ansaldo energia

CONSOLIDATED FINANCIAL STATEMENTS

2023

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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
Fabbri Fabrizio	Chief Executive Officer (BoD 03/30/2023)
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 23th of May 2023, expires with the approval of the financial statements for the year ending 12/31/2025

Lecis Ugo	The Chairman
Maretti Paola	
MInutillo Flavia Daunia	

Nomination and compensation committee

Appointed by the board of directors of the 8th of June 2023, expires with the approval of the financial statements for the year ending 12/31/2024

Dainelli Maurizio	The Chairman
Bisagni Chiara	
Pellegrini Fabiola	

Risk and sustainability committee

Appointed by the board of directors of the 8th of June 2023, expires with the approval of the financial statements for the year ending 12/31/2024

Girdinio Paola	The Chairman
Zetti Giovanni	
Massara Gaetano	

SIGNIFICANT DATA

Orders (M€)	**2023: € 1,016** **2022:** € 898.4	**M** M
Revenue (M€)	**2023: € 1,102.6** **2022:** € 1,237.1	**M** M
Net result (M€)	**2023: € (228)** **2022:** € (559)	**M** M
Net debt (M€)	**2023: € 693** **2022:** € 1,048	**M** M
Order Portfolio (M€)	**2023: € 3,839** **2022:** € 4,122	**M** M
EBIT (M€)	**2023: € (196.8)** **2022:** € 554	**M** M
Free operating Cash Flow (M€)	**2023: € (92.3)** **2022:** € (197.9)	**M** M
Number of employees	**2023: 3,242** **2022:** 3,389	**M** M

REPORT ON OPERATIONS


ansaldo energia

Dear Shareholders

The macroeconomic scenario continues to be characterized by negative impacts of the Russia-Ukraine war and by geopolitical uncertainty further aggravated by the resurfacing of the Palestine conflict.

The geopolitical precariousness, which has caused an increase in the price of gas, and uncertainty on the availability of it and tension on the supply chain, continues to generate consequent instability in the market while tensions in Palestine cause potential impacts on oil prices.

The operating loss of 228 million Euro was mainly due to revisions of the lifetime margins of the *New Units* projects, which showed during the year the following management complexities and margin revisions:

- completion of projects acquired during pre-covid period in EPC (*Engineering, Procurement and Construction*), with a higher level of risk to the Group;
- new products launch and consolidation, with the first delivery of H-class projects;
- tensions and delays in the supply of the key materials for the advancement of the yards, due to production disruptions in the supply markets;
- surcharges from suppliers for which there is no back charge in "turnkey" contracts.

Capacity market projects acquired in the pre-covid period are expected to be completed in 2024.

During the two-year period 2022-2023 ha started the replacement of portfolio projects with EQP/PI (*Equipment/Power Island*) contractual types, with lower risk levels, which are performing in compliance with the expected margins.

The *Service* and Maintenance segment has driven the cash flow level in the period, with excellent performances both in economic-financial terms and in taking orders.

Lastly, the Nuclear sector has seen an increase in orders compared to the 2022 period, with a growth of over 60%, reaching Euro 82 million, thanks to the market recovery, which is anticipated to be even stronger in the coming years.

There have been taken orders for Euro 1,016 million (Euro 898 million last year) and, as anticipated, most of them belong to the *Service* segment.

MAIN EVENTS OF 2023

The most important events that characterized 2023 were the following:

- in January and February 2023, CDP Equity paid an amount of Euro 14.3 million for a capital contribution, as a residual *tranche* on the total amount of Euro 50 million, previously approved by the majority shareholder (ECA, *Equity commitment Agreement* of April 2020) in a breakdown hypotesis of the *Minimum available liquidity*, which occurred during the December 2022 quarterly test.
- On 13th February 2023, the Company has signed a contract with Azerenerji, the largest electricity producer in the Republic of Azerbaijan, for the supply of four gas turbines AE94.3A, worth more than Euro 160 million.
- On March 6th, 2023, Ansaldo Energia, Ansaldo Nucleare, EDF and Edison announced the signing of 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 purpose is to use the specific competences of the four partners to evaluate potential industrial cooperation, in the field of *Small Modular reactors* (SMR).
- In May 2023, the financial and capital-building maneuver was finalized to implement the plan following the successful outcome of the negotiations with the financing banks and all the main stakeholders.

The Financial maneuver provided:

- **I.** an increase in capital per cash, up to a maximum of Euro 580 million offered as an option to members (resolution of extraordinary shareholders' meeting of June 19th, 2023);
- **II.** the maturity extension of the Euro 200 million outstanding shareholder loan granted by CDP Equity from December 2026 to June 2029;
- **III.** the extension from the banks *pool* of the following expirations:
  - **A.** existing medium-long-term credit facilities;
  - **B.** the lines of signature for guarantees issuance to support the development of the New industrial plan;
- **IV.** The opening of a bank financing with the support of SACE, according to the regulations of the guarantee c.d. "SupportItalia" (Euro 155 million).

- In March 2023 Ansaldo Energia won a contract with ENGIE for the upgrade of the Leini combined-cycle power plant (To). Ansaldo Energia will replace "turnkey" (chiavi in mano) the entire plant gas group which includes the gas turbine, the generator, and its auxiliaries, as well as all the required construction activities.
- On 19th June 2023, the ordinary shareholders' meeting approved the 2022 financial statements; on the same date, the extraordinary Shareholders' meeting approved the proposal for a Euro 580 million capital increase, as an essential part, together with the restructuring of the debt, of the most complex financial maneuver, as referred to in the 2022 financial statements.
- On the 1st June 2023, the shareholder CDP Equity paid a part of Euro 230 million in accordance with the commitments of the agreement signed on 30th May 2023 (ECA). On 28th June, the same paid a quota of Euro 225 million.
- In October 2023 Ansaldo Energia officially delivered to Edison the combined cycle thermoelectric power plant of Marghera Levante, ready to enter into full operation phase, with a 780 MW power and a significant reduction in specific emissions compared to the average of current thermoelectric plants. Ansaldo Energia has supplied the power plant with a 515 MW GT36 class H gas turbine, generators, steam turbine and all auxiliary support systems.
- It should be noted that on 14th March 2024 the Board of Directors approved the new 2024-2028 Industrial Plan based on the strategic lines revised in the second half of 2023 by the new Company Summit.

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 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 solutions of performance improvement of existing plants, own fleet or third-party fleets based on Siemens's technology;
- *Nuclear*, with 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.

These activities are carried out by the parent company, its subsidiaries and by more than thirty branches (between Ansaldo Energia and Ansaldo Nucleare) based in the countries where the customers' facilities are located.

In addition, Ansaldo Energia is working on Research and Development activities to enable the burning of ever-increasing percentages of hydrogen in gas turbines to increase the sustainability of its existing portfolio 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.

Macroeconomic fundamentals

The International Monetary Fund, through its annual report (World Economic Outlook of January 2024), describes a global economy in slowing from his historical growth in 2000-2019 with growing regional divergences. Global growth is expected to slow down from 3.5% in 2022 to 3.1% in 2023 and 2024, significantly below the historical average of 3.8%. This decrease reflects a combination of factors, including the destitution of fiscal and monetary stimulus, rising inflation, and the war in Ukraine.

The advanced economies are set to suffer the greatest from the slowdown, with growth projections falling from 2.6% in 2022 to 1.6% in 2023 and 1.5% in 2024. This reflects the rise in monetary interest rates in response to high inflation, which is expected to restrain demand and investment. Emerging and developing economies show a substantial stability in growth with steady growth rates of 4.1% in both 2023 and 2024.

The war in Ukraine has had a deep impact on the global economy, disrupting supply chains, exacerbating pressure on energy and food prices, and contributing to uncertainty. The IMF estimates that the war reduced global GDP by 0.6% in 2023. The conflict has also aggravated existing inequalities, disproportionately affecting low-income countries and vulnerable populations.

Geopolitical uncertainty is further aggravated by the resurface of tensions in Palestine, with potential impacts on oil prices.

A potential positive contribution to economic dynamics is the expected fall in interest rates, thanks to a falling inflation and desirable as a cool of the global growth. But this drop in rates is expected for the second quarter of 2024, with delayed effects on the economy.

The World Energy Outlook 2023 (WEO) of the International Energy Agency (IEA) describes a global energy landscape that is undergoing significant changes, driven by factors such as the acceleration of the energy transition and the geopolitical landscape.

Electricity production continues to grow in all scenarios with an annual value of 2.7% ('22-'30) in the current policy scenario (SPS- *stated Policies*

Scenario) and 2.9% in the scenario that foresees the implementation of the policies announced to date (APS- *announced Policies Scenario*). This growth is mainly justified by the expansion of renewables, which will have a respective growth rate in the two reference scenarios of 8.8% (SPS) and 10.6% (APS).

Installed power capacity is expected to reach 14,168 GW in the SPS scenario in 2023 (15,285 GW in the APS scenario), compared to 8,643 GW in 2022. Solar and wind power will account for most of the new installed capacity additions, with solar power seeing the greatest growth.

Despite the growing boost from renewables, gas is set to play a significant role in the global energy mix over the next few years, considering the need for a reliable and flexible energy source to stabilize the grid, supported by the continued expansion of natural gas infrastructure, particularly in emerging countries.

The installed capacity of gas electricity is expected to increase to 2,071 GW in 2030 in the SPS scenario (1,905 in the APS scenario), compared to 1,875 GW in 2022. This growth is mainly driven by the expansion of gas-fired power plants in China.

Ansaldo Energia's reference market for 50 Hz gas turbines with a power exceeding 50 MW is 30GW of power sold in 2023. China weighs about 40% of the total market.

Panorama of the year 2023

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

Europe

Europe is a key market for gas turbines with almost 5 GW of capacity sold in 2023.

The thrust of the energy transition and the growing penetration of renewables into markets make us assume that this trend will continue in the coming years, placing the European market as a target market for Ansaldo Energia.

