separately in the statement of cash flows.
In accordance with IFRS 5, the Group of discontinued operations has been considered a "discontinued operation" from the moment in which the discontinued Group companies are those specialised in the "OSP" business line and, with particular reference to PSM, it covers a the entire geographical area of operation of the Group, meaning America.

Translation of foreign currency accounts and balances

Translation of foreign currency entries

Foreign currency monetary items (cash and cash equivalents, assets and liabilities to be received or settled in established or determinable monetary amounts, etc.), as well as non-monetary items (advances to suppliers of goods and/or services, etc.), are initially recognised at the exchange rate ruling when the transaction is performed. Subsequently, monetary items are translated into the functional currency at the closing rate on the reporting date and any exchange rate gains or losses are recorded on the income statement. Non-monetary items are maintained at the exchange rate ruling at the transaction date, unless continuing adverse economic trends affect the rate, in which case exchange rate differences are recorded on the income statement.

Translation of balances expressed in a currency other than the functional currency

Balances expressed in a foreign currency (except for currencies of hyperinflationary economies, which is not currently the case of the Group) are translated into the functional currency as follows:

- assets and liabilities are translated at the closing rate;
- costs and revenue, income and expense are translated at the average exchange rate of the year or at the rate ruling at the date of the transaction if this varies significantly from the average rate;
- exchange rate gains or losses arising from the translation of captions at a rate that differs from the closing rate and from the translation of opening equity at a rate that differs from the closing rate are taken to the translation reserve. The translation reserve is released to profit or loss when the investment is sold;
- goodwill and fair value adjustments relating to the acquisition of foreign operations are recognised as assets and liabilities of the foreign operation and translated at the closing rate.

The exchange rates used for the conversion of the aforementioned balances are shown in the following table:

	Average exchange rate	Exchange rate as at 31 December 2020
AED	4.19	4.51
ARS	80.92	103.25
AUD	1.65	1.59
BRL	5.89	6.37
CDF	2,119.50	2,419.60
CLP	903.14	872.52
CNY	7.87	8.02
DZD	144.85	162.11
EGP	18.07	19.32
EUR	1.00	1.00
FSV	1.07	1.08
GBP	0.89	0.90
IDR	16,627.37	17,240.76
IRR	303,567.00	306,000.00
IRU	84.64	89.66
JOD	0.81	0.87
JPY	121.85	126.49
KRW	1.345.58	1.336.00
LBP	1,721.86	1,849.85
MAD	10.82	10.92
MXN	24.52	24.42
NGN	407.45	465.68
OMR	0.44	0.47
PKR	184.94	196.82
ROL	48,383.00	48,683.00
RUB	82.72	91.47
SAR	4.28	4.60
THB	35.71	36.73
TND	3.20	3.29
TYR	8.05	9.11
USD	1.14	1.23
ZAR	18.77	18.02

b) Accounting standards and valuation criteria

Intangible assets

Intangible assets consist of clearly identifiable assets without physical substance that are controlled by the Group and are capable of generating future economic benefits for the company, as well as the goodwill recorded following business combinations. They are recognised at purchase and/or production cost, including directly related charges incurred to prepare them for use and borrowing costs relating to their acquisition, development or production for those assets that require a long time period before being ready for use or sale. Their carrying amount is net of accumulated amortization, except for assets with an indefinite useful life, and any impairment losses. Amortization begins when the asset becomes available for use and is calculated systematically over the residual useful life of each asset. It is calculated considering the actual use of the asset during the fiscal year in which an intangible asset is initially recognised.
The following main intangible assets can be identified within the context of the Group:

Development costs
This item includes the costs incurred to apply the results of research and other knowledge to a plan or project for the production of new or substantially advanced materials, devices, processes, systems or services before commercial production commences or before the assets are used, when it can be demonstrated that they will generate future economic benefits. These are typically amortised based on the units of production method over the period in which the expected future economic benefits will be obtained (the "stamp" method). On the other hand, expenditure incurred in the research stage of a project is expensed when incurred.

Industrial patents and intellectual property rights
Industrial patents and intellectual property rights are recognised at acquisition cost, net of accumulated amortization and impairment losses. Amortization begins when the title to the right is acquired and the asset is ready for use. Assets are amortised over the shorter of their expected useful life and the title term.

Concessions, licences and trademarks
This category includes: concessions, i.e., those public administration measures entitling private sector entities to use public assets on an exclusive basis or to manage public services under regulated conditions; licences giving the right to use patents or other intangible assets for a fixed term or a term that can be established; trademarks identifying the origin of products or goods from a specific company and licences to use know-how, software or the property of others. The costs, including direct and indirect expenses incurred to obtain these rights, are capitalised after the rights have been acquired and are amortised systematically over the shorter of the period of expected use and the period for which the right has been acquired.

Goodwill
Goodwill recognised as an intangible asset arises from business combinations and reflects an excess in the acquisition cost of the business or business unit over the total fair value at the acquisition date of acquired assets and liabilities. As it has an indefinite useful life, goodwill is not amortised. Instead, it is tested for impairment at least once a year, unless the market and management indicators identified by the Group show that the test has to be conducted when preparing interim financial statements.

Property, plant and equipment

The tangible assets are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. Cost includes direct charges incurred to prepare assets for use and any disposal and removal costs that will be incurred to restore the site to its original conditions and borrowing costs relating to their acquisition, construction or production for those assets that require a long time period before being ready for use or sale.

Tangible assets whose carrying amount will mainly be recovered through a sale transaction (rather than the continued use of the asset) are valued at their carrying amount or their *fair value* fewer disposal costs, whichever is less. Goods classified as "held for sale" must be immediately available for sale, their disposal must be highly probable (meaning that there are already commitments to that effect), and their sale value must be reasonable in relation to their *fair value*.

Goods acquired following business combinations are recorded at their fair value as of the acquisition date, possibly corrected within the next 12 months. This value represents the cost of acquisition.

Costs for ordinary and/or routine maintenance and repairs are taken directly to profit or loss when incurred. Costs to expand, upgrade or improve owned or leased assets are capitalised only to the extent they meet the requirements to be classified separately as assets or part of an asset. Grants related to assets are taken as a direct decrease in the cost of the asset to which they relate.

The carrying amount of each asset is depreciated on a systematic basis. Depreciation is calculated on a straight-line basis each year over the residual useful lives of assets. It is calculated considering the actual use of the asset in the year in which a tangible asset item is initially recognised. The following table lists the depreciation periods for the various types of assets:

	Years
Land	indefinite useful life
Industrial buildings	33
Plant and machinery	20 - 5
Equipment	8 - 2.5
Furniture and furnishings	8 - 5
Vehicles	5 - 4

The estimated useful lives and residual values are regularly reviewed. Depreciation ceases when the asset is sold or reclassified as held for sale. If a depreciable asset is comprised of separately identifiable components with useful lives that differ significantly from the other components comprising the asset, depreciation is calculated separately for each component, using the component approach. This item also includes equipment allocated to specific programmes (tooling), depreciated based on the method of units produced as opposed to the total expected.

Profits and losses on the sale of assets or groups of assets are measured by comparing the selling price with the related carrying amount.

Leased assets

As of January 1, 2019, the Ansaldo Energia Group has adopted IFRS 16 - Leasing (issued with Regulation (EU) No. 2017/1986). The general drafting criteria introduced are highlighted below.

Initial evaluation of the agreement

The Company assesses whether a contract is a leasing contract (or contains a component), when entering into the agreement. During the contractual life, this initial assessment is reviewed only in the face of substantial changes in the contractual conditions (e.g. changes in the subject of the contract or in the requirements that impact on the right to control the underlying asset). If the leasing contract also contains a "non-leasing" component, the Company separates and handles this component according to the reference accounting standard, except for the case in which the separation cannot be achieved on the basis of objective criteria: in this case, the Company makes use of the practical expedient granted by the standard of treating the leasing and non-leasing components together in accordance with IFRS 16.

The Company recognises an asset consisting of the right of use and a corresponding leasing liability for all the leasing contracts in which it is a lessee, with the exception of short-term contracts (with a duration of no more than twelve months), to contracts in which the single underlying asset is of low value (up to € 5 thousand), and to contracts in which the underlying asset has the nature of an intangible asset (e.g. software licenses). For these contracts, the Company avails itself of the option not to apply the provisions of IFRS 16, thus recognising the leasing instalments as operating costs in exchange for short-term trade payables.

Rights of use

At the start date of the contract, the Company recognises the right of use equal to the initial value of the corresponding leasing liability, plus the payments due for the leasing before the starting date of the leasing and for any initial direct costs.

Subsequently, these assets are valued net of accumulated depreciation and impairment. The right of use is amortised in the shorter of the contractual term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset, or the cost of the asset consisting of the right of use reflects that the Company plans to exercise a purchase option, the related asset consisting of the right to use is amortised over the useful life of the underlying asset. Depreciation begins on the leasing date. The Company applies IAS 36 - *Impairment of assets* to determine whether an asset consisting of the right of use has suffered an impairment.

Consistent with the provisions of the accounting standard, the Group has decided to present the right-of-use assets by nature, or by including them in the same item in which the corresponding underlying assets would be presented if they were owned. The explanatory note then specifies the line of financial statements in which these user right activities are classified.

Leasing liabilities

The leasing liability is initially measured at the present value of the unpaid leasing payments on the leasing start date, discounted using the implicit leasing rate. If this rate cannot be determined promptly, the Company uses the marginal financing rate, defined, reviewed and updated periodically (at least once during the year) for the entire duration of the loan.

Payments included in the initial measurement of the lease liability include:

- fixed payments (including fixed payments in substance), net of any leasing incentives to be received;
- where applicable, the strike price of the purchase option, if the lessee has reasonable certainty to exercise the option.

Subsequently, the leasing liability is increased to reflect interest on the residual value (using the effective interest method) and reduced to reflect the lease payments paid.

The Company restates the leasing liability (and makes a corresponding adjustment to the related right of use) in the event of a change:

- the duration of the lease (e.g. in the event of early termination of the contract, or extension of the expiry date);
- the evaluation of a purchase option of the underlying asset. In such cases, the payments due for leasing will be reviewed on the basis of the revised duration of the leasing and to take into account the change in the amounts to be paid under the purchase option.

Only in the event of a substantial and significant change in the duration of the lease or the future payments due for the lease, the Company restates the residual value of the leasing liability by referring to the marginal loan rate in force on the date of the change (instead of the one applied at inception of the agreement). In all other cases, the leasing liability is recalculated using the initial discount rate.

Leasing liabilities are presented in the balance sheet financial payables item and detailed in this explanatory note.

Use of IFRS 16 estimates

The description of the main estimates adopted by the Group at 31 December 2020 in accordance with IFRS 16 is provided below.

- *Incremental borrowing rate*

With regard to the determination of the discount rate, the Group has chosen to refer to a marginal debt rate (“Incremental Borrowing Rate” or “IBR”) for each contract falling within the perimeter of IFRS 16, taking into account the following factors:

– SWAP rates of individual currencies and single maturities;
– estimate of the representative credit spread on an unsecured 5-10 year debt, made by the lessee on the basis of similar negotiations recently held with bank counterparties;
– adjustment of the previous component to consider the economic context and the country in which the contract resides.

Contracts with similar characteristics are valued using a single discount rate.
The IBR associated with the beginning of each contract will be subject to review at each lease modification, i.e. substantial and significant changes to the contractual conditions in the evolution of the agreement (e.g. duration of the contract or amount of future payments due for the leasing).

- *Contract duration*

With regard to the determination of the contractual duration, both at the start date of the contract and at a later date (in the case of substantial and significant changes to the contractual conditions), the Group uses an evaluation approach that is based on the duration envisaged by the agreed obligation between the Parties, compatibly with future intentions in wanting / being able to achieve the end and the experiences acquired.

Impairment losses

(a) Goodwill
As indicated above, goodwill underwent annual impairment, testing, or more frequently in the presence of indicators giving the impression that it may have suffered an impairment, in accordance with IAS 36 (Impairment of assets). This verification is normally carried out at the end of each fiscal year, and the reference date for this verification therefore coincides with the closing date of the financial statements.
The *impairment test*, which is described in greater detail under Note 12, is carried out in relation to each of the **Cash Generating Units** (**CGU**s) to which goodwill has been allocated, or in the case of Ansaldo Energia Group, to the only CGU identified. Any impairment of goodwill is recorded if the recoverable amount thereof is less than its carrying value on the financial statements. The recoverable value is to be understood as the greater of either the *fair value* of the CGU, less the disposal costs, or the relative value in use, with the latter being understood as the actual value of the future cash flows for that asset. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the cost of money in relation to the period of the investment and risks specific to the asset. If the impairment resulting from the impairment test exceeds the value of the goodwill allocated to the CGU, the remaining surplus is allocated to the assets included in the CGU in proportion to their carrying value. The minimum limit for this allocation is the greater of the following amounts:

- the *fair value* of the asset less the sales expenses;
- the value in use, as defined above;
- zero.

The original value of the goodwill cannot be restored if the reasons for the impairment no longer subsist.

(b) Tangible and intangible assets with a finite useful life
On each of the financial statements' reference dates, checks are carried out to determine whether there are any indicators that tangible and intangible assets have suffered impairment losses. For this purpose, both internal and external sources of information are taken into account. With regard to the former (internal sources), the following are taken into consideration: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the asset's economic performance in relation to the expectations. With regard to external sources, the following are taken into consideration: the trend of the assets' market prices, any technological, market or regulatory discontinuity, the trend of the market interest rates or the cost of capital used to evaluate the investments.
If such indicators are determined to be present, the recoverable value of the aforementioned assets is estimated, with any depreciation with respect to the relative book value being recorded on the statement of comprehensive income.

The recoverable value of an asset is represented by the greater of either the *fair value*, less the ancillary sales costs, or the relative value in use, determined by discounting the estimated future cash flows for the asset in question, including those deriving from its transfer at the end of its useful life, if significant and reasonably ascertainable, and excluding any disposal costs. In determining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the cost of money in relation to the period of the investment and risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable value is determined in relation to the *cash-generating unit* to which the asset belongs.

An impairment loss is recorded on the statement of comprehensive income whenever the carrying amount of the asset, or of the CGU to which it is allocated, exceeds the relative recoverable value. The impairment losses of a CGU are first recorded as a reduction of the carrying amount of any goodwill attributed to the same, and then as a reduction of the other assets, in proportion to their carrying values, and within the limits of their recoverable values. If the conditions for a write-down previously carried out no longer subsist, the carrying amount of the asset is restored through registration on the income statement, within the limits of the carrying value that the asset in question would have had if the write-down had never been done and the relative amortizations had been carried out.

Equity investments

Investments in other companies (other than those in subsidiaries, associates and joint ventures) are evaluated at *fair value*; any changes in the value of such investments are registered in an equity reserve by attributing them to the other comprehensive income components that will be reclassified on the separate consolidated income statement at the time of sale or in the presence of an impairment deemed to be definitive.

Other unlisted equity investments for which the *fair value* cannot be reliably determined are stated at cost and adjusted for the impairments to be recorded on the separate consolidated income statement, in accordance with the provisions of IFRS 9.

