ansaldo energia

2022

CONSOLIDATED FINANCIAL STATEMENTS

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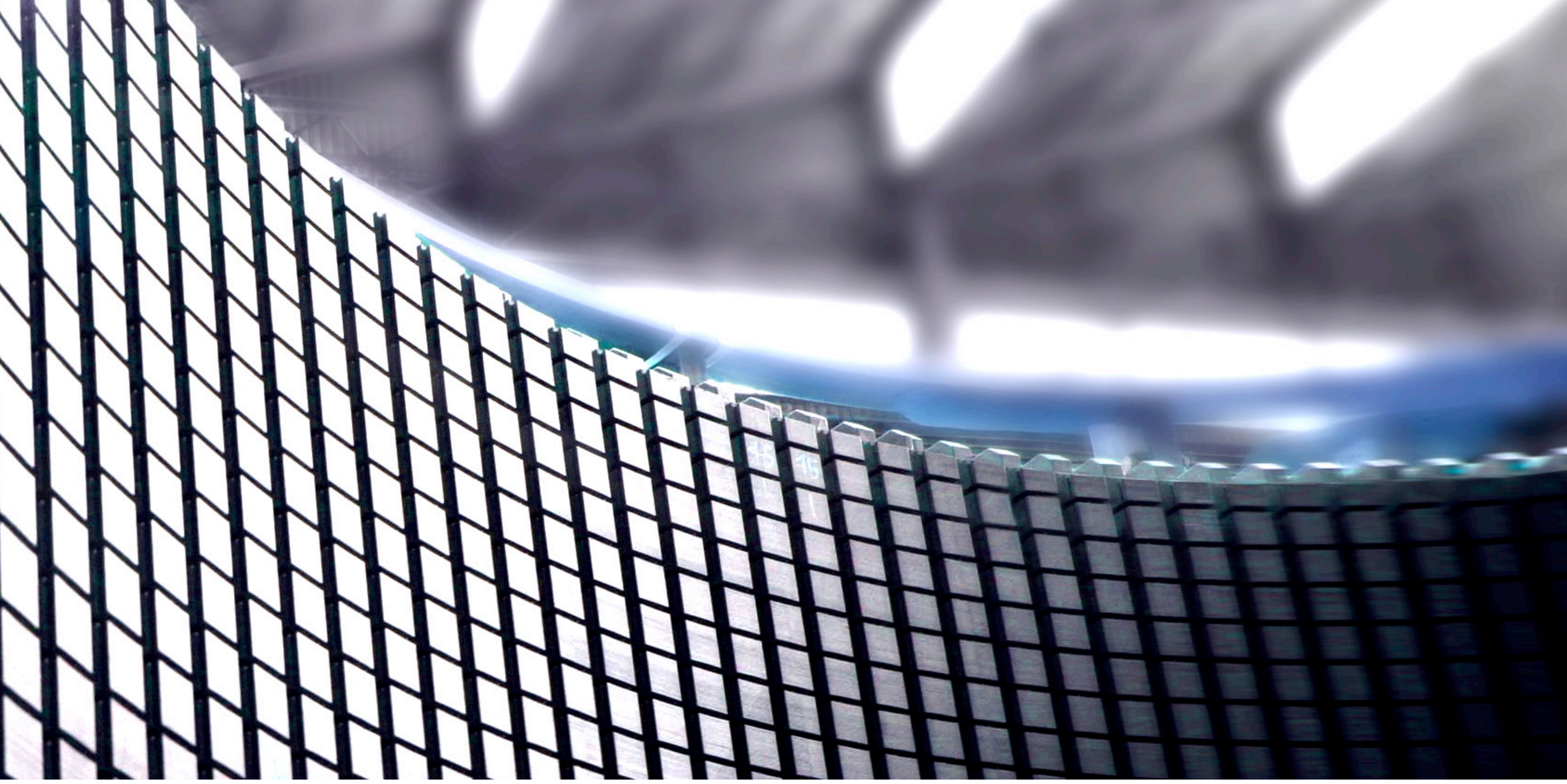


EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 66

PARENT COMPANY'S BOARDS AND COMMITTEES

Board of directors

Appointed by the Shareholders' Meeting of the 16th of May 2022, for the three-year period 2022-2024

Franzino Lorenza Franca	The Chairman
Zetti Giovanni	Vice Chairman
Marino Giuseppe	Chief Executive Officer and General Manager (BoD 05/16/2022)

The board of directors of Ansaldo Energia of the 31st of January 2023 took note of the resignations of the CEO and general manager Giuseppe Marino. The CEO remained in office until 31st March 2023.

Fabbri Fabrizio	Chief Executive Officer and General Manager

On date 30th March 2023, the board of directors of Ansaldo Energia S.p.A. appointed Fabrizio Fabbri as new CEO of the company with effect from 1st April 2023.

Bisagni Chiara	Director
Girdinio Paola	Director
Massara Gaetano	Director
Pellegrini Fabiola	Director
Barchiesi Fabio	Director
Dainelli Maurizio	Director

Board of statutory auditors

Appointed by the Shareholders' Meeting of the 16th of May 2022, for the three-year period 2022-2024

Corradini Carlo	The Chairman
Gazzola Elena	Acting Auditor
Del Fabbro Pietro	Acting Auditor
Russo Paolo	Alternate Auditor
Gardin Samantha	Alternate Auditor

Indipendent auditing firm

Appointed by the Shareholders' Meeting of the 27th of October 2020, for the auditing of the financial statements for the financial years 2021-2023

Deloitte & Touche SpA

Supervisory board

Appointed by the board of directors of the 3rd April of 2020, expires with the approval of the financial statements for the year ending 12/31/2022.

De Marchi Giancarlo	The Chairman
Barontini Diego	
Flick Carola	

SIGNIFICANT DATA

Orders	**2022: € 898.4 M** **2021:** € 1,368.4 M
Revenues	**2022: € 1,237.1 M** **2021:** € 1,491.0 M
Net result	**2022: € (559) M** **2021:** € 32.3 M
Net debt	**2022: € (1,048) M** **2021:** € (854.7) M
Order Backlog	**2022: € 4,122.0 M** **2021:** € 4,505.0 M
EBIT	**2022: € (554) M** **2021:** € 49.8 M
Free Operating Cash Flow	**2022: € (197.9) M** **2021:** € (31.0) M
Headcount (at the end of the year)	**2022: 3,389** **2021:** 3,310

REPORT ON OPERATIONS

Dear Shareholders

In 2022, the market environment characterized by the dramatic Covid-19 pandemic and the consequent increases in transport, logistics and raw materials costs due to the resumption of the global economic cycle, as well as the impacts of the Russian-Ukrainian conflict, have strongly influenced the Group's economic and financial results and expectations in the short to medium term, showing a reduction in performance indicators compared to the previous year and the 2022 forecasts.

The order taking of €898 M (€1,368M in the previous year) was driven by the Service line; it is pointed out that the New Unit line recorded a reduction in the order expectations, mainly deriving from the negative results of the *Italian Capacity Market* that did not assign new orders to the Group.

Moreover, the scenario resulting from the Russian-Ukrainian crisis has generated, with rising gas prices and uncertainty about gas availability, a strong market instability, reducing the expectations of new investments by prospective Ansaldo's customers.

The macroeconomic context has determined tension on the supply chain and increase in direct and indirect production costs that have guided a review of the lifetime margins of New Unit sales projects with a consequent impact on economic results.

These expectations, included in the revision of the guidelines of the Industrial Plan 2022-2027, made it necessary to assess the load values of the assets entered in the financial statements through an impairment test.

The results of the various impairment tests led to an overall write-down of €390 M, as detailed below:

- Write down of Development costs on GT36 H-class technology for €219 M (of which 59.5M in the Parent Company's financial statements and 159.5 in Ansaldo Energia Switzerland);
- Goodwill impairment for €171 M.

It should be noted that in the separate financial statements of the Parent Company, the following were also provided:

- Impairment of the value of the investment in Ansaldo Energia Switzerland for €179 M due to the difference between the investment's carrying amount of €208 M and the equity value resulting from the impairment test on the investment.

For a detailed description of the impairment test, please refer to specific paragraph.

In this context, the Board of Directors of the Parent Company, noting the impossibility of achieving the financial objectives previously communicated to the public and of implementing the existing industrial plan, has started interlocutions with the relevant stakeholders to elaborate a new industrial plan and a financial maneuver that would allow the realization.

On the 1st of August 2022, the Board approved the half-yearly report as of 30th June 2022 on a going concern assumption, supported by the discussions with the main stakeholders. The report highlighted a loss of the Parent Company's period of Euro 585.8M and therefore the integration of the relevant conditions in accordance with art. 2446 civil code. On the same date, the Board therefore immediately convened the Shareholders' Meeting of Ansaldo for the adoption of the appropriate legislative decisions.

Starting from that date, the management started the functional activities to define the overall financial and capital strengthening measure aimed at relaunching the Company and its subsidiaries.

MACROECONOMIC SCENARIO AND ITS IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ANSALDO ENERGIA GROUP

The current situation, despite a reversal of the Covid-19 pandemic trend, is still characterized by uncertainty from the macroeconomic scenario. Therefore, the Group is called, as required by the ESMA directives (an UE Supervisory Authority), has to report information on the impacts this issue has had on the financial statements as of 31st December 2022 and could have in the future. The increase in transport, logistics and raw materials costs, dictated by the economic recovery and aggravated by the increasing inflation dynamics, has strongly influenced the profitability of the new plant Business Unit's portfolio orders. In the various recommendations issued, the ESMA requires adequate information, especially in relation to the aspects most subject to management evaluation.

For the Ansaldo Energia Group, it means:

- Updating business plans and revenues from customer contracts;
- Financial instruments;
- Impairment of non-financial assets;
- Employee benefits;

The purpose of the analysis on these points was to verify any significant impacts on the financial statements.

Update business plans and revenue from customer contracts

The review of the 2023-2027 Industrial Plan was necessary both in the face of the continuing pandemic and in the geopolitical scenarios created by the Russia-Ukraine conflict, which have strongly affected the activity and margins of the period.

In relation to this context, the Group had to revise and update the risks of possible direct and indirect impacts of Covid-19 and the more general macroeconomic context, including in the evaluations of its sales orders both the effects deriving from the already mentioned slowdown in the supply of specific materials and the inflationary dynamics already occurred since the second half of 2021 and increased in 2022, considering, moreover, the forecasts of further growth of the same applying them to the whole life of the contracts.

The updating of the guidelines of the Industrial Plan 2023-27, compared to the previous plan approved in February 2022, shows a reduction in revenues compared to the previous Industrial Plan, due to a shrinking market forecast and a reduction in EBITDA over the Plan period, mainly due to product cost and price dynamics in a highly competitive environment.

In fact, the cost of the product is affected by the inflationary dynamics due to the global economic recovery, the difficulty of supply and the consolidation of the new H-class technology.

About revenues from customer contracts, as a result of the changed market conditions and the Covid-19 crisis, the plan reflects agreements between the parties that could change certain contractual aspects related to the object or price of the transactions.

Similarly, the implications of the macroeconomic scenario and the pandemic were considered in the estimation of the full-life costs of the projects, making it necessary to assess the possible exclusion of certain pandemic-related costs from progress of the projects.

Finally, in view of this macroeconomic scenario, characterized by high inflation, higher interest rates, slow markets and geopolitical risks, the impacts on the 2022 financial statement of the Group are significant and relevant for the analysis of the going concern assumption, as indicated in the relevant paragraph.

Financial instruments

The Group has carried out specific analyzes on the impacts of the macroeconomic scenario regarding classification of financial instruments. The reference business model of the same is unchanged.

The above described effects relating to the macroeconomic context contributed to the breach of financial covenants, more precisely the *Leverage ratio (see art. 17.2 of the TLA&RCF contract and art. 17.2 of the Guarantee revolving facilities contract)* in June 2022 and December 2022 and of the covenant Minimum Available Liquidity in September and December 2022.

In the view of the above-mentioned breach of the financial covenants, interlocutions have been initiated with the majority shareholder and the financial institutions for the implementation of a financial maneuver necessary to restore the capital and financial balance of the Group.

Ansaldo Energia has updated the calculation of the ECL in accordance with IFRS 9 regarding investments in equity, trade receivables, guarantees issued and cash and cash equivalents, without noting significant impacts in the determination of value losses of the assets themselves that are related to the type of trade receivables, clients, and financial institutions of reference for the Ansaldo Energia Group.

The Group carried out an analysis of the credit risk related to current passive guarantees, mainly linked to the performance risks on active contracts and to the future need for the provision of bank and insurance guarantees on newly acquired contracts.

The review of the industrial plan has revealed problems of “going concern” also linked to the non-compliance of financial covenants which will require further analysis and that could highlight a credit risk linked to the guarantees existing today and to the future need to issue new ones. This risk is included in the going concern analysis.

Impairment of investments and other non-financial assets

The Group carried out and formalized an assessment to analyze the recoverability, through impairment test, of the other assets.

This analysis considered the economic and financial effects of the macroeconomic scenario included in the review of the industrial plan for the years 2023-2027 and highlighted devaluation indicators.

The rise of the interest rates and the related uncertainty have affected the discount rates used in impairment tests.

In view of the above, the tests showed significant impacts, leading to a reduction in the Group’s assets, for which details refer to the specific disclosure of the financial results of FY 2022.

Employee benefits

As required by IAS 19, the Group has updated its liabilities arising from a defined benefit plan, updating the assumptions of inflation rate, discount rate, wage dynamics and market evidence. The relating disclosure is reported in the notes to the financial statements.

IMPACTS CLIMATE CHANGE

The Group 2023-2027 Industrial Plan includes analyzes and related impacts associated with "climate change".

The main risks identified concern the adaptation of the product portfolio to the regulations on Energy Transition.

The products of the Ansaldo Energia Group are already a push toward decarbonization today, providing a significant contribution to the stability of electricity grids that will be increasingly affected by the unpredictability of electricity generation from renewable sources.

Furthermore, the Group, to increase the sustainability of its existing portfolio, is dedicating itself to Research and Development activities aimed at allowing the burning of ever-increasing percentages of hydrogen in turbogas in order to guarantee the stability of the network, in the face of the growth of non-programmable energy sources, in compliance with the objectives of reducing carbon dioxide emissions.

The new industrial plan includes the development and diversification of products on continuous segments with the enhancement of the Group's technological know-how: Storage systems integrated with Gas power plants and the production of hydrogen generators (electrolyzers) through the company Ansaldo GreenTech S.p.A built in FY 2021.

The industrial plan provides for the growth of the nuclear sector as a transitional energy.

Most of the agencies operating in the energetic field emphasize the importance of the role that nuclear power can and must play in this transition. The consolidated approach of recent decades (focused on consolidated technology and existing market share) is being replaced by one that is increasingly focused on innovation and growth.

Ansaldo Nucleare, having invested since the end of the '80s in the search for innovative solutions, both for reactor design and for waste management and decommissioning, is in a favorable position to contribute to the change of the nuclear proposal.

The strategic vision is based on three main pillars:

- The short-term aim of providing effective solutions for the decommissioning of old plants and the closure of the nuclear life cycle, accelerating the return of nuclear sites to green field;
- The medium-term aim of integrating new flexible and more sustainable nuclear reactors with renewable energy sources, in order to cooperate in Europe's energy transition;
- The long-term aim of making the fusion a concrete response to the energy needs of the future, with the highest standards of sustainability for a new clean energy source.

The market outlook resulting from the scenario described in the medium term 2022-30 shows a potential annual growth of nuclear as transitional energy and an annual growth in the gas sector.

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 to support management in sharing and managing risks and making informed decisions for optimizing performance. In particular, the structure deals with:

- 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 targets;
- Comply with applicable laws, regulations and governance standards in all areas of operation;
- Facilitate informed decision-making processes;
- To raise awareness of the balance between risks and profits in support of the achievement of the strategic objectives of the company;

- Supporting the dissemination of the *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 with particular regard to the Russian-Ukrainian area;
- Market shares and competitors;
- Changes in legislation and taxonomy;
- Technological innovations.

Identifying impacts on the following business areas:

- Strategic;
- Financial;
- Legal and compliance;
- Operational.

The risks identified have been mapped to a scale of relevance that, for financial aspects, bases the risk hierarchy on impacts over the period of Budget and Business Plan.

In particular, the following risks have been identified about climate change:

A. Core *Business contraction*, due to the change in the macroeconomic and regulatory environment;

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 compared to the capacities and business model in relation to the diversification of the product portfolio and the associated business;

C. Possible difficulties in accessing credit or criticality in negotiating favorable conditions for Group's financing.

The Group has set, in mitigation of the risks identified, specific actions of:

I. Periodic mapping of regulatory impacts on current CO_2 emissions product portfolio;
II. Final implementation of the technical-economic feasibility analysis for the adjustment of the products portfolio;
III. Definition of a medium-long-term sustainability strategy;
IV. Possible search for alternative credit institutions (insurance market) and definition of sustainability plans.

Here are some of the Group's product sustainability goals from the 2021 Sustainability Report:

- 2022-2023 To consolidate partnerships and reference technologies for energy Storage in order to reach the targets set out in the strategic business plan;
- 2022-2026 Start-up of sites for production processes related to selected hydrogen reference technologies according to the strategies of the European Union;
- 2023-2026 Start-up of gas turbine upgrade development programs aimed at:
  - increase in efficiency in natural gas operation and for the use of hydrogen at 100% for the reduction of the carbon footprint for class H gas turbines;
  - development of high hydrogen combustion systems for Class F gas turbines,
- monitoring of the environmental impact of the product and starting of the product certification processes (carbon footprint) of the GT36 gas turbine;

ART.8 of Taxonomy Regulation

The Parent Company prepares the sustainability Report annually, monitors programs for continuous improvement of environmental performance with specific non-financial KPIs, and sets specific targets related to:

- Management of dangerous substances;
- Raw materials and materials;
- Energy consumptions;
- Water withdrawals;

- Atmospheric emissions;
- Waste management.

To achieve these objectives, the Group has planned specific investments in the Industrial Plan.

Assets impairment test

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

The flows used for the determination of the recovery value of non-current assets derive from the estimates and assumptions included in the updating of the guidelines of the industrial Plan 2023-27, with market views of the products updated to the environmental regulations deriving from the climate change.

The volumes of investment needed to adapt products and the medium-long-term growth rate reflect market-related risks related to climate change.

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 reductions in the fair-value of the assets included in the company's financial statements directly related to the problem of climate change; however, the results of the impairment tests led to a reduction in the value of the AEN Group.

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 2022.

As the analysis showed, the risks related to the adjustment of the product portfolio were identified, by entering the updated market estimates in the industrial plan which led to a reduction in value unrelated to the theme of climate change.

The environmental impacts of production sites are monitored with specific indicators and with the identification of areas of improvement as described in the previous paragraph.

From the risks identified do not emerge contingent liabilities to be included in the financial statements.

DISCLOSURE ON THE RUSSIAN-UKRAINIAN CONFLICT

Following the outbreak of the conflict in Ukraine, the Council of the European Union adopted several restrictive measures, including sanctions in the financial, energy and technology sectors, as well as operational restrictions.

The Group, through its subsidiary Ansaldo Energia Russia, manages service and maintenance contracts on gas plants.

In this respect, there were no significant direct losses on the activities of the subsidiary Ansaldo Energia Russia operating in the on-the-spot service market.

Supplies for maintenance contracts are not, in fact, part of the activities that can be sanctioned. Revenues for FY 2022 amounted to euro 27 million.

The Group continues monitoring potential consequences on the energy market and identifying potential countermeasures, pursuing commercial channels with less impact areas, possible accelerations on cost containment and opportunities for cash optimization.

The main indirect impacts of the conflict in 2022 are, however, the following:

1. Availability of materials, delays in deliveries and price increase of raw materials;
2. Tension on the gas market due to price uncertainty and future gas availability.

Significant risks & uncertainties, going concern

Raw materials prices are increasingly characterized by high volatility, which is part of high inflation context since the second half of 2021.

The Russian crisis strongly impacts the current geo-political and economic scenario by making it difficult for supply chain operators to provide price forecasts and to undertake long-term contractual commitments.

The delivery times of the Raw materials have therefore been considerably lengthened and a sustained and particularly volatile price level is expected until the current situation continues.

Control of the supply chain is therefore one of the most complex challenges to face.

As already mentioned in the paragraph on the macroeconomic scenario, the general macroeconomic context, and the Russian-Ukrainian conflict made it necessary to revise the Industrial Plan 2023-2027.

Ansaldo had to include in the valuations of its sales orders both the effects deriving from the abovementioned slowdown in the supply of specific materials, that by updating those deriving from the inflationary dynamics that have already occurred from the second half of 2021 and increased in 2022, considering, moreover, the forecasts of further growth of the same, applying them to the entire duration of the contracts.

Against this background, the impacts on the 2022 Group's financial statements are significant and relevant for the analysis of the assumption of going concern, for which reference is made to the dedicated paragraph in the report.

Impacts on governance of investee companies

As a result of the ongoing conflict and the sanctions imposed by the European Union, the ESMA requests to examine any resulting restrictions on governance rights on its ability to participate in the decision-making processes of a subsidiary, linked or jointly controlled company.

To this end, it should be noted that there are no impacts on the governance of the subsidiary Ansaldo Energia Russia.

Impairment of financial assets and other financial risks

- **Modification and derecognition**

The Group has carried out specific analyzes on the impact of the Russian-Ukrainian conflict on the classification of financial instruments. The related business model is unchanged.

- **Expected Credit Loss estimate**

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

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

The Group carried out an analysis of the credit risk related to the passive guarantees existing today, mainly linked to the performance risks on active contracts, and to the future need for the provision of bank and insurance guarantees on newly acquired contracts.

The revision of the business plan has revealed problems of "on going concern" also related to non-compliance with financial covenants, which will require further analysis of debt restructuring, which could highlight a credit risk related to the guarantees existing today and future provision needs of the same.

This risk is included in the going concern analysis.

Contract collateral charges are accounted for in the operating margin of sales contracts and are estimated in the full-life planning of the economic and financial budget of the orders.

Impairment test 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 considered the economic and financial effects of the macroeconomic scenario included in the review of the Industrial Plan for the years 2023-2027 and highlighted devaluation indicators.

The rise of the interest rates and the related uncertainty have affected the discount rates used in impairment tests.

In view of the above, the tests have shown significant impacts leading to a reduction in the Group's assets, for which details refer to the specific disclosures of economic and financial results.

IFRS 5

No impact is reported on the application of IFRS 5.

Additional disclosure applicable to the Annual Financial Report

The analysis carried out on the potential impacts of the conflict showed a reinterpretation of the margins of the New Unit portfolio projects which, in view of delays and cost increases, in some cases increased the loss fund (IAS 37).

It is also noted that due to the conflict there has been an increase in the cyber threat, even though there have been no cyber-attack events targeting Ansaldo at the financial statements date.

The Group has implemented the protection system against the above threat by also informing workers through training courses so that their behavior in the use of technologies is more aware.

