ANSALDO ENERGIA

2021

CONSOLIDATED FINANCIAL STATEMENTS

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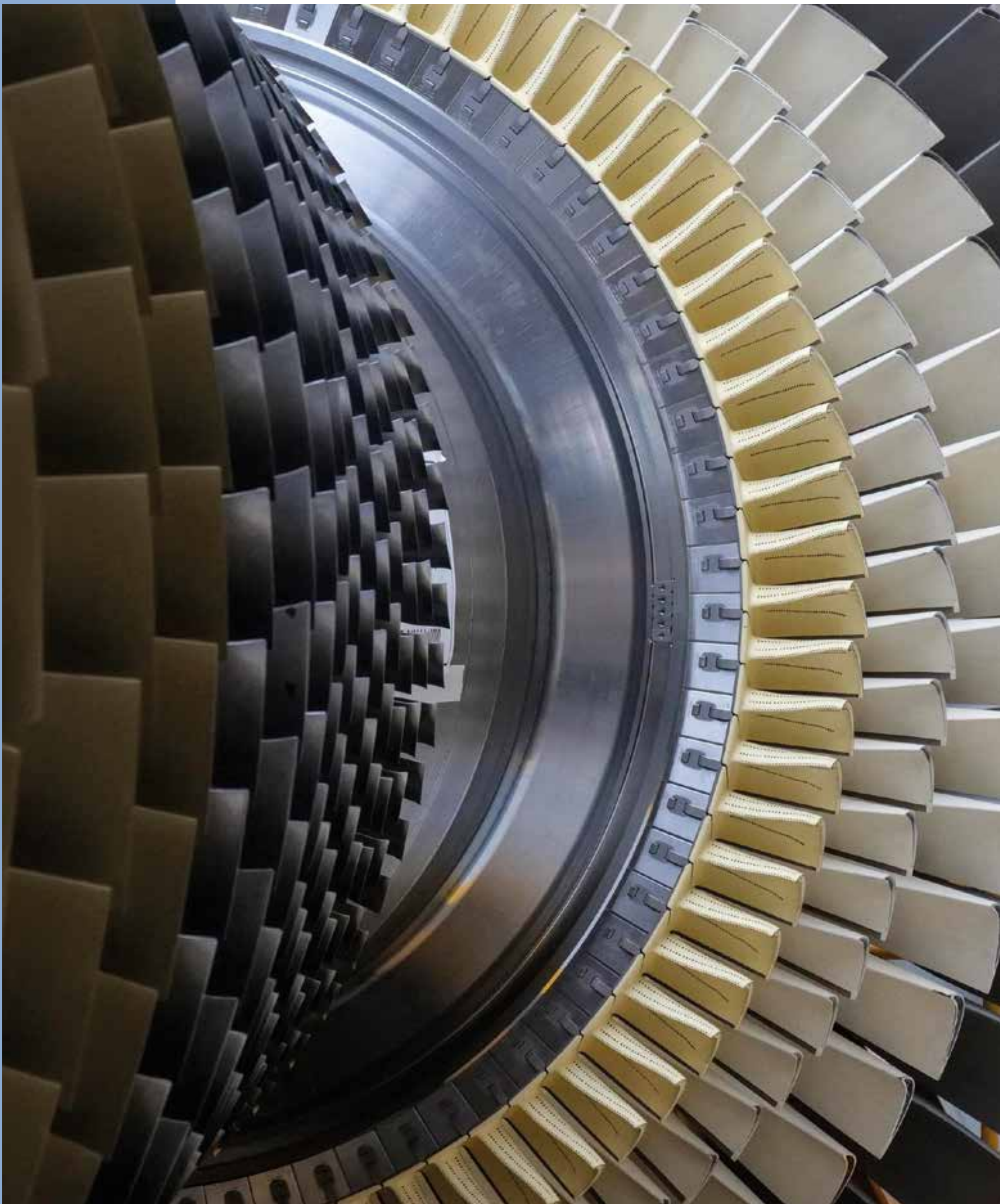

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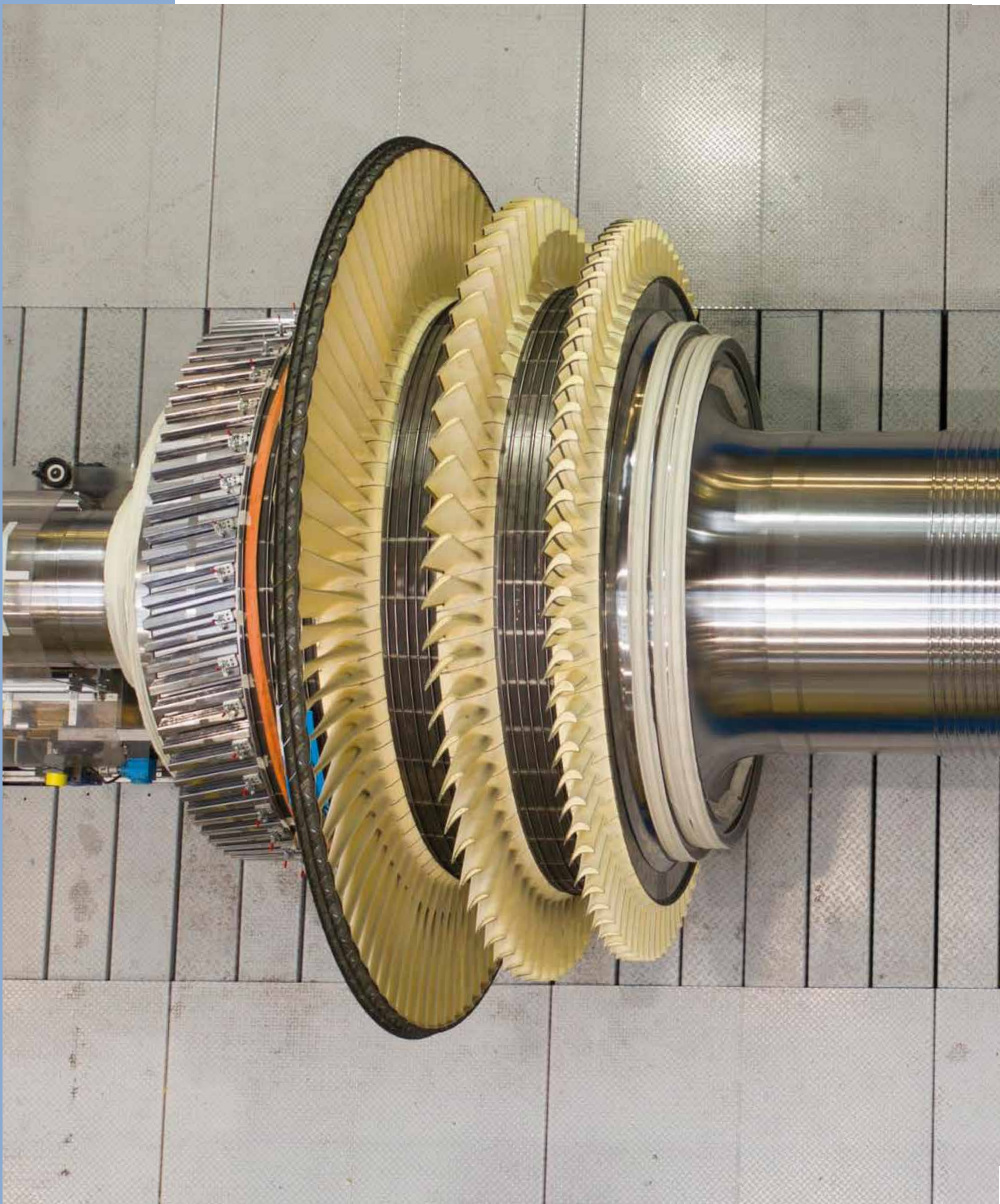
ANSALDO ENERGIA
2021 Consolidated Financial Statements

SIGNIFICANT DATA

ORDERS (M€)	2021: **2020:**	1,368 1,465	ORDER BACKLOG (M€)	2021: **2020:**	4,505 4,698
REVENUES (M€)	2021: **2020:**	1,491 1,089	EBIT (M€)	2021: **2020:**	50 1
NET RESULT (M€)	2021: **2020:**	32.3 (103)	FREE OPERATING CASH FLOW (M€)	2021: **2020:**	(32) 36
NET DEBT (M€)	2021: **2020:**	(855) (896)	HEADCOUNT (AT THE END OF THE YEAR)	2021: **2020:**	3,310 3,308



REPORT ON OPERATIONS

Dear Shareholders

In the year 2021, despite a context characterized by the continued Covid-19 pandemic and the consequent increases in transport, logistics and raw materials costs due to the resumption of the global economic cycle, your Group achieved economic and financial results in line with expectations showing a growth of all performance indicators compared to the previous year.
These results have been guaranteed by an order taking of 1,368 million Euros, by an effective realization of the large projects for the construction of new power generation plants that sees Ansaldo Energia as main contractor (in Marghera, Presenzano, Turbigo, Marbach and Irsching) and constant attention to cost reduction and the identification of opportunities for financial optimization.
As the pandemic continues to spread, Ansaldo Energia has continued to take measures to prevent and control the spread of the virus in the factory, offices, shipyards, canteens and all possible areas of aggregation and access to the company's premises, and has also structured a vaccine hub dedicated to the staff of the Parent Company and proceeding in the use of smart working.
As required by the new Financial Statements' regulations issued by the appropriate international bodies following the development of the pandemic, the following information is given on the possible impacts of the epidemic on the business, risks, results and operations of the Group.

COVID-19 AND ITS IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ANSALDO ENERGIA GROUP'S

The year 2021 was marked by the spread of a major vaccination campaign around the world which contributed to the improvement of the health situation and the progressive decrease in cases and hospitalizations.
In continuity with the previous period, Ansaldo has guaranteed workers and personnel very high safety standards, in terms of protection devices, contingent entry into common areas and the use of smart working for employee personnel.
The negative effects of the pandemic which occurred during 2020 even after about two months of lockdown, albeit to a lesser extent, were even more limited during 2021, as the whole world economy, both on the supply and customer sides, accelerated progressively.

One of the main effects of the COVID in 2020 was the slipping of negotiations for the sale of the entities classified as non-current assets held for sale, i.e. the subsidiaries Ansaldo Energia Holding USA Corporation, with the subsidiary Power Systems Mfg., LLC., Ansaldo Thomassen B.V. and four other smaller companies; this sale was completed at the end of June 2021, with the collection of approximately 124 million Euros, agreed at the time with the buyer.
It should also be noted that the business, managed through long-term contracts, has been partially affected by the pandemic; customers have not been able to cancel orders or decrease business. The revenue and margin volumes of the total projects were in line with the 2021 budget expectations.
Therefore, it can be said that the Group has managed to minimize the impact of the spread of the virus on its business, not significantly changing its growth objectives, avoiding the reduction of revenues and profitability and carefully monitoring liquidity and financial resources.
Despite the already mentioned increase in transport, logistics and raw materials costs dictated by the global economic recovery that followed the weakening of the impact of the SARS Covid 19 pandemic and the take-off of the vaccination campaign, the 2021 budget shows, revenues, EBIT and operating cash flow of Ansaldo Energia aligned with the Budget forecasts and improving with respect to the 2020 Financial Statements' for most indicators.
As provided for in the directives of the EU Supervisory Authority (ESMA), the impact of the problem on certain specific elements is shown below.
In the various recommendations issued, the Authority requires adequate information, particularly in relation to the aspects most subject to management evaluation. In particular, for the Group these aspects are:

- review of the Business Plan;
- significant risks and uncertainties;
- financial instruments and measurement of Expected Credit Loss;
- impairment of investments and other non-financial assets;
- revenue recognition;
- hedge accounting;
- contingent liabilities and onerous contracts.

The purpose of the analysis on the points described above was to verify any significant impact on the Financial Statements.
For what has been said above and for what has been described after the updating of the Industrial Plan, the management believes that any risk of going concern is excluded, since the results obtained are practically in line and in many cases even better than the budget.

Review of the Business Plan

In February 2022, the Management presented the budget for 2022 and the Industrial Plan for the years 2023-2026 to the Board of Directors, which approved it; this Plan naturally takes into account the risks of possible direct and indirect impacts of Covid-19, including the inflationary dynamics that occurred in the second half of 2021 and the growth forecasts in the plan years.
The review of the Industrial Plan 2022-26, compared to the previous Plan approved in March 2021, shows a business stability with a reduction in revenues compared to the previous Industrial Plan of about -5%, due to a slight reduction in market forecasts and a reduction in EBITDA over the Plan of -4%, mainly due to the dynamics of product cost and price in a highly competitive environment.
The cost of the product is affected by the inflationary effects of the global economic recovery and the consolidation of the new H-class technology.
During the Plan period, revenues increased by CAGR +1%, with continued efficiency and cost optimization efforts, reflecting the growth of EBITDA with CAGR between 4.5% and 5%. Finally, the updated Plan provides for a reduction in net borrowing.

Significant risks & uncertainties

The revenue and margin volumes of the total projects are in line with the expectations of the 2021 budget. Therefore, there is no specific market risk linked to the continuation of the pandemic.
There have been no structural business changes from the pandemic and the inflationary effects (with increased product cost for transport, logistics and raw materials) are partially supported by contractual clauses covering inflation for long-term projects. While for the projects in the near future it is foreseen the use of the inventory in consideration of the long production cycle of the components supplied by Ansaldo Energia.
Financial risks, with particular focus on liquidity risk, are monitored within a financial structure that does not expect to repay bond loans or long-term debts until November 2023, which make up about 83% of the Group's financial debt structure.
The share amount of short-term loans and borrowings of approximately 205 million Euros is mainly composed of the draft of the Revolving Facility (110 million Euros at December 2021), to be repaid to 12.31.2023 unless extended to 2025.
The Group carried out and formalized an assessment of the main assets and liabilities, updated with respect to the new market and business forecasts included in the 2022 budget and the Industrial Plan 2022-2026. In view of the above, this analysis, which has clearly also focused on the possible risks related to the pandemic, has not shown any significant impact on capital charges compared to the financial results of 2021 and expectations for the period under analysis of the Industrial Plan.

Financial instruments and measurement of Expected Credit Loss

- *Modification and derecognition*

The Group has carried out specific analyzes of the impact of Covid-19 on the classification of financial instruments, without any changes. The related business model is unchanged.
The Group has verified any changes in the conditions of the existing financing contracts without detecting any impact of modification and derecognition to be reflected in the Income Statement.

- *Expected Credit Loss*

Ansaldo Energia has updated the calculation of the ECL in accordance with IFRS 9 with regard to investments in equity, trade receivables, guarantees issued and cash and cash equivalents, without detecting significant impacts in the determination of value of the assets, related to the type of trade receivables, clients and financial institutions with which Ansaldo Energia works.

- *Assessment of significant credit risk growth (SICR)*

The Group carried out an analysis of the credit risk related to the current liabilities, mainly related to performance risks on active contracts, and to the future need for the provision of bank and insurance guarantees on newly acquired contracts, without detecting credit risks on existing guarantees or potential credit access issues over the Industrial Plan.
Contract collateral charges are accounted in the operating margin of sales contracts and are estimated in the expected overall budget of the contracts.

Impairment of investments and other non-financial assets

The Group carried out and formalized an assessment to analyze the recoverability, through an impairment test, on the other activities. This analysis, which clearly also covered the risks related to the pandemic, did not reveal indicators of devaluation.
The impairment test considered the economic and financial effects of the pandemic included in the 2022 budget and the Industrial Plan for the years 2023-2026.

Revenue recognition

The Management carried out a careful analysis to verify whether the pandemic had caused a significant deterioration in the payment capacity of its customers and whether the assumptions made regarding the recognition of revenue in the Financial Statements were to be considered valid. As in 2020, no problems were noted.

Headge accounting

The criticalities arising from the spread of Covid-19 do not affect the hedging relationships of foreign currency items, which are the only transactions on derivatives that the Group carries out (purchases and sales in spot and in foreign currency terms).

Contingent liabilities and onerous contracts

IAS 37 describes the methods for recording risk provisions in financial statements: Management carried out a careful analysis to verify that due to the pandemic there were no obligations to be recognized in the 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.

Among the additional areas of attention, the following point is noted.

Government incentives and tax scope

In the fiscal year 2021, the Parent Company benefited from *the Fondo Nuove Competenze Art. 88 Law Decree of 19th of May 2020, n. 34* made available by the Ministry to support companies in order to face the financial effects of the pandemic.
On 30th of June 2021 Banca IFIS negotiated with Ansaldo Energia S.p.A. a loan for a total amount of 20 million Euros *(Law Decree of 8th of April 2020, n. 23*, converted into *Law of 5th of June 2020, n. 40*).
There are no impacts on deferred taxation due to Covid-19 issue, nor have any problems been identified on the deferred tax asset side.
In particular, there are no upfront taxes allocated on temporary differences represented by tax losses.

IMPACTS CLIMATE CHANGE

The Group has prepared a five-year Industrial Plan which includes the analyzes and related impacts associated with the "climate change".
The main risks identified concern the adaptation of the product portfolio to the regulations on energy transition.
The international community's commitment to energy transition, with a rapid push toward decarbonization and the zero-emission target in 2050, identifies natural gas and nuclear power as the source of energy to support the transition.
The latter are included in the "green taxonomy" by the European Commission.
The products of the Ansaldo Energia Group are already today a push toward decarbonization, guaranteeing a significant contribution to the stability of electricity grids that will be increasingly affected by the unpredictability of electricity generation from renewable sources.
An analysis of opportunities is also in progress for diversification of products toward related sectors with the enhancement of the Group's technological know-how: the results of the analysis carried out are the storage systems integrated into gas power plants, the production of high-efficiency hydrogen generators (electrolyzers) and on-shore wind generators.
The market *outlook* resulting from the scenario described in the mid-period 2022-30 (from external IEA WEO, Bloomberg NEF New Energy *outlook* 2021) shows an annual growth in the gas sector of 1%, in continuity with previous years, as well as a potential growth of nuclear as transition energy.
The update of the 2022-2026 Industrial Plan takes into account the new reference market estimates where the Group operates, with regard to gas demand and the nuclear market, through Ansaldo Nucleare S.p.A. and Ansaldo Nuclear UK.
The Industrial Plan 2022-2026, which expressly includes market themes and trends in the sector, as described above, confirms the results and performance estimated by Management in the last year.

Significant risks and uncertainties

Ansaldo Energia has a structure dedicated to Enterprise Risk Management (ERM) with the aim of identifying, evaluating and managing the main business risks, consistent with the objectives, strategies and propensity to risk; all this effort to support Management in sharing and managing risk and making informed decisions for optimizing performance. In particular, the structure takes care to:

- establish and implement a standard risk management approach;
- establish and implement a structured and consistent process to identify, assess and manage risks in achieving business objectives;
- comply with applicable laws, regulations and governance standards in all areas of operation;
- facilitate informed decision-making processes;
- raise awareness of the balance between risks and profits in support of the achievement of the strategic objectives of the Company;
- support the spread of risk culture;
- measure and monitor the evolution of the risk profile and the effectiveness of responses.

The Group Risk Assessment has identified business risks, starting from the business context in which the Group operates, which includes:

- macroeconomic scenario;
- market trends;
- political and social scenario;
- market shares and competitors;
- legislative changes;
- technological innovations

identifying impacts on the following business areas:

- Strategies;
- Financials;
- Legal and Compliance;
- Operationals.

The identified risks have been organized according to a scale of relevance that, in financial terms, bases the risk hierarchy on impacts over the budget and Industrial Plan period. The following risks related to climate change have been identified:

A. Difficulties in adapting products to environmental legislation (Energy Transition). This risk relates to the possibility of inadequate adaptation to existing environmental regulations, in particular with regard to strategic environmental regulatory adjustments as they relate to the contingent energy transition and reduction of consumption (CO_2);
B. Uncertainty in business evolution / product diversification in relation to energy transition (Gas and Nuclear). The risk represents the possibility of an ineffective definition of the strategic objectives of the Industrial Plan in relation to the capacity and business model in relation to the diversification of the product portfolio and the associated business;
C. Risk related to possible difficulties in accessing credit or criticality in the negotiation of favorable conditions for Group financing.

The Group has set out, in mitigation of the identified risks, specific actions of i) periodic mapping of the regulatory impacts on the current product portfolio by CO_2 emissions ii) final implementation of the technical economic feasibility analysis relating to the product portfolio adjustment iii) definition of medium-long-term sustainability strategy iv) possible search for alternative credit institutions (insurance market) and definition of sustainability plans.

As stated in the 2020 Sustainability Report, the climate change is also related to the environmental impacts of the production sites in Genoa.

The Group controls with specific non-financial KPIs programs for continuous improvement of environmental performance related to:

- management of dangerous substances;
- raw materials and materials;
- energy consumption;
- water withdrawal;
- emissions into the atmosphere;
- waste management.

The Group has planned investments in the Industrial Plan aimed at this purpose.

Impairment test of assets

In line with the requirements of the international accounting standards, impairment tests were carried out to verify the existence of any losses in goodwill associated with the CGU (Energy sector) and the recoverability of development costs incurred for the various technologies included in the product portfolio.

Inputs used for the determination of the value in use of non-current assets derive from the estimates and assumptions included in the Industrial Plan 2022-26, with market views of the products updated to the environmental regulations deriving from the climate change.

The volumes of investment required for product adjustment and the medium-long-term growth rate reflect the risks related to market issues related to climate-change.

The growth rate used for the sector is 1%, down -35bps over the last year.

The Plan includes specific investments in R&D to update the product portfolio, to support the estimated taking of orders and maintaining market share.

The analyzes carried out did not show any reductions in the fair-value of the assets included in the Group's Financial Statements.

Contingent liabilities

The Group carried out analyzes of the potential liabilities arising from risks related to the climate change with specific mapping of the relative risks within the *Group Risk Assessment* carried out in 2021.
As the analysis showed, the risks related to the adjustment of the product portfolio were identified, by inserting the updated market estimates into the Industrial Plan and not detecting potential asset losses.
The environmental impacts of production sites are monitored with specific indicators and areas of improvement as described in the previous paragraph.
There are no risks identified by contingent liabilities to be included in the Financial Statements.

GHG emissions trading schemes

Heating of the buildings of the main plant of Ansaldo Energia is guaranteed by the district heating service provided by IREN.
In order to guarantee continuity also during the maintenance phase of the district heating plants, the Group maintains in a state of efficiency a boiler plant powered by methane able to compensate for mains interruptions.
Some other boilers of lower capacity complete the requirements of the production site.
The total installed power requires Ansaldo Energia to be subject to the ETS scheme annually; an authorized body certifies Ansaldo Energia quotas on the basis of the procedure that the company has developed for process management.
Due to the small size of the CO_2 emitted, the company is placed in the category of "small emitters".
The economic value is occurred by competence in the Group's Financial Statements.

Information on Article 8 of Taxonomy Regulation

The Business sector where Ansaldo Energia operates, Gas and Nuclear, is included in the Green Taxonomy by the European Commission, as energy to support the energy transition.
The Parent Company has prepared its first sustainability report in 2020, which will be prepared on an annual basis and will be a monitoring instrument on the company's actions and objectives for the issues related to the environmental impacts of its products and the way in which they are produced.
The Sustainability Report identifies specific non-financial KPI related to production and identifies improvement investments and actions.
The necessary information and the monitoring of developments in the actions themselves required the establishment of a dedicated structure for the retrieval of non-financial information.

Effects of climate risk in the measurement of Expected Credit Loss

The Group considered in the ECL evaluation aspects related to climate change in the credit risk assessment of counterparties, without detecting significant risks and impacts on the financial statements.

EXPECTED CREDIT LOSS

As anticipated with reference to the effects of Covid, the Group has updated the ECL assessment in accordance with IFRS 9 with respect to trade receivables, guarantees issued and cash and cash equivalents, without detecting significant impacts in the determination in value of the assets related to the type of trade receivables, clients and financial institutions with which Ansaldo Energia operates.
For a detailed analysis, please refer to the Notes.

MAIN EVENTS OF 2021

The most important events that characterized 2021 were the following:

- on the 10th of March 2021, the Board of Directors approved the Industrial Plan of the Parent Company and the Group, which outlines a phase of industrial and economic-financial reasing;
- in July 2021 Ansaldo Green Tech was established to support diversification of its portfolio with products and technologies for the energy transition. In particular, this company will operate in the field of renewable energy and *storage*, i.e. energy storage, which is an important component for the stabilization of networks;
- on the 29th of June 2021 the sale of Ansaldo Energia Holding USA, with its direct subsidiary Power System Manifacturing, Ansaldo Thomassen and other smaller companies (Power Systems Manufacturing Japan, Ansaldo Energia Korea, Ansaldo Servicos De Energia Brasil, Ansaldo Energia Mexico) was completed, which resulted in the collection of 124 million Euros;
- the closure of the previous paragraph transaction allowed the Parent Company to receive the cash by 30th of June.

Thanks to the cash-in, the Group reimbursed the debt of 100 million Euros, related to the Bridge Loan which had been disbursed in a syndicated scheme by Intesa San Paolo, UniCredit and Cassa Depositi e Prestiti;

- by Decree Law of the 8th of April 2020, n. 23, converted into Law of the 5th of June 2020, n. 40, SACE S.p.A. was authorized to issue, until the 31st of December 2021, guarantees for financing in any form granted to companies based in Italy, affected by the Covid-19 pandemic, in favor of banks, national and international financial institutions and other entities authorized to exercise credit in Italy. In this context, on the 30th of June 2021 Banca IFIS negotiated with Ansaldo Energia S.p.A. a loan for a total amount of 20 million Euros to support investment costs and working capital employed in production plants and business activities located in Italy;
- during the year, the "Arrangement procedure" was reopened, instead of the previous bankruptcy procedure, by Yeni Elektrik; Ansaldo Energia participated in the procedure for the payment of the receivables claimed, which were fully devalued as early as of 31st December 2019;
- as a testimony to the Group's commitment to the fight against the pandemic, it is noted that during the year a vaccine hub was set up and made operational within the perimeter of the Parent Company, dedicated to employees who had not yet undertaken vaccination with external public structures. In July the first doses were administered, while in August the process was completed with the second doses;
- a significant event in 2021 was the fiscal realignment provided by Law 126 of the 13th of October 2020, which converted Decree Law 104/2020, so-called "Decreto Agosto". This Law introduced the possibility for IAS adopter entities to make effective for tax purposes the higher values entered in the financial statements on certain items typically arising from extraordinary transactions. The cost of this transaction is a 3% substitute tax on the realigned values. The Parent Company applied this option with reference to the capital gains arising from the reverse merger of Ansaldo Energia Holding in 2012. Specifically, the company realigned what had been allocated to assets, with the exception of buildings and goodwill, for a total value of 92.4 million Euros. Deferred tax liabilities of 28.4 million Euros as of 30th June 2021 had been allocated to these items, which had been entirely reversed, resulting in a positive effect on taxes in the Financial Statements for the same amount;
- during the year, the first GT36 Class H machine delivered to Edison's final customer at Marghera was assembled on site; the first gas turbine was ignited at the end of February 2022.

THE GROUP AND THE MARKET

Development of the overall market for the construction of electricity production plants and components and their prospects

Ansaldo Energia is present in more than 35 countries worldwide. Its business currently focuses on four main lines of business:

- *New Units*, which deals with the design and production of gas turbines, steams and generators, as well as all the engineering, procurement and construction activities of turn-key thermoelectric power plants;
- *Service*, which provides all maintenance, repair, spare parts and performance improvement services for existing plants, own fleet or third party fleets based on Siemens technology;
- *Nucleare*, which operates in the construction and dismantling of nuclear power plants, in projects and engineering studies relating to the nuclear fusion project and in the treatment of radioactive waste from existing nuclear plants;
- Finally, Ansaldo Green Tech was set up in July 2021, fully owned by Ansaldo Energia, which aims to support the diversification of the portfolio with products and technologies for the energy transition. In particular, this company will operate in the field of renewable energy and storage, that is energy *storage*, which is an important component for the stabilization of networks.

These activities are carried out by Ansaldo Energia S.p.A. and by more than thirty branches located in the countries where the customers' plants are located.

On the 29th of June 2021, the Parent Company also completed the sales of seven entities dedicated to the Service activities on third party fleets (Ansaldo Thomassen B.V., Ansaldo Energia Holding USA Corporation, Power Systems Mfg., LLC, Power Systems Manufacturing Japan K.K., Ansaldo Energia Korea YH, Ansaldo Servicos De Energia Brasil LTDA, Ansaldo Energia Mexico S. De R.L. De C.V.), already mentioned among the assets available for sale in the 2020 Consolidated Financial Statements, as they are no longer considered strategic, in order to allow the Group to refocus, on the one hand, on the core business and, on the other, on new activities to support the energy transition in line with the company's *mission* to commit to a sustainable and innovative power generation to ensure a lower environmental impact and a high flexibility in energy production.

With a view to relaunching and diversification, Your Group began in 2021 the analysis of opportunities in *counter-cyclical* business with respect to *power generation* within technologies to support the energy transition and a team dedicated to technological innovation was set up. This has led to the study of various opportunities for diversification of the product portfolio in the field of renewable energies such as wind energy, hydrogen production technologies, energy storage solutions and the construction of hybrid plants. In addition, Your Group, in order to increase the sustainability of its existing portfolio, is dedicating itself to research and development activities to allow the burning of ever increasing percentages of hydrogen in the turbo gases in order to support the grid.

The business development strategies concern both opportunities for the expansion and diversification of the Group's product offering, and the use of the organization's design and manufacturing capabilities and, finally, the study of Mergers and Acquisitions (M&A) processes aimed at improving competitive positioning in the markets.

Market Prospects

Despite strong global uncertainties and the continued existence of the Covid-19 pandemic, 2021 saw a global GDP improvement of +5.9% compared to 2020 (Source IMF – International Monetary Fund). This recovery has affected almost all countries, particularly emerging countries, which have registered a 6.4% increase.

Vaccination schedules, virus variants, economic recovery times, and the effectiveness of monetary and fiscal policies are all factors that will affect world growth in the coming years. The International Monetary Fund's new estimates show a 2022, with a 4.9% increase in global GDP (slightly lower than in 2021), thanks also to policies to support the energy transition and economic recovery, as well as to the completion of the vaccination campaign.

In the following years, global GDP growth is expected to be more limited and +3.6% in 2023 and +3.4% in 2024, respectively.

However, this assumption precedes any impacts related to the Russia-Ukraine crisis that occurred in the first months of 2022, which are disclosed in the following paragraphs.

The rise in the price of gas has had a significant impact on the price of electricity.

The world crisis has also had an impact on electricity demand.

In particular, worldwide, 2020 saw a 1% reduction in electricity demand compared to the same period in 2019; the decline was more pronounced in Europe, with a 3% drop (Source Global Data). Instead, 2021 was characterized by a demand recovery of +4% worldwide and +3% European. Among the mix of generation sources is the strong contribution of renewable energy sources.

With regard to electricity production from fossil and nuclear sources, with reference to Europe, there was a substantial reduction in 2020 compared to the same period in 2019. In particular, there was a reduction of -16% of coal, -8% of nuclear power and -5% of gas. In 2021, compared to 2020, coal was recovered partially +8% and gas +4%, while nuclear power was in line with the 2020 values.

According to data published by the World Energy Outlook 2021 (Source IEA - announced pledges scenario), electricity generation is expected to grow by 2.5% annually until 2030.

Renewable sources continue to play a decisive role in the future of world electricity generation, reaching 60% of installed power in the next 10 years due to their competitiveness with respect to fossil sources. The economic climate resulting from the Covid pandemic has accelerated the CO_2 emission control program in Europe.

Worldwide, electricity demand in 2030 is estimated to be met by 50% from renewable sources (Source IEA-WEO).

The expected growth of renewables in the next decade and the shrinking of coal-fired power plants places attention on the necessary flexibility of the electricity system worldwide. In this context, the turbogas, fed by mixtures of gases with a low carbon footprint, could have a fundamental role.

Nuclear power installations are also expected to grow slightly until 2030 (1.1% annually), with China representing the country with the largest installations.

McCoy's preliminary global figures show orders for gas turbines in 2021 for about 33 GW (-14% compared to 2020).

Ansaldo Energia's reference market for 50Hz gas turbines with a power exceeding 50 MW is 18 GW (-15% compared to 2020) of power sold.

The 60 Hz market for gas turbines with unit power above 70 Mw is approximately 8 GW (-40% compared to 2020).

Overview of 2021

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

EUROPE

For the third consecutive year, Europe is a key market for gas turbines with +4GW of capacity sold. The main countries that made these numbers possible were Italy with the capacity market, Germany and the United Kingdom for the stabilization of the network and Poland for the coal phase out.
In the next few years a market is expected on the 3/4 GW of installed. The main drivers of the market are stabilization and safety in the electricity supply due to a substantial increase in renewable sources (Capacity market) and by the nuclear/coal phase out.

MIDDLE EAST

The Middle East for the second consecutive year underperformed expectations. In 2021 less than one new GW was sold against +3GW sold in 2020 and +6GW sold in 2019.

AFRICA

The African market, after the good performance of last year (almost 2GW of power sold), returned to below 1 GW. In the future, North Africa is expected to have a market characterized by a replacement of old installed turbines (especially in Egypt). For Sub-Saharan Africa (with the exception of South Africa), infrastructure problems severely restrict the sale of large turbines.