Impairments of other investments classified among the "financial assets held for sale" cannot be subsequently reversed.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the *weighted average cost method*. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Produced raw materials are measured at standard cost, which is reviewed half-yearly.

Work-in-progress and semi-finished products are measured at production cost, excluding borrowing costs and overheads.

Inventories are shown net of the obsolescence provision, which is calculated on the basis of the forecast of (i) unfavourable economic conditions that could arise in the future or (ii) the risk of product unsaleability.

Contract work in progress and advances from customers

Contract work in progress is recognised in accordance with the percentage of completion method whereby contract cost, revenue and profits (losses) are recognised using the percentage of completion method. The stage of completion is calculated on the basis of the ratio of costs incurred at the measurement date and the expected overall costs for the contract.

The measurement reflects the best estimate of the stage of completion at the reporting date. The Group periodically updates the assumptions underlying these measurements. Any profits or losses are recognised in the year in which the adjustments are made.

The expected loss on a contract affecting operating profit is recognised entirely under operating expense when it becomes reasonably foreseeable. Similarly, any reversal thereof is recognised under other operating income, if related to internal costs. External costs are covered directly through utilisation of the provision for expected losses to complete contracts.

Contract work in progress is recognised net of any allowances, expected losses and progress payments and advances relating to contracts in progress. This analysis is performed individually for each contract, recognising the positive difference (work in progress in excess of progress payments and advances) under contract work in progress and the negative difference under "progress billings". If the amount recognised under progress billings is not collected at the preparation date of the annual and/or interim financial statements, a balancing entry is recognised under trade receivables.

Contracts with consideration in a currency other than the functional currency (Euros in this case) are measured by translating the portion of consideration accrued, as per the percentage of completion method, at the closing rate. However, under the Group's policy governing currency risk, all contracts whose cash inflows and outflows are significantly exposed to exchange rate fluctuations are adequately hedged: In this case, the recognition procedures set out below.

Financial assets

The following table shows the classification of financial assets by category in line with the IFRS 9 standard:

Financial assets valued at amortised cost

Financial assets which have been verified to meet the following requirements are classified in this category:

a) the asset is held as part of a business model whose objective is to hold the asset for the purpose of collecting contractual cash flows; and

b) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the principal amount to be repaid.

These are mainly receivables from customers, loans and other receivables.

Trade receivables that do not contain a significant financial component are recognised at the price defined for the related transaction (determined in accordance with the provisions of IFRS 15 Revenues from customer contracts).

Other receivables and loans are initially recognised in the financial statements at their fair value increased by any directly attributable accessory costs to the transactions that generated them. At the time of subsequent measurement, financial assets are shown at amortised cost, with the exception of loans that do not contain a significant financial component, using the effective interest rate. The effects of this measurement are recognised as a financial income component.

Financial assets at fair value through profit or loss ("FVOCI")

Financial assets which have been verified to meet the following requirements are classified in this category:

a) the asset is held as part of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset itself; and

b) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the principal amount to be repaid.

These assets are initially recognised in the financial statements at their fair value plus any additional costs directly attributable to the transactions that generated them. At the time of subsequent measurement, the measurement made at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income.

Financial assets at fair value with a balancing entry in the consolidated income statement ("FVPL")
Financial assets that are not classified in any of the previous categories (i.e. residual category) are classified in this category. These are mainly derivative instruments.

Assets belonging to this category are recorded at fair value upon initial recognition. Ancillary costs incurred on recognition of the asset are immediately recognised in the consolidated income statement. On subsequent measurement, FVPL financial assets are measured at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated income statement in the period in which they are recognised under "Gains (losses) from assets measured at fair value". Purchases and disposals of financial assets are accounted for at the settlement date. Financial assets are removed from the financial statements when the related contractual rights expire, or when the Company transfers all the risks and rewards of ownership of the financial asset.

Derivatives

The Ansaldo Energia Group has availed itself of the possibility provided for in § 7.2.21 of IFRS 9 to postpone the adoption of the hedge accounting module of the same accounting standard and to continue to apply the provisions of IAS 39 for the accounting of derivatives as hedging instruments.
Derivatives are always classified as assets held for trading and measured at fair value on the income statement, unless they qualify for hedge accounting and are effective in hedging the underlying assets, liabilities or commitments of the Group.

Specifically, the Group uses derivatives exclusively as part of its strategies of hedging the risk of fluctuations in the fair value of recognised assets or liabilities or due to contractual commitments (fair value hedges), or in the expected cash flows of contractually-defined or highly probable future transactions (cash flow hedges). For details on the recognition of currency risk hedges on long-term contracts, reference should be made to the section titled "*Estimated costs to complete long-term contracts*."

The effectiveness of hedges is documented at the inception of the transaction, as well as periodically at each annual or interim reporting date. Hedge effectiveness is measured by comparing the variations in the fair value of the hedging instrument with those of the hedged item, or, for more complex instruments, using statistical analysis based on risk variations.

Hedging construction contracts against currency risk
To avoid the risk of fluctuations in foreign currency cash inflows and outflows on construction contracts, the Group specifically hedges the individual cash flows expected on the contract. Hedges are made on finalising the contracts, unless previous framework agreements exist that make contract acquisition highly likely. Currency risk is usually hedged using plain vanilla (forward) instruments. If the hedge is not deemed effective, fair value gains or losses on these instruments are immediately expensed as financial items and the related underlying item is measured as if it were not hedged, hence it is exposed to the currency risk. Hedges which fall under the first type of instrument are recognised as cash flow hedges, considering the premium or the discount as the ineffective portion in the case of forwards, or time value in the case of options. The ineffective portion is recognised under financial items.

Fair value Hedge
Changes in the fair value of derivatives designated as fair value hedges and which qualify as such are recognised in profit or loss, as are changes in the fair value of the underlying assets or liabilities attributable to the risk eliminated by the hedging transaction.

Cash Flow Hedge
Changes in the fair value of derivatives designated as cash flow hedges and which qualify as such are recognised to the extent of the portion determined to be "effective", in a specific equity reserve ("*hedging reserve*"). This is subsequently reclassified on the income statement when the forecast transaction affects profit or loss. The change in the fair value of the ineffective portion is recognised immediately in profit or loss. If the forecast transaction is no longer highly probable, the relevant portion

of the "hedging reserve" is released immediately to profit or loss. If the hedging instrument is sold or no longer effectively hedges the risk for which it was agreed, the relevant portion of the "hedging reserve" is retained in equity until the underlying transaction affects profit or loss.

Fair value measurement

The Fair value valuations of the financial instruments are carried out by applying IFRS 13 "Fair value measurement" ("IFRS 13"). The fair value represents the price that would be received for the sale of an asset or paid for the transfer of a liability within the context of an ordinary transaction carried out between market operators on the measurement date.

The fair value measurement is based on the assumption that the sale of the asset or the transfer of the liability takes place on the main market, or rather the market with the greatest volume and level of transactions for the asset or liability in question. In the absence of a main market, it is assumed that the transaction takes place on the most advantageous market to which the Group has access, or rather the market most likely to maximise the results of the asset's sale, or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or liability is determined in consideration of the assumptions that market participants would use to define the price of the asset or liability in question, with the presumption that they are acting in their best economic interests. The market participants are independent and informed buyers and sellers who are capable of entering into a transaction for an asset or liability, and are motivated, but are not obliged or induced, to carry out the transaction.

In carrying out the fair value measurement, the Group takes into account the characteristics of the specific asset or liability, and namely, for non-financial assets, the ability of a market participant to generate economic benefits by employing the asset for its greatest and best possible use, or by selling it to another market participant capable of using it for its greatest and best possible use. The fair value measurement of the assets and liabilities is carried out using techniques appropriate for the circumstances, and for which sufficient data are available, maximising the use of observable inputs.

IFRS 13 identifies the following hierarchy of fair value levels, which reflects the significance of the inputs used in the relative determination:

- Level 1 - Quoted price (active market): the data used in the measurements are prices quoted on markets where the same assets and liabilities in question are exchanged.
- Level 2 - Use of parameters observable on the market (e.g. for derivatives, the exchange rates used by the Bank of Italy, market rate curves, volatility provided by qualified providers, credit spreads calculated based on the CDS, etc.) other than the quoted prices referred to in level 1.
- Level 3 - Use of unobservable market parameters (e.g. internal assumptions, cash flows, risk-adjusted spreads, etc.).

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the rights to receive cash flows from the asset are extinguished;
- the Company retains the right to receive cash flows from the asset, but has assumed the contractual obligation to promptly pay them entirely to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has substantially transferred all the risks and benefits of the financial asset's ownership, or (b) has neither transferred nor substantially retained all the risks and benefits of the asset's ownership, but has transferred control of the same.

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Cash and cash equivalents

This item includes cash on hand, deposits and accounts with banks or other credit institutions available for current transactions, post office current accounts and other cash equivalents as well as investments maturing within three months of the acquisition date. They are recognised at *fair value*.

Payables and other liabilities (excluding derivatives)

Financial liabilities include financial payables, payables for leases and trade payables.

Amounts due to banks and other lenders are initially recognised at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. If there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change based on the current value of the new expected cash flows and the initially determined internal rate of return.

Leasing payables are recognised as required by IFRS 16, commented above.

Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they are paid within one year of the balance sheet date. Otherwise, these payables are classified as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently measured using the amortised cost method.

When a financial liability is hedged against interest rate risk by a fair value hedge, changes in fair value due to the hedged risk are not included in the amortised cost calculation. These changes are amortised from the moment in which the fair value hedge accounting is interrupted.

Financial liabilities are derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

With reference to the derecognition of a financial liability, new records must be created for its extinction and the recognition of a new liability if the contractual terms are substantially different. The terms are considerably different if the actualised value of the financial flow under the new terms, including any fee paid net of the fee received and actualised using the original interest rate, are at least 10% different from the actualised value of the remaining financial flows of the original financial liability. If the exchange of debt instruments or the change in the terms are recognised as an extinction, any costs or fees paid are recorded as income or losses associated with the extinction. If the exchange or modification is not recognised as extinction, any costs or fees sustained will adjust the accounting value of the liability and will be amortised over the remaining term of the liability in question.

Equity

Share capital

Share capital is comprised of the parent's subscribed and paid-in share capital. Any costs closely related to the issue of shares are classified as a decrease in share capital when they are directly related to such operation, net of any deferred taxation.

Employee benefits

Post-employment benefits

Several pension (or supplementary) schemes are in place. They can be analysed as follows:

- Defined contribution plans under which the company pays fixed contributions into a separate entity (e.g. a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees benefits relating to employee service. Contributions payable to a defined contribution plan are recognised only when employees have rendered service in exchange for such contributions;
- Defined benefit plans whereby the Company has an obligation to provide the agreed benefits to current and former employees and bears the actuarial and investment risks of the plan. The cost of this plan is therefore not defined in terms of the contributions due for the fiscal year, but is rather recalculated based on the dynamics of the wages and certain demographic and statistical assumptions. The method utilised is defined as the "projected unit credit method".

As a result of this option, the value of the liability recorded in the balance sheet is in line with that resulting from its actuarial valuation, with full and immediate recognition of actuarial gains and losses in the period in which they arise in the statement of comprehensive income, through a specific other comprehensive income reserve ("reserve for actuarial gains (losses) in shareholders' equity").

Other long-term employee benefits and post-employment benefits

Some Group employees are granted certain benefits such as jubilee benefits and seniority bonuses which are sometimes paid after retirement (such as medical benefits). The accounting treatment is the same as that applied to defined benefit plans, hence the "projected unit credit method" is used.

However, with respect to "other long-term benefits", any actuarial gains and losses are recognised immediately and entirely in profit or loss when they arise.

Termination benefits

Termination benefits are recognised as a liability and an expense when the Company is demonstrably committed to terminating the employment of an employee or Group of employees before the normal retirement date or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits do not generate future economic benefits for the Company and, accordingly, are immediately expensed.

Provisions for risks and charges

Provisions for risks and charges are recognised if, at the reporting date, as a result of a past event, there is a legal or constructive obligation that will lead to an outflow of resources which can be estimated reliably. The amount recognised as a provision is the best estimate of the discounted outlay required to settle the obligation. The discount rate used reflects current market assessments and the additional effects of the risk specific to the liability.

Changes in estimates are recognised in profit or loss when they take place.

Estimated costs to complete long-term contracts

The Group operates in extremely complex business areas and with complex contractual arrangements which are recognised using the percentage of completion method. The margins recorded on the income statement depend on both the order and the margins forecast from the entire project on completion. Consequently, for the purposes of correctly recognising work in progress and profits related to works yet to be completed, management is required to make an accurate estimate of expected costs to complete, expected increases and delays, additional costs and penalties which could have an impact on the expected profit. In order to better assist *management*'s estimates, contract risk management and analysis procedures have been introduced to identify, monitor and quantify the risks related to contract performance (for more details, please refer to Note 6 "Use of estimates"). The carrying amounts reflect the management's best estimate at that time, assisted by the above procedural tools.

Moreover, the Group operates in markets where disputes tend to take a long time to settle especially when state bodies are involved. This requires that management predicts the outcome of such disputes.

Revenues

Revenue is recognised in accordance with IFRS 15, which requires the recognition of revenue from customer contracts for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer.

Revenue is recognised when the related performance obligation is met, i.e. when the promised good or service is transferred to the customer. The transfer is considered completed when the customer obtains control of the good or service, which may take place continuously (over time) or at a specific time (at a point in time).

Revenues from performance obligations met over time are recognised on the basis of the stage of completion method (or percentage of completion) according to which costs, revenues and margins are recognised on the basis of production progress, determined by reference to the ratio between costs incurred at the measurement date and total expected costs on the programme or on the basis of the units of product delivered.

The measurement reflects the best estimate of the stage of completion as of the date of the financial statements. The estimates are updated regularly. Any profits or losses are recognised in the year in which the adjustments are made. The expected loss on a contract affecting operating profit is recognised entirely under operating expense when it becomes reasonably foreseeable. Vice versa, any reversal thereof is recognised under other operating income, if related to internal costs. External costs are covered directly through utilisation of the provision for expected losses to complete contracts.

Grants

Grants are recognised on an accruals basis and in direct correlation with costs incurred when their allocation has been formally approved. Specifically, grants related to assets are recognised in profit or loss directly in line with the depreciation/amortization of the assets/projects to which they relate and are recognised as a direct reduction in depreciation/amortization. In the statement of financial position, they are recognised as a direct reduction of the capitalised asset to the extent of the residual amount not yet recognised in profit or loss.

Costs

Costs are recognised if they are pertinent to the Group's business and on an accruals basis.

Financial income and expenses

Interest income and expense are recognised on an accruals basis using the effective interest method, i.e., at the interest rate that makes all cash inflows and outflows (including any premiums, discounts, commissions, etc.) comprising the transaction financially equivalent.
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (*qualifying assets*) are capitalised as part of the cost of that asset.

Dividends

Dividends are recognised when the right to receive payment is established. This usually coincides with the shareholders' resolution approving their distribution. Dividends paid to the shareholders are considered as a change in equity and recognised as a liability in the year in which the distribution was approved by the parent's shareholders.