MAIN EVENTS OF 2022

The most important events that characterized 2022 were the following:

- On 7th January 2022, Ansaldo Energia completed the cold commissioning phase of the gas turbine AE94.3A built and installed in the new IREN plant in Turbigo;
- In February 2022, Edison, Eni and Ansaldo Energia signed an agreement for the launch of a feasibility study for the production of green hydrogen for the new Edison plant in Porto Marghera, where Ansaldo built a GT36 class H turbine, and to contribute to the decarbonization of the electricity sector, in line with the European Green Deal;
- In March 2022, Ansaldo Energia, Ansaldo GreenTech and Energy Dome signed a license agreement for the use by Ansaldo Energia of the energy storage technology owned by Energy Dome, based on CO_2 compression and expansion;
- In April 2022, Ansaldo Energia and Geregu Power Plc announced the signing of a three-year EUR 32 million contract for the major overhaul of the 435 MW Geregu Power Plc in Ajaokuta, Kogi State Nigeria. The contract provides for the supply of spare parts which will be entirely produced by Ansaldo Energia in Italy, as well as maintenance services, which will be carried out by its subsidiary Ansaldo Energia Nigeria based in Lagos;
- In May 2022, the Integrated plant Support Middle East, the new diagnostic center in the United Arab Emirates, was inaugurated at the Ansaldo Energia headquarters in Abu Dhabi. The Integrated Plant Support will work in close collaboration with the equal Center located at the Genoa headquarters to enable the monitoring, with the most sophisticated digital and cybersecurity systems, of the machines installed in the world;
- In August 2022, Ansaldo Energia supplied Iren for the steam turbine of the new combined cycle of the thermoelectric power plant in Turbigo with the supply and installation of the main components of the new plant (the AE94.3A gas turbine, generators, transformers, recovery steam generator) the construction of civil works, the assembly and supply of electrical and mechanical auxiliary plants;
- Ansaldo Energia S.p.A., already with the half-year 2022 reporting, was in the conditions provided for by art. 2446 of the Civil Code. In view of this situation, during the year, the Board of Directors has convened the Shareholders in the Shareholders' Meeting in order to provide for the related resolutions;
- As stated in the previous and subsequent paragraphs, the margin of the New Unit sales projects has been strongly influenced by the inflationary effect of the post-Covid economic recovery and the Russian-Ukrainian conflict, resulting in a revision of the margin of the full-life projects with consequent impact on economic results. These expectations were included in the revision of the guidelines of the 2022-2027 Industrial Plan and made it necessary to assess the load values of the assets entered in the financial statements through an impairment exercise. Therefore, dialog has been initiated with the controlling partner on the necessary financial support and industrial plan; in addition, the guidelines for a financial maneuver have been drawn up, elaborated with the help of a financial advisor in order to reach an agreement with the main financial institutions;
- In October, the CDP Equity shareholder paid an amount of Euro 35.6 million as a capital increase, as the first tranche of the total amount of Euro 50 million, earlier deliberated by the majority shareholder in the event of the breakdown of the *Minimum Available Liquidity* (financial covenant), which occurred in 2022;
- 03rd November 2022: The Group approved the review of the Industrial Plan 2023-2027, which was the subject of analysis by the main stakeholders of the Group's financial maneuver. Reference is made to the Subsequent events for the definition of the financial maneuver.

THE GROUP AND THE MARKET

Development of the global market for the construction of plants and components to produce electricity 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, steam and generator turbines, as well as all the engineering, procurement and construction activities of turnkey thermoelectric power plants;
- *Service*, which provides all maintenance, repair, spare parts and performance improvement services of existing plants, own fleet or third-party fleets based on Siemens's technology;
- *Nuclear*, with the subsidiary Ansaldo Nucleare operating in the construction and dismantling of nuclear installations, in projects and engineering studies relating to the nuclear fusion project and in the treatment of radioactive waste from existing nuclear installations;
- *Ansaldo Green Tech*, wholly owned by Ansaldo Energia, aims to support the diversification of the portfolio with products and technologies for the energy transition. In particular, the company operates in the field of renewable energy storage, i.e., energy storage, as well as in the development/production of electrolyzers.

These activities are carried out by the parent company, its subsidiaries and more than thirty branch sites in the countries where the customers' facilities are located.

Ansaldo is focusing 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 itself 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 is carrying out the evaluation of counter-cyclical business opportunities with respect to power generation from fossil sources, in particular technologies to support the energy transition through the company Ansaldo Green Tech with the aim of developing, produce and market products for the energy transition. This has led to the study of various opportunities for diversification of the product portfolio in the field of renewable energy, such as hydrogen production technologies, energy storage solutions and the construction of hybrid plants.

In addition, the Group, to increase the sustainability of its existing portfolio, is dedicating itself to activities of Research and Development to allow the combustion at increasing percentages of hydrogen in gas turbines, to guarantee the stability of the network in the face of the growth of non-programmable energy sources in compliance with the objectives of reducing carbon dioxide emissions.

In this regard, after a phase of study, interlocutions have been initiated with some partners and Ansaldo is currently carrying out technical and financial due diligence activities, as well as feasibility studies and business plans, to arrive at an upcoming realization of some opportunities. This diversification is addressed by maintaining a selective and disciplined financial approach, aimed at maximizing investment, giving priority to projects that present synergies with the current AEN portfolio, seeking collaborations/joint ventures for risk minimization and participating in European projects/funding to support the energy transition.

Macroeconomic fundamentals

In 2022, the world economy was impacted by rising energy prices (which led to inflationary dynamics and consequent restrictive monetary policies) and geopolitical tensions in Ukraine. This year, the pandemic phenomenon was under control in major countries, but showed signs of a restart in China in the last part of 2022.

As it stands, it is difficult to predict whether the phenomenon will flare up outside China. Given strong global uncertainties (the resulting interest-rate-raising policies and the Covid-19), 2022 recorded a decline in world GDP growth to 3.2% compared to +6% in 2021 (International Monetary Fund). This decline also affected emerging countries, whose growth rate fell from 6.6% in 2021 to 3.7% in 2022.

As anticipated, new variants of the virus, duration, and intensity of conflict in Ukraine, and the economies development rates are all factors that will affect world growth in the coming years. The International Monetary Fund's new estimates see a further weakening of global GDP growth to 2.7% in 2023.

In the following years, global GDP is expected to grow slightly more, by +3.2% in 2024 and +3.4% in 2025, respectively.

The marked rise in gas prices, together with the closure of supply flows from Russia, has had significant repercussions on the price of electricity, requiring emerging policies to ensure the availability of gas to boost short-term consumption efficiency and the growth of renewables in the long term. ensuring adequate energy supply with low environmental impact is available.

Worldwide, 2022 saw an increase in electricity demand of 3% compared to 2021; electricity demand in Europe remained stable (Source Global Data). Among the mix of generation sources, the growing contribution of renewable energy sources is highlighted.

About electricity production from fossil and nuclear sources, with reference to Europe, there was a 4% reduction in 2022 compared to the same period in 2021. There was a 3% increase in coal (due to Russian gas shortages), a -8% reduction in nuclear power (linked to French power stations' stops) and a -1% reduction in gas.

According to data published by the World Energy Outlook 2022 (source IEA - announced plots scenario), electricity generation is expected to grow by 2.8% annually until 2030.

Renewable sources continue playing 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 situation caused by the Covid pandemic, and by the Ukraine crisis 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 growth of renewables expected over the next decade and the shrinking of coal-fired plants places attention on the necessary flexibility of the electricity system worldwide. In this context, the turbogas, fed by low carbon gas mixtures, could have a fundamental role, together with the storage systems.

Nuclear power installations are also expected to increase until 2030 (approximately 2% per year), with China representing the country with the largest installations planned.

The world-wide figures provided by McCoy show orders for gas turbines in 2022 for about 50 GW (+45% compared to 2021).

Ansaldo Energia's reference market for 50 Hz gas turbines with a power exceeding 50 MW was 30 GW in 2022 of power sold (+60% compared to 2021). Much of the increase per year is attributable to the Chinese market.

In 2022, the 60 Hz market for gas turbines with a unit power of more than 70 MW was around 13 GW (+70% compared to 2021).

Overview of the year 2022

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

Europe

For the fourth consecutive year, Europe is a key market for gas turbines with almost 5 GW of capacity sold. The main countries that made these numbers possible were Italy with the capacity market, the United Kingdom for the stabilization of the network and Poland for the coal phase out. Please note that Siemens Energy has declared projects already assigned in previous years.

Over the next few years, a market is expected for the 3/4 GW of new installed capacity. The main drivers of the market are the electrical stabilization due to a substantial increase in renewable sources (capacity market) and the nuclear/coal phase out. Another sensitive policy theme will be security in supply in the face of geopolitical tensions.

Middle East

In 2022, around 3 GW of units were sold in the reference market, returning to 2020 levels, after a 2021 in which the area underperformed.

Over the next few years, a market is expected for the 3/4 GW of new installed capacity.

Africa

The African market closed 2022 to just over one GW, doubling its volume compared to 2021, but remaining in line with the average in recent years. In the future, North Africa is expected to be a market characterized by a replacement of old installed turbines. For Sub-Saharan Africa (except for South Africa), infrastructure problems severely restrict the sale of large turbines.

Asia

The Asian market is in line with last year, with about 3 GW of new capacity sold in 2022. Instead, China peaked units sold by closing 2022 with 17 GW. The weight of H-class projects in China has decreased from 50% to about 30% compared to previous years.

Future forecasts see the Asian market as the reference market for gas turbines with about 50% of the future global market.

Russia and CIS (Commonwealth of Independent States)

Following geopolitical tensions, Russia's contribution to sales in the area was below expectations. CIS countries (including Russia) closed 2022 with orders for 1 GW (3 GW in 2021).

The need to modernize the existing fleet with more performance technologies implies that in the future the market size will be around 1/2 GW a year.

GOING CONCERN

In 2022 the company suffered the results of the capacity market auction in February (which saw some of its customers' projects not being allocated in capacity) and of the increase in raw materials prices, of the materials and the functional performances to the production and realization of the EPC projects in progress. Beyond this scenario, already drastically worse than previously foreseen, there are the effects of the Russian-Ukrainian conflict, which has further exacerbated the inflationary dynamic, leading to double (or triple) increases on an annual basis for certain types of costs and introducing significant uncertainty in the gas market, slowing down the investment decisions of Ansaldo's customers regarding New Units projects. This led the company to open a review process of the industrial plan previously approved in February 2022, a process which ended with the approval by the Board of Directors of 1st August 2022, of the Industrial Plan Guidelines 2022-2027, characterized by a significant deterioration in the margin of the New Unit segment due to the slowdown in new acquisitions and the increase in the cost base of the projects under construction.

The revision of the industrial plan, with the reduction in the expectations of New Units sold, has reduced the prospects of recoverability of intangible assets in the financial statements; the consequent impairment loss of Euro 543 million in Ansaldo Energia S.p.A., already included in the 2022 half-year reporting, has caused the Company to be in the conditions laid down in Art. 2446 of the Civil Code.

Consequently, the Board of Directors of the Company has therefore convened the Shareholders' Meeting on 31st October 2022, who decided to carry forward the net loss and wait for the following year for appropriate measures.

The circumstances that, as of 31st December, give rise to uncertainties about the firm's ability to operate for a period of at least 12 months from the Financial Statements Date are grouped into the following areas:

- Strategic and operational uncertainties, which have led to the need for a revision of the Group's strategic plan compared to the version approved in February 2022.
- Capital and financial uncertainties mainly due to losses recorded in 2022 and the maturity of the main loan over the next 12 months, because of which it was necessary to propose to the main stakeholders of the Group an appropriate financial maneuver.

Strategic and operational uncertainties

The main negative deviations that emerged during 2022 have led to significant uncertainties as to the ability to meet the strategic targets of the industrial plan previously approved in February 2022.

These deviations affected the contraction of consolidated EBITDA in 2022 of approximately €206.5M compared to FY 2021, mainly due to the findings of the backlog review of the New Unit segment.

As stated above, in the 2022 half-year financial statements, the Company already presented losses of more than one third of the share capital, enhancing the assumptions provided for in Art. 2446 of the Civil Code.

The mitigation actions, carried out or planned, aimed at solving strategic-operational uncertainties are described below:

- Revision of the 2022-2027 Industrial Plan guidelines (including the redefinition of the strategic and operational lines of the business), approved on the 1st of August 2022, and subsequently revised and approved in support of the negotiation of the financial maneuver on the 3rd of November 2022, and definitively approved on the 30th of March 2023; the Plan is focused on the following points:
  - Stabilization of the New Unit sector through different mix of projects;
  - Specific investments for product adjustment on core business;
  - Business Service improvement, with greater profitability;
  - Growth of the nuclear business and start-

up of Ansaldo Green Tech's activities with diversification of the Group's product portfolio;
  - Reduction of structural costs;
  - In addition, it is noted that the 2022-2027 Plan was the subject of an *"Independent Business Review"* by primary independent consultants appointed by the financing banks as part of the process of establishing the financial maneuver, resulting in no significant issues regarding the assumptions used in the preparation of the same;
- Changes in the organizational structure, carried out in the second half of 2022, by overcoming the traditional division between the Service and the New Unit business to maximize the synergies between them and to face market competition more effectively. The organization has been divided into three structures:
  - Direct carry-over commercial management of the CEO, in order to guarantee the alignment of the business strategies;
  - Power Business Management, in order to govern the activities and planning both of the previous New Units and Service Business Unit;
  - Operations Management, focusing on production activities and supporting projects.

Capital and financial uncertainties

The following are the main elements of capital and financial uncertainty as of 31st December:

- The economic performance has resulted in inadequate liquidity levels to support financial commitments for the 12 months following the reference date;
- The risk that the shareholders' equity of Ansaldo Energia S.p.A., in the absence of adequate strategic-operational measures and capital-strengthening, could have been further reduced in the future, with a lack of liquidity not adequate to guarantee operational management;
- The risks on the obtaining of signature lines necessary for the continuation of the Group's business;
- Risks related to the failure to refine the financial maneuver envisaged to restore capital and financial equilibrium conditions and the risk of financial institutions failing to obtain the waivers necessary in the face of the breaking of the covenant leverage ratio in June 2022 and December 2022 and of the covenants Interest Coverage Ratio at December 2022 and minimum available liquidity at September and December 2022.

In October 2022, the shareholder CDP Equity paid up an amount of EUR 35.6 million in the form of a capital increase, in accordance with the commitments made during the 2020 financial and equity adjustment (as a first tranche of a total of EUR 50 million) having verified the failure to comply with the "minimum available liquidity". The remaining tranche of EUR 50 million (second tranche) was paid in February 2023 against the breakdown of the minimum available liquidity (financial covenant) in December 2022; however, this second payment was insufficient to restore a minimum level of available liquidity required by the covenant.

Considering these uncertainties, it has become necessary to define a system of exceptional financial and capital measures.

The Board of Directors of Ansaldo Energia S.p.A. has therefore worked on the realization of a maneuver aimed at strengthening the capital and financial structure, with the target of:

- Re-establishing levels of share capital and equity consistent with the size of the company;
- Re-establishing adequate cash levels during the period of the Industrial Plan 2022-2027;
- Access to the availability of signature credit lines in order to support the business operation;
- Reduce the debt exposure to suppliers.

The financial maneuver provides for:

- A capital contribution of Euro 580 million through an optional capital increase offered to the shareholders, by the deadline

of 31st March 2024, with a CDP guarantee for the unsubscribed equity, if any;
- The use of part of the funds deriving from the capital increase for the repayment of the 350 million Euro bond loan with maturity 2024;
- The extension of bank loans, currently expiring in December 2023, for a total of Euro 450 million, until December 2027, with the exception of a portion of the term loan of Euro 155 million which will be repaid in 2023 thanks to the funds deriving from the abovementioned capital increase;
- A new bank loan in 2023, assisted by the guarantee SupportItalia from SACE, for approximately Euro 155 million, with a maturity of 6 years and 3 years pre-amortization period;
- The extension of the signatures banking lines, in order to issue guarantees for the Group's projects, from the current deadline of December 2023 until December 2027;
- The extension of the Shareholder Loan by CDP Equity of approximately Euro 200 million to the 2029.

In addition, the management has carried out constant checks, presented monthly to the Board of Directors, to identify promptly the existence of possible unbalanced indices and in particular:

I. absence of remuneration which has expired for at least 30 days, and which is more than half of the total monthly remuneration;
II. the amount of accounts payable expired for more than 90 days;
III. absence of exposures to banks and other financial intermediaries expired for more than 60 days;
IV. absence of delays of more than 90 days in the payment of social security contributions to the INPS;
V. absence of debt for insurance premiums to INAIL;
VI. absence of overdue and unpaid debts to the Tax Department ("Agenzia delle Entrate");
VII. absence of claims entrusted for collection, either self-declared or definitively established and expired for more than 90 days.

The organizational, administrative, and accounting structure of the Company, adjusted to the nature and size of the Company, has allowed to detect in time the capital and financial imbalance.

As of 30th March 2023, the Board of Directors of Ansaldo Energia – considering the state of progress of negotiations with the relevant stakeholders – has finally approved the Company's new 2022-2027 Industrial Plan as well as the financial and capital-contribution maneuver that will allow its realization.

As of 21st April 2023, the Board – noting the successful conclusion of the negotiations with the financing banks and the decision of CDP, on the 31st of March 2023, in favor of the capital contribution intervention required in the context of the maneuver – has also approved all the measures for its implementation, giving a mandate to negotiate, finalize and subscribe, on the one hand, the financial contracts aimed at transposing the agreements reached with the Banks into the term-sheets and, on the other hand, an "Equity Commitment Agreement" relating to commitments of CDP Equity in relation to the capital-strengthening intervention carried out in the context of the maneuver (the "ECA 2023").

Following a further process of negotiation and definition of the total contractual documentation relating to the financial maneuver, the following were signed:

A. The Amendment and Restatement Agreement relating to the Senior Facilities agreement;

B. The Amendment and Restatement Agreement relating to the Revolving Guarantee facility agreement;

C. The SACE loan facility agreement, relating to the new load of € 155 million assisted by a guarantee issued by SACE;

D. Fee letters relating to the implementation of the agreements mentioned in the preceding paragraphs.

At the conclusion of the maneuver, Ansaldo Energia plans to sign the ECA 2023, as well as the amendment on the Shareholder Loans, extending its maturity to the end of the 2029. The overall support of the banks for the implementation of the financial maneuver is subject, among other, to the occurrence of specific “suspensive conditions”, as for example:

- The obtaining of documentary evidence relevant for the purposes of the so-called “Effective Date”, i.e., in substance, the date from which the Amendment and Restoration Agreement will become effective;
- The obtainment of documentary evidence relevant to the purposes of the so-called “Amendment effective Date”, which is the resolution of additional suspensive conditions, including evidence of the payment made by CDP Equity to Ansaldo Energia, the payment for a future capital increase allocated to a non-recurring equity reserve registered in favor of CDP Equity amounting to Euro 230 million.

Conclusions

In consideration of the all above, and in particular:

- Of the approval by the Ansaldo Energia Board of Directors of the final version of the financial maneuver in support of the new industrial plan 2022-2027, occurred on 30th of March 2023;
- Of the drafting of the new industrial plan approved by the Ansaldo Energia Board on 30th of March 2023 and the fact that all the checks on market and business assumptions, carried out also with the help of specialized consultants (Boston Consulting Group and EY), gave a positive feedback, pointing out that the same plan shows a concrete industrial perspective of business development and diversification;
- Of the progress of the interlocutions with the shareholder CDP Equity regarding the necessary financial support, which was achieved with the approval by its the Board of Directors of the financial maneuver and therefore of the agreement to the capital reinforcement on the 31st of March 2023;
- Of the progress of the negotiations with the financial Institutions, concretized with the signing of the revised financing contracts in line with the forecasts of the financial maneuver.

Although remain uncertainties which primarily arise from:

- The risks and uncertainties related to the timely implementation of the industrial plan with the restoration of profitability conditions;
- The risks and uncertainties indirectly related to the Ukrainian-Russian conflict.
- The risks associated with the evolution of energy legislation, also in the light of the requirements for achieving the emission reduction targets.

It follows that, within the framework of the scenarios defined in the document *“Going concern - a focus on disclosure”* issued in January 2021 by the IASB with reference to the verification of the existence of the assumption of going concern, the Directors believe that the Group falls within the situation identified by the IASB according to which there are *“significant doubs about going concern but mitigating actions judged sufficient to make going concern appropriate”* and, therefore, there are the necessary conditions to be able to consider that it is present, for the purposes of the 2022 financial statements, the requirement for going concern and that the uncertainties that exist are not considered significant for the period up to the end of 2023.

In fact, since the available documentation, although some final documents are missing and commitments are subject to events which have not yet been defined, it seems reasonable to foresee that, on a substantive level, given the absence of impediments to this effect, the financial maneuver can be implemented according to the scheduled terms.

It is pointed out that the assessment carried out by the Board of Directors on the existence of the assumption of going concern involves a judgment, at a given moment, on the future outcome of events or circumstances which are by their nature uncertain; therefore, such determination, although it is formulated on the basis of careful weighting of all the information available, it may be contradicted by the evolution of the facts if the events reasonably expected to date do not occur, or if facts or circumstances emerge with them that are incompatible, which are not known today or in any case not measurable in their scope.

FINANCIAL RESULTS

The 2022 financial year reported a negative result of € 559 M deriving from the impairment test policies on GT36 technology and goodwill, and, as anticipated, the worsening of the margins on portfolio contracts.

The Financial charges/income amounted to negative € 55 million, mainly due to interest and bank charges and interest accrued on the shareholders' loan in favour of the Parent Company by CDP Equity.

EBIT recorded a negative result of Euro 554 million.

Orders amounted to Euro 898.4 million, reaching a total order backlog of Euro 4,122 million on the 31st of December 2022.

Analysis of the economic and financial situation

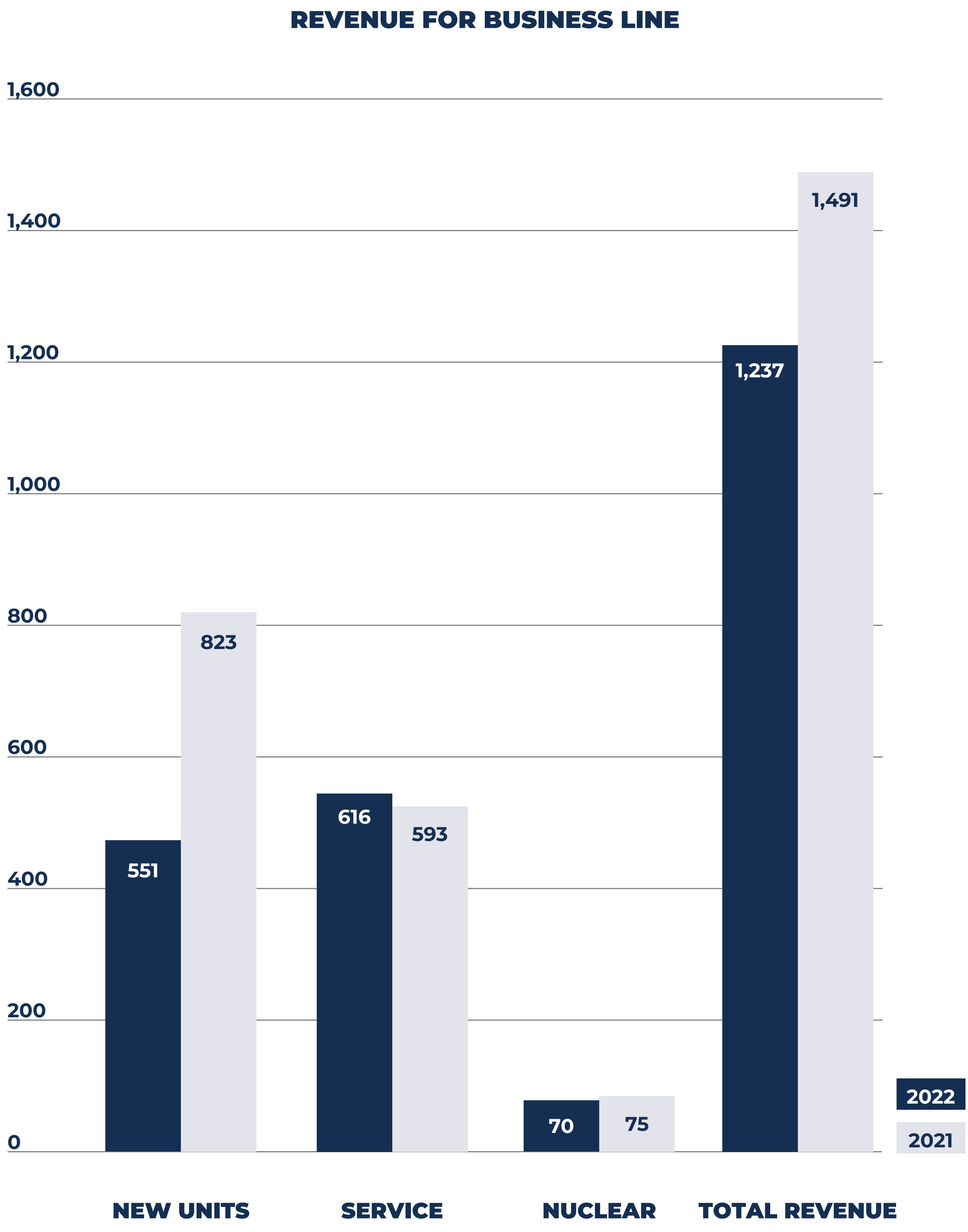
The financial statements as of 31st December 2022, of the Ansaldo Energia Group is prepared in accordance with the IAS/IFRS international accounting standards approved by the European Commission, supplemented by the corresponding interpretations (Standing interpretations Committee – SIC and International Financial Reporting Interpretation Committee – IFRIC) issued by the International Accounting Standard Board (IASB).