Middle East

The Middle East comes almost to 2 GW of installed capacity. Large H-class projects in the large countries of the area have stopped or slowed down, also because of growing geopolitical tensions in the area. Investment is expected to recover in the medium term.

Africa

The African market closes 2023 with 2 GW of new capacity sold, a significant increase over 2022 and 2021.

Asia

The Asian market in 2023 has more than 16 GW of new capacity sold, more than half of the entire 50Hz gas turbine market. China recorded a reduction from its extraordinary 2022 result (17 GW sold) to 12.5 GW sold in 2023. Class H and Class F projects are almost all the plants sold in Asia.

Russia and CIS (Commonwealth of Independent States)

Despite geopolitical tensions in the area, GW numbers sold increased from 2022 reaching 5 GW sold. It should be noted the great success of Ansaldo Energia, which sold about 1.5 GW in Azerbaijan.

GOING CONCERN

As said before, the macroeconomic context in which Ansaldo operates continues to be complex, exacerbated by heightened geopolitical tensions related to the prolonged Russian-Ukrainian war, and further aggravated by recent events in the Middle East weighing on global prospects and developments in the economy and geo-political relations between countries.

The negative result of the Group in 2023 were mainly due to losses in the *New Units* segment and to the EPC (*Engineering, Procurement and Construction*) projects for the "turnkey" supply of plants with Ansaldo technology.

The marginality of these projects continued to suffer the long-term negative effects of exogenous factors such as:

I. the Covid pandemic, which has caused the slowing (e.g. lock-down in China) of the production activities of certain components of the plants, with consequent accumulation of delays in relation to the contractual dates;

II. the Russian-Ukrainian conflict that has caused difficulties in the supply of some materials and in the supply chain in general, including the logistic aspects, negatively affecting all the activities of the site costs and timings.

For a significant portion, moreover, these projects were affected by significant extra costs linked to delays in the execution of site activities and to the resolution of some problems related to Ansaldo new products launched on the market in the three years 2018-2020 (GT class H, syncro alternators).

During the financial year 2023, the activities needed for new technologies consolidation, typical of new products' starting phases, concluded in additional direct and indirect costs, resulting from the extension of the yards, with increased internal and external hour counts, vendor increases, and the need for rework. These relative costs were difficult to estimate in previous financial years.

Some important operational events that took place during 2023, such as, for example, the definition of the December 2023 settlement agreement with Edison for the Marghera and Presenzano projects, the progress of assembly tasks on the Tavazzano site and the subsequent commissioning planned in 2024, the completion of the start-up activity to Turbigo plant and the transition to commercial operation of the Irsching plant with the simultaneous acquisition of the PAC, are milestones that attest an advanced state of completion of "turnkey" projects, with a consequent reduction in the risks related to the closure of the projects themselves, which in the last two financial years have led to significant losses for the Group.

However, despite these advances, there are still some uncertainties linked to the quantification of both final costs and the time required to complete the above orders currently in the portfolio, this means that the best estimates - based on the information available to date - of the necessary funds and arrangements must be made.

In this context, it should be pointed out that the New Group Industrial Plan 2024-2028 approved on 14th March 2024, on the basis of the results of the last two financial years on "turnkey" projects within the *New Units* sector, compared to the previous version of the plan, it provides for a different industrial mix with a much more selective approach toward EPC projects, while adopting results, in economic and financial terms, in substance consistent with the previous plan.

Finally, it should be noticed that the financing contracts signed by the Company on 23rd May 2023 (see paragraph of the Explanatory Notes on current and non-current financial debts) provide that Ansaldo Energia S.p.A. is required to comply with specific financial conditions in terms of:

- *Leverage ratio*, i.e. the ratio between net financial debt and the adjusted EBITDA of the Group;
- *Interest cover ratio*, i.e. the ratio between adjusted EBITDA and the Group's net financial charges;
- *Minimum available liquidity* (also "MAL"), i.e. the sum of the Cash and cash equivalents and the unused portion of *revolving* financing lines at the level of Ansaldo Energia S.p.A.

Compliance with the first two conditions will have to be tested at Group level on a half-yearly basis from 30th June 2024, while the MAL is tested at Ansaldo S.p.A. level on a quarterly basis already from the date of signing of the Contract.

With reference to the figures for the second half of 2023 and the forecast data provided for the 2024 budget approved by the Board of Directors on 14th March 2024, it is noted that the above parameters would all be respected at the 2024. With reference to the ICR (*Interest Coverage ratio*) parameter, the estimation at June 30th, 2024 shows compliance with the same, although with a small buffer compared to the threshold value defined by the contract, also due to the high level of the basic interest rates; therefore, where there should be a negative variation of one of the quantities that make up the ratio, this threshold value could not be respected.

This event, of a technical and transitional nature, would require a consensus from the majority of the financing banks (as determined in the financing contracts) to confirm the current maturity dates of the existing credit lines (December 2027 for term loan, RCF and RGFA, respectively, and December 2028 for Sace loan).

In view of all the above, although uncertainties arise primarily from:

- risks related to the punctual implementation of the 2024-2028 Industrial Plan with restoration of profitable condition;
- risks indirectly related to the macroeconomic scenario;
- risks related to the evolution of energy legislation, including in the light of the requirements for achieving the emission reduction targets;
- risks related to the quantification of the costs to be completed and the estimation of the time required to complete the backlog of the main "turnkey" projects of the *New Units* division.
- risks related to compliance with the covenants test, with particular reference to the *interest coverage ratio* as of June 30th, 2024 above;

the Directors believe that the planned initiatives, including those of a strategic and operational nature foreseen in the new industrial plan of the Group 2024-2028, constitute "*mitigating actions*" which appear reasonably suitable to overcome the elements of uncertainty regarding the perspective of going concern and which, therefore, can be confirmed, for the purposes of drawing up the 2023 budget, the assumption of the going concern.

Mitigation actions, implemented or planned, aimed at solving uncertainties of a strategic-operational nature are:

- the revision of the guidelines of the Industrial Plan for the years 2024-2028, as approved on March 14th, 2024, which focuses on the growth of the *core business* (production and sale of machinery, in particular gas turbines, and *service* activities) with contractual typologies of pure supply or installation of the cd. Power Island (*Equipment or Power Island* - EQP/PI) and the adoption of a more selective approach to EPC projects ("turnkey" plants), to be pursued in key countries and mostly *in* partnership with plant companies, in order to stabilize risk profiles and portfolio margins; moreover, the Plan foresees a growth in the Nuclear business that is estimated to consolidate in the coming financial years the recovery in terms of orders already registered in 2023 with increasing operating margins;
- new organizational structure aimed at making the four business units of the Group responsible (*New Units, Service*, Nuclear, Green Tech) along the entire value chain (from sale to contract execution) in terms of separate *profit & Loss*;
- review of internal planning and control, management and execution processes.

Finally, 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 uncertain in nature; therefore, such assessment, 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 2023 reported a negative result of Euro 228 million.

Financial charges (income) rose from negative Euro 55 million in 2022 to negative Euro 73 million in 2023, mainly due to interest and bank charges and interest accrued on the financing of shareholders by CDP Equity.

EBIT recorded a negative result of Euro 196.8 million.

Analysis of the economic and financial situation

The financial statements of Ansaldo Energia Group as of 31st December 2023 are drawn up in accordance with the IAS/IFRS international accounting standards approved by the European Commission, integrated 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 balance sheet, economic and financial situation of the Group, the following reclassified statements have been prepared and commented.

The consolidated income statement is reclassified below:

Euro/thousand	2023	2022
Revenues	**1,102,565**	**1,237,083**
Purchases, services costs and Payroll	(1,154,166)	(1,319,872)
Depreciations (commercial)	-	(664)
Other operating net income (expenses)	(23,965)	(30,383)
Changing in work-in-pogress, semi-finished and finished goods	(3,632)	67,732
Adjusted EBITDA	**(79,198)**	**(46,104)**
Amortization and depreciation	(56,940)	(70,701)
Adjusted EBITA	**(136,138)**	**(116,805)**
Non recurring costs (income)	(6,431)	(3,225)
Restructuring costs	(3,099)	(5,327)
Amortization of intangible assets acquired with business combination	(28,904)	(28,904)
Other extraordinary (costs)/income	(20,783)	-
Impairment of other assets	(1,468)	(399,780)
EBIT	**(196,823)**	**(554,041)**
Net financial income (expense)	(73,031)	(55,176)
Income taxes	(41,837)	(50,194)
NET RESULT	**(228,017)**	**(559,023)**
Attributable to non-controlling interests	(484)	189

It should be noted that the Ebitda includes specific charges and provisions of an extraordinary nature which, being able to qualify as characterized by elements of exception or non-recurrence, have been reclassified within the framework of the Adjusted Ebitda.

Adjusted Ebitda does not include, even in line with the terms of financing contracts, charges or provisions:

- **I.** whether it is not reasonably likely that the case may be repeated in the next two years and/or whether the case has not occurred in the past two years;
- **II.** extraordinary costs related to expenditure incurred in the context of the financial maneuver implemented during the year and other consultations;
- **III.** restructuring costs, including replacement allowances and extraordinary exodus.