ASIA

The Asian market is in line with last year, marking +3 GW of new capacity sold in 2021. However, China, also in the same period, has +6 GW in line with last year. As in 2020, more than 50% of the new capacity sold in China comes from H-class projects.
Forecasts of the future see the Asian market as the reference market for gas turbines with almost 50% of the future global market.

RUSSIA AND CIS (COMMONWEALTH OF INDEPENDENT STATES)

After years of stagnant gas turbine market, Russia and CIS continue to show themselves as an attractive market, marking 3 GW of new capacity sold in 2021 (2.5 GW in 2020) compared with only 0.7 GW of new capacity sold in 2019 and 2018.

The need to grow the existing fleet with more performance technologies implies that in the future the market size will be around 2/3 GW a year.

Service

The overall market is expected to grow steadily as regards service activity. Significant growth in service is also expected for turbines using CCUS (Carbon Capture Utilization & Storage) systems and hydrogen powered turbines. However, the market is characterized by increasing competition. The regions where growth is expected to be highest are China, Europe and the Middle East.
The renewal of the plant fleet, with a competitive advantage for OEM, the growth of the upgrade market for existing plants, and the provision of high value-added services such as remote monitoring and predictive maintenance are activities that Your Group is focusing on and will be a discriminating factor to be used to achieve significant growth.

Competitive positioning

The sales market share in 2021 stood at 9% on the reference market (50Hz, +50MW) compared to 15% in the previous year.

GOING CONCERN

The Group analyzed the main factors and risks with potential consequences for going concern, summarized below:

1. Reference market conditions;
2. Climate change;
3. Covid-19 impacts;
4. Industrial Plan 2022-2026;
5. Credit risk;
6. Financial Covenants;
7. Subsequent events.

Market conditions

As described extensively in the previous paragraph, despite strong global uncertainties and the continued existence of the Covid-19 pandemic, the reference market projections included in the budget 2022 and the Industrial Plan for the years 2023-2026 do not present any risk to going concern.

Climate change

As widely commented in the dedicated paragraph, the international community's commitment to an energy transition with a rapid drive toward decarbonization and the zero-emission target in 2050, identifies natural gas and nuclear power as the energy sources supporting the transition to decarbonization.
The risk of adapting the product portfolio to energy transition regulations is not considered to lead to a decline in orders over a plan period, thus not impacting going concern.

Covid-19 impacts

As described extensively in the dedicated paragraph, the Group has been able to minimize the impact of the spread of the virus on its business by not significantly changing its growth targets, avoiding the reduction of revenues and profitability and carefully monitoring liquidity and financial resources. The financial results are in line with the expectations of budget 2021.
In spite of the increase in transport, logistics and raw materials costs dictated by the global economic recovery that followed the weakening of the impact of the Covid-19 pandemic and the take-off of the vaccination campaign, the 2021 budget shows revenues, EBIT and operating cash flow aligned with budget forecasts and improved with respect to the 2020 Financial Statements for most indicators.
There are no significant risks related to going concern with regard to the persistent Covid-19 pandemic.

Industrial Plan 2022-2026

The Budget 2022 and the Industrial Plan 2022-2026 approved by the Board of Directors on the 16th of February 2022 show a forecast of robust orders in continuity with the three-year period 2019-2021.
In the short term, the expected revenue volumes for 2022 and cash flows relate mainly to projects already in the order backlog.
EBITDA, which includes forecasts of a general increase in production costs resulting from the economic recovery and the global supply-demand imbalance, is estimated in line with the results for the period 2021 arising from the portfolio projects and efficiency efforts.
The investments, planned in continuity with the previous Industrial Plan, include the necessary developments on the technologies of the Group portfolio and investments in tangible fixed assets to support production.
The planning of the cash and cash equivalents in 2022 budget period suffers the seasonality of the business and of the financial flows of the projects in execution. The planning shows a potential liquidity stress at the end of the first and third quarter, while maintaining levels that are appropriate to the ordinary financial requirements. The impact of advances from customers on new *New Unit* contracts is limited to 4% of the total value of collections. Budget 2022's net financial position forecast for the year is aligned with the 2021 Financial Statements closure and considers current flows a reduction in the exposure of trade payables.

Credit risk

The structure of financial debt does not oversee significant capital-restitution commitments in the next 18 months that impact credit risk.
Current financial debts consist of a Revolving credit line expiring in December 2023 and short-term credit lines (hot money) that will also be used in 2022.
The Group carried out an analysis of the credit risk related to the current liabilities, mainly related to performance risks on active contracts, and to the future need for commitments and insurance guarantees on newly acquired contracts, without detecting credit risks on existing guarantees and potential credit access issues over the budget and Plan period.

Financial covenants

All Ansaldo Energia loans, with the exception of the Bond, require compliance with three indicators: The "*leverage ratio*" (Net Borrowing /adjusted EBITDA) and the "*Interest cover ratio*" (adjusted EBITDA/Net Interest payable). In addition, there is *the Minimum Available Liquidity* ("MAL") at the Separate Financial Statement level.
The Industrial Plan provides for compliance with the covenant both in the relevant period of 2022 budget (June and December) and in the subsequent 2023-2026 Plan years.
As stated, since 2020 the Group has been subject to the verification of a further financial parameter to be respected, *the Minimum Available Liquidity* (MAL), defined as the minimum available cash amount; this parameter, which also includes the unused portion of the Revolving Facility, should never fall below the value of 50 million Euros in addition to the available liquidity. The test is quarterly and has always been observed during 2021.
Considering the further possible payment provided by the majority shareholder, which provides in the case of breach of

the covenant relating to MAL the payment of capital to cover any shortfall up to the level of 50 million Euros, no risks of going concern are detected.

Subsequent events

The emergence of the Russia-Ukraine military conflict is a "*non-adjusting subsequent event*" as provided for IAS 10. Consequently, the evaluations carried out and the estimates made during the preparation of the Financial Statements do not include any impact linked to the development of this event which, however, cannot be foreseen at the moment. The Group is monitoring the crisis and impacts on the energy market.
At the same date Ansaldo Energia Russia has account receivables for 4.5 million Euros, inventories for a value of 13 million Euros and cash and cash equivalents for 1.5 million Euros, used in the first months of 2022 to repay the intragroup debts to Ansaldo Energia.
The impact on the 2022 budget of sales volumes in Russia is estimated at 26 million Euros, with EBITDA of 6.8 million Euros and a potential cash impact of 20 million Euros.
Compared to the blocking of activities toward the country, there are currently no short-term risks on going concern.
However, the Group is monitoring potential consequences on the energy market and identifying potential countermeasures, pursuing commercial channels with less impacted areas (see North Africa), possible cost containment accelerations and cash optimization opportunities.

Conclusions

In view of the analysis, the greatest risk indicator is relative to compliance with the covenant "leverage ratio" (Net Borrowing /adjusted EBITDA): budget estimates show that the covenant is close to the cap of 4.2 on June 2022 survey.
The company monitors weekly the evolution of the financial position and the planning of the flows of the future months, highlighting opportunities for efficiency on the volume of revenue from customers through continuous monitoring on the sales projects in order to comply with the billing and financial efficiency plans related to the supply chain.
In addition, the company is monitoring the goals of efficiency improvement and cost reduction necessary to maintain the expected margins on sales projects.
Unless renewed, between 2023 and 2024 the Ansaldo Energia Group will have to repay approximately EUR 880 million in debt (300 million Term Loan, 350 million Bond and 200 million Shareholder Loan), therefore starting from 2022, the Management, in agreement with the Finance Division, will begin to assess the most appropriate forms of refinancing.

FINANCIAL RESULTS

The 2021 financial year recorded a positive result of 32.3 million Euros, the latter being a reversal of the trend compared to the last two financial years 2020 and 2019, a loss of 102.8 million Euros and 255.7 million Euros respectively.
This improvement, also visible from the trend in revenues and EBIT, was possible thanks to a significant focus on operating costs, reorganization actions being completed and a constant monitoring of operating cash flow.
The release of the deferred tax liabilities of +28 million Euros related to assets deriving from 2012 PPA and the result of the sale of discounted operations +7 million Euros had a positive effect on net result.
Financial income/expenses amounted to 49 million negative Euros, mainly due to interests and bank charges and interests accrued on the shareholders' financing issued by Cassa Depositi e Prestiti of the Parent Company.
EBIT recorded a positive result of 49.8 million Euros, an improvement of 48.4 million Euros compared to 2020 and is equal to 3.34% of the value of revenues, driven by an increase in volumes. Orders amounted to 1,368 million Euros, reaching a total order backlog of 4,505 million Euros as of 31st December 2021.
This factor, which confirms the value of the Ansaldo Energia Group in the Power Generation landscape, allow to foresee better results and *performance* in the short term.

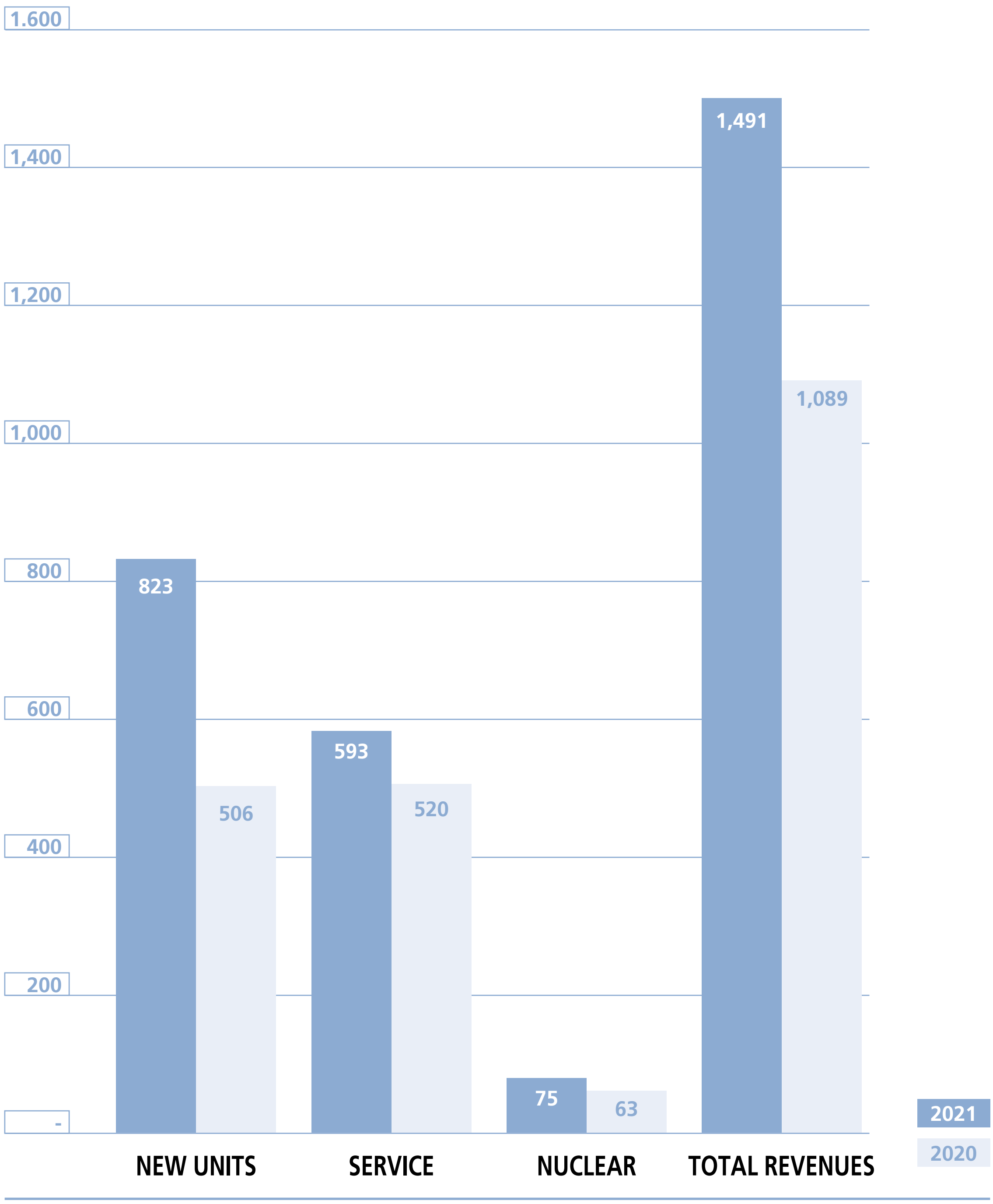
ANALYSIS OF THE FINANCIAL POSITION

The Consolidated Financial Statements as of 31st December 2021 of the Ansaldo Energia Group is prepared in accordance with the IAS/IFRS international accounting standards endorsed by the European Commission, supplemented by the corresponding interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretation Committee – IFRIC) issued by the International Accounting Standard Board (IASB).
In order to provide full information on the Group's balance sheet, economic and financial position, the following reclassified statements have been prepared and commented.
The Consolidated Income Statement is reclassified below:

(Euro/Thousands)	2021	2020
Revenues	1,490,983	1,089,114
	1,490,983	**1,089,114**
Purchases, service costs and personnel expenses	(1,351,823)	(854,287)
Other operating net income (expense)	9,906	(1,106)
Change in work-in-progress, semi-finished products and finished goods	11,309	(85,155)
EBITDA	**160,375**	**148,566**
Amortization and depreciation	(68,796)	(79,410)
EBITA Adjusted	**91,579**	**69,156**
Non-recurring costs (income)	(7,662)	(24,834)
Restructuring costs	(3,485)	(10,617)
Amortization of intangible assets acquired with business combination	(31,741)	(32,284)
Other extraordinary (costs)/income	1,136	-
EBIT	**49,827**	**1,421**
Net financial income (expense)	(48,964)	(93,802)
Income taxes	23,427	2,962
NET RESULT BEFORE DISCONTINUED OPERATIONS	**24,290**	**(89,419)**
Profit (loss) from discontinued operations	7,983	(13,369)
NET RESULT	**32,273**	**(102,788)**
Attributable to non-controlling interests	*(280)*	*(12)*

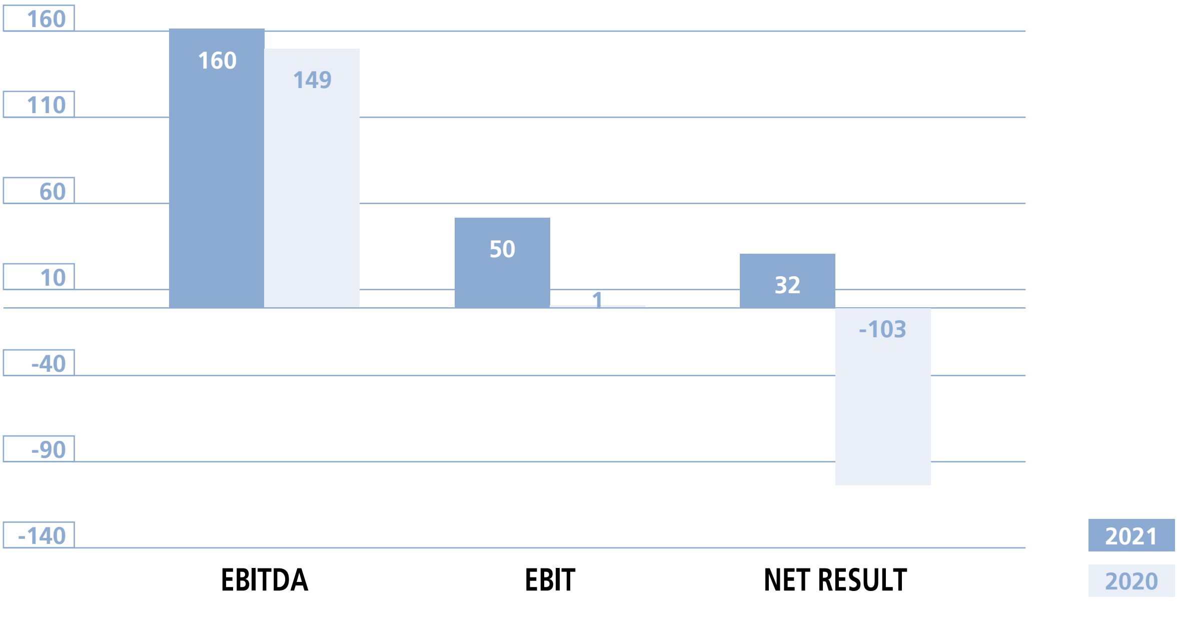
The trend in operating revenues in the last two financial years and the division of operating revenues by Business Line are shown below (in millions of Euro):

REVENUES FOR BUSINESS LINE



Despite the pandemic crisis, the year 2021 recorded a significant increase in revenues, mainly thanks to the New Unit Business Line (+63%), which represents about 55% of revenues and 5% of the group's margin. Service Business Line increased by 14% compared to 2020 and represented 40% of revenues and 91% of the product margin, while the Nuclear Business Line increased by 19% compared to 2020, representing about 5% of revenues and 4% of gross margin produced in the year.

The main indicators of the reclassified profit and loss account are as follows (in millions of Euro):



EBITDA increased from 2020 (+8%).
The entries that have contributed to the Ebit are mainly the following:

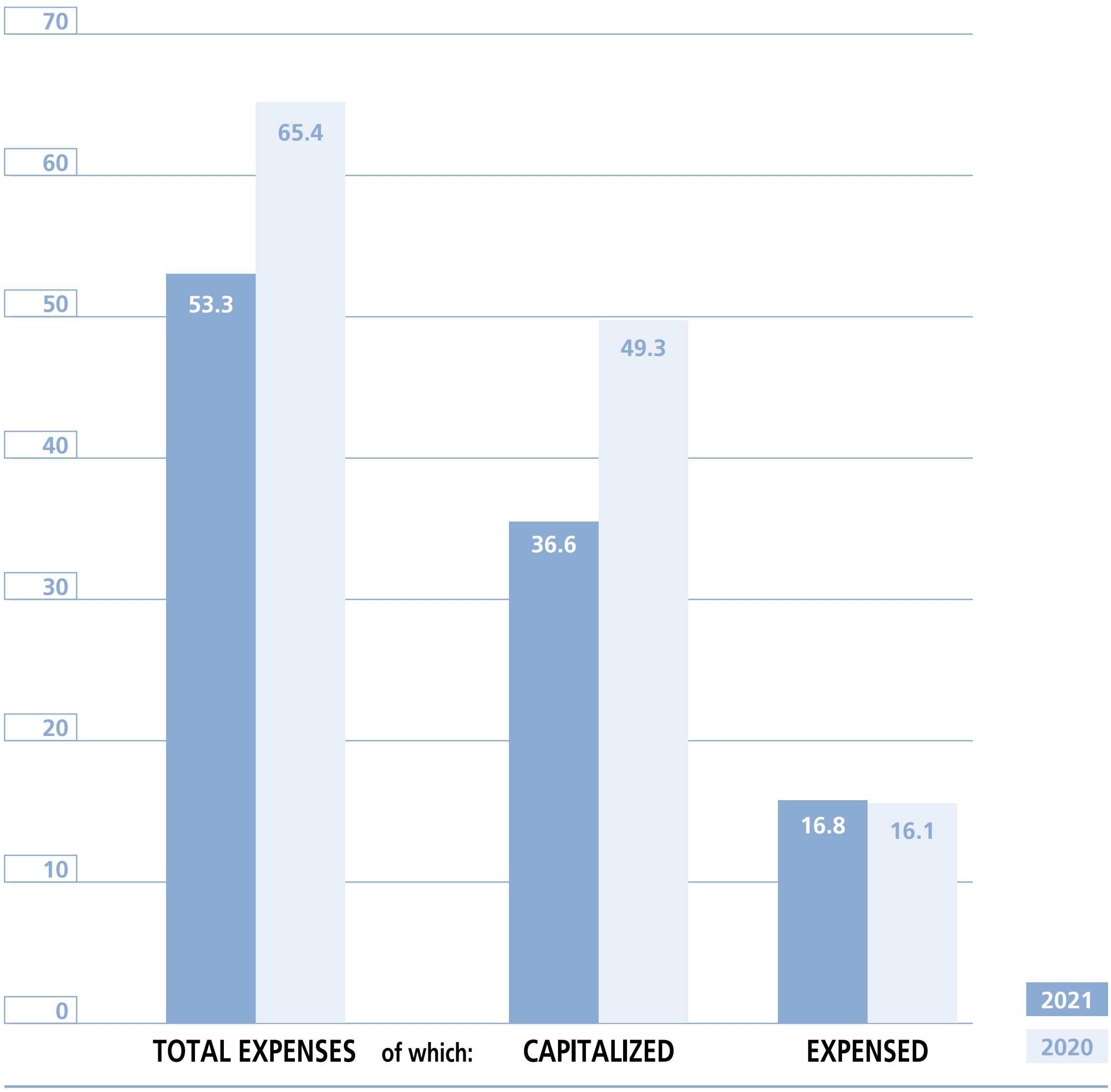
- Ordinary Amortization and Depreciation of 68.8 million Euros (including tangibles from PPA);
- Amortization of intangible assets acquired with business combination deriving from intangible PPA allocations of 31.7 million Euros;
- Non-recurring charges and restructuring charges of Euro 11.1 million (24.8 million Euros in 2020), as well as other extraordinary absorptions of 1.2 million Euros detailed as follows:

	2021	2020
Extraordinary (costs)/income	(7,662)	(24,834)
Restructuring costs	(3,485)	(10,617)
Other extraordinary (costs)/income	1,136	-
	(10,011)	**(35,451)**

Non-recurring costs include expenses incurred in the light of the conflict with the Covid-19 pandemic (2.8 million Euros), consultancy costs and IT costs related to the Volta Project relating to the sale of the companies available for sale (4.8 million Euros) and for the remaining expenses for consultancy costs.

The restructuring costs include replacement allowances and exceptional exodus.
The other extraordinary costs refer to the assessment of the defined benefit plans of the Swiss subsidiary.

The trend of total R&D expenditure can be summarized as follows:



Investments in Research and Development, although significantly lower than in the previous year, are attributable to the continuation of the development of the products acquired in 2016 in the Ansaldo GT 36 and GT 26 gas turbine portfolio and the associated upgrades, as well as to improvements on Ansaldo turbines AE94.3, AE94.2, AE64.3 intended for validation, with a view to increasing market coverage.

Financial expenses and income, negative by 49 million Euros (93.8 million Euros in 2020), mainly include 49.8 million Euros for net interest expenses and bank charges, 13.7 million Euros for interest expenses on the shareholder's loan, foreign exchange losses for 1.1 million Euros and net revaluation of equity investments of 2 million Euros.

Income taxes have a positive impact of 23.4 million Euros (positive Euro 3 million in 2020) mainly due to deferred tax releases for tax realignment of 28.4 million Euros and also include direct income taxes of 6.8 million Euros, of which IRAP was 1.6 million Euros, and net release of deferred tax liabilities equal to 1.1 million Euros.

The result of discontinued operations includes the result of the first six months of the subsidiaries sold and the updated depreciation calculated last year as the difference between the carrying amount of the same in the Consolidated Financial Statements and their selling price.

For the detailed analysis of these items, see the corresponding paragraphs of the Notes.

The following table shows the reclassified Consolidated Financial Statements as of 31st December 2021 and 31st December 2020:

(Euro/Thousands)	12/31/2021	12/31/2020
Non-current assets	**1,878,640**	**1,798,775**
Non-current liabilities	**140,016**	**190,035**
	1,738,624	**1,608,740**
Inventories	497,941	532,319
Contract work-in-progress	186,508	140,090
Trade Receivables	332,665	295,679
Trade Payables	523,520	438,299
Advances from customers	717,730	785,488
Working capital	**(224,136)**	**(255,699)**
Current provisions	60,711	73,672
Other net current assets (liabilities)	(73,038)	(16,712)
Net working capital	**(357,885)**	**(346,083)**
Net invested capital	**1,380,739**	**1,262,657**
Equity	**526,001**	**485,959**
Attributable to non-controlling interests	(671)	(39)
Net assets (liabilities) held for sale	**-**	**119,267**
Net financial debt (cash)	**854,738**	**895,965**
of which HFS	**-**	**33,348**

Non-current assets include mainly intangible assets of 1,400.1 million Euros, tangible assets of 269.9 million Euros, accounts receivable with payments over the year of 126 million Euros, investments of 19.4 million Euros and deferred taxes of 62 million Euros.

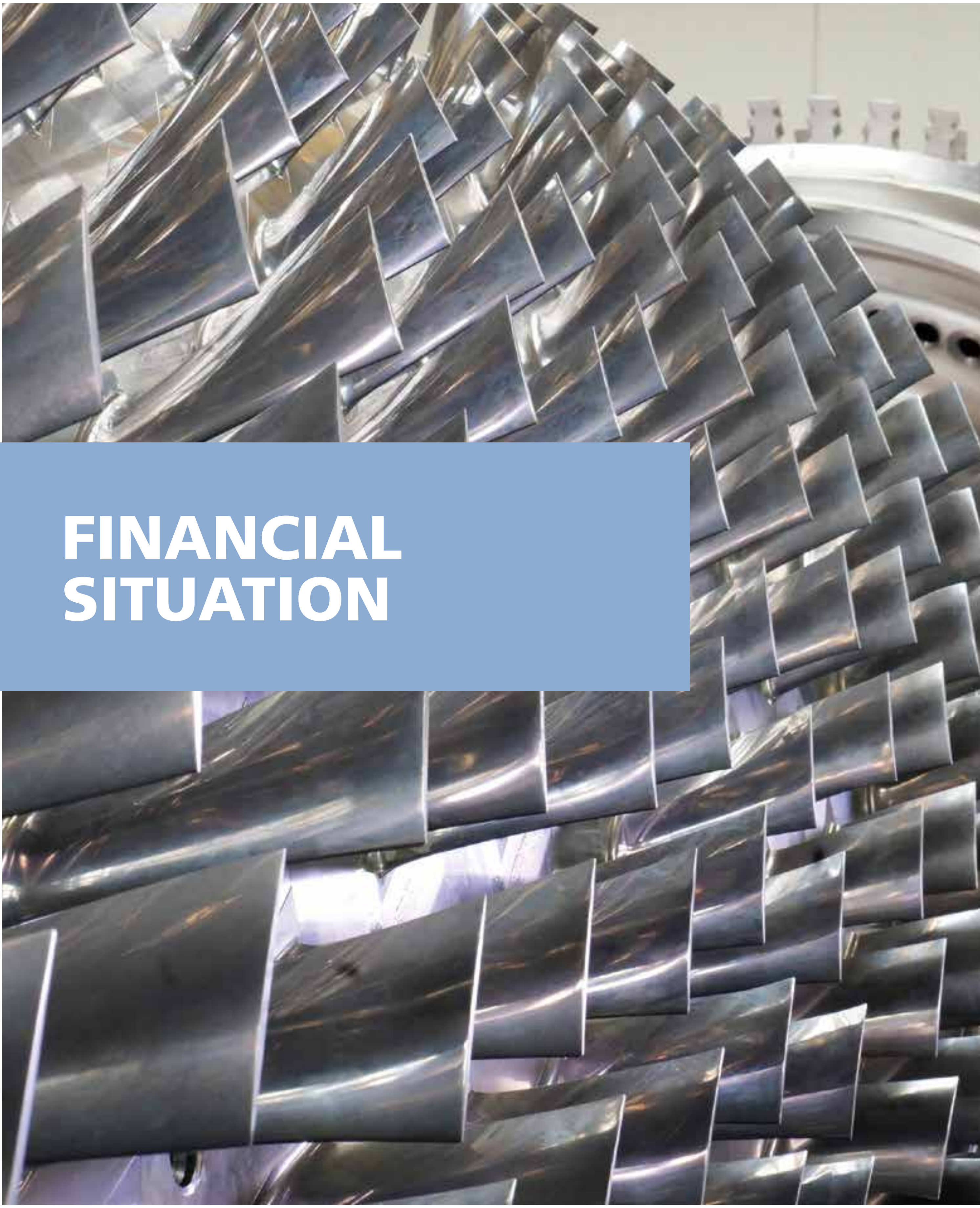
Non-current liabilities include the employee benefits 30.9 million Euros, provisions of 54.3 million Euros, deferred tax liabilities of 40.1 million Euros, debt to the related party Simest of 10.2 million Euros, commented in the Notes and other non-current liabilities for the remainder.

The decrease in the period in non-current liabilities is mainly due to the change in deferred taxes liabilities of 36.6 million Euros, the reduction in risk and expense funds of 4 million Euros, and other minor changes.

Net working capital rose from a negative value of 346.1 million Euros in 2020 to a negative value of Euro 357.9 million in 2021, with a variation of Euro 11.8 million. This change is attributable to the net effect of the increase in inventories, work-in-progress and trade receivables of 49 million Euros, of trade payables and advances of 17 million Euros offset by changes in short-term provisions and other short-term assets and liabilities of 43.4 million Euros. The significant increase in other current liabilities is mainly due to the introduction of the VAT Split mechanism in the Italian companies of the Group, which resulted in the generation of a lower amount of credit tax on debt positions.

Equity amounted to 526 million Euros and represented by the share capital of 580 million Euros, other reserves of -86.5 million Euros and increased the net result by 32.3 million Euros.

FINANCIAL SITUATION



The net financial debt as of 31st December 2021 compared with the corresponding figure as of 31st December 2020 is shown below.

(Euro/Thousands)	12/31/2021	12/31/2020
Cash and cash equivalents	301,092	266,346
Financial receivables	13,595	10,818
CASH AND CASH EQUIVALENT AND FINANCIAL RECEIVABLES	**314,687**	**277,164**
Current loans and borrowings	202,409	211,350
Other current loans and borrowings	631	1,177
Current lease liabilities	5,543	6,800
CURRENT FINANCIAL PAYABLES	**208,583**	**219,327**
NET CURRENT FINANCIAL PAYABLES	**(106,104)**	**(57,837)**
Non-current loans and borrowings	694,513	695,596
Related parties loans and borrowings	235,588	223,453
Other non-current loans and borrowings	-	2,296
Non-current lease liabilities	30,741	65,805
NON-CURRENT FINANCIAL PAYABLES	**960,842**	**987,150**
NET FINANCIAL DEBT (CASH)	**854,738**	**929,313**
Net debt (cash) attributed to assets/liabilities held for sale	**-**	**33,348**
NET FINANCIAL DEBT (CASH)	**854,738**	**895,965**

Net financial debt amounted to 854.7 million Euros as of 31st December 2021, an improvement on the corresponding figure for the previous year.

Current financial payables (208.6 million Euros), are mainly composed of the draft of the Revolving Credit Facility (110.6 million Euros), debt for interest expenses (6.2 million Euros) and the draft of "hot money" lines (40 million Euros) of the Parent Company over other minor debts including the current lease liabilities (5.5 million Euros).

The medium-term financial debt, equal to 725.3 million Euros, consists mainly of outstanding bond loan of 349.2 million Euros, Term Loan (bank pool) of 300 million Euros, BEI financing of 20 million Euros and an IFIS loan guaranteed by SACE of 15 million Euros, as well as from the non current lease liabilities (30.7 million Euros) mainly attributable to the Swiss subsidiary.

The related parties loans and borrowings (equal to 235.6 million Euros) refer to the shareholders financing in the Parent Company provided by Cassa Depositi e Prestiti.

For loans, with the exception of bond loans, compliance with certain financial covenants is required, for which reference is made to the description given in the relevant section of the explanatory note, which also includes all the detailed information relating to these financial reports.

Total liquidity amounted to 301.1 million Euros and showed an increase compared to the previous year of approximately 34.7 million Euros as reported in the following reclassified statement of cash flows.

Below the reclassified cash flow 2021 compared with the corresponding cash flow in 2020:

(Euro/Thousands)	2021	2020
Cash and cash equivalents as of 1st January	**266,346**	**318,155**
Gross cash flow from operating activities	148,197	130,778
Changes in other operating assets and liabilities	(43,499)	(63,415)
Funds From Operations (FFO)	**104,697**	**67,363**
Changes in working capital	(21,266)	49,340
Gross cash flow generated (absorbed) operating activities from discontinued operations	(6,724)	25,218
Cash flow generated from (absorbed) operating activities	**76,708**	**141,921**
Cash flow used in ordinary investing activities	(115,955)	(99,528)
Cash flow used in ordinary investing activities discontinued operations	6,987	(6,390)
Free Operating Cash-Flow (FOCF)	**(32,260)**	**36,003**
Strategic investing activities and other non-recurring items	83,723	(158,000)
Change in other investment activities	(8)	-
Dividends received (paid)	582	-
Cash flow generated from (absorbed) strategic investing activities and other non-recurring items	**84,297**	**(158,000)**
Capital increases	-	399,719
Net change in other financial receivables/payables	(15,177)	(325,676)
Net change in other receivables/payables from discontinued operations	(2,491)	(3,385)
Cash flow generated from (absorbed) financing activities	**(17,668)**	**70,658**
Exchange rate differences	**307**	**-**
Other movements	**70**	**(470)**
Cash and cash equivalents as of 31st December	**301,092**	**266,346**

The strategic investing activities recorded a positive result of 83.7 million Euros, deriving from the combined effect of the collection from the sale of the subsidiaries companies Ansaldo Energia Holding USA with its direct subsidiary Power System Manifacturing LLC together with PSM Japan, Ansaldo Thomassen B.V. and other smaller companies (Ansaldo Energia Korea, Ansaldo Energia Mexico and Ansaldo Servicos de Energia Brazil), equal to 124 million Euros net of the cash of discontinued operations already included in the Consolidated Financial Statements for the previous year equal to 8.1 million Euros and of extraordinary purchases of goods not included in the initial price of 2 million Euros, as well as the payment of the annual installment of debt to General Electric of 30 million Euros.