Taxes

The Group's tax expense includes current and deferred taxes. When they refer to income and expense recognised in equity through other comprehensive income, they are offset against the same item. Current taxes are calculated on the basis of the tax legislation applicable in the countries where the Group operates, enacted at the reporting date. Any risks arising from different interpretations of income and expense, as well as pending litigation with the tax authorities are assessed at least quarterly in order to adjust the relevant provisions.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to be enacted when realising assets and settling liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the years the related temporary differences reverse against which the deductible temporary differences can be utilised.

Related party transactions

Related parties are to be understood as companies that have the same parent company as the Group, companies that directly or indirectly control or are subject to joint control by the Group, and those in which the Group holds a share that allows it to exercise significant influence. The definition of related parties also covers members of the Company's Board of Directors and managers with strategic responsibilities. Managers with strategic responsibilities are those who have direct or indirect power and responsibility in relation to the planning, management, and/or monitoring of the Group's activities.

4. Accounting standards and approved interpretations in force as of 1 January 2020

Pursuant to IAS 8 "Accounting policies, changes in accounting estimates and errors", the IFRS in force as of 1 January 2020 are indicated below:

- **Amendments to IFRS 3 - "Business Combinations"**
  These amendments have introduced a new definition of business, according to which, in order to qualify as a business combination, an acquisition must include inputs and processes that substantially contribute to obtaining an output. The definition of output is amended in a restrictive sense, with the specification that cost savings and other economic benefits are to be excluded as outputs. This change will result in a greater number of acquisitions qualifying as asset acquisitions rather than business acquisitions.
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of material**
  In addition to clarifying the concept of the "materiality" of transactions, these amendments focus on the definition of a concept of materiality that's consistent and unique among the various accounting standards, and incorporate the guidelines on non-material information included within IAS 1.
- **Amendments to IFRS 9, IFRS 39 and IAS 7: Benchmark interest rate reform (IBOR reform)**
  These amendments regard the impacts on financial statements resulting from the replacement of the current benchmark interest rates with alternative interest rates: if there are hedging relationships impacted by the uncertainty of the reform of the benchmark rates, these changes allow for the possibility of not making the valuations required by IFRS 9 if interest rate changes occur.

The effects of these amendments on the interest rate hedging transactions carried out by the Group are continuously monitored.

- **Amendments to IFRS 16 Leases – Covid 19 related rent concessions**
  These amendments introduce an optional accounting treatment for tenants in the case of rent holidays or temporary rent concessions linked to Covid-19.

Tenants can choose to account for rent concessions occurring up until 30 June 2021 as variable lease payments recognised directly on the income statement for the period in which the concession applies, or else to treat them as an amendment to the lease agreement, with the consequent obligation to reassess the lease payable based on the revised payment using a revised discount rate. These rent concessions were treated as *variable lease payments* and were therefore recognised directly on the income statement for the period.

5. International accounting standards and/or interpretations issued but not yet in force in 2020

As required by IAS 8 "Accounting standards, changes in accounting estimates and errors", the new standards or interpretations already issued but not yet in force or not yet approved by the European Union as of 31 December 2020, and therefore not applicable, are indicated below.
None of these Standards or Interpretations were adopted early.

- **Amendments to IAS 1 - Presentation of financial statements - Classification of liabilities as current or non-current**
  The amendments clarify the standards that must be applied for the classification of liabilities as current or non-current. These amendments, which will come into force on 1 January 2022, have not yet been approved by the European Union.
- **Amendments to IAS 16 - Property, plant and equipment - Payments received prior to the intended use**
  These amendments prohibit the deduction of amounts received from the sale of products from the cost of property, plant and equipment while the asset is being prepared for its intended use. The proceeds from the sale of the products and the relative production costs must be recognised on the income statement.
  These amendments, which will come into force on 1 January 2022, have not yet been approved by the European Union.
- **Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets - Onerous contracts - Cost of fulfilling a contract**
  These amendments specify the costs to be taken into consideration when assessing whether a contract is onerous.
  These amendments, which will come into force on 1 January 2022, have not yet been approved by the European Union.
- **Annual Improvements (2018 – 2020 cycle) issued in May 2020**
  These amendments are limited to certain standards (IFRS 1 First adoption of IFRS, IFRS 9 Financial instruments, IAS 41 Agriculture and illustrative examples of IFRS 16 Leases) which clarify the wording or correct the omissions or conflicts between the requirements of the IFRS standards. These amendments, which will come into force on 1 January 2022, have not yet been approved by the European Union.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Benchmark interest rate reform (IBOR reform – phase 2)**
  These amendments, which will come into force on 1 January 2022, have not yet been approved by the European Union.

6. Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methodologies which, under certain circumstances, are based on difficult and subjective evaluations and estimates, historical experience, and assumptions that are considered to be reasonable and realistic in light of the relative circumstances. The application of these estimates and assumptions affects the amounts reported on the financial statements, the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, and the disclosures provided.

Due to the uncertainty that characterises the assumptions and the conditions upon which the estimates are based, the final results of the items on the financial statements for which these estimates and assumptions have been utilised may differ, even considerably, from those contained in the financial statements showing the effects of the estimated items.

Even if not all of the estimated accounting entries are significant on an individual basis, they are significant collectively. For this reason, the areas that need to be evaluated more subjectively by the directors during the preparation of the estimates, and for which any changes in the conditions underlying the assumptions could have a significant impact upon the Group's financial results, are summarised below.

Deferred tax assets

The deferred tax assets are recognised against the temporary deductible differences between the values of the assets and liabilities indicated on the financial statements with respect to the corresponding value for tax purposes. A discretional assessment must be made in order for the directors to determine the amount of the deferred tax assets that can be accounted for, which depends on the estimate of the probable timing and the amount of the future taxable profits.

Provision for doubtful receivables

The recoverability of the receivables is assessed taking into account the risk of their inability to be collected, their age, and the impairment losses on receivables recorded in the past for similar types of receivables.

Provisions for risks and charges

Provisions representing the risk of negative outcomes have been recorded for legal and tax risks. The value of the provisions recorded on the financial statements for these risks represents the best estimate to date made by the directors. This estimate involves certain assumptions dependent upon factors that can change over time, and which could therefore have a significant effect in relation to the current estimates made by the directors during the preparation of the Group's consolidated financial statements.

Impairment of assets

Goodwill and other tangible and intangible assets with finite useful lives are checked for impairment, which is recorded through write-downs whenever the indicators reveal the likelihood of difficulty in recovering the relative net carrying amount through use. The verification of the existence of these indicators requires the directors to make subjective assessments based on the information available within the Group and on the market, as well as from historical experience. Moreover, if it is determined that a potential impairment may have been generated, the Group proceeds with the determination of the same using appropriate valuation techniques. The correct identification of the elements indicating a potential impairment of tangible and intangible assets, and the estimates for the determination of the same, depending upon factors that can change over time, thus affecting the evaluations and estimates made by the directors themselves.

Depreciation and amortization

The costs of the tangible and intangible assets with finite useful lives are amortised at constant rates over the course of the estimated useful lives of the relative assets themselves. The useful economic lives of such assets are determined by the directors at the time of their acquisition, based on historical experience for similar assets, market conditions, and anticipated future events that could have an impact on the useful lives of the assets, including changes in technology. Their actual economic lives may therefore differ from their estimated useful lives.

As required by section 10 of IAS 8 (Accounting policies, changes in accounting estimates and errors), in the absence of a Standard or Interpretation specifically applicable to a particular transaction, the Management shall make use of weighted subjective evaluations to determine the accounting methodologies to be adopted in order to provide consolidated financial statements that faithfully represent the Group's financial position, operating results, and cash flows, reflect the economic substance of the transactions, are neutral, are prepared according to the principle of prudence, and are complete in all of the relevant aspects.

Recognition of revenues and costs relating to contract work in progress

The group uses the percentage of completion method to account for long-term contracts. The margins recorded on the income statement depend on both the order and the margins forecast from the entire project on completion. Consequently, for the purposes of correctly recognising work in progress and profits related to works yet to be completed, the directors are required to make an accurate estimate of expected costs to complete, expected increases and delays, additional costs and penalties which could have an impact on the expected profit. Using the percentage of completion method requires the Group to estimate the costs of completion, which in turn requires estimates to be made that depend upon factors that can change over time, and could therefore have a significant effect upon the current values. If the actual cost is different from the estimated cost, this change will have an impact on the results in future fiscal years.

7. Risk management

The group is exposed to a series of business and financial risks associated with its operations.

The main business risks consist of the following:

- *Economic crisis*: the continuation of the economic crisis could compromise the Group's profitability and its ability to generate cash flows, including by its core businesses. In order to counteract this risk, the Group pursues its goal of increasing production efficiency and improving contract execution capacity while concurrently cutting structural costs.
- *Long term fixed price contracts*: the Group's response to this risk consists of following the established procedures during the preparation and approval of its main sales offers, with the main financial and performance indicators, including Economic Value Added (EVA), one of the reference indicators, being continuously checked right from the initial phases. The Group also checks the estimated contract costs regularly, at least every three months. It identifies, monitors and evaluates risks and uncertainties inherent in contract performance using the "Contract management" directive, as well as two procedures (Lifecycle Management and Risk Assessment) designed to reduce the probability that risks or their negative consequences will materialise, and ensure that the appropriate mitigation measures are promptly applied.

  This procedure involves senior management, the program managers and the quality, production and finance functions (the so-called "phase review").
- *Customer liability*: the Group is exposed to risks of customer or third party liability linked to the proper execution of the contracts, which it addresses by stipulating standard insurance policies available on the market to cover any damages caused. However, damage could arise that is not covered by insurance policies, or that exceed the sum insured, or else the insurance premiums, which are nevertheless constantly monitored by the management, could increase in the future.
- *Legislative compliance*: The Group ensures its constant compliance with the relevant legislation through specific procedures, subordinating the start of any commercial actions to checking compliance with limits and attainment of the necessary authorisations.

The risks of a financial nature consist of:

- *Liquidity risks*, which consist of the risk that the available financial resources will not be sufficient to meet the obligations under the agreed terms and deadlines;
- *Market risks*, related to the Group's exposure to interest-bearing financial instruments (interest rate risks) and to operations in areas that use currencies other than the Group's functional currency (currency risk);
- *Credit risk*, arising from normal trading transactions or financing activities.

The Group specifically monitors each of these financial risks and acts promptly to contain them, including, for example, by using hedging derivatives.

The potential impact of hypothetical fluctuations in the reference parameters on actual results is described below, including using *sensitivity analyses*. As set out in IFRS 7, these analyses are based on simplified scenarios applied to the actual figures of the reference years. However, because of their nature, they cannot be considered as indicators of the real effects of future changes in reference parameters when a different financial position and different market conditions are considered. Moreover, they do not reflect the interrelations and complexities of the reference markets.

Liquidity risk

Liquidity risk consists of the risk that, due to the inability to raise new funds or liquidate assets on the market, the Group is unable to meet its payment obligations, resulting in a negative impact upon the operating result if it were to be forced to incur additional costs to meet its commitments or a situation of insolvency.

The Group's aim is to establish a financial structure that, in keeping with its business objectives and the defined limits, i) ensures an adequate level of liquidity, minimising the relative opportunity cost, and ii) maintains a balance in terms of the debt composition and duration.

The following table shows a maturity analysis based on the contractual repayment obligations in relation to the capitalised values of the bond, the trade payables, and other liabilities held as of 31 December 2020 and 2019. The first column shows the year-end balance, while the next columns show the foreseen cash outs at the indicated deadlines, including interest.

Euro/thousands	Amount as at 31 December 2020	Within 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Bonds	353,876	9,625	378,875	-	388,500
Other current and non-current financial payables	819,254	212,238	625,401	2,843	840,482
Trade payables	438,299	438,299	-	-	438,299
Other current and non-current liabilities	197,095	106,013	91,757	-	197,770

Euro/thousands	Amount as at 31 December 2019	Within 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Bonds	619,213	277,970	388,500	-	666,470
Other current and non-current financial payables	855,139	253,831	883,328	2,237	1,139,396
Trade payables	417,576	417,576	-	-	417,576
Other current and non-current liabilities	382,495	282,064	101,556	-	383,620

The financial payables attributable to assets held for sale amounted to € 36,724 thousand in 2019 and € 31,919 thousand in 2020.

Interest rate risk

The Group is exposed to interest rate variations in relation to the use of its liquidity. The interest rate risks were measured by means of a *sensitivity analysis*, as required by IFRS 7, conducted upon the exposed part at risk of changes to the interest rate not covered by derivatives.
Any sensitivity analysis would be irrelevant, as the Group's entire indebtedness is at a fixed rate.

Foreign exchange risks

The Group's procedures require that revenue in foreign currency exposed to the currency risk be hedged upon the acquisition of the most significant contracts. With respect to expenses, the Group's policy provides that supply agreements are mainly contracted in Euros. Any foreign currency purchases are usually hedged by a corresponding amount of revenue in the same currency.

The notional amount in Euro of all items hedged by sell-side derivatives totalled € 70,362 thousand and € 23,380 thousand for buy-side derivatives as of 31 December 2020.

In view of the above, and, in particular, excluding the effect of the policy of hedging transactions in currencies other than the Euro, the *sensitivity* analysis on the variations in foreign exchange rates is insignificant.

Credit risk

The Group is exposed to credit risk in terms of both its trading counterparties and its financing and investing activities, in addition to the guarantees given for third-party liabilities or commitments.

In order to remove or contain the credit risk from trading transactions, especially with foreign counterparties, the Group has implemented a careful hedging policy that provides for hedging trading transactions since inception and carefully monitoring the conditions and payment terms to propose in its commercial offers, that may subsequently be included in sales agreements.

Specifically, depending on the contractual amount, the type of customer and importing country, specific measures are taken to contain credit risk, in terms of payment terms and related financial means required, such as stand-by or irrevocable and confirmed letters of credit or, where this is not possible and if the country/customer is specifically at risk, the Group considers whether to request an adequate insurance policy through the dedicated *Export Credit Agencies*, like SACE, or international banks, in the case of contracts that require financing of supply.

The following table provides a breakdown of the trade receivables, grouped by maturity and by geographical region, net of the provision for doubtful receivables:

Euro/thousands	Italy Area	Europe, CIS, Africa, Middle East Area	America Area	Asia Area	Total
Retention	-	203	-	-	203
Not yet due	24,307	7,558	629	4,641	37,135
Overdue by less than six months	8,570	16,145	80	12,119	36,914
Overdue between six months and one year	26,427	42,144	1,447	19,792	89,810
Overdue between one and five years	19,650	79,265	7,421	4,329	110,666
Overdue by more than five years	7,799	8,784	3,979	390	20,952

There is no significant risk of credit concentration, either by geographical area, sector or type of customer.

8. Capital management

The management of the Group's capital is aimed at ensuring a solid credit rating and adequate capital indicator levels to support the investment plans, in accordance with the contractual obligations assumed with lenders.
The Group obtains the capital necessary to finance the development needs of its businesses and operational activities; the funding sources consist of a balanced mix of risk capital and debt capital, in order to ensure a balanced financial structure and to minimise the overall cost of capital, with consequent benefits for all the "stakeholders."

The financial situation of the previous years has led to a downturn of the risk indices in question, but we remain confident of a recovery of the balance between sources over the short term, whose reversal trend began to be highlighted in 2020.