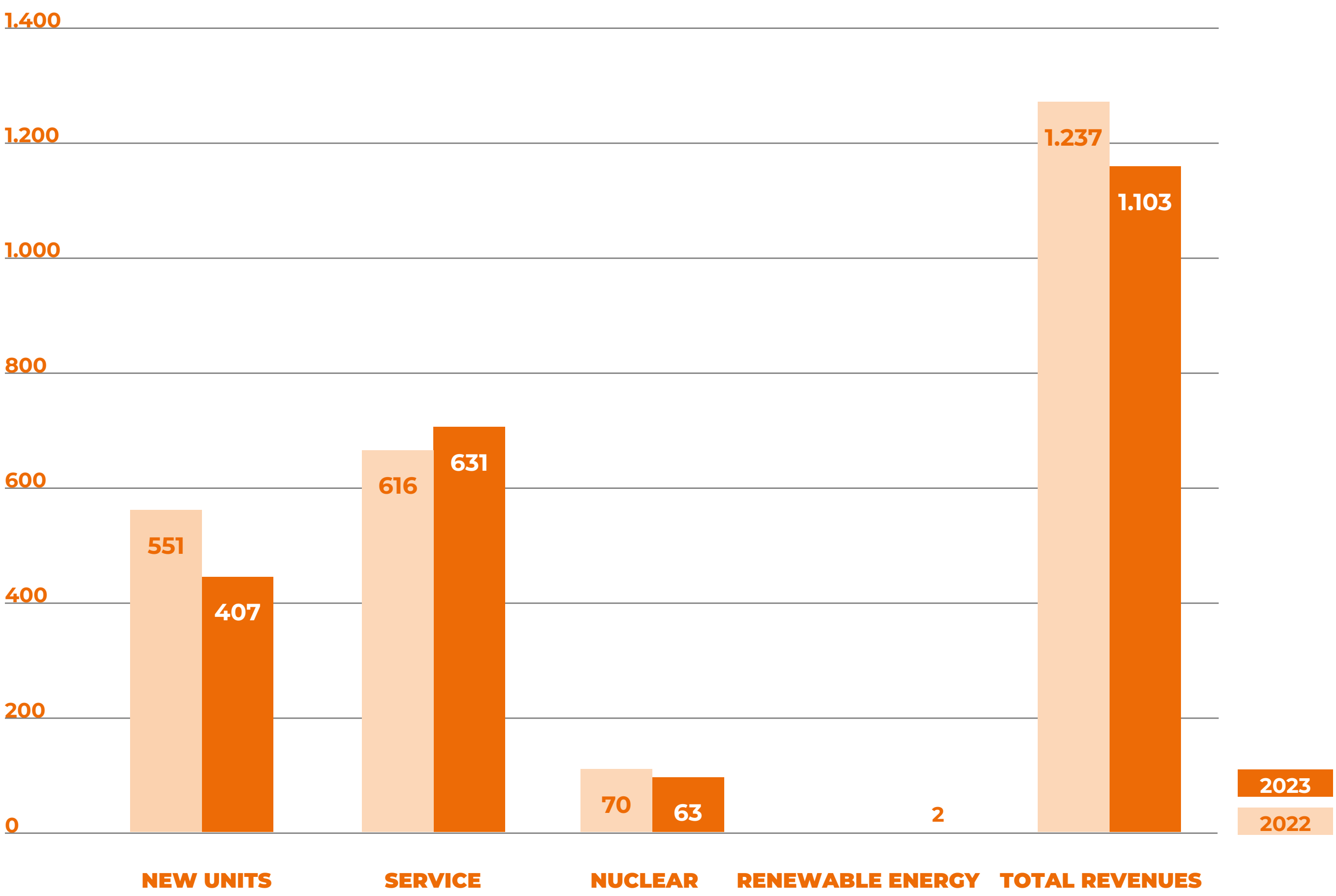
Therefore, "extraordinary" extra charges which significantly affected the marginality of *New Units* projects (costs for extension of yards for delays, higher charges from inflation suppliers evaluated in the 2022 budget for which estimates had to be reviewed in 2023) referred to cases which have already occurred in previous financial years and are therefore valued as "operating" charges in continuity with the financial statements ended 31st of December 2022.

The following is the reconciliation between the accounting Ebitda and the Adjusted Ebitda for the financial year 2023:

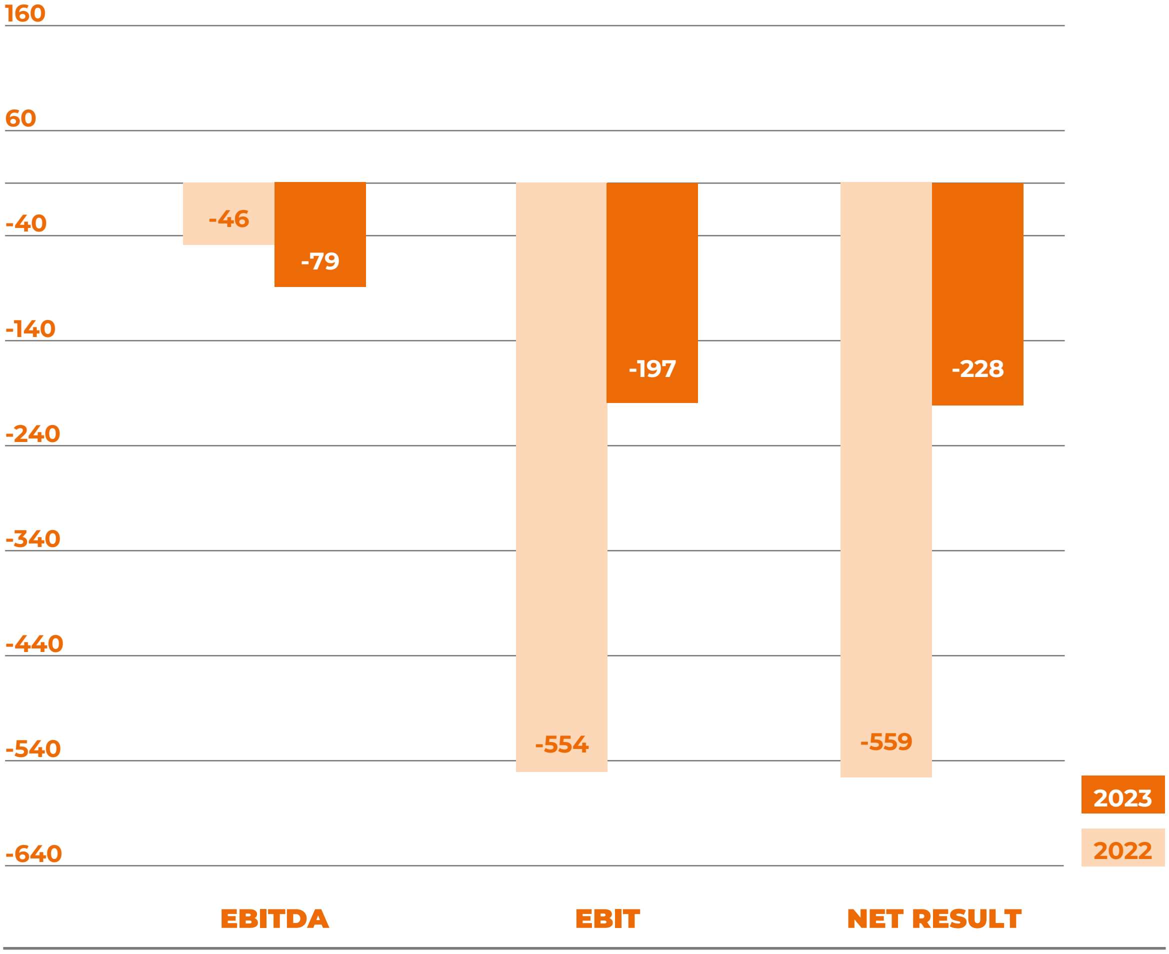
Euro/thousand	2023	2022
Revenues	**1,102,565**	**1,237,083**
Purchases, service costs and payroll	(1,163,696)	(1,328,424)
Depreciations (commercial)	-	(664)
Other operating net income (expense)	(44,748)	(30,383)
Change in work-in-progress, semi-finished products and finished goods	(3,632)	67,732
EBITDA	**(109,511)**	**(54,656)**
Extraordinary (costs)/income	(6,431)	(3,225)
Restructuring costs	(3,099)	(5,327)
Other extraordinary (costs)/income	(20,783)	-
EBITDA Adjusted	**(79,198)**	**(46,104)**

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

BUSINESS LINE REVENUES



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



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

- ordinary depreciation of Euro 56.9 million (including materials from PPA);
- amortization of intangible asset resulting from PPA allocations of Euro 28.9 million;
- net non-recurring charges and restructuring charges of Euro 30.3 million and Euro 1.5 million of impairment, the following details of which are given:

Euro/thousand	**2023**	**2022**
Extraordinary (costs)/income	(6,431)	(3,225)
Restructuring costs	(3,099)	(5,327)
Other extraordinary (costs)/income	(20,783)	-
Impairment of other assets:	(1,468)	(399,780)
- goodwill		*-171,000*
- Technology (R&D)	*-1,468*	*-219,000*
- Inventories		*-9,780*