To provide full information on the Group's capital, economic and financial situation, the following reclassified statements have been prepared and commented.

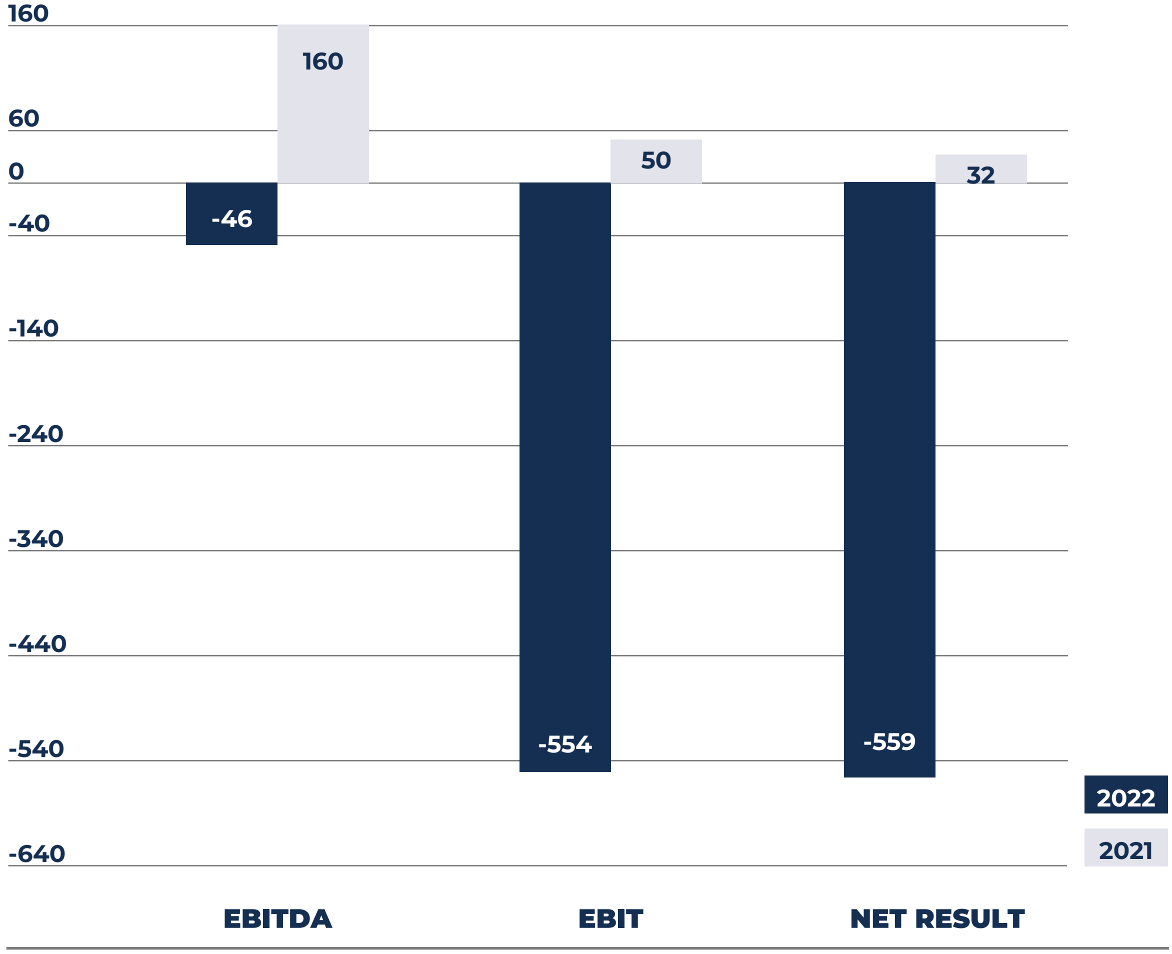
The consolidated income statement is reclassified below:

Euro/thousand	2022	2021
Revenue	**1,237,083**	**1,490,983**
Purchases, service costs and payroll	(1,319,872)	(1,351,823)
Depreciations (commercial)	(664)	-
Other operating net income (expense)	(30,383)	9,906
Change in work-in-progress, semi-finished products and finished goods	67,732	11,309
EBITDA	**(46,104)**	**160,375**
Amortization and depreciation	(70,701)	(68,796)
EBITA Adjusted	**(116,805)**	**91,579**
Non-recurring costs (income)	(3,225)	(7,662)
Restructuring costs	(5,327)	(3,485)
Amortization of intangible assets acquired with business combination	(28,904)	(31,741)
Other extraordinary (costs)/incomes	-	1,136
Impairment of other assets	(399,780)	-
EBIT	**(554,041)**	**49,827**
Net financial income (expense)	(55,176)	(48,964)
Income taxes	(50,194)	(23,427)
NET RESULT BEFORE DISCONTINUED OPERATIONS	**(559,023)**	**24,290**
Profit (loss) from discontinued operations	-	7,983
NET RESULT	**(559,023)**	**32,273**
Attributable to non-controlling interests	189	(280)

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



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



The main entries that have contributed to the Ebit are the following:

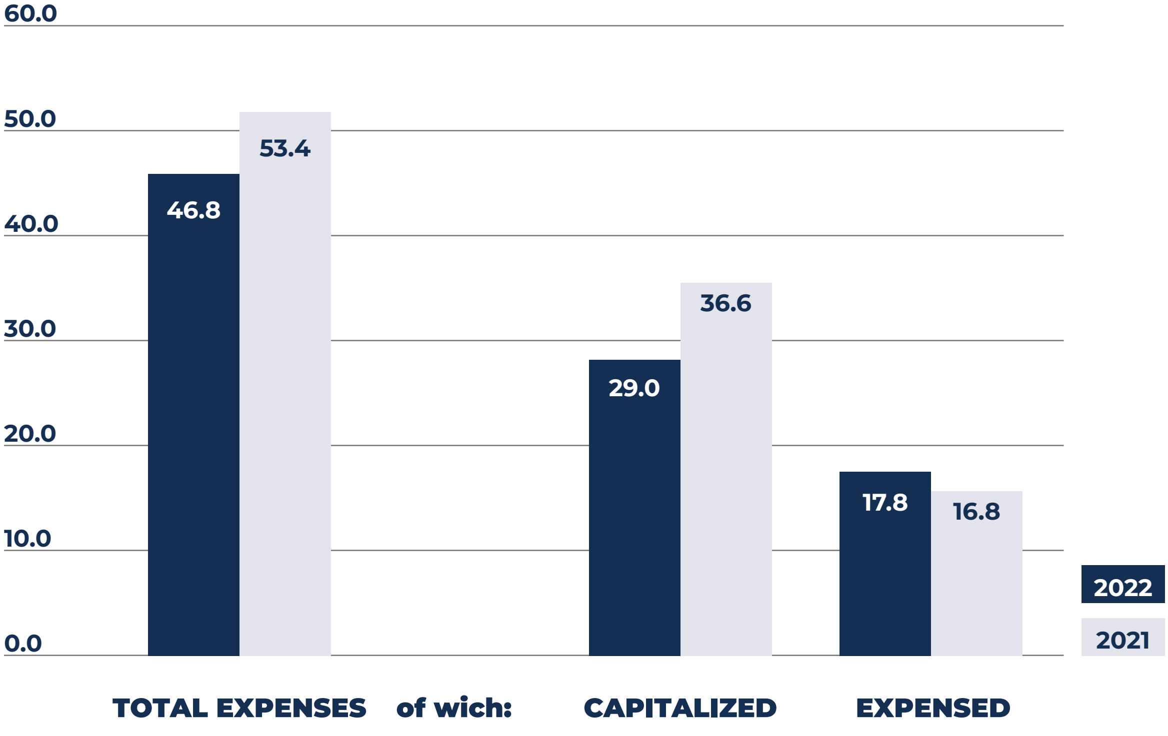
- Ordinary depreciation of Euro 70.7 million (including materials from PPA);
- Amortization of intangible asset resulting from PPA allocations of Euro 28.9 million;
- Net non-recurring charges and restructuring costs of Euro 8.6 million (11.1 million Euro in 2021), as well as Euro 400 million from as detailed below:

	2022	2021
Extraordinary (costs)/income	(3,225)	(7,662)
Restructuring costs	(5,327)	(3,485)
Other extraordinary (costs)/income	-	1,136
Impairment of other assets	(399,780)	-
- goodwill	*-171,000*	-
- Technology (R&D)	*-219,000*	-
- Inventories	*-9,780*	-

Extraordinary charges refer to non-recurring expenses for consultants in support of financial restructuring, management Covid-19, residual costs for sale of assets 2021.

The restructuring charges include replacement allowances and exceptional exodus.

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



Continued investments in Research and Development, although decreasing compared to 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 related upgrades, as well as to improvements on Ansaldo AE94.3 turbines and improvements to Ansaldo AE94.2, AE 64.3 turbines intended for validation, with a view to increasing market coverage.

Financial charges and income, negative for Euro 55 million (Euro 49 million in 2021), mainly include Euro 35.8 million in net interest liabilities and bank charges, interest on the bond of the Parent Company (Euro 9.6 million), interest on the Revolving financing of the Parent Company (Euro 4.3 million), interest on Term Loan (Euro 10.1 million) and net exchange differences (Euro 2 million).

Income taxes have a positive impact of Euro 50 million (positive for Euro 23.4 million in 2021) mainly due to the benefit deriving from the adhesion to the tax consolidation of *"Cassa Depositi e Prestiti"* as reported in the notes to the financial statements.

For the detailed analysis of these items, see the corresponding paragraphs of the notes to the financial statements.

The following table shows the reclassified balance sheet as of 31st of December 2022 and 31st of December 2021:

Euro/thousand	**12/31/2022**	**12/31/2021**
Non-current assets	**1,444,723**	**1,878,640**
Non-current liabilities	**149,345**	**140,016**
	1,295,378	**1,738,624**
Inventories	612,741	497,941
Contract work-in-progress	174,680	186,508
Trade Receivables	396,196	332,665
Trade Payables	563,130	523,520
Advances from customers	834,276	717,730
Working capital	**(213,789)**	**(224,136)**
Current provisions	49,760	60,711
Other net current assets (liabilities)	32,189	(73,038)
Net working capital	**(231,360)**	**(357,885)**
Net invested capital	**1,064,018**	**1,380,739**
Equity	**15,879**	**526,001**
Attributable to non-controlling interests	(479)	(671)
Net financial debt (cash)	**1,048,139**	**854,738**

Non-current assets include mainly intangible assets of 994 million Euro, tangible assets of 238.4 million Euro, accounts receivable with payments over the year of 133.5 million Euro, investments of 18 million Euro and deferred taxes of 54.7 million Euro.

The decrease in non-current assets is due to the impairment policies on technology (devalued by -219 million Euro) and on the goodwill of the Parent Company, which recorded a depreciation of 171 million Euro and results to have a residual value of 626.7 million Euro.

Non-current liabilities include the TFR and other defined contribution plans for staff of 12.8 million Euro, risk funds of 83.9 million Euro (of which the Product Guarantee Fund of 38,3 million Euro, the tax risk fund of 13.7 million Euro, fund costs to be incurred for completion of orders 17 million Euro, Dismantling Birr Fund 13.9 million Euro) Deferred tax liability for 38.9 million Euro, debt to related Simest for 10.2 million Euro, commented in the explanatory notes and other non-current liabilities for the remainder.

Net working capital rose from a negative value of Euro 357.9 million in 2021 to a negative value of Euro 231.4 million in 2022 mainly due to the benefit deriving from the tax consolidation *"Cassa Depositi e Prestiti"* of Euro 57.1 million, as well as the reduction of the Iva debt entered in the 2021 financial statements for Euro 62 million.

Shareholders' equity amounted to Euro 15.9 million and is represented by the share capital of Euro 615.6 million, by the operating loss of Euro 559 million and the remainder from other reserves.

Financial situation

The net financial debt as of 31st December 2022 compared with the corresponding figure as of 31st December 2021 is shown below.

Euro/thousand	12/31/2022	12/31/2021
Cash and cash equivalents	108,031	301,092
Financial receivables from related parties	932	-
Financial receivables	15,681	13,595
CASH AND CASH EQUIVALENT and FINANCIAL RECEIVABLES	**124,644**	**314,687**
Current loans and borrowings	871,668	202,409
Financial payables from related parties	-	-
Other current loans and borrowings	2,289	631
Current lease liabilities	7,898	5,543
CURRENT FINANCIAL PAYABLES	**881,855**	**208,583**
NET CURRENT FINANCIAL PAYABLES	**757,211**	**(106,104)**
Non-current loans and borrowings	9,516	694,513
Related parties loans and borrowings	249,505	235,588
Other non-current loans and borrowings	-	-
Non-current lease liabilities	31,907	30,741
M/L-TERM FINANCIAL DEBTS	**290,928**	**960,842**
NET FINANCIAL DEBT (CASH)	**1,048,139**	**854,738**

The Net financial debt amounted to 1,048 million Euro, compared with 854.7 million Euro as of 31st December 2021.

Current financial payables (Euro 881.8 million) are mainly composed from the Revolving Credit Facility for Euro 150 million, the Term Loan for Euro 301.6 million, the "hot money" lines for Euro 20 million, the EIB Loan of Eur 20.2 million, the IFIS Loans totaling EUR 15 million and the Bond.

More precisely, as stated in the previous paragraphs, having the periodic tests involved the breach of the financial indicators (covenants) required by the banks, the non-current share of EIB Loan of EUR 6.7 million has been reclassified from long-term financial debts to short-term financial debts, of the IFIS financing of 8.3 million Euro and to reclassify in the short term the total amount of the Bond of 354.9 million Euro.

The medium-term financial debts, including leasing debts, of Euro 290.9 million consists mainly of the debt to related parties of Euro 249.5 million, referred to the shareholder financing for the Parent Company provided by CDP Equity.

Regarding the loans, except for the bonds, 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 the above mentioned financial relations.

Total liquidity amounted to Euro 108 million and shows a decrease as reported in the following reclassified statement of cash flows.

The reclassified cash flow 2022 compared with the corresponding cash flow in 2021 is as follows:

Euro/thousand	2022	2021
Cash and cash equivalents as of 1st January	**301,092**	**266,346**
Gross cash flow from operating activities	(12,365)	148,197
Net financial receipts (payments), income (charges), taxes and other operating assets (liabilities)	(94,715)	(43,499)
Funds From Operations (FFO)	**(107,080)**	**104,698**
Changes in working capital	(42,743)	(21,266)
Gross cash flow generated (absorbed) operating activities from discontinued operations	-	(6,724)
Cash flow generated from (absorbed) operating activities	**(149,823)**	**76,708**
Cash flow from ordinary investing activities	(48,029)	(114,743)
Cash flow from discontinued operations investing activities	-	6,987
Free Operating Cash-Flow (FOCF)	**(197,852)**	**(31,048)**
Strategic investing activities and other non-recurring items	(10,244)	83,723
Changes in other investment activities	(476)	(8)
Dividends received (paid)	272	582
Cash flow generated (absorbed) from strategic investing activities and other non-recurring items	**(10,448)**	**84,297**
Capital increases	35,626	-
Net change in other financial receivables/payables	(19,707)	(16,389)
Net change in other receivables/payables from discontinued operations	-	(2,491)
Cash flow generated (absorbed) from financing activities	**15,919**	**(18,880)**
Exchange rate differences	(680)	307
Other movements	-	70
Cash and cash equivalents as of 31st December	**108,031**	**301,092**

The strategic operations recorded a negative result of Euro 10.2 million, coinciding with the payment of the last installment of the debt to General Electric.

The corresponding item for the previous year, equal to Euro 83.7 million, derived 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 approximately 124 million Euro, and from the payment of the annual installment of the debt to General Electric equal to 25 million Euro.

The financing activities were affected by the capital increase of Euro 35.6 million by the CDP Equity shareholder.

ALTERNATIVE "NON-GAAP" PERFORMANCE INDICATORS

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

KPI	Description	2022	2021
EBIT	Profit before taxes and financial part	€ (554) million	€ 49.8 million
EBITA Adjusted	EBIT net of: · impairment on goodwill and technologies; · amortization on allocations from PPA; · restructuring charges; · other non-recurring charges/income	€ (116.8) million	€ 91.6 million
EBITDA	EBITA Adjusted net of depreciation and impairment of fixed assets	€ (46.1) million	€ 160.4 million
Free Operating Cash Flow (FOCF)	Cash flow generated (absorbed) from strategic investing activities and other non-recurring items	€ (197.9) million	€ (31.0) million
Funds From Operations (FFO)	Cash flow of operating operations net of changes in working capital	€ (107.1) million	€ 104.7 million
Working capital	Trade receivables and payables, work-in-progress and advances	€ (213.8) million	€ (224) million
Net working capital	Working capital net of provisions and other current assets and liabilities	€ (231.4) million	€ (357.9) million
Net invested capital	Net working capital and sum of non-current assets and liabilities	€ 1,064 million	€ 1,380.7 million
Orders	The sum of contracts with the customers signed in the current year	€ 898.4 million	€ 1,368.4 million
Order Backlog	Difference between orders acquired at Financial Statements date and progressive turnover	€ 4,122 million	€ 4,505 million
Return On Sales (ROS)	Ratio of adjusted EBITA to revenues	n.a.	6.1%
Return On Investments (ROI)	Ratio between adjusted EBITA and average capital invested over the two years	n.a.	6.9%
Return On Equity (ROE)	Ratio of net result to average net worth over the two years	n.a.	6.4%
Workforce/Average Workforce	Number of employees by balance sheet date Average number of employees in the year	3,389 3,367.6	3,310 3,267.6

BUSINESS PERFORMANCE

Production activity

New Units

Also during the year 2022, Ansaldo Energia suffered the negative consequences of the Covid pandemic on production activities, on the supply chain and above all during the execution of activities at the yards.

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:

Europe

Italy

With reference to the contracts providing for the supply of power plants equipped with the new GT36 turbine of class H technology, during the year the start-up of the machine was completed at the Edison site of Marghera Levante until complete synchronization in the network, the installation on site and the achievement of the “first signing” of the machine at the Edison site of Presenzano and, finally, the gas turbine was delivered to the final customer EP production at the Tavazzano site.

Civil works and mechanical and electro-instrumental assemblies have been completed with respect to the Presenzano contract, and the commercial service target of the power plant has been reached by the end of the year 2022.

The main civil works have been carried out about the Tavazzano contract and the mechanical assembly activities have begun; some critical supplies of the recovery boiler are delayed with repercussions on the general project timetable.

Again, with reference to the new flagship product of the gas turbine range (GT36), in the *Capacity Market investment*, in Italy, the manufacturing of the machines and the supply of the components and systems supplied for the Fusina project with ENEL are being carried out; also, in this project the components of the recovery boiler are delayed.

Moving on to the consolidated gas turbine technology AE94.3A, it is worth noting the entry into commercial operation in July 2022 of the Turbigo plant of the customer IREN.

The contract acquired by Acciaierie Arvedi for the supply, assembly, and commissioning of a gas turbine model AE64.3A of 80 MW and relative electric generator to be installed at the power station of Servola (Trieste) was completed with preliminary acceptance by the final customer.

Work continued the contracts with Terna for the turnkey supply of synchronous compensators for the rephasing and stabilization of the national network to be installed in various sites located in Italy. At the end of 2022, the Villanova compensator was completed and the activities concerning the sites of Codrongianos and Suvereto were started.

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) a plant for operation under reserve conditions 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 entry into service is expected to occurr during the first half of 2023.

Marbach: The contract concluded with EnBW for the turnkey supply of a plant for peak operating conditions equipped with an AE94.3A gas turbine in open cycle, outdoor type, with dual fuel, relative alternator, auxiliaries, and all accessories (mechanical and electrical) has been delayed in the execution of the activities. The project will continue during the year 2023 with a target for completion by November 2023.

Serbia

Pancevo: The commissioning of the two AE64.3A turbines, alternators and all the auxiliaries at the site has 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 built by Ansaldo Energia to operate with low calorific fuel, has been successfully completed.

Minhang: The GT36 gas turbine manufactured in the year 2021 reached its destination at the beginning of the year and the technical assistance activities of Ansaldo Energia specialized personnel for the installation and start-up of the gas turbine were carried out during the year.

The supply of parts and components of gas turbines AE94.3A and AE 64.3A continued.

National Plan: As part of the collaboration signed in 2019 between the Group and the UGTC (China United Gas Turbine Co.) of the SPIC Group, Ansaldo Energia obtained in September 2022 the Final Acceptance Certificate, which attests the acceptance by the partner of the contractual scope. The warranty period is expected to be completed during 2023.

Bangladesh

Rupsha: The technical assistance services related to the installation of the GT 26 gas turbines and the related commissioning activities were carried out during the year 2022.

North Africa

Egypt

The completion of punch lists and guarantee activities continued to complete the various contracts located in Egypt.

Tunisia

Mornaguia: The EPC contract, in accordance with the additional commitments made with the customer, is being carried out in the warranty period.

Sousse D: Final acceptance of the plant has been obtained with the return of the guarantees.

Algeria

The completion activities of the Ain Djasser III and Hassi Messaoud plants continued, and the completion of punch lists and guarantee activities continued to complete the various contracts located at the various sites in Algeria.

Service

In 2022 the work carried out by AEN Service was mainly influenced by the aftermath of the Covid 19 pandemic and the war in Ukraine. Compared to 2021, the consequences of the pandemic were due to the temporary material cost peak and subsequent stabilization at generally higher levels, as well as the limited availability of raw materials due to the obvious bottlenecks in the global supply chain.

The effects of the war in Ukraine have been multiple and have partially increased the effects of the pandemic in relation to material costs and supply chain issues.

By changing the perspective, the situation of insecurity in energy supply and the surge in electricity prices in Europe have led to an increase in the use of combined-cycle plants, which has been beneficial for the activity of AEN Service.

Also, as a result of the war, AEN Service has reduced its presence in Russia, initiating the closure of its branch, but providing the minimum services to keep its gas turbines running in support of Russian citizens, always under strict control and fully in line with European sanctions and the export control policy established by the Italian government.

The above effects, as well as the limited cash availability for AEN operations, have led to an extension in supply chain delivery times in 2022. These extensions have been mitigated in the execution of service contracts, optimizing the use, and sharing of materials among all the AEN business units, through periodic reviews according to the start dates of the main maintenance and the optimization of the work sequences on site. As a result, only a few significant actions had to be reprogrammed, maintaining a high level of customer satisfaction.

The active management of these mitigation actions and the continued implementation of technological upgrades on the AEN gas turbine fleet has led AEN Service to meet and, in some cases, to significantly exceed the 2022 budget, as well as the new industrial plan approved by the Board of Directors.

In terms of workload, 2022 has shown a consistently high level of field activity, exceeding the million hours worked, including contributions from all Group companies.

Approximately 460 inspections were completed, of which 102 Majors, at customer facilities. Note that unplanned maintenance of about 30% of the total has had a significant impact on resource planning and utilization throughout the 12 months. Only constant quality monitoring and careful management of resources have made it possible to mitigate its impact.

The AEN service security KPIs have deteriorated in 2022, generating specific improvement actions that focus mainly on monitoring the skills of subcontractors and on the ongoing training of internal resources.

In terms of efficiency, several initiatives have been developed, focusing both on cost reduction, such as internalization of the AEN Service equipment hub, and on strengthening the service-oriented repair approach, such as the low-speed balancing of gas turbine rotors.