ALTERNATIVE "NON-GAAP" PERFORMANCE INDICATORS

Management assesses the Group's economic and financial performance on the basis of some indicators not provided for in the International Financial Reporting Standards, described below.

Indicator	Description	2021	2020
EBIT	Profit before taxes and financial part	**€ 49.8 million**	**€ 1.5 million**
EBITA Adjusted	EBIT net of: • impairment on goodwill; • amortization on allocations from PPA; • restructuring charges; • other non-recurring charges/income	**€ 91.6 million**	**€ 69.2 million**
EBITDA	EBITA Adjusted net of depreciation and impairment of fixed assets	**€ 160.4 million**	**€ 148.6 million**
Free operating Cash Flow (FOCF)	Cash flow generated from (absorbed) strategic investing activities and other non-recurring items	**€ (32.3) million**	**€ 36.0 million**
Funds From Operations (FFO)	Cash flow of operating operations net of changes in working capital	**€ 104.7 million**	**€ 67.3 million**
Working capital	Trade receivables and payables, work-in-progress and advances	**€ (224) million**	**€ (255.7) million**
Net working capital	Working capital net of provisions and other current assets and liabilities	**€ (357.9) million**	**€ (346.1) million**
Net invested capital	Net working capital and sum of non-current assets and liabilities	**€ 1,380.7 million**	**€ 1,263 million**
Orders	The sum of contracts with the customers entered into in the financial year	**€ 1,368.4 million**	**€ 1,465 million**
Order Backlog	Difference between orders acquired at Financial Statements date and progressive turnover	**€ 4,505 million**	**€ 4,698 million**
Return On Sales (ROS)	Ratio of adjusted EBITA to revenues	**6.1%**	**6.40%**
Return On Investments (ROI)	Ratio between adjusted EBITA and average capital invested over the two years	**6.9%**	**5.60%**
Return On Equity (ROE)	Ratio of net result to average net worth over the two years	**6.4%**	**-73.70%**
Workforce/Average Workforce	Number of employees by balance sheet date Average number of employees in the year	**3,310** **3,267.6**	**3,308** **3,304**

BUSINESS PERFORMANCE

PRODUCTION ACTIVITIES

NEW UNITS

In the year 2021, Ansaldo Energia achieved the expected results despite the persistence of the negative impacts deriving from the Covid pandemic, both on production activities, supply chain and on-site activities.
During the year, production activities concerned mainly the manufacture and supplies destined for the domestic market for the orders acquired in Italy, with a smaller share of production activities related to the foreign markets for the orders acquired in the rest of the world.
The following are the main results achieved on the various projects in the different geographical areas:

EUROPA

Italy

With reference to the contracts providing for the supply of power plants equipped with the new class H GT36 turbine, during the year the installation on site of the first machine delivered to the final customer Edison at the Marghera site was completed; the gas turbine was first ignited in february 2022.
With regard to Presenzano's contract, also signed with Edison for the construction of a turnkey combined-cycle power station with the new GT36 turbine, most of the civil works were completed and the main on-site supplies were delivered with progress in the activities consistent with the commercial commissioning objective of the plant by the end of the year 2022.
Again with reference to the new flagship product of the gas turbine range, contracts with two additional primary customers in Italy for two plants that will be equipped with GT36 gas turbines have entered into force definitively in the framework of investments aimed at the Capacity Market in Italy. It is the site of Fusina with ENEL and the site of Tavazzano with EP Produzione.
In the case of Tavazzano, on-site activities were started during the summer and at the same time manufacturing activities of Ansaldo Energia manufacturing machines and the production of parts and components supplied by third parties continued.
In relation to the contract acquired by Acciaierie Arvedi for supply, assembly and commissioning of a gas turbine model AE64.3A with a capacity of 80 MW and its electric generator to be installed at the Servola (Trieste) power station the on-site assembly activities have been completed and the first ignition has been carried out by the end of the year, as well as the synchronization of the gas turbine in the network.
Work continued on the contracts with Terna for the turnkey supply of synchronous compensators for the rephasing and stabilization of the national network to be installed at various sites in southern Italy. At the end of 2021, the end of the preparation of the compensators in Foggia, Garigliano and Candia was reached, which will be followed by other installations located in Italy.

Germany

Irsching: Activities related to the EPC contract signed with Uniper System Stabilitaet (USS) for turnkey realization continued (excluding civil works and connection to AT network) of a plant for peak operation in order to stabilize the grid in the event of insufficient generation of energy from renewable sources. It comprises an open-cycle AE94.3A gas turbine, *outdoor type*, with natural gas fuel, relative alternator, auxiliaries and all the accessory systems (mechanical and electrical). The gas turbine and the generator were delivered in the year 2021 and the final stages of the assembly activities preparatory to the start-up activities planned in 2022 are underway.

Marbach: The contract with EnBW for the turnkey supply of a plant for peak operation was finally acquired. It comprises an open-cycle AE94.3A gas turbine, *outdoor type*, with *dual fuel*, relative alternator, auxiliaries and all accessories (mechanical and electrical). The gas turbine and the generator were delivered in the year 2021 and the final stages of the activities of carrying out the civil works and of the preparatory assembly to the start-up activities are underway within the first half of the year 2022.

Serbia

Pancevo: technical assistance by Ansaldo Energia specialized personnel continued, allowing the start-up of the two AE64.3A turbines, alternators and all the auxiliaries at the site to be completed. Performance tests are expected at the beginning of 2022.

Russia

The activities relating to the contract acquired by Baker Hughes General Electric for the supply of eight electric generators for the LNG Arctic project in Russia have been successfully completed. At the end of the year, the customer assigned an additional batch of three electric generators for the next stages of the project.

MIDDLE EAST

Iran

The gas turbine AE94.3A of the second unit of the Dalahoo plant was put into service in the second half of the year.
The combined cycle steam turbine of the Heris plant has been put into service.
At the end of the completion and commissioning activities, the Mazandaran combined cycle was successfully started.
Shipments of parts and auxiliary systems for the AE94.3A gas turbine to the Butia plant have been completed.

ASIA

China

Bengang: the technical assistance activity of Ansaldo Energia specialized personnel for the assembly and start-up of the AE94.2KS gas turbine, designed and manufactured by Ansaldo Energia to operate with low calorific power fuels, it has enabled the machine to be fitted and commissioning activities to be completed during 2022.

Minhang: the construction of the GT36 gas turbine was completed and shipped by sea in october 2021, arriving at destination in the first months of 2022.
The multiple supply activities of parts and components of gas turbines AE94.3A and AE64.3A continued, devoting a great effort in the factory to limit the late delivery impacts resulting from the continued existence of the Covid 19 pandemic.

NORTH AFRICA

Egypt

The activities of completion of the contractual obligations continued at various sites located in Egypt; for the West Damietta contract the preliminary acceptance of the client was reached.

Tunisia

Mornaguia: the EPC contract, in accordance with the additional commitments made with the customer, is under way the activities foreseen in the warranty period which will continue also in the first half of the year 2022.

Algeria

The completion activities of the Ain Djasser III and Hassi Messaoud plants continued with some delays due to the continued existence of the Covid 19 pandemic, which affected the supply of the parties, transport to and the dispatch of personnel to Algeria.

SUB-SAHARAN AFRICA

The completion activities of the CEC Expansion Project Cote Mater contract continued in Pointe Noire (Congo) and the final performance test of the AE94.2 gas turbine was successfully carried out.

SERVICE

The Covid 19 pandemic further impacted Service activities during 2021 in relation to i) the availability of base materials, (ii) the production time of spare parts, and (iii) the operations at customer facilities. To overcome and mitigate these impacts, as well as all health precautions to contain the spread of the virus and to guarantee to work safely, Ansaldo Energia has undertaken frequent Covid on-site testing campaigns, consistent with its customers' local processes and regulations. In addition, to limit the number of Ansaldo Energia employees present on the plants during the execution of the maintenance, an incremental number of activities have been reorganized to be carried out, in whole or in part, remotely with extreme satisfaction of Ansaldo Energia customers.
By continuously monitoring the Covid situation and actively mitigating its various impacts, the Service was able to record economic results that were aligned and, in some cases, outweighed. Most of the business results in 2021 are the result of the sale of technological upgrades for gas turbines, such as MXL2 power and efficiency upgrades, as well as innovative combined cycle plant partial load optimization packages.
Although Covid-19 has still affected field Service activities throughout the year, more than 360 activities of maintenance is reported at customer sites, a significant part of which is not planned. The field Service activities generated in 2021 a total

of over 1,150,000 hours worked as a contribution by all the companies that make up the Group.
The continuous focus on safety at all sites, national or international, led in 2021 to a tangible reduction in accidents linked to the activity of Service has allowed to have a uniform approach to safety and quality, always in close collaboration with our customers and subcontractors. This has led to an OSHA index that is significantly below the target level.
Finally, during the year 2021, the Service worked closely with engineering facilities and the New Unit division in preparation for future maintenance activities on the GT36 technology platform, the new H-class gas turbine.

NUCLEAR

As regards the *Service* activities on the plants in operation, while in 2020 the Covid emergency resulted in the temporary stop of the activities for the Slovenian plant in Krsko, 2021 was characterized by the successful completion of the acceleration and recovery plan agreed with the customer, it also allowed the system tests to be carried out in conjunction with the plant stop in march 2021. Total revenues for this segment in 2021 amounted to approximately 17.8 million Euros, with an impact on the total of approximately 39%.
In the field of *New Unit*, while investment decisions in new reactors in the European and North African countries to which Ansaldo Nucleare is watching have further slipped, the merger has maintained a constant trend, thanks to the confirmation of the ITER time program, the start of new development activities of the next European machine (DEMO, demonstration plant for the production of energy from fusion) and the launch of the Divertor Testing Tokamak (DTT) project in Frascati. The award of the framework contract for the support of the design and coordination activities of the project acquired by DTT Scarl stands out, which allows the company to strengthen its position in the framework of the merger roadmap by also leveraging synergies between the different projects.
In this way, the leading role of the Italian Industrial Fusion chain was confirmed thanks to the total value of the contracts acquired and the consortia coordinated by Ansaldo Nucleare S.p.A, which in 2021 exceeded 600 million Euros since the start of the ITER project. In this context, in 2021, despite the above-mentioned difficulties generated by the Covid emergency, there was further progress in the activities relating both to the more consolidated projects, such as Vacuum Vessel and TAC2, and to the more recent ones, such as TB13. Overall, revenues for this segment amounted to approximately 27 million Euro in 2021, with an impact on the total of approximately 58% and an increase of 181% compared to the previous year.
In the light of the current scenario of energy transition to support global environmental transition, Ansaldo Nucleare has further developed the vision for the development of new nuclear technologies to benefit from the new mix of energy sources that will complement renewables in pursuit of the Net Zero Emission (NZE) objectives planned in 2050. This view, summarized in the New Clear approach, sees the fusion as the opportunity to participate with an important role in the development of the so-called Mini Reattori nucleari (AMR/SMR) which, with a closer time horizon than the fusion, will be able to guarantee alternative, safer nuclear technologies, sustainable and competitive compared to current third generation.
In this context, the company has acquired important contracts in the UK, in collaboration with its subsidiary Ansaldo Nuclear Ltd, for its participation in the development of the BEIS project coordinated by Westinghouse and in Romania thanks to the award of the Athena project, the Test Facility will host the development of the lead-cooled AMR prototype of the Alfred project in collaboration with ENEA and romanian partner Raten.
Vice versa, the Waste Management and Decomissioning sector has continued to suffer more from the crisis, with delays in the races expected both in Italy and in the European continent and, in particular, in the OK market manned by the subsidiary Ansaldo Nuclear. Despite the award in 2021 of some significant orders from Sogin relating to the Caorso and Trino plants, which generated orders of approximately 10 million Euros, up significantly compared to the previous year (+131%), the portfolio of activities consolidated in Italy by the company in relation to its competences and references is still substantially limited. Overall, revenues in this segment amounted to approximately 1.4 million Euros in 2021, with an overall impact of approximately 3% and a decrease of 27% compared to the previous year.
Overall Ansaldo Nucleare achieved a very positive economic and financial result despite the conditions of the external scenario, guaranteeing continuity of operations in full compliance with the Covid emergency management protocol.
In particular, the company also obtained in 2021 a good performance in the orders of approximately 50 million Euros, which allow the order backlog, equal to 116 million Euros at 12/31/2021, to cover more than twice the revenues reported in the year. In comparison with the previous year, where an order value of approximately 81.2 million Euros was reached, 65 of these were obtained through the order of the TB13 of ITER.
Revenues increased significantly (39%) to 46.3 million Euros and supported a marked improvement in relative profitability which, together with management actions for cost efficiency and optimization, enabled a significant improvement in

Adjusted EBITDA (+124%) and EBITDA (+78%), both positive for 1.6 and 2.0 million Euros respectively.
In short, the combined pattern of volume growth and the increase in profitability enabled EBIT (1.5 million) and operating results to be finally positive and with a substantial improvement.

As a result of the start of the TB13 contract, a strong exit was made for the use of the advance obtained at the end of 2020 and the change in net debt (+10%), which amounted to 24.4 million Euros, and a strengthening of the company's capital, that is 17.7 million Euros.

COMMERCIAL ACTIVITIES

ORDERS BY GEOGRAPHICAL AREA AND BUSINESS LINE

Below are the 2021 and 2020 order data by Business Line and by Region.
During 2021 the Group acquired orders for Euro 1,368.4 thousand:

ORDERS 2021 (Euro/million)

	NEW UNITS	SERVICE	NUCLEAR	TOTAL
ITALY	289.6	293.7	12.2	595.5
EUROPE	197.0	157.2	84.7	438.9
MIDDLE EAST	174.6	28.6	0	203.2
AFRICA	2.3	49.8	0	52.1
ASIA	37.9	29.8	0	67.7
AMERICA	0	11.2	0	11.2
OCEANIA	0	0	0	0
Total	**701.4**	**570.2**	**96.8**	**1,368.4**

ORDERS 2020 (Euro/million)

	NEW UNITS	SERVICE	NUCLEAR	TOTAL
ITALY	565	296.1	0.9	862
EUROPE	118.1	82.6	98.1	298.8
MIDDLE EAST	0	40.2	0	40.2
AFRICA	3.3	49.1	0	52.4
ASIA	146.5	54.1	0	200.6
AMERICA	0	10.3	0	10.3
OCEANIA	0	0.5	0	0.5
Total	**832.8**	**532.9**	**99**	**1,464.70**

New Units

In 2021, the gas turbine market saw a decline in volumes, despite the restart in many countries after the pandemic crisis in 2020 and after the oil sector crisis; the total orders recorded a volume of approximately 18 GW in the segment of gas turbines at a frequency of 50 Hz and with a power greater than 50 MW.
In this context, the Group has managed to consolidate its portfolio by achieving orders of approximately 701 million Euros.
Orders obtained in the year include the following:

- acquisition from Terna of the contract for the supply of one synchronous compensator for the Suvereto site;
- acquisition in Greece of a contract for the supply, assembly and start-up activities of a power island with the GT36 gas turbine to be installed at the Thessaloniki II power plant;
- acquisition in Italy of a contract for the supply, supervision of the assembly and start-up activities of a power island with the gas turbine model GT36 to be installed at the Fusina power plant;
- acquisition of contracts with the Shanghai Electric Gas turbine joint venture for the supply of components for 2

AE94.3A gas turbines and 3 AE64.3A gas turbines;
- acquisition of the contract for the supply of 3 80MVA generators for the ARCTIC project in Russia.

Service

Service orders in 2021, despite the continuing uncertainties generated by the Covid emergency, exceeded forecasts, reaching approximately 570 million Euros.
Exceeding the budgeted order level and the resulting increase in the order portfolio is creating a solid financial basis for profitable future execution of the business.
2021 was characterized by a remarkable global economic recovery, fueled by the acceleration of Covid-19 vaccinations and extraordinary fiscal stimulus. The economic recovery caused a strong rebound in energy consumption in 2021, in the order of 5% globally, thus offsetting the 2020 downturn.
The largest production was mainly covered by fossil sources, gas in particular, with positive repercussions on the Service business, intrinsically linked to the operation of the plants.
Looking ahead, a brake on further consumption recovery could come from the continuing uncertainties surrounding the pandemic, as well as from the unprecedented rapid growth in gas prices in the second half of the year.
On the other hand, the increase in gas prices and the increase in emission permits (which will persist with the acceleration of climate policies) stimulate the implementation of the most advanced technologies in terms of environmental impact and therefore the market for service solutions for efficiency, decarbonization and flexibilization of plants. The effects of this trend have been shown throughout 2021, with strong demand for our advanced Service packages (MXL, MXL2, Autotune, Apex, FlexSuite) and promise to last for years to come.
In order to better understand the dynamics of performance, the main considerations relating to the specific areas are reported.

ITALY

The need to ensure the safety of the electrical system during the energy transition path has, in turn, led to the need for greater generation capacity with high flexibility and reduced emission impact. The "Capacity Market" has generated, and will generate in the coming years in successive waves, important opportunities for both upgrades and new units, the latter accompanied by the related multi-year service contracts. The level of *service* orders in the country has been confirmed to exceed 294 million Euros, substantially in line with the figure in 2020.

EUROPE

In the rest of Europe, as in Italy, investments in gas plants were sustained by the energy transition. Under this push, the Group has managed to secure the implementation of some *upgrades*, among which the one for the Flevo plant in the Netherlands stands out with the innovative GT26 gas turbine solution called MXL3, first of its kind. The extension of several multi-annual contracts, the sale of a new unit in Germany and the restart of the Russian market, which had been heavily penalized by the pandemic, have brought the total result to around 157 million Euros.

AFRICA

In most countries in the region, the energy transition has a much slower pace than in Europe. Alongside the commercial presence in the countries where the Ansaldo Energia fleet is most present (Algeria, Tunisia, Congo and South Africa), important results have arrived in Nigeria, on OEM-like machines (non-OEM machines, but built according to the same technology as Ansaldo Energia). Political instability in Libya has unfortunately slowed the acquisition of similar orders. In Algeria, the market has given signs of a restart after a standstill of more than a year due to contingent factors not related to the pandemic. Overall, the area confirmed the volume of orders in 2020, standing at approximately 50 million Euros.

AMERICA

Despite the continuing economic crisis on the continent, aggravated by the pandemic, the traditional clients of Ansaldo Energia in Argentina, Ecuador and, above all, in Chile have confirmed their confidence in the services of Ansaldo Energia allowing to reach the expected targets (11 million Euros).

MIDDLE EAST

The region was hit very hard not only by the pandemic but also by the sharp fall in the price of oil in 2020. Situations of political-military tension and embargo have further aggravated the situation and slowed down the development of substantial trade initiatives. In the second half of the year, however, the recovery in oil prices and the general containment of the Covid seem to have revitalized consumption and investment, and there are opportunities for interesting developments in countries such as Egypt and Iraq in the near future. For 2021, the acquisition reached a value of approximately 29 million Euros.

ASIA

In Asia the effects of the pandemic confirmed their seriousness in 2021 and led to the slippage of some opportunities on both OEM-like machines and new units, effectively impacting the results in the region. The collaboration with Shanghai Electric Corporation this year has contributed somewhat to the result of Service sales, even though the progressive commissioning of new units bodes well for the future. The result was 30 million Euros.

ORGANIZATIONAL AND PROCESS/ PRODUCT DEVELOPMENTS

Factory

2021 was characterized by an increase in the number of machines produced compared to the previous year thanks to the available production capacity, both due to the investments made in previous years and to the specific attention paid to the management of resources.
The training and training paths of new resources, the working flexibility made possible by an agreement between the company and the unions, and a recovery on the efficiency of the manufacturing process have enabled the target to be targeted and exceeded in terms of internal hours developed despite the operational difficulties imposed by the pandemic.
Compared to a 3% increase in resources, output in terms of direct hours developed increased by more than 20% compared to 2020.
In the light of the continuing pandemic crisis, the consolidation of safety and sanitation measures and appropriate shift management have helped to ensure the continuity of production activities, making it possible to reach the commitments made with New Units and Service customers.
Planning, Supply Chain and Factory have refined the tools of monitoring and control of the processes of supplying and manufacturing, guaranteeing a careful management of the resources and of the priorities of the business.
Production capacity for 94.3, GT36 and GT26 products and related alternators increased during 2021 and the orders acquired gave production continuity to GT36 product plants.
Mention is made of the welding plant which in 2021 made 3 GT36 rotors and started the welding process for a fourth rotor.
The factory has guaranteed support to the Service both for field activities, making available specific professionalism, and for manufacturing activities with particular commitment to the overhaul of the TG 94.3 rotors.
The commitment to the Chinese customer remained constant throughout 2021. The delivery of hot parts 64.3 and 94.3 throughout the year has allowed an optimization of the workload of the departments concerned and of the supply chain.
With reference to the machines delivered in 2021, we can see those relating to the German plants of Irshing and Marbach; those for the Italian power plants of Turbigo, Presenzano and Marghera; the first GT26 for the power plant of Rupsha; alternators for Arctic LNG plants and synchronous compensators for Terna customer.
From a productive point of view, it is worth noting the result reached in the summer period during which in the Cornigliano plant were prepared in parallel the GT36 destined for the Chinese market and the first GT26 realized by Ansaldo Energia.
With regard to the production means, the Pama 3000 reamer is started in the field area, which doubles the production capacity of GT36 rotors relative to the milling phase; the production of a new hot pallet grinding machine and a "EDM Drilling" plant which is strategic for the process of reconditioning hot pallets.
The launch of the MES (Manufacturing Execution System) platform has involved IT functions, Manufacturing Engineering and Factory Departments in order to make the technical documentation necessary for production available in digital format.
The plan for the implementation of production monitoring capabilities in MES has been developed and activated, and the first departments have been involved in the last quarter of 2021. The extension of the instrument will ensure real-time management of the production status of all critical machines, allowing shorter reaction times to be programed in case of unforeseen events.

Service

The organizational integration that took place in 2020 saw concrete benefits realized in 2021, with the application of shared processes on the different portfolio technologies (OEM & OEM-like). The centralized management of all the technologies has allowed the fleet to be coordinated uniformly, ensuring the homogeneity of the execution of the interventions, thanks to an improvement of the planning and control activities carried out on site. This was matched by an optimization of the use of resources, fundamental in a period characterized by strong limitations to the movements due to the Covid. The numerous uncertainties linked to the pandemic and to the ever-changing legislation concerning the movement of persons have also strongly pushed the digitization and the remote control of maintenance activities. The remote activity index for maintenance and restart activities was 44% in 2021, compared to 16% in the previous year. The trend remains on the rise, with the prospect of introducing new measures that can further increase remote support. The continuation of the development of digital solutions and of the infrastructure that can support it remain essential to allow an increasing level of customer support, immediate and targeted interventions and a further efficiency of the use of resources.

The year 2021 was marked by the combination of a growing trend in gas prices and the introduction of "Capacity Market" by many countries in the light of the energy transition, they have pushed toward the extensive implementation of fleet upgrades and plant solutions that increase their flexibility. In particular, upgrades have focused both on gas saving and a significant reduction in the environmental impact, and on the increase in the power that can be delivered, which allows to cope with temporary decreases in the production of energy from renewable sources.

With this in mind, the development of solutions and upgrades that transfer the benefits of H-class technology (GT36) to the existing fleet continues intensively, with the first implementation planned in spring 2023 at the Flevo power station (GT26).

Engineering

The year 2021 was a year in which the power plant engineering activities continued in support of the company's key initiatives. The plant and "plant system" capacity represented the differential value in support of the introduction of the new GT26/GT36 technologies and in particular of the "H" class (GT36). Specifically, the activities for the various projects currently running were:

- Edison Marghera (power island mounted with GT36 comprising the main machines TG, TV, Gen., boiler and relative balance of plant): development of most of the detailed engineering and support to the installation / commissioning phases of the plant;
- Edison Presenzano (GT36 plant comprising the entire plant with EPC approach): development of most of the detailed engineering and support for the installation phases of the plant;
- EPP Tavazzano (GT36 plant comprising the entire plant with EPC approach): development of most pre-engineering and placement of main orders;
- Enel Fusina (power islands not fitted with GT36): development of most pre-engineering with full achievement of the contractual milestones and subsequent focus on the Fusina project as per customer indications with the placement of the main orders;
- Support for the execution of the Rupsha contract and the start of the related engineering activities related to the purpose of supply in support of the two GT26 covered by the contract;
- Elpedison Thessaloniki (power island mounted with GT36 including main machines (TG, TV, Gen., boiler and relative balance of plant): support for the acquisition of the contract.

With regard to machines of class "F", the following must be mentioned:

- Development of the detailed engineering activities and support to the site preparation / assembly phases for the orders of Irsching and Marbach in a strategic market such as Germany;
- Completion of the detailed engineering activities and support to the assembly / commissioning phases for the IREN plant in Turbigo;
- Development of engineering activities for the Oswiecim project in Poland with AE64.3A Plus Gas Turbine.

Again using the skills of "plant systemist", the first application of the plant management system plant optimizer Ansaldo Energia (AE brand) was implemented for the purpose of working on the Servola plant for the Arvedi Group, today in the last stages of open-cycle commissioning and subsequent combined-cycle completion.

The power plant engineering activities not only included support for the sale of new machines, but also contributed to:

- The execution and the offer phase of various initiatives in the Service area to support the upgrade of existing plants with a mix of plant solutions for the various kits (e.g. MXL2 and MXL3);
- In support of the new Innovation division, Ansaldo Green Tech has been a subsidiary since 2022, in the development of new product solutions and plants relating to the use of hydrogen in gas turbines and therefore in the relative balance of plant, in collaboration in the field of long term storage.

The Board also involves key activities for the activities of both OEM and EPC through:

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

As regards product engineering activities, please note:

- Finalization of the engineering activities of the Irsching contract, which foresees the installation of an air generator model TRY-L63 for the first time equipped with pressurization in order to increase the performances;
- Technical support for the installation and commissioning of the first hydrogen generator unit model THR 12 65 specially developed by Ansaldo Energia for coupling with GT36, at the Marghera plant;
- Validation of the design of the THR 12 65 generator model carried out at the Sala Prove Generatori on the second unit destined for the Presenzano power station;
- Finalization of the test activities on air generators model TRY-L63 specially modified for coupling with GT26 and destined for the Rupsha plant;
- ATEX certification and, consequently, EAC certification for the export to Russia of the Arctic LNG2 air generators supplied to Baker and Hughes has been obtained;
- Support for the commissioning of synchronous compensators for the Terna plants in Garigliano, Foggia and Candia;
- Support for Enipower exciter renewal Service activities;
- Commissioning of the first AE94.2KS installed at the Bengang plant (China) with intensive support for the functional activities of goodwill of the turbine in operation with natural gas. Operating support was provided entirely remotely, due to the Covid-19 scenario and will continue to be provided in 2022, when the machine will be powered by the Syngas system;
- Commissioning of the first AE643A+ (78MW), equipped with combustion chamber equipped with ceramic tiles and Emerson Ovation control system. The main activities were directed to the functional support phase for the tuning of the turbine, with the aim of meeting the contractual requirements in terms of performance and emissions. The goal was also reached to make the TG operational in open cycle by the end of 2021, with the possibility to start activities on the combined cycle and profitable energy production by the beginning of 2022;
- Start of engineering activities for the Oswiecim (Poland) contract, where an AE643A+ (78MW) with preheated gas will be installed. There is a significant commitment from the engineering team and the technical coordination of the work order in order to meet the contractual requirements and timelines;
- Finalization of the engineering activities of the German orders of Irsching and Marbach, both of which involve the installation of an AE943A-EVO2 machine in operation "peaker". For the Marbach plant, moreover, the functional testing of control logic for the management of the new fuel system has been started in a simulated environment;
- Technical coordination of hot parts supplies for AE943A and AE643A to the SGC partner and ongoing technical support for the issues identified by SGC on the Chinese fleet;
- Technical support for the commissioning activities of the first GT36 installed at the Marghera plant, for which the important milestones of the first turning and of the subsequent first acceleration by means of a static starter were obtained at the end of 2021;
- Start of the technical support activities for the assembly activities of the Presenzano GT36 and finalize the engineering activities for the projects, Minhang (GT36), Tavazzano (GT36) and Rupsha (GT26), for which the main procurement phases of the supplies have been completed;
- Finalization of a large part of the engineering activities for the Fusina project (GT36), where a particular effort was necessary in order to comply with the contractual requirements of the customer on the supply;
- Start of pre-engineering activities for the Salonicco project (GT36), with the aim of targeting the finalization of inputs for civil design in early 2022.

INVESTMENTS

The investments for the financial year 2021 were directed, from a technological point of view, to the introduction of machine tools and equipment suitable to meet the processing requirements of the GT product line and, from a safety point of view, to the continuous renewal and efficiency of plants and workplaces. Important new investments are related to the "Pale Line" with the acquisition of equipment capable of ensuring an ever greater degree of precision so as to allow the constant improvement of the quality of the processes; the supply of a new machine tool for grinding and qualification blades and of a new measuring machine for hot blades and repair, with dedicated housing.

A further focus was on the acquisition of specific equipment to carry out the on-site assembly of large-size gas machines.

Important investments have also been directed to the acquisition of specific equipment for mechanical processing and special processes to support the supply chain, both with regard to GT technology and to the traditional Ansaldo technology.

The Lighthouse plant project of the 4.0 Business Plan, focused on the digital transformation process, was concluded with the result of applying digital technologies to the factory world as well as enhancing ICT infrastructures and platforms. With this

in mind, the objectives were the introduction of a system for the management of technical data related to the manufacturing world. The adoption of systems to increase safety at work in the factory and the development of Cyber Security to ensure the protection of the company's and its customers' critical assets, in the face of the digitization and interconnection of machines and systems.
The simulator project continued to design and build a test bench dedicated to supporting the validation of the combustors of large-size GT machines. A new drilling machine was also acquired for Ansaldo Energia Gulf.

RESEARCH AND DEVELOPMENT ACTIVITIES

Gruppo Ansaldo Energia continued to invest in the improvement of its products, always in compliance with the most stringent requirements from the point of view of emission reduction (with particular focus on climate-altering emissions), of the improvement of efficiency and operating flexibility, gradually giving space, in line with industry trends, the implementation of new technologies and digital solutions.

The successful completion of the field tests to support the installation and commissioning of the combined cycle plant equipped with the first GT36 gas turbine unit in Marghera should be noted for 2021.

A further important activity of the development line for class H gas turbines concerned the continuation of the GT36 "hydrogen ready" program, with the carrying out of H_2 combustion tests under machine conditions at the Cologne (DLR) combustion testing center. In these tests the behavior of the system could be mapped to a series of loads and to high concentrations of H_2 over 70%, In line with the objective of meeting the most stringent requirements for the containment of specific CO_2 emissions at levels of 100g per kWh of energy produced.

As regards the activities on the F-class turbines, the GT26 on the Service front continued the manufacturing activities of the most technologically critical parts of the MXL3 upgrade package, in order to complete its preparation for the first implementation in the field planned for the first months of 2023. Also for GT26 activities continued to improve operational flexibility by achieving the objective of field validation of an upgrade package to further lower the environmental technical minimum to loads in the order of 16% of the plant load in combined cycle while complying with emission regulations.

With regard to the AE94.3A class F turbines, on the Service market side for the capacity market, the MXL2 retrofit solution, aimed at improving performance through a new turbine and combustion chamber configuration with the adoption of innovative cooling technologies, has been commercially validated in the plant.

In the field of additive manufacturing, the activities have been directed to the development of innovative materials with high mechanical performance for hot parts applications gas turbine, which constitute the basis for further steps in the industrialization of parts operating under more severe operating conditions.

For the activities carried out in the context of the projects financed, it should be noted that in 2021 the technical and economic reporting of the second and last part of the MISE project "Dal Byte all'Energia", n. F/060005/00/X33, with subsequent official technical verification, held in June.

The project "Development of advanced control systems for thermal acoustic phenomena in combustion processes for high efficiency and low environmental impact gas turbines - ARTEC-GT" in which Ansaldo Energia participates in the National Operational Program "Imprese e competitività" 2014-2020, continued in favor of R&D projects in the technological fields identified by the "Horizon 2020" research and innovation framework Program.

In 2021, the technological development activities of two EU-funded projects, call H2020 – LCE 28-2017, respectively "Turbo Reflex" and "Pump heat", continued, both extending to 2021, with a deadline of 31 March and 31 December 2021 respectively.

INTELLECTUAL PROPERTY RIGHTS 2021

Ansaldo Energia's IP assets for the year 2021 consist of 2,151 patents and 247 brands.

In addition to the ongoing review of the IP portfolio, which led to the abandonment of certain securities due to expire in the next 3 years, offset by the filing of new patents, the patents/trademarks of PSM technology have been sold to Hanwha.

Specific IP analyzes have been activated to support business development strategies, to identify opportunities for expanding and diversifying the product offering, through application of proprietary and commercial software based on semantic analysis of patent texts and data mining.