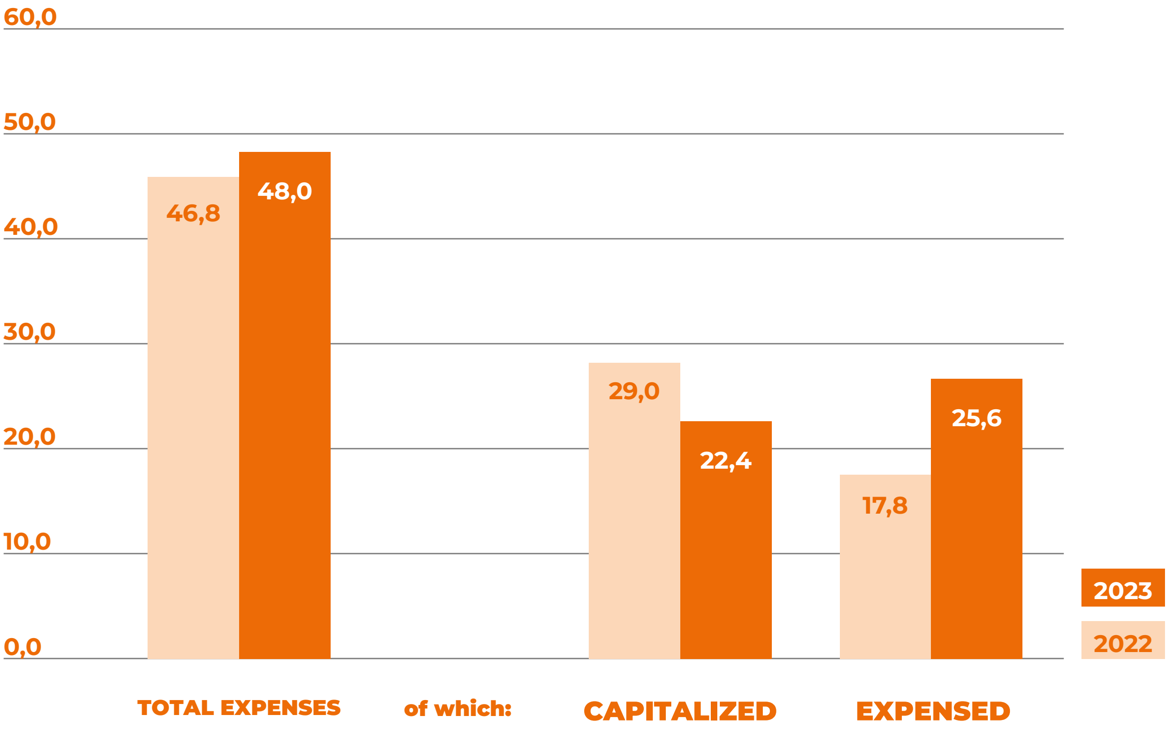
As anticipated extraordinary costs as mainly refer to expenditure incurred in the context of the financial maneuver that took place during the year, as well as to extraordinary advice in support of the restructuring phase.

It should be noted that within this item are also included costs related to extraordinary stops in two plants, totaling Euro 1.8 million, which became necessary to make further changes to the relative project for the supply of two GT36.

The restructuring charges include replacement allowances and exceptional exodus.

The other extraordinary provisions mainly result from the allocation of extraordinary risks linked to potential claims from customers for delays and funds related to necessary activities on new products. In the previous year, the extraordinary charges were mainly due to *impairment tests* on the value of goodwill, as well as shared technologies with the subsidiary Ansaldo Energia Switzerland and, for the remainder, mainly related to expenses for consultants in support of the financial restructuring.

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



Continuing investments in research and development are attributable to the continuation of the development of GT36 and GT26 products acquired in 2016 in the gas turbine portfolio of Ansaldo and the related upgrades, as well as to upgrades on the AE94.3 Ansaldo turbines and improvements on the AE94.2, AE64.3 Ansaldo turbines for validation, with a view to increasing market coverage.

Financial charges and income, negative for Euro 73 million (Euro 55 million in 2022), include, among others, interest expenses on the bond of the Parent Company (Euro 7.5 million), interest expense on the Revolving financing of the Parent Company (Euro 8.3 million) and interest expense on the Term Loan (Euro 12.9 million).

Income taxes axes have a positive impact of Euro 41.8 million (positive for Euro 50 million in 2022), mainly due to the benefit deriving from the adhesion to the tax Consolidation of Cassa Depositi e Prestiti, as stated on Notes.

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 at 31st December 2023 and 31st December 2022:

Euro/thousand	12/31/2023	12/31/2022
Non-current assets	**1,339,144**	**1,444,723**
Non-current liabilities	**144,244**	**149,345**
	1,194,900	**1,295,378**
Inventories	642,548	612,741
Contract work-in-progress	121,710	174,680
Trade receivables	365,306	396,196
Trade payables	498,013	563,130
Advances from customers	836,093	834,276
Working capital	**(204,542)**	**(213,789)**
Current provisions	81,486	49,760
Other net current assets (liabilities)	29,811	32,189
Net working capital	**(256,217)**	**(231,360)**
Net invested capital	**938,683**	**1,064,018**
Equity	**245,688**	**15,879**
Attributable to non-controlling interests	(580)	(479)
Net financial debt (cash)	**692,995**	**1,048,139**

Non-current assets include mainly intangible assets of Euro 969.8 million, tangible assets of Euro 216.8 million, Accounts receivable, which provide for payments beyond the year of Euro 78.3 million, investments of Euro 20.2 million and deferred taxes of Euro 50 million.

Non-current liabilities include the Employ benefits and other defined contribution plans for staff of Euro 14.2 million, risk provisions of Euro 81.1 million, deferred tax liability of Euro 34.6 million, debt to the related Simest of Euro 10.2 million, for more details, please refer to the Notes to the Financial Statements.

Net working capital rose from a negative value of Euro 231.4 million in 2022 to a negative value of Euro 256.2 million in 2023.

The change in other current assets (liabilities) includes an increase in Italian VAT credit of the Parent Company matured in December and paid in January (for about 1 million Euro), an increase in “Amianto (asbestos) Credit” to Leonardo S.p.A. (for about 8 million Euro), the combined effect of the collection of the 2022 credit accruing against the benefit deriving from the Tax consolidating of Cassa Depositi e Prestiti (Euro 57.1 million) and the residual from other in the 2023 tax credit of Euro 43.3 million.

Shareholders’ equity amounted to Euro 245.7 million and is represented by the share capital of Euro 325.4 million, the operating loss of Euro 228 million and the remainder from other reserves.

As regards the change in share capital, it should be noted that the shareholders’ meeting of the Parent Company held on 19th June 2023 for the approval of the 2022 financial statements decided to:

- cover the 2022 operating loss by using the available reserves of approximately Euro 409 million and the reduction of the share capital in accordance with article 2446 cod. civ. for Euro 240.5 million;
- cover the residual progressive loss of Euro 362 million by further reduction of the share capital.

In addition:

- on the same date, the extraordinary shareholders' meeting approved the proposed capital increase for Euro 580 million;
- in January and February 2023, CDP Equity paid an amount of Euro 14.3 million as a capital increase, as a residual tranche of the total amount of Euro 50 million, earlier deliberation by the majority shareholder in the event of a breakdown of the *Minimum Available Liquidity* (financial *covenant*), which occurred during the December 2022 quarterly *test*;
- on 1st June 2023, CDP Equity paid a share of Euro 230 million in accordance with the commitments entered into under the agreement signed on 30th May 2023 (ECA), while on 28th June CDP paid a share of Euro 225 million.

Financial situation

Net debt on 31st December 2023 compared with the corresponding figure on 31st December 2022 is shown below.

Euro/thousand	12/31/2023	12/31/2022
Cash and cash equivalents	232,691	108,031
Financial receivables from Related parties	931	932
Other financial receivables	74,154	15,681
CURRENT FINANCIAL RECEIVABLES	**307,776**	**124,644**
Current loans and borrowings	382,331	871,668
Related parties loans and borrowings	162	-
Other current loans and borrowings	1,902	2,289
Short-term finance lease payables	7,956	7,898
CURRENT LOANS AND BORROWINGS	**392,351**	**881,855**
NET CURRENT FINANCIAL PAYABLES	**84,575**	**757,211**
Non-current loans and borrowings	320,402	9,516
Related parties loans and borrowings	259,818	249,505
Other non-current loans and borrowings	-	-
Long-term finance lease payables	28,200	31,907
NON-CURRENT LOANS AND BORROWINGS	**608,420**	**290,928**
NET FINANCIAL DEBT (CASH)	**692,995**	**1,048,139**

Net financial debt amounted to Euro 693 million, compared with Euro 1,048 million as of 31st December 2022.

This evidence is affected by the increase in capital by the Italian shareholder in the amount of Euro 469 million, of which Euro 455 million represents the first subscribed share of the total increase in capital of Euro 580 million approved by the extraordinary shareholders' meeting of June 19th, 2023.

The different composition between short-term financial debts and long-term financial debts mainly follows the overall financial maneuver implemented between the end of 2022 and the beginning of 2023, which provided for the extension of some bank loans due to expire in December 2023 (totaling

Euro 450 million), until December 2027 (with the exception of a portion of the term loan of Euro 155 million which was repaid in 2023).

Moreover, in 2022, since the periodic *tests* included the *breach* of the financial indicators (*covenants*) requested by the banks, the non-current portion of the EIB financing (Euro 6.7 million) of the IFIS financing (Euro 8.3 million) were reclassified from long-term financial debts to short-term financial debts and to reclassify in the short term the total amount of the bond (Euro 354.9 million).

Short-term financial debts (Euro 382 million) are mainly composed of the Revolving Credit facility utilization for Euro 150.6 million, the draw line of "hot money" outlines a Euro 20 million limit, the current share of EIB financing for a total of Euro 6.7 million, the current share of the IFIS financing for a total of Euro 6.7 million, as well as the current share of the Bond for Euro 189.7 million.

Medium-term financial debts (including lease liabilities), amounting to 608 refer mainly to the shareholder financing provided to the Parent Company by CDP Equity (equal to Euro 259.8 million), from the non-current portion of term loan (equal to Euro 147 million) and the non-current share of the SACE financing (for Euro 154 million).

For financing, apart from the bond, 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 financial reports mentioned above.

The next test is scheduled for June 2024 except for the *Minimum Available Liquidity* (MAL), which includes a quarterly test.

Below is the reclassified cash flow 2023 compared with the corresponding cash flow in 2022:

Euro/thousand	**2023**	**2022**
Cash and cash equivalents as of 1st January	**108,031**	**301,092**
Gross cash flow from operating activities	(45,956)	(12,365)
Net financial receipts (payments), income (charges), taxes and other operating assets (liabilities) and use funds	(30,066)	(94,715)
Funds from Operations (FFO)	**(76,022)**	**(107,080)**
Changes in working capital	22,428	(42,743)
Cash flow generated from (used in) operating activities	**(53,594)**	**(149,822)**
Cash flow from ordinary investing activities	(38,728)	(48,029)
Free operating cash-flow (FOCF)	**(92,322)**	**(197,851)**
Strategic investing activities and other non-recurring items	-	(10,244)
Change in other investment activities	(219)	(476)
Dividends received	68	272
Cash flow generated from (absorbed) strategic investing activities and others	**(151)**	**(10,448)**
Capital increases	469,374	35,626
Net change in other financial receivables/payables	(247,186)	(19,707)
Cash flow generated from (absorbed) financing activities	**222,188**	**15,919**
Exchange rate differences	(4,865)	(680)
Changes in consolidation perimeter	(190)	-
Cash and Cash equivalents as of 31st December	**232,691**	**108,032**

The cash flow generated by the financial activity is affected by the increase in capital by the Italian shareholder in the amount of Euro 469 million. The line "Changes in consolidation perimeter" refers to Ansaldo Energia Muscat, which is no longer part of the consolidation area due to the loss of necessary requirements.