The return on the risk capital is monitored based on the market trend and business performance, once all the other obligations have been met, including debt servicing; therefore, in order to ensure an adequate return on the capital, the protection of business continuity, and the development of the businesses, the Group constantly monitors the changes in the level of debt in relation to equity, the business trend, and the cash flow forecasts, over both the short and medium/long term.

9. Financial assets and liabilities by category

The following tables detail the Group's financial assets and liabilities as required by IFRS 7, in accordance with the categories identified by IFRS 9, as of 31 December 2020 and 2019. It should be noted that, with the exception of foreign exchange derivatives, the Group has no financial assets or liabilities measured at fair value with changes recognised on the income statement or the statement of comprehensive income.

	31-dec-20		
Euro/thousands	**Financial assets and liabilities at amortized cost**	**Hedging derivatives**	**Total**
Other current financial assets	277,164		277,164
Other non-current financial assets			-
Other receivables and other non-current assets	56,038		56,038
Trade receivables	295,679		295,679
Other receivables and other current assets	91,937	340	92,277
Total	**720,818**	**340**	**721,158**
Loans and borrowings and other current liabilities	217,899		217,899
Other debts and other non-current liabilities	14,347		14,347
Loans and borrowings and other non-current liabilities	955,231		955,231
Trade payables	438,299		438,299
Other debts and other current liabilities	108,183	806	108,989
Total	**1,733,959**	**806**	**1,734,765**

Euro/thousands	31-dec-19 Financial assets and liabilities at amortized cost	Hedging derivatives	Total
Other current financial assets	311,845		311,845
Other non-current financial assets			-
Other receivables and other non-current assets	745		745
Trade receivables	354,380		354,380
Other receivables and other current assets	80,467	-	80,467
Total	**747,437**	**-**	**747,437**
Loans and borrowings and other current liabilities	757,354		757,354
Other debts and other non-current liabilities	14,104		14,104
Loans and borrowings and other non-current liabilities	716,998		716,998
Trade payables	417,576		417,576
Other debts and other current liabilities	287,410	12,996	300,406
Total	**2,193,442**	**12,996**	**2,206,438**

The reconciliation table for the net financial position from 1 January 2020 to 31 December 2020, which highlights the financial changes and changes that did not involve cash flow (non-cash changes), is provided below:

Euro/thousands	Cash and cash equivalents	Financial receivables	Short term loans	Medium/long term loans	Total
Net financial position as at 31 December 2019	**311,718**	**127**	**- 757,354**	**-716,998**	**-1,162,507**
Cash flow of the period	-34,554	-127	390,893	-89,671	266,541
Reclassifications	-10,818	10,818	148,562	-148,562	-
Net financial position as at December 2020	**266,346**	**10,818**	**-217,899**	**-955,231**	**-895,966**

The "other changes" item of the financial payables includes reclassifications from medium/long to short term.
For a detailed analysis of the existing loans, please refer to the related financial statements.

10. Fair value measurement

The following table summarises the assets and liabilities measured at fair value as of 31 December 2020 and 2019, based on the level that reflects the inputs used to determine their *fair value*:

	Fair Value 2020	Fair Value 2019
Assets		
Currency forward	340	-
Interest rate swap		-
Liabilities		
Currency forward	806	12,104
Interest rate swap	-	892

The Group makes use of internal evaluation models generally used in financial practice. There were no transfers between the various levels of the fair value hierarchy during the periods in question.

11. Segment reporting

For the purposes of IFRS 8 - *Operating segments*, the Group's activities belong to a single operating segment (CGU), namely that of energy.

Moreover, while noting the heavily transversal nature of its activities, on a managerial level the Group has further based its organisation on a structure that, in turn, is divided into service lines and geographical areas.

The Group has thus identified the following *service lines*: plants and components, service, nuclear and renewables. The geographical area scheme, on the other hand, in which the risks and benefits are also significantly influenced by the fact that the company operates in different countries or different geographical areas, has been evaluated as secondary.

For a more detailed analysis of each service line, please refer to the Report on Operations.

In order to complete the disclosures, the following table shows the breakdown of the revenues by service line and by geographical area, as well as the detail of the gross margin (defined as the difference between revenue and cost of production) for each service line.

	New Units	Service	Nuclear	Renewable energies	Total
Revenues	504,981	519,586	63,270	1,277	**1,089,114**
Gross Margin	41,889	148,696	6,491	-427	**196,649**

Furthermore, the following table shows the revenues by geographical area (or rather allocated based on the countries in where the customers are based) and the fixed assets by geographical area (which instead are allocated based on the country of the company holding the relative assets):

Euro/thousands	Revenues		Non-current assets	
	2020	2019	31/12/2020	31/12/2019
Italy	495,273	305,427	1,407,616	1,125,864
Europe/CIS/Africa/Middle East	403,683	513,362	385,170	625,962
America	4,853	13,067	-	376
Asia/Australia	185,305	152,209	5,568	10,226
	1,089,114	**984,065**	**1,798,354**	**1,762,428**

* CIS= Commonwealth of Indipendent States

12. Intangible assets

This item and the relative change can be detailed as follows:

Euro/thousands	Goodwill	Development expenses	Patent and similar rights	Concessions, licenses and trademarks	Intangible assets acquired through business combinations (PPA)	Other assets under development	Total
1 January2019							
Cost	805,893	159,564	367	110,725	659,300	284,441	2,020,290
Accumulated amortization and impairment	(885)	131,301	367	19,463	281,572	18,202	450,020
Carrying amount	**806,778**	**28,263**	**-**	**91,262**	**377,728**	**266,239**	**1,570,270**
Investments	-	4,383	-	-	-	92,890	97,273
Sales	-	-	-	-	-	(123)	(123)
Amortization and impairment	(9,000)	(10,377)	-	(2,686)	(130,849)	(97,195)	(250,107)
Reclassification	-	21,312	-	-	-	(21,312)	-
Other changes	-	(1,503)	-	(568)	(1,155)	3,016	(210)
Reclassification into assets held for sale	-	(11,880)	-	(3,412)	(23,947)	(1,705)	(40,944)
31 December 2019							
Cost	806,333	170,407	367	104,375	635,354	349,094	2,065,930
Accumulated amortization and impairment	8,555	140,209	367	19,779	413,577	107,282	689,769
Carrying amount	**797,778**	**30,198**	**-**	**84,596**	**221,777**	**241,812**	**1,376,161**
Investments	-	-	-	-	-	79,363	79,363
Sales	-	-	-	-	-	-	-
Amortization and impairment	-	(34,830)	(1,218)	(2,921)	(32,284)	(1,780)	(73,033)
Reclassification	-	275,295	7,511	(36)	-	(282,771)	-
Other changes	(66)	(6,000)	-	66	-	5,509	(491)
31 December 2020							
Cost	805,850	523,932	12,548	111,441	635,354	55,247	2,144,371
Accumulated amortization and impairment	8,138	259,269	6,255	29,737	445,861	13,113	762,372
Carrying amount	**797,712**	**264,663**	**6,293**	**81,705**	**189,493**	**42,134**	**1,381,999**

The balance of € 1,381,999 does not include the total of the intangible fixed assets relating to the assets held for sale, which is indicated on the dedicated line for a total amount of € 42,787 thousand.

During the course of the 2020 fiscal year, the Group continued to develop new technologies relating to the GT26 and GT36 turbines.

In particular, the GT26 and GT36 machine qualifications continued, as did the development of these new GT technologies.

€ 771,487 thousand of the "Goodwill" item is derived from the application of the purchase price allocation process as required by the accounting standard IFRS 3 in relation to the merger that took place in 2012 with Ansaldo Energia Holding S.p.A. (essentially represented by backlogs and customer relationships), while € 26,225 thousand is derived from the acquisition of the British Group Nuclear Engineering.

The item "Concessions, licenses and trademarks" mainly refers to the Ansaldo brand registered in Ansaldo Energia (for a residual value of € 77,598 thousand) and Ansaldo Nucleare (for a residual value of € 3,420 thousand).

The item "Intangible assets acquired for business combinations" refer to General Electric Company's acquisition of a part of Alstom's business in the field of gas turbines (the so-called Gastone Project) for € 132,491 thousand, € 23,947 of which is attributable to the reclassification of PSMs to assets held for sale, as well as € 80,949 thousand of intangible assets deriving from the PPA relating to the aforementioned 2012 merger.

Goodwill

The "Goodwill" item, which amounted to € 797,712 thousand as of 31 December 2020, can be attributed as follows:

- € 771 million reverse merger between Ansaldo Energia S.p.A. and its parent company Ansaldo Energia Holding S.p.A. in 2012;
- € 26 million for the acquisition of Nuclear Engineering Services, currently Ansaldo Nuclear.

The group of cash-generating units (CGUs), to which the goodwill is allocated, coincides with the operating segment into which all the products and services provided by the Group converge — or rather the Energy segment (for more details, please refer to note 11 "Segment reporting"). In this regard, it should be noted that Goodwill is recoverable through the joint activity of a group of CGUs, which specifically coincides with the Energy sector.

In keeping with the requirements of the international accounting standards, the impairment test to ascertain any *impairment* of goodwill had already been conducted by the date of these financial statements. The *impairment* test was carried out by comparing the carrying amount of the goodwill with the CGU value in use to which it refers.

The value in use was calculated using the *Discounted Cash Flow* ("DCF") method, by discounting the operational cash flows generated by the asset itself (net of taxation) at a discount rate representing the weighted average cost of capital.

The *post-tax* WACC used for discounting future cash flows is 9.14%, inclusive of an *additional risk premium* of 40 *bps* in order to consider environmental uncertainty. This rate is expressive of a sector *target* financial structure, arouse from the debt ratios, at market values, of a *basket* of comparable listed companies.

In order to take the possible effects of the pandemic into account, the WACC rate was recalculated; the final result, which was similar to that of 2019, results in differences in the items that make up the balance.

The annual terminal growth rate is 1.35%, estimated also considering the fast growing markets in which the Group mainly operates.

The value in use was obtained by discounting (i) the operating cash flows - net of tax - deriving from the activity in an explicit forecast period corresponding to the 2021-2025 Plan period, as well as (ii) the present value of the flows cash flow beyond the explicit forecast period (*terminal value*), obtained by projecting the normalized cash flow in perpetuity relating to the last year of the explicit forecast. The 2021-2025 Plan has been approved by the Parent Company's Board of Directors and the expected result flows have been estimated on the basis of past economic-income performance and future expectations. The value in use, thus determined, was compared with the adjusted net invested capital, including operating assets (after any impairment losses) and goodwill.

From the results of the impairment test carried out, it emerges that the estimated recoverable value for the CGU is € 138 million greater than the relative book value at the reference date, therefore it was deemed unnecessary to make value adjustments at the Goodwill level.

We also performed a goodwill sensitivity analysis to verify the effects on the results of the impairment test of the variation of some parameters deemed significant, namely WACC, growth rate in perpetuity, EBITDA in constancy of the other parameters: this analysis yields scenarios of greater devaluation, which, however, do not appear probable in the current context.

Sensitivity analysis

Variable	Variation	Impact on recoverable amount
Increase of WACC	+1%	-173 M€
Decrease in growth rate (g)	-1%	-134 M€
Decrease in EBITDA	-10%	-143 M€

Impairment of intangible assets

A recoverability analysis of intangible fixed assets was also performed in order to analyse all those assets not yet available for use or those for which impairment presumptions have emerged (so-called *trigger events*).

The Intellectual Properties related to R&D specifically linked to the GT36 project ("IPR & D GT36"), pursuant to IAS 36 §10, have been subjected to *impairment test*. This test was based on the DCF Method, using the value in use as the recoverable value configuration.

As regards the determination of the recoverable value of the IPR & D GT36, an estimate was made of the cash flows generated by the technology in question, discounted at an opportunity cost of capital that reflects the specific risk of the *asset*.

The cash flows considered include all the income and expenses expected in relation to the economic flows of the orders, the general and administrative overheads of the completion of research and development, the costs expected for the learning curve, the investments in tangible fixed assets and maintenance research and development.

Economic flows consider a residual useful life of the technology that spans a time horizon of 20 years foreseen for the sale of new units and 28 years for the sale of the related *service*.

The opportunity cost of capital, used at the valuation reference date, is in line with that used for the *impairment* test in regard to Goodwill.

The carrying amount of the IPR & D GT36 was determined by allocating, in addition to the intangible assets in question, the specific operating net working capital, as well as certain fixed assets "serving" on the basis of appropriate allocation drivers. The result of this calculation showed that the present value of future flows is slightly greater than the book value, and a reversal of last year impairment of the value of the GT 36 was therefore not deemed to be appropriate given that its estimated value is generally consistent with the relative capital invested.

With regard to all the other intangible assets subject to amortization, analyses were performed in order to identify any presumptions of impairment, as a result of which no situations of impairment risk were revealed.

13. Property, plant and equipment

This item and the relative change can be detailed as follows:

Euro/thousands	Lands and buildings	Plants and machineries	Equipments	Others	Fixed assets in progress and advances	Leased assets	Total
1 January 2019							
Cost	203,122	356,152	128,297	35,708	38,283	1,610	763,172
Accumulated amortization and impairment	85,259	276,029	101,030	30,173		911	493,402
Carrying amount	**117,863**	**80,123**	**27,267**	**5,535**	**38,283**	**699**	**269,770**
Investments	3,959	2,241	110	1,396	18,207	853	26,766
IFRS 16 - first time adoption	-	-	-	-	-	86,576	86,576
Sales	-	(16)	(3)	(1)	(749)	(2,459)	(3,228)
Amortization and impairment	(6,193)	(14,712)	(11,054)	(2,440)	-	(8,407)	(42,806)
Reclassifications	4,120	10,131	14,011	1,779	(30,039)	-	2
Other changes	73	287	32	125	(3,622)	1,038	(2,067)
Reclassification to assets held for sale	(65)	(6,431)	(58)	(431)	(2,099)	(35,389)	(44,473)
31 December 2019							
Cost	204,306	308,230	141,731	31,280	19,981	49,287	754,815
Accumulated depreciation and impairment	84,549	236,607	111,426	25,317	-	6,376	464,275
Carrying amount	**119,757**	**71,623**	**30,305**	**5,963**	**19,981**	**42,911**	**290,540**
Investments and IFRS 16	-	496	101	856	16,079	2,335	19,867
Sales	-	-	-	-	-	(3)	(3)
Amortization and impairment	(4,795)	(13,452)	(12,258)	(1,987)	-	(6,169)	(38,661)
Reclassifications	182	16,619	11,888	14	(28,702)	-	1
Other changes	(587)	2,428	(21)	(394)	-	(691)	735
31 December 2020							
Cost	203,726	332,451	153,590	31,500	7,358	50,707	779,332
Accumulated depreciation and impairment	89,169	254,737	123,575	27,048	-	12,324	506,853
Carrying amount	**114,557**	**77,714**	**30,015**	**4,452**	**7,358**	**38,383**	**272,479**

The balance of € 272,479 does not include the total of the tangible fixed assets relating to the assets held for sale, which is indicated on the dedicated line for a total amount of € 42,551 thousand.