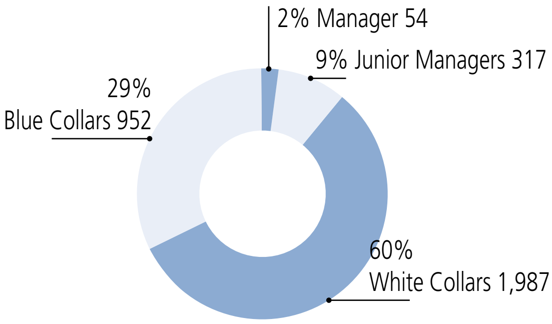
In the field of technology transfer, 140 practices were also managed, in particular: 91 NdA, 21 Agreement, 18 transmittal and 10 confidentiality Check.

HUMAN RESOURCES

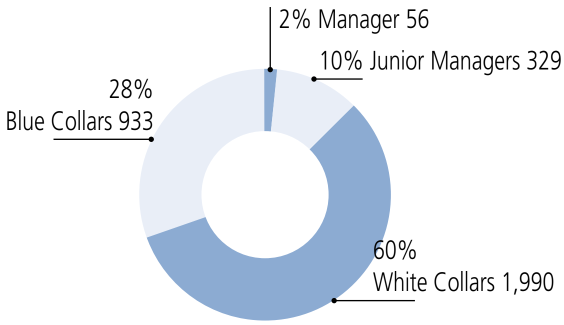
The activities carried out by the Group's Human Resources structure during 2021 focused, on the one hand, on continuing the actions defined in the framework of the Industrial Plan presented in January 2020 and, on the other hand, on the in ensuring the necessary continuity of production activities in the face of the continuing health emergency still in progress.
The pension-related exodus programs initiated for the Parent Company's staff during the previous year have therefore been improved and, in parallel, specific insertions of specialist figures have been carried out in order to promote the necessary rebalancing in employment by strengthening the direct Factory structures, Construction and Engineering. Similar operations on employment also affected the subsidiary "Ansaldo Energia Switzerland" through a rationalization of production activities which also led to the repositioning of some of them at the Genoa headquarters.

The Group's resources at the end of 2021 amounted to 3,310.

HEADCOUNT AS 12/31/2021



HEADCOUNT AS 12/31/2020



Organization and processes

2021 was marked by the opening of a new company within the Ansaldo Energia Group, dedicated to the development of new technologies and products for the energy transition (Ansaldo Energia Green Tech). In the final part of the year, the analysis activities were started to define the organizational structure and the staffing necessary to make the design operational in the following 2022.
On the conventional business front, the organization did not see any significant changes in structure; rather, 2021 was a year of commissioning and consolidation of the changes made in the summer of the previous year.
The Organization function during the year has therefore focused on the system of roles and processes of some structures in particular:

- In the context of Operations Planning, with the objective of recovering efficiency margins between the Genoa and Baden organizations, rationalizing the allocation of activities;
- Together with the function responsible for the quality system in support of the Service Unit, working on the integration of the Genoa and Baden groups and on the implementation of the new functional organization.

The interventions on the other structures were of ordinary administration of the organizational system, managing some cases of change of managers at different levels of the organization.

Training

In addition, from April 2021 and for the following months, the Training Plan "trAENing -Fondo Nuove Competenze", defined with trade union agreement in December 2020, has been realized. It involved over 1,000 employees of the Parent Company with a 102 hours per capita training program aimed at the development of skills and the requalification of resources.
This major project was born within the framework of the measures identified to combat the economic effects of the outbreak caused by Covid 19, in line with the regulatory framework defined by the National Government in which ANPAL has given companies the opportunity to present an application, through public notice, for the recognition of financial contributions to the development of skills and, depending on the context, the retraining of resources, thus enabling trai-

ning to be provided, recovering the relative labor costs of the persons identified to participate.
The Parent Company, therefore, within a scenario that was already facing an important Industrial Plan to strengthen its competitive structure, participated in the call by presenting a project based on 102 hours of training per capita for 1,087 employees between managers and employees.
Having obtained the approval from ANPAL at the end of March, the training activity has been started since the beginning of April, a pre-defined delivery time being foreseen, through two hours of distance training modules, the one of which ended in September; given the size of the project, the launch was done with a kick off via teams from the company management in which the characteristics of the plan were outlined, both in terms of growth opportunities, is mandatory to participate and each module has provided recovery editions for those who have not been able to participate previously.
The training proposal was very wide and, being based on an up skilling approach, before the start of the project, a self assessment questionnaire was given to all the company population involved; technical topics were covered, topics related to the world of digitization, soft skills, sustainability and business economics. The sessions were held by external professional experts and, in some cases, by colleagues who played the role of teachers as content specialists included in the plan; At the end of the project, an outgoing evaluation questionnaire was also provided so that at the beginning of November it was possible to carry out the reporting process, thus requiring Anpal to obtain the balance of the financing that had already been obtained in advance in the previous months.
In addition to the Fondo Nuove Competenze project on which 106,525 hours were reported for 1,065 participants, courses were organized in small groups or synchronously, aimed at strengthening technical skills and knowledge in the field of safety at work, in addition to the employable population, the working people were involved; for these additional activities 17,900 hours were provided with 1,845 participations.
The persistence of the state of health emergency has committed the Group to balance the need for a constant working activity at the headquarters with respect for the measures of contrast and containment to the spread of the virus already adopted, also reprogramming the way in which the work is carried out in Smart working.
In this context, an agreement has been established with the trade union organizations aimed at encouraging the production of the factory and the construction sites, making use of extraordinary shifts made during the weekends and during the holidays. Thanks to this programming, the Group was able to meet the contractually expected commitments, including the start-up of the first GT-36 turbine installed during the year at the Porto Marghera Power plant.

Customer staff training

As in the previous years, also during 2021 the Human Resources function was responsible for coordinating the training activities for the customer's staff according to the contractual commitments undertaken; the activities were carried out remotely in the period from January to September; it was therefore an experiment for this mode because in the previous year there had been only a few sporadic interventions of maximum duration of one day, while in 2021 it was necessary to provide several days of training at distance with different teachers and suppliers involved.
Since September, when the pandemic situation from Covid-19 seemed slightly improved, the delivery was carried out with a traditional approach and exclusively on site, that is, the teachers went to the client and carried out lessons in the classroom and/or on the job.
Therefore, in full compliance with the rules against the spread of Covid-19, training was carried out in Serbia, Iran and Italy in Marghera, Servola and the sites of Foggia and Garigliano.
In total , between distance and presence modes, 146 training days were given for a total of 13,020 man hours.
Customer training also included, as usual, the preparation of offers covering 42 packages for 2021.

ENVIRONMENT, HEALTH AND SAFETY IN THE WORKPLACE

Environment

The Italian sites of Ansaldo Energia fall within the scope of D.P.R. 13th of March 2013, n. 59 (AUA – Autorizzazione Unica Ambientale) and in the scope of the "Emission Trading" Directive for the presence of boilers for the heating of the district of via Lorenzi.

In 2021 the Group maintained its ISO 14001 environmental certification, expressing a constant commitment to the maintenance of legal compliance and to a progressive improvement of its environmental performance.

From the periodic updating of the assessment of the significance of environmental aspects and the Context Analysis, a controlled, marginal and therefore broadly tolerable level of environmental impact risk is confirmed.

As in previous years, no major environmental accidents occurred at the Group's sites in 2021.

The fight against the pandemic from COVID-19 saw the Group's rapid adoption of an effective system of extraordinary safety management measures, which also involved environmental management. In Ansaldo Energia S.p.A, the collection and disposal of waste consisting of personal protective devices used for the prevention of infection, has followed the progressive evolution of the specific provisions issued by the Istituto Superiore di Sanità, a specific internal collection and disposal protocol and dedicated additional personnel have been established for this purpose.

The Group continues its commitment to sustainability with important new features: in the second half of 2021, the first Sustainability Report of Ansaldo Energia was published in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" for the reporting period 2019-2020. The financial statements were shared on the net, on a site specifically dedicated to the communications of the Group's sustainability policies.

In the context of environmental protection activities, particular attention is and will be paid to the progressive reduction of waste produced and the consumption of natural resources. In view of the extent and complexity of the environmental aspects connected with the activities carried out on the sites, as well as the introduction of new indicators for the assessment of the environmental, social and economic sustainability of the organization, the Group is engaged in a process of strengthening and integrating the existing data management information systems.

Health and safety at work

In 2021 Ansaldo Energia continued in the process of implementing initiatives aimed at spreading the safety culture across all personnel involved in the various processes, with the aim of creating a concrete, homogeneous approach and further reducing all indicators in the field of Health and Safety at Work.

The Group has obtained the renewal of the certification within the Management System of Safety and Health in the workplace in accordance with ISO 45001 without Non-Conformity, to confirm the awareness, now rooted, the importance of working in line with the indications of the management system and its effectiveness in pursuing continuous and progressive improvement.

The Group has responded with commitment and constancy to the Covid-19 theme by implementing numerous measures to reduce the spread of the virus: in the factory, in offices, in construction sites, in canteens and in all possible areas of aggregation and access to the company headquarters. In January and later in July, Ansaldo Energia maintained the innovative certification scheme for the prevention and control of the spread of infections and obtained the Biosafety Trust Certification. This certification enhances a set of best practices to minimize the risk of outbreaks in the workplace. Further evidence of the commitment to the fight against the virus has been the setting up of a vaccine hub inside the company perimeter, dedicated to the employees who had not yet undertaken vaccination pathways with the external public structures. The first doses were administered in July, while the second dose was completed in the first days of August.

Improvement actions

In order to improve the accident trend, both methodologies for the analysis of the causes that have determined the accidents and the modalities for the sharing of the experience gained have been further developed, allowing to identify the most suitable corrective actions to remove the causes and to measure, in an analytical and objective way, the efficiency and effectiveness of the corrective actions taken. In addition, to the same end, the company objectives and technical solutions for the resolution of deficiencies were shared with all management, also in the light of an examination of the behavior and the injuries missed (the so-called "near miss"). and structured processes have been initiated to ensure that workers are increasingly directly involved in prevention and protection activities, with a view to continuous improvement.

In greater detail, priority was given, with attention focused on

the frequency of use, and on the basis of a risk assessment, to the process of testing the lifting equipment with dedicated non-destructive testing, where necessary. Furthermore, Ansaldo Energia, within the framework of workplace safety regulations, has started a process of continuous monitoring of certain work equipment, in order to periodically assess the actual state of preservation and the same efficiency, with attention to the most obsolete equipment for access to machines, by replacing and improving portable or fixed steps for stages and by installing non-slip material on stairs and on areas with risk of slipping.
In the field of accident management, the DPI (individual protection devices) assigned to the various tasks and in relation to the specific operating processes, as well as to the devices introduced in order to optimize the safety and comfort of the user, as a result of the events.

Workers and top management involvements: training and auditing

With the aim of raising the culture of safety, the various training courses have continued through specialist courses, posting in company boards of press releases, articles within the company information body, valorisation of individual improvement proposals, meetings with the resources of the various bodies on the subject: safety at work.
The Health and Safety structure has verified through periodic internal audits the application of company procedures and the compliance of the legal requirements by personnel and subcontracting companies. The results were, on the whole, particularly positive. The evidence emerged from these inspections and inspections were, in any case, analyzed in detail, with the aim of identifying possible improvement actions to be included in the company plans, in order to implement in an effective and efficient way corrective/resolutive actions.

Risk assessment and Emergency and Evacuation Plans

The process of updating the risk Assessment Document and the Emergency and evacuation Plan continues in relation to all the sites (both permanent and temporary) where the Group operates.
An improved process of management of the Emergency and evacuation Tests has begun, which includes, in addition to the usual training and training program of the personnel and the continuous updating of the internal emergency management procedure, an ever greater involvement of all workers in the practice and simulation of different emergency scenarios, in collaboration and with the support of the Company specialized in fire protection.
The risk assessment documents for all external yards have been drawn up in accordance with local and reference legislation.

Sustainability

In 2021 Ansaldo Energia launched its path to Sustainability in a more structured way than in the recent past.
The awareness acquired by Ansaldo Energia during 2020 regarding the importance, not only of working in a sustainable way, but also of communicating its commitment to stakeholders, he led Ansaldo Energia to decide to organize itself through the identification of a team composed of different contacts of the main business functions impacted by ESG themes and coordinated by the Sustainability Manager, role allocated to the employees of the Deputy General Manager and assigned to the Corporate HR Manager.
The team worked on the first sustainability report for 2020, following the Global Reporting Initiative's "GRI Sustainability Reporting Standards" that provide criteria for selecting information to include in the report and how it is rendered, and are based on the principles of: stakeholder inclusiveness, sustainability context, materiality, completeness.
The report , approved by the Board of Directors of July 2021, which defined the creation of an intra-board of Sustainability Committee, was submitted to a process of assurance and then published first on the website and then, in December, about the newborn mini-site dedicated to sustainability ***www.ansaldoenergiasustainability.com***.
In addition to the drafting of the report, the team has developed the Code of Conduct which summarizes the principles of behavior applied within the Group and in its relations with its stakeholders , with the aim of ensuring that every activity can be carried out with honesty, fairness, integrity and in conformity with the law and the related principles, drawing inspiration, in its formulation, from the principles and fundamental themes of social responsibility, as set out in UNI ISO 26000 "Guidelines on the social responsibility of organizations".
The code, after being validated by the Sustainability Committee, has been published on the website.
In December, Ansaldo Energia also participated in the evaluation of its approach to sustainability through Ecovadis, an initiative that had already taken part in the previous year and has improved significantly since it was recognized as a silver medal (the previous year had obtained a bronze medal).

CERTIFICATIONS AND QUALITY

Company certifications

During 2021, all audits for company certifications were successful. Mention is made of the renewal audit of the certification of the Multisite Quality Management System (ISO 9001:2015) for which the Certifying Body (Lloyd) has recognized for the first time the achievement of a "Mature" level, the audit for the renewal of the Environmental certification (ISO 14001) and the maintenance of the certification for Safety and Health at work (ISO 45001) by Lloyds, as well as the audit for the maintenance of the Biosafety Trust certification by RINA.
During the year, two audits of welding activities (ISO 3834 -2) were carried out positively by the Istituto Italiano della Saldatura: the first audit took place at the beginning of the year and related to the recertification, while the second audit carried out at the end of the year with the objective of maintaining certification. The certification concerning functional safety (IEC 61511/61508) was confirmed by TUV Italia and, finally, in 2021 ACCREDIA confirmed the accreditation of the calibration center of Ansaldo Energia S.p.A., carrying out the required practices.

Quality

The Quality Assurance function, part of the Innovation & Quality Assurance Department, assisted the Company Summit in defining the strategies and objectives of the Management System for Company Quality, guaranteeing the organization the monitoring activities, support and suggestions for improvement to help achieve goals and certification according to the reference standards.
During 2021 the concept of "Quality Focal Point" was fully realized, supporting in a capillary and positive way, with a resource dedicated to each process, the activities of definition/revision of procedures and operating instructions, the identification of opportunities for improvement, the implementation and planning and execution of the internal audit program.
The Function continued with a dedicated Team (Quality Project Management) to support the New Units and Service work order teams in managing the quality requirements of job specifications from the offering phase (15 New Units and 9 Service Solutions) and throughout the execution phase (58 total orders, divided into 23 New Units and 35 Service).
The draft revision of the documentation of *the Quality Management System* was completed to ensure the adequacy and applicability of the existing documentary facility, bringing the document update rate indicator from 35% to 75%.
The Key Performance Indicators (KPI) and Scorecard program has been implemented, establishing objective criteria for monitoring the performance of key processes and enabling a Continuous Improvement mechanism. This system has achieved the business function coverage targets, identifying about 80 KPIs grouped in 18 Scorecards, is now an integral part of the Management System and will be regularly updated according to the specific objectives and priorities for the current year.
During the year, the Vendor Rating project has been consolidated with the aim of consistently and continuously monitoring the performance of the suppliers and then releasing to the Company, in its purchasing and management functions, a tool for monitoring and improving the quality of the supplies; a total of about 200 suppliers of products and contractors were evaluated (and revalued), selected on the basis of their criticality, for a total of over 700 surveys.
The activity of monitoring the Customer Satisfaction, has substantially reached the expected objectives, although suffering from the Covid-19 economic situation and the consequent requests for rescheduling by the customers. Overall, the Customer Satisfaction Index was above the target set (7.8 compared to a target of 7.5).
The application of the model of detection of the costs tied to the lacked quality (Quality Economics) is continued that collects all the costs legacies to the activities of prevention, ascertainment and management of events of not-quality on all business processes and analyzes the relative trends to support the competent structures in the definition and implementation of improvement plans. The system for the collection and analysis of information has been further developed and will activate for 2022 a better mechanism for the responsibility of functions with respect to the costs of non-quality induced by them. In the context of backcharge, the process that aims to recover the costs of non-quality caused by non-Ansaldo entities (e.g., suppliers), analysis tools, processes and SW tools have been defined to extend the coverage and accuracy of the process itself.
Finally, the company's retrospective analysis mechanisms on non-quality problems have been prepared, the aim of which will be, in 2022, to systematically attack every relevant case of non-quality by ensuring its resolution until the completion of corrective and preventive activities.

INFORMATION REQUIRED AS PER LAW 124/2017

The reference legislation requires companies receiving financial contributions from public administrations and their subsidiaries to provide some details in the explanatory notes.
The rule in question has received many interpretations, which

have not dispelled doubts as to its practical application. The Parent Company took over the position assumed by Assonime with Circulate n. 5 of the 22nd of February 2019, according to which the obligation to publish is only for those payments of a specific and individual nature.

Therefore, the Parent Company has decided to provide the following information in this note, depending on the type of contribution/subsidy provided:

- With regard to paid assignments falling within the typical activity and under market conditions, it is stated that the Company has received paid assignments from persons related to the Public Administration; in this regard, it should be noted that these tasks, as they are part of the typical business activity and carried out according to market conditions, are not reported in this section, since they are not subject to the information obligations provided for in art. 1, comma 25 of Law n. 124/2017;
- For all those contributions/grants which may be received and which are the subject of publication requirements in the National Register of State aid (transparency), reference is made to this document;
- With regard to contributions from entities of a privatized nature (for example, Fondimpresa training grants), they are not subject to any information performance, since they are outside the scope of this standard;
- With regard to any tax concessions which the Company has benefited, it is considered, also in accordance with what is done by Assonime with the aforementioned circular, that they are of a general nature and that therefore they must not be compulsorily disclosed for the purposes of the commentary.

RISK MANAGEMENT

In relation to the international market, careful and rigorous activity of identification and management of operational and financial risks is increasingly necessary.

In order to eliminate or minimize credit risk and also to optimize the cash flows of the orders, the Group adopts an accurate policy of analysis from the origin of the commercial transaction, carrying out a careful examination of the conditions and means of payment to be proposed in the offers and in the subsequent sales contracts.

In particular, depending on the contractual amount, the type of customer and the importing country, the necessary precautions are adopted to limit the risk both in terms of payment and in financial means, resorting, in the most complex cases, to adequate insurance cover or supporting the customer in obtaining the financing of the supply.

For transactions in currencies other than the Euro at exchange risk, the procedures provide for the specific coverage of all the most important transactions with specific futures contracts.

As explained earlier in the first part of this report, the Ansaldo Energia Group, while affected by the consequences of the pandemic crisis, did not have to significantly change its strategies and objectives.

The credit and liquidity risk are dealt with in the explanatory notes, while no significant risks were identified as dictated by COVID-19 on the Group's financial instruments, represented solely by means of futures purchases and sales of currency, necessary to minimize the risk of volatility of currencies other than the Euro.

GUARANTEES GIVEN AS PART OF THE AGREEMENT FOR THE SALE OF THE PARENT COMPANY'S SHARES

The contract that regulates the sale of the shares of the Parent Company to the Fondo Strategico Italiano (today CDP Equity S.p.A.) provides for various guarantees issued by Finmeccanica (now Leonardo S.p.A.) in relation to disputes or specific cases that have entailed specific provisions to funds for risks in the Consolidated Financial Statements.

The transfer contract provides that any disbursements in respect of the cases guaranteed will be compensated by Leonardo, with different mechanisms depending on the case. The compensation, at the discretion of CDP Equity, may go directly to the Parent Company or CDP Equity.

It is noted that CDP Equity has made a formal commitment to the Parent Company to ensure that all future compensation related to the "asbestos" case is paid by Leonardo directly to the Parent Company.

However, with regard to all the other cases covered by Leonardo's guarantee, CDP Equity has not yet defined any choice as to the recipient of any compensation.

RELATED PARTY TRANSACTIONS

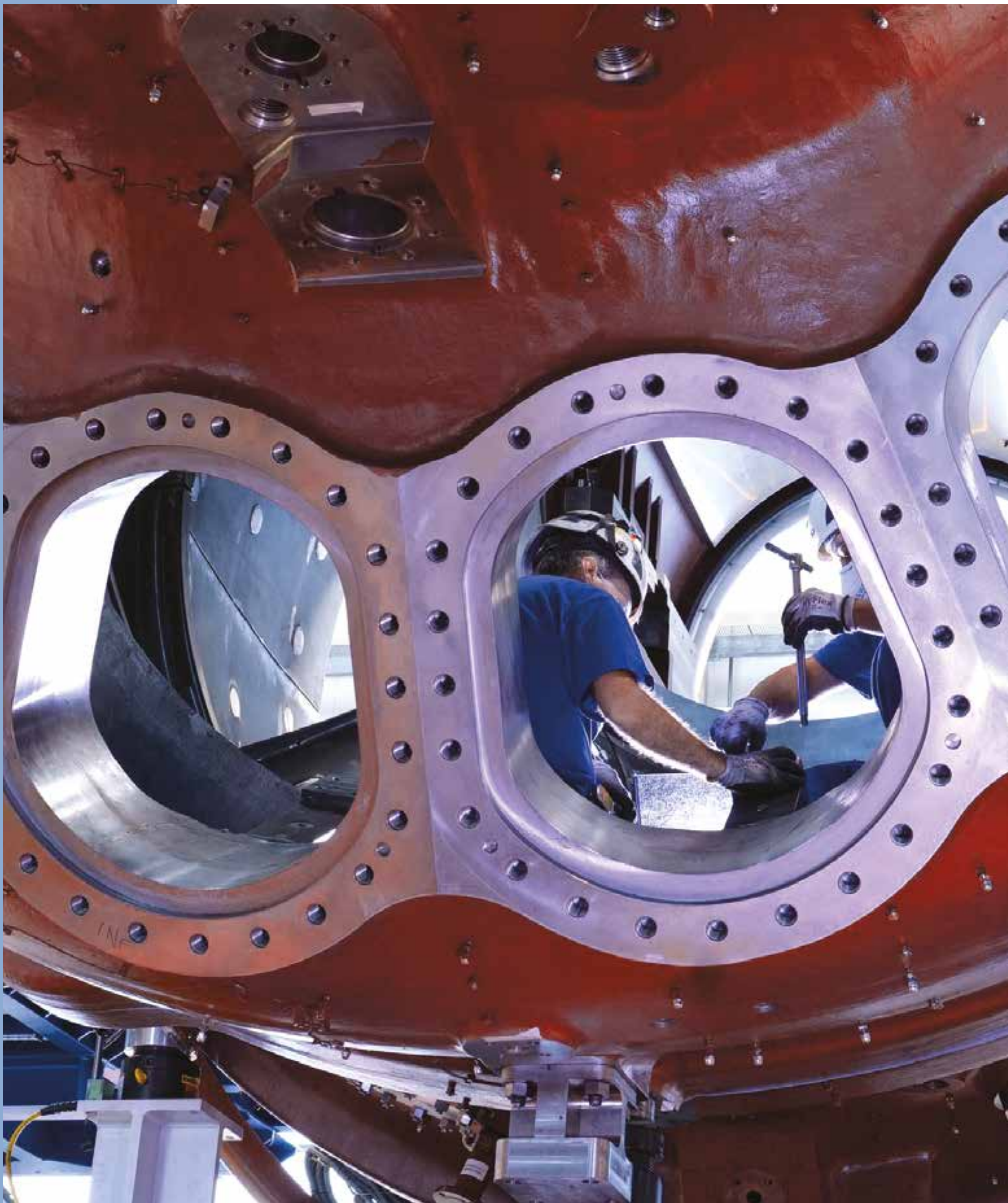
The relations of the Group companies with the related parties, whether commercial or financial, are all maintained at market conditions and are detailed analytically at the end of the explanatory note.

EXPECTED MANAGEMENT EVOLUTION

Following the approval of the five-year plan in March 2021 and the performance of the year, despite the continued existence of the Covid-19 pandemic, the Parent Company prepared in February 2022 an update of the Industrial Plan for the period 2022-2026 in continuity with previous estimates.
In particular:

- The positive development of the market and of the relative order taking recorded in the three years 2019 to 2021 is confirmed in the forecasts for future years with concentration on the European market and sale of the H GT 36 class;
- The continuing crisis since Covid-19 and the indirect effects of the increase in production costs verified in the second half of 2021, has required the company to monitor and plan improvements in efficiency and cost reduction;
- The Group has planned, in continuity with the 2021 plan, to continue its investments in technology currently in the Ansaldo portfolio.

See paragraphs "Going concern" and "Key events occurred after the end of the reporting period" for comments on the current geopolitical situation in relation to the Ukraine-Russia conflict.



CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2021

CONSOLIDATED INCOME STATEMENT

Euro/Thousand	Notes	2021	of which with related parties	2020	of which with related parties
Revenues	*13*	1,490,983	174,618	1,089,114	63,978
Other operating income	*14*	45,705	-	18,744	-
Purchases costs	*15*	672,231	17,207	390,058	665
Services costs	*15*	517,268	3,231	305,351	3,127
Personnel expenses	*16*	241,973		241,569	
Amortization, depreciation and impairment losses	*17*	100,536		111,694	
Other operating expenses	*14*	35,799	-	19,851	2
Change in finished goods, work-in progress and semi-finished goods	*18*	11,309		(85,155)	
(-) Internal works capitalised	*19*	69,637		47,241	
EBIT		**49,827**		**1,421**	
Financial income	*20*	29,598		18,234	-
Financial expenses	*20*	80,603	14,138	107,773	14,219
Share of profits (losses) of associates and joint ventures accounted for using equity method		2,041		(4,263)	
Profit (loss) before taxes and discontinued operations		**863**		**(92,381)**	
Income taxes	*21*	(23,427)		(2,962)	
Profit (loss) from discontinued operations		7,983		(13,369)	
Net result		**32,273**		**(102,788)**	
Net result attributable to non-controlling interests		(280)		(12)	
Net result attributable to the owner of the Parent		32,553		102,776	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro/Thousand	2021	2020
Net result	**32,273**	**(102,788)**
Items that will not be reclassified to profit or loss		
- Actuarial gains (losses) or defined benefit plans measurement	6,644	(4,407)
Revaluation/(devaluation)	*6,644*	*(4,407)*
Exchange rate differences	-	-
Items that may be reclassified to profit or loss		
- Changes in cash flow hedges:	(2,613)	10,233
Fair value gains (losses)	*(2,613)*	*10,233*
Reclassification to fiscal year profit or loss	-	-
Exchange rate differences	-	-
- Exchange differences	6,296	(7,970)
Gains (losses)	*6,296*	*(7,970)*
- Tax effect	(672)	(1,031)
from cash flow hedge	*599*	*(1,620)*
from plans to defined benefits	*(1,271)*	*589*
Other comprehensive income, net of tax effect	**9,655**	**(3,175)**
Total comprehensive income (loss)	**41,928**	**(105,963)**
of which attributable to non-controlling interests	*(280)*	*(12)*
of which attributable to non-controlling interests exchange rate differences	*(1)*	-
Total attributable to non-controlling interests	*(281)*	*(12)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro/thousand	Notes	12/31/21	of which with related parties	12/31/20	of which with related parties
Assets					
Non-current assets					
Intangible assets	*23*	1,400,153		1,381,999	
Property, plant and equipment	*24*	236,419		234,095	
Right of use assets	*24*	33,495		38,384	
Investments in subsidiaries and associates	*25*	9,578		10,556	
Equity investments	*25*	9,840		6,662	
Receivables	*26*	126,986		56,038	
Deferred tax assets	*26*	62,157		71,029	
Other non-current assets	*26*	12		12	
		1,878,640		**1,798,775**	
Current assets					
Inventories	*27*	497,941		532,319	
Contract work-in-progress	*28*	186,508		140,090	
Trade receivables	*29*	332,665	66,823	295,679	72,132
Tax assets	*30*	5,628		6,379	
Financial receivables	*29*	13,595		10,818	
Derivatives	*39*	-		340	340
Other current assets	*31*	70,182	6,188	85,558	6,623
Cash and cash equivalents	*32*	301,092		266,346	
		1,407,611		**1,337,529**	
Non-current assets held for sale		-		284,298	
Total assets		**3,286,251**		**3,420,602**	
Equity and liabilities					
Equity					
Share capital	*33*	580,000		580,000	
Other reserves	*33*	(53,328)		(94,002)	
Equity attributable to the owners of the parent		526,672		485,998	
Equity attributable to non-controlling interests		(671)		(39)	
Total Equity		**526,001**		**485,959**	
Non-current liabilities					
Loans and borrowings	*34*	930,101	235,588	921,345	223,453
Lease liabilities	*34*	30,741		33,886	
Employee benefits	*35*	30,915		40,632	
Provisions	*36*	54,314		58,321	
Deferred tax liabilities	*37*	40,125		76,735	
Other non-current liabilities	*37*	14,662	10,225	14,347	10,225
		1,100,858		**1,145,266**	
Current liabilities					
Advances from customers	*28*	717,730		785,488	
Trade payables	*38*	523,520	25,780	438,299	6,655
Loans and borrowings	*34*	203,040		212,220	
Lease liabilities	*34*	5,543		5,679	
Tax liabilities	30	6,169		2,170	
Provisions	36	60,711		73,671	
Derivatives	39	2,357		806	
Other current liabilities	37	140,322	144	106,013	
		1,659,392		**1,624,346**	
Liabilities related to assets held for sale				165,031	
Total liabilities		**2,760,250**		**2,934,643**	
Total liabilities and Equity		**3,286,251**		**3,420,602**	

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro/thousand	2021	2020
Cash flow from operating activities:		
Gross cash flow from operating activities	148,197	130,778
Changes in working capital and other operating assets (liabilities)	(21,266)	49,340
Net interests paid	(42,945)	(60,776)
Income taxes paid	(554)	(2,639)
Gross cash flow generated from (absorbed) operating activities from discontinued operations	(6,724)	25,218
Cash flow generated from (absorbed) operating activities	**76,708**	**141,921**
Cash flow from investing activities:		
Acquisition of companies, net of cash acquired	(6,349)	(147)
Sale of equity investments	5	88
Investments in property, plant and equipment and intangible assets	(110,149)	(99,465)
Sale of in property, plant and equipment and intangible assets	533	(4)
Other investment activities	(3)	-
Dividends received (paid)	582	4,054
Cash flow generated from ordinary investment activities from discontinued operations	6,987	(6,390)
Cash flow generated from (absorbed) investing activities and other	**(108,394)**	**(101,864)**
Cash flow generated from (absorbed) strategic investing activities and other non-recurring items	**83,723**	**(158,000)**
Cash flow from financing activities:		
Capital increases and payments from sharegolders	-	399,719
Net change in financial receivables/payables and other financing activities	(15,177)	(329,730)
Cash flow from financing activities from discontinued operations	(2,491)	(3,385)
Cash flow generated from (absorbed) financing activities	**(17,668)**	**66,604**
Net increase (decrease) in cash and cash equivalents	34,369	(51,339)
Other changes	377	(470)
Cash and cash equivalents as of 1st January	266,346	318,155
Cash and cash equivalents as of 31st December	**301,092**	**266,346**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro/thousand	Share capital	Hedging reserve	Actuarial reserve	Other reserves and retained earnings	Total equity of the group
January 1st, 2020	**180,000**	**(6,842)**	**(24,774)**	**44,797**	**193,181**
Comprehensive income for the year:					
Net result	-	-	-	(102,776)	(102,776)
Other comprehensive income (expenses)	-	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:					
Capital increase	400,000	-	-	-	400,000
Repurchase of treasury shares, net of the share sold	-	-	-	(281)	(281)
Total shareholders related transactions recorded directly in equity	**400,000**	**-**	**-**	**(281)**	**399,719**
Other transactions	-	(299)	(25)	(627)	(951)
December 31st, 2020	**580,000**	**1,472**	**(28,617)**	**(66,857)**	**485,998**
Comprehensive income for the year:					
Net result	-	-	-	32,552	32,552
Other comprehensive income for the year		(2,014)	5,373	6,296	9,655
Total comprehensive income	**-**	**(2,014)**	**5,373**	**38,848**	**42,207**
Other transactions	-	-	-	(1,533)	(1,533)
December 31st, 2021	**580,000**	**(542)**	**(23,244)**	**(29,542)**	**526,672**

RECONCILIATION OF THE PARENT'S EQUITY AND NET RESULT WITH CONSOLIDATED FIGURES AS OF 31ST DECEMBER 2021

Euro/thousand	Equity	Of which net result
Parent company equity and net result as of 31st December 2021	**618,876**	**67,312**
Equity surplus in annual financial statements compared to the carrying amounts of investments in consolidated companies	(171,869)	
Consolidation adjustments for:		
- PPA Nuclear Engineering Group	15,091	-
- PPA Gastone	65,753	(1,089)
- Intercompany profits	-	37,538
- Dividends	-	(819)
- Other adjustments	(1,179)	(70,390)
Equity and net result attributable to the owners as of 31st December 2021	**526,672**	**32,553**
Non-controlling interests	(671)	(281)
Total equity and net result as of 31st December 2021	**526,001**	**32,272**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED ON THE 31ST OF DECEMBER 2021

1. GENERAL INFORMATION

Ansaldo Energia S.p.A. (hereinafter "Ansaldo Energia", the "Company" or the "Parent Company" and, together with its subsidiaries and affiliates, the "Group" or the "Ansaldo Energia Group") is a joint stock company domiciled in Italy, with its registered office in Via Nicola Lorenzi 8, Genoa is organized according to the legal system of the Italian Republic.
The Parent Company is owned by CDP Equity S.p.A. (the Italian investment holding company belonging 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 shareholders' agreements between shareholders, which expired on the 5th of December 2019, meant that the Parent Company, as from that date, was not only formally, but also de facto controlled directly by the shareholder CDP Equity S.p.A.
On the 20th of April 2020, the Extraordinary Shareholders' Meeting was held, which approved the proposal to increase the share capital by a maximum amount of 450 million Euros, through the issue of shares with regular use, equal to be offered as an option to shareholders CDP Equity S.p.A. and Shanghai Electric Hongkong Co Limited, pursuant to art. 2441 of Itanian Civil Code and of the company's statutes, in proportion to their respective shareholdings in the capital.
On the 27th of April 2020, the shareholder CDP Equity S.p.A. made a payment of 400 million Euros.
On June 30th, 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, 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 this capital increase, the shareholding of CDP Equity is approximately 88% and that of Shanghai Electric Hongkong Co Limited is 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, CONTENT AND ACCOUNTING STANDARDS APPLIED

a) Basis for preparation

This Consolidated Financial Statements for the year ended on the 31st of December 2021 (hereinafter also the "Consolidated Financial Statements") have been prepared in accordance with the *International Financial Reporting Standards* issued by *the*

International Accounting Standards Board and adopted by the European Union ("IFRS"). IFRS means all "*International Financial Reporting Standards*", all "*International Accounting Standards*" ("IAS"), all interpretations of *the International Financial Reporting Standards Interpretations Committee* ("IFRIC"), previously known as the "*Standards interpretations Committee*" ("SIC") which, at the date of approval of the Consolidated Financial Statements, have been approved by the European Union in accordance with the procedure required by Regulation (CE) n. 1606/2002 by the European Parliament and the European Council of the 19th of July 2002. In particular, it should be noted that IFRS have been applied consistently throughout the periods presented in 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 Euro, which corresponds to the currency of the main economic environment in which the entities comprising the Group operate. All amounts included in this document are presented in thousands of Euro, unless otherwise specified.
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 follows a classification of costs and revenues according to the nature of the same. The net result before taxes and the effects of the discontinued operations, as well as the net result attributable to third parties and the net result attributable to the Group, are shown;
- *the Consolidated Statement of Comprehensive Income* shows changes in equity resulting from transactions other than capital transactions with the shareholders of the company;
- *the Consolidated Statements of Financial Position* was prepared by classifying assets and liabilities according to the "current/non-current" criterion; as defined by the IFRS, current assets are those items that are intended to be realized in the normal operating cycle of the company and in any case in the 12 months following the end of the financial year. Current liabilities are those for which they are expected to be extinguished in the normal operating cycle of the company or in the 12 months following the end of the financial year;
- *the Consolidated Statement of Cash flows* was prepared by exposing the cash flows deriving from operating activities according to the "indirect method";
- *the Consolidated Statement of Changes in Equity* shows the total income (charges) for the period, transactions with shareholders and other changes in equity;
- *Notes to the Consolidated Financial Statements.*

The *statement reconciling the profit and equity of the Parent Company and the Group* was also included, which explains, through the classification of the various consolidation adjustments, the reconciliation between the data of the Parent Company's financial statements and those of the Consolidated Financial Statements.
The schemes used are those that best represent the Group's economic, financial and financial situation.
The preparation of the Consolidated Financial Statements required the use of estimates by *management* (see Note 7 "use of estimates" for more details).