ALTERNATIVE "NON-GAAP" PERFORMANCE INDICATORS

Management assesses the Group's economic and financial performance based onsome indicators not provided for in the International Financial Reporting Standards, as follows:

KPI	Description	2023	2022
EBIT	Profit before taxes and financial part	€ (196.8) million	€ (554) million
Adjusted EBITA	EBITDA net of: · Impairment on goodwill and technology; · Amortization on allocations from PPA; · Restructuring charges; · Other non-recurring charges/income.	€ (136.1) million	€ (116.8) million
EBITDA	EBITA Adjusted net of depreciation and impairment of fixed assets	€ (79.2) million	€ (46.1) million
Free Operating Cash Flow (FOCF)	Cash flow generated from strategic investing activities and other non-recurring items.	€ (92.3) million	€ (197.9) million
Funds From Operations (FFO)	Cash flow of operating operations net of changes in working capital.	€ (76) million	€ (107.1) million
Working capital	Trade receivables and payables, work-in-progress and advances.	€ (204.5) million	€ (213.8) million
Net working capital	Working capital net of provisions and other current assets and liabilities	€ (256.2) million	€ (231.4) million
Net invested capital	Net working capital and sum of non-current assets and liabilities	€ 938.7 million	€ 1,064 million
Orders	The sum of contracts with the customers signed in the current year	€ 1,016 million	€ 898.4 million
Order backlog	Difference between orders acquired at Financial Statements date and progressive turnover	€ 3,839 million	€ 4,122 million
Return On Sales (ROS)	Ratio of adjusted EBITA to revenues	n.a.	n.a.
Return on Investments (ROI)	Ratio between adjusted EBITA and average capital invested over the two years	n.a.	n.a.
Return On Equity (ROE)	Ratio of net result to average net worth over the two years	n.a.	n.a.
Headcount/Average headcount	Number of employees by balance sheet date. Average number of employees in the year.	3,242 3,288,6	3,389 3,367,6

BUSINESS PERFORMANCE

Production activities

New Units

In the year 2023, Ansaldo Energia continued to suffer the long-term negative effects of the Covid pandemic, but above all those deriving from the energy crisis, both on its production activities and on the supply chain and in the first place in the yards; in fact, these scenarios have drastically affected the costs and times of all activities.

In particular, the *New Units* segment has contributed negatively to the operating margin.

In 2023, the order backlog of the *New Units* division recorded losses that were exceptional and mainly due to projects acquired in the 2018-2021 to date in exhaustion. The most relevant causes were:

- completion and definition of the problems concerning new products launched on the market in the three years 2018-2020 (GT class H, syncro alternators).
  The additional activities that were necessary for the consolidation of new technologies, typical during the launch of new products, of difficult estimate and however sustained in the previous year, during the financial year 2023 have resulted in extra direct and indirect costs resulting from the extension of the yard, with higher internal and external hours counts, supplier increases and rework;
- delays on the part of some suppliers due partly to market tensions and production blocks between the financial year 2022 and 2023 in the supply areas of the same, with regard to materials necessary for the advancement of the main EPC contracts. These delays have involved rework, extension of the construction site, increased costs and extra costs to be borne by AEN to mitigate delays in relation to the contractually defined deadlines (pre-covid);
- a large number of complex EPC contracts acquired since the start of the pandemic with full implementation of the relevant projects in the period of maximum impact of the disruption and turbulence associated with the pandemic.

The complexity described above and the need to complete projects in compliance with contractual obligations have led to efforts in terms of remedy plans and acceleration on projects, with changes in the original implementation plans and with consequent more significant impacts than those expected in the previous year, management and planning issues.

During 2023, change actions were initiated within the *Business Unit Thermal Power New Units*, within the framework of the new architecture designed for the transformation of Ansaldo Energia in strategy and organizational structure.

With specific reference to *New Units*, the following is reported:

- strategy: strengthening the growth of the *core business* (production and sale of machines, in particular gas turbines) by pursuing EPC-type opportunities only in specific cases, bringing the mix of orders back to a more balanced and sustainable portfolio both in terms of risk profile and in terms of marginality;
- the market for gas turbines, which remains strong, is expected to increase the sale of gas turbines from this year, with a focus on new areas and on certain countries in Europe and North Africa. The new 2024-2028 plan reflects this commercial repositioning around the sale of machines and a few selected "turnkey" plant orders in key and partnership countries, to reduce the risk component;
- organization: the reorganization at the end of the year 2023 is aimed at giving clear responsibility in terms of *Profit & Loss* with consequent full responsibility of the entire value chain, from the execution of contracts to sales, and of the related economic results;
- the rationalization and reorganization of *New Units* resulting from the review of what has happened in recent years, in terms of the review of the internal planning, control, management and execution processes, has been launched;
- execution activities: the primary objective remains to complete EPC projects as soon as possible to mitigate the risk of further losses resulting from increased costs and delays in deliveries.

The production activities concerned mainly the manufacture and supplies for the domestic market for the orders acquired in Italy and Europe, with a smaller share of activities linked to the non-European markets.

The main achievements of the various projects in the different geographical areas are listed below.

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 in Italy. Regarding the Presenzano contract, of which Edison is always part, during 2023 all start-up of activity were completed, while the switch to the commercial operation of the plant took place in January 2024.

As for the contract of Tavazzano, customer EPP, the main mechanical assembly activities have been completed and start-up of activities have begun; due to the delays on the critical supplies of the recovery boiler, the assembly of the same is further slipped with repercussions on the general project schedule.

Finally, again with reference to the new flagship product of the gas turbine range (GT36), in Italy the deliveries of the machines, components and systems for the project of Fusina for the Enel customer are being completed; the completion of the supply will take place in the first months of 2024. The activities of Ansaldo Energia will continue subsequently as support to the installation and start-up of the plant.

With reference to the gas turbine technology AE94.3A, the main final testing of the Turbigo plant for the customer Iren was completed with a provisional delivery forecast at the beginning of the first half of 2024. It should be noted that the plant has been producing continuously since September 2022.

Finally, the contract with Terna continued for the supply of "turnkey" synchronous compensators for the rephasing and stabilization of the national network to be installed at various sites in Italy. At the end of 2023, the end of the preparation period for the compensators of Codrongianos and Suvereto was reached.

Germany

Irsching: in September 2023, the starting of commercial operations of the reserve plant was made in order to stabilize the grid in case of insufficient energy generation from renewable sources (customer: Uniper System Stabilitaet). *Punch list* activities are ongoing and will be completed by the first half of 2024.

Marbach: The contract concluded with the EnBW customer for the supply "turnkey" of a plant for operation in peak conditions equipped with an AE94.3A gas turbine in open cycle, *outdoor* type, with *dual fuel*, related alternator and with the auxiliaries and all the accessories (mechanical and electrical), has suffered significant delays during the execution of the activities. Construction was substantially completed in 2023, while in 2024 the start-up will be done.

Poland

Oswiecim: the assembly of the AE64.3A gas turbine and its generator has been completed. Start-up assistance activities are in progress and are expected to be completed at the beginning of the first half of 2024.

Asia

China

Minhang: in September 2023, the new GT36 class H turbine entered into commercial operation at the Minhang site in China.

The supply of parts and components of gas turbines AE94.3A and AE64.3A continued despite considerable delays due to turbulence associated with the Covid pandemic.

Bangladesh

Rupsha: technical assistance services related to the installation of the GT26 gas turbines and the related commissioning activities continued with a forecast of completion in 2024.

Azerbaijan

In 2023, the first two AE94.3A gas turbines and their generators were delivered and the start of on-site assembly assistance activities.

The other two units are being manufactured and will be delivered by the summer of the second half of 2024.

North Africa

Egypt

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

Tunisia

Mornaguia: the EPC contract, in accordance with the additional commitments made with the customer, the activities foreseen in the warranty period have been completed.

Libya

The supplies for the Tobruk power plant in Libya have been completed and the assembly assistance and start-up for the two AE94.2 gas turbines and their generators are in progress.

Service

In 2023 the work carried out by AEN *Service* was mainly influenced by the war in Ukraine and by more general geo-political instability. Compared to 2022, the consequences of war in Ukraine have resulted in increasingly stringent export conditions on *Service* supplies to Russian customers, further bottlenecks in the global supply chain and a general stabilization of costs at higher levels.

However, the continued insecurity in the supply of energy and fuels and the surge in electricity prices in Europe have led to a constant and strong use of combined cycle plants in several countries, which has proved beneficial for the activity of AEN *Service*.

In addition, due to the war in Ukraine, AEN set up a dedicated team of cross-functional task force that provided minimum services to keep gas turbines under long-term contracts in Russia running, always under strict control and in full line with European sanctions and the export control policy established by the Italian government.

However, the above effects, as well as the limited cash availability, have slowed down the supply chain, leading to several delays in the delivery of the materials in 2023. These delays have been mitigated in the execution of *Service* AEN contracts, optimizing the use and sharing of materials across all business units, through periodic reviews of start dates of major outages and optimization of site work sequences. As a result, only a few significant actions had to be reprogrammed, thus maintaining a high level of customer satisfaction.