The capitalisations for plants entering production mainly regard the Parent Company, and namely:

- a new grinding machine tool, for € 2,167 thousand;
- the capitalisation of tooling for Turbine gas processing, for € 7,717 thousand;
- a flushing bench with an interlocking system for the GT, for € 1,855 thousand;
- a test plant for B&V GT development, for € 1,861 thousand;
- the implementation of new specific equipment and containers equipped to allow the Field Service to carry out the work site activities, for € 1337 thousand;
- the upgrade of the overspeed cell in order to test large rotors, for € 8,528 thousand.

14. Equity investments

The main changes that led to the variation in the "Equity investments" are highlighted below:

Euro/thousands	31/12/2020	31/12/2019
January 1st	21,420	31,820
Acquisitions/subscriptions and capital increases	14	2
Share of profits (losses) of associates and joint ventures accounted for using equity method (except provision for risk on investments)	(4,263)	(9,447)
Capital reimbursement	-	(1,001)
Revaluation (Devaluation)	50	(143)
Change in the scope of consolidation	-	(124)
Other changes and exchange differences	(3)	313
December 31st	**17,218**	**21,420**

Lhe changes for the fiscal year essentially refer to:

- the write down of the investments in the two Chinese Joint Ventures AGTT (Ansaldo Gas Turbine High Technology Co. Ltd.) and SEGT (Shanghai Electric Gas Turbine Co. Ltd.), respectively for € 372 thousand and € 4,044 thousand; the former is a 60% holding, and the latter is a 40% holding; the two JVs are both part of the cooperation project with Ansaldo Energia partner Shanghai Electric Hong Kong Co. Limited, with the goals of penetrating into the Chinese market and implementing energy-related Research and Development projects; during the course of the fiscal year, the two JVs accumulated losses (€ 621 thousand and € 10,110 thousand Euro), which resulted in their devaluation on the financial statements (line titled "effect of valuations carried out using the equity method");
- the purchase of the 2.74% equity investment in MIP Politecnico Milano.

List of equity investments as of 31 December 2020

Euro/thousands

Denomination	Investment %	Investment amount
Subsidiaries and associates		
Ansaldo Netherlands BV	100%	10
Ansaldo Algerie sarl	49%	659
AU Finance Holdings BV	40%	379
Polaris Anserv S.R.L.	20%	47
Joint Ventures		
Ansaldo Gas Turbine Technology Co. LTD (JVA)	60%	5,988
Other equity investments and consortia		
AC Boilers	10%	6,000
Cogenerazione Rosignano S.p.A	33%	3,930
CONS. CISA (ex PARTENOSPAZIO) in liquidazione	66%	68
CONS. CO.RI.BA. (Ricost. e svil Balcani) in liquidazione	5%	3
CONS. CREATE	20%	5
CONS. S.I.R.E. in liquidazione	29%	25
Dynamic Snc	25%	1
ICIM GROUP Srl	20%	53
MIP Politecnico Milano	3%	12
Polo Innov. Energie Nucl.		1
Santa Radegonda	19%	6
SIIT-Distr.Tecn.Lig.	2%	14
SOC.INFORM ESPERIENZE TERMOID. S.p.A.	2%	15
Total equity investments (net of impairment losses)		**17,218**

As mentioned, the main effects of the valuation of the associates using the equity method upon the consolidated financial statements as of 31 December 2020 was the devaluation of investments in the two Chinese Joint Ventures Ansaldo Gas Turbine High Technology Co. Ltd. and Shanghai Electric Gas Turbine Co. Ltd., the latter is shown among the provisions for risks on equity investments.

The most significant provisional data regarding these two investments are provided below:

Euro/thousands

As at December 31st 2020	Ansaldo Gas Turbine Technology Co.	Shanghai Electric Gas Turbine Co
Total Assets	17,651	265,428
Total Liabilities	7,062	266,479
Total Equity	10,589	(1,051)
Operating Result	(621)	(10,110)
Total revenues	5,377	128,968

The data were converted by applying the 2020 exchange rates (end-of-period exchange rate for the balance sheet items and average exchange rate for the period for the economic items).

As a guarantee of the investment in AC Boiler, the Parent Company boasts an option for the acquisition of the entire amount of the capital of the company CCA, Centro Combustione Ambiente.

As of 31 December 2020, the capital of this company, 100% controlled by the company AC Boiler, is burdened by a pledge in favour of the financing banks of the majority shareholder of AC Boiler. An agreement entered into between the latter and the Parent Company provides for a commitment to release the pledge in case of exercise of the aforementioned option.

The table below shows the effects of valuations of investments consolidated using the equity method:

	2020	2019
Ansaldo Gas Turbine Technology Co. LTD	(372)	(1,232)
Shanghai Electric Gas Turbine Co. LTD	(4,044)	(8,721)
Ansaldo Netherland BV	(15)	41
Polaris Anserv Srl	(6)	6
AU Finance Holdings BV	-	27
Ansaldo Algerie Sarl	174	433
	(4,263)	**(9,447)**

15. Receivables and other non-current assets

This item can be detailed as follows:

Euro/thousands	31/12/2020	31/12/2019
Guarantee deposits	448	479
Other	55,590	265
Non-current receivables	**56,038**	**744**
Deferred tax assets	71,029	73,563
Other	12	-
Other non-current assets	**71,041**	**73,563**

The "Other" item includes the portion of several receivables for which the respective contracts provide for medium and long-term payments (€ 55 million).

Deferred tax assets have not had significant changes compared to 31 December 2019 and are mainly allocated to the deductible temporary differences represented by the write-downs of the receivable from Unit NV which occurred in previous years, as well as on provisions for taxed risks and employee benefits.

The receivables and other non-current assets referring to the "assets held for sale" are indicated on a specific line, for a total of € 6,172 thousand.

16. Inventories

This item can be detailed as follows:

Euro/thousands	31/12/2020	31/12/2019
Raw materials, consumables and supplies	359,451	293,909
Work in progress and semi-finished products	136,658	221,813
Advances to suppliers	36,210	19,204
	532,319	**534,926**

Raw materials, consumables and supplies
These are stated net of the allowance for inventory write-downs of € 31,274 thousand.

The change in the provision reflects the allocations net of utilisations, equal to € 6,616 thousand.

During the course of the year, the raw materials increased by € 65,542 thousand in line with the volume of orders in progress.

Work in progress and semi-finished products
Semi-finished products, which decreased by € 85,155 thousand, relate to highly standard parts which will only be allocated to sales contracts when customised.

Advances to suppliers
These increased by € 17,006 thousand. The variation is mainly due to the normal life of orders associated with production.

The inventory items are shown net of the assets held for sale, which as of 31 December 2020 amounted to € 140,938 thousand, as indicated on the line titled "assets held for sale".

17. Contract work in progress and advances from customers

This item can be detailed as follows:

Euro/thousands	31/12/2020	31/12/2019
Work in progress (gross)	1,206,930	1,085,902
Advances from customers	1,066,840	895,511
Work in progress (net)	**140,090**	**190,391**
Advances from customers (gross)	4,351,278	3,690,588
Work in progress	3,565,790	2,967,977
Advances from customers (net)	**785,488**	**722,611**

The net contract work in progress decreased by € 50,301 thousand.

Net advances from customers increased by € 62,877 thousand and were mainly generated by the plant engineering contracts nearing completion, as well as the LTSA contracts, whose billing conditions are not strictly linked to progress on production.

This item includes € 13,159 thousand for works performed and not yet invoiced in Argentina in relation to the Embalse contract for the PLEX project. During the final days of the 2020 financial year, the customer submitted some claims concerning possible penalties for delays or insufficient performance in relation to a plant in Argentina. Ansaldo Nucleare does not consider these claims to be entirely realistic, especially with regard to the potential penalties, which can be fully rejected. With regard to the claim of insufficient performance, the Company has always asserted the performance tests conducted in 2019 were not carried out under the right conditions, and has always declared them to be invalid. Moreover, due to COVID, the company was unable to repeat the tests as scheduled during the course of 2020, which it believes would have led to improved performance.

Finally, it should be noted that, by virtue of the back-to-back contract with Ansaldo Nucleare, which acts as leader, the Parent Company Ansaldo Energia offers coverage to the investee to the extent of its own responsibility. For these reasons, it is believed that the risk of the non-invoicing and non-collection of receivables, commented below, is monitored and covered by the provisions of Ansaldo Nucleare and Ansaldo Energia.

We ascertained the costs still to be incurred in relation to closed orders after completing the works, setting up a specific provision for risks and charges.

As required by IFRS 15, construction contracts are measured using the cost to cost method, i.e., by calculating the percentage of completion as the ratio of costs incurred and total expected costs. Contract work in progress at the reporting date is calculated by applying the percentage of completion to contract revenue. The contract profits for the year resulting from the application of this method totalled € 196,649 thousand.

The net contract work in progress reclassified on the line titled "assets held for sale" amounted to € 37,847 thousand, while net advances to customers, reclassified to "liabilities held for sale" amounted to € 89,213 thousand.

18. Trade receivables

This item can be detailed as follows:

Euro/thousands	31/12/2020	31/12/2019
Receivables	227,243	282,773
(Impairment)	(3,696)	(3,721)
Receivables from related parties	72,132	75,327
	295,679	**354,380**

With regard to legal disputes and judicial or insolvency proceedings, the trade receivables in dispute are recorded at nominal value and written down in a specific provision for doubtful accounts. The receivables recorded are not supported by promissory notes or similar securities

The provision for doubtful trade receivables underwent the following change in 2020, which was mainly attributable to foreign exchange differences:

Opening balance	3,721
Other movements	(25)
Closing balance	**3,696**

The analysis of the receivables past due and the considerations on the methods for managing the credit risk are provided in Note 7.

The receivables item includes € 8,519 thousand relating to the Embalse contract: the problem concerning the recoverability of this receivable has been described in the note "Contract work in progress and advances from customers".

The trade receivables attributable to the companies held for sale, which have been appropriately reclassified under "assets held for sale", amount to € 31,948 thousand.

The balance of the receivables transferred to the factor without recourse with notification to the transferred customer amounted to € 58,220 thousand.

19. Financial receivables

Euro/thousands	31/12/2020	31/12/2019
Receivables	10,818	280,407
(Impairment)	-	(280,407)
Receivables from related parties	115,026	115,086
(Impairment receivables from related parties)	(115,026)	(114,959)
	10,818	**127**

This amount refers to current accounts that have been restricted as a guarantee on the Parent Company's performance bonds.

20. Tax liabilities and assets

This item can be detailed as follows:

Euro/thousands	31/12/2020		31/12/2019	
	Receivables	Payables	Receivables	Payables
Current tax	6,379	2,170	5,277	5,346
	6,379	**2,170**	**5,277**	**5,346**

Current tax receivables

These mainly refer to advance payments and taxes paid in excess.

Current tax payables

The composition of the balance mainly relates to the Ires (€ 740 thousand) and Irap (€ 74 thousand) debit balances of the Italian companies, while the remainder refers to the income taxes of the foreign subsidiaries.

The tax receivables and payables relating to assets held for sale, appropriately reclassified on the dedicated lines, respectively amount to € 10 thousand and € 2,648 thousand.

21. Other current assets

The breakdown of the item is provided below:

Euro/thousands	31/12/2020	31/12/2019
Prepayments – current portion	8,547	6,404
Employees and pension institution receivables	1,817	2,125
Other tax assets	17,246	17,775
Other assets	51,325	37,978
Other receivables from related parties	6,623	10,907
	85,558	**75,190**

The prepayments (amounting to € 8,547 thousand) mainly regard the portion of insurance premiums for assembly pertaining to future years and allocated to the contracts on a percentage of completion basis.

Other current assets include:

- an amount due to the Parent from the customer NLC Neyveli for interest on the late payment of withholding taxes of € 9,672 thousand, which was unduly withheld and with respect to which formal litigation is underway in India;
- Parent Company guarantee deposits of € 2,491 thousand;
- a receivable from Leonardo S.p.A. of € 5,626 thousand for the asbestos risk guaranteed to Ansaldo Energia following the sale of its shares to the FSI (now CDP Equity);
- a receivable from Leonardo S.p.A. For the Parent Company amounting to € 996 thousand as reimbursement for an IRAP deduction from IRES (Monti Decree);
- Italian VAT credits of € 22,304 for Ansaldo Energia, Ansaldo Nucleare and Consorzio Stabile Ansaldo New Clear;
- Domestic and international VAT for Ansaldo Energia Switzerland (€ 4,590 thousand);
- receivables held by Ansaldo Russia in relation to insurance companies for € 1,618 thousand;
- various assessments on Ansaldo Nuclear's MSSS project for approximately € 2,000 thousand.

The receivables from the tax authorities also include receivables held by the branches for taxes on foreign payments, amounting to € 8,549 thousand.

The other current assets referring to the "assets held for sale" amount to € 3,955 thousand and are indicated on the line dedicated to the "assets held for sale".

22. Cash and cash equivalents

This item can be detailed as follows:

Euro/thousands	31/12/2020	31/12/2019
Cash and cash equivalents	266,346	311,718
	266,346	**311,718**

This item includes amounts available related to the Vacuum Vessel and TB13 projects for € 12,715 thousand, which will be distributed to companies belonging to the Temporary Association of Companies that manage the projects' activities, upon definition of the amounts pertaining to each participant.
The cash and cash equivalents relating to the "assets held for sale" (equal to € 8 million) have been appropriately reclassified from "assets held for sale" to the Group's cash values due to specific contractual agreements that require them to remain controlled by the Group up to the limit of € 10 million.

23. Shareholders' Equity

The equity as of 31 December 2020 amounted to € 485,959 thousand.

Share capital

	Number of shares	Nominal Value	Total
Shares	57,988,750	€ 10	€ 579,887,500
Treasury shares	11,250	€ 10	€ 112,500
December 31st 2020	58,000,000	€ 10	€ 580,000,000

The Ansaldo Energia Spa share capital has been approved for the amount of € 630,000,000, of which € 580,000,000 fully paid up and divided into 58,000,000 registered shares, broken down as follows:

A) 12,710,428 ordinary shares (held by CDP Equity S.p.A.)
B) 38,078,322 category Z shares (held by CDP Equity S.p.A.);
C) 7,200,000 ordinary shares (held by Shanghai Electric Gas Turbine Hongkong Co. Limited);
D) 11,250 category D shares (held by Ansaldo Energia Spa) as treasury shares.

In November of 2020, the Parent Company approved the purchase of 11,250 treasury shares previously held by the Company's managers, at a price of € 34.9 per share.
As required by art. 2357 of the Italian Civil Code, these shares are fully paid up and have been purchased within the limits of the available reserves.

Other reserves

The changes in the other reserves are listed below.