Finally, throughout the year 2022, The service organization has worked closely with the New Unit division to support it on the various sites – currently under construction – that will operate GT36 class H gas turbines with a view to the successful execution of their long-term maintenance contracts.

Nuclear

In 2022, despite the return of the Covid emergency, some of Ansaldo Nucleare's interest-related activities were affected by other external factors, in particular the sharp rise in consumer prices, the start of the war in Ukraine, and especially the sanctions against Russia.

This has led to an increase in environmental complexity that was not imaginable before and has put the company in difficulty, which, however, has tried to react proactively to the market through considerable efforts at all levels.

Overall, in 2022 Ansaldo Nucleare recorded a negative economic and financial result, mainly due to a reduction in expected revenues and a deterioration on some ongoing projects, due to extra costs in the completion phases committed for the Service and to the extension of the timing in the context of the fusion.

As regards the Service activities on the plants in operation, they amounted to approximately Euro 4.0 million, with an incidence on the total of approximately 10% (in 2021 they amounted to 17.8 million Euro, or 38%).

In the field of new plants, the slipping of investment decisions in new reactors in European and North African countries and even more the sanctions concerning Russian technologies have had an impact on the activities of WWER,[1] and SMR[2]. The fusion has maintained a steady

[1] WWER Water-Water Energetic Reactor Russian Design.

[2] SMR Small Module Reactor.

trend, thanks to the continuation of the ITER[3], at the start of new development activities of the next European machine (DEMO[4], demonstration plant to produce energy from the fusion) and the take-off of the Divertor Testing Tokamak project (DTT[5]) in Frascati.

The role of leader of the Italian industrial chain of the Fusion remains undisputed, however, some difficulties in the implementation of the projects won in previous years on ITER have had a negative impact on the 2022 accounting results.

In 2022, revenues in the new plant segment amounted to approximately 33.5 million Euro, with an overall impact of approximately 85% (in 2021 Euro 27.0 million, equal to 58%) and an increase of 24% compared to the previous year.

In the light of the current scenario of energy transition to support global environmental transition, Ansaldo Nucleare has focused its efforts on the development of new nuclear technologies to benefit from the new mix of energy sources that will complement renewable energy sources in pursuit of the “Net Zero Emission” (NZE) targets set for 2050. This vision includes, alongside the fusion, the possibility of participating with an important role in the development of the so-called Modular Nuclear Reactors (Advanced Modular reactors AMR and Small Modular reactors SMR) which, with a shorter time horizon than the fusion, will be able to guarantee alternative nuclear technologies, more sustainable and competitive than current generation 3.

In this context, during the year 2022 the company worked on important contracts in the UK, in collaboration with its subsidiary Ansaldo Nuclear Ltd, for the participation in the Lead-cooled Fast Reactor Westinghouse development project on behalf of the UK Department for Business, Energy and Industrial Strategies, and in Romania on the Athena project, aimed at the realization of the Test Facility that will host the development activities of the prototype of lead-cooled AMR (Alfred project) in collaboration with ENEA and Romanian partner Raten.

The Waste Management and Decomissioning sector continued suffering from the crisis, but also from the continuing difficulties of Sogin in developing an organic commissioning program: the two main orders expected for 2022 were canceled due to procedural defects; the chances of success in these works will be repeated in 2023.

[3] ITER program, International Thermonuclear Experimental reactor is an international consortium composed of the European Union, Russia, China, Japan, the United States of America, India, South Korea for the construction of a prototype fusion reactor.

[4] DEMO, Demonstration Power plant is a prototype fusion nuclear reactor designed by the European consortium EUROFUSION as successor to the ITER experimental reactor.

[5] DTT, Divertor Tokamak Test is an Italian project that aims to realize a divertor able to expel heat and the products of nuclear fusion that are generated inside a tokamak.

Commercial activity

Orders by region and type of supply

Below are the 2022 and 2021 orders data by Business Line and by region.

During 2022, the Group acquired orders for Euro 898 million:

ORDERS 2022	NEW UNITS	SERVICE	NUCLEAR	TOTAL
Euro/million				
TOTAL	**268**	**580**	**50**	**898**
ITALY	68	189	0	257
EUROPE	6	110	50	166
MIDDLE EAST	4	72	0	76
AFRICA	66	187	0	253
ASIA	124	8	0	132
AMERICA	0	13	0	13
OCEANIA	0	1	0	1

ORDERS 2021	NEW UNITS	SERVICE	NUCLEAR	TOTAL
Euro/million				
TOTAL	**701**	**570**	**97**	**1,368**
ITALIA	290	294	12	596
EUROPA	197	157	85	439
MIDDLE EAST	175	29	0	203
AFRICA	2	50	0	52
ASIA	38	30	0	68
AMERICA	0	11	0	11
OCEANIA	0	0	0	0

New Units

The slow recovery of the post-pandemic gas turbine market has unfortunately been countered by the unpredictable effects of the Russian-Ukrainian war, resulting in severe impacts on the propensity to invest in gas power generation, and the continued use of coal-fired power plants.

In this scenario, the negative results of the Italian Capacity Market, which, due to the slowdown of the coal phase out, did not allocate capacity for the power plants on which Ansaldo Energia had already concluded agreements, have particularly weighed.

However, the foundations were laid for new important acquisitions in Italy, North and East Europe and Africa expected for 2023.

Moreover, the inevitable resumption of the process of shutting down the now obsolete and pollutants coal-fired central, together with the established global decarbonization needs, suggests new important trade opportunities (mainly in Europe and Asia) with the adoption of hydrogen-powered turbines, in which Ansaldo Energia technology leads the way.

The total sales result was €268M, to which they mainly contributed:

- Acquisition of various contracts with the Shanghai Electric Gas turbine joint venture for the supply of machinery and capital components for gas turbines;
- Acquisition in Libya of a contract for the supply of two AE94.2 turbines to the Tobruk power plant;
- Acquisition in Italy of the contract for the supply of a gas turbine model AE94.3A for the Engie power plant in Leinì, replacing a similar machine of old technology.

Service

Global efforts to address climate change are leading to the rapid electrification of many end-users, from transport to industry, leading, together with the general post-pandemic recovery, to a massive increase in electricity demand.

In the first half of 2022, in the face of increasing demand for energy, the gas market continued recording extremely high prices, particularly in Europe, due to the deep uncertainties about supplies and, more generally, the economic prospects. The invasion of Ukraine has nullified hopes of price reductions, which had already risen sharply in 2021. Across Europe, the situation has strengthened policies to decarbonize and reduce dependence on fuel imports. In the short term, however, there has also been a partial return to coal-fired electricity production.

In this scenario, 2022 confirmed for Ansaldo Energia the positive trend of orders that exceeded Euro 580 million, standing well above the budget targets (+11%).

Increasing demand for energy, high fuel costs and the general tendency to reduce emissions have further strengthened the demand for gas turbine upgrades (both in terms of power and efficiency) it opens new important prospects for converting plants to use hydrogen as an alternative green fuel.

The flexibility and digitization of plants remains a key element of the service market to which Ansaldo Energia responds with a strong portfolio of advanced solutions (Autotune, Apex, FlexSuite).

To better understand the dynamics of the performance, the main considerations relating to the specific areas are reported.

Italy

The update and improvement of the fleet by the main customers (increased performance and flexibility) has been further developed with important orders for upgrades. These have only partially offset the disappointing results of the capacity market, in which the expected orders for new units and, therefore, the associated Service have not materialized.

The result stopped at 189 million Euro, which, although less than the previous year, confirmed Italy as the reference market.

Europe

The outbreak of the war in Ukraine has almost zeroed the results of sales in Russia, a country from which a substantial contribution was expected.

In the rest of Europe, as in Italy, the demand for advanced technology for the transition was maintained high, which led to the sale of some upgrades (including a new MXL3 for GT26 in France) and to lay the foundations for new important acquisitions expected in 2023.

Thanks also to some extensions of long-term contracts, the total result was Euro 110 million.

Africa

Commercial activities have concentrated mainly in the north of the continent, with the frequent commercial presence of the fleet. The sale of two new units in Libya (to Tobruk) bodes well for the future of the Service in the country.

In Algeria, despite the high number of tenders won by Ansaldo Energia, only a few contracts have entered into force, but nevertheless the volume of orders for the region was total about Euro 187 million, in line with the expected budget.

There is a strong influence of the Egypt country.

South America

The presence of consolidated customers has guaranteed a volume of orders of Euro 13 million, in line with the previous year and with the expected objectives.

Middle East

The situation of political-military tension and embargo continues to be highly relevant on the region, which, nevertheless, achieved a result of EUR 72 million this year, mainly thanks to an important multiannual order for the 6th of October plant in Egypt. The presence of Ansaldo Energia Gulf and the Middle East Service Hub in the Emirates continues being a catalyst for a good volume of short-cycle and profitable orders.

Asia

Despite the diminishing effects of the pandemic, the small installed fleet, and the lack of orders for new units continue to be highly relevant on the results of the area, which amount to EUR 8 million.

The contribution to the Service of the collaboration with Shanghai Electric Corporation is negligible for 2022, although important new orders have been traded at the end of the year and are expected in the first half of 2023.

Organizational and process/ product developments

Factory

The year 2022 was characterized by an intensification of the commitment of factory resources on the service front and a slowdown in the activities related to the construction of new machines.

Compared to budget forecasts, deliveries in 2022 were affected by the slippages of some important projects. Among the most important projects there are Italian and Greek projects with GT36, and projects in the Middle East area.

To cope with the significant load deflection caused by the re-planning of the machines, the number of hours handled in third-party workshops was reduced. Compared to 2021, decentralized hours were reduced by more than 35%.

Compared with the budget, the postponement of the projects led, on the one hand, to a lower number of hours developed in the factory (-9.5 %), on the other, they have enabled greater availability of resources for field activities for service (+25 % compared to 2021) and for factory refurbishment of service parts (+12 % in terms of hours).

The number of direct resources at the end of 2022 was lower than the number of the budget, in so far as there was a need to deal with the forecasts of lowest workload (direct resources 2022 to 4 % compared to the budget).

To facilitate the reallocation of resources on the most requested activities, the necessary training paths for internal mobility or to service have been intensified. Over 20,000 hours were invested in on-board training or specific activities during the year.

Among the main projects developed in 2022 in the factory, we mention that of Rupsha (2° GT26 and relative alternator), of Tavazzano (combined cycle plant with GT36), Tobruk in (2 single cycle plants with TG 94.2), of Oswiecim (simple cycle with TG 64.3) And the projects for the Terna compensators of Villanova and Codriongianos.

The demand for hot parts of gas turbines (mainly type 64.3) for the Chinese market was relevant also for 2022.

The product line that was most affected by a reduction in demand was that of the gas turbines 94.3.

The supply chain and supply difficulties of 2022 have contributed to inefficiencies in the production chain mainly due to more unforeseen programming.

The upgrade of the TIG welding station for turbine rotors has been completed. The investment was necessary to adapt the plant to the new welding processes and to the more restrictive product acceptability requirements.

The factory's technological capacity for rotor welding therefore includes not only the TIG station for "big size" rotors, but also the updated station dedicated to "small and medium size" rotors.

During 2022, the project to increase factory production capacity was started in the area called Genova Repair Center (GRC) for the repair of hot pallets.

Orders for plants and relayout activities were issued in 2022 and their implementation will increase the capacity to repair hot turbine blades from about 3,000 pallets/year to about 5,500 pallets/year.

Service

The activities in 2022 were characterized by the difficulties following the post-pandemic situation of 2020 and 2021 and the war in Ukraine.

Covid-19 has had serious repercussions on the availability of Raw materials and on the extension of the delivery times of key components, together with the difficult, if not impossible, deployment of specialized personnel on the sites. If parts availability was significantly reduced as early as 2021 through tighter planning, the difficulties in deploying on-site personnel in 2022 were partially alleviated by the general reduction in containment measures to prevent the spread of COVID-19 infection implemented by the various countries.

However, the war in Ukraine that erupted in 2022 has further exacerbated the difficulties of supplying essential materials and components. The difficulties in providing the necessary components to the sites have been offset by greater flexibility in planning interventions coupled with detailed engineering assessments. These joint activities have made it possible to minimize the drawbacks to the normal operation of the plants and to satisfy the different requirements for the construction of power plants and their respective maintenance.

Although in a such fragmented framework, various initiatives and improvements in engineering and technical management were carried out in 2022, including the development of structured processes and tools for technical risk management, systematic approaches to project planning and execution, initiatives to improve both internal and customer communication and a further step toward the integration of technologies and processes at a global level.

The development and implementation of more structured processes has made it possible to streamline tasks and responsibilities within engineering offices. This involved clear roles and responsibilities, creating standard operating procedures, and implementing a system for monitoring and measuring progress, along with data analysis. monitoring the execution of specific on-site activities and fleet management and ensuring compliance with standards and regulations. This approach also improved the overall efficiency and effectiveness of the engineering department, as well as ensuring that projects were completed on time, on budget and at the level of quality required, despite the challenging conditions faced in 2022.

In line with the development of structured processes, plant upgrade activities continued showing high volumes in 2022, which required an engineering approach based on extensive feasibility studies. This has ensured that projects are carried out according to clear guidelines and with adequate planning. The market and operators showed interest in 2022 especially in upgrades and updates based on technological developments, particularly those of H technology class (GT36). The main reasons for this trend are the sharp rise in gas prices following the Russian crisis and – in some areas – the shortage of electricity. In this regard, while the focus on the efficiency improvements of power plants which guarantees savings on gas consumption has remained extremely strong, on the other hand, customers have significantly increased their attention to the need to ensure a solid reliability and availability (RAM parameters) of assets, strongly requested since the recent introduction of the capacity market in many countries.

In 2022 Ansaldo also inaugurated the Abu Dhabi hub to support and extend Integrated plant Support (IPS) and became completely independent from the previously active hub in Florida (formerly PSM). IPS Support is a service that allows you to remotely monitor and resolve problems with plant equipment and systems. The service provides the use of advanced technologies such as monitoring software, remote access tools and artificial intelligence systems to provide information and actively supervise the operations of the plant remotely (Genoa and Abu Dhabi hubs) in real time.

The IPS team can access plant control systems (for agreed operations and prior agreement with customers), process data and other information, and use the results to identify and diagnose potential failures or malfunctions, provide guidance and recommendations. The service can also allow the IPS team to perform troubleshooting and maintenance tasks and perform remote adjustments to machines or systems without having to be physically present.

The difficult conditions of recent years dictated mainly by the Covid-19 pandemic and the outbreak and consequent restrictions of the war in Ukraine have proved the usefulness of the service to deal with complex situations on the yards and the increasing appreciation of the service by the customers

Engineering

As regards **product engineering activities in New Units**, we would like to mention:

- Technical support for the commissioning activities of the first-Class H turbogroup consisting of GT36 gas turbine and relative hydrogen generator model THR 12 65 installed at the Marghera Levante plant, with the maximum load reached in December 2022;
- Commissioning and goodwill execution of the steam turbine of Marghera Levante, the machine associated with the gas turbine of class H (GT36);
- The commissioning of this group has involved an intense activity of analysis of the assembly data and of the experimental data, aimed at supporting the resolutions of the criticalities that emerged during the development activity;
- Development of the engineering detail of the gas turbines, steam turbines and generators in Presenzano and Tavazzano, also associated with the H-class gas turbines (GT36), but each with its own design characteristics. The activity was concentrated on the manufacturing, factory testing and first assembly phases. For the Fusina turbine (ENEL customer – combined class H cycle associated with GT36) the final engineering phase was carried out where a particular effort was required in the management of the procurement phases, due to the sudden rise in material costs;
- Start of the activities of support for the assembly and commissioning of GT36 in Minhang (China) which required considerable organizational effort due to the restrictive policies of the Chinese government regarding the pandemic emergency. The machine is expected to start at the beginning of 2023;
- Start of operations to support the assembly and commissioning of the latest generation GT26 gas turbines installed in the Rupsha plant (Bangladesh). The machines are expected to start up on the two sites in the second half of 2023;

- Support for the commissioning of the first AE943.A equipped with the new Ansaldo/SDI control system at the site of Butia (Iran). The need to have a control system that can be exported to Iran in a short period of time required a considerable joint effort between AEN and the SDI supplier, within the difficult pandemic environment between 2020 and 2022. The validation of the prototype at the AEN laboratories was completed in December 2022. The Machine of Butia, currently in the development phase, has reached the maximum load and the reliability run is planned for the beginning of 2023;
- The commissioning and start-up of the turbines of Turbigo 3 was followed, as part of the transformation into a combined cycle. At the same time, the development and commissioning of the steam turbine (Turbigo 4) was followed, and the progress of the activities to support the start-up of the AE943.A-MXL2 installed at the Turbigo plant where the modification of the actuation system and of the turbine valves was implemented, to increase the flexibility and simplicity of the exercise;
- Start of engineering activities for the Leinì project, where AEN will replace the current AE943A with an upgraded version, completing the assembly and goodwill phases in a reduced stop time;
- Completion of the activities to support the commissioning of the first AE643A 78MW at the Servola plant, equipped with combustion chamber equipped with ceramic tiles and with Emerson Ovation control system. In the same context, the service of the Servola steam turbine was followed, under the new plant conditions and with the aim of making the cycle and the management of the transients efficient. The PAC of the Plant was released in March 2022;
- Finalization of the main engineering activities and subsequent procurement for the Oswiecim (Poland) contract, where an AE643A 78MW with preheated gas will be installed;
- Finalization of the main engineering activities and subsequent procurement for the fast-track contract of Tobruk (Libya), where Ansaldo Energia supplied the customer with two AE94.2 dual fuel on short term;
- Technical coordination of hot part supplies for AE943.A and AE643.A to the SGC partner and technical support on any operational problems that SGC may encounter on the Chinese fleet;
- Technical support continued at the sites where the last steam turbines of the fleet were put into operation in Egypt and where the assembly of new machines (Iran) is underway, with support for assembly, for commissioning, and for performance tests execution.

It is noted that, unfortunately, following the Russian-Ukrainian war, the project activities related to the supply in Russia of the air generators of the 2nd order of the Arctic LNG2 project, for Baker and Hughes, have been interrupted.

In the field of **support to the fleet installed for the Service activities** the following activities aimed at improving the performance, reliability and durability of the installed components are reported in addition to the support to the Service Engineering:

- Capitalization of returns from the field for synchronous compensators located in Terna plants;
- Support for activities Remote Diagnostic Installation Service (Diagen) for Langage generators;
- Support for Service activities for the supply of components and improvement solutions for the fleet's steam turbines continued. In particular, the focus was on proposing and applying innovative solutions on the control and implementation system (applied, for example, on the turbine of the combined cycle of Torrevaldaliga Sud, Tirreno Power). Reverse-engineering has been carried out on components of non-Ansaldo fleet machines;
- Service has been supported in combined cycle upgrade activities. Changes made to turbogas have an impact on the operating conditions of the associated steam

turbines. In all cases this impact has been analyzed and – where necessary – a suitable solution has been proposed, both for the integrity of the machine and to make it suitable to international standards.

In addition, new **initiatives related to decarbonization and support for Ansaldo Green Tech** are reported:

- In 2022 new projects were dealt within the context of Energy Storage, in close collaboration with Ansaldo Green Tech. Two new models of expanders have been defined at the preliminary level. These are turbines which, instead of steam, expand a different fluid (CO_2). This has made use of the expertise in steam turbine engineering to define these new machine models, which will play a key role in CO_2 storage facilities. A machine of about 80 MW and a machine of about 20 MW were analyzed, both operating with CO_2 instead of steam. For the 20 MW machine, a level of definition has been reached that allows it to be offered on the market. It is a product that is born in the context of the energy transition, because it is intended to be a main and peculiar part of a (storage) plant to support renewable energies;
- Specific modules for nuclear applications were also developed in 2022. Of the so-called SMR (Small Modular reactor). This is a field of recent development and requires the adoption of small steam machines. Here, too, we have moved in a context characteristic of the energy transition, because the development of small nuclear reactors (SMR) is a practical solution applicable to the energy transition.

Investments

The investments for the financial year 2022 were directed, from a technological point of view to the implementation of machine tools and the acquisition of equipment suitable to meet the processing requirements of the GT product line, and from a safety point of view to the 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 to guarantee the constant improvement of the quality of the processes.

A further focus was on the acquisition of equipment to be used on site, both suitable for carrying out specific workings on gas machines; and suitable for carrying out and perfecting the timely and necessary checks on the machines that aim to improve safety on the site.

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

During 2022 the test bench for the validation of the combustors of large-size GT machines was implemented with acoustic functionality with a dual version.

It is noted that, in the subsidiary AES, the project Exit Flow Module Hardware for the Rig Test dedicated to the large GT machines continued.

RESEARCH AND DEVELOPMENT ACTIVITIES

Ansaldo Energia continued investing 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), improvement of efficiency and operational flexibility. The year was marked by the well-known political geo-events of the Russian-Ukrainian conflict, which led to a sharp rise in natural gas prices. The Italian network operator Terna has requested from the national utilities a plan for the diversification of the fuel sources of the gas turbines of the present and future fleet and this has entailed a request for feasibility on the part of the utilities themselves for the conversion of the existing combined cycles from the gas natural to other sources currently available. Studies and quotations have therefore been carried out for the conversion of the Italian fleet of Ansaldo turbo gas to burn diesel, naphtha, syngas, and LPG, both in conventional configurations and in new configurations with low environmental emissions for future applications.

On the introduction side of new products, the 2022 marked the commissioning phase of the first GT36 unit in the Marghera Levante power plant. The hot commissioning operations continued throughout 2022, reaching the first base load in December. As of 2022, the power plant reached a peak of power injected into the network exceeding 830MW, thus becoming the combined cycle power plant with the largest capacity on the European market and one of the most powerful installed in the world as well as marking the new record in efficiency in the Italian and European markets.

Development side hydrogen combustion, 2022 saw Ansaldo Energia organize as project coordinator and win the European call for the HORIZON-JTI-CLEANH2-2022-04-04 project. The three main objectives of the project are the development of a dry low Nox burner for H_2 combustion, full scale rig validation of operation up to 100% H_2 under machine conditions and preparation of the roadmap for its application on both new and retrofit turbines (GT36). This project sees Ansaldo Energia confirmed itself as a European innovator driver in the sector, managing to catalyze and bring together the major European players in the fields of research (DLR Germany, CEDFACS France, SINTEF Norway, ZHAW Switzerland) and power generation (Edison, Italy). This burner will enable the strict limits of 100g/kWh of CO_2 to be met as required by EU in its carbon neutral project in 2050.

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. To complete its preparation for the first field implementation planned for the first months of 2023 at the Flevo plant in the Netherlands.

For the AE94.3A class F turbines, the MXL2 upgrade development project has been completed. This upgrade, dedicated to improving the efficiency and power of the existing AE94.3A fleet in the Service sector, has been installed in more than 15 units in the last two years. The first three installations have been the subject of a design review that has confirmed the achievement of the objectives both on the performance side and from the point of view of operability and lifetime. This upgrade is part of the decarbonization projects of the existing fleet by increasing plant efficiency and supporting the safety of electricity grids in the presence of an increase in renewable energy *'capacity market'* thanks to the increase in power. The extended life of the turbine blades also allows a reduction of the carbon impact relative to the production processes of the machine parts.

In 2022, the first AE94.2KS unit was installed and validated on the site of the Bengang steel plant (China). This machine has been specifically designed to burn steel gases that would otherwise have been burned in a torch or in conventional cycles with steam turbine of outdated technology. The use of these industrial process waste fuels on combined cycles allows a doubling of thermic efficiency with a consequent halving of CO_2 emissions at the same electric power produced and is therefore part of the decarbonation line of power generation. In view of the high number of steel plants in countries such as China and India and the fact that this type of machine is present in the Mitsubishi's product portfolio only, there may be interesting developments on the business side.

On the control system side, the first AE94.3A with Italian supply control system (SDI) was put into service at the site of Butia (Iran), free from the restrictions of embargo with respect to the usual vendor supplies for control systems. This control system is therefore a technology enabling the sale of Ansaldo gas turbine in the Iranian market.