The active management of such mitigation actions, the consolidated and proactive relationship with the customer, the careful monitoring of cash-in and margins and the continuous implementation of technological updates on the AEN gas turbine fleet have led the *Service* to exceed the KPIs of the 2023 Industrial Plan approved by the Board of Directors.

In terms of workload, 2023 showed a consistently high level of field service activity, again exceeding the million hours worked, including contributions from all Group companies.

In 2023, more than 500 inspections were completed at customer sites. About 28% of these inspections were not planned, with a significant impact on resource planning and utilization throughout the year. Only constant quality monitoring and careful asset management, as well as the use of external suppliers in some cases, have helped mitigate this impact.

The AEN *Service* safety KPIs improved in 2023, with strict focus on EHS in controlling the behavior and job skills of subcontractors and continuing training of internal resources.

In terms of efficiency, several initiatives have been further developed, focusing both on cost

reduction, such as the completion of the internalization of the AEN *Service* equipment *hub* and the increase in the internalization of repair activities on the components of AEN gas turbines, and on efficiency, such as performing tasks completely remotely and optimizing the low-speed balance of gas turbine rotors.
Finally, throughout the year 2023, the AEN *Service* organization worked closely with the *New Units* division to support it at the various project sites under construction, mainly with H-class gas turbines (GT36) for active on-the-job training of *Field Service and Commissioning* in view of the successful execution of long-term maintenance contracts.

Nuclear

In the current context of global energy and climate crisis, there has been a renewed interest in nuclear activities in 2023. However, this interest has been balanced by the slow pace of new investments and subsequent decision-making on new contracts.

Ansaldo Nucleare has focused its efforts on developing new nuclear technologies to benefit the renewed mix of energy production sources that will accompany renewable energies in achieving the goals of "Net Zero Emission" (NZE) by 2050, thereby reducing greenhouse gas emissions from fossil fuel use by mid-century.

This vision sees, alongside fusion, the possibility of playing an important role in the development of *Small Modular Reactors* (SMR) and *Advanced Modular Reactors* (AMR). These reactors, with a closer timeframe compared to fusion, can provide alternative nuclear technologies that are more sustainable and competitive than current third-generation technologies.

In this context, in collaboration with Ansaldo Nuclear Ltd (controlled by Nuclear Engineering Group Ltd), during the year 2023 the Company continued to work on major contracts in the UK for participation in the project for the development of the Lead-cooled Fast Reactor Westinghouse on behalf of the UK Department for Business, Energy and Industrial Strategies, while in Romania, in collaboration with Enea[1] and the Romanian partner Raten[2], the Company worked on the Athena project, aimed at the realization of the Test Facility that will host the development activities of the prototype of lead cooling AMR (Alfred project).

Generally, Ansaldo Nucleare closed 2023 with a negative economic-financial result, primarily due to a reduction in expected revenues, deterioration on some ongoing projects due to extended timelines in the Fusion field, and an increase in commercial costs for bidding activities. However, Ansaldo Nucleare has laid the foundations for a more solid future with a significantly higher level of orders compared to the previous year and better positioning in new markets that have excellent prospects for the years to come.

Operating revenues, which amounted to Euro 23.9 million, consist of a portion related to progress on ongoing contract activities, termed "current activities," amounting to Euro 37.6 million, and an adjustment to revenues recognized in previous years related to the accounting for penalties for the Embalse project amounting to Euro 13.8 million.

In 2023, revenues from the New Plants segment amounted to approximately Euro 32.3 million, with an incidence on the total (excluding the adjustment for the Embalse project of above) pairs to approximately 85.7%, substantially in line with the previous year (in 2022 Euro 33.5 million equal to 84.6%).

Within the New Plants segment, the Fusion sector has maintained a steady trend thanks to the continuation of the ITER[3] program, the initiation of new activities for the development of the next European machine (DEMO[4], a demonstration plant for fusion energy production), and the launch of the Divertor Testing Tokamak

[1] ENEA - National Agency for New Technologies, Energy and Sustainable Economic Development.

[2] Raten - REGIA AUTONOMĂ TEHNOLOGII PENU ENERGIA NUCLEARĂ, Romanian public company for nuclear technologies.

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

[4] DEMO - DEMOnstration Power Plant (DEMO) is a prototype nuclear fusion reactor studied by the European consortium Eurofusion as the successor to the ITER experimental reactor.

(DTT[5]) project in Frascati. Fusion has constituted a significant part of the year's work, representing 75.6% of the revenue of the New Plants business line through a plurality of contracts. The role of the Fusion business remains strong despite some technical difficulties in the realization of projects won in previous years on ITER.

In the New Plants sector, the delay in investment decisions for new reactors in European and North African countries has affected the activities of large plants and SMR[6].

Regarding current *Service* activities on operating plants (excluding the aforementioned adjustment for the Embalse project), revenues of approximately Euro 4.7 million were recorded, accounting for about 12.6%[7] of the total (compared to Euro 4.0 million, equal to 10.2% in 2022).

The *Waste Management* and Decommissioning sector continued to be affected by the crisis and the ongoing difficulties of Sogin[8] in developing a comprehensive procurement program: after the acquisition by the Consorzio Stabile Ansaldo New Clear in April 2023 of the Trisaia order from Sogin for a value of approximately Euro 22 million, Ansaldo Nucleare was supposed to start work immediately; however, the actual start of the project did not occur in 2023 and is still pending in the first quarter of 2024 as the end customer is not in a position to begin work. The other important and anticipated project whose acquisition was expected in 2023, Cemex[9], experienced a series of extensions, and the bid submission date was first postponed to 2024 and then definitively canceled on 21st February 2024.

Overall, in 2023, the revenues of this segment amounted to approximately Euro 0.6 million, representing about 1.7% of the total, with a decrease of 70% compared to the previous year.

In 2023, the Company secured orders worth approximately Euro 51.0 million (compared to Euro 26.6 million in 2022), resulting in a solid order backlog of Euro 114.6 million as of 31st December 2023 (compared to Euro 101.6 million as of 31st December 2022), which is adequate to support the expected revenue growth. This provides confidence for the activities in 2024, with the main challenge being to secure the contract for the Cernavoda[10] Plant Life Extension and improve project performance, relying on the availability of necessary resources to execute them.

As anticipated, the revenues experienced a significant decrease, amounting to Euro 23.9 million; however, if we were to exclude the effect of the aforementioned penalty on the Embalse project, they would have been Euro 37.6 million, thus slightly lower compared to 2022 (Euro 39.7 million). This decrease in volumes led to a notable deterioration in the income contribution from projects, which in turn resulted in a significant worsening of Adjusted EBIT and EBITDA, both negative at Euro 2.4 million and Euro 2 million, respectively (Euro-3.7 million and Euro-3.3 million in 2022). EBIT also showed a negative result of Euro 2.7 million in 2023 (compared to Euro 3.9 million in 2022), and there was an operating loss of Euro 4.5 million (Euro 4.0 million in 2022).

[5] DTT - Divertor Tokamak Test is an Italian project aimed at developing a divertor capable of expelling heat and the products of nuclear fusion generated within a tokamak.

[6] SMR - Small Module Reactor

[7] The percentage weights of the different business lines have been calculated based on 37.7 million Euro, excluding from the total revenues of 23.9 million Euro, which include the adjustment for the Embalse project amounting to 13.8 million Euro.

[8] Sogin - The public company responsible for the decommissioning of Italian nuclear plants and the management of radioactive waste is Sogin (Società Gestione Impianti Nucleari).

[9] Cemex - (CEMentation EurEX) is a cementation plant for waste to be set up at the Saluggia site to treat approximately 300 cubic meters of radioactive liquid waste, mainly from the reprocessing campaigns of irradiated fuel elements conducted in the 1970s and 1980s.

[10] The nuclear power plant in Cernavoda, located in Romania in the Constanța County near the city of Cernavodă on the banks of the Danube River (Centrala Nucleară de la Cernavodă), is a facility composed of 2 active units, in which Ansaldo Nucleare participated in the construction as an Original Equipment Manufacturer (OEM) for Balance of Plant (BOP) activities.

COMMERCIAL ACTIVITY

Orders by region and type of supply

Below are the 2023 and 2022 orders data by *Business Line* and by region.

During 2023, the Group acquired orders for Euro 1,016 million:

ORDERS 2023	NEW UNITS	SERVICE	NUCLEAR	RENEWABLE ENERGY	TOTAL
Euro/million					
TOTAL	**228**	**705**	**82**	**1**	**1,016**
ITALY	52	324	4	0	380
EUROPE	162	180	78	1	421
MIDDLE EAST	2	50	0	0	52
AFRICA	3	54	0	0	57
ASIA	9	83	0	0	92
AMERICA	0	12	0	0	12
OCEANIA	0	2	0	0	2

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

New Units

The post-pandemic effects and the Russian-Ukrainian war have weakened as regards the gas turbine market, with a positive effect on Ansaldo Energia's commercial activities. In particular, the traditional markets, Europe, Middle East, North Africa and the Mediterranean area, have seen the development of numerous new opportunities which represent an excellent starting point for the realization of the strategic plan. In addition, new markets have opened up in the context of C.I.S., in particular Azerbaijan and Kazakhstan, where was acquired an important contract for the supply of four gas turbines AE94.3A with the customer Azerenerji (Azerbaijan) currently under construction and a *reservation agreement* for the supply of two gas turbines AE94.2 with Samruk Energy (Kazakhstan) finalized in first quarter of 2024.

The main activities have been developed on European markets. In particular, in Germany where the GT36 gas turbine was selected for the country's sustainability path of replacing coal-fired central pollutants with hydrogen-burning products and technologies. In this context, Ansaldo Energia has signed two contracts, in partnership with Reunidas technique such as EPC *contractor*, for the supply of GT36 gas turbines, steam turbines and related electric generators. These contracts will be fully effective once the authorization activity by the customer, one of the largest German utilities, has been completed.