Euro/thousands	Hedging reserve	Actuarial reserve	Other reserves and retained earnings	Total
1 January 2019	**(4,966)**	**(19,467)**	**294,030**	**269,597**
Net result	-	-	(255,700)	(255,700)
Other changes	-	23	4,602	4,625
Fair value adjustments	(2,288)	(6,412)	-	(8,700)
Transfers to profit and loss statement	412	1,082	-	1,494
Consolidation adjustments	-	-	1,865	1,865
1 January 2020	**(6,842)**	**(24,774)**	**44,797**	**13,181**
Net result	-	-	(102,776)	(102,776)
Other changes	-	(8,839)	(439)	(9,278)
Fair value adjustments	10,233	4,407	-	14,640
Transfers to profit and loss statement	(299)	-	-	(299)
Deferred taxes from equity method	(1,620)	589	-	(1,031)
Consolidation adjustments	-	-	(8,439)	(8,439)
31 December 2020	**1,472**	**(28,617)**	**(66,857)**	**(94,002)**

Minority interests

The minority interests are representative of the non-controlling interests in the Group's subsidiaries. The relative changes are shown in the schemes contained within these financial statements.

Other reserves

The other reserves include the share premium reserve (for the amount of € 281 thousand) relating to the above par repurchase of the shares previously held by the managers, as already mentioned in the previous section.

24. Current and non-current financial payables

This item can be detailed as follows:

Euro/thousands	31/12/2020			31/12/2019		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	5,142	348,735	353,877	271,564	347,649	619,213
Bank loans and borrowings	205,901	346,861	552,762	458,621	120,184	578,805
Lease liabilities	5,679	33,886	39,565	4,878	75,074	79,952
Other loans and borrowings	1,177	2,296	3,474	23,416	-	23,416
Related parties loans and borrowings	-	223,453	223,453	-	209,690	209,690
Reclassifications in liabilities held for sale	-	-	-	(1,125)	(35,599)	(36,724)
	217,899	**955,231**	**1,173,130**	**757,354**	**716,998**	**1,474,352**

The financial payables attributable to the held-for-sale companies (reclassified on the dedicated line of the balance sheet) amount to € 308 thousand for short-term bank payables, € 1,121 thousand for short-term lease payables, and € 31,919 thousand for medium to long term lease payables.

The changes in current financial payables are shown below.

Euro/thousands	31/12/2019	New borrowings (and other increases)	Payment	Other movements	31/12/2020
Bonds	619,213	-	265,337	-	353,876
Bank loans and borrowings	578,790	476,991	510,270	7,251	552,762
Lease liabilities	43,243	1,417	4,855	(240)	39,565
Other loans and borrowings	23,416	1,029	20,971	-	3,474
Related parties loans and borrowings	209,690	21,900	-	(8,137)	223,453
	1,474,352				**1,173,130**

At 31 December 2020, the bond issue amounted to € 353,876 thousand and in 2020 interest accrued amounted to € 12,037 thousand.

The characteristics of the main loan transactions in place at 31 December 2020 can be summarised as follows:

Credit line	Description
Bond	Bond issued by Ansaldo Energia Spa and purchased by institutional investors on the secondary market. Nominal value of 350 M€ at an annual fixed rate of 2.75%. Date of issue 31/05/2017. Maturity 31/05/2024. There are no covenants in the contract.
Ansaldo Energia- Term Loan (Pool)	This line was subscribed by Ansaldo Energia Spa on 24/04/2020 following a general debt restructuring operation with a pool of 12 banks, for a nominal value of € 300 million at the 6-month Euribor rate with a floor at zero + Spread. The spread is based on the Energia Group's leverage ratio with recognition as of 01/01/2021. Up until the time of recognition on the 2020 financial statements, the spread is equal to 3.5% per annum. Bullet maturity on 31/12/2023 with possible extension to 31/12/2025; in this case, 50% of the amount will be repaid on 31/12/2024.
Ansaldo Energia - Revolving Facility (Pool)	This line was subscribed by Ansaldo Energia Spa on 24/04/2020 following a general debt restructuring operation with a pool of 12 banks, for a nominal value of € 150 million at the 1/2/3/6-month Euribor rate with a floor at zero + Spread. The spread is based on the Energia Group's leverage ratio with recognition as of 01/01/2021. Up until the time of recognition on the 2020 financial statements, the spread will be equal to the current spread, or rather 3.5% per annum. Maturity on 31/12/2023 with possible extension to 31/12/2025. The line of credit was used at 31/12/2020 for € 50 million.
Ansaldo Energia - SACE Facility Agreement (BNP-SACE)	Loan in the name of Ansaldo Energia Spa with BNP Paribas for a nominal value of 26.1 M€, with a constant capital repayment plan, backed by SACE. Interest rate Euribor 6 months (zero-floor) + Spread. Spread is of 1.2%. This loan is a result of the renegotiation of the previous loan granted on 31/07/2014, which allowed Ansaldo Energia's subsidiary Ansaldo Nucleare to purchase the company Ansaldo NES (UK). Granted on 06/08/2015. Maturity 31/01/2021.
Ansaldo Energia - Loan 1 (EIB)	Loan undersigned on August 6-7/08/2015 by Ansaldo Energia Spa and amended on 19/04/2019 and 24/04/2020 with the European Investment Bank (EIB) for a nominal value of 50 M€ with a constant capital repayment plan. Initial fixed rate of 1.53% per annum amended to 1.98% for the amount of € 25 million not Guaranteed by CDP; fixed rate of 0.492% for the amount of 25 M€ Guaranteed by CDP. This loan is based on the presentation of a multi-year R&D plan. Maturity 17/10/2022.
Ansaldo Energia - Loan 2 (EIB)	Loan undersigned on 15-19/12/2016 and amended on 19/04/2019 and 24/04/2020 by Ansaldo Energia Spa with European Investment Bank (EIB) for a nominal value of 80 M€, with a bi-annual and constant capital repayment plan starting on 31 July 2018. Fixed rate 1.551% per annum amended to 2.081%. This loan is based on the presentation of a multi-year R&D plan. Maturity 31/01/2024.

Credit line	Description
Ansaldo Energia - Subsidised Mediocredito MISE1 bank loan	Loan disbursed by Mediocredito with MISE provision obtained following the Ministerial Decree dated October 15, 2014 (Sustainable Growth Fund). Date of issue 03/07/2019. Nominal value 5.9 M€ (50% of the report). Six-monthly capital and interest repayment plan every June 30 and December 31 of each year. Maturity 30/06/2027. Fixed rate of 0.80% per annum.
Ansaldo Energia - Intesa Bank Loan and MISE3 Subsidised Loan (CDP)	Loan stipulated on 31/07/2018 and disbursed to Ansaldo Energia Spa by Intesa San Paolo, the only entity that disburses both the bank portion and the portion financed by CDP. Funding obtained for instrumental development and industrial research. The first disbursement took place on 25/05/2020, for the amount of 5 M€, broken down as follows: Bank loan equal to 0.5 M€ and Subsidised Loan equal to 4.4 M€. The first will be repaid in half-yearly instalments starting on 30/06/25; the second will be repaid in half-yearly instalments starting on 31/12/2021. Rate Euribor 6 months + spread of 3%. The current rate is 2.70%. Rate Facilitated Fixed rate of 0.80% per annum. Semi-annual interest starting in June 2020. Maturity 30/06/2029.
Ansaldo Energia - Subordinated Shareholder Loan CDP Equity	Loan undersigned on 15/05/2019 by Ansaldo Energia Spa with CDP Equity for a nominal value of 200 M€, with a bullet capital repayment plan starting on 31/12/2024. Interest rate Euribor 6 months (zero-floor) + Spread (6.75%).
Ansaldo Energia - Term Facility Agreement (Bridge Loan)	Loan stipulated on 30/12/2019 and amended on 24/04/2020 by Ansaldo Energia with a pool of banks (IMI as the Agent, together with CDP, UBI, and UNICREDIT), for an amount of € 100 million. Original maturity 30 June 2020 for 6 months until 30 December 2020. Within regard to the debt refinancing, the maturity date was postponed to 30/06/2021. 6-month Euribor rate (floor at zero) + 4.5% annual spread for the first 6 months, then 5% for the following 12 months.
Ansaldo Nucleare Intesa (ex Mediocredito) Bank Loan and Subsidised Loan (CDP)	Loan signed on 25/06/2018 by Ansaldo Nucleare Spa with Mediocredito Banca (now Intesa Group), the only entity that disburses both the bank portion and the portion financed by CDP. Loan obtained for the development of an integrated technology for the disposal of radioactive waste from the decommissioning of nuclear plants. Ansaldo Energia is the Guarantor. The total loan amounts to 6.7 M€ million, broken down as follows: Bank Loan equal to 1.5 M€ (22.22%) and Subsidised Loan equal to 5.2 M€ (77.78%). The capital repayment plan is half-yearly, and starts in June 2021 for the subsidised portion and December 2024 for the banking portion. Rate Euribor 6 months + spread of 3%. Rate Facilitated Fixed rate of 0.80% per annum. Maturity 31 December 2028.
Ansaldo Thomassen Gulf Bank loan Intesa San Paolo Abu Dhabi Branch	Loan signed on 07/06/2018 by Ansaldo Thomassen Gulf with Intesa San Paolo Abu Dhabi Branch for the construction of "Warehouse and Borrower's general Corporate purposes". Loan of AED 14 million with a six-monthly repayment plan for 5 years with a constant instalment and equal to AED 1.4 million from June 2021 (3 years of pre-amortization). Maturity June 2026. Interest rate Eibor 6 months + spread. Spread is of 3.05%.

All the loans listed in the table, excluding the Bonds, require compliance with two indicators: the "Leverage Ratio" (Net Borrowing/Adjusted EBITDA) and the "Interest Cover Ratio" (Adjusted EBITDA/Net Interest Payable).
Based on the preliminary simulations, no breach of the indicators are expected.

The next test, which to date has always had a positive outcome, is scheduled for 30 June 2021 on an LTM (Last Twelve Months) basis.

Following the aforementioned restructuring operation, an additional financial parameter to be respected was introduced, the Minimum Available Liquidity (MAL), which is defined as the minimum amount of cash available; this parameter, which also includes the unused portion of the Revolving Facility, in addition to the available liquidity, must never drop below the value of € 50 million. The test is carried out on a monthly basis from June 2020 until June 2021, and will subsequently be carried out on a quarterly basis.

With regard to the Bridge Loan, it should be noted that it will be repaid through the sale of PSM and ATH, which will take place once approval is obtained from the competent bodies, which is reasonably foreseen by the loan's maturity date (30 June). The company has already requested an extension from the banks in order to deal with any potential delays, and has received positive feedback from them in this regard.

Net financial debt

The details of the financial indebtedness as of 31 December 2020 and 2019 are provided below:

Euro/thousands	31/12/2020	of which related parties	31/12/2019	of which related parties
Bank deposits	266,346		318,155	
CASH AND CASH EQUIVALENTS	**266,346**		**318,155**	
CURRENT FINANCIAL RECEIVABLES	**10,818**	**-**	**127**	**127**
Current bank loans and borrowings	206,209		458,621	
Bond liabilities (current portion)	5,142		271,564	
Lease liabilities	6,800		4,878	
Other current loans and borrowings	1,177		23,414	
CURRENT FINANCIAL DEBT	**219,329**		**758,477**	
NET CURRENT FINANCIAL DEBT (CASH)	**(57,835)**		**440,195**	
Non-current bank loans and borrowings	346,861		120,184	
Bond liabilities (non-current portion)	348,735		347,649	
Lease liabilities (non-current portion)	65,805	-	75,074	-
Other non-current liabilities	225,749	223,453	209,690	209,690
NON-CURRENT FINANCIAL DEBT	**987,150**		**752,597**	
NET FINANCIAL DEBT (CASH)	**929,315**		**1,192,792**	
Of which net financial debt (cash) from assets/liabilities held for sale	33,348		30,287	

The financial position, net of IFRS 5 assets/liabilities held for sale effects, amounts to € 895,967 thousand.

25. Employee benefits

This item can be detailed as follows:

Euro/thousands	31/12/2020	31/12/2019
TFR	10,074	14,344
Defined benefit pension plans	1,358	23,130
Other provisions for personnel	29,200	2,452
	40,632	**39,926**

This amount mainly includes the liability relating to the defined benefit plans of the Group's foreign companies amounting to € 27,399 thousand and the debt for the Employee Severance Indemnity amounting to € 10,074 thousand.
The provision for employee severance indemnities (TFR), relating to the Italian companies, represents the residual portion of the debt at the date of entry into force of the reform, net of the payments made up to the reference dates and, being similar, according to IAS 19, to a liability deriving from a defined benefit plan, has been subject to actuarial valuation.

Euro/thousands	31/12/20	31/12/19
Opening balance	14,344	17,092
Interest costs	53	75
Actuarial losses (gains) on equity	4,407	595
Changes in the consolidation scope	-	-
Decreases due to sales	5,563	3,419
Other changes	(14,293)	1
Closing balance	**10,074**	**14,344**

The details of the main economic and demographic assumptions used for the purposes of the actuarial valuations are provided below:

	TFR	
	31/12/2020	31/12/2019
Discount rate	0.02%	0.17%
Inflation rate	0.80%	1.50%

In accordance with the new Social Security Reform, for companies with at least 50 employees, the future accruing portions of the Post-Employment Benefits (TFR) Provision will no longer flow into the company, but rather into the supplementary pension fund or the INPS treasury fund. It is therefore no longer necessary to forecast the salaries based on certain growth rates and by professional qualification.

	TFR and defined benefit plans	
	31/12/2020	31/12/2019
Death	R.G. 48	R.G. 48
Retirement	3.9	5.8
Annual turnover frequency and TFR advances		
Average advances frequency	2.35%	2.34%
Average turnover frequency	2.93%	2.93%

The movements in the item "*Defined Benefits of Obligation*" are shown below:

	31/12/2020		
	Present value of the obligation	Present value of the obligation	Defined benefits of obligation
Opening Balance	23,130		23,130
Costs for services provided	466		466
Benefits paid	(316)		(316)
Reclassifications	(21,922)		(21,922)
Closing balance	**1,358**		**1,358**

As of January 1, 2017, employees of the subsidiary Ansaldo Energia Switzerland AG are registered in pension plans subject to the centralized management of a separate and independent legal entity, registered in the "Cantonal Register of Supervised Institutions of the Canton of Schwyz".

The pension fund is financed by contributions paid by the employer and affiliated employees. The surpluses or deficits of the individual pension plans at the date of preparation of these financial statements as at 31 December 2020, were determined on the basis of the economic and financial situation of the pension fund.

In compliance with the provisions of IAS 19, the pension plans of Ansaldo Energia Switzerland AG - Pensionkasse (or PK) and Zusatkasse (or ZK) - are defined benefit plans and are valued accordingly. The actuarial method used to determine the present value of the liability and the relative costs of future commitments is that of the Projected Unit Credit Method (PUCM). The actuarial assumptions of the demographic, economic and financial variables concerning the personnel being assessed were also adopted and employed by independent actuaries.

As of 31 December 2020, pursuant to IAS 19, Ansaldo Energia Svizzera AG's pension liabilities of 29 million Swiss francs were determined as the difference between the current value of defined benefit liabilities (equal to 147 million Swiss francs) and the value of the corresponding pension assets managed by the above entity in accordance with internal regulations and procedures (amounting to 118 million Swiss francs).

The "employee benefits" item, attributable to the liabilities related to the assets held for sale, which have been reclassified on the dedicated line, amounts to € 21 thousand.