The Board of Directors's meeting held on 15th of March 2022 approved the draft Consolidated Financial Statements as of 31st December 2021 for presentation to the Shareholders, authorizing its publication and convened the Ordinary Shareholder's Meeting on the 29th of April 2022 (first call) and 16th of May 2022 (second call).

This Consolidated Financial Statements prepared in accordance with IFRS principles have been audited by Deloitte & Touche S.p.A.

3. ACCOUNTING STANDARDS ADOPTED

a) Basis and scope of consolidation

The Consolidated Financial Statements include the balance sheet, economic and financial statements of the Company and of the companies/entities included in the consolidation area (hereinafter referred to as "consolidated entities") prepared according to with the IFRS accounting principles. The financial information relating to the consolidated entities was drawn up with reference to the financial year ended on the 31st of December 2021 and was specifically and appropriately adjusted, where necessary, to comply with the Group's accounting principles. The closing date of the consolidated entities is aligned with the Parent Company; if this is not the case, the consolidated entities prepare special Financial Statments for the parent company's use. Listed below are the entities included in the scope of consolidation and the relative percentages of direct and indirect ownership by the Group.

Companies consolidated on a line-by-line basis

	Investment %			
Company name	Direct	Indirect	Variation of perimeter	Contribution to the Group %
Aliveri Power Unit Maintenance SA	100%			100%
Ansaldo Energia Gulf		100%		100%
Ansaldo Energia IP UK Ltd	100%			100%
Ansaldo Energia Iranian LLC	70%	30%		100%
Ansaldo Energia Muscat LLC	50%	50%		100%
Ansaldo Energia Netherland Bv		100%	X[1]	100%
Ansaldo Energia Nigeria Limited	60%		X[2]	60%
Ansaldo Energia Spain S.L.	100%			100%
Ansaldo Energia Switzerland AG	100%			100%
Ansaldo Green Tech S.p.A.	100%			
Ansaldo Nucleare S.p.A.	100%			100%
Ansaldo Russia LLC	100%			100%
Asia Power Project Private Ltd	100%			100%
Consorzio Stabile Ansaldo New Clear	20%	80%		100%
Gannouch Maintenance Sarl	100%			100%
Niehlgas GmbH	100%			100%
Nuclear Engineering Group Ltd		100%		100%
Yeni Aen Insaat Anonim Sirketi	100%			100%

1. A company previously consolidated to Equity now operational

2. 40% share of the group previously sold to local third parties

Companies measured using the equity method

	Investment %			
Company name	**Direct**	**Indirect**	**Variation of perimeter**	**Contribution to the Group %**
Ansaldo Algerie	49%			49%
Ansaldo Gas Turbine High Technology	60%			60%
A-U Finance Holdings BV	40%			40%
Dynamic	10%	15%	X[1]	25%
Polaris - Anserv Srl		20%		20%
Shanghai Electric Gas Turbine	40%			40%

1. Relevant company since 2021

Changes in the scope of consolidation

The changes in the scope of consolidation are summarized below, as the following companies have been sold:

	Investment %	
Company name	**Direct**	**Indirect**
Ansaldo Energia Holding USA Corp.	100%	
Ansaldo Energia Korea Yuhan Heosa	5%	95%
Ansaldo Energia Messico S. DE. R.L. DE C.V.	5%	95%
Ansaldo Serviços de Energia Brasil LTDA	5%	95%
Ansaldo Thomassen B.V.	100%	
Power System Manufacturing LLC		100%
Power Systems Manufacturing Japan	100%	

Companies leaving the perimeter following the completion of sales in June 2021

The following are the criteria adopted by the Group for the definition of the consolidation area and the related principles of consolidation.

Subsidiaries

An investor controls an entity when: (I) it is exposed, or entitled to participate, to the variability of its economic returns and (ii) it is able to exercise its decision-making power over the entity's relevant activities in a way that affects such returns. The existence of the control shall be verified whenever facts and/or circumstances indicate a change in one of the abovementioned elements qualifying the control. The subsidiaries shall be consolidated in full from the date on which the control was acquired and shall cease to be consolidated from the date on which the control is transferred to third parties. The financial statements of all the subsidiaries have closure dates coinciding with that of the Parent Company.
The criteria adopted for full consolidation are as follows:

- the assets and liabilities, charges and income of the subsidiaries are assumed line by line, attributing to the minority shareholders, where applicable, the share of equity and net result for the period in which they are due; these shares are shown separately in the field of equity and income statement;
- profits and losses, including their tax effects, arising from transactions carried out between companies which have been fully

consolidated and have not yet been realized against third parties, shall be eliminated, if significant, except for losses that are not eliminated if the transaction provides evidence of a reduction in the value of the transferred asset. In addition, mutual debt and credit relations, costs and revenues and financial charges and income are eliminated;

- in the presence of shares acquired after the acquisition of control (acquisition of third-party interests), the possible difference between the purchase cost and the corresponding portion of equity acquired is recognized in the Group's equity; similarly, the effects of the sale of minority shares without loss of control are recognized as equity. In contrast, the sale of shares resulting in the loss of control determines the recognition to the income statement:
  i. any gain/loss calculated as the difference between the consideration received and the corresponding fraction of consolidated net worth transferred;
  ii. the effect of re-measuring any residual equity retained to align it with its *fair value*;
  iii. Of any values recognized in the other components of the total result relating to the investee whose control has failed, for which the return to the income statement is envisaged, or in the event that the return to the income statement is not foreseen, under the item "other reserves".

The value of any retained stake, aligned with its *fair value* at the loss of control, represents the new equity value of the stake, which is also the reference value for the subsequent valuation of the stake according to the applicable valuation criteria.

Joint arrangements

A joint controlled agreement is an agreement for which two or more parties have joint control. Joint control is the sharing, on a contractual basis, of control of an agreement, which exists only when the unanimous consent of all parties sharing control is required for decisions relating to the relevant activities.

Joint-control agreements can be of two types: joint-control activities and *joint ventures*.

A jointly controlled asset is an agreement in which the parties have rights to assets and obligations for liabilities under the agreement. These parties are referred to as joint managers. A joint manager must recognize its share of the assets, liabilities, costs and revenues of the jointly controlled asset.

A *joint venture* is a jointly controlled agreement in which the parties have rights to the net assets of the agreement. These parts are called *joint venturers*. A *joint venturer* must recognize its interest in the *joint venture* as a holding and account for it under the Equity method.

Related companies

Related companies are those on which the Group has a significant influence, which is assumed to exist when the participation is between 20% and 50% of the voting rights. The related companies are valued with the equity method and are initially entered at cost. The Equity method is described below:

- The carrying amount of these investments is aligned with the equity of the related company adjusted, where necessary, to reflect the application of EU IFRS and includes the inclusion of the higher values allocated to assets and liabilities and the possible goodwill, identified at the time of acquisition, following a process similar to that subsequently described for business combinations;
- Profit or loss attributable to the Group is accounted for from the date on which the significant influence began and until the date on which the significant influence ceases. In the event that, as a result of the losses, the company assessed by the method in question shows negative equity, the carrying amount of the investment is canceled and any excess attributable to the Group, where the latter has committed itself to fulfill the legal or implicit obligations of the related enterprise, or, in any case, to cover its losses, is recognized in a special fund; the capital changes of companies valued with the equity method, not represented by the income statement, are recorded directly in the income statement;
- Unrealized profits and losses generated on transactions between the Company, its subsidiaries and its subsidiaries and its subsidiaries valued with the Equity method are eliminated on the basis of the value of the Group's share in the company, with the exception of losses, where they are representative of the value reduction of the underlying asset, and dividends that are eliminated in full.

In the presence of objective evidence of loss of value, recoverability is verified by comparing the value of the record with the relative recoverable amount determined by adopting the criteria indicated in the note "impairment of tangible and intangible assets

(*impairment test*)". When the reasons for the writedowns made are lost, the value of the investments is restored within the limits of the writedowns made with the effect charged to the income statement.
The sale of shares resulting in the loss of joint control or significant influence on the participant determines the recognition to the income statement:

- the possible gain/loss calculated as the difference between the consideration received and the corresponding fraction of the divested entry value;
- the effect of the remeasurement of any residual equity retained to align it with its *fair value*;
- of any values recognized in the other components of the total profit for the investee for which the reclassification to the profit and loss account is envisaged.

The value of any retained equity, aligned with its *fair value* at the date of loss of joint control or significant influence, represents the new equity value and therefore the reference value for subsequent valuation according to the applicable valuation criteria.
After an investment assessed with the Equity method, or a portion of that participation, is classified as intended for sale, as it meets the criteria for that classification, the participation, or participation fee, is no longer evaluated with the Equity method.

Business combinations

Business combination transactions, under which control of a business is acquired, are recognized in accordance with IFRS 3, applying the so-called *acquisition method*. In particular, the identifiable assets acquired, liabilities and contingent liabilities assumed are recorded at their current value at the date of acquisition, i.e. the date on which control is acquired (the "Acquisition Date"), except for deferred tax assets and liabilities, the assets and liabilities relating to employee benefits and sales assets that are entered in accordance with the relevant accounting principles. The difference between the cost of acquisition and the current value of assets and liabilities, if positive, is recorded in intangible assets as goodwill, or, if negative, after having reverted the correct measurement of the current values of the assets and liabilities acquired and the cost of acquisition, it is accounted for directly in the overall income statement, as income. Where the determination of the values of the assets and liabilities of the acquired business is carried out provisionally, it must be concluded within a maximum period of twelve months from the date of acquisition, taking into account only information relating to the facts and circumstances existing at the date of acquisition. In the period in which the above determination is concluded, the values provisionally recognized are adjusted with retrospective effect. The ancillary charges to the transaction are recognized in the total income statement at the time they are incurred.
The acquisition cost is the *fair value* at the Acquisition Date of the assets transferred, liabilities assumed and equity instruments issued for the acquisition, and also includes the potential consideration. that is, that part of the consideration whose amount and disbursement are dependent on future events. The potential consideration is recognized on the basis of its *fair value* at the Acquisition Date and subsequent changes in *fair value* are recognized in the income statement if the potential consideration is a financial asset or financial liability, while potential fees classified as equity are not restated and the subsequent settlement is accounted for directly in equity.
In the case of taking over control in successive stages, the purchase cost is determined by adding 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 the related equity value is charged to the total profit and loss account. When taking control, any amounts previously recognized in the other components of the total profit are charged to the total profit or loss account, or to another item of net worth, if it is not expected to be reclassified to the profit or loss account.

Ifrs 5 - Assets held for sale and Discontinued Operations

The standard provides that disposal groups and assets are classified as held for sale if their carrying amount is recoverable primarily through their alienation rather than through their continued use.
Specifically, an asset (or Disposal group) is classified as held for sale if it meets the following requirements:

- the asset is available for sale under current conditions and the sale is highly likely or a binding sales program or activity has already been launched to find a buyer and
- the sale is expected to be completed within one year of the classification date.

In the balance sheet, assets held for sale and assets/liabilities belonging to the disposal group are presented as a separate item from other assets and liabilities and their total is reflected in current assets and liabilities respectively.

Discontinued Operation is defined as a relevant business unit or geographical area of assets classified as held for sale and covered by a coordinated Disposal Program.
In the consolidated profit and loss for the period, net profit and loss of Discontinued Operations, as well as profit or loss arising from the valuation at *Fair value less costs to Sell* or the disposal of Discontinued Operations they are combined into a single item in the final section of the income statement, separately from the result for continuing operations.
Cash flows for Discontinued Operations are, on the other hand, indicated separately in the Statement of cash flows.

In 2020, the Group indicated the interests 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 as part of its sales activities, in application of the IFRS 5 principle.
The discontinued group was considered, in accordance with the IFRS 5 accounting standard, to be a "*discontinued operation*" since the companies of the Group in the future disposal were specialized in the "OSP" business line and, in addition, PSM covered a whole geographical area of the Group's operations, namely the United States.
They were sold in June 2021, as better explained in the Report and in the Notes to the Financial statements.

Translation of foreign currency accounts and balances

Translation of foreign currency entries
Items expressed in currency other than functional currency, both monetary (cash and cash equivalents, assets and liabilities that will be collected or paid with fixed or determinable amounts of money, etc.) and non-monetary (advances to suppliers of goods and/or services, etc.) they are initially recognized at the exchange rate in force on the date on which the transaction is carried out. Subsequently, the monetary items are converted into functional currency on the basis of the exchange of the reporting date and the differences resulting from the conversion are charged to the profit and loss account. The non-monetary elements are maintained at the conversion rate of the transaction, except in the case of persistent unfavorable trend of the reference exchange rate: In this case, the exchange differences are charged to the profit and loss account.

Translation of balances expressed in currency other than functional currency
The rules for the translation of financial statements expressed in foreign currency into functional currency (with the exception of situations where the currency is that of a hyper-inflationary economy, which is not found in the Group), are as follows:

- the assets and liabilities included in the situations presented shall be translated at the exchange rate at the date of closure of the period;
- the costs and revenues, charges and income, included in the situations presented, shall be translated at the average exchange rate for the period, or at the exchange rate at the date of the transaction if the transaction differs significantly from the average exchange 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 adopted for the conversion of these financial statements are shown in the following table:

	Average exchange rate	Exchange rate as of 31st December 2021
AED	4.343600	4.159500
ARS	112.421500	116.362200
AUD	1.574900	1.561500
BRL	6.377900	6.310100
CDF	2,351.364100	2,265.098200
CLP	898.390000	964.350000
CNY	7.628200	7.194700
DZD	159.652700	157.407700
EGP	18.567800	17.801200
EUR	1.000000	1.000000
FSV	1.081100	1.033100
GBP	0.859600	0.840280
IDR	16,920.720000	16,100.420000
IRR	291,687.170000	299,703.000000
IRU	87.439200	84.229200
JOD	0.838600	0.803000
JPY	129.876700	130.380000
KRW	1,354.060000	1,346.380000
LBP	1,782.980000	1,707.390000
MAD	10.626000	10.483000
MXN	23.985200	23.143800
NGN	470.922000	466.857700
OMR	0.454800	0.435500
PKR	192.732500	200.876600
ROL	49,215.000000	49,490.000000
RSD	117.549700	117.616500
RUB	87.152700	85.300400
SAR	4.435300	4.247300
THB	37.837000	37.653000
TND	3.288100	3.260300
TRY	10.512400	15.233500
USD	1.182700	1.132600
ZAR	17.476600	18.062500

The exchange rates used coincide with the rates transmitted by the Bank of Italy with the exception of the IRR for which the rate transmitted by the Iranian Central Bank was used.
For the Romanian currency, the old currency has been multiplied by 1000 in order to adapt it to the new currency in use.
It is noted that, for the divested companies, the average exchange rates were fixed at the transfer rates, i.e. the June 2021 rates, as shown in the following table:

	Average exchange rate
BRL	6.491700
JPY	129.811700
KRW	1,347.363400
MXN	24.320700
USD	1.205700

b) Accounting standards and evaluation criteria

Intangible assets
Intangible assets consist of elements that are unphysical, clearly identifiable, controlled by the Group and capable of generating future economic benefits for the enterprise, as well as goodwill recognized as a result of business combinations. These items are recognized at the cost of purchase and/or production, including the expenses directly attributable in the preparation of the activity to bring it into operation and the financial charges related to the acquisition, to construction or production that require a significant period of time to be ready for use and sale, net of cumulative depreciation (with the exception of fixed assets for indefinite useful life) and of any losses of value. Depreciation begins when the asset is available for use and is systematically allocated in relation to the remaining use of the asset, i.e. on the basis of useful life. In the period in which the intangible asset is recognized for the first time, depreciation is determined taking into account the actual use of the asset.
The following main intangible assets are identifiable within the Group:

Development expenses
This item includes costs relating to the application of the results of research or other knowledge to a plan or project for the production of new or substantially advanced materials, devices, processes, systems or services prior to the start of commercial production or use, for which the future production of economic benefits is demonstrable.
Research costs are, on the other hand, charged to the income statement for the period in which they are incurred.

Patents and similar rights
Industrial patent rights and the use of the works of the invention are recorded at the acquisition cost net of depreciation and accumulated losses of value over time. Depreciation is made from the period in which the right, for which ownership has been acquired, is available for use and is determined by taking as reference the shortest period between the period of expected use and the period of ownership of the right.

Concessions, licenses and trademarks
This category includes: Concessions, that is to say the provisions of the Public Administration that confer to private subjects the right to exploit exclusively public goods, or to manage in regulated conditions public services; licenses which grant the right to use patents or other intangibles for a specified or determinable period of time; trade marks consisting of signs certifying the origin of products or goods from a given company; licenses for *know-how*, application software, owned by other parties. The costs, including the direct and indirect expenses incurred in obtaining the rights, can be capitalized between the activities after the attainment of the ownership of the same and are systematically amortized taking as reference the shortest period between the expected use and the right ownership.

Goodwill

Goodwill entered in intangible assets is related to business aggregation operations and represents the difference between the cost of acquiring a business or a business branch and the algebraic sum of *the fair values* allocated at the date of acquisition, individual assets and liabilities that make up the capital of that company or branch of a company. Having an indefinite useful life, the start-ups are not subject to systematic Amortization but *to impairment tests* at least annually, except that the market and management indicators identified by the Group do not make it necessary to carry out the test also in the preparation of the interim situations.

Property, plant and equipment

Tangible assets are valued at the cost of purchase or production, net of accumulated depreciation and any loss of value. The cost includes any directly borne charges to prepare the activities for their use, as well as any decommissioning and removal charges that will be incurred to return the site to its original condition and the financial charges related to the acquisition, to construction or production that require a significant period of time to be ready for use and for sale.

Material assets whose carrying amount will be recovered mainly by a sale transaction (rather than by the continued use of the asset) are valued at the lowest of the book value and their *fair value* net of disposal charges. Assets classified as "for sale" must be immediately available for sale and their disposal must be highly likely (i.e. undertakings already exist), their value of sale must be reasonable in relation to their *fair value*.

Assets acquired as a result of business combinations shall be recognized at their fair value at the date of acquisition, if any, adjusted within the following 12 months. This value represents the acquisition cost.

The costs incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the period in which they are incurred. The capitalization of costs related to the expansion, modernization or improvement of structural elements owned or in use by third parties shall be carried out only to the extent that they meet the requirements to be classified separately as an activity or part of an activity.

The value of an asset is adjusted by systematic depreciation, calculated in relation to the residual possibility of using it on the basis of useful life. In the period in which the asset is recognized for the first time, depreciation is determined taking into account the actual use of the asset. The Group's estimated useful life for the various asset classes is as follows:

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

The estimate of useful life and residual value is periodically revised. Depreciation ends on the date of sale of the asset or its reclassification to assets held for sale. If the property which is the object of amortization is composed of clearly identifiable elements whose useful life differs significantly from that of the other parts which make up the immobilization, depreciation is calculated separately for each of the parts which make up the asset, in application of *the component approach principle*. This item also includes equipment for specific programs (tooling), which is amortized according to the method of the units produced compared to the total expected.

Profits and losses from the sale of assets or groups of assets are determined by comparing the sale price with the net carrying amount.

Leased assets

As of January 1st, 2019, the Ansaldo Energia Group adopted IFRS 16 – Leasing (issued by Regulation (EU) No. 2017/1986).

Below is evidence of the general drafting criteria introduced.

Initial evaluation of the agreement

The Company evaluates whether a contract is a lease (or contains a component) when it enters into the contract. During contract life, this initial assessment is reviewed only in the light of substantial changes in the contractual conditions (e.g. changes in the subject matter of the contract or in the requirements affecting the right of control of the underlying asset). If the lease agreement also contains a "non-lease" component, the Company shall separate and treat that component in accordance with the reference accounting policy, except where the separation cannot be achieved on the basis of objective criteria: In this case, the Company uses the practical expedient granted by the principle of treating the leasing component and the non-leasing component together in accordance with IFRS 16.

The Company recognizes an asset consisting of the right of use and a corresponding lease liability for all leasing contracts in which it is a lessee, except for short-term contracts (with a duration not exceeding twelve months), contracts in which the underlying single asset is of low value (up to eur 5 thousand), and contracts in which the underlying asset is an intangible asset (e.g. software licenses). For such contracts, the Company has the right not to apply the provisions of IFRS 16 , thus recognizing lease payments as Operating expenses in return for short-term commercial debts.

Rights of use

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

Subsequently, these assets are valued net of accumulated depreciation and losses of value. The right to use is amortized in the shortest term between the contractual duration 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 to use reflects that the Company expects to exercise a purchase option, the related asset consisting of the right to use is amortized over the useful life of the underlying asset. Depreciation begins on the lease date. The Company applies IAS 36 - *Impairment of assets* to determine whether an asset consisting of the right to use has been reduced in value.

Consistent with the accounting standard, the Group has decided to submit the right-to-use assets in the financial statements by nature, or to include them in the same item as the corresponding underlying assets would be presented if they were owned. The supplementary note also specifies the budget line in which these right-of-use assets are classified.

Leasing liabilities

The lease liability is initially measured at the present value of the unpaid lease rents at the start date of the lease, discounted using the implicit lease rate. If this rate cannot be determined promptly, the Company shall use the marginal lending rate, defined, reviewed and updated periodically (at least once during the period) throughout the period of financing.

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

- fixed payments (including fixed payments in substance), net of any lease incentives to be received;
- where applicable, the exercise price of the purchase option, if the lessee has reasonable assurance that the option is exercised.

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

The Company shall reissue the liability for leasing (and make a corresponding adjustment to its right of use) in the event of modification:

- the duration of the lease (e.g. in the case of an early termination of the contract, or an extension of the expiration date);
- the evaluation of a purchase option for the underlying asset. In such cases, lease payments will be reviewed on the basis of the revised lease term 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 future lease payments, will the Company reduce the residual value of the lease liability by reference to the marginal lending rate in force at the date of the change (instead of the rate applied *at inception* of the agreement). In all other cases, the lease liability is restated using the initial discount rate.

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

Use of IFRS 16 estimates

The following is a description of the main estimates adopted by the Group at 31 December 2021 in accordance with IFRS 16.

- 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 within the scope of IFRS 16, taking into account the following factors:

- SWAP rates for individual currencies and individual maturities;
- estimate of the representative spread of its credit merit on an unsecured 5-10-year debt made by the lessee on the basis of similar recent negotiations 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 evaluated using a single discount rate.

The IBR associated with the beginning of each contract will be reviewed at *each lease modification*, i.e. substantial and significant changes to the contractual conditions as the agreement evolves (e.g. duration of the contract or amount of future lease payments).

- Contract duration

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

Impairment losses

(a) Goodwill

As indicated above, goodwill is subject to impairment tests annually or more frequently, in the presence of indicators which may have been considered to have suffered a reduction in value, as provided for in IAS 36 (Reduction in the value of assets). The audit is normally carried out at the end of each financial year and, therefore, the reference date for the audit is the date of closure of the financial statements.

The impairment test, described in greater detail in the Addendum, is carried out with reference to each of the cash generating units ("**Cash generating Units**", "**CGU**") to which goodwill has been allocated, in the case of the Ansaldo Energia Group, to the only CGU identified. Any reduction in the value of goodwill is recognized if the recoverable amount of goodwill is lower than its value in the balance sheet. Recoverable amount is the largest of the CGU's fair value, net of disposal charges, and its value in use, which is the present value of the estimated future cash flows for that asset. In determining the value of use, expected future cash flows are discounted using a discount rate net of taxes that reflects current market valuations of the cost of money, in relation to the investment period and the specific risks of the asset. Where the impairment resulting from *the impairment test* exceeds the goodwill allocated to the CGU, the residual surplus is allocated to the assets included in the CGU in proportion to their carrying amount. This allocation has as a minimum the highest amount of:

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

The original value of goodwill cannot be restored if the reasons for the loss of value are lost.

(b) Tangible and intangible assets with a defined useful life

A check shall be carried out at each balance sheet date to determine whether there are indicators that tangible and intangible assets may have been reduced in value. For this purpose, both internal and external sources of information shall be considered. With regard to the first (internal sources) we consider: The obsolescence or the physical deterioration of the activity, any significant changes in the use of the activity and the economic evolution of the activity with respect to what foreseen. With regard to external sources, the following shall be considered: The development of market prices of assets, any technological, market or regulatory discontinuity, the development of market interest rates or the cost of capital used to assess investments.

If the presence of these indicators is identified, the recoverable amount of the above assets is estimated, accounting for any depreciation with respect to the relative book value in the total income statement. The recoverable amount of an asset is the greater of *the fair value*, net of ancillary sales costs, and its value of use, determined by discounting the estimated future cash flows for that asset, including, if significant and reasonably determinable, those deriving from the sale at the end of its useful life, net of any disposal charges. In determining the value of use, expected future cash flows are discounted using a pre-tax discount rate that reflects current market valuations of the cost of money, in relation to the investment period and the specific risks of the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined in relation to the cash generating unit to which that asset belongs.

A loss of value shall be recognized in the total income statement if the value of the asset, or of the CGU to which it is allocated, is greater than the relative recoverable amount. The value reductions of a CGU are primarily attributable to a reduction in the carrying amount of any Goodwill allocated to the CGU and, therefore, to a reduction in the other assets, in proportion to their carrying amount and within the limits of their recoverable amount. If the assumptions for a write-down previously made are not fulfilled, the carrying amount of the asset is restored with a charge to the profit and loss account, within the limits of the net carrying amount that the asset would have had it not been depreciated and depreciation had been made.

Equity investments

Investments in other companies (other than those in subsidiaries, associates and joint ventures) are valued at *fair value*; the changes in the value of these investments are entered in a reserve of equity through their allocation to the other components of the total income statement which will be transferred to the consolidated separate income statement at the time of the sale or in the presence of a reduction in the value deemed definitive.

Other non-listed investments for which *fair value* cannot be reliably determined are measured at the adjusted cost for value reductions to be entered in the consolidated separate income statement, in accordance with IFRS 9.

The value reductions of other holdings classified as "available-for-sale financial assets" may not be reversed thereafter.

Inventories

Inventory inventories are entered at the lower between the cost and the net realizable value. The method chosen for determining the cost is *the weighted average cost*. Net realizable value is the selling price in the course of normal management, net of estimated completion costs and those necessary to realize the sale. Manufactured raw materials's are valued at the standard cost revised six-monthly. The products in progress and semi-finished products are valued at the cost of production, with the exception of financial charges and structural overheads.

The warehouse inventories are exposed net of the obsolescence fund which is calculated according to the forecast (I) of unfavorable conjunctions that could be determined in the future or (ii) of risks of unsaleability of the products.

Contract work-in-progress and advances from customers

Work-in-progress are recognized on the basis of the progress method (or percentage of completion) according to which costs, revenues and margin are recognized on the basis of the progress of the productive activity. Progress is determined by reference to the ratio of costs incurred at the evaluation date to total costs expected on the program.

The evaluation reflects the best estimate of the programs made at the reporting date. Updates of the assumptions that are the basis of the assessments are periodically made. Any economic effects shall be accounted for in the period in which the updates are made.

In the event that the completion of a contract is expected to result in an industrial margin loss, it will be recognized in its entirety in the period in which it becomes reasonably foreseeable within the Operating expenses. On the other hand, *the reversal* of these provisions is recognized as part of the other operating income if it relates to internal costs. The external cost component represents a direct use of the final loss fund.

The Work-in-progress on order are exposed net of any write-down funds, losses on orders, advances and payments relating to the contract in progress. This analysis is carried out on a per-job basis; if the differential is positive (due to Work-in-progress greater than the amount of the advances), the balance sheet is classified among the assets in the item under consideration; if, on the other hand, this differential is negative, the balance sheet is classified as a liability under "advances by purchasers". The amount shown in the advances, if not taken up at the date of preparation of the budget and/or the intermediate situation, is directly offset by trade credits.

Contracts with fees denominated in currencies different from the functional currency (Euro for the Group) are evaluated by converting the accrued fee, determined on the basis of the percentage of completion method, at the change at the end of the period. However, the Group's policy on exchange rate risk provides that all contracts that present significant exposures of cash and payment flows to changes in exchange rates are covered on time: In this case, the methods of collection referred to below are applied.

Financial assets

The classification of financial assets by category in line with the IFRS 9 principle is as follows:

Financial assets valued at amortised cost
Financial assets for which the following requirements are verified shall be classified in this category:

A. the asset is held within a business model whose objective is the possession of the asset for the collection of contractual cash flows; and
B. the contractual terms of the asset provide for cash flows represented solely by payments of capital and interest on the amount of capital to be repaid.

These are mainly Accounts receivable, financing and other credits.
Trade receivables that do not contain a significant financial component are recognized at the price defined for the relevant transaction (determined in accordance with IFRS 15 Revenue from contracts with customers).
The other credits and financing are initially recognized in the balance sheet at their fair value plus any ancillary costs directly attributable to the transactions that generated them. In the subsequent measurement, depreciated-cost financial assets, except for credits that do not contain a significant financial component, using the actual interest rate. The effects of this measurement are recognized among the financial components of income.

Financial assets at fair value through profit or loss ("FVOCI")
Financial assets for which the following requirements are verified shall be classified in this category:

A. the asset is held within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset; and
B. the contractual terms of the asset provide for cash flows represented solely by payments of capital and interest on the amount of capital to be repaid.