Ansaldo Energia has also been selected as the preferred bidder for two important projects in Switzerland and Ireland respectively. The related contracts will be finalized in the first half of 2024.

Collaboration with SEC (Shanghai Electric Corp.) continued both in the hot parts supply for the Chinese market and in the EPC in Asia area for the supply of entire gas turbine groups.

The total sales result was Euro 228 million.

Service

The transition to a zero-emission environment is constantly accelerating. This leads to an increase in electrification in many directions, from the end user to the industrial consumer, leading to a massive increase in electricity demand.

The fluctuation in gas prices, due not only to political instability but also to financial speculation, makes the market unpredictable in the long term.

Policy drives decarbonization and independence from fuel imports, leading to different country-to-country approaches to renewable energy sources. But also, toward major investments in network improvement and production stability.

The increasing demand for energy, high fuel costs and the general trend to reduce emissions have further strengthened the demand for gas turbine upgrades (both in terms of power and efficiency) and open important new 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).

In 2023 Ansaldo Energia confirmed its ability to be the main partner for the improvement of the existing fleet and for the development of future-oriented upgrades (e.g., hydrogen-ready) and able to support and maintain “old” coal-fired power plants.

In this scenario, 2023 defined very positive trends for Ansaldo Energia, with a total order collection exceeding Euro 705 million, well above the budget targets (+24%).

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

Italy

Uncertainty about gas supply in the long run and general political instability have led the market to give many coal-fired plants a “new life” and to slow investment in new plants (except for renewable ones).

This context has led many customers to focus on ST maintenance (*Steam Turbines*) and GT upgrades and improvements, bringing the total acquisition of orders to Euro 324 million which confirms Italy as the reference market.

Europe

The difficult geopolitical situation and the sanctions imposed by the European Union have effectively eliminated the acquisition of orders for Russian power stations.

In the rest of Europe, more than in Italy, the demand for advanced technology for the transition has remained high, which has led to the sale of some upgrades (including a new MXL3 Upgrade for a GT26 plant in France) and new opportunities related to the supply of some units planned in 2024.

Thanks also to some extensions of long-term contracts, the overall result was over Euro 180 million.

Africa

Commercial activities have concentrated mainly in the north of the continent, with the frequent commercial presence of the fleet.

The renewal of the LTSA contract of Sousse D (Tunisia) confirms the reliability of Ansaldo Energia.
Last summer temperature peaks in Algeria, due to climate change, have strengthened awareness of maintenance: Several important races were held in 2023, which are expected to materialize in 2024.

Following the allocation to Morocco of the 2030 Football World Cup and the need for network stability, a new energy plan is under development with particular attention to the new combined-cycle power stations and related LTSA: Ansaldo Energia carried out several commercial activities in the country in 2023 to support

Service Sales on existing power plants and the development of new units.

In Sub-Saharan Africa, the main risks are related to the chronic financial difficulties of most governments and public services. Financial problems put any expansion of the fleet at risk.

In countries like Nigeria, moreover, there is a strong exchange-rate risk due to local currency fluctuations relative to the Euro and the US dollar.

However, despite international conflicts and budget reductions in several countries, the volume of orders for the region was Euro 54 million, about 4% more than the budget.

South America

The presence of consolidated customers has ensured a volume of orders of Euro 12 million, in line with the previous year and with the objectives foreseen.

Middle East

The presence in the region was consolidated with the opening of the integrated support center for 24/7 plants in Abu Dhabi which, together with Ansaldo Energia Gulf and the Middle East Service Hub, has further increased the localization of services and resources.

The decarbonization of the energy market and the acceleration of the growth of new solar power installations increase the pressure on fossil-energy generation. Older, less efficient installations have been withdrawn or are maintained as sources of emergency, with an increasing impact on the size of the potential market for services.

The increase in regional crisis and instability has led to high inflation and foreign currency liquidity problems in several countries, which have affected Ansaldo's business with government authorities. This was offset by a significant increase in sales of long-term contracts with IPP customers and a strong increase in traditional thermal orders, which enabled the region to achieve a result of Euro 26 million, about 5% more than your budget.

Asia

Despite the small installed fleet and the lack of orders for new units, the results of the area continue to be very significant, with a value of more than Euro 8 million.

The contribution to the *Service* resulting from the partnership with Shanghai Electric Corporation is significant for 2023 and other potential markets such as Australia and India have opened a new field of exploration.

Coal dominates the region's energy consumption, but the implementation of strict emission standards and significant increase in demand have led to the widespread adoption of clean energy technologies, in combination with the massive use of long-established geothermal and steam turbines.

The region's optimistic growth prospects soon, despite current global trade disputes, the world's uncertainties, and the correlation between economic growth and electricity demand, have made it an attractive destination for "renewable energy" investments.

ORGANIZATIONAL AND PROCESS/PRODUCT DEVELOPMENTS

Factory

The year 2023 confirmed the trend in 2022, highlighting a further increase in the *Business Unit Service*, both for field activities and for the machining of components in the factory, which compensated for the negative effect generated by the slippage of *New Units* projects.

In 2023, production hours developed for Service projects amounted to about 40% of the total (30% in 2022 and 21% in 2021).

As regards the *Production Plan* and the *Supply Chain*, compared to the *Budget* forecasts, GT36 projects have seen a significant commitment of all the Industrial *Supply Chain* (men and components) for the completion in site of the projects of Porto Marghera, Presenzano, Tavazzano and Fusina, that will continue in 2024.

In addition to this, unplanned activities on the synchronous compensators of Terna and the gas turbine AE64.3A have been added to the design reviews introduced in the related designs.

The reduction in load from new projects also led to a different "*Make or Buy*" strategy aimed at maximizing the use of internal capacity.

The demand for "hot components" for Chinese projects remained significant and stable compared to 2022, particularly for the AE64.3A and AE94.3A products.

The supply chain (materials, semi-finished products, and processing) has suffered the *stress* deriving from design variations and financial situation and has generated delays in deliveries with consequent impact on the supply of the factory, in particular for *New Units* projects.

On the *Service* front, thanks also to a targeted management of the *Supply Chain*, the economic and financial objectives of the budget have been exceeded.

On the investment side, the up-grade 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, in addition to the TIG station for "*big size*" rotors, the updated station dedicated to "*small and medium size*" rotors.

During 2022, the project was started to increase factory production capacity in the area called Genova Repair Center (GRC) for the repair of hot pallets. During 2023 the main new plants were installed and at the same time the relayout planned in phase 1 of the project was realized, allowing to increase the technological capacity of repair on hot turbine blades from about 3.000 blades/year to about 5.500 blades/year.

The renewal of the EDM systems has also been completed, with the replacement of the latest technology (less performing copper electrodes), with the modern technology that allows graphite electrodes to be used.

In view of the high workload in the factory associated with the overhaul of gas turbine rotors, an analysis of the bottlenecks that most impact this activity was concluded in 2023 and some investments were started, and in part already implemented, to resolve them.

Among the investments are the extension on 3 lathes of the laser measuring system of the *tip* pallet and the equipping of the 2 TIG welding plants turbine rotors to increase the available positions in which to be able to mount the rotors of gas turbines and carry out intermediate checks on the components, reducing the process times required to achieve the required quality level on the rotors running a gas turbine.

A campaign to improve machine tool safety systems was also launched in 2023. This path will continue in 2024.

Service

In 2023 Ansaldo Energia reviewed its previous combined organization of *New Units* and *Service* in two different businesses. In this way, Ansaldo Energia Thermal Service is fully part of the company organization of Ansaldo Energia. The new Ansaldo Energia Thermal Power Service organization will therefore be fully operational by January 2024.

In 2023, *Service* activities were partly characterized by the global impacts of geopolitical tensions and, above all, by the war in Ukraine. From the outset, the supply chain has been restricted, resulting in continuous delays in material delivery and specific increases in the cost of essential materials and components. The difficulties in providing the necessary components to the sites have been mitigated by the focus on flexibility in planning interventions, combined with detailed engineering assessments. These joint activities have made it possible to minimize the inconvenience to the normal operation of the plants and to meet the maintenance requirements of the various plants.

In 2023, several initiatives and improvements were implemented in engineering and technical management, including the further development of structured processes and tools for technical risk management, the broad diffusion of the standardized MSM process as a systematic approach to project planning and execution. initiatives to strengthen internal and customer communication.

This involved clear roles and responsibilities, the creation of standard operating procedures, and the implementation of a progress monitoring and measurement system, as well as data analysis, monitoring of specific on-site tasks and fleet management. it also ensures compliance with standards and regulations. This approach has also improved the overall efficiency and effectiveness of the engineering department, as well as ensuring that projects are completed on time, on budget and at the required quality level, despite complicated scenarios.

In line with the development of structured processes, plant modernization activities continued with high volumes in 2023, which required an engineering approach based on extensive feasibility studies. This ensured that the projects were carried out according to clear guidelines and with adequate planning. In 2023, the market and operators showed a particular interest in the upgrading and upgrading of plants based on technological developments, in particular with regard to the reduction of carbon emissions and the future combustion capacities of H2. While the focus on efficiency improvements in power plants, which provide savings in gas consumption, remained very strong, customers have significantly increased their focus on the need to ensure solid reliability and availability of Goodwill and operation (RAM[11] parameters) of their plants. Attention to these issues has increased in particular by customers operating within the *Capacity Market* framework and in countries where there is a strong divestiture of other thermal power production units, as renewable energy sources increase.

Among the main successes of the *Service*, it should be mentioned the execution of the very first upgrade of the GT26 MXL3 of Ansaldo Energia. After several years of R&D, in the summer of 2023 the GT26 MXL3 turbine upgrade was produced and implemented in a customer's unit. In autumn 2023, in a detailed validation and measurement campaign phase, the turbine was fully up to the defined performance objectives and guarantees. The customer was very satisfied and decided, based on the success of the first upgrade, to upgrade all three other GT26 to the new MXL3 standard.