26. Provisions for current and non-current risks and charges

This item can be detailed as follows:

Euro/thousands	Restructuring	Product warranty	Pending disputes	Tax provision	Provision on equity investments	Others	Total
1 January 2019							
Current	164	-	2,868	-	-	131,375	134,407
Non-current	-	26,636	-	26,626	-	47,720	100,982
	164	**26,636**	**2,868**	**26,626**	**-**	**179,095**	**235,389**
Provisions	-	-	-	6,392	-	69,691	76,083
Utilisations	-	-	(131)	(1,496)	-	(18,980)	(20,607)
Reversals	-	-	-	(2,256)	-	(956)	(3,212)
Other changes	-	69	1	(1)	-	1	70
Reclassifications	-	(734)	-	-	-	(139,908)	(140,642)
Reclassifications to liabilities held for sale	-	(2,323)	-	-	-	-	(2,323)
31 December 2019	**164**	**23,648**	**2,738**	**29,265**	**-**	**88,944**	**144,758**
Broken down as follows:							
Current	164	-	2,738	-	-	54,811	57,712
Non-current	-	23,648	-	29,265	-	34,133	87,046
	164	**23,648**	**2,738**	**29,265**	**-**	**88,944**	**144,758**
Accruals	-	-	-	1,829	421	15,092	17,342
Utilisations	-	(18,500)	(139)	-	-	(10,787)	(29,426)
Reversals	-	-	-	-	-	(640)	(640)
Other changes	-	-	-	(42)	-	-	(42)
Reclassifications	-	-	-	-	-	-	-
31 December 2020	**164**	**5,148**	**2,599**	**31,052**	**421**	**92,609**	**131,992**
Broken down as follows:							
Current	164	-	2,599	561	421	69,926	73,671
Non-current	-	5,148	-	30,491	-	22,682	58,321
	164	**5,148**	**2,599**	**31,052**	**421**	**92,608**	**131,992**

The "provisions for long-term risks and charges" item, attributable to the liabilities related to the assets held for sale, which have been appropriately reclassified on the dedicated line, amounts to € 2,513 thousand.

Restructuring costs

The provision includes the residual amounts accrued by the parent in previous years to cover the risks related to the discontinuance of operations.

Product warranty

This provision is set up to cover direct and indirect damage covered by warranties granted (contractually guaranteed performance and the guarantee period contractually provided for). Indirect damage to the total installed may occur due to the performance of the Group's products.

The use of the provision was necessary to cover:

- the performance requirements of several products, in accordance with the contractual specifications;
- final acceptance by the customer, after the warranty period, of a gas turbine with the application of an enhanced compressor;
- several different discharge conditions with respect to the previous standards;
- performance requirements of a gas turbine designed to run on fuels of low calorific value.

Pending litigation

This provision represents our best estimate of our liability in relation to arbitration and legal proceedings with third parties both in Italy and abroad relating to orders and sale of assets in previous years.

Taxes

The tax provision represents our best estimate of tax risk in Italy and abroad (mainly relating to the branches) and amounts to € 31,052 thousand.

The tax provision is mainly used for:

- a dispute with the Indian tax authorities about the taxability of materials sold FOB to customers for € 13,678 thousand, partially already paid. The Company believes that the materials are exempt from local taxes by virtue of the double tax treaty in force between the two countries. In order to strengthen its position, in addition to defending the case at all levels in India, it has also commenced the out-of-court settlement procedure provided for by the treaty;
- € 6,761 thousand for risks relating to indirect Tunisian taxes that are unlikely to be recovered;
- € 6,100 thousand for risks related to taxes in Algeria due to a pending charges relating to the years 2004-2007 (following a verification by the financial administration, the tax office coercively withdrew from Ansaldo Energia's bank accounts the amount of 2,500 thousand Euro), as well as interest
- € 1,200 thousand for risks associated with Italian taxes, which emerged following an audit conducted by auditing bodies;
- € 800 thousand for risks relating to direct taxes in Pakistan;
- € 600 thousand for risks relating to indirect taxes in Turkey;
- € 360 thousand for risks relating to indirect taxes on duties in Egypt:
- other provisions on taxes of investee companies.

Other provisions

These mainly consist of:

- costs to be incurred after the completion of contracts for warranties or contractual commitments (€ 21,810 thousand);
- asbestos risk costs (€ 5,156 thousand). The provision is the best estimate based on past figures and consolidated scientific practice, which show that latency times may exceed 15 to 40 years. Past events mainly involved the Legnano and Genoa plants. Any future outlays for the asbestos issue covered by this provision will be reimbursed by Finmeccanica (now Leonardo S.p.A.), as per its specific guarantee included in the agreements between it and Fondo Strategico Italiano (now CDP Equity) as part of the transaction involving the parent's ownership. CDP Equity also formally agreed that all future compensation for any litigation arising in the context of the asbestos issue will be paid directly to Ansaldo Energia by Leonardo S.p.A.;
- costs to address the risks associated with Turkey (€ 42,040 thousand).

27. Other current and non-current liabilities

This item can be detailed as follows:

Euro/thousands	Non-current		Current	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Employees	4,122	3,879	21,680	17,435
Social security institutions	-	-	10,863	13,344
Other payables	-	-	66,811	244,977
Other payables to related parties	10,225	10,225	-	-
Total other liabilities	**14,347**	**14,104**	**99,354**	**275,756**
Other tax liabilities	-	-	6,659	6,307
Deferred tax liabilities	76,735	86,327	-	-
Total other liabilities	**91,082**	**100,431**	**106,013**	**282,063**

Payables to employees

The "Payables to employees" refer to the payables for additional monthly payments, vacation time, and paid leave accrued but not utilised, and settled in the following fiscal year.

The non-current amount refers to the seniority bonuses set aside and measured at *fair value*.

Payables to social security and welfare institutions

They relate to the contributions to be borne by the Group and by employees due to these institutions on the December wages and salaries paid in January and on the remuneration of the year whose contributions are paid quarterly or yearly.

Other payables

The "Other payables" item includes the current portions of the payable to General Electric for the Gastone transaction (for approximately € 40 million) and payables related to the Vacuum Vessel Project for € 5,520 thousand, as well as payables to consultants and other minor entries. The decrease with respect to the previous year is mainly due to the payment of approximately € 99 million for the Nomura debt, the payment of € 18 million for charges relating to the Gebze project, and the payment of € 40 million for the second tranche of the General Electric debt.

Related parties

This payable refers entirely to the share of the Ansaldo Energia Switzerland capital increase subscribed by the company Simest S.p.A. (Cassa Depositi e Prestiti Group) in 2017. With regard to this share, the Parent Company has an option with a five-year maturity, to be compulsorily exercised, such that the share currently in the possession of Simest S.p.A. is considered, in every effect, a de facto investment by the Group in return for a non-current payable from Simest S.p.A.

The "other liabilities" item, attributable to liabilities related to the assets held for sale, which have been reclassified on the dedicated line, amounts to € 10,639 thousand (for other non-current liabilities) and € 40,523 thousand (for other current liabilities).

28. Trade payables

Trade payables increased by € 20,723 thousand due to increased production during the year.

The maturity factoring operations included in this item at 31 December 2020 show a total debt of € 33,663 thousand (€ 53,884 thousand in 2019). Through these transactions, the Parent allows its suppliers to factor their receivables for goods supplied or services provided to the Group, whereby they collect their receivables and the Group may avail of a further deferment of its trade payables, bearing the related interest.

The trade payables, attributable to the liabilities related to the assets held for sale, which have been reclassified on the dedicated line, amount to € 19,460 thousand.

29. Derivative financial assets and liabilities

This item can be detailed as follows:

Euro/thousands	31/12/2020		31/12/2019	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	340	806	-	12,104
IRS hedging on non-current loan	-	-	-	892
	340	**806**	**-**	**12,996**

In keeping with the corporate policy, the Group arranged to cover its foreign currency assets and liabilities with derivatives called "*forward foreign exchange tools*" and with several medium-term and long-term variable rate IRS loans.

30. Revenues

Euro/thousands	2020	2019
Sales Revenue	251,985	722,292
Services Revenue	62,366	139,564
	314,351	**861,856**
Change in Work-in progress	710,785	80,449
Related parties Revenues	63,978	41,760
Total Revenues	**1,089,114**	**984,065**

Revenue from sales and services is detailed in the table presented in the relative note in the "Segment reporting" section.

In addition to the operating revenue for the period, the revenues also include the amounts acquired upon obtaining the *Provisional Acceptance Certificate* (PAC) attesting to the completed plants' transfer of ownership to the customer.

The change in the item's breakdown between "Revenues from sales" and "Change in contract work in progress" from 2019 to 2020 is explained by the closure of a significant number of plant orders in 2019, which increased the revenue item, while in 2020 there were a large number of orders in progress.

Despite the pandemic, the Group managed to increase its revenues by 10.7%.

31. Other operating income and expenses

Euro/thousands	2020		2019	
	Income	Expense	Income	Expense
Grants for Research and Development	-	-	1,015	-
Gains/losses on sales of property, plant and equipment and intangible assets	-	4	62	4
Accruals to/reversals of provisions	639	93	956	69,691
Exchange rate gains (losses) on operating activities	1,886	2,749	6,351	5,766
Unrealized exchange rate gains and losses	13,493	14,801	8,584	8,174
Financial income/expenses on trade receivables/payables	115	-	-	677
Insurance compensation	1,853	-	21,416	-
Indirect taxes	-	121	-	1,507
Membership fees and contributions	-	636	-	628
Other operating income/expense	758	1,447	1,030	293
Other related parties operating income/expense	-	-	-	15
	18,744	**19,851**	**39,414**	**86,755**

The exchange differences relate to the adjustment of trade receivables and payables originally expressed in currencies other than the Euro to the exchange rates at the end of the period.

Insurance reimbursements are mainly due to the damages suffered in various plants, including Mornaguia (€ 1,156 thousand) and to the damages suffered following the collapse of the Morandi Viaduct (€ 690 thousand).

32. Purchases and services

Euro/thousands	2020	2019
Materials from third parties	459,573	299,201
Change in inventories	(70,180)	21,265
Purchases from related parties	665	627
Total purchases	**390,058**	**321,093**
Services from third parties	280,383	340,777
Services from related parties	3,127	12,052
Rentals and operating leases	21,842	7,647
Total services	**305,352**	**360,476**

Costs for the purchase of materials from third parties amount to € 459,573 thousand, an increase € 160,372 thousand compared to the previous year.

Costs for third-party services amount to € 280,383 thousand, a decrease of € 60,394 thousand compared to the previous year.

The costs for services refer to industrial services (€ 146,813 thousand of which are attributable to Ansaldo Energia), customs duties and transport costs (€ 17,738 thousand of which are attributable to the Parent Company), travel and business trips (€ 10,496 thousand of which are attributable to Ansaldo Energia), maintenance costs (€ 11,814 thousand of which are attributable to the Parent Company), legal and other professional expenses (€ 34,186 thousand), and office cleaning and sanitation costs (€ 3,317 thousand of which are attributable to the Parent Company).

The costs for rents, rentals and leases include rents for apartments used as accommodations for Italian and foreign workers, photocopier and IT equipment rentals, and other leases. These costs relate to contracts that are not within the scope of IFRS 16 as they last less than twelve months or individually amount to less than $ 5,000.

33. Personnel expenses

Euro/thousands	2020	2019
Wages and salaries	175,851	188,417
Social security and pension contributions	41,062	45,090
Costs related to other defined benefit plans	466	1,248
Costs related to defined contribution plans	7,716	7,980
Incentives	14,346	6,826
Other costs	2,128	965
	241,569	**250,526**

The incentives include € 10,617 thousand for extraordinary redundancy incentives, and the difference for other incentives.
The resources on the books at the end of 2020 amounted to a total of 3,308, excluding the effects of the discontinued operations, which amounted to 435.

The table below shows employees by category and average number:

	2020	2019	Variation
Managers	56	63	(7)
Junior Managers	329	366	(37)
White collars	1,990	2,158	(168)
Blue collars	933	882	51
	3,308	**3,469**	**(161)**

The personnel expenses of € 241,569 thousand consist of monthly and deferred pay, social security contributions and employee severance indemnities accrued as of 31 December 2020, and include the portion relating to the Parent's foreign permanent establishments (€ 12,373 thousand).

34. Amortization, depreciation and impairment losses

Euro/thousands	2020	2019
Amortization and depreciation:		
- Intangible assets	73,033	48,851
- Property, plant and equipment	38,661	37,398
	111,694	**86,249**
Impairment:		
- Goodwill	-	9,000
- Intangible assets and other assets	-	188,500
	-	**197,500**
Total Amortization, depreciation and impairment losses	**111,694**	**283,749**

The depreciation trend reflects the depreciation and amortization of the tangible and intangible fixed assets based on their estimated useful lives. For more details, please refer to Note 13 "Intangible assets" and Note 14 "Tangible assets."

The increase in the amortization of intangible assets item is mainly attributable to the start of the amortization process for the GT36 technology, for which a constant twenty-year amortization plan is envisaged.

35. Change in finished goods, work-in-progress and semi-finished products

Euro/thousands	2020	2019
Changes in inventories of finished products, in progress and semi-finished goods	(85,155)	5,671

The change is attributable to the considerable decrease in semi-finished products waiting to be matched with sales orders.

36. Internal work capitalised

The increases in fixed assets for internal work relate to the cost of labour and costs for materials, and mainly refer to activities for the development of the GT36 technology.

Euro/thousands	2020	2019
Employee, material and other costs	47,241	39,964
	47,241	**39,964**

37. Financial income and expenses

The "financial income" item can be detailed as follows:

Euro/thousands	2020			2019		
	Income	Expense	Net	Income	Expense	Net
Interest costs on defined benefit plans		53	(53)		75	(75)
Discounting of financial assets	-	2,379	(2,379)	-	3,768	(3,768)
Banks and borrowers interests	3,227	35,134	(31,907)	2,488	30,701	(28,213)
Commissions		12,028	(12,028)		7,225	(7,225)
Premium paid/collected on forwards	2,748	1,790	958	-	1,273	(1,273)
Premium paid/collected on IRS	-		-	-		-
Exchange rate gains and losses	12,207	26,039	(13,832)	8,995	6,344	2,651
Fair value gains and losses		-	-		2,335	(2,335)
Investments in subsidiaries value adjustment	52	2	(50)	-	143	(143)
Other financial income and expenses	-	16,129	(16,128)	-	586	(587)
Related parties financial income/expenses	-	14,219	(14,219)	653	8,138	(7,485)
	18,234	**107,773**	**(89,538)**	**12,136**	**60,588**	**(48,453)**

The financial income mainly includes interest income, which basically consists of the balances held in ordinary and foreign currency bank accounts, and the exchange rate differences on the amounts in foreign currencies, above all those deriving from the U.S. dollar area.

The financial expenses are set out in detail in the table above and are mainly composed of interest expenses on the bond issue (€ 12,037 thousand), interest expenses on the Revolving loan (€ 8,936 thousand), exchange differences on financial items (€ 26,039 thousand), as well as discounting charges on the payable to General Electric (for € 456 thousand) as well as the discounting of the leasing payables deriving from the application of IFRS 16 (for € 1,923 thousand).

The financial expenses also include charges on the Bridge loan for an amount of € 4,806 thousand, and re-financing charges amounting to approximately € 8.5 million.
The financial expenses to related parties refer to interest payable towards CDP Equity (for € 13,769 thousand) and Simest (for € 450 thousand).