In the field of *additive Manufacturing applied to the repair* of turbine blades by means of *direct energy deposition (DED)* techniques, development activities have led to the development of a material (Co-based alloy powder, ref AD00116163) under patent (EP3636381-WO 2020/239369).

The project "*Development of advanced systems for the control of thermal acoustic phenomena in combustion processes for gas turbines with high efficiency and reduced environmental impact – ARTEC-GT"* has been completed, which has led to the construction and commissioning of *the Ampere acoustic rig* at the CCA-combustion Center laboratories Environment of Gioia del Colle.

Intellectual Property Rights 2022

Ansaldo Energia's IP assets for the year 2022 consist of 2,061 patents and 244 brands.

The ongoing review of the IP portfolio has led to the abandonment of some expiring securities in the next 3 years and to focus the portfolio on the strategic territories for the group's business.

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.

An IP training activity has been activated for all new hires over the last 3 years to increase the IP CULTURE in the company and provide the basic knowledge for distributed protection of the company's know-how.

In addition, 205 practices were managed in the field of "technology transfer", in particular: *93 NDA, 13 Agreement, 23 transmittal, 70 IP support activities and 6 Trade Secret activities*.

Human resources

The 2022 activities had a twofold objective: on the one hand, to follow up what was defined in the industrial plan finalized at the end of 2019, and on the other, to counter the consequences and impacts of the international crisis resulting from the ongoing conflict in Ukraine.

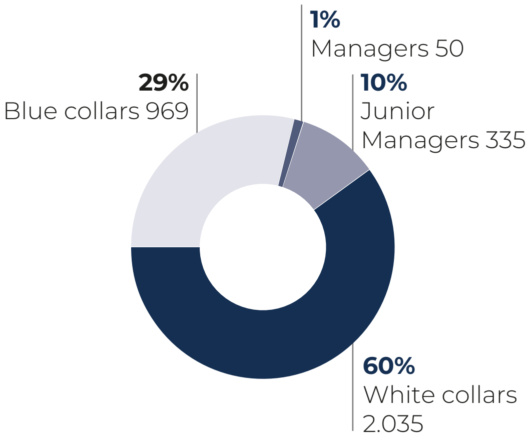
In particular, during the first part of the year, the exodus programs defined in the previous two-year period have been improved and efficiency measures have been implemented, among them the rationalization and internalization of the activities of the entire warehouse – for years managed by a provider of logistics services – as well as a progressive reduction of the working staff c/o the subsidiary company present in Switzerland, with a partial repositioning of some activities c/o the headquarters of Genoa. At the same time, the initial needs for resources and skills needed to enable the newly established company, Ansaldo Green-Tech, to start activities related to the industrialization of new technologies that will represent the new "green" product line (electrolyzers and storage solutions) has been defined. The first prototypes of which will also be realized thanks to the use of the IPCEI and P.N.R.R. funds.

During the second half of the year, attention was paid to the impact that the international crisis has had on the traditional power generation market, causing an overall slowdown in commercial acquisitions with a consequent gradual release of labor. To deal with this, a series of actions to reduce its impact have been planned immediately. Among the main ones, the internalization process of the management activities of the Service equipment as well as the intensification of the production activity of the spare parts for the Service and the consequent support to the operations of the yards.

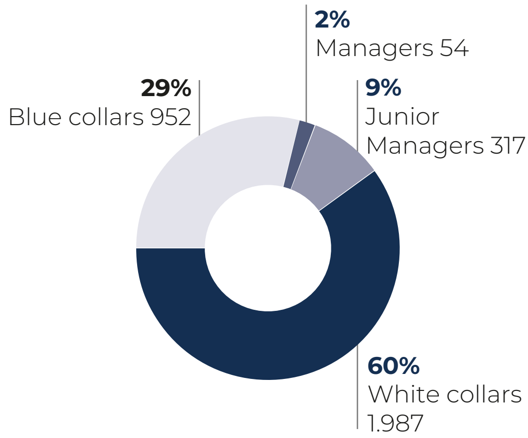
Finally, a new agreement was signed in December 2022 for the use of the *"Fondo Nuove Competenze"*, with the aim of involving a maximum of about 1600 resources (among managers, employees, and workers) in a training course aimed at adapting professional and oriented skills the themes of digitization, sustainability, and energy transition, which are fundamental for the achievement of the objectives identified by the Industrial Group.

The Group's resources at the end of 2022 amounted to 3,389.

HEADCOUNT AS OF 12/31/2022



HEADCOUNT AS OF 12/31/2021



Organization and processes

Year 2022 saw the development of the Business Green organization: the first organizational structure of the Ansaldo GreenTech company was launched and the relevant managers were appointed. This first structure and its subsequent evolutions during the year represented the starting point to support the start and growth of operational activities as defined by the Company's development plans.

At the end of the year, the company obtained ISO 9001 certification from the RINA certification body.

Regarding the business front of conventional energy, the first half of 2022 ended with the launch of a new first level organizational structure that exceeded the traditional division between the service and new units businesses in order to maximize the synergies between the two businesses and to face the competition of the market in a more compact way.

The first line of the organization has therefore been divided into three structures: The commercial direction directly carried over by the CEO to guarantee a strong governance of the commercial processes and the alignment with the business strategies, as well as to favor a global approach to the market with the development of horizontal commercial synergies to the business ; Power Business management to manage the contract activities with an end-to-end view on the projects, and with the right level of empowerment of the organizational matrix and planning activities; Operations management with focus on the activities supporting the projects in a perspective of efficiency.

In the second half of the year, work was carried out to decline organizational rationales addressed by the new structure in second level organizations, organized to favor synergies between business, skills, and processes.

The principle of optimization of skills and processes has also been applied to some governance functions, the organizational and quality functions have been integrated into a single structure.

Training

Overall, 31,796 hours of training were reported in 2022 for a total of 6,648 participations.

The year was characterized by the resumption of the training activity in presence, dedicated to the consolidation of the managerial and relational skills of the managers of different levels, through the realization of ad hoc training paths:

- A path dedicated to the new managers, called "Training the Team", which arises from the need to support them in the construction of their role by providing tools and useful indications to the management of their collaborators through a structured path such as "gym" to exercise the transversal competences with a mix of classroom activities, simulations, individual work and moments of confrontation;
- A path dedicated to the managers of operational resources, called "Soft Skill Flash Training", characterized by an agile and fast delivery mode through the use of "training alerts";
- A path dedicated to newly appointed managers, called "A Sustainable Leadership", divided into individual sessions using professional coaching and counseling methodologies, with the aim of promoting a leadership style based on the culture of sustainability

In addition to this, the project management activity has been resumed with the implementation of the "Project Management Masterclass" path dedicated to the resources operating on projects and contracts that, in this edition, has also seen the participation of the resources operating in foreign offices. The project has been divided into three levels of complexity: the first level dedicated to the basic notions on project management methodologies has been delivered remotely, while the other two levels, more specific, have been delivered in presence through case studies and exercises.

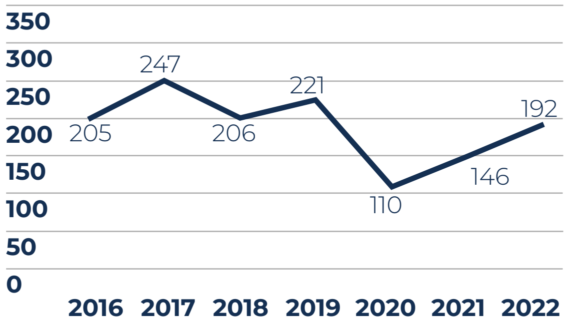
In the technical field, training focused on activities related to special processes (welding and non-destructive testing) for the acquisition and updating of certifications related to them.

During the year, constant commitment and investment continued in the courses on Health and Safety at work and in those dedicated to improving language skills; the first were delivered both remotely and in presence while the second were delivered only in remote mode.

Customer staff training

During the year 2022, the training activities aimed at the Customer's staff were carried out with a fair regularity, unlike the previous two years, which had seen a considerable reduction in the activity due to the adoption of measures against the spread of Covid-19, the number of training days delivered on shore has therefore returned to values like those of the pre-pandemic situation.

CUSTOMER TRAINING 2016-2022



It should be pointed out however that the experiments of delivery of training to the customer's staff carried out in 2021 remotely, provided the possibility to propose such a mode also in some training occasions of 2022 as happened for example with Edison on the plants of Marghera and Presenzano in which both the front lessons and the remote mode were used for the picture room part thanks to the use of an iphone 12.

In total, 192 training days were given, of which 135 were in Italy and 57 were abroad.

ENVIRONMENT, HEALTH, AND SAFETY AT WORK

Environment

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

In 2022 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 2022.

The fight against the Covid-19 pandemic saw the Group's rapid adoption of an effective system of extraordinary safety management measures that 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 adopted by the higher Institute of Health and has established for this purpose an internal protocol for the collection and disposal of specific persons and dedicated additional personnel.

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 2022 Ansaldo Energia continued the implementation of 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 framework of the Management System of Safety and Health in the workplace in accordance with ISO 45001 without non-conformity, confirming the awareness, now rooted, about the importance of operating 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 yards, in canteens and in all possible areas of aggregation and access to the company headquarters.

Ansaldo Energia has maintained the innovative certification scheme for the prevention and control of the spread of infections and achieved the *Biosafety Trust Certification*; this certification enhances a set of best practices to minimize the risks of spreading epidemics in the workplace.

Further evidence of the commitment to the fight against the virus was the setting up of a vaccine hub within the perimeter of Ansaldo Energia, dedicated to employees who had not yet undertaken vaccination pathways with external public facilities and staff who required the third dose due to the peak of the fourth wave of Covid.

In November Ansaldo Energia also promoted and launched a flu vaccination campaign, administering the vaccine directly to its *hub*.

Improvement actions

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 an increasing direct involvement of workers, supervisors and RSW (representatives of safety workers) in prevention and protection activities, with a view to continuous improvement; For this purpose, the *"Safety walk"* instrument has been consolidated, aimed at improving working conditions and enhancing safe behavior.

In greater detail, priority has been given, with attention focused on the frequency of use and because of a risk assessment, to the process of testing the lifting equipment with dedicated non-destructive testing, where necessary. In addition, the company has launched, within the framework of workplace safety regulations, a process of continuous monitoring of certain work equipment, to periodically assess the actual state of preservation and the continued 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.

Particular attention – in the extraordinary hot summer – has been given to the risk of thermic stress, evaluating the microclimate both in indoor and outdoor environments in the factory and in the yard and, where possible, adopting the appropriate measures of prevention and protection by carrying out the removal of risks or, secondly, their reduction by redesigning the environment and by reducing the length of exposure of workers exposed to risk.

In the field of accident management, the PPE (personal protective equipment) assigned to the various tasks and in relation to the specific operating processes, as well as to the devices introduced both to optimize the safety and comfort of the user, and as a result of the events.

Employee and Management Involvement: Training and Auditing

With the aim of raising the culture of safety, the various training courses have continued through specialist courses, display of notices on company bulletin boards, articles within the company information body, enhancement of individual improvement proposals, meetings with the resources of the various bodies about 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, overall, particularly positive. The evidence that emerged from these inspections was, 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 Company's Emergency and evacuation Plan continues in relation to all sites (both permanent and temporary) where the Group operates.

An improvement 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

The Parent Company continues supporting the energy transition and communicate its commitment to sustainability with the publication of the second Report covering the period 2019-2020-2021.

The document is available on the web, on the new site, and contains the reporting of the aspects already considered in the first report plus some news such as the Intellectual property.

The most significant innovation, however, concerns the inclusion in the second report of the Ansaldo Energia Sustainability Plan.

The explicit objectives and actions of its environmental and social program for a short- and medium-term time horizon, reaffirming and communicating to stakeholders the commitment to continue, with determination and despite the crucial context in the energy sector, its sustainability strategy in accordance with the principles and objectives of sustainable development of the UN under Agenda 2030.

The experience acquired by Ansaldo Energia during 2020 and 2021 regarding the importance not only of working in a sustainable way, but also of communicating its activities to stakeholders, it confirmed the commitment of a team composed of different contacts of the main business functions impacted by ESG themes and coordinated by Sustainability Manager, a role allocated to the dependencies of the Vice General Manager and assigned to the Corporate HR Manager.

The team then works to collect and organize all the data necessary for the development of the sustainability report, prepared according to the "GRI Sustainability Reporting Standards" of the Global Reporting Initiative and subjected to a third-party assurance process, it is also a focal point for all customer requests for evaluation.

CERTIFICATIONS AND QUALITY

Company certifications

During 2022, all audits carried out to maintain company certifications were successful:

- The Multisite Quality Management System (ISO 9001:2015) with the extension of the certificate to Ansaldo GreenTech;
- Certification for the environment (ISO 14001);
- Certification for Safety and Health at work (ISO 45001);
- The maintenance of the Biosafety Trust certification scheme;
- ISO 3834-2 certification for welding activities;
- The functional safety certification (IEC 61511/61508);
- Accreditation of the calibration center.

Quality

During the year, the organization was maintained in operation in the previous year, while at the end of the year, an organizational structure was created in which the Quality System and Organization functions were merged, with the aim of maximizing synergies between the two groups and strengthening in perspective the support given to the Company Summit in the definition of the strategies and objectives of the Management System for Group Company Quality.

In the year, the following were maintained:

- The concept of *"Quality Focal Point"*, a figure that, in order to support the functions on specific organizational/process areas, intervenes on the activities of definition/review of the processes and drafting of the relevant procedures and operating instructions, identifying opportunities for improvement and in the implementation and execution of the internal audit program;

- The Team (*Quality Project Management*) dedicated to supporting the New Units and Service work order teams in the management of the quality requirements of the specific work orders starting from the offer phase and throughout the execution phase;
- The draft revision of the documentation of the *Quality Management System* to ensure the adequacy and applicability of the existing documentary facility, while maintaining the indicator of the document update rate at 75%;
- The *Key Performance Indicators (KPI)* and Scorecard program, establishing objective criteria for monitoring the performance of key processes and enabling a continuous Improvement mechanism. This system has achieved the business function coverage objectives;
- The *Vendor Rating project* is a tool for monitoring and improving the quality of the supplies in which a total of about 150 suppliers of products and contractors, selected based on their criticality, have been evaluated (and revalued) for a total of over 700 surveys;
- The activity of monitoring the customer satisfaction rate (*Customer Satisfaction*) that overall reported the score index of 7,5 reaching the target set;
- The application of the *Quality Economics model*, which collects all costs related to waste activities, rework, and management of non-quality events across all business processes and analyze their trends to support competent facilities in defining and implementing improvement plans.

In addition, in the context of backcharge, the process that aims to recover the costs of non-quality caused by non-corporate actors (e.g., suppliers), analysis tools, processes and SW tools have been defined to extend the coverage and accuracy of the process itself.

INFORMATION REQUIREMENTS EX L.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 circular no. 5 of 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, paragraph 25 of Law no. 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;
- About contributions from entities of a privatized nature (for example, training grants), they are not subject to any information performance, since they are outside the scope of this standard;
- About 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.

To eliminate or minimize credit risk and 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.

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.

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, regarding 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.

Reference is made in the specific paragraph about CCA-cost contribution agreement.

EXPECTED MANAGEMENT EVOLUTION

As described in the Going concern paragraph, during 2022 the Group underwent the results of the capacity market auction in February (which saw its customers' projects not being allocated capacity) and the increase in Raw materials prices, of the materials and the functional performances to the production and realization of the EPC projects in progress; in addition to this scenario, already drastically worse than previously foreseen, have been added the effects of the Russian-Ukrainian conflict, which has further exacerbated the inflative dynamic, this led to double- or triple-digit increases on an annual basis for certain types of costs, and introduced significant uncertainty on the gas market, slowing down the investment decisions of the Group's customers regarding New Units projects .

These circumstances led the Group to open a review process of the Industrial Plan previously approved in February 2022, which ended with the approval by the Board of Directors of 1st August 2022, of the Industrial Plan Guidelines 2022-2027, characterized by a significant deterioration in the margin of the New Unit segment caused by the slowdown in new acquisitions and the increase in the cost base of the projects under construction.

The updating of the guidelines of the Industrial Plan 2022-27, compared with the previous plan approved in February 2022, shows a different mix of traditional business development with a greater weight of the BU service and a reduction in revenues compared to the previous Industrial Plan of the New Unit segment 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.

The industrial plan foresees the growth and consolidation of the Nuclear Business where the group operates with the two companies Ansaldo Nucleare Spa and Ansaldo Nuclear UK, as well as including the development and diversification of products on continuous segments with the enhancement of the Group's technological know-how: storage systems to integrate gas power plants and the production of hydrogen generators (electrolyzers) through the company Ansaldo GreenTech Spa.

As stated in the paragraph on going concern, a financial maneuver is being defined to face the criticalities of credit risks and financial covenants.

The Board of Directors of Ansaldo Energia Spa has therefore worked on the realization of a maneuver aimed at strengthening the capital and financial structure, with the objectives of:

- Re-establishing levels of share capital and equity consistent with the size of the company;
- Re-establishing adequate cash levels during the period of the Industrial Plan 2022-2027;
- Accessing to the availability of signature credit lines in order to support the business operations;
- Reducing the debt exposure to suppliers.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2022

CONSOLIDATED INCOME STATEMENT

Euro/thousand	*Notes*	**2022**	**of which with related parties**	**2021**	**of which with related parties**
Revenues	*13*	1,237,083	80,063	1,490,983	174,618
Other operating income	*14*	58,123	-	45,705	-
Purchases costs	*15*	457,860	13,088	672,231	17,207
Services costs	*15*	661,105	5,309	517,268	3,231
Personnel expenses	*16*	246,036		241,973	
Amortization, depreciation and impairment losses	*17*	490,269		100,536	
Other operating expenses	*14*	88,506	60	35,799	-
Change in finished goods, work-in progress and semi-finished goods	*18*	67,732		11,309	
(-) Internal works capitalized	*19*	26,797		69,637	
EBIT		**(554,040)**		**49,827**	
Financial income	*20*	29,993	-	29,598	-
Financial expenses	*20*	85,142	14,860	80,603	14,138
Share of profits (losses) of associates and joint ventures accounted for using equity method	*25*	(27)		2,041	
Profit (loss) before taxes and discontinued operations		**(609,217)**		**863**	
Income taxes	*21*	(50,194)		(23,427)	
Profit (loss) from discontinued operations	*22*	-		7,983	
Net result		**(559,023)**		**32,273**	
Net result attributable to non-controlling interests		189		(280)	
Net result attributable to the owner of the Parent		(559,212)		32,553	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro/thousand	2022	2021
Net result	**(559,023)**	**32,273**
Items that will not be reclassified to profit or loss		
- Actuarial gains (losses) or defined benefit plans measurement	18,062	6,644
Revaluation/(devaluation)	18,062	6,644
Exchange rate differences	-	-
Items that may be reclassified to profit or loss		
- Changes in cash flow hedges:	(1,369)	(2,613)
Fair value gains (losses)	(1,369)	(2,613)
Reclassification to fiscal year profit or loss	-	-
Exchange rate differences	-	-
- Exchange differences	73	6,296
Gains (losses)	73	6,296
- Tax effect	(2,932)	(672)
from cash flow hedge	-	*599*
from plans to defined benefits	-	*-1,271*
Other comprehensive income, net of tax effect	**13,834**	**9,655**
Total comprehensive income (loss)	**(545,189)**	**41,928**
of which attributable to non-controlling interests	*189*	*-280*
of which attributable to non-controlling interests exchange rate differences	*3*	*-1*
Total attributable to non-controlling interests	*192*	*-281*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro/thousand	*Notes*	12/31/22	of which with related parties	12/31/21	of which with related parties
Assets					
Non-current assets					
Intangible assets	*23*	994,436		1,400,153	
Property, plant and equipment	*24*	200,456		236,419	
Right of use assets	*24*	37,949		33,495	
Investments in subsidiaries and associates	*25*	6,502		9,578	
Equity investments	*25*	11,636		9,840	
Receivables	*26*	139,039	1,867	126,986	
Deferred tax assets	*26*	54,693		62,157	
Other non-current assets	*26*	12		12	
		1,444,723		**1,878,640**	
Current assets					
Inventories	*27*	612,741		497,941	
Contract work-in-progress	*28*	174,680		186,508	
Trade receivables	*29*	396,196	95,089	332,665	66,823
Tax assets	*30*	3,993		5,628	
Financial receivables	*29*	16,613	932	13,595	-
Other current assets	*31*	101,477	60,884	70,182	6,188
Cash and cash equivalents	*32*	108,031		301,092	
		1,413,731		**1,407,611**	
Total assets		**2,858,454**		**3,286,251**	
Equity and liabilities					
Equity					
Share capital	*33*	615,626		580,000	
Other reserves	*33*	-599,268		-53,328	
Equity attributable to the owners of the parent		16,358		526,672	
Equity attributable to non-controlling interests		-479		-671	
Total Equity		**15,879**		**526,001**	
Non-current liabilities					
Loans and borrowings	*34*	259,021	249,505	930,101	235,588
Lease liabilities	*34*	31,907		30,741	
Employee benefits	*35*	12,765		30,915	
Provisions	*36*	83,860		54,314	
Deferred tax liabilities	*37*	38,865		40,125	
Other non-current liabilities	*37*	13,857	10,225	14,662	10,225
		440,275		**1,100,858**	
Current liabilities					
Advances from customers	*28*	834,276		717,730	
Trade payables	*38*	563,130	21,458	523,520	25,780
Loans and borrowings	*34*	873,957	-	203,040	-
Lease liabilities	*34*	7,898		5,543	
Tax liabilities	*30*	2,137		6,169	
Provisions	*36*	49,760		60,711	
Derivatives	*39*	2,129		2,357	
Other current liabilities	*37*	69,013	-	140,322	144
		2,402,300		**1,659,392**	
Total liabilities		**2,842,575**		**2,760,250**	
Total liabilities and Equity		**2,858,454**		**3,286,251**	

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro/thousand	**2022**	**2021**
Cash flow from operating activities:		
Gross cash flow from operating activities	(12,365)	148,197
Changes in working capital and other operating assets (liabilities)	(96,544)	(21,266)
Net interests paid	(38,829)	(42,945)
Income taxes paid	(2,085)	(554)
Gross cash flow generated from (absorbed) operating activities from discontinued operations	-	(6,724)
Cash flow generated from (absorbed) operating activities	**(149,823)**	**76,708**
Cash flow from investing activities:		
Acquisition of companies, net of cash acquired	-	(6,349)
Sale of equity investments	13	5
Investments in property, plant and equipment and intangible assets	(49,153)	(108,937)
Sale of in property, plant and equipment and intangible assets	1,111	533
Other investment activities	(476)	(3)
Dividends received (paid)	272	582
Cash flow generated from ordinary investment activities from discontinued operations	-	6,987
Cash flow generated from (absorbed) investing activities and other	**(48,233)**	**(107,182)**
Cash flow generated from (absorbed) strategic investing activities and other non-recurring items	**(10,244)**	**83,723**
Cash flow from financing activities:		
Capital increases and payments from shareholders	35,626	-
Net change in financial receivables/payables and other financing activities	(19,707)	(16,389)
Cash flow from financing activities from discontinued operations	-	(2,491)
Cash flow generated from (absorbed) financing activities	**15,919**	**(18,880)**
Net increase (decrease) in cash and cash equivalents	(192,381)	34,369
Other changes	(680)	377
Cash and cash equivalents as of 1st January	301,092	266,346
Cash and cash equivalents as of 31st December	**108,031**	**301,092**