These assets are initially recognized in the balance sheet at their fair value plus any ancillary costs directly attributable to the transactions that generated them. At the next measurement, the valuation made at the registration stage is updated and any changes in fair value are recognized in the overall income statement.

Financial assets at fair value with a balancing entry in the Consolidated Income Statement ("FVPL")
Financial assets which are not classified in any of the previous categories (i.e. residual category) are classified in this category. These are mainly derivative instruments.
Assets in this category are recognized at fair value at the time of their initial recognition. The ancillary costs incurred when the asset is registered are immediately charged to the consolidated profit and loss account. At the next measurement, the FVPL financial assets are measured at fair value. Gains and losses arising from changes in fair value are accounted for in the consolidated profit and loss statement during the period in which they are recognized under "Gains (losses) from assets valued at fair value".
Purchases and disposals of financial assets are accounted for on the settlement date. Financial assets are removed from the balance sheet when the related contractual rights expire, or when the Company transfers all risks and benefits of ownership of the financial asset.

Derivatives
The Ansaldo Energia Group availed itself of the possibility foreseen 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 accounting for derivatives as hedging instruments.

Derivative instruments are always regarded as assets held for trading purposes and valued at *fair value* in return for the profit and loss account, except where they are suitable for hedging and effective in sterilizing the risk of underlying assets or liabilities or commitments undertaken by the Group.
In particular, the Group uses derivative instruments as part of hedging strategies aimed at neutralizing the risk of changes in *the fair value* of assets or liabilities recognized in financial statements or arising from contractually defined commitments (*fair value hedge)* or changes in expected cash flows in relation to contractually defined or highly probable transactions (*cash flow hedge*). For the procedures followed in the recognition of exchange-rate risk hedges on long-term contracts, see paragraph "*Estimate of costs at the end of long-term contracts*".
The effectiveness of hedging transactions is documented at the beginning of the transaction that periodically (at least at each date of publication of the financial statements or of the interim situations) is measured by comparing the changes in *the fair value* of the hedging instrument with those of the hedged item or, in the case of more complex instruments, through statistical analyzes based on risk variation.

Hedging construction contracts against currency risk
In order not to be exposed to changes in cash and payment flows relating to long-term construction contracts denominated in currencies other than functional, the Group specifically covers the individual expected flows of the contract. The hedges are put in place at the time of the finalization of the commercial contracts except where the acquisition of the same is considered highly likely due to the effect of previous framework contracts. The exchange risk is generally neutralized through the use of *plain vanilla* (*forward*) instruments; in all cases where coverage is not effective, changes in *the fair value* of such instruments are immediately recognized in the profit and loss account as financial accounts, while the underlying is assessed as if it were not covered, affected by changes in the exchange rate. The hedges belonging to the first instrument shown are recognized in the balance sheet on the basis of the *cash flow hedge* accounting model, considering as ineffective the part, relating to the premium or the *forward* discount or to the *time value* in the case of options, which is recognized between the financial lots.

Fair value Hedges
Changes in the value of derivatives designated as *fair value hedge* and qualifying as such are recognized in the profit and loss account, similar to changes in *the fair value* of the covered assets or liabilities attributable to the risk neutralized through the hedging transaction.

Cash Flow Hedges
Changes in *the fair value* of derivatives designated as *cash flow hedge* and qualifying as such are recognized, limited to the "effective" share only, in a specific equity reserve ("cash *flow hedge* reserve"), which is subsequently returned to the profit and loss account at the time of the economic manifestation of the underlying hedging object. The change in *fair value* related to the ineffective portion is immediately recognized in the income statement for the period. If the underlying transaction is no longer considered highly probable, the relevant "cash flow hedge reserve" is immediately returned to the separate income statement. If, on the other hand, the derivative instrument is sold or no longer qualifies as effective cover on the risk against which the transaction was ignited, the relevant "*cash flow hedge* reserve" *shall* be retained until the underlying contract is revealed.

Fair value measurement
The *fair value* valuations of financial instruments are carried out in accordance with IFRS 13 "*Fair Value Measurement*" ("IFRS 13"). *Fair value* is the price that would be perceived for the sale of an asset or that would be paid for the transfer of a liability in the context of an ordinary transaction between market participants at the date of measurement.
The valuation at *fair value* is based on the assumption that the transaction of sale of the asset or transfer of the liability takes place in the main market, that is, in the market in which the highest volume and level of transactions occur for the asset or liability. In the absence of a main market, the transaction is assumed to take place in the most advantageous market to which the Group has access, i.e. the market which is likely to maximize the results of the sale transaction of the asset or to minimize the amount to be paid to transfer the liability.

The fair value of an asset or liability is determined by considering the assumptions that market participants would use to determine the price of the asset or liability, assuming that they act according to their best economic interest. Market participants are independent, informed buyers and sellers who are able to enter into a transaction for the asset or liability and who are motivated but not obliged or induced to make the transaction.

In *fair value* measurement, the Group takes into account the characteristics of specific assets or liabilities, in particular for non-financial assets, the ability of a market operator to generate economic benefits by using the activity in its maximum and best use or by selling it to another market operator capable of using it in its maximum and best use. The *fair value* measurement of assets and liabilities is carried out using techniques appropriate to the circumstances and for which sufficient data are available, maximizing the use of observable inputs.

IFRS 13 identifies the following hierarchy of *fair value* levels that reflects the significance of inputs used in determining them:

- Level 1 - Quoted Price (active market): the data used in the valuations are represented by quoted prices on markets in which the same assets and liabilities are exchanged as those being valued.
- Level 2 - Use of market observable parameters (e.g. for derivatives, exchange rates recorded by the Bank of Italy, market rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS, etc.) other than the quoted prices of level 1.
- Level 3 - Use of parameters that cannot be observed on the market (internal assumptions, e.g. 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 deleted from the balance sheet when:

- the rights to receive cash flows from the asset are extinguished;
- the Company retains the right to receive cash flows from the business, but has assumed the contractual obligation to pay them in full and without delay to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and benefits of ownership of the asset, or (b) has not transferred or retained substantially all risks and benefits of the asset, but has transferred control of the asset.

A financial liability is canceled from the balance sheet when the underlying obligation of the liability is extinguished, canceled or fulfilled.

Cash and cash equivalents

Includes money, bank deposits or other credit institutions available for current transactions, postal accounts and other equivalent values, and investments expiring within three months of the date of purchase. Availability is recorded at *fair value*.

Payables and other liabilities (excluding derivative)

Debts and other liabilities include financial debts, lease debts, and trade debts.

Debts to banks and other lenders are initially entered at fair value net of directly attributable transaction costs and are then measured at amortized cost, using the effective interest rate criterion. If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Leasing debts are recognized as provided for in IFRS 16, previously commented.

Commercial debts are obligations to pay for goods or services acquired by suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payment is made within one year of the balance sheet date. Otherwise, these debts are classified as non-current liabilities.

Commercial debts and other debts are recognized initially at fair value and then measured according to the amortized cost method. When a financial liability is covered by interest rate risk in a fair value hedge, changes in fair value due to the risk covered are not included in the calculation of amortized cost. These changes are amortized from the time the fair value hedge accounting is stopped. Financial liabilities are deleted from the balance sheet when the underlying obligation of the liability is extinguished, canceled or fulfilled.

With regard to the derecognition of a financial liability, the termination of the liability and the recognition of a new liability must be accounted for when the contractual terms are substantially different. The terms shall be considered to be substantially different if the discounted value of cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, it differs at least 10% from the discounted value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or a change in terms is accounted for as an extinction, any costs or fees incurred are recognized as part of the redemption-related profit or loss. If the exchange or change is not accounted for as an extinction, any costs or fees incurred will adjust the carrying amount of the liability and be amortized over the remainder of the modified liability.

Equity

Share capital
The share capital is represented by the subscribed and paid-up capital of the Parent Company. The costs closely related to the issue of shares are classified as a reduction in the share capital, when the costs are directly attributable to the capital transaction, net of any deferred tax effect.

Treasury stock
Treasury stock are registered in a reduction of shareholders' equity. In the case of repurchase of shares recognized in equity, or the consideration paid, including the costs directly attributable to the transaction, is recognized as a reduction in equity. The shares thus repurchased are classified as treasury stock and recognized in the reserve for treasury stock. The consideration received from the subsequent sale or re-issue of treasury stock is recognized as an increase in equity. Any positive or negative difference arising from the transaction is recognized in the reserve by additional paid in capital. In accordance with IAS 32, Treasury stock are recorded as a reduction in equity through the use of the share price reserve. The original cost, impairment losses, income and losses resulting from any subsequent sales are recognized as movements of equity.

Employee benefits

Post-employment benefits
The companies of the Group use different pension schemes (or supplementary schemes) which can be divided into:

- *Defined contribution plans* in which an enterprise pays fixed contributions to a separate entity (e.g. a fund) and will have no legal or implied obligation to pay additional contributions if the entity does not have sufficient assets to pay benefits in connection with the performance rendered during the business activity in the enterprise. The enterprise recognizes contributions to the plan only when employees have lent their business in exchange for those contributions;
- *Defined benefit plans* in which the enterprise undertakes to grant the agreed benefits for employees in service and for former employees by taking the actuarial and investment risks related to the plan. The cost of this plan is therefore not defined on the basis of the contributions due for the period, but is restated on the basis of demographic assumptions, statistics and wage dynamics. The methodology used is called the "unit credit projection method".

As a result of this option, the value of the liability entered in the balance sheet is aligned with that resulting from the actuarial valuation of the liability, with immediate and complete recognition of actuarial gains and losses, during the period in which they emerge in the total income statement, through a specific other *comprehensive income reserve* ("reserve actuarial gains (losses) in equity").

Other long-term employee benefits and post-employment benefits
The Group recognizes employees with certain *benefits* (for example, when a certain presence in the company is reached, seniority premiums) which, in some cases, are recognized even after retirement (for example, medical assistance). The accounting treatment is the same as that indicated with reference to defined benefit plans, and the "method of unit credit projection" is also applied to these cases.
However, in the case of "other long-term benefits" any actuarial gains or losses are recognized immediately and in full in the period in which they emerge in the income statement.

Termination benefits

The benefits due to employees for termination of employment are recognized as liabilities and costs when the enterprise is engaged, in a manner that is reasonable. To terminate the employment of an employee or group of employees before normal retirement or to provide benefits for termination of employment following a proposal to encourage voluntary resignation for redundancies. The benefits due to employees for termination of employment do not provide the enterprise with future economic benefits and are therefore recognized immediately as cost.

Provisions for risks and charges

Provisions for risks and charges are recognized when, at the reference date, there is a legal or implicit obligation to third parties arising from a past event. it is likely that an disbursement of resources of a reliable amount will be required to meet the obligation. This amount represents the best discounted estimate of the expenditure required to settle the obligation. The rate used in determining the present value of the liability reflects current market values and includes the additional effects related to the specific risk associated with each liability.

Changes in estimates are reflected in the income statement for the period in which the change occurs.

Estimate costs to complete long-term contracts

The Group operates in business sectors and with particularly complex contractual schemes, recognized in the balance sheet by the percentage of completion method. The margins recognized in the profit and loss account are a function of both the progress of the contract and the margins which are deemed to be recognized for the entire work at its completion: Therefore, the correct recognition of the Work-in-progress and the margins relating to works not yet completed presupposes the correct estimate by the management of the final costs, of the increases assumed, as well as of the delays, of the extra-costs and of the penalties that could compress the expected margin. To better support management estimates, management and contract risk analysis schemes have been adopted, aimed at identifying, monitoring and quantifying risks related to the performance of such contracts (for more details see note "Use of estimates"). The values entered in the financial statements represent the best estimate at the date made by *the management* , with the help of these procedural supports.

Moreover, the activity is aimed at sectors and markets where many problems, both active and passive, are resolved only after a significant period of time, especially in cases where the counterparty is represented by public client, making it necessary for management to estimate the results of such disputes.

Revenues

Revenues are recognized in accordance with the provisions of IFRS 15, which provides for the recognition of revenues from contracts with customers for an amount that reflects the consideration to which the entity considers that it is entitled in exchange for the transfer of goods or services to the client.

Revenue is recognized when the relevant performance obligation is satisfied, i.e. when the promised goods or services are transferred to the customer. The transfer is considered complete when the customer obtains control of the good or the service, which can take place over the time (at a point in time).

Revenues for performance obligations met over the time are recognized on the basis of the progress method (or percentage of completion) according to which costs, revenues and margin are recognized on the basis of the progress of the productive activity, determined by reference to the ratio of costs incurred at the assessment date to total expected costs on the program or on the basis of the product units delivered.

The evaluation reflects the best estimate of the programs made at the budget date. Estimates are updated periodically. Any economic effects shall be accounted for in the period in which the updates are made. In the event that the completion of a contract is expected to result in a loss at the level of industrial margin, it is recognized in its entirety in the period in which it becomes reasonably foreseeable within the Operating expenses. On the other hand, the reversal of these provisions is recognized as part of the other operating income if it relates to internal costs. The external cost component represents a direct use of the final loss fund.

Contributions

The contributions, in the presence of a formal award decision, are recognized by competence in direct correlation with the costs incurred. In particular, contributions in c/plants are credited to the profit and loss account directly in relation to the Amortization process to which the assets/projects relate and are brought to a direct reduction in the amortization itself and, patrimonially, in the value of the capitalized asset for the residual value not yet credited to the profit and loss account.

Costs

Costs are recorded in accordance with the principle of inertia and economic competence.

Financial income and expenses

Interest is recognized in the profit and loss account for competence on the basis of the actual interest method, using – that is, the interest rate that makes all the incoming and outgoing flows (including any payments, divestones, commissions, etc.) that make up a given transaction financially equivalent.
The financial charges related to the acquisition, construction or production of certain assets that require a significant period of time to be ready for use or for sale "*qualifying asset*" are capitalized together with the asset.

Dividends
They are recognized when the shareholders' right to receive the payment which normally corresponds to the shareholders' decision to distribute the dividends. The distribution of dividends to shareholders is represented as a movement of equity and is recorded as a liability in the period in which the distribution of the same is approved by the shareholders' meeting.

Taxes

The tax burden of the Group is current taxes and deferred taxes. Where they relate to components recognized in the income and charges recognized as equity in the total income statement, these taxes shall be entered in return in the same item. Current taxes are calculated on the basis of the tax law applicable in the countries in which the Group operates, in force at the date of the financial statements; any risk arising from different interpretations of positive or negative income components, as well as ongoing disputes with the tax authorities, shall be assessed at least quarterly intervals in order to adjust the appropriations entered in the budget.
Deferred taxes are calculated on the basis of temporary differences between the carrying amount of assets and liabilities and their tax value. The valuation of deferred tax assets and liabilities is made by applying the rate expected to be in force at the time the temporary differences are reverted, which is made on the basis of the tax legislation in force or substantially in force at the reference date of the period. Deferred tax assets are recognized to the extent that it is considered probable that, in periods in which the relative temporary differences are due, taxable income is at least equal to the amount of the differences that will be canceled.

Related party transactions

Related parties means those companies that share the same parent with the Group, companies that directly or indirectly control it, or are jointly controlled by the Group, and those in which the Group holds a stake that can exercise significant influence. The definition of Related parties also includes members of the Company's Board of Directors and executives with strategic responsibilities. Managers with strategic responsibilities are those who have the power and responsibility, direct or indirect, of the planning, management and control of the Group's activities.

4. ACCOUNTING STANDARDS AND APPROVED INTERPRETATIONS IN FORCE AS OF 1ST JANUARY 2021

The following IFRS accounting standards, amendments and interpretations have been applied for the first time since the 1st of January 2021:

- On the 31th of March 2021, the IASB published an amendment called "**Covid-19-Related Rent Concessions beyond the 30th of June 2021 (Amendments to IFRS 16)**" extending by one year the period of application of the amendment issued in 2020, that provided for lessees the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the *lease modification definition* of IFRS 16 was respected. Therefore, the lessees who applied this option in 2020 accounted for the effects of the reductions in rent directly to the income statement at the date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies from the 1st of April 2021 and can be adopted in advance. The adoption of this amendment did not have any effect on the Group's balance sheet.
- On the 25th of June 2020, the IASB published an amendment called "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**". The amendments allow the temporary exemption from the IFRS 9 application to be extended until 1 January 2023 for insurance companies. The adoption of this amendment did not have any effect on the Group's balance sheet.
- On the 27th of August 2020, the IASB published, in the light of the reform on interbank interest rates such as IBOR, the document "**Interest Rate Benchmark Reform - phase 2**" which contains amendments to the following standards:
  - IFRS 9 *Financial Instruments*;
  - IAS 39 *Financial Instruments: Recognition and measurement*;
  - IFRS 7 *Financial Instruments: Disclosures*;
  - IFRS 4 *Insurance Contracts*; and
  - IFRS 16 *Leases*.
- All changes entered into force on the 1st of January 2021. The adoption of this amendment did not have any effect on the Group's balance sheet.

5. INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET IN FORCE IN 2021

On the 14th of May 2020, the IASB published the following amendments:

- **Amendments to IFRS 3 Business Combinations**: the purpose of the amendments is to update the reference in IFRS 3 to the revised Conceptual Framework, without any change to the provisions of the standard.
- **Amendments to IAS 16 Property, Plant and Equipment**: the purpose of the modifications is not to allow the amount received from the sale of goods produced in the testing phase of the asset to be deducted from the cost of the tangible assets. These sales revenues and related costs will therefore be recognized in the profit and loss account.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**: the amendment clarifies that in the estimate of the possible oneness of a contract, all costs directly attributable to the contract must be taken into account. Consequently, the assessment of the possible oneness of a contract includes not only incremental costs (such as the cost of the direct material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the portion of the depreciation of the machinery used for the performance of the contract).
- **Annual improvements 2018-2020**: the changes were made all'IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 Financial Instruments, IAS 41 *Agriculture and illustrative Examples of* IFRS 16 leases .

All changes will take effect on January 1st, 2022.

6. INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET APPROVED BY THE EUROPEAN UNION

At the reference date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below.

- On the 23th of January 2020, the IASB published an amendment called "**Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current**". The purpose of the document is to clarify how to classify debts and other short- or long-term liabilities. The amendments come into force on the 1st of January 2023; however, they are allowed to be applied in advance.
- On the 12th of February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**" and "**Definition of Accounting Estimates – Amendments to IAS 8**". The changes aim to improve *disclosure of accounting policies* in order to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from the 1st of January 2023, but advance application is allowed.
- On the 7th of May 2021, the IASB published an amendment called "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities raising from a Single Transaction**". The document clarifies how deferred taxes on certain transactions that may generate equal amounts of assets and liabilities, such as leasing and decommissioning obligations, should be accounted for. The amendments will apply from the 1st of January 2023, but advance application is allowed.
- On December 9th, 2021, the IASB published an amendment called "**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**". The amendment is a transition option for comparative information on financial assets submitted at the initial date of application of IFRS 17. The amendment seeks to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from the 1st of January 2023, together with the application of the IFRS 17 principle.
- On January 30th, 2014, the IASB published the **IFRS 14 – Regulatory Deferral Accounts** principle, which allows only those who adopt the IFRS for the first time to continue to recognize amounts relating to activities subject to "*Rate Regulation activities*" in accordance with the previous accounting principles adopted. Since the Company is not a *first-time adopter*, this principle is not applicable.

7. USE OF ESTIMATES

The establishment of financial statements requires the application of accounting principles and methodologies which, in certain circumstances, are based on difficult and subjective estimates and estimates based on historical experience and assumptions which are considered reasonable and realistic in relation to the circumstances. The application of these estimates and assumptions affects the amounts shown in the balance sheet, the balance sheet and financial statements, the income statement, the total income statement, the Statement of cash flows, and the information provided. The final results of the financial statements for which the above estimates and assumptions have been used could differ, even significantly, from those reported in the financial statements which detect the effects of the occurrence of the event being estimated, because of the uncertainty surrounding recruitment and the conditions on which estimates are based.
Whereas several items of accounting for the financial statements are estimated and although not all of these items of accounting are individually significant, they are as a whole, the following briefly describes the areas that require more than others a greater subjectivity on the part of the directors in the elaboration of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's financial results.

Deferred tax assets

Deferred tax assets are recognized against deductible temporary differences between the values of assets and liabilities expressed in the balance sheet and the corresponding tax value. A discretionary assessment is required of directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of the likely time manifestation and the amount of future taxable profits.

Provision for doubtful receivables

The recoverability of the claims is assessed taking into account the risk of their uncollectability, their seniority and the expected losses on claims recognized for similar types of claims.

Provisions for risks and charges

In the face of legal and fiscal risks, representative provisions are recognized as the risk of negative outcome. The value of the funds entered in the balance sheet relating to these risks is the best estimate at the date made by the Directors. This estimate involves the adoption of assumptions that depend on factors that may change over time and that could, therefore, have significant effects compared to the current estimates made by the directors for the preparation of the Group's Consolidated Financial Statements.

Inventory depreciation fund

If the net realizable value is lower than the cost, the depreciation must be carried out and the loss of value recognized in the income statement.

Impairment of assets

Goodwill and other tangible and intangible assets with a defined useful life are the subject of verification in order to determine whether a reduction in value has been achieved, which must be recognized through depreciation, when there are indicators that make it difficult to recover the net carrying amount by use. The verification of the existence of the above indicators requires, by the directors, the exercise of subjective assessments based on the information available within the Group and on the market, as well as on historical experience. In addition, if it is determined that a potential reduction in value may have been generated, the Group shall determine the reduction using valuation techniques deemed appropriate. The correct identification of the indicators of the existence of a potential reduction in the value of tangible and intangible assets and the estimates for their determination depend on factors that may vary over time, influencing the assessments and estimates made by the directors.

Depreciation and amortization

The cost of tangible and intangible assets with a defined useful life is amortized at constant shares over the estimated useful life of the related assets. The economic useful life of these assets is determined by the directors at the time they are purchased; it is based on historical experience for similar assets, market conditions and advances concerning future events that could impact the useful life of assets, including changes in technology. Thus, actual economic life may differ from estimated useful life.

As provided for in IAS 8 (Accounting policies, changes in accounting estimates and errors) paragraph 10, in the absence of a Standard or Interpretation that is specifically applicable to a particular transaction, management shall, through weighted subjective assessments, define, The accounting methodologies to be adopted with a view to providing a Consolidated Financial Statements that accurately represent the balance sheet, the economic result and the financial flows of the Group, which reflects the economic substance of the transactions, is neutral, drawn up on a prudential basis and complete in all relevant respects.

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 recognized in the profit and loss account are a function of both the progress of the contract and the margins which are deemed to be recognized for the entire work at its completion; therefore, the correct recognition of the work-in-progress and the margins relating to works not yet completed presupposes the correct estimate by the administrators of the costs at the end, of the increases assumed, as well as of the delays, the extra costs and the penalties that could compress the expected margin. Using the percentage of completion method requires the Group to estimate the completion costs, which involves taking estimates that depend on factors that may change over time and that could therefore have significant effects on current values. If the actual cost is different from the estimated cost, this change will affect the results of future periods.

8. RISK MANAGEMENT

The Group is exposed to a series of business and financial risks related to its operations.
The main business risks can be identified as follows:

- *Economic crisis*: the continuing economic crisis could reduce the Group's profitability and its ability to generate cash also in the relevant sectors. In the face of this risk, the Group aims to increase its industrial efficiency and improve its ability to execute contracts, while reducing its structure costs.
- *Long-term fixed price contracts*: the Group's response to this risk is expressed in following the procedures in place in the process of preparing and authorizing the main commercial offers, from the first stage by checking the main economic and financial parameters, this includes the Economic Value Added (EVA), which is one of the reference aggregates for evaluation. In addition, it conducts a review of the estimated costs of contracts, on a regular basis, at least quarterly. Risks and uncertainties related to the execution of contracts are identified, monitored and evaluated through the "Contract Management" Directive and two Lifecycle Management and Risk Assessment procedures, aimed at reducing the probability of occurrence or the negative consequences of identified risks and to implement the identified mitigation actions in a timely manner. These analyzes involve top management, program managers and quality, production and finance functions (so-called "phase review").
- *Customer liability*: the Group is exposed to risks of liability toward customers or third parties connected with the correct execution of the contracts, to which it is liable by the conclusion of insurance policies normally available on the market to cover any damage caused. However, damage that is not covered by insurance policies, exceeds the insured limits or increases in insurance premiums can not be excluded in the future, which management is constantly monitoring.
- *Legislative compliance*: the Group monitors, through special structures, the constant updating with the reference regulations, making the start of commercial actions subject to the verification of compliance with the restrictions and to the obtaining of the necessary authorizations.

Financial risks can be described as follows:

- *Liquidity risks*, represented by the risk that the available financial resources are not sufficient to meet the obligations on the agreed terms and deadlines;
- *Market risks* related to exposure to interest-generating positions (interest-rate risks) and operations in currency areas other than denomination areas (exchange-rate risks);
- *Credit risks* arising from normal commercial transactions or from financing activities.

The Group specifically monitors each of these financial risks, intervening with the objective of minimizing them in a timely manner, including, for example, through the use of hedging derivatives.
The following paragraphs analyze, also through *sensitivity analysis*, the potential impact on the results resulting from hypothetical fluctuations in the reference parameters. These analyzes are based, as provided for in IFRS 7, on simplified scenarios applied to the balance sheet data of the periods referred to and, by their very nature, they cannot be regarded as indicators of the real effects of future changes in the benchmarks in relation to a different capital and financial structure and market conditions, nor can they reflect the interrelations and complexity of the reference markets.

Liquidity risk

Liquidity risk represents the risk that, due to the inability to raise new funds or to liquidate assets on the market, the Group will not be able to meet its payment commitments, resulting in a negative impact on the economic result if it was forced to bear additional costs to meet its commitments or an insolvency situation.
The aim of the Group is to establish a financial structure which, in accordance with the business objectives and with the defined limits, (I) ensures an adequate level of liquidity, minimizing the relative cost/opportunity, and (ii) maintains a balance in terms of duration and debt composition.
The table below shows an analysis of the maturities, based on contractual repayment obligations, relating to the capitalized values of the bond loan, trade debts and other liabilities outstanding at December 31th, 2021 and 2020. The first column represents the balance of the balance sheet at the end of the year, while the subsequent ones represent the cash-outs expected at the indicated deadlines, including interest.

Euro/Thousand	Balance as of 31st December 2021	Within 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Bonds	354,349	9,625	369,250		378,875
Other current and non-current loans and borrowings	815,076	216,170	628,618	1,032	845,820
Trade payables	523,520	523,520			523,520
Other current and non-current liabilities	195,109	140,322	54,787		195,109

Euro/Thousand	Balance as of 31st 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 loans and borrowings	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

Interest rate risk

The Group is exposed to changes in the interest rate as regards the use of its liquidity. Interest rate risks were measured through sensitivity analysis, as provided for in IFRS 7. There are no significant risks, as the whole debt of the Group is at a fixed rate.

Foreign exchange risks

The Group procedures provide for the coverage, when acquiring the most significant contracts, of revenues and, if necessary, of costs, in foreign currency at exchange risk. As far as costs are concerned, the Group tends to implement the policy of entering into mainly supply contracts in Euros. The portion of purchases to be made in local currency is normally covered by a corresponding revenue value in the same currency.

As of 31st December, 2021, the total notional value in Euros of the matches covered by the derivative instruments on sale was equal to 58,429 thousand Euros, while the purchase value was equal to 20,431 thousand Euros.

Given the above, and in particular net of the effect of the policy of covering transactions in currencies other than the Euros, the sensitivity analysis on exchange rate changes is not significant.

Credit risk

The Group is exposed to credit risk, both in relation to the counterparties of its commercial operations, as well as in relation to financing and investment activities, as well as to guarantees given on third party debts or commitments.

In order to eliminate or minimize the credit risk arising from commercial transactions, particularly with foreign countries, the Group adopts a careful risk coverage policy from the origin of the commercial transaction by carrying out a careful examination of the conditions and means of payment to be proposed in the commercial offers that can subsequently be transposed into the sales contracts.

In particular, depending on the contractual amount, the type of customer and the importing country, the necessary precautions are taken to limit the credit risk both in terms of payment and in the financial means provided for as stand-by letter or irrevocable

and confirmed letter of credit, In cases where this is not possible and where the country/customer is particularly at risk, the opportunity to request adequate insurance cover is assessed through the Export Credit Agencies dedicated as SACE or through the intervention of International Banks for contracts in which the financing of the supply is required.
The following table gives a breakdown of commercial credits, grouped by expired and geographical area, before allowance for doubtful accounts:

Euro/Thousand	Italy Area	Europe, CIS, Africa, Middle East Area	America Area	Asia Area	Total
Retention	135	-	-	-	135
Not yet due	36,217	54,312	569	38,162	129,260
Overdue by less than six months	8,090	40,903	1,770	21,565	72,328
Overdue between six months and one year	1,013	12,217	105	15,828	29,163
Overdue between one and five years	2,828	42,719	8,646	5,586	59,779
Overdue by more than five years	8,149	34,297	3,150	105	45,701
	56,432	**184,448**	**14,240**	**81,246**	**336,366**

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Expected Credit Loss (ECL) analysis

On the 22nd of November 2016, EU Regulation 2016/2067 was adopted, which implements IFRS 9 (Financial Instruments) at community level.
IFRS 9 paragraph 5.5.17 stipulates that an entity shall evaluate the expected losses on the claims of a financial instrument to reflect:

- an objective and probability-weighted amount determined by evaluating a range of possible results;
- the time value of the money and
- reasonable and demonstrable information that is available without excessive costs or effort at the balance sheet date on past events, current conditions and forecasts of future economic conditions.

The Group carries out an analysis of receivables and estimates the likelihood of recoverability by using all information available from internal and external sources.
Ansaldo Energia operates in a business characterized by a limited number of large customers (typically state-owned companies) where commercial credits are normally settled within one year. Management considers any technical risk that could cause a delay in the collection of trade credits at project level. This is corroborated by the evidence that third-party trade receivables that have expired for more than one year due to financial difficulties by customers are not significant.
The only exception to this is the claims claimed by Yeni AEN, as the final client of the project is in a joint procedure. However, these claims have already been devalued into consolidated accounts. With reference to the time value of money (TIE), for commercial credits at the beginning it is estimated by management to be zero because the payment is contractually expected in a period of less than one year.
The analysis identified specific geographical areas in which Ansaldo operates where trade credits are delayed for specific access to credit reasons, administrative issues of the States.
For these specific commercial credits, management has updated its recoverable assessment and incorporated a country-default risk into the definition of the effective interest rate. The impact of the evaluation is considered in the cost budgets of the individual jobs. Moreover, as anticipated, the Management estimates the costs to be incurred for the technical risk that will lead to delays in the collection of receivables, in the entire cost of the life budget for each project.
Taking into account the requirements of IFRS 9 and the Group’s business model, the valuation adopted for receivables is amortized cost. In this context, amortized costs also consider the assessment of the recoverability of commercial credits
For derivatives, the ECL analysis was included in the fair value valuations of instruments.

Management has done short cash and cash equivalents-term ECL analysis of banks' default risk by analyzing the risk of bank defaults and not seeing significant impacts.

9. CAPITAL MANAGEMENT

The management of the Group's capital is aimed at ensuring a solid credit standing and adequate levels of capital indicators to support investment plans, in compliance with contractual commitments made with donors.
The Group has the necessary capital to finance the needs for business development and operating activities; Sources of finance are articulated in a balanced mix of risk capital and debt capital, to ensure a balanced financial structure and minimization of the total cost of capital, with the benefit of all "stakeholders".
The financial situation in previous years has made the risk indices concerned worse, but it has been confident in a recovery of the Financial Statements between sources in the short term, whose reversal began to show up in 2020.
It is reported that part of the debt capital derives from the shareholder financing of the Parent Company in 2019.
The remuneration of risk capital is monitored on the basis of market performance and business performance, once all other obligations, including debt service, have been met; Therefore, in order to guarantee an adequate return on capital, the safeguarding of going concern and the development of businesses, the Group constantly monitors the evolution of the level of indebtedness in relation to equity, to the performance of the business and to the forecasts of expected cash flows, in the short and medium/long term.

10. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following tables show the details of the Group's financial assets and liabilities required by IFRS 7, according to the categories identified by IFRS 9 as of 31st December, 2021 and 2020, respectively.

	31-dec-21		
Euro/Thousand	Financial assets and liabilities at amortized cost	Hedging derivatives	Total
Other current financial assets	314,687		314,687
Other non-current financial assets			-
Other receivables and other non-current assets	126,998		126,998
Receivables	332,665		332,665
Other receivables and other current assets	70,182		70,182
Total	**844,532**	**-**	**844,532**
Loans and borrowings and other current liabilities	960,842		960,842
Other debts and other non-current liabilities	14,662		14,662
Loans and borrowings and other non-current liabilities	208,583		208,583
Trade payables	523,520		523,520
Other debts and other current liabilities	140,322	2,357	142,679
Total	**1,847,929**	**2,357**	**1,850,286**

Euro/Thousand	31-dec-20 Financial assets and liabilities at amortized cost	Hedging derivatives	Total
Other current financial assets	277,164		277,164
Other receivables and other non-current assets	56,050		56,050
Receivables	295,679		295,679
Other receivables and other current assets	85,558	340	85,898
Total	**714,451**	**340**	**714,791**
Loans and borrowings and other current liabilities	955,231		955,231
Other debts and other non-current liabilities	14,347		14,347
Loans and borrowings and other non-current liabilities	217,899		217,899
Trade payables	438,299		438,299
Other debts and other current liabilities	106,013	806	106,819
Total	**1,731,789**	**806**	**1,732,595**

It should be noted that the Group, with the exception of exchange-rate derivatives, does not have financial assets and liabilities valued at fair value with changes charged to the Consolidate Income Statement or the Consolidated Statement of Comprehensive Income.