38. Income taxes

The income taxes item consists of the following:

Euro/thousands	2020	2019
IRES	-	5,113
IRAP	1,669	3,056
Benefit from tax consolidation	-	(2,446)
Other income taxes	4,573	2,305
Tax fund surplus	192	2,256
Prior year taxes	(1,516)	1,794
Provisions for tax risks	1,829	6,392
Net deferred tax	(9,325)	(42,149)
	(2,962)	**(28,191)**

As of 31/12/2020, both Ansaldo Energia and its subsidiary Ansaldo Nucleare had no taxable income, so there is no Ires tax expense for the year just ended.
The deferred taxes decreased due to the progression of the amortizations relating to the Purchase Price Allocation of 2011 and that of 2016.

39. Profit (loss) connected to discontinued operations

In compliance with the provisions of IFRS 5, the breakdown of the profit related to the discontinued operations (Ansaldo Energia Holding USA, PSM Power System Manufacturing, PSM Japan, Ansaldo Energia Mexico, Ansaldo Energia Korea, Ansaldo Servicos de Energia Brasil and Ansaldo Thomassen BV) is shown below:

Euro/thousands	2020	2019
Revenues	205,648	171,567
Operating costs	(187,199)	(160,895)
Net financial income (expenses)	(10,127)	(3,857)
Income taxes	226	658
Impairment assets held for sale	(21,917)	-
Net result	(13,369)	7,473

In compliance with IFRS 5, the assets held for sale were valued at the lower of the book value or the estimated realisable value.

40. Impact of related party transactions

40.1 Impact of related party transactions on assets and liabilities

Related party transactions fall under ordinary management, and are conducted at market value (when not governed by specific contractual conditions), in the same way as interest-bearing debts and loans. They mainly comprise the exchange of goods, provision of services and financing from and to the parent and subsidiaries, associates, joint ventures and consortia.

The amounts of the related party receivables are highlighted below:

Euro/thousands RECEIVABLES AS AT 31/12/2020	Trade Receivables	Other current receivables	Total
Participating companies			
Shanghai Electric Hong Kong	24,181		24,181
	24,181	**-**	**24,181**
Subsidiaries			
Ansaldo Algeria	1,790		1,790
Dynamic Snc	868		868
Ansaldo Netherland	247		247
	2,905	**-**	**2,905**
Group companies and others			
AC Boilers	298		298
Ansaldo Gas Turbine Technology	407		407
Eni	62		62
Shanghai Electric Gas Turbine	5,638		5,638
Enipower	6,659		6,659
Terna	12,302		12,302
Yeni Elektrik	240		240
	25,606	**-**	**25,606**
Entities under MEF control and significant influence			
Enel	17,272		17,272
Leonardo	38	6,623	6,661
Sogin	2,130		2,130
	19,440	**6,623**	**26,063**
Total	**72,132**	**6,623**	**78,755**

Euro/thousands RECEIVABLES AS AT 31/12/2019	Current financial receivables	Trade receivables	Other current receivables	Total
Participating companies				
Shanghai Electric Hong Kong		21,030		21,030
	-	**21,030**	**-**	**21,030**
Subsidiaries				
SPVTCCC	53	947		1,000
	53	**947**	**-**	**1,000**
Group companies and others				
AC Boilers		298		298
Ansaldo Algeria		1,249		1,249
Ansaldo Gas Turbine Technology		324		324
Eni		9,613		9,613
Shanghai Electric Gas Turbine		6,857		6,857
Simest	74			74
Snam		19		19
Terna		10,564		10,564
Yeni Elektrik		240		240
	74	**29,164**	**-**	**29,238**
Entities under MEF control or significant influence				
Enel		11,427		11,427
Leonardo		12,395	10,907	23,302
Sogin		364		364
	-	**24,186**	**10,907**	**35,093**
Total	**127**	**75,327**	**10,907**	**86,361**

The amounts of the related party payables are highlighted below:

Euro/thousands **PAYABLES AS AT 31/12/2020**	Non-current Financial payables	Other non-current liabilities	Trade Payables	Total
Parent companies				
CDP Equity	223,453		195	223,648
	223,453		**195**	**223,648**
Participating companies				
Shanghai Electric Group			970	970
	-	**-**	**970**	**970**
Subsidiaries				
Ansaldo Algerie			(144)	(144)
Ansaldo Netherlands			25	25
	-	**-**	**(119)**	**(119)**
Group companies and others				
AC Boilers				-
Ansaldo Gas Turbine Technology			(3)	(3)
Eni			107	107
Shanghai Electric Gas Turbine			1,960	1,960
Simest		10,225		10,225
Sogin			601	601
Tamini Trasformatori			2,315	2,315
Valvitalia			264	264
	-	**10,225**	**5,244**	**15,469**
Entities under MEF control or significant influence				
Enel			(87)	(87)
Leonardo			452	452
	-	**-**	**365**	**365**
Total	**223,453**	**10,225**	**6,655**	**240,333**

Euro/thousands PAYABLES AS AT 31/12/2019	Non-current loans and borrowings	Other non-current liabilities	Trade Payables	Total
Parent companies				
Cassa Depositi e prestiti	1,552			1,552
CDP Equity	208,138			208,138
	209,690	**-**	**-**	**209,690**
Participating companies				
Shanghai Electric Hong Kong			835	835
			835	**835**
Subsidiaries				
SPVTCCC			289	289
	-	**-**	**289**	**289**
Group companies and others				
AC Boilers			7,847	7,847
Ansaldo Gas Turbine Technology			297	297
Eni			180	180
Shanghai Electric Gas Turbine			5,919	5,919
Simest		10,225		10,225
Tamini Trasformatori			1,726	1,726
Valvitalia			817	817
	-	**10,225**	**16,786**	**27,011**
Entities under MEF control or significant influence				
Enel			309	309
Leonardo			5,120	5,120
	-	**-**	**5,429**	**5,429**
Total	**209,690**	**10,225**	**23,339**	**243,254**

40.2 Impact of related party transactions on profit or loss

The impact of related party transactions on profit or loss in 2020 and 2019 is summarised below:

Euro/thousands 2020	Revenues	Costs	Other operating costs	Financial income	Financial charges
Parent companies					
CDP Equity		982			13,769
	-	**982**	**-**	**-**	**13,769**
Participating companies					
Shanghai Electric Hong Kong	23,499	233			
	23,499	**233**	**-**	**-**	**-**
Subsidiaries					
Ansaldo Algerie	2,334	30			
Icim Group		(2)			
Ansaldo Netherlands	788				
	3,122	**28**	**-**	**-**	**-**
Group companies and others					
Ansaldo Gas Turbine Technology	145	131			
Eni	66	213	2		
Shanghai Electric Gas Turbine Technology	5,035	559			
Ansaldo Netherlands		25			
	5,246	**928**	**2**	**-**	**-**
Entities under MEF control or significant influence					
Enel	29,352				
Ferrovie dello Stato		30			
Leonardo		802			
Simest					450
Snam Rete Gas	(30)				
Sogin	2,789	499			
Tamini Trasformatori		26			
Valvitalia		264			
	32,111	**1,621**	**-**	**-**	**450**
Total	**63,978**	**3,792**	**2**	**-**	**14,219**

Euro/thousands 2019	Revenues	Costs	Other operating costs	Financial income	Financial charges
Parent companies					
CDP Equity					8,138
	-	-	-	-	**8,138**
Participant companies					
Shanghai Electric Group		690			
Shanghai Electric Hong Kong	8,183				
	8,183	**690**	-	-	-
Subsidiaries					
SPVTCCC	741				
	741	-	-	-	-
Group companies and others					
AC Boilers		(244)			
Ansaldo Algerie	1,154				
Ansaldo Gas Turbine Technology	454	299			
AU Finance Holding				208	
Eni	7,260	598	12		
Shanghai Electric Gas Turbine Technology	5,540	5,902			
Simest				445	
SPVTCCC		82			
	14,408	**6,637**	**12**	**653**	-
Entities under MEF control or significant influence					
Enel	18,219	287			
Ferrovie dello Stato		25			
Leonardo		5,040	3		
Sogin	209				
	18,428	**5,352**	**3**	-	-
Total	**41,760**	**12,679**	**15**	**653**	**8,138**

Financial income relates to the investment of cash during the year, including with temporary time constraints, always in line with best market conditions.

Expense paid to subsidiaries related to services received, net of fees for those rendered. Financial income and expense arise from financial transactions carried out at the market rates adopted by the Group.

Related party transactions mainly relate to the provision of materials and services for specific contracts or general services.

41. Guarantees and other commitments

Personal guarantees given

The group has the following guarantees at 31 December 2020:

Euro/thousands	31/12/2020	31/12/2019
Third parties guarantees	977,654	942,309
Personal guarantees issued	**977,654**	**942,309**

These mainly regard sureties issued by banks and insurance companies to:

- customers for participation in tenders (€ 4,270 thousand);
- customers for advances received and as performance bonds (€ 910,517 thousand);
- others, including: financial backers, customs and tax offices, lessors, Inps (€ 50,546 thousand);
- indemnity in favour of Cassa Depositi e Prestiti for the EBI loan (€ 12,321 thousand).

42. Remuneration to the independent auditing firm

In 2020, PricewaterhouseCoopers Spa billed the Group € 549 thousand for auditing services and € 747 for miscellaneous consulting services.

Parent Company Corporate Bodies

BOARD OF DIRECTORS
appointed by the Shareholders' Meeting of 14 October 2019 for the three-year period 2019-2021

Zampini Giuseppe	The Chairman
Yuan Jianhua	Vice Chairman
Marino Giuseppe	Chief Executive Officer and General Manager (BoD 18/10/2019)
Castano Giampietro	Director
Mascardi Fabiola	Director
Massoli Fabio	Director
Wang Fufang	Director
Zetti Giovanni	Director
Zheng Xiaohong	Director

BOARD OF STATUTORY AUDITORS
appointed by the Shareholders' Meeting of 14 October 2019 for the three-year period 2019-2021

Casò Michele	The Chairman
Biancone Paolo	Acting Auditor
Fiorani Federica	Acting Auditor
Gardin Samantha	Alternate Auditor
Villa Pietro Michele	Alternate Auditor

INDEPENDENT AUDITING FIRM
for the 2020 financial statements

PriceWaterhouseCoopers S.p.A.

REMUNERATION COMMITTEE

Zampini Giuseppe	The Chairman
Yuan Jianhua	Vice Chairman
Mascardi Fabiola	
Massoli Fabio	
Zheng Xiaohong	

RELATED PARTIES COMMITTEE

Francesco Valperga	The Chairman
Luca Andrea Cidda	
Alessandro Comola	

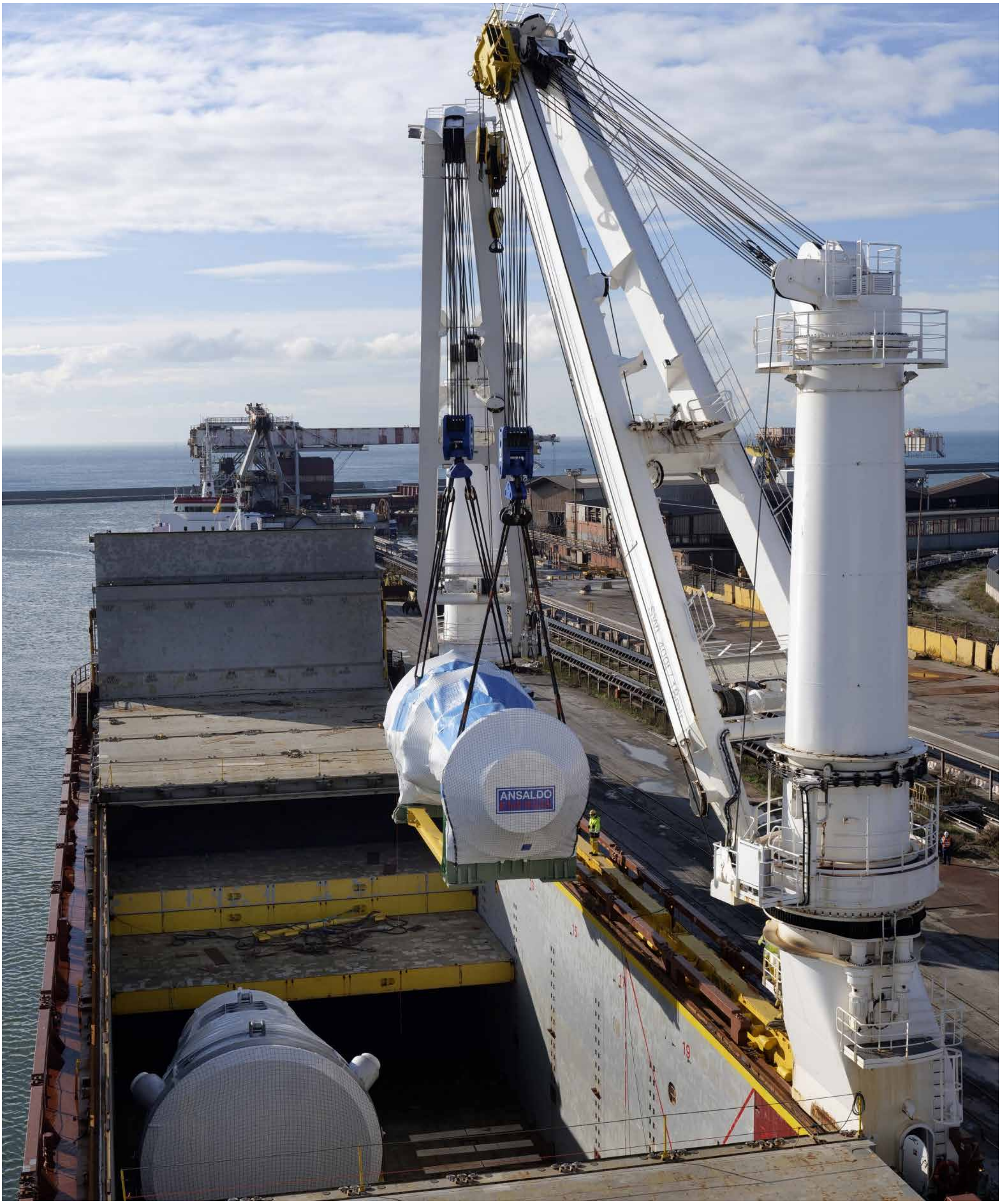
Key events occurred after the end of the reporting period

No key events of a significance worthy of reporting occurred after the close of the 2020 financial year.

However, it should be noted that, as of the date of these financial statements, the negotiations for the sale of the companies *held for sale* were at an advanced stage, and that the relative agreements are expected to be signed shortly.

The preliminary documents have confirmed the assumptions made for the preparation of these financial statements.

Independent auditors' report



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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
Ansaldo Energia SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ansaldo Energia SpA (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in

PricewaterhouseCoopers SpA

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preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

– we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
– we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
– we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
– we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
– we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Ansaldo Energia SpA are responsible for preparing a report on operations of the Group as of 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Group as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Ansaldo Energia SpA as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Genoa, 6 April 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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