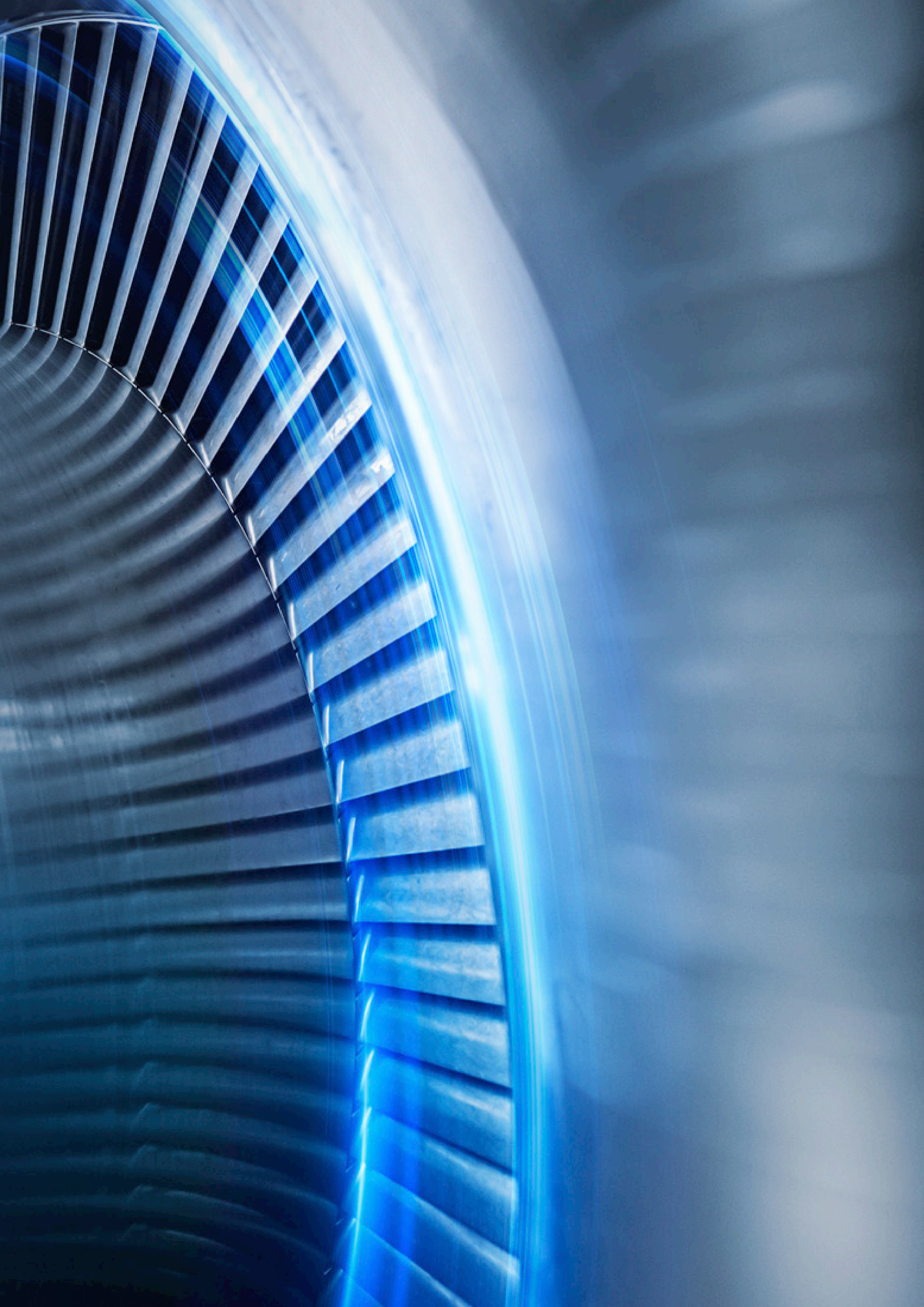
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro/thousand	Share capital	Hedging reserve	Actuarial reserve	Other reserves and retained earnings	Total equity of the group
January 1st, 2021	**580,000**	**1,472**	**(28,617)**	**(66,857)**	**485,998**
Comprehensive income for the year:					
Net result	-	-	-	32,552	32,552
Other comprehensive income (expenses)		(2,014)	5,373	6,296	9,655
Total comprehensive income	**-**	**(2,014)**	**5,373**	**38,848**	**42,207**
Other changes	-	-	-	(1,533)	(1,533)
December 31st, 2021	**580,000**	**(542)**	**(23,244)**	**(29,542)**	**526,672**
Comprehensive income for the year:					
Net result	-	-	-	(559,212)	(559,212)
Other comprehensive income for the year	-	(960)	14,721	70	13,831
Total comprehensive income	**-**	**(960)**	**14,721**	**(559,142)**	**(545,381)**
Shareholders related transactions recorded directly in equity:					
Capital increase	35,626	-	-	-	35,626
Total shareholders related transactions recorded directly in equity	**35,626**	**-**	**-**	**-**	**35,626**
Other changes				(559)	(559)
December 31st, 2022	**615,626**	**(1,502)**	**(8,523)**	**(589,243)**	**16,358**

RECONCILIATION OF THE PARENT'S EQUITY AND NET RESULT WITH CONSOLIDATED FIGURES AS OF 31ST DECEMBER 2022

Euro/thousand	Equity 2022	Of which net result
Parent company equity and net result as of 31st December 2022	**5,723**	**(649,607)**
Equity surplus in annual financial statements compared to the carrying amounts of investments in consolidated companies	(49,746)	
Consolidation adjustments for:		
- PPA Nuclear Engineering Group	15,676	
- PPA Gastone	59,794	(7,892)
- Intercompany profits		(62,735)
- Dividends /write-downs/revaluations of equity investments		173,582
- Other adjustments	(15,089)	(12,560)
Equity and net result attributable to the owners as of 31st December 2022	**16,357**	**(559,212)**
Non-controlling interests	(479)	189
Total equity and net result as of 31st December 2022	**15,879**	**(559,023)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON THE 31ST OF DECEMBER 2022



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 order 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 Euro 450 million, 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 Italian Civil Code and of the company's statutes, proportionally to their respective shareholdings in the capital.

On the 27th of April 2020, the shareholder CDP Equity S.p.A. paid € 400 million.

On 30th June 2020, the increase in share capital from Euro 180 million to Euro 580 million decided by the extraordinary Shareholders' Meeting of Ansaldo Energia S.p.A. held on 20th April 2020, was completed. The above-mentioned increase in the share capital amounted to € 400 million through a payment from the shareholder CDP Equity S.p.A., which also exercised the right of pre-emption for the share not subscribed by the shareholder Shanghai Electric Hongkong Co Limited.

In October 2022, the shareholder CDP Equity paid an amount of 35.6 million Euro as a capital increase, as the first tranche of the total share, equal to Euro 50 million, earlier deliberated by the majority shareholder in the event of a break in the Minimum Available Liquidity (financial covenant), which occurred during the year.

It should be noted that the remaining tranche (second tranche) was paid between January and February 2023.

As a result of this capital increase, the shareholding of CDP Equity as of 31st of December 2022 was approximately 88% and that of Shanghai Electric Hongkong Co Limited of 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 2022 (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 (*"International Financial Reporting Standards"*). 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. It should be noted that IFRS have been applied consistently throughout the periods presented in this document.

This consolidated financial statement has 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; the Directors, at the time of approval of the financial statements, have a reasonable expectation that the Company will have the necessary resources to operate in the next 12 months; regarding the process of highlighting uncertainties and determining the applicability of the assumption of going concern, refers in full to the paragraph "Going Concern" of 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, capital, and financial situation.

The preparation of the Consolidated Financial Statements required the use of estimates by management (see note "use of estimates" for more details).

The Board of Directors held on 23rd May approved the Presentation to the shareholders of the draft financial statements ad of the 31st December 2022, on the same date, authorized its circulation and convened the shareholders' Meeting in ordinary session in the days of 19th June 2023 in first call and 26th June 2023 in second call.

This Consolidated Financial Statement prepared in accordance with International Financial Reporting Standards principles has 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 companies/entities included in the scope of consolidation (hereinafter referred to as "consolidated entities") prepared in accordance with the International Financial Reporting Standards accounting principles. The financial information relating to the consolidated entities was prepared with reference to the financial year ended on the 31st of December 2022 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 that of the Parent Company; if this does not happen, the consolidated entities prepare special Financial Statements 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

Company name	Investment %		Change of the perimeter	Contribution to the Group %
	Direct	Indirect		
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%		100%
Ansaldo Energia Nigeria Limited	60%			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%

COMPANIES MEASURED USING THE EQUITY METHOD

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

Changes in the scope of consolidation

No changes were made in the scope of consolidation during the financial year 2022.

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 can 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 of 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 the subsidiaries have closure dates coinciding with that of the Parent Company. Where the date of closure of the consolidated entities is not aligned with that of the Parent Company, the consolidated entities shall prepare appropriate economic, capital, and financial conditions for the purposes of drawing up the consolidated financial statements by 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 if 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 Ventures

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 International Financial Reporting Standards 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 like 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 a company, a company controlled by the latter and its subsidiaries valued with the Equity method are eliminated since the value of the Group's share in the company itself, apart from 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 inscription value with the relative recoverable amount determined by following the criteria set out in the following Integrative Note. When the reasons for the write-downs made are lost, the value of the investments is restored within the limits of the write-downs 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 (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, considering 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 includes the potential consideration, that is that part of the consideration whose amount and disbursement depend on future events. The potential consideration is recognized since 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 mainly through their alienation rather than through their continued use.

Specifically, an asset (or *Disposal groups*) 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 income statement for the period, net profit/loss of discontinued operations, as well as profit or loss arising from the valuation at the Fair value less costs to Sell or the disposal of discontinued operations or groups (*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 indicated separately in the Statement of cash flows.

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 (apart from 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;

- The “conversion reserve” accepts both the exchange differences generated by the conversion of economic quantities at a rate different from the closing rate and those generated by the translation of net opening equity at an exchange rate different from the closing rate of the reporting period. The translation reserve is poured 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 2022
AED	3.870400	3.917100
ARS	136.674600	188.503300
AUD	1.517400	1.569300
BRL	5.443200	5.638600
CDF	2,114.324800	2,150.265500
CLP	917.916700	913.820000
CNY	7.080100	7.358200
DZD	149.745900	146.504900
EGP	20.161500	26.399000
EUR	1.000000	1.000000
FSV	1.005200	0.984700
GBP	0.852600	0.886930
IDR	15,633.591700	16,519.820000
IRR	271,899.250000	302,035.000000
IRU	82.714500	88.171000
JOD	0.747200	0.756200
JPY	138.005100	140.660000
KRW	1,358.070800	1,344.090000
LBP	1,588.720000	1,607.900000
MAD	10.677900	11.158000
MXN	21.204600	20.856000
NGN	445.675200	477.922100
OMR	0.405200	0.410100
PKR	214.659000	241.794300
ROL	49,317.000000	49,495.000000
RSD	117.420200	117.324600
RUB	73.408400	77.899800
SAR	3.952000	3.999800
THB	36.861800	36.835000
TND	3.251400	3.322100
TYR	17.384900	19.964900
USD	1.053900	1.066600
ZAR	17.209700	18.098600

The exchange rates used coincide with the rates transmitted by the Bank of Italy except for the IRR, for which the one transmitted by the Iranian Central Bank was used.

For the Romanian currency, the old currency has been multiplied by 1,000 to adapt it to the new currency in use.

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 to be ready for use and sale, net of cumulative depreciation (except for 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 considering 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 to produce 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; trademarks 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

Property, plant, and equipment 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 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 considering 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 1st January 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 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 euro 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.

Right 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.

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 under the heading "Financial payables" of the balance sheet and detailed in the notes to the financial statements.

Use of IFRS 16 estimates

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

- *Incremental borrowing rate*

About 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*

Regarding the determination of the contract duration both at the date of commencement of the contract and later (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. During the 2022 financial year in the light of the review of the Industrial Plan launched in July, the impairment test was brought forward with reference to the date of 30th June and then updated at the end of the year.

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. About 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. About 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 International Financial Reporting Standards 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 during normal management, net of estimated completion costs and those necessary to realize the sale. Manufactured Raw materials are valued at the standard cost revised six-monthly.

The products in progress and semi-finished products are valued at the cost of production, except for 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 not to sale 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.

If 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 International Financial Reporting Standards 9 principle is as follows:

Financial assets valued at amortized 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 International Financial Reporting Standards 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 and 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 at the date of settlement. Financial assets are removed from the balance sheet when their 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 applying 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 because of previous framework contracts. The exchange risk is generally neutralized using 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, like 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" ("International Financial Reporting Standards 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 assumes 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, if they act according to their best economic interest. Market participants are independent, informed buyers and sellers who can enter 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 considers the characteristics of specific assets or liabilities, 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 based on 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.

About 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 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 a 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 stocks are recorded as a reduction in equity using 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 because 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 a 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 the 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, especially in cases where the counterparty is represented by public client, making it necessary for management to estimate the results of such disputes.

Revenue

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 in the continuous (over the time) or in a specific 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. If 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.

The evaluation of the full-life revenue of the multiannual projects considers, as foreseen by International Financial Reporting Standards 15, the *"variable consideration"* in the case of applicability of the indices of escalation as the best estimate at the date of preparation of the financial statements.

Contributions

The contributions, in the presence of a formal award decision, are recognized by competence in direct correlation with the costs incurred. 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 since the actual interest method, using – that is, the interest rate that makes all the incoming and outgoing flows (including any payments, premiums, 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 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 arises. 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 mean 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, AMENDMENTS, AND INTERPRETATIONS IN FORCE AS OF 1ST JANUARY 2022

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

- **Amendments to International Financial Reporting Standards 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 to not 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 expensiveness of a contract, all costs directly attributable to the contract must be considered. Consequently, the assessment of the possible expensiveness 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 to the IFRS 1 First-time adoption of International Financial Reporting Standards, to the IFRS 9 Financial Instruments, to the IAS 41 Agriculture and illustrative Examples of IFRS 16 leases.

The adoption of these amendments has not affected this financial statement.

5. ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED IN ADVANCE

- On 18th May 2017, the IASB published the **International Financial Reporting Standards 17 – *Insurance Contracts***, which is intended to replace the International Financial Reporting Standards 4 – insurance contracts.

The aim of the new principle is to ensure that an entity provides relevant information that accurately represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single, principle-based framework to consider all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new Standard also provides for presentation and disclosure requirements to improve comparability between entities in this sector.

The new principle measures an insurance contract based on a General Model or a simplified version of this, called the *Premium Allocation approach ("PAA")*.

The main features of the General Model are:

- Estimates and assumptions of future cash flows are always current;
- The measurement reflects the time value of the money;
- The estimates provide for extensive use of market-observable information;
- There is a current and explicit measurement of risk;
- The expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
- The expected profit is recognized during the contractual period considering the adjustments resulting from changes in the assumptions relating to cash flows for each group of contracts.

The PAA approach provides for the measurement of liability for the residual coverage of a group of insurance contracts, provided that, at the time of initial recognition, the entity provides that such liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the valuation of liabilities for outstanding claims, which are measured with the General Model. However, it is not necessary to update those cash flows if the balance to be paid or paid will be expected to occur within one year of the date on which the claim occurred.

An entity shall apply the new principle to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held, and to investment contracts with a *discretionary participation feature* (DPF).

The Standard applies from the 1st of January 2023 but is allowed to apply in advance only to entities that apply IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from contracts with customers*.

Directors do not expect a significant effect in the financial statements following the adoption of this principle.

- On 9th December 2021, the IASB published an amendment called ***"Amendments to International Financial Reporting Standards 17 insurance contracts: Initial Application of International Financial Reporting Standards 17 and International Financial Reporting Standards 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 Ja-

nuary 2023, together with the application of the International Financial Reporting Standards 17 principle.
Directors do not expect a significant effect in the financial statements following the adoption of this principle.

- On the 12th of February 2021, the IASB published two amendments entitled ***"Disclosure of Accounting Policies—Amendments to IAS 1 and International Financial Reporting Standards practice Statement 2"*** and ***"Definition of Accounting estimates — Amendments to IAS 8"***. The changes aim to improve disclosure of accounting policies 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.
  At present, the directors are considering the possible effects of the introduction of this amendment.

- 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 aaising 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.
  At present, the directors are considering the possible effects of the introduction of this amendment.

6. INTERNATIONAL ACCOUNTING STANDARDS AND IFRS 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 23rd 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"*** and on the 31st of October 2022 published an amendment called ***"Amendments to IAS 1 Presentation of Financial statements: Non-current Liabilities with Covenants"***. The purpose of the documents is to clarify how to classify debts and other short- or long-term liabilities. The amendments come into force on the 1st of January 2024; however, they are allowed to be applied in advance.
  At present, the directors are considering the possible effects of the amendment.

- On 22nd September 2022, the IASB published an amendment called ***"Amendments to In-***

ternational Financial Reporting Standards 16 leases: Lease liability in a sale and leaseback." The document requires the seller-lessee to assess the liability for the lease arising from a sale & leaseback transaction so as not to recognize any income or loss relating to the retained right of use. The amendments will apply from the 1st of January 2024, but advance application is allowed.
At present, the directors are considering the possible effects of the amendment.

- On 30th January 2014, the IASB published the ***International Financial Reporting Standards 14 – Regulatory Deferral Accounts principle***, which allows only those who adopt the International Financial Reporting Standards for the first time to continue recognizing amounts relating to activities subject to regulated tariffs "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 discretionary assessments and estimates and assumptions affects the amounts shown in the financial statements, the balance sheet, the income statement, the total income statement, the Statement of cash flows, and the information provided. The 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 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 financial statements 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.

Provisions for doubtful receivables

The recoverability of the claims is assessed considering their insolvency risk, 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 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.

Useful life and Depreciation

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.

Going concern

The applicability of the assumption of going concern and the identification of any uncertainties that may raise doubts about the ability of the Company to continue operating under operating conditions is an assessment that is the responsibility of the directors on the basis of future perspectives. This assessment requires both the use of projections of the economic and financial performance of the company and an assessment by the directors based on the available information. In view of the uncertainties highlighted during the year, the assessment made by the directors is part of the discretionary assessments.

Recognition of revenues and costs related to Work-in-progress-to-order contracts

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 contracts at pre-determined price*: 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 cannot 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, using hedging derivatives.

The following paragraphs analyze 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 as of 31st December 2022 and 2021. 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 2022	Within 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Bonds	354,852	9,625	359,625	-	369,250
Other current and non-current loans and borrowings	817,931	528,177	373,191	723	902,091
Trade payables	563,130	563,130	-	-	563,130
Other current and non-current liabilities	121,735	69,013	52,722	-	121,735

The previous table shows the actual expected flows, although the non-current shares of the EIB Loan (for 6.7 million Euro), the IFIS financing guaranteed by SACE (for 8.3 million Euro) and the Bond are reclassified in the accounting schemes (EUR 349.8 million for a total b/t bond of EUR 354.9 million), as the periodic tests involved breach of the financial indicators (covenants) required by the banks.

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

Interest rate risk

The Group is exposed to changes in the interest rate as regards the use of its liquidity. According to IFRS 7, no significant risks are found, 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 mainly supply contracts in Euro. 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 2022, the total notional value in euro of the lots covered by derivative instruments on sale amounted to 70,680 thousand Euro, while the purchase value amounted to 18,831 thousand Euro.

Given the above, and net of the effect of the policy of covering transactions in currencies other than the Euro, 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.

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	Europe, CIS, Africa, Middle East	America	Total
Not due	559	6,004	104	6,667
Overdue by less than six months	98	7	-	105
Overdue between six months and one year	-	669	-	669
Overdue between one and five years	23	4	8,928	8,955
Overdue by more than five years	182	12	-	194
	862	**6,696**	**9,032**	**16,590**

CIS Commonwealth of Independent States

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 financial statements date on past events, current conditions, and forecasts of future economic conditions.

The company carries out an analysis of trade 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.

Moreover, for certain specific commercial credits, a country-default risk is incorporated into the cost budgets of individual contracts.

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 by the company.

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.

Considering the requirements of IFRS 9, the company also conducted a specific analysis of claims that have not expired or expired for less than a year, considering the risk of default country (where the customer's specific default risk is not available), applying it to 40% of the claimed amount (loss given default). The analysis led to the adjustment of the Allowance for doubtful accounts to € 4.3 million (with an income statement impact of euro/thousand 664).

For derivatives, the ECL analysis was included in the fair value valuations of instruments.

The management has done short-term ECL analysis of cash and cash equivalents by analyzing the default risk of banks, with no significant impact.

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 of previous years has made the risk indices in question worse; reference is made to the management report on going concern analysis and implementation of a financial maneuver that one hopes will restore a balance between sources of finance.

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 International Financial Reporting Standards 9 as of 31st December 2022 and 2021, respectively.

Euro/thousand	31-dec-22		
	Financial assets and liabilities at amortized cost	**Hedging derivatives**	**Total**
Other current financial assets	124,644		124,644
Other non-current financial assets			-
Other receivables and other non-current assets	139,039		139,039
Receivables	396,196		396,196
Other receivables and other current assets	101,477	-	101,477
Total	**761,356**	**-**	**761,356**
Loans and borrowings and other non-current liabilities	881,855		881,855
Other debts and other non-current liabilities	13,857		13,857
Loans and borrowings and other current liabilities	290,928		290,928
Trade payables	563,130		563,130
Other debts and other current liabilities	69,013	2,129	71,142
Total	**1,818,783**	**2,129**	**1,820,912**

Euro/thousand	31-dec-21		
	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**

It should be noted that the Group, except for 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 1st of January 2021 to the 31st of December 2022, which shows the financial movements and movements which did not involve a financial flow (non-cash changes):

Euro/thousand	Cash and cash equivalents	Financial receivables	Short-term loans	Medium/ long-term loans	Total
Net financial position as of 31st December 2021	**301,092**	**13,595**	**-208,583**	**-960,842**	**-854,738**
Cash flow of the period	-193,061	3,018	-14,292	10,934	-193,401
Reclassifications			-658,980	658,980	-
Net financial position as of 31st December 2022	**108,031**	**16,613**	**-881,855**	**-290,928**	**-1,048,139**

The item "reclassifications" includes reclassifications from medium/long to short-term of financial debts, including reclassification of non-current shares of EIB financing (Euro 6.7 million), IFIS financing (Euro 8.3 million) and Bond (Euro 349.8 million), as already commented in the previous paragraphs.

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 2022 and 2021, based on the level that reflects the inputs used in the determination of fair value:

Euro/thousand	Fair Value 12/31/2022	Fair Value 12/31/2021
Assets		
Currency forward/swap/option	-	-
Interest rate swap	-	-
Liabilities		
Currency forward/swap/option	2,129	2,357
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	549,881	615,354	70,499	1,350	**1,237,083**
Gross Margin	-201,422	192,423	-1,047	-434	**-10,479**

13. REVENUES

Euro/thousand	2022	2021
Sales Revenues	543,840	736,989
Services Revenues	182,419	85,175
Penalties	1,011	247
	725,248	**821,917**
Changes in Work-in-progress	431,772	494,448
Related parties Revenues	80,063	174,618
Total Revenues	**1,237,083**	**1,490,983**

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.

As stated in the Management Report, it is noted that the New Unit division recorded a reduction in the order expectations mainly deriving from the negative results of the *Italian Capacity Market* that did not assign new orders.

Moreover, the rise in gas prices and uncertainty about gas availability resulting from the Russian-Ukrainian crisis have resulted in a revision of the lifetime margins of New Unit sales projects, which have an impact on economic performance.

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

Euro/thousand	Revenues	
	2022	**2021**
Italy	726,549	793,416
Europe/CIS/Africa/Middle East	396,252	486,895
America	9,054	9,131
Asia/Australia	105,228	201,541
	1,237,083	**1,490,983**

CIS = Commonwealth of Independent States

14. OTHER OPERATING INCOME AND EXPENSES

Euro/thousand	2022		2021	
	Income	**Expense**	**Income**	**Expense**
Gains/losses on sales of property, plant and equipment and intangible assets	7	1	9	-
Accruals to/reversals of provisions	3,424	23,429	2,084	3,697
Exchange rate gains (losses) on operating activities	10,216	10,729	10,103	9,538
Unrealized exchange rate gains and losses	24,475	26,964	22,524	17,669
Financial income/expenses on trade receivables/payables	-	157	161	-
Insurance compensation	19,345		8,090	
Indirect taxes		581		2,036
Membership fees and contributions		588		727
Other operating income/expense	656	25,997	2,734	2,132
Other related parties operating income/expense	-	60	-	-
	58,123	**88,506**	**45,705**	**35,799**

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 damages incurred in various plants and in the Glow plant in Thailand (Euro/thousand 3,000), in the Ovada warehouse due to flood damages (Euro/thousand 2,600), in Mornaguia in Tunisia (Euro/thousand 2,000), in the Marghera power plant (Euro/thousand 1,968), in Congo (Euro/thousand 1,320) and in other sites in Italy.