The following table shows the reconciliation of the net financial position from the 1st of January 2020 to the 31st of December 2021, which shows the financial movements and movements which did not involve a financial flow (*non-cash changes*):

	Cash and cash equivalents	Financial receivables	Short-term loans	Medium/long-term loans	Total
Net financial position as of 31st December 2020	**266,346**	**10,818**	**-217,899**	**-955,231**	**-895,966**
Cash flow of the period	34,746	2,777	40,911	-37,206	41,228
Reclassifications			-31,595	31,595	0
Net financial position as of 31st December 2021	**301,092**	**13,595**	**-208,583**	**-960,842**	**-854,738**

The item "reclassifications" includes medium/long to short-term reclassifications of loans and borrowings.
For a detailed analysis of outstanding funding, please refer to the relevant budget notes.

11. FAIR VALUE MEASUREMENT

The following table summarizes the assets and liabilities that are measured at fair values as of 31st of December 2021 and 2020, based on the level that reflects the inputs used in the determination of *fair value*:

	Fair Value 12/31/2021	Fair Value 12/31/2020
Assets		
Currency forward	-	340
Interest rate swap	-	-
Liabilities		
Currency forward	2,357	806
Interest rate swap	-	-

The Group uses internal evaluation models, generally used in financial practice. There were no transfers between the different levels of the fair value hierarchy during the periods considered.

12. REPORTING BY OPERATING SEGMENT

According to IFRS 8 - *Operating Sectors*, the Group's business is identifiable in a single operating segment (CGU), namely the Energy segment.
Moreover, while noting an important cross-compliance of the activities carried out, the Group has further oriented its organization at the management level on a structure articulated, in turn, by service line and geographical area.
The Group has therefore identified the following service lines: Plants and components (New Unit), Service, Nuclear and Renewable Energy, while it has secondary assessed the scheme by geographical area where the risks and benefits of enterprise are significantly influenced by the fact that it operates in different countries or in different geographical areas.
For a more detailed analysis of each service line, see the progress report.
To complete the information, the details of the revenues per service line and the details of the gross margin (defined as the difference between revenues and production costs) for each service line are given below.

	New Unit	Service	Nuclear	Renewable energies	Total
Revenues	822,224	592,697	75,236	826	**1,490,983**
Gross Margin	8,185	162,164	7,603	-365	**177,587**

13. REVENUES

Euro/Thousand	2021	2020
Sales Revenue	736,989	251,985
Services Revenue	85,175	62,366
Penalties	247	-
	821,917	**314,351**
Change in Work-in-progress	494,448	710,785
Related parties Revenues	174,618	63,978
Total Revenues	**1,490,983**	**1,089,114**

Sales and performance revenues are detailed by *service line* in the prospectus contained in the "Reporting by operating segment" note. The revenues include, in addition to the value of the production of the period, also the quotas acquired to obtain *the Provisional Acceptance Certificate* (PAC) that determines the transfer of ownership to the customer of the completed plants.
The increase in 2021 revenues is mainly related to the New Unit business line, which, in the face of the increase in acquisition volumes in the two years 2019-2020, concentrated the *execution* activities of many projects, mainly related to the Europe area, during the year.

In addition, revenues by geographical area (i.e. broken down by customer's country of reference) are as follows:

	Revenues	
Euro/thousand	2021	2020
Italy	793,416	495,273
Europe/CIS/Africa/Middle East	486,895	403,683
America	9,131	4,853
Asia/Australia	201,541	185,305
	1,490,983	**1,089,114**

CIS: Commonwealth of Independent States

14. OTHER OPERATING INCOME AND EXPENSES

	2021		2020	
Euro/Thousand	Income	Expense	Income	Expense
Gains/losses on sales of property, plant and equipment and intangible assets	9	-	-	4
Accruals to/reversals of provisions	2,084	3,697	639	93
Exchange rate gains (losses) on operating activities	10,103	9,538	1,886	2,749
Unrealized exchange rate gains and losses	22,524	17,669	13,493	14,801
Financial income/expenses on trade receivables/payables	161	-	115	-
Insurance compensation	8,090		1,853	
Indirect taxes		2,036		121
Membership fees and contributions		727		636
Other operating income/expense	2,734	2,132	758	1,445
Other related parties operating income/expense	-	-	-	2
	45,705	**35,799**	**18,744**	**19,851**

The exchange differences relate to the adjustment and realization of the end-of-period exchange rates for the commercial items of loans and debts originally expressed in currency other than the Euro.
Insurance reimbursements are due to the damage suffered in various plants and, in particular, in Mornaguia (Euro/thousand 2,060), in Congo (Euro/thousand 3,080) and in Italy (Euro/thousand 2,950).

15. PURCHASES AND SERVICES COSTS

Euro/Thousand	2021	2020
Materials from third parties	622,861	459,573
Change in inventories	32,163	(70,180)
Purchases from related parties	17,207	665
Total purchases	**672,231**	**390,058**
Services from third parties	503,166	280,382
Services from related parties	3,231	3,127
Rentals and operating leases	10,871	21,842
Total services	**517,268**	**305,351**

The overall increase in costs is essentially due to the increase in the value of production resulting from the execution of the New Unit projects.
The costs for purchases of materials from third parties amounted to 622.861 thousand Euros, an increase of 163.288 thousand Euros compared to the previous year.
The costs for the provision of third party services amount to 503,166 thousand Euros, an increase of 222,784 thousand Euros compared to the previous year.
Total service costs relate to industrial services and technical assistance (including the main Euro/thousand 339,869 of the Parent Company, Euro/thousand 37,881 of Ansaldo Energia Switzerland and Euro/thousand 22.263 of Ansaldo Nucleare), transport costs and customs charges (including the main Euro/thousand 40,454 of the Parent Company, Euro/thousand 2,920 of Ansaldo Energia Switzerland), software and other IT services expenses (including the main Euro/thousand 14,833 of the Parent Company and Euro/thousand 5,333 of Ansaldo Energia Switzerland), insurance premiums (including the main Euro/thousand 13,962 of Ansaldo Energia and Euro/thousand 2,018 of Ansaldo Energia Switzerland), travel and travel expenses (of which the main Euro/thousand 13,733 of the Parent Company), maintenance costs (of which the main Euro/thousand 13,230 of the Parent Company), *facility management costs* (of which the main Euro/thousand 11,055 of the Parent Company) and legal and other professional expenses (of which the main Euro/thousand 7,531 of the Parent Company and Euro/thousand 1,032 of Ansaldo Nucleare).
Rental, rental and leasing costs include rentals for apartments for Italian and foreign shipbuilding, hire of photocopiers and computer equipment and other rentals. These costs are related to contracts that are not covered by IFRS 16 because of a duration of less than 12 months or an amount of less than $5,000 individually.

16. PERSONNEL EXPENSES

Euro/thousand	2021	2020
Wages and salaries	179,929	175,851
Social security and pension contributions	45,628	41,062
Costs related to other defined benefit plans	233	466
Costs related to defined contribution plans	7,706	7,716
Incentives	8,083	14,346
Extraordinary pension costs	-1,136	-
Other costs	1,530	2,128
	241,973	**241,569**

"Incentives" includes extraordinary exodus incentives of Euro/thousand 3,485 and other incentives for difference.
At the end of 2021, the resources entered were 3,310.
The following is evidence, by category, of the average headcount trend:

	2021	2020	Variation
Managers	54	56	-2
Junior Managers	318	329	-11
White collars	1,942	1,990	-48
Blue collars	953	933	+20
	3,267	**3,308**	**-41**

The cost of 241,973 thousand Euros represents the charge for monthly and deferred pay, social security charges and employee severance indemnities as of 31st December 2021 and includes the portion relating to the Parent's foreign permanent establishments for 12,000 thousand Euros.

17. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

Euro/Thousand	2021	2020
Amortization and depreciation:		
- Intangible assets	59,695	73,033
- Property, plant and equipment	40,841	38,661
	100,536	**111,694**
Impairment:		
- Intangible assets and other assets	-	-
- Goodwill	-	-
	-	-
Total amortization, depreciation and impairment losses	**100,536**	**111,694**

The trend in depreciation (already including the amortization shutdown for Leaving companies) reflects the amortization process of tangible and intangible assets on the basis of estimated useful life. For further details, please refer to the relevant Statement of Financial Position.
For intangible assets, the following average amortization classes are given:

	% of amortization
Development costs	5-10%
Concessions, Licenses and trademarks	1-2%
Others	20-10%

Depreciation of tangible assets is representative of the residual useful life of the various assets.
As stated in the corresponding note on accounting Policies, the estimated useful life for the various asset classes is as follows:

	% of amortization
Land	indefinite service life
Industrial buildings	3%
Plants and machinery	5- 20%
Equipment	12.5-40%
Furniture and furnishings	12.5-20%
Vehicles	20-25%

The estimate of useful life and residual value is periodically revised.

18. CHANGE IN FINISHED GOODS, WORK-IN-PROGRESS AND SEMI-FINISHED PRODUCTS

Euro/Thousand	2021	2020
Changes in inventories of finished products, in progress and semi-finished goods	11,309	(85,155)

The variation is due to the decrease of the semi-finished products waiting to be combined with the sales orders entered in *execution*.

19. INTERNAL WORK CAPITALISED

Increases in fixed assets for internal works relate to labor costs and material costs and relate mainly to development activities.

Euro/Thousand	2021	2020
Employee, material and other costs	**69,637**	**47,241**

The increase in the period refers to development costs of 52 million Euros and material fixed assets attributable to internal constructions related to Spare Parts Pooling and extraordinary maintenance for over-speed Cell interventions of 18 million Euros.
The total of 70 million Euros are divided between 40.9 million Euros for the valuation of internally developed hours, 28.7 million Euros for materials and 0.4 million Euros for Services.

20. FINANCIAL INCOME AND EXPENSES

The item "Financial income and expenses" can be detailed as follows:

Euro/thousand	2021			2020		
	Income	Expense	Net	Income	Expense	Net
Dividends	582		**582**			-
Interest cost on defined benefit plans		14	**(14)**		53	**(53)**
Discount of financial assets		1,597	**(1,597)**		2,379	**(2,379)**
Banks and borrowers assets	1,589	28,858	**(27,269)**	3,227	35,134	**(31,907)**
Commissions		8,398	**(8,398)**		12,028	**(12,028)**
Premiums paid/collected on forward	1,351	422	**929**	2,748	1,790	**958**
Exchange rate gains and losses	25,647	26,417	**(770)**	12,207	26,039	**(13,832)**
Fair value gains and losses		(986)	**986**			**-**
Investments in subsidiaries value adjustment	-	25	**(25)**	52	2	**50**
Other financial income and expenses	429	1,720	**(1,291)**		16,129	**(16,129)**
Related parties financial income/expenses		14,138	**(14,138)**		14,219	**(14,219)**
	29,598	**80,603**	**(51,006)**	**18,234**	**107,773**	**(89,539)**

Financial income mainly includes interest income, mainly due to deposits with ordinary banks and on foreign exchange accounts, as well as exchange differences in foreign exchange.
The financial charges are adequately detailed in the table above and consist mainly of interest on the bond (Euro/thousand 9,609), interest on the revolving financing (Euro/thousand 4,935), interest on the Term Loan (Euro/thousand 10,646), exchange rate differences on financial (Euro/thousand 26,417) and leasing debt discount charges arising from the application of IFRS 16 (Euro/thousand 1,597).
The financial charges to related parties relate mainly to the interest accrued on the shareholders loan (Euro/thousand 13,688).

21. INCOME TAXES

The income tax item is composed as follows:

Euro/Thousand	2021	2020
IRES	202	-
IRAP	1,642	1,669
Other income taxes	2,215	4,573
Tax fund surplus	2,136	192
Prior year taxes	(53)	(1,516)
Provisions for tax risks	1,000	1,829
Net deferred taxes	(29,068)	(9,325)
Substitute taxes	2,771	-
	(23,427)	**(2,962)**

A significant event in 2021 was the fiscal realignment provided for by Law 126 of the 13th of October 2020, which converted into Law Decree 104/2020, so-called "Decreto Agosto".
This provision provided for the possibility for *IAS adopter* entities to make the higher values entered in the financial statements for some items typically deriving from extraordinary transactions and, in the case of Ansaldo Energia, concerning the reverse merger of Ansaldo Energia Holding in 2012 become effective for tax purposes. The cost of this transaction is a 3% replacement tax on the realigned values. The company realigned what had been allocated to assets, with the exception of buildings and goodwill, for a total value of 92.4 million Euros. Deferred tax liabilities of 28.7 million Euros at the 30th of June 2021 were allocated to these items, which were entirely reversed, bringing a positive effect on the financial situation under "taxes" of the same amount.
Thanks to the advance provision of the income tax return at the end of the 30th of June 2021, the company was able to benefit from the full saving of the replacement tax of approximately 0.9 million Euros.

22. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

In accordance with the provisions of the IFRS 5 principle, the following details are given of the composition of the profit linked 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):

Euro/Thousand	2021	2020
Revenue	76,163	205,648
Operating costs	(65,281)	(187,199)
Net financial income (expenses)	(1,166)	(10,127)
Income taxes	(1,733)	226
Impairment assets held for sale	-	(21,917)
Net result	**7,983**	**(13,369)**

23. INTANGIBLE ASSETS

The heading in question and its handling can be detailed as follows:

Euro/Thousand	Goodwill	Development expenses	Patent and similar rights	Concessions, licenses and trademarks	Intangible assets acquired through business combination (PPA)	Other assets under construction	Total
January 1st, 2020							
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
Amortization and impairment	-	(34,830)	(1,218)	(2,921)	(32,284)	(1,780)	(73,033)
Reclassifications	-	275,295	7,511	(36)	-	(282,771)	-
Other changes	(66)	(6,000)	-	66	-	5,509	(491)
December 31th, 2020							
Cost	805,850	523,932	12,548	111,442	635,354	55,246	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**	**42,133**	**1,381,999**
Investments	-	23,586	-	-	-	50,572	74,158
Sales	-	(401)	-	-	-	(20)	(421)
Amortization and impairment	-	(22,911)	(221)	(1,479)	(31,741)	(3,799)	(60,151)
Reclassifications	-	52,805			-	(52,805)	-
Other changes	1	(7,531)	(5,787)	953	-	16,931	4,567
December 31th, 2021							
Cost	806,446	587,051	919	108,545	635,354	84,941	2,223,256
Accumulated amortization and impairment	8,733	276,839	634	27,366	477,602	31,929	823,103
Carrying amount	**797,713**	**310,212**	**285**	**81,179**	**157,752**	**53,012**	**1,400,153**

The reclassification line refers to ongoing fixed assets accounts for specific categories of intangible assets.
During the financial year 2021, the Group continued to develop new technologies related to GT26 and GT36 turbines.
In particular, the qualifications on GT26 and GT36 machines and the development of these new GT technologies were continued.
"Goodwill" derives for 771,487 thousand Euros from the application of *the purchase price allocation process* as required by the accounting standard IFRS 3 in relation to the merger in 2012 with Ansaldo Energia Holding S.p.A. (essentially represented *by backlog* and *customer relationship*) and 26,226 thousand Euros since the acquisition of the British Nuclear Engineering Group.
The item "Concessions, licenses and trademarks" refers mainly to the Ansaldo brand registered in Ansaldo Energia (with a residual value of 76,745 thousand Euros) and Ansaldo Nucleare (with a residual value of 3,345 thousand Euros).
The item "Intangible assets acquired through Business combination" includes intangible assets deriving from the PPA relating to the aforementioned merger of Ansaldo Energia Holding in 2012 (60,928 thousand Euros), and, for the delta, the residual value of intangible assets deriving from the acquisition by General Electric Company of part of Alstom's gas turbine business (so-called Gastone project); this value was already nailed by the part referred to the outgoing company PSM, which was included in assets held for in 2020 (23,947 thousand Euros).

Goodwill

"Goodwill", equal to € 797,713 thousand as of 31st December 2021, is attributable as follows:

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

The group of cash-flow generating units ("CGU") to which goodwill is allocated, coincides with the operating segment into which all the services and products supplied, i.e. the energy sector, flow (for more details see the note "Reporting by operating segment").

In this regard, it is noted that Goodwill is recoverable through the joint activity of a group of CGU, which, in particular, coincides with the Energy sector.

In line with the requirements of the International Accounting Standards, *the impairment test* was carried out at the date of this financial statement in order to ascertain the existence of any impairment losses of goodwill. *The impairment test* was carried out by comparing the carrying amount of goodwill with the CGU use value to which it refers.

The value of use was determined using the discounted Cash Flow methodology ("*DCF method*") methodology by discounting the operating cash flows generated by the asset (net of the fiscal effect) at a rate representative of the weighted average cost of capital.

The post-tax WACC used to discount future cash flows is 8.25%. This rate is an expression of a *target* financial structure of the sector, derived from the debt ratios, at market values, of *a basket* of comparable listed companies.

The growth rate in terminal value was estimated to be 1%, also taking into account the markets in which the Group operates mainly.

The value in use was obtained by discounting (i) the operating cash flows – net of tax – deriving from the asset in an explicit forecast period corresponding to the plan period 2022-2026, and (ii) the present value of the cash flows that can be generated beyond the explicit forecast period (*terminal value*), obtained by projecting in *perpetuity* the (normalized) cash flow for the last year of explicit prediction. The 2022-2026 plan was approved by the Board of Directors and expected result flows were estimated on the basis of past economic and financial performance and future expectations. The value of use, as determined, was compared with adjusted net invested capital, including operating assets (after any loss of value) and Goodwill. The findings of *the impairment test* show that the estimated recoverable amount for the CGU is 163 million Euros 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	+0.25%	-51 M€
Decrease in growth rate (g)	-0.25%	-36 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 expected revenues and expenses in relation to the economic flows of the orders, the general and administrative structure costs of the completion of Research and development activities, the estimated costs for *learning curve*, investment in tangible fixed assets and maintenance research and development.

The economic flows consider a residual useful life of the technology that embraces a time horizon of 19 years foreseen for the sale of new units and of 28 years for the sale of the relative *service*.
The opportunity cost of the capital, used at the valuation reference date, is in line with that used for *the impairment test* at the Goodwill level.
The carrying amount of the IPR&D GT36 was determined by allocating, in addition to the intangible assets in question, specific operating net working capital and certain "service" assets immobilized on the basis of appropriate allocation *drivers*.
The result of this calculation showed that the present value of future flows is higher than the load value and therefore it was not considered appropriate to make adjustments to this value.
In respect of all other intangible assets subject to amortization, analyzes were carried out to identify any assumptions of loss of value from which no risk situations arose.

24. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

The heading in question and its handling can be detailed as follows:

Euro/Thousand	Land and buildings	Plants and machinery	Equipment	Others	Fixed assets in progress and advances	Right of use assets	Total
January 1st, 2020							
Cost	204,306	308,230	141,731	31,280	19,981	49,287	754,815
Accumulated amortization 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	-	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
December 31th, 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**
Investments	-	594	48	346	40,455	1,212	42,655
Sales	-	(5,138)	-	(6)	(226)	(97)	(5,467)
Amortization and impairment	(5,868)	(18,279)	(10,137)	(1,556)	-	(6,822)	(42,662)
Reclassifications	357	22,464	7,995	266	(31,082)	-	-
Other changes	511	203	(145)	62	1,459	819	2,909
December 31th, 2021							
Cost	204,773	345,710	161,554	32,549	17,964	48,571	811,121
Accumulated depreciation and impairment	95,216	268,152	133,778	28,985	-	15,076	541,207
Carrying amount	**109,557**	**77,558**	**27,776**	**3,564**	**17,964**	**33,495**	**269,914**

The item "reclassifications" includes payments from current fixed assets to specific asset categories.
The contingent liabilities related to the dismantling of tangible assets are not likely to be estimated. That is why no provisions have been allocated.
The capital injections for plants that entered into production concern mainly the Parent Company and, in particular:

- the *upgrade* of a boring machine tool for Euro/thousand 3,707;
- the acquisition of a new blade grinding machine tool for Euro/thousand 1,961;
- the capitalization of tooling for gas turbine processing for Euro/thousand 2,805 ;
- the *upgrade* of the test room dedicated to generators for Euro/thousand 1,614;
- the acquisition of simulators of control systems, for Euro/thousand 814;
- the implementation of new factory equipment specific to the blade line for Euro/thousand 2,308;
- the acquisition of tools for the subsidiary Ansaldo Energia Gulf, for Euro/thousand 4,782.

25. EQUITY INVESTMENTS

The main movements that led to the change in "Equity investments" are as follows:

Euro/Thousand	12/31/2021	12/31/2020
January 1st	17,218	21,420
Acquisitions/subscriptions and capital increases	9	14
Valuation effects by using equity method	2,041	(4,263)
Revaluation/(Devaluations)	(25)	50
Change in the scope of consolidation	374	-
Disposals	(5)	-
Other changes and exchange differences	(194)	(3)
December 31th	**19,418**	**17,218**

Changes for the financial year relate essentially to:

- the revaluation of 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 Euro/thousand 322 and Euro/thousand 853; the first is held at 60%, the second to 40%; the two JV, valued at Equity, were born in the project of cooperation with Ansaldo Energia's partner, Shanghai Electric Hong Kong Co. Limited, with targets for penetration into the Chinese market and for the implementation of Research and Development projects related to energy; during the year the two JV's accumulated a positive result (Euro/thousand 537 and Euro/thousand 2,133 respectively) which consequently led to their revaluation on the Financial Statments;
- the entry into the scope of Dynamic and the introduction of full consolidation, instead of the previous equity method, of Ansaldo Netherland.

List of equity investments as of 31st December 2021

Euro/Thousand		
Denomination	**% of ownership**	**Participation value**
Subsidiaries and associates		
Ansaldo Algerie	49%	877
AU Finance Holdings	40%	304
Dynamic	25%	1,167
Polaris Anserv	20%	39
Joint ventures		
Ansaldo Gas Turbine Technology (JVA)	60%	7,019
Shanghai Electric Gas turbine (JVS)	40%	436
Other equity investments and consortia		
AC Boilers	10%	6,000
Cogenerazione Rosignano S.p.A.	33%	3,395
Consorzio CISA in liquidazione	66%	68
Consorzio CO.RI.BA. in liquidazione	5%	3
Consorzio CREATE	20%	5
Consorzio Energie Rinnovabili	51%	-
ICIM GROUP	20.59%	58
MIP Politecnico Milano	2.74%	12
Santa Radegonda	19%	6
SIET	2%	15
SIIT Distretto Tecnologico Ligure	2%	14
		19,418

As anticipated, the main effect on the Consolidated Financial Statements as of 31st December 2021 of the valuation of the related companies with Equity method was the revaluation of the shareholdings in the two Chinese Joint ventures Ansaldo Gas Turbine High Technology Co. Ltd. and Shanghai Electric Gas Turbine Co. Ltd., the latter, which was exposed in 2020 as a risk fund for investments.
The following are the provisional significant figures for the two holdings:

As of 31st December 2021	Ansaldo Gas Turbine Technology Co.	Shanghai Electric Gas turbine Co.
Total Assets	**18,373**	**331,127**
Total Liabilities	**6,675**	**332,216**
Total Equity	**11,698**	**(1,089)**
Operating Result	**537**	**2,133**
Total revenues	**5,341**	**200,231**

The data were converted using exchange rates 2021 (end-of-period exchange rate for capital items and average exchange rate for the period for economic items).
Finally, it should be recalled that as a guarantee of the investment in AC boiler, the Parent Company has an option for the acquisition of the full amount of the capital of CCA, Centro Combustione Ambiente.
As of 31st December 2021, the capital of this company, which was 100% controlled by AC Boiler, was borne by a pledge in favor of the banks financing the majority shareholder of AC Boiler. An agreement between the latter and the Parent Company provides for a commitment to the release of the pledge in the event of exercise of the above-mentioned option.
The following table shows the effects of the valuations of investments consolidated with Equity method:

	2021	2020
Ansaldo Algerie	195	174
Ansaldo Energia Netherlands	-	(15)
Ansaldo Gas Turbine Technology	322	(372)
AU Finance Holdings	(102)	-
Dynamic	781	-
Polaris Anserv	(8)	(6)
Shanghai Electric Gas Turbine	853	(4,044)
	2,041	**(4,263)**

It should be noted that since 2021, Ansaldo Energia Netherland has been fully consolidated, instead of the previous consolidation to Equity, while Dynamic has been consolidated as Equity since 2021.

26. RECEIVABLES AND OTHER NON-CURRENT ASSETS

The item in question can be detailed as follows:

Euro/Thousand	12/31/21	12/31/20
Guarantee deposits	443	448
Other	126,543	55,590
Non-current receivables	**126,986**	**56,038**
Deferred tax assets	62,157	71,029
Other	12	12
Other non-current assets	**62,169**	**71,041**

The item “other” refers mainly to accounts receivable for invoicing in relation to contracts with payment terms beyond the period.

27. INVENTORIES

The item in question can be detailed as follows:

Euro/Thousand	12/31/21	12/31/20
Raw materials, consumables and supplies	312,463	359,451
Work-in-progress and semi-finished products	147,967	136,658
Finished products and goods	15,762	-
Advanced payments	21,749	36,210
	497,941	**532,319**

Raw materials, consumables and supplies

They are included net of the depreciation fund equal to Euro/thousand 32,942 (Euro/thousand 31,274 in 2020), allocated to meet the needs deriving from slow moving and the abandonment of some products.

Work-in-progress and semi-finished products

The current and semi-finished products, increased by 11,309 thousand Euros, relate to parts with high standardization characteristics that will only be associated to sales orders at the time of customization.

Advanced payments

They decreased by 14,461 thousand Euros. The variation is mainly due to the normal life of orders linked to production.

28. CONTRACT WORK-IN-PROGRESS AND ADVANCES FROM CUSTOMERS

The entry in question can be detailed as follows:

Euro/Thousand	12/31/21	12/31/20
Work-in-progress (gross)	1,479,341	1,206,930
Advances from customers	1,292,833	1,066,840
Work-in-progress (net)	**186,508**	**140,090**
Advances from customers (gross)	4,311,397	4,351,277
Work-in-progress	3,593,667	3,565,789
Advances from customers (net)	**717,730**	**785,488**

Work-in-progress (net) increased by € 46,418 thousand.
Net advances from customers decreased by 67,758 thousand Euros and are generated by orders of a prevalent plant nature at a high stage of progress, as well as by LTSA orders for which the invoicing conditions are not strictly related to the progress of the activities produced.
The decrease in advances is partly explained by the fact that 2020 was affected by a significant cash-out at the end of the year for TB 13.
Work in progress/payments from net customers includes a write-down fund of 7,820 thousand Euros.
In addition, for the contracts considered to be completed, the costs still to be incurred after the closure of the works were assessed by allocating a special fund between the risks and the charges.

The multi-annual orders, as foreseen by IFRS 15, are evaluated using the cost-to-cost method, which consists in determining the percentage of progress, as the ratio between the costs incurred and the total costs expected, and apply it to contract revenue to obtain the value to be entered among the work-in-progress to order at the end of the period. The margin of competence for the period thus determined is equal to 177,587 thousand Euros.

29. TRADE AND FINANCIAL RECEIVABLES

The entry in question can be detailed as follows:

Euro/Thousand	12/31/21		12/31/20	
	Trade	Financial	Trade	Financial
Receivables	269,542	13,595	227,243	10,818
(Bend allowance)	(3,700)	-	(3,696)	-
Receivables from related parties	66,823	115,026	72,132	115,026
(Impairment receivables from related parties)	-	(115,026)	-	(115,026)
	332,665	**13,595**	**295,679**	**10,818**

Commercial claims in litigation and in doubt, in relation to legal disputes, judicial proceedings or insolvency proceedings, are entered at the nominal value and devalued in a special allowance for doubtful accounts. Registered credits are not supported by bills of exchange or similar securities

The depreciation fund is in line with the previous year, rising from 3,696 thousand Euros to 3,700 thousand Euros.

The analysis of the credit expiration and the considerations on the methods of managing the credit risk are reported in Note 8 and in the appropriate paragraph of analysis Expected Credit Loss.

Financial receivables refer to tied current accounts of the Parent Company and are composed as follows:

- MPS: EUR 3.5 million, providing a partial guarantee for the exhibition of guarantees relating to the HERIS project (Iran);
- CACIB: EUR 5.8 million in favor of Cacib and Societé Generale, partly guaranteeing the exhibition of guarantees for the Labreg project (Algeria);
- Barclays: EUR 1.1 million, providing a partial guarantee of the total guarantee exposure in place with this institution, which has decided to undertake a de-reking process after the debt rescheduling in April 2020.

30. TAX LIABILITIES AND ASSETS

The item in question can be detailed as follows

Euro/Thousand	12/31/21		12/31/20	
	Receivables	Payables	Receivables	Payables
For direct taxes	5,628	6,169	6,379	2,170
	5,628	**6,169**	**6,379**	**2,170**

Current tax receivables

They relate mainly to payments on account and to excess taxes.

Current tax payables

The composition of the balance relates mainly to the Ires (3,551 euro/thousand) and Irap (116 euro/thousand) debt balances of Italian companies, while the remainder relates to taxes on income of foreign subsidiaries.

31. OTHER CURRENT ASSETS

The entry is composed as follows:

Euro/Thousand	12/31/21	12/31/20
Prepayments – current portion	5,501	8,547
Employees and pension institution receivables	1,337	1,817
Other tax assets	14,867	17,246
Other assets	40,264	48,818
Cautionary deposits	2,025	2,507
Other receivables from related parties	6,188	6,623
	70,182	**85,558**

The active repayments are mainly related to the share of the costs of assembly insurance allocated to orders on the basis of their progress in future financial years.

Other current assets include:

- Loans from the branches of the Parent Company for taxes on foreign payments of Euro/thousand 8,615;
- A credit of the Parent Company to the client NLC Neyveli for Euro/thousand 2,047 (Euro/thousand 9,672 in 2020) for Witholding Tax improperly withheld, for which there is a formal dispute in India; the claim was reconditioned against a graveyard amnesty promulgated by the indian government, to which the company joined, which restated the net sums to be collected by the company;
- Deposits for Euro/thousand 2,025;
- A Parent Company credit to Leonardo S.p.A. of Euro/thousand 5,276 for the asbestos risk guaranteed to Ansaldo Energia following the sale of shares to the FSI (now CDP Equity);
- A credit of the Parent Company to Leonardo S.p.A. of Euro/thousand 912 as an application for reimbursement for deduction of Irap from Ires (Decreto Monti);
- appropriations to staff mainly relating to travel advances, loans and skills advances;
- Domestic and international VAT and other debts to Ansaldo Energia Switzerland (Euro 13,632 thousand).

32. CASH AND CASH EQUIVALENTS

The entry in question can be detailed as follows:

Euro/Thousand	12/31/21	12/31/20
Cash and cash equivalents	301,092	266,346
	301,092	**266,346**

33. EQUITY

Shareholders' equity as of 31st December 2021 amounted to 526,001 thousand Euros.

Share capital

	Number of shares
Shares	57,988,750
Treasury shares	11,250
December 31th, 2021	58,000,000

The capital of Ansaldo Energia S.p.A., approved for Euro 630,000,000, of which Euro 580,000,000 is fully paid up and divided into 58,000,000 registered shares without nominal value, is divided as follows:

A. no. 12,710,428 of Common Stock (owned by CDP Equity S.p.A.);
B. no. 38,078,322 of Category Z shares (owned by CDP Equity S.p.A.);
C. no. 7,200,000 Common Stock (owned by Shanghai Electric Gas turbine Hongkong Co. Limited);
D. no. 11,250 Category D shares (owned by Ansaldo Energia Spa).

In November 2020, the Company decided to purchase 11,250 treasury stock previously held by the Company's managers at the price of 34.9 Euro per share.
As required by art. 2357 of the Civil Code, these shares are fully released and have been purchased within the limits of the reserves available.
It is reported that, in view of the exercise of the option of the fiscal realignment of the higher values entered in the financial statements relating to extraordinary transactions provided for by Law 126 of 13th of October 2020, which converted into Law Decree 104/2020, so-called "Decreto Agosto", part of the equity, specifically of the share capital, is reserved in suspension of tax, for Euro 89,603,451.39, corresponding to the value of the realigned assets net of the replacement tax.
This reserve was unavailable as of 31st December 2021 for an amount of Euro/thousand 67,506.
However, the available part is not usable except through the provision of a reserve, where permitted by law.

Other reserves

The handling of the other reserves is shown below.