Other Operating expenses include, there are 17,758 Euro/thousands of penalties, while the remainder of the other operating income/costs refers to liberal donations, gifts, and others.

Provisions include appropriations for the product guarantee fund and others for 23,429 Euro/thousand mainly related to risks of intervention on the new fleet of installed products.

15. PURCHASES AND SERVICES COSTS

Euro/thousand	2022	2021
Materials from third parties	476,837	622,861
Change in inventories	(32,065)	32,163
Purchases from related parties	13,088	17,207
Total purchases	**457,860**	**672,231**
Services from third parties	646,423	503,166
Services from related parties	5,309	3,231
Rentals and operating leases	9,373	10,871
Total services	**661,105**	**517,268**

The costs for purchases of materials amounted to 457,860 thousand Euro, a decrease compared to the previous year of 214,371 thousand Euro, mainly due to the contraction of New Units orders.

The costs for total services (toward third parties and toward Related parties) refer mainly to the following items: Industrial performance and technical assistance of the parent company (462,565 thousand Euro) Industrial services of Ansaldo Nucleare (19,242 thousand Euro), transport costs and customs charges of the parent company (Euro 30,783 thousand), Software and other information services expenses of the parent company (15,405 thousand Euro), insurance premiums of the parent company (13,409 thousand Euro), travel expenses of the parent company (15,545 thousand Euro), maintenance costs of the parent company (Euro 15,859 thousand), costs for facility management of the parent company (9,539 thousand Euro) and legal and other professional expenses of the parent company (6,525 thousand Euro).

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 USD 5,000 individually.

16. PERSONNEL EXPENSES

Euro/thousand	2022	2021
Wages and salaries	184,244	179,929
Social security and pension contributions	42,279	45,628
Costs related to other defined benefit plans	367	233
Costs related to defined contribution plans	7,928	7,706
Incentives	10,285	8,083
Extraordinary pension costs	-	(1,136)
Other costs	933	1,530
	246,036	**241,973**

"Incentives" includes extraordinary exodus incentives of Euro/thousand 5,327 and other incentives for difference.

At the end of 2022, the resources entered were 3,389.

The following is evidence, by category, of the average headcount trend:

Euro/thousand	2022	2021	Variation
Managers	54.1	54.5	**-0.4**
Junior Managers	318.4	318.4	**0**
White Collars	2,011.8	1,941	**70.8**
Blue Collars	983.6	953	**30.6**
	3,367.9	**3,266.9**	**101**

The cost of 246,036 thousand Euro represents the charge for monthly and deferred competences, social security charges and end-of-relationship allowances as of 31st December 2022 and includes the part relating to the stable foreign organizations of the Parent Company for 13,220 thousand Euro.

17. AMORTIZATION, DEPRECIATION, AND IMPAIRMENT LOSSES

Euro/thousand	2022	2021
Amortization and depreciation:		
- Intangible assets	54,485	59,695
- Property, plant and equipment	45,120	40,841
	99,605	**100,536**
Impairment:		
- Intangible assets	219,000	-
- Property, plant and equipment	-	-
- Other assets	664	-
- Goodwill	171,000	-
	390,664	**-**
Total amortization, depreciation and impairment losses	**490,269**	**100,536**

The trend in depreciation 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
Lands	Indefinite useful 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.

As commented in the report on operations, the review of the full-life margins of sales projects resulting from the new expectations reflected in the review of the Industrial Plan, made it necessary to assess the load values of the financial statements assets through impairment.

The results of the various impairment tests have led to:

- A devaluation of the development costs on the H-class GT36 technology for 219 M€;
- A write-down of goodwill of € 171 million.

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

Euro/thousand	2022	2021
Changes in inventories of finished products, in progress and semi-finished goods	67,732	11,309

19. INTERNAL WORK CAPITALIZED

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

Euro/thousand	2022	2021
Employee, material and other costs	26,797	69,637
	26,797	**69,637**

20. FINANCIAL INCOME AND EXPENSES

The item “Financial income” can be detailed as follows:

Euro/thousand	2022			2021		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Dividends	272		**272**	582		**582**
Interest cost on defined benefit plans		129	**(129)**		14	**(14)**
Discount of financial assets	-	4,803	**(4,803)**	-	1,597	**(1,597)**
Banks and borrowers assets	963	29,203	**(28,240)**	1,589	28,858	**(27,269)**
Commissions		7,569	**(7,569)**		8,398	**(8,398)**
Premiums paid/collected on forward	-	606	**(606)**	1,351	422	**929**
Exchange rate gains and losses	28,758	26,679	**2,079**	25,647	26,417	**(770)**
Fair value gains and losses		1,281	**(1,281)**		(986)	**986**
Investments in subsidiaries value adjustment	-	-	**-**	-	25	**(25)**
Other financial income and expenses	-	12	**(12)**	429	1,720	**(1,291)**
Related parties financial income/expenses	-	14,860	**(14,860)**	-	14,138	**(14,138)**
	29,993	**85,142**	**(55,149)**	**29,598**	**80,603**	**(51,006)**

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 (9,625 thousand Euro), interest on the revolving financing (4,332 thousand Euro), interest on the term loan (10,115 thousand Euro), exchange rate differences on financial lots (26,679 thousand Euro) and leasing debt discount charges arising from the application of IFRS 16 (4.803 thousand Euro).

The financial charges to Related parties relate mainly to the interest accrued on the shareholders loan (13,918 thousand Euro).

21. INCOME TAXES

The income tax item is composed as follows:

Euro/thousand	2022	2021
IRES	-	202
IRAP	64	1,642
Benefit from tax consolidation	57,118	-
Other income taxes	3,192	2,215
Tax fund surplus	-	2,136
Prior year taxes	489	(53)
Provisions for tax risks	41	1,000
Net deferred taxes	3,138	(29,068)
Substitute taxes	-	2,771
	(50,194)	**(23,427)**

It should be noted that in the course of the 2022 financial year Ansaldo Energia discontinued the option for the national tax consolidation in force, as a consolidating agent, with its subsidiary Ansaldo Nucleare S.p.A. and has acceded, with effect already for the 2022 financial year, to the tax consolidation of the parent company Cassa Depositi e Prestiti S.p.A.. The mechanism for the application of this regime, as provided for by the D.P.R. 917/1986 (so-called TUIR) in Articles 117 to 129, allowed the remuneration of the tax loss made, to the extent of the current IRES rate (24%), As well as unpayable interest amounting to half of the current IRES rate (12%) as provided for in the consolidated contract signed between Ansaldo and Cassa Depositi e Prestiti S.p.A., involving the inclusion in the financial statements of a profit of 57 million, distributed between the parent company, Ansaldo Nucleare and Ansaldo Green Tech. The amount in question has been confirmed by the counterparty.

22. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The item concerns comparative 2021 and refers to the profit linked to discontinued operations (Ansaldo Energia Holding USA, PSM Power System Manufacturing, PSM Japan, Ansaldo Energia Mexico, Ansaldo Energia Korea, Ansaldo Servos de Energia Brasil and Ansaldo Thomassen).

There are no records concerning IFRS 5 for the financial year 2022.

23. INTANGIBLE ASSETS

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

Euro/thousand	Goodwill	Deve-lopment expenses	Patent and similar rights	Concessions, licenses and trademarks	Intangible assets acquired through business combination (PPA)	Other assets under construction	Total
31st December 2021							
Cost	806,446	587,051	921	108,545	635,354	84,941	**2,223,258**
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**
Cost							
Investments	-	18,587	-	-	-	20,181	**38,768**
Reclassifications	-	27,187	-	-	-	(27,187)	**-**
Other changes	(479)	4,668	-	(1)	-	-	**4,188**
Accumulated depreciation							
Amortization and impairment	-	(240,182)	(44)	(913)	(28,904)	(3,442)	**(273,485)**
Impairment of intangible fixed assets	(171,000)	-	-	-	-	-	**(171,000)**
Reclassifications	-	-	-	-	-	-	**-**
Other changes	479	(4,669)	1	-	544	(543)	**(4,188)**
31st December 2022							
Cost	805,967	637,493	921	108,544	635,354	77,935	**2,266,214**
Amortization and impairment	179,254	521,690	679	28,279	505,962	35,914	**1,271,778**
Carrying amount	**626,713**	**115,803**	**242**	**80,265**	**129,392**	**42,021**	**994,436**

The reclassification line refers to ongoing fixed assets accounts for specific categories of intangible assets.

The item “Goodwill” derives for Euro/thousand 26,226 from the acquisition of the British Nuclear Engineering Group and for the remainder from the application of the purchase price allocation process as required by the accounting standard International Financial Reporting Standards 3 in relation to the merger in 2012 with Ansaldo Energia Holding S.p.A. (represented essentially by backlog and customer relationship).

It should be noted that, as widely commented in the specific paragraphs, in the face of impairment tests, goodwill was appropriately devalued by 171 million Euro, while GT 36 technology by 219 million Euro.

The item "concessions, licenses and trademarks" refers mainly to the Ansaldo brand registered in Ansaldo Energia (with a residual value of Euro/thousand 75,893) and Ansaldo Nucleare (with a residual value of Euro/thousand 3,308).

The item "intangible assets acquired for Business combination" includes intangible assets deriving from the PPA relating to the aforementioned merger of Ansaldo Energia Holding in 2012 (Euro/thousand 43,745), and, for the delta, The residual value of intangible assets resulting from the acquisition of part of Alstom's gas turbine business from General Electric Company (the Gastone project).

Goodwill

The item "Goodwill", equal to euro/thousand 626.713 on the 31st of December 2022, is attributable as follows:

- Euro 601 million to the reverse merger between Ansaldo Energia S.p.A. and its parent company Ansaldo Energia Holding S.p.A. in 2012; goodwill was adjusted against the impairment test result on the 30th of June 2022 for Euro 171 million;
- Euro 26 million 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 within which all the services and products supplied, i.e., the energy sector, are brought together.

In this regard, it is noted that goodwill is recoverable through the joint activity of a group of CGC, which coincides with the energy sector.

Within the guidelines of the 2023-2027 Industrial Plan, the flows deriving from the new CGU Ansaldo GreenTech have been removed and excluded from the CGU Energia.

In line with the requirements of the International Accounting Standards, the impairment test was carried out at the date of this financial statement 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")* 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 10.2%-9.6%. 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 2%, also considering the markets in which the Group operates mainly.

The value of 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 2023-2027, 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 guidelines of the plan on which the impairment test is based have been approved by the Board of Directors on the 23rd of May 2023. 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 showed that the estimated recoverable amount for the CGU was €4 M higher than it is carrying amount at the reference date; therefore, it was considered not to have to make value adjustments at the Goodwill level.

Impairment intangible assets

An analysis of the recoverability of intangible fixed assets has been carried out to analyze all those assets not yet available for use or those for which impairment assumptions (so-called trigger events) have emerged.

The Intellectual Properties related to R&D specifically related to the GT36 and GT26 project ("IPR&D GT36 and GT26"), pursuant to IAS 36 §10, were subjected to impairment tests. This test was based on the "DCF method", using the use value as the recoverable value configuration. As regards the determination of the recoverable amount of the GT36 and GT26 IPR&D, the cash flows generated by the technology in question were estimated, discounted at an opportunity cost of capital reflecting 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 covering a time horizon of 20 years foreseen for the sale of new units and 26 years for the sale of the relative service for the GT36 and 17 years for the sale of the relative service for the GT26 (no new units are expected to be sold for this technology).

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 and GT26 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 current value of future flows is higher than the 21M€ load value for GT36 technology and is aligned with the load value for GT26 technology (headroom/loss equal to 0). It was therefore considered appropriate not to make any value adjustments.

Other intangibles

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	Equip-ment	Others	Fixed assets in progress and advances	Leased land and buildings	Others are leased	Total
31st December 2021								
Cost	204,773	345,710	161,554	32,549	17,964	47,674	897	**811,121**
Amortization and impairment	95,216	268,152	133,778	28,985	-	14,396	680	**541,207**
Carrying amount	**109,557**	**77,558**	**27,776**	**3,564**	**17,964**	**33,278**	**217**	**269,914**
Cost								
Investments	-	457	126	357	9,446	933	8,974	**20,293**
Increases from business Combinations	-	188	618	19	-			**825**
Sales	-	(1,196)	(32)	(474)	(82)	(796)	(1)	**(2,581)**
Reclassifications	368	8,736	3,226	161	(28,975)			**(16,484)**
Other changes	521	(572)	(6,372)	351	5,599	9,990	(589)	**8,928**
Accumulated depreciation								
Increases from business combinations	-	(130)	(615)	(19)	-			**(764)**
Sales	-	1,196	34	247	-			**1,477**
Amortization and impairment	(5,507)	(14,441)	(8,863)	(1,069)	-	(13,065)	(2,175)	**(45,120)**
Reclassifications	-	-	-	-	-	-	-	**-**
Other changes	(127)	395	767	(301)	-	448	735	**1,917**
31st December 2022								
Cost	205,662	353,323	159,120	32,963	3,952	57,801	9,281	**822,102**
Amortization and impairment	100,850	281,132	142,455	30,127	-	27,013	2,120	**583,697**
Currency amount	**104,812**	**72,191**	**16,665**	**2,836**	**3,952**	**30,788**	**7,161**	**238,405**

The item “increases in business combinations” refers to the newly established Ansaldo Green Tech.

Reclassifications include transfer entries from current fixed assets to specific asset categories. In addition, the reclassifications include a reclassification from fixed assets in stock of the comfort package to support the period of guarantees of the orders relating to GT36.

The item "other movements" includes the capitalization of the costs to be incurred for the dismantling of Birr's site equal to 10,782 thousand Euro.

The increase for plants that entered into production mainly concern the Parent Company and in particular:

- The upgrade of the overspeed cell for 3,518 thousand Euro;
- The acquisition of tools for Service interventions in the yard for 1,174 thousand Euro;
- The capitalization of tooling for gas turbine processing for 1,290 thousand Euro;
- Upgrade of the clean area for the assembly of rotors for 745 thousand Euro;
- The implementation of a test rig for combustion tests for 1,334 thousand Euro;
- The acquisition of new factory equipment specific to the blade line for 640 thousand Euro;

25. EQUITY INVESTMENTS

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

Euro/thousand	2022	2021
1st January	19,418	17,218
Acquisitions/subscriptions and capital increases	-	9
Valuation effects by using equity method	(27)	2,041
Dividends received	(582)	-
Revaluation/(Depreciation)	-	(25)
Change in the scope of consolidation	-	374
Disposals	(13)	(5)
Other changes and exchange differences	(658)	(194)
31st December	**18,138**	**19,418**

Dividends received refer to Dynamic.

The effect of the Equity method evaluations includes the results of the two Chinese Joint ventures AGTT (Ansaldo Gas turbine High Technology Co. Ltd.) and SEGT (Shanghai Electric Gas turbine Co. Ltd) for 1,236 thousand Euro and (-2,519) thousand Euro respectively; 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 objectives of penetration into the Chinese market and the implementation of Research and Development energy projects; During the financial year, the two JV's accumulated a result of 2,059 thousand Euro and (-6,298) thousand Euro respectively, which consequently led to their revaluation, in the first case, and depreciation, in the second case, in the financial statements.

The item "other movements" includes the reclassification of negative-value equity investments in the funds, in this case AU Finance Holding BV and Shanghai Electric Gas Turbine Co. Ltd.

List of equity investments as of 31st December 2022

Denomination *Euro/thousand*	**% of ownership**	**Participation value**
Subsidiaries and associates		
Ansaldo Algerie	49%	1,699
Dynamic	25%	1,839
Polaris Anserv	20%	46
Joint Ventures		
Ansaldo Gas Turbine Technology (JVA)	60%	8,052
Other equity investments and consortia		
AC Boilers	10%	6,000
Cogenerazione Rosignano	33%	333
Consorzio CISA in liquidazione	66%	68
Consorzio CORIBA in liquidazione	5%	3
Consorzio Create	20%	5
Consorzio QUINN	16.66%	-
Euroimpresa Legnano	9.92%	-
Icim Group	20.59%	58
Santa Radegonda	19%	6
SIET	2%	15
SIIT	2%	14
		18,138

As anticipated, equity investments in AU Finance Holding BV and Shanghai Electric Gas Turbine Co. Ltd are exposed among the risk funds on equity investments:

Denomination *Euro/thousand*	**% of ownership**	**Participation value**
AU Finance Holdings	40%	(483)
Shanghai Electric Gas Turbine (JVS)	40%	(1,998)

Here belowr are reported provisional significant data of the two Chinese JVs:

As of 31st December 2022 *Euro/thousand*	**Ansaldo Gas Turbine Technology Co.**	**Shanghai Electric Gas Turbine Co**
Total Assets	**19,442**	**351,447**
Total Liabilities	**6,022**	**356,442**
Total Equity	**13,420**	**(4,995)**
Operating Result	**2,059**	**(6,298)**
Total revenues	**8,228**	**210,069**

The data were converted using 2022 exchange rates (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 2022, the equity 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:

Euro/thousand	**2022**	**2021**
Ansaldo Algerie	809	195
Ansaldo Gas Turbine Technology	1,236	322
AU Finance Holdings	(815)	(102)
Dynamic	1,255	781
Polaris Anserv	7	(8)
Shanghai Electric Gas Turbine	(2,519)	853
	(27)	**2,041**

26. RECEIVABLES AND OTHER NON-CURRENT ASSETS

The item can be detailed as follows:

Euro/thousand	12/31/22	12/31/21
Guarantee deposits	423	443
Other	136,749	126,543
Non-current receivables	1,867	-
Non-current receivables	**139,039**	**126,986**
Deferred tax assets	54,693	62,157
Other	12	12
Other non-current assets	**54,705**	**62,169**

The item "others" mainly refers to accounts receivable for invoicing in relation to contracts with payment terms beyond the period.

Non-current claims to related claims refer to Cogenerazione Rosignano.

27. INVENTORIES

The item can be detailed as follows:

Euro/thousand	12/31/22	12/31/21
Raw materials, consumables and supplies	344,714	312,463
Work-in-progress and semi-finished products	223,458	147,967
Finished products and goods	9,948	15,762
Advanced payments	34,621	21,749
	612,741	**497,941**

Raw materials, consumable and suppliers

They are included net of the depreciation fund equal to Euro/thousand 42,774 (Euro/thousand 32,942 in 2021), allocated to meet the needs deriving from slow moving and the abandonment of some products.

As stated in the paragraph dedicated to tangible fixed assets, Euro/thousand 16,485 derive from the reclassification of the comfort package in support of the warranty period of the orders relating to GT 36.

Work- in- progress and semi-finished products

The current and semi-finished products, increased by 75,491 thousand Euro, relate to parts with high standardization characteristics that will only be associated to sales orders at the time of customization.

Advanced payments

They increased by 12,872 thousand Euro. The variation is mainly due to the normal life of orders linked to production.

The advances to suppliers included payments to AC Boilers for 7,033 Euro/thousand, to Tamini for 1,165 Euro/thousand and to Valvitalia for 121 Euro/thousand.

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

The item in question can be detailed as follows:

Euro/thousand	**31/12/22**	**31/12/21**
Work-in-progress (gross)	1,497,109	1,479,341
Advances from customers	1,322,429	1,292,833
Work-in-progress (net)	**174,680**	**186,508**
Advances from customers (gross)	4,842,947	4,311,397
Work-in-progress	4,008,671	3,593,667
Advances from customers (net)	**834,276**	**717,730**

Work-in-progress (net) decreased by 11,828 thousand Euro.

Net advances from customers increased by Euro/thousand 116,546 and are generated by orders of a prevalent plant nature at a high stage of progress, as well as by orders of LTSA for which the invoicing conditions are not strictly related to the progress of the activities produced.

Work in progress/payments from net customers includes a write-down fund of Euro/thousand 29,030.

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 International Financial Reporting Standards 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 -10,479 thousand Euro.

29. TRADE AND FINANCIAL RECEIVABLES

The item can be detailed as follows:

Euro/thousand	12/31/22		12/31/21	
	Trade	Financial	Trade	Financial
Receivables	305,475	15,681	269,542	13,595
(Bad allowance)	-4,368	-	-3,700	-
Receivables from related parties	95,089	115,959	66,823	115,026
(Impairment receivables from related parties)	-	-115,027	-	-115,026
	400,339	**16,613**	**332,665**	**13,595**

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 3,700 thousand Euro to 4,368 thousand Euro.

The analysis of the credit expiration and the considerations on the methods of managing the credit risk are reported in the special paragraph of "expected credit loss analysis".

Financial receivables refer to tied current accounts of the Parent Company and are mainly 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 as a partial guarantee of the exhibition of guarantees of the Labreg project (Algeria).

30. TAX LIABILITIES AND ASSETS

The item in question can be detailed as follows:

Euro/thousand	12/31/22		12/31/21	
	Receivables	Payables	Receivables	Payables
For direct taxes	3,993	2,137	5,628	6,169
	3,993	**2,137**	**5,628**	**6,169**

Current tax receivables

They mainly relate to advances and excess taxes on IRES and IRAP.

31. OTHER CURRENT ASSETS

The entry is composed as follows:

Euro/thousand	12/31/22	12/31/21
Prepayments – current portion	5,480	5,501
Employees and pension institution receivables	1,319	1,337
Other tax assets	11,734	14,867
Other assets	19,328	40,264
Cautionary deposits	2,732	2,025
Other receivables from related parties	60,884	6,188
	101,477	**70,182**

Other current assets include:

- Prepaid expenses; mainly relating to the future years costs for insurance on assembling, allocated to work in progress basis status of completion;
- Loans from the branches of the Parent Company for taxes on foreign payments of Euro/thousand 8,312;
- A credit of the Parent Company to the client NLC Neyveli for Euro/thousand 2,047 for Witholding Tax improperly retained, for which there is a formal dispute in India regarding which no particular criticality;
- Deposits for Euro/thousand 2,732;
- A related party credit to Leonardo S.p.A. of Euro/thousand 2,846 for the asbestos risk guaranteed to Ansaldo Energia following the sale of shares to the FSI (now CDP Equity);
- A related party credit to Leonardo S.p.A. of Euro/thousand 912 as an application for reimbursement for deduction of IRAP from IRES (Decreto Monti);
- A credit to Cassa Depositi e Prestiti deriving from benefit resulting from tax consolidation of Euro/thousand 57.126 distributed between the Parent Company, Ansaldo Nucleare and Ansaldo Green Tech;
- Domestic and international VAT and other debts to Ansaldo Energia Switzerland (Euro/thousand 7,437).

32. CASH AND CASH EQUIVALENTS

The entry in question can be detailed as follows:

Euro/thousand	12/31/22	12/31/21
Cash and cash equivalents	108,031	301,092
	108,031	**301,092**

33. EQUITY

Shareholders' equity on the 31st of December 2022 amounted to 16,358 thousand Euro.

As described in the paragraph of the report on "going concern", Ansaldo Energia Spa, already with the 2022 half-year survey, was in accordance with the conditions laid down in Art. 2446 of the Civil Code. The Board of Directors has therefore convened the Shareholders' Meeting on the 31st of October 2022 in the first call and on the 23rd of November 2022 in the second call to provide for the relevant resolutions.

In October 2022, CDP Equity paid a capital increase of EUR 35.6 million as the first tranche of the total share of EUR 50 million, earlier deliberated by the majority shareholder in the event of a break in the Minimum Available Liquidity (financial covenant), which occurred during the year.

It should be noted that the remaining tranche (second tranche) was paid between January and February 2023.