	Hedging reserve	Actuarial reserve	Other reserves and retained earnings	Total
January 1st, 2020	**(6,842)**	**(24,774)**	**44,797**	**13,181**
Net result	-	-	(102,776)	(102,776)
Other changes	-	(25)	(439)	(464)
Fair value adjustments	10,233	(4,407)	-	5,826
Transfers to profit and loss statement	(299)	-	-	(299)
Deferred taxes from equity method	(1,620)	589	-	(1,031)
Consolidation adjustments	-	-	(8,439)	(8,439)
December 31th, 2020	**1,472**	**(28,617)**	**(66,857)**	**(94,002)**
Net result	-	-	32,552	32,552
Other changes	-	-	(1,533)	(1,533)
Fair value adjustments	(2,613)	6,644	-	4,031
Deferred taxes from equity method	599	(1,271)	-	(672)
Consolidation adjustments	-	-	6,296	6,296
December 31th, 2021	**(542)**	**(23,244)**	**(29,542)**	**(53,328)**

Equity attributable to non-controlling interests

The shareholders' equity of third parties is representative of the interests of third parties in the companies controlled by the Group. The relative movement is shown in the diagrams of this balance sheet.

Other reserves

The other reserves include the additional paid in capital reserve (281 thousand Euros) relating to the repurchase above the same level as the shares previously held by managers, as stated in the previous paragraph.

34. LOANS AND BORROWINGS AND LEASE LIABILITIES

The entry in question can be detailed as follows

	12/31/2021			12/31/2020		
Euro/thousand	Current	Non-current	Total	Current	Non-current	Total
Bonds	5,112	349,237	354,349	5,142	348,735	353,877
Bank loans and borrowings	197,297	345,276	542,573	205,901	346,861	552,762
Lease liabilities	5,543	30,741	36,284	5,679	33,886	39,565
Other loans and borrowings	631	-	631	1,177	2,296	3,473
Related parties loans and borrowings	-	235,588	235,588	-	223,453	223,453
	208,583	**960,842**	**1,169,425**	**217,899**	**955,231**	**1,173,130**

The handling of current financial debts is set out below.

Euro/thousand	12/31/2020	New borrowings (and other increases)	Payment	Other movements	12/31/2021
Bonds	353,877	-	-	472	354,349
Banks loans and borrowings	552,762	172,754	186,378	3,435	542,573
Lease liabilities	39,565	692	5,800	1,827	36,284
Other loans and borrowings	3,473	-	-	-2,842	631
Related parties loans and borrowings	223,453	13,707	-	-1,572	235,588
	1,173,130	**187,153**	**192,178**	**1,320**	**1,169,425**

The following details of bank debts are given below:

Subject	Delivery date	Type of financing	Delivery subject	Expiration	Rate	Carrying amount	Nominal value
AEN	10/16/2015	Loan	BEI	10/16/2022	1.9800	3,585	3,571
AEN	10/16/2015	Loan	BEI	10/16/2022	0.4920	3,572	3,571
AEN	01/31/2017	Loan	BEI	01/31/2024	2.0810	33,597	33,333
AEN	12/31/2017	Loan	OTHERS	05/31/2024	2.7500	354,349	350,000
AEN	07/31/2018	Loan	CDP	12/31/2024	6.7500	235,588	200,000
AEN	06/30/2021	Loan	IFIS BANK	03/31/2025	2.7500	20,000	20,000
AEN	04/27/2020	Loan	IMI	04/27/2024	3.5000	299,916	300,000
AEN	05/25/2020	Loan	INTESA	06/30/2029	2.5000	698	698
AEN	05/25/2020	Loan	INTESA	06/30/2029	0.8000	2,296	2,296
AEN	07/04/2019	Loan	INTESA	06/30/2027	0.8000	4,144	4,144
AEN	10/18/2021	Hot Money	BPER	01/18/2022	1.4000	10,029	10,000
AEN	10/18/2021	Hot Money	POP	02/18/2022	1.5000	10,031	10,000
AEN	07/26/2021	Revolving	IMI	10/26/2021	3.5000	70,449	70,000
AEN	08/10/2021	Revolving	IMI	09/10/2021	3.5000	20,035	20,000
AEN	10/18/2021	Revolving	IMI	01/18/2022	3.5000	20,144	20,000
AEN	11/12/2021	Hot Money	BSONDRIO	02/16/2022	0.7500	10,010	10,000
AEN	11/12/2021	Hot Money	BSONDRIO	02/16/2022	0.7500	10,010	10,000
AEN	11/21/2018	INV. Advance	BPASSADORE		0.3000	18,652	18,652
ANN	12/10/2018	Loan	INTESA	12/31/2028	2.5000	494	494
ANN	12/10/2018	Loan	INTESA	12/31/2028	0.8000	1,541	1,541
GULF	06/14/2018	Loan	INTESA	06/07/2026	3.2960	3,366	3,366

The bond loan as of 31st December 2021 was Euro/thousand 354,349 and the interest attributable to it was Euro/thousand 9,609. The following details are given:

Type of financing	Bond
ISIN	XS1624210933
Coupon	2.75%
Issue date	May-31-17
Expiration date	May-31-24
Issue price	350,000 euro/thousand
Gross return on maturity	2.157%
Rating	unrated
Nominal value	350,000 euro/thousand
Carrying amount	354,349 euro/thousand

The characteristics of the other financing reports as of 31st December 2021 can be summarized 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 million Euros at an annual fixed rate of 2.75%. Date of issue 05/31/2017. Maturity 05/31/2024. There are no covenants in the contract.
Ansaldo Energia - Term Loan (Pool)	This line was subscribed by Ansaldo Energia Spa on 04/24/2020 following a general debt restructuring operation with a pool of 13 banks, for a nominal value of 300 million Euros at the 6 months 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 12/31/2023 with possible extension to 12/31/2025; in this case, 50% of the amount will be repaid on 12/31/2024.
Ansaldo Energia - Revolving Facility (Pool)	This line was subscribed by Ansaldo Energia Spa on 04/24/2020 following a general debt restructuring operation with a pool of 12 banks, for a nominal value of 150 million Euros 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 12/31/2023 with possible extension to 12/31/2025. The line of credit was used at 12/31/2021 for 110 million Euros.
Ansaldo Energia - Loan 1 (EIB)	Loan undersigned on 08/6-7/2015 by Ansaldo Energia Spa and amended on 04/19/2019 and 04/24/2020 with the European Investment Bank (EIB) for a nominal value of 50 million Euros with a constant capital repayment plan. Initial fixed rate of 1.53% per annum amended to 1.98% for the amount of 25 million Euros not guaranteed by CDP; fixed rate of 0.492% for the amount of 25 million Euros guaranteed by CDP. This loan is based on the presentation of a multi-year R&D plan. Maturity 10/16/2022.
Ansaldo Energia - Loan 2 (EIB)	Loan undersigned on 12/15-19/2016 and amended on 04/19/2019 and 04/24/2020 by Ansaldo Energia Spa with European Investment Bank (EIB) for a nominal value of 80 million Euros, with a bi-annual and constant capital repayment plan starting on 31st of 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 01/31/2024.

Ansaldo Energia - Subsidised Mediocredito MISE1 bank loan	Loan disbursed by Mediocredito with MISE provision obtained following the Ministerial Decree dated October 15th, 2014 (Fondo Crescita Sostenibile). Date of issue 07/03/2019. Nominal value 5.9 million Euros (50% of the report). Six-monthly capital and interest repayment plan every 30th of June and 31st of December of each year. Maturity 06/30/2027. Fixed rate of 0.80% per annum.
Ansaldo Energia - Intesa Bank Loan and MISE3 Subsidised Loan (CDP)	Loan stipulated on 07/31/2018 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 05/25/2020, for the amount of 5 million Euros, broken down as follows: bank loan equal to 0.5 million Euros and subsidised loan equal to 4.4 million Euros. The first will be repaid in half-yearly instalments starting on 06/30/25; the second will be repaid in half-yearly instalments starting on 12/31/2021. 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 06/30/2029.
Ansaldo Energia - Subordinated Shareholder Loan CDP Equity	Loan undersigned on 05/15/2019 by Ansaldo Energia Spa with CDP Equity for a nominal value of 200 million Euros, with a bullet capital repayment plan starting on 12/31/2024. Interest rate Euribor 6 months (zero-floor) + spread (6.75%).
Ansaldo Energia – IFIS Term Bank Loan with SACE guarantee	Financing signed on 06/30/2021 by Ansaldo Energia with Banca IFIS for an amount of 20 million Euros. This financing shall be assisted by a SACE guarantee. The amount is intended to support investment and working capital costs employed in production plants and business activities in Italy. Deadline on 31th of March 2025. Euribor rate 3 months (floor to zero) + spread 2.75% yearly. Pre-amortization 1 year; repayment of 12 constant capital installments.
Ansaldo Nucleare Intesa (ex Mediocredito) Bank Loan and Subsidised Loan (CDP)	Loan signed on 06/25/2018 by Ansaldo Nucleare Spa with Mediocredito Bank (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 million Euros, broken down as follows: bank loan equal to 1.5 million Euros (22.22%) and subsidised loan equal to 5.2 million Euros (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 on 31st of December 2028.
Ansaldo Thomassen Gulf Bank loan Intesa San Paolo Abu Dhabi Branch	Loan signed on 06/07/2018 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 Euros with a six-monthly repayment plan for 5 years with a constant instalment and equal to AED 1.4 million Euros from June 2021 (3 years of pre-amortization). Maturity on June 2026. Interest rate Eibor 6 months + spread. Spread is of 3.05%.

For all Ansaldo Energia loans listed in the table, with the exception of Bond, two indicators on consolidated balance sheet data would be required: The "Leverage Ratio" (Net Borrowing /Adjusted EBITDA) and the "*Interest Cover Ratio*" (Adjusted EBITDA/Net Interest Payable).
There is no expected *breach* of indicators from the preliminary simulations.
The next test, so far always respected with positive outcome, is scheduled to June 30th, 2022 on a LTM basis (*Last Twelwe Months*).
Since 2020 Ansaldo has been subject to the verification of a further financial parameter to be respected, *the Minimum Available Liquidity* (MAL), defined as the minimum available cash amount; This parameter, which also includes the unused portion of the Revolving Facility, should never fall below the value of 50 million Euros in addition to the available liquidity. The test is quarterly.

Net Financial debt (cash)

The details of the financial debt as of 31st December 2021 and 2020 are as follows:

Euro/thousand	12/31/21	of which with related parties	12/31/20	of which with related parties
Cash and cash equivalents	301,092		266,346	
CASH AND CASH EQUIVALENTS	**301,092**		**266,346**	
CURRENT FINANCIAL RECEIVABLES	**13,595**	-	**10,818**	-
Current bank loans and borrowings	197,297		206,208	
Bond liabilities (current portion)	5,112		5,142	
Lease liabilities	5,543		6,800	
Other current loans and borrowings	631	-	1,177	-
CURRENT FINANCIAL DEBT	**208,583**		**219,327**	
NET CURRENT FINANCIAL DEBT (CASH)	**(106,104)**		**(57,837)**	
Non-current bank loans and borrowings	345,276		346,861	
Bond liabilities (non-current portion)	349,237		348,735	
Lease liabilities (non-current portion)	30,741	-	65,805	-
Other non-current liabilities	235,588	235,588	225,749	223,453
NON-CURRENT FINANCIAL DEBT (CASH)	**960,842**		**987,150**	
NET FINANCIAL DEBT (CASH)	**854,738**		**929,313**	
of which net financial debt (cash) from assets/liabilities held for sale	-		33,348	

35. EMPLOYEE BENEFITS

The entry in question can be detailed as follows:

Euro/Thousand	12/31/21	12/31/20
TFR	8,135	10,074
Defined benefit pension plans	1,552	1,358
Other provisions for personnel	21,228	29,200
	30,915	**40,632**

This amount mainly includes the liability for defined contribution plans of the Group's foreign companies of 19,400 thousand Euros and the debt for end-of-relationship treatment of 8,135 thousand Euros.
The end of Report treatment (TFR), for Italian companies, represents the residual share of the debt at the date of entry into force of the reform net of the liquidations made up to the reference dates and, since it is comparable under IAS 19 to a liability arising from a defined benefit plan, it has been subject to actuarial valuation.

Euro/Thousand	12/31/21	12/31/20
Opening balance	10,074	14,344
Interest costs	14	53
Actuarial losses (gains) on equity	(6,644)	4,407
Decreases due to sales	2,141	5,563
Other changes	6,832	(3,167)
Closing balance	**8,135**	**10,074**

The following is a detail of the main economic and demographic assumptions used for the actuarial assessments of the TFR:

	TFR	
	12/31/2021	12/31/2020
Discount rate	0.46%	0.02%
Inflation rate	1.75%	0.80%

According to the new Social Security reform, for companies with at least 50 employees, the future accrued shares of the TFR Fund will no longer be transferred to the company, but to the supplementary pension fund or the INPS Treasury fund. It is therefore no longer necessary to show wages according to certain growth rates and by professional qualification.

	TFR and defined benefit plans	
	12/31/2021	12/31/2020
Death	R.G. 48	R.G. 48
Retirement	2.9	3.9
Annual turnover frequency and TFR advances		
Average advances frequency	2.35%	2.35%
Average turnover frequency	2.93%	2.93%

Here is the movement of the "*Defined Benefits of Obligation*" entry:

	12/31/21		
Euro/Thousand	Present value of the obligation	Present value of the asset	Defined benefits of obligation
Opening Balance	1,358		**1,358**
Costs for benefits provided	236		**236**
Benefits paid	(42)		**(42)**
Closing balance	**1,552**		**1,552**

36. PROVISIONS

The entry in question can be detailed as follows:

Euro/Thousand	Restructuring	Product warranty	Pending disputes	Tax provi-sion	Others	Total
January 1st, 2020						
Current	-	-	2,738	-	54,975	57,713
Not current	-	23,648	-	29,265	34,133	87,046
	-	**23,648**	**2,738**	**29,265**	**89,108**	**144,759**
Provisions	421	-	-	1,829	15,092	17,342
Utilisations	-	(18,500)	(139)	-	(10,787)	(29,426)
Reversals	-	-	-	-	(640)	(640)
Other changes and reclassifications	-	-	-	(42)	(1)	(43)
December 31th, 2020	**421**	**5,148**	**2,599**	**31,052**	**92,772**	**131,992**
Broken down as follows:						
Current	421	-	2,599	561	70,090	73,671
Not current	-	5,148	-	30,491	22,682	58,321
	421	**5,148**	**2,599**	**31,052**	**92,772**	**131,992**
Accruals	-	3,980	530	1,000	4,393	9,903
Utilisations	-	(253)	(215)	(11,645)	(5,797)	(17,910)
Reversals	(421)	-	(987)	(2,136)	(5,416)	(8,960)
Other changes and reclassifications	-	9,896	59	44	(9,999)	-
December 31th, 2021	**-**	**18,771**	**1,986**	**18,315**	**75,952**	**115,025**
Broken down as fllows:						
Current	-	-	1,986	623	58,102	60,711
Not current	-	18,771	-	17,692	17,851	54,314
	-	**18,771**	**1,986**	**18,315**	**75,953**	**115,025**

Product warranty

The fund faces the risks related to direct and indirect damages that originate from the services foreseen on the contract even beyond the contractually foreseen warranty period. Statistically, it is possible to note that indirect damage can occur on the total installed due to the performance of the Group's products.

Pending litigation

The fund represents the best estimate of arbitration and litigation with third parties and confronts disputes and arbitrators in Italy and abroad resulting from orders and disposals of activities carried out in previous years.

Taxes

The tax fund represents the most prudent estimate of the risks related to Italian and foreign taxes (mainly related to the activities of the branches) and amounts to Euro/thousand 18,315 total.

The tax fund mainly faces potential risks of tax disputes in addition to the obsolescence of claims deriving from indirect taxes paid;

in particular the fund receives the proportional coverage for seniority of the following countries:

- Tunisia 8,784 Euro/thousand;
- Algeria 2,447 Euro/thousand;

In addition, the fund accepts EUR 2,000 per thousand as a risk on the Pakistano tax treatment in the field of direct taxes, as a result of a local legislative amendment for which local bodies are currently checking.
For the remainder it refers, to a large extent, to Italian taxes.

Other provisions
They consist mainly of:

- Costs to be incurred after the closure of contracts for guarantees or interventions foreseen by contractual commitments (Euro/thousand 17,388). The fund was moved for net uses of approximately 4 million Euros;
- Costs for dealing with asbestos risk (Euro/thousand 3,942). The amount set aside is the best estimate made on the basis of historical data available and a well-established scientific doctrine indicating "latency times" of the onset of the disease even between 15 and 40 years. Events in the past concerned mainly the Legnano plant and the Genoa plants. This fund, and more precisely any disbursements linked to the so-called "asbestos" case, following the agreements between Finmeccanica (now Leonardo S.p.A) and the Fondo Strategico Italiano (now CDP Equity) In the context of the transaction that covered Ansaldo Energia's share structure - they are the subject of a specific guarantee from Leonardo S.p.A.. Moreover, CDP Equity has already made a formal commitment to Ansaldo Energia to pay all future compensation related to this case by Leonardo S.p.A. directly to Ansaldo Energia;
- Costs to face the risks related to Turkey (Euro 45,739 thousand).

In the staff other movements are also included change differences.

37. OTHER CURRENT AND NON-CURRENT LIABILITIES

Euro/Thousand	Not current		Current	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Employees	4,437	4,122	23,700	21,680
Deferred income			5,244	-
Social security insitutions			12,269	10,863
Other payables	-	-	97,976	66,811
Other payables to related parties	10,225	10,225	144	-
Total other liabilities	**14,662**	**14,347**	**139,333**	**99,354**
Other tax liabilities			989	6,659
Deferred tax liabilities	40,125	76,735		
Total other liabilities	**54,787**	**91,082**	**140,322**	**106,013**

Payables to employees
"Employee payables" refer to additional monthly payments, holidays and permits accrued and not enjoyed, but cleared in the following year.
The non-current share refers to seniority premiums accrued and measured at *fair value*.

Payables to social security and welfare institutions

They relate to the amounts due to these institutions for the contributions to be paid by the Group and its employees in respect of December's salaries paid in January and to the remuneration for the financial year for which contributions are paid quarterly or yearly.

Other payables

The item "other debts" includes the current shares of debt to General Electric for the Gastone operation (about € 10 million), payment of which took place by January 2022; in addition, debt linked to the vacuum vessel project for € 957 thousand, as well as debt owed to consultants and other minor items.

The Italian tax debt of the Parent Company (equal to Euro/thousand 62,029) was also included among the third party debts, while in 2020 the Italian tax credit was placed in other current assets.

This change is mainly due to the introduction of the Split tax mechanism, which has led to the generation of a lower amount of credit tax on debt positions toward suppliers.

Related parties

The debt relates in full to the share of Ansaldo Energia Switzerland's capital increase subscribed by Simest S.p.A. (Cassa Depositi e Prestiti Group) in 2017. With regard to this quota, the Parent Company has a five-year option, which must be exercised, such that the quota currently in possession of Simest S.p.A. has been considered in all respects a de facto participation of the Group in return for a non-current debt to Simest S.p.A.

38. TRADE PAYABLES

Commercial debts increased by 85,221 thousand Euros, due to higher production for the year.

The "maturity factoring" operations included in this item show as of 31st December 2021 a debt of 75,547 (in 2020 Euro/thousand 33,663). With this instrument, the Parent Company allows its suppliers to establish factoring relationships with the object of the demobilization and collection of claims from the same claimed against the Group, for the supply of goods and/or services, with the possibility of obtaining a further delay in the payment of commercial debt, with interest on its own.

39. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The entry in question can be detailed as follows:

Euro/thousand	12/31/21		12/31/20	
	Assets	Liabilities	Assets	Liabilities
Currency forward	-	2,357	340	806
IRS hedging on non-current loan	-	-	-	-
	-	**2,357**	**340**	**806**

IIn line with corporate policy, the Group has covered foreign currency active and passive contracts with derivatives called "*forward foreign exchange instruments*".

40. TRANSACTIONS WITH RELATED PARTIES

40.1 Transactions with related parties – Consolidated Statements of Financial Position

The transactions carried out with Related parties are attributable to activities that concern ordinary management and are regulated under normal market conditions (where not regulated by specific contractual conditions), as are the debt and productive interest credits. They mainly concern the exchange of goods, the provision of services, the provision and use of financial resources to and from the parent company and its subsidiaries, associated companies, held jointly (*joint ventures* and consortia).
The amounts of credits with Related parties are shown below:

(Euro/Thousand) RECEIVABLES AS OF 31ST DECEMBER 2021	Trade receivables	Other current assets	Total
Participating companies			
Shanghai Electric Hong Kong	35,354		35,354
	35,354	**-**	**35,354**
Subsidiaries			
Ansaldo Algeria	2,049		2,049
Dynamic	93		93
	2,142	**-**	**2,142**
Group companies and others			
AC Boilers	298		298
Ansaldo Gas Turbine Technology	371		371
Shanghai Electric Gas Turbine	9,087		9,087
Terna	20		20
Yeni Elektrik	240		240
	10,016	**-**	**10,016**
Entities under MEF control and significant influence			
Enel	18,633		18,633
Leonardo	37	6,188	6,225
Sogin	641		641
	19,311	**6,188**	**25,499**
Total	**66,823**	**6,188**	**73,011**

(Euro/Thousand) RECEIVABLES AS OF 31ST DECEMBER 2020	Trade receivables	Other current assets	Total
Participating companies			
Shanghai Electric Hong Kong	24,181		24,181
	24,181	**-**	**24,181**
Subsidiaries			
Ansaldo Algeria	1,790		1,790
Dynamic	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 or 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**

The amounts of the debts with Related parties are as follows:

(Euro/Thousand) PAYABLES AS OF 31ST DECEMBER 2021	Non-current loans and borrowings	Other non-current liabilities	Trade payables	Other current liabilities	Total
Parent companies					
Cassa depositi e Prestiti			10	72	82
CDP Equity	235,588			72	235,660
	235,588	**-**	**10**	**144**	**235,742**
Participating companies					
Shanghai Electric Group			970		970
	-	**-**	**970**	**-**	**970**
Subsidiaries					
Ansaldo Algerie			87		87
	-	**-**	**87**	**-**	**87**
Group companies and others					
AC Boilers			16,794		16,794
Ansaldo Gas Turbine Technology			(3)		(3)
Eni			531		531
Shanghai Electric Gas Turbine			1,964		1,964
Simest		10,225			10,225
Tamini Trasformatori			832		832
Valvitalia			2,061		2,061
	-	**10,225**	**22,179**	**-**	**32,404**
Entities under MEF control or significant influence					
Enel			774		774
Ferrovie dello Stato			6		6
Leonardo			265		265
Sogin			1,489		1,489
	-	**-**	**2,534**	**-**	**2,534**
Total	**235,588**	**10,225**	**25,780**	**144**	**271,737**

(Euro/Thousand) PAYABLES AS OF 31ST DECEMBER 2020	Non-current loans and borrowings	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 Netherland			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
Tamini Trasformatori			2,315	2,315
Valvitalia			264	264
	-	**10,225**	**4,643**	**14,868**
Entities under MEF control or significant influence				
Enel			(87)	(87)
Leonardo			452	452
Sogin			601	601
	-	**-**	**966**	**966**
Total	**223,453**	**10,225**	**6,655**	**240,333**

40.2 Transactions with related parties –Consolidated Income Statements

The following are all the economic relations with the Group's related parties for the financial years 2021 and 2020:

(Euro/Thousand) 2021	Revenues	Costs	Other operating expenses	Financial income	Financial expenses
Parent companies					
Cassa depositi e Prestiti		18			
CDP Equity		137			13,688
	-	**155**	**-**	**-**	**13,688**
Participating companies					
Shanghai Electric Hong Kong	102,492				
	102,492	**-**	**-**	**-**	**-**
Subsidiaries					
Ansaldo Algerie	441	846			
	441	**846**	**-**	**-**	**-**
Group companies and others					
Ansaldo Gas Turbine Technology	174	3			
Eni	490	837			
Enipower	7,704				
Shanghai Electric Gas Turbine Technology	18,464	4			
Simest					450
Tamini Trasformatori		13,022			
Valvitalia		2,795			
	26,832	**16,661**	**-**	**-**	**450**
Entities under MEF control or significant influence					
Enel	43,395	778			
Ferrovie dello Stato		24			
Leonardo		449			
Sogin	1,458	1,525			
	44,853	**2,776**	**-**	**-**	**-**
Total	**174,618**	**20,438**	**-**	**-**	**14,138**

(Euro/Thousand) 2020	Revenues	Costs	Other operating expenses	Financial income	Financial expenses
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			
Ansaldo Netherland	788	25			
	3,122	**55**	**-**	**-**	**-**
Group companies and others					
Ansaldo Gas Turbine Technology	145	131			
Eni	66	213	2		
Icim Group		(2)			
Shanghai Electric Gas Turbine Technology	5,035	559			
Simest					450
Snam Rete Gas	(30)				
Tamini Trasformatori		26			
Valvitalia		264	-		
	5,216	**1,191**	**2**	**-**	**450**
Entities under MEF control or significant influence					
Enel	29,352				
Ferrovie dello Stato		30			
Leonardo		802			
Sogin	2,789	499			
	32,141	**1,331**	**-**	**-**	**-**
Total	**63,978**	**3,792**	**2**	**-**	**14,219**

The financial income relates to the use of the availability made during the year, also through the use of temporary liquidity constraints, always respecting the best market conditions.
The economic ratios to the subsidiaries relate to costs for services received net of recoveries of expenses for those effected. Financial charges and income are related to financial relationships regulated at the market rates in force in the Group.
Economic relations with related parties mainly concern supplies of materials and services for specific orders or for general services.

41. GUARANTEES AND OTHER COMMITMENTS

Personal guarantees provided

The Group as of 31st December 2021 has the following guarantees:

Euro/Thousand	12/31/21	12/31/20
Third parties guarantees	1,089,424	977,654
Personal guarantees issued	**1,089,424**	**977,654**

These are mainly guarantees issued by credit institutions and insurance companies in favor of:

- Customers for participation in tenders (Euro/thousand 6,085);
- Customers for advances received and good execution of the work (Euro/thousand 1,015,036);
- Other: Funders, customs offices and taxes, lessors, Inps (Euro/thousand 60,089);
- Leverage in favor of Cassa Depositi e Prestiti for BEI financing (Euro/thousand 8,214).

42. REMUNERATION TO THE INDEPENDENT AUDITING FIRM

The fees for the year 2021 for certification services of the auditing company Deloitte & Touche S.p.A. and the other network members amount to 580 thousand Euros.

PARENT COMPANY'S BOARDS AND COMMITTEES

BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting of the 14th of 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 10/18/2019)
Bergonzi Simone	Director
Castano Giampietro	Director
Mascardi Fabiola	Director
Massoli Fabio	Director
Wang Fufang	Director
Xiaohong Zheng	Director

The Board of Directors of the 27th of March 2020, following the death of Director Simone Bergonzi, has co-opted Giovanni Zetti.

The Shareholders' meeting of the 20th of April 2020 appointed Giovanni Zetti as Director.

On the 22nd of June 2021, Jianhua Yuan resigned as Vice Chairman and Director of Ansaldo Energia S.p.A.; Consequently, the Board of Directors of the 12th of October 2021 co-opted Antonella Baldini and appointed her Vice Chairman of the Board of Directors.

On the 31st of December 2021, the composition of the Board of Directors of Ansaldo Energia S.p.A. is as follows:

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

BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting of the 14th 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

INDIPENDENT AUDITING FIRM

For the 2021 financial statements

Deloitte & Touche SpA

REMUNERATION COMMITTEE

Zampini Giuseppe	The Chairman
Mascardi Fabiola	
Massoli Fabio	
Zheng Xiaohong	

RELATED PARTIES COMMITTEE

Federico Luciano	The Chairman
Luca Andrea Cidda	
Alessandro Comola	

KEY EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

It should be noted that:

- January 2022 saw the conferral of the microturbine branch to the newly formed Ansaldo Green Tech, entirely owned by Ansaldo Energia. This branch is considered to be synergistic with initiatives relating to the energy transition and a distributed network.
- The emergence of the Russia-Ukraine military conflict is a "*non-adjusting consequence event*" as provided for in IAS 10.
  The Group is monitoring the crisis and impacts on the energy market.
  At the same date Ansaldo Energia Russia has in balance Accounts receivable for 4.5 million Euros, stock of warehouse for a value of 13 million Euros and cash and cash equivalents for 1.5 million Euros, used in the first months of 2022 to repay the intragroup debts to Ansaldo Energia.
  The impact on the 2022 budget of sales volumes in Russia is estimated at 26 million Euros, with EBITDA of 6.8 million Euros and a potential cash impact of 20 million Euros.
  Given the entities in question, there is no risk to going concern at this time.
  However, the company is monitoring potential consequences on the energy market and identifying countermeasures, pursuing commercial channels with less impacted areas (see North Africa), possible cost containment accelerations, and cash optimization opportunities.

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Ansaldo Energia S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Ansaldo Energia S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated 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 our report. We are independent of Ansaldo Energia S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the paragraph "Key events occurred after the end of the reporting period" of the Notes to the consolidated financial statements and to the paragraph "Going concern" of the Report on operations, where disclosure is provided of the assessment made by the Directors in relation to the conflict between Russia and Ukraine and its possible effects on the Group. Our opinion is not modified in respect of this matter.

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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, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

- obtain 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

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- conclude on the appropriateness of management's 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;

- evaluate 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.

- Obtain 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.

We communicate 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 identify during our audit.

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Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Ansaldo Energia S.p.A. are responsible for the preparation of the report on operations of Ansaldo Energia Group as at December 31, 2021, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Ansaldo Energia Group as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of Ansaldo Energia Group as at December 31, 2021 and is prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Laganà
Partner

Genoa, Italy
April 5, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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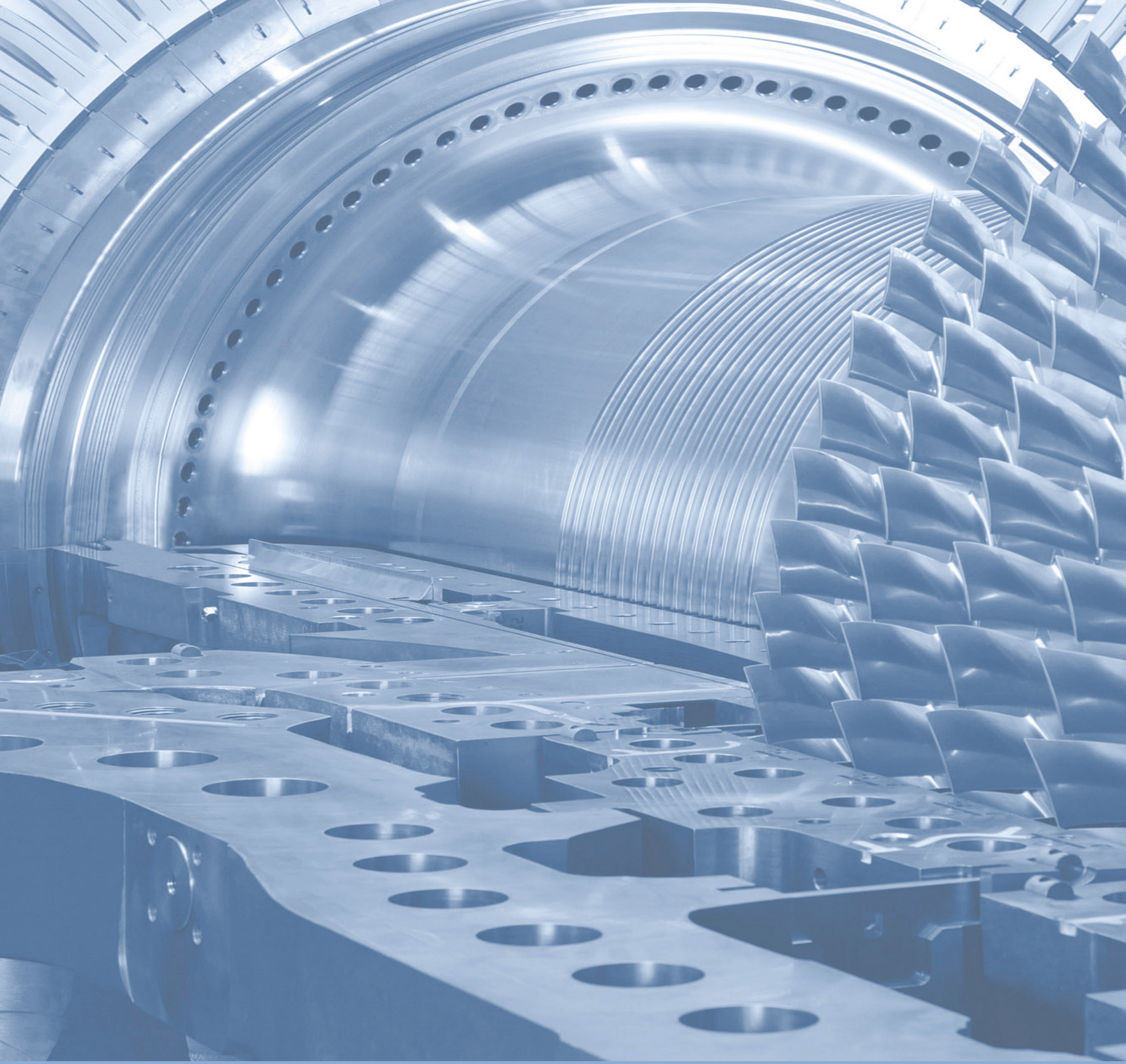

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