	Number of shares
Shares	61,551,350
Treasury shares	11,250
31st December, 2022	61,562,600

The capital of Ansaldo Energia Spa is approved for Euro 630,000,000, of which Euro 615,626,000 is fully paid up and divided into 61,562,600 registered shares with no nominal value.

In November 2020, the Company decided to purchase 11,250 Treasury Stock previously held by the Company's managers.

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.

The capital is divided as follows:

A. No. 13,602,007 of Common Stock (held by CDP Equity S.p.A);

B. No. 40,749,343 of Category Z shares (held 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 (held by Ansaldo Energia Spa)

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 October 2020, which converted D. 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 at 12/31/2022 for an amount of Euro/thousand 48,246.

However, the available part is not usable except through the provision of a reserve, where permitted by law.

It should be noted that, following the abovementioned payment made by CDP Equity between January and February 2023, at the date of the drawing up of this financial statements, the capital of Ansaldo Energia S.p.A. thus consists of euro 630,000,000 fully paid out, divided into 63,000,000 registered shares without nominal value and is divided as follows:

A. No. 13,961,788 of Common Stock (owned by CDP Equity S.p.A.);

B. No. 41,826,962 of Category Z shares (held 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 (held by Ansaldo Energia Spa).

Other reserves

The handling of the other reserves is shown below.

Euro/thousand	Hedging reserve	Actuarial reserve	Other reserves and retained earnings	Total
1st January, 2021	**1,472**	**(28,617)**	**(66,857)**	**(94,002)**
Dividends paid	-	-	-	-
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
31st December, 2021	**(542)**	**(23,244)**	**(29,542)**	**(53,328)**
Net result	-	-	(559,212)	(559,212)
Other changes	-	36,160	(559)	35,601
Fair value adjustments	(1,369)	(18,098)	-	(19,467)
Deferred taxes from equity method	409	(3,341)	-	(2,932)
Consolidation adjustments	-	-	70	70
3st Dicembre 2022	**(1,502)**	**(8,523)**	**(589,243)**	**(599,268)**

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 financial statements.

Other reserves

The other reserves include the Additional Paid in Capital reserve (281 thousand Euro) 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:

Euro/thousand	12/31/22			12/31/21		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bonds	354,852	-	354,852	5,112	349,237	354,349
Bank loans and borrowings	516,816	9,516	526,332	197,297	345,276	542,573
Lease liabilities	7,898	31,907	39,805	5,543	30,741	36,284
Other loans and borrowings	2,289	-	2,289	631	-	631
Related parties loans and borrowings	-	249,505	249,505	-	235,588	235,588
	881,855	**290,928**	**1,172,783**	**208,583**	**960,842**	**1,169,425**

The handling of current financial debts is set out below.

Euro/thousand	12/31/21	New borrowings (and other increases)	Payment	Other movements	12/31/22
Bonds	354,349			503	354,852
Banks loans and borrowings	542,573	170,858	-187,927	828	526,332
Lease liabilities	36,284	11,543	-9,395	1,373	39,805
Other loans and borrowings	631	1,358		300	2,289
Related parties loans and borrowings	235,588	13,917			249,505
	1,169,425	**197,676**	**-197,322**	**3,004**	**1,172,783**

The following details of bank and intercompany debts are given below:

Subject	Delivery date	Type of financing	Delivery subject	Expiration	Value disbur-sed	Carrying amount as of 12.31.22	Nominal value as of 12.31.22
AEN	10/16/2015	Loan	BEI 1	10/16/2022	25,000	-	-
AEN	10/16/2015	Loan	BEI 2	10/16/2022	25,000	-	-
AEN	01/31/2017	Loan	BEI 3	01/31/2024	80,000	20,165	20,000
AEN	12/31/2017	Loan	VARI	05/31/2024	350,000	354,852	350,000
AEN	07/31/2018	Loan	CDP	06/30/2026	200,000	249,505	200,000
AEN	06/30/2021	Loan	BANCA IFIS	03/31/2025	20,000	15,000	15,000
AEN	04/27/2020	Loan	IMI	12/31/2023	300,000	301,573	300,000
AEN	05/25/2020	Loan	INTESA	06/30/2029	567	698	698
AEN	05/25/2020	Loan	INTESA	06/30/2029	2,444	1,998	1,998
AEN	07/04/2019	Loan	INTESA	06/30/2027	5,969	3,404	3,404
AEN	02/25/2022	Revolving	IMI	12/31/2023	30,000	30,042	30,000
AEN	11/09/2022	Revolving	IMI	12/31/2023	120,000	120,145	120,000
AEN	10/14/2022	Hot Money	BSONDRIO	01/13/2023	20,000	20,000	20,000
AEN	11/21/2018	INV. Advance	BPASSADORE			8,801	8,801
ANN	12/10/2018	Loan	INTESA	12/31/2028	494	494	494
ANN	12/10/2018	Loan	INTESA	12/31/2028	1,729	1,326	1,326
GULF	06/14/2018	Loan	INTESA	06/07/2026	3,307	2,859	2,859

The bond loan as of 31st of December 2022 was Euro/thousand 354,852 and the interest attributable to it was Euro/thousand 9,625.

The following details are given:

Type of Loan	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	18.019%
Rating	unrated
Nominal value	350,000 euro/thousand

The characteristics of the other financing reports as of 31st of December 2022 can be summarized as follows:

Line of debt	Description
Bond	Bond issued by Ansaldo Energia Spa and purchased by institutional investors on the secondary market. Nominal value of 350 million Euro 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 Euro 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. The spread fell from 3.5% to 2,65% as of May 9, 2022. 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 Euro 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. The spread fell from 3.5% to 2,65% as of May 9, 2022. Maturity on 12/31/2023 with possible extension to 12/31/2025. The line of credits was fully used as at 12/31/2022.
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 Euro with a constant capital repayment plan. Initial fixed rate of 1.53% per annum amended to 1.98% for 25 million Euro not guaranteed by CDP; fixed rate of 0.492% for the amount of 25 million Euro guaranteed by CDP. This loan is based on the presentation of a multi-year R&D plan. As at 12.31.2022 it's fully repaid.
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 Euro, 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 – facilitated financing Mediocredito MISE1	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 Euro (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 – MISE3 Agreement and facilitated financing (CDP) Bank financing	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 5 million Euro, broken down as follows: bank loan equal to 0.5 million Euro and subsidized loan equal to 2.4 million Euro. 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%. 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 Euro, with a bullet capital repayment plan starting on 06/30/2026. Interest rate Euribor 6 months (zero-floor) + spread (6.75%).
Ansaldo Energia – IFIS term loan Bank with SACE guarantee	Financing signed on 06/30/2021 by Ansaldo Energia with Banca IFIS for an amount of 20 million Euro. 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 31st 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 Subsidized 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 2.2 million Euro, broken down as follows: bank loan equal to 0.5 million Euro and Subsidized loan equal to 1.7 million Euro. The capital repayment plan is half-yearly, and starts in June 2021 for the Subsidized 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 Euro with a six-monthly repayment plan for 5 years with a constant instalment and equal to AED 1.4 million Euro 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, except for Bond, two indicators on consolidated financial statements data would be required: the "leverage ratio" (Net Borrowing /adjusted EBITDA) and the" Interest cover ratio" (adjusted EBITDA/Net Interest payable).

The next test is scheduled for June 30th, 2023, based on LTM (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 Euro 50 million in addition to the available liquidity. The test is quarterly.

See the paragraph about "going concern" regarding periodic testing 2022.

Net Financial debt (cash)

The details of the financial debt as of 31st December 2022 and 2021 are as follows:

Euro/thousand	12/31/22	of which with related parties	12/31/21	of which with related parties
Cash and cash equivalents	108,031		301,092	
Securities held for trading	-		-	
CASH AND CASH EQUIVALENTS	**108,031**		**301,092**	
CURRENT FINANCIAL RECEIVABLES	**16,613**	932	**13,595**	**-**
Current bank loans and borrowings	516,816		197,296	
Bond liabilities (current portion)	354,852		5,112	
Lease liabilities	7,898		5,543	
Other current loans and borrowings	2,289	-	632	-
CURRENT FINANCIAL DEBT	**881,855**		**208,583**	
NET CURRENT FINANCIAL DEBT (CASH)	**757,211**		**(106,104)**	
Non-current bank loans and borrowings	9,516		345,276	
Bond liabilities (non-current portion)	-		349,237	
Lease liabilities (non-current portion)	31,907	-	30,741	-
Other non-current liabilities	249,505	249,505	235,588	235,588
NON-CURRENT FINANCIAL DEBT (CASH)	**290,928**		**960,842**	
NET FINANCIAL DEBT (CASH)	**1,048,139**		**854,738**	

As has already been widely commented in the previous paragraphs, since the regular tests involved in the breach of the financial indicators (covenants) requested by the banks, the non-current share of EIB financing of EUR 6.7 million has been reclassified from long-term financial debts to short-term financial debts, the IFIS financing of 8.3 million Euro has been reclassified from long-term financial debts to short-term financial debts and the total amount of the Bond of 354.9 million Euro has been reclassify to short-term.

35. EMPLOYEE BENEFITS

The entry in question can be detailed as follows:

Euro/thousand	12/31/22	12/31/21
TFR	6,588	8,135
Defined benefit pension plans	1,469	1,552
Other provisions for personnel	4,708	21,228
	12,765	**30,915**

This amount mainly includes the liability for defined contribution plans of the Group's foreign companies (Ansaldo Energia Switzerland and Ansaldo Energia Gulf) of Euro/thousand 2,794 and the debt for end-of-relationship treatment of Euro/thousand 6,588.

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	12/31/22	12/31/21
Opening balance	8,135	10,074
Interest costs	129	14
Actuarial losses (gains) on equity	-18,062	-6,644
Decreases due to sales	1,601	2,141
Increases from business combinations	175	-
Other changes	17,812	6,832
Closing balance	**6,588**	**8,135**

The item "Increases from business combinations" refers to Ansaldo Green Tech.

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

Euro/thousand	TFR	
	12/31/2022	12/31/2021
Discount rate	2.30%	1.75%
Inflation rate	3.71%	0.46%

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.

Euro/thousand	TFR and defined benefit plans	
	12/31/2022	12/31/2021
Death	R.G. 48	R.G. 48
Retirement	2.8	2.9
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:

Euro/thousand	12/31/22		
	Present value of the obligation	Present value of the asset	Defined benefits of obligation
Opening Balance	1,552		**1,552**
Costs for benefits provided	367		**367**
Benefits paid	(450)		**(450)**
Closing balance	**1,469**		**1,469**

36. PROVISIONS

The entry in question can be detailed as follows:

Euro/thousand	Restructu-ring	Product warranty	Pending disputes	Tax provision	Others	Total
1st January, 2021						
Current	421	-	2,599	561	70,090	73,671
Non-current	-	5,148	-	30,491	22,682	58,321
	421	**5,148**	**2,599**	**31,052**	**92,772**	**131,992**
Provisions	-	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, riclassifications and exchange delta	-	9,896	59	44	(9,999)	-
31st December, 2021	**-**	**18,771**	**1,986**	**18,315**	**75,953**	**115,025**
Broken down as follows:						
Current	-	-	1,986	623	58,102	60,711
Non-current	-	18,771	-	17,692	17,851	54,314
	-	**18,771**	**1,986**	**18,315**	**75,953**	**115,025**
Accruals	-	16,218	500	41	20,649	37,408
Utilisations	-	-	(153)	(4,733)	(13,115)	(18,001)
Reversals	-	-	-	-	(3,424)	(3,424)
Other changes, reclassifications, and exchange delta	2,481	3,152	(3)	70	(3,088)	2,612
31st December, 2022	**2,481**	**19,370**	**2,330**	**13,693**	**76,975**	**133,620**
Broken down as follows:						
Current	2,481	-	2,330	68	44,881	49,760
Non-current	-	38,141	-	13,625	32,094	83,860
	2,481	**38,141**	**2,330**	**13,693**	**76,975**	**133,620**

Equity investments risk funds

Includes the reclassification of negative shareholdings (AU Finance Holding BV and Shanghai Electric Gas turbine) following an evaluation at Equity as reported in the note on “Equity investments”.

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. For the handling of the period, see the corresponding paragraph of income statement.

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 13,694 total.

The tax fund mainly faces potential risks of tax disputes in addition to the obsolescence of claims deriving from indirect taxes paid; the fund receives the proportional coverage for seniority of the following countries:

- Tunisia 8,114 Euro/thousand;
- Algeria 236 Euro/thousand;
- Egypt 1,116 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.

Finally, the fund includes Euro/thousand 750 relating to other tax risks in Italy.

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 17,080);
- Costs for dealing with asbestos risk (Euro/thousand 3,928). 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;
- The leasing capitalization of the costs to be incurred for the dismantling of Birr's site equal to Euro/thousand 10,782 (plus 3,156 thousand Euro of discounting), shown in the "provisions" column in correspondence with the "other" column and of which the note on "material assets" has already been commented;
- Costs for dealing with the risks related to Turkey (Euro/thousand 39,300); the fund decreased by a net of 6,439 thousand Euro mainly due to the release of the work in progress linked to the agreement of Ltsa of Gebze and the relative impact of deferred taxes.

Other movements include change differences.

37. OTHER CURRENT AND NON-CURRENT LIABILITIES

The entry in question can be detailed as follows:

Euro/thousand	Not current		Current	
	12/31/22	12/31/21	12/31/22	12/31/21
Employees	3,632	4,437	23,696	23,700
Deferred income			4,409	5,244
Social security insitutions			10,188	12,269
Other payables	-	-	26,359	97,976
Other payables to related parties	10,225	10,225	-	144
Total other liabilities	**13,857**	**14,662**	**64,652**	**139,333**
Other tax liabilities			4,361	989
Deferred tax liabilities	38,865	40,125		
Total other liabilities	**52,722**	**54,787**	**69,013**	**140,322**

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 debt linked to the vacuum vessel project for Euro/thousand 3,845, representing the proportion of outstanding cash payments to be defined, as well as debt to consultants and other minor items.

The decrease in the period was mainly due to the reduction of the IVA debt recorded in the 2021 financial statements of Euro 62 million.

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. About this quota, the Parent Company has an option that must be exercised by June 2025, this is why Simest S.p.A.'s current share 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

The "maturity factoring" operations included in this item show as of 31st December 2022 a debt of Euro/thousand 83,856 (in 2021 Euro/thousand 75,547). 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. DERIVATIVES FINANCIAL ASSETS AND LIABILITIES

The entry in question can be detailed as follows:

Euro/thousand	12/31/22		12/31/21	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency forward	-	2,129	-	2,357
IRS hedging on non-current loan	-	-	-	-
	2,357	**2,129**	**2,357**	**2,357**

In 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

Le 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:

RECEIVABLES AS OF 12/31/22 *Euro/thousand*	**Other non-current receivables**	**Current financial receivables**	**Trade receivables**	**Other current assets**	**Total**
Participating companies					
Shanghai Electric Hong Kong					
	-	**-**	**34,036**	**-**	**34,036**
Parent companies					
Cassa Depositi e Prestiti				57,126	57,126
	-	**-**	**-**	**57,126**	**57,126**
Subsidiaries					
Ansaldo Algeria			4,902		4,902
Dynamic			279		279
	-	**-**	**5,181**	**-**	**5,181**
Group companies and others					
AC Boilers			298		298
Ansaldo Gas Turbine Technology			167		167
Cogenerazione Rosignano	1,867	932			2,799
Eni			28		28
Shanghai Electric Gas Turbine			5,346		5,346
Enipower			31,957		31,957
Terna			9,470		9,470
Yeni Elektrik			1,987		1,987
	1,867	**932**	**49,253**	**-**	**52,052**
Entities under MEF control and significant influence					
Enel			5,796		5,796
Leonardo				3,758	3,758
Sogin			823		823
	-	**-**	**6,619**	**3,758**	**10,377**
Total	**1,867**	**932**	**95,089**	**60,884**	**158,772**

RECEIVABLES AS OF 12/31/21 *Euro/thousand*	**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**

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

PAYABLES AS OF 12/31/22 *Euro/thousand*	**Non-current loans and borrowings**	**Other non-current liabilities**	**Trade payables**	**Total**
Parent companies				
Cassa Depositi e prestiti			13	13
CDP Equity	249,505			249,505
	249,505	**-**	**13**	**249,518**
Participating companies				
Shanghai Electric Group			310	310
	-	**-**	**310**	**310**
Subsidiaries				
Ansaldo Algerie			527	527
	-	**-**	**527**	**527**
Group companies and others				
AC Boilers			11,730	11,730
Ansaldo Gas Turbine Technology			(3)	(3)
Eni			300	300
Shanghai Electric Gas Turbine			1,964	1,964
Simest		10,225		10,225
Tamini Trasformatori			4,032	4,032
Valvitalia			1,351	1,351
	-	**10,225**	**19,374**	**29,599**
Entities under MEF control and significant influence				
Enel			724	724
Ferrovie dello stato			11	11
Leonardo			144	144
Sace			355	355
	-	**-**	**1,234**	**1,234**
Totale	**249,505**	**10,225**	**21,458**	**281,188**

PAYABLES AS OF 12/31/21 *Euro/thousand*	**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**
Totale	**235,588**	**10,225**	**25,780**	**144**	**271,737**

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 2022 and 2021:

2022 *Euro/thousand*	**Revenues**	**Costs**	**Other operating expenses**	**Financial expenses**
Parent companies				
Cassa Depositi e Prestiti		154		
CDP Equity		27		13,918
	-	**181**	**-**	**13,918**
Participating companies				
Shanghai Electric Group		(780)		
	-	**(780)**	**-**	**-**
Subsidiaries				
Ansaldo Algerie	440	882		
	440	**882**	**-**	**-**
Group companies and others				
Ansaldo Gas Turbine Technology	338			
Eni	124	450		
Enipower	2,410		60	
Shanghai Electric Gas Turbine Technology	96	8		
Simest				450
Tamini		4,421		
Terna	16,608			
Yeni Elektrik Uretim Anonim Sirketi	18,080			
Valvitalia		1,885		
	37,657	**6,764**	**60**	**450**
Entities under MEF control or significant influence				
Enel	39,102	10,786		
Ferrovie dello Stato		31		
Leonardo		240		
Sace				492
Sogin	2,865	293		
	41,967	**11,350**	**-**	**492**
Totale	**80,063**	**18,397**	**60**	**14,860**

2021 *Euro/thousand*	**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 Group	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**	**-**	**-**	**-**
Totale	**174,618**	**20,438**	**-**	**-**	**14,138**

The financial income relates to the use of the availability made during the year, also using 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 2022 has the following guarantees:

Euro/thousand	12/31/2022	12/31/2021
Third parties guarantees	942,771	1,089,424
Personal guarantees issued	**942,771**	**1,089,424**

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

- Customers for participation in tenders (Euro/thousand 1,726);
- Customers for advances received and good execution of the work (Euro/thousand 905,557);
- Other: Funders, customs offices and taxes, lessors, INPS (Euro/thousand 31,381);
- Loan in favor of Cassa Depositi e Prestiti for EIB financing (Euro/thousand 4,107).

42. REMUNERATION TO THE INDEPENDENT AUDITING FIRM

Under contract, the annual fees for 2022 for certification services of the auditing company Deloitte & Touche S.p.A. and the other network members amount to 596 thousand Euro, plus ISTAT adjustments.

KEY EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

It should be noted that:

- In January and February 2023, CDP Equity paid an amount of 14.3 million Euro as a capital increase, as a residual tranche of the total amount of 50 million Euro, earlier deliberated by the majority shareholder in the event of a breakdown of the *minimum available liquidity (financial covenant)*, which occurred during the quarterly test in December 2022. It should be noted that this second payment was, however, insufficient to restore a minimum available liquidity level required by the covenant. Please refer to the business continuity section for the specific information;
- On 13th February 2023, a contract was signed between Ansaldo Energia and Azerenerji, the largest electricity producer in the Republic of Azerbaijan, providing for the supply by the Italian company of four gas turbines AE94.3A, worth more than 160 million Euro;
- On 21st February 2023, a serious injury occurred at the Genoa plant to an employee of Ansaldo Energia during his work. The company is promptly activated to understand the dynamics of the event and to cooperate with the competent authorities responsible for investigating the event;
- On 6th March 2023 Ansaldo Energia, Ansaldo Nucleare, EDF and Edison announced that they had signed a letter of intent to collaborate in the development of the new nuclear power in Europe and to promote its spread, in the future, also in Italy. The objective is to use the specific competences of the four partners to evaluate potential industrial cooperation, in particular in the field of Small Modular reactors (SMR);
- On 30th March 2023, the Board of Directors approved the new Industrial Plan 2022-2027 on the basis of the guidelines previously communicated to the market and has given the green light to the final proposal for financial and capital strengthening measures to implement the Plan following the successful outcome of the negotiations with the banks funders and all major stakeholders.

The Financial Maneuver provides inter alia:

I. a capital increase per cash up to a maximum of Euro 580,000,000 offered as an option to the stakeholders;
II. the extension of the outstanding loan maturity of EUR 200 million granted by CDPE;
III. the extension by the Banks' pool of maturities:
  A. existing medium-term credit lines;
  B. the signature lines for the issuance of guarantees to support the development of the New Business Plan;
IV. the request for a bank loan with the support of SACE, according to the rules of the guarantee c.d. "SupportItalia".

- On 21st April, the Board approved all the measures for the implementation of the Financial Maneuver, giving a mandate to the President and the CEO to implement and negotiate, finalize and sign the financial contracts aimed at transposing the agreements reached with the Banks in the aforementioned terms-sheets and an equity commitment agreement relating to the commitments undertaken by CDPE with regard to the modalities for the implementation of the Company's capital strengthening intervention provided for in the Maneuver.
- At the outcome of a further negotiation process and definition of the overall contractual documentation relating to the Financial Maneuver, were signed:

  A. Amendment and Restatement Agreement on the Senior Facilities Agreement;

  B. Amendment and Restatement Agreement on the Revolving Guarantee Facility Agreement;

  C. SACE Loan Facility Agreement;

  D. fee letters relating to the implementation of the agreements indicated in the previous paragraphs.
- The Board of Directors of Ansaldo Energia of 31st January 2023 took note of the resignation of the CEO Giuseppe Marino. The CEO will remain in office until 31st March 2023. On the 30th of March 2023, the Board of Directors of Ansaldo Energia co-opted Fabrizio Fabbri, appointing him as CEO of the company with effect from 1st April 2023.
- In March 2023, Ansaldo Energia was awarded a contract by ENGIE for the upgrade of the combined cycle power plant in Leinì (To). Ansaldo Energia will proceed with the turnkey replacement of the entire gas group of the plant including the gas turbine, the generator with its auxiliary, as well as all the required construction activities.

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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, 2022, 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, 2022, 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 information included in the paragraph "Going concern" of the Report on Operations, also referred to in the paragraph "Form, content and accounting policies applied " of the notes to the consolidated financial statements, regarding the assessment made by the Directors on the adoption of the going concern assumption in the preparation of the consolidated financial statements. In particular, the Directors illustrate the events occurred during the year that caused a deterioration in the expected profitability of projects in progress and the recognition of an impairment loss of intangible assets and equity investments recorded in the financial statements of the parent company Ansaldo Energia S.p.A., which determined the erosion of its net equity below the legal threshold and causing non-compliance with the financial covenants calculated as at June 30, 2022. The Directors, therefore, have revised the Industrial Plan for the period 2022-2027 which includes the completion of a financial maneuver aimed at rescheduling the bank loans together with a capital contribution from the shareholders which is expected to be completed during the current year. In consideration of the progress of the maneuver, the Directors have indicated the reasons why, despite the existence of events or circumstances that may cast significant doubts on the Company's ability to continue as a going concern, they considered not significant the uncertainties related to such events and circumstances, and consequently deemed it appropriate to use the going concern assumption in the preparation of the consolidated financial statements.

Our opinion is not modified in respect of this matter.

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;

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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, 2022, 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, 2022 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, 2022 and is prepared in accordance with the law.

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
May 30, 2023

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.

Published by:

Ansaldo Energia

June 2023

Graphic design: Petercom

Printed by: Microart - Avegno (GE)

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