In 2023 Ansaldo further strengthened the *Integrated plant Support* (IPS) for its customers with a long-term service contract with a coverage of 24/7 through the centers of Genoa and Abu Dhabi.

IPS is a service that allows Ansaldo to remotely monitor and troubleshoot customer equipment and plant systems issues, as well as identify precursors to potential plant performance and reliability issues. The service uses advanced technologies such as monitoring software, remote access tools, and artificial intelligence systems to provide information and actively supervise plant operations remotely in real time.

The service can also allow the IPS team to perform troubleshooting and maintenance tasks and make remote adjustments to machines or systems without having to be physically present.

The difficult conditions of recent years have shown the usefulness of such an IPS service to handle complex situations at customer plant sites, resulting in increased customer appreciation of the service.

Engineering

As regards **engineering activities in relation to *New Units* and *Service* projects**, the following are noted:

- completion of the commissioning activities of the first class H turbo-group consisting of GT36 gas turbine and relative hydrogen generator model THR 12 65 installed at the Marghera Levante plant (Edison customer), with the passing of the commercial March in October 2023. The commissioning of this group 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

[11] Reliability, Availability, Maintainability

during the development activity. The cap is planned for early 2024;

In parallel with the TG activities, the activities of commissioning, tuning and testing of the steam turbine that closes the combined cycle were carried out. Some changes have been made to this machine that are necessary to optimize its operation. The extensive test campaign has contributed to the achievement of the commercial road certificate of the plant;

- completion of the commissioning activities of the GT36 in Minhang, in a complex context such as that of China and with a considerable organizational and logistical effort. The plant has successfully completed the commercial March period and the process for obtaining the cap has been started (expected by the first quarter of 2024);
- completion of the commissioning activity of the GT36 in Presenzano, the second plant delivered to Edison customers, with the finalization of the activities for the commercial March scheduled for the beginning of 2024. The steam turbine also entered into service on this plant and tests and data analyzes were carried out on the machine, which allowed some optimization to be made for the achievement of the commercial March;
- start of the assembly activities on two sites: Tavazzano (customer EP production) and Fusina (customer Enel) which provide for the installation of two GT36 in a combined cycle. Both plants will be put into service during 2024.

  In parallel, the construction and assembly of the related steam turbines for closing the combined cycle continued. These machines are characterized by a common general approach, but with significant differences dictated by the requirements of adaptation to the different design conditions of the individual sites;
- completion of the start-up of the Irsching plant (Germany) where the first open-loop AE94.3A was installed, part of a group of "*peaker*" plants to meet the country's energy requirements. Considerable effort was required to optimize combustion to ensure the time frame within which the machine will reach its maximum load. The relative generator is the first one having a system for pressurizing the cooling air aimed at obtaining a greater *capability* when required by the operating conditions. The plant, whose cap was obtained in September 2023, consolidates Ansaldo's presence on the German market;
- start of assembly start-up support activities 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 2024;
- completion of the commissioning, in gas operation, of the first AE943.A equipped with the new Ansaldo/SDI control system at the site of Butia (Iran). The validation obtained in this first phase establishes for Ansaldo the possibility of producing a control system that can be exported to Iran. Commissioning will be completed during the first part of 2024, when the machine is started and set up in diesel operation;
- completion of the commissioning of the Turbigo plant where an AE943A-MXL2 and generator have been installed. In addition, the steam group has been partially renovated by replacing the existing hydrogen-cooled generator with a similar power and air-cooled generator.

  As anticipated, the existing steam turbine has been maintained with a number of adaptations necessary for proper operation under the new combined cycle conditions. These modifications, designed and followed by the TV Engineering group, have allowed the reuse of an existing machine, reducing the impact on the transformation of the plant;
- completion of engineering activities for the Leinii project where Ansaldo Energia will replace the current AE943A with an AE943A-MXL2, as well as providing a new generator and completing the assembly and start-up phases in a reduced stop time agreed with the customer Engie;
- start of commissioning on the Oswiecim plant (Poland) where a 78MW AE643A with preheated gas and associated generator is installed. The completion of the activities is expected in mid-2024;
- finalization of the main engineering activities

and subsequent *procurement* for the fast-track contract of Tobruk (Libya) where Ansaldo Energia has supplied the customer with two AE94.2 *dual fuel* and related generators;

- 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;
- start of pre-engineering activities for the new GT36 projects of Weissweiler and Gersteinwerk where a gas turbine operation with 100% hydrogen is required. These gas units are flanked by as many steam units which have been started;
- technical coordination of the supply of synchronous compensators for Terna Rete Italia;
- a new flywheel has been developed working in a rarefied atmosphere, the first unit of which was put into service in December 2023 at the Suvereto plant;
- in order to support the *business Service*, the design of the Hwange generator rotor (Zimbabwe) has been modernized to allow its replacement. For this plant, the activity also covered the AMP and BP rotor and the diaphragms (fixed parts) of the steam turbine;
- a new HP internal module for the Bayet (Total Energie) turbine has been built, installed and started, replacing the existing one, designed for the new operating conditions after upgrading the turbogas.

With regard to **TV Engineering**, technical support has been continued on numerous *Service* projects for replacement or modification of internal parts of existing steam turbines, to adapt them to new conditions or following maintenance work, or to compensate for aging or damage to the parts.

TV engineering has also been involved in supporting projects in the field of energy transition, especially in the development of an expander for an Energy Storage plant that uses CO_2 as a working fluid. In addition, new nuclear projects were addressed, particularly in the field of *Small Modular reactor* (SMR), aimed at guiding the transition to a new generation of nuclear energy.

Investments

The investments for the financial year 2023 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 gas turbine 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 machinery and equipment capable of ensuring an ever-greater degree of precision so as to guarantee the constant improvement of the quality of the products and 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 for carrying out and perfecting the timely and necessary checks on the machines and to improve safety on the site.

Significant interventions have been carried out on the plant areas for the renovation of the workplaces and to improve the energy efficiency of the same.

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

Within the Green Tech sector, there is a significant investment in the development of AEM (low temperature electrolyzers) technology.

RESEARCH & 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), improved efficiency and operational flexibility.

On New product introduction side, 2023 marked the entry into business of the two GT36 units of Marghera Levante and Minhang, while the Presenzano power station completed the hot commissioning phase.

On Hydrogen combustion development side, 2023 saw Ansaldo Energia, as coordinator of the HORIZON-JTI-CLEANH2-2022-04-04 project, engaged in September in the testing of the first prototypes of the *dry low* NOx burner for H2 combustion. These tests were carried out in the *full scale rig* of Cologne, testing up to 100% of H2 under machine conditions. 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 at 2050. Also in the autumn, the *Cologne rig* was tested for the latest update of the current combustor, which aims to reduce NOx emissions in natural gas operation and to be able to be armed with any mixture of natural gas and H2 in proportions between 0% and 50%. This burner will be equipped in 2027 with the first GT36 unit for which performance guarantees have been provided with operation up to 50% of H2.

As for Class F turbine operations, the first upgrade package called MXL3 was installed on the GT26 of the Flevo unit 5. The validation has yielded excellent results, allowing the plant to reach a yield of more than 60% and exceeding with a large margin the guarantee performances offered. During 2023, 2 more orders were placed for the same MXL3 package.

With regard to the AE94.3A class F turbines, the tests of the latest turbine upgrade with a maximum power of 340MW have been successfully completed in the superspeed cell. The first 4 units are expected to enter into business at the Mingachevir power plant in the next 3 years; of the four units the first two have been shipped.

As part of the initiatives aimed at supporting the electricity grid, a new synchronous compensator package has been developed and supplied with a flywheel model operating in a rarefied atmosphere. This flywheel was put into service in December 2023 at the Suvereto plant.

Regarding automation, field activities on the first applications of the GT36 control system have been completed; the experience gained has enabled it to be optimized for current and future applications. The updating and development of automation platforms on which it is possible to implement control systems for rotary machines (ABB, EMERSON, SIEMENS and SDI) has continued, taking into account the main drivers of the sector such as cybersecurity, digitization, integration with third-party systems and the implementation of new functions, required by the different operating conditions of the turbines and plants. Particular attention is also paid to the development of simulation systems that allow accurate validation of systems during the design, support for commissioning and trouble shooting.

In the field of *Additive Manufacturing*, in 2023 two projects were started which led to the definition of a concept design for the extensive repair of stator components using SLM (Coupon repair) technology, And an improvement in the field of manual welding of nickel base alloys through the application of manual laser welding. Also in this area of development, design data and technical specifications of the SLM IN738 material have been released.

INTELLECTUAL PROPERTY RIGHTS 2023

Ansaldo Energia's IP assets for the year 2023 is composed of 2,067 patents (Ansaldo Energia Spa and its subsidiaries), 85 licensed patents and 225 trademarks.

More precisely, in the year the first 4 patents of Ansaldo Green Tech were filed for the product "electrolysers" of AEM technology.

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

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

In addition, 164 practices were managed in the field of "technology transfer", in particular: 69 NDA, 5 *Agreement*, 18 *transaction*, 70 IP *support activities* and 2 *Trade Secret activities*.

In 2023 Ansaldo Energia was awarded the Silver Award for the best IP DEPARTMENT ITALY, during the first edition of the "leaders League Alliance Summit: Law and Innovation".

HUMAN RESOURCES

The main objective of the activities developed during 2023 was to implement the actions ofr the industrial plan initially defined in 2022 and subsequently updated in 2023 by the new Company Summit.

The new guidelines have been characterized by:

- increasing focus, with consequent repositioning, on the traditional business of the "Power Generation" (Turbogas), foreseeding an increase in the relative internal production activity;
- further development of *Service* activities, also with the growing support of internal production activities;
- consolidation of the strategic nature of the "Nuclear" business with consequent plan for the development of Engineering and Yards activities;
- greater focus on the development of own technologies in relation to the new Green products. With particular reference to the "electrolysers" business, it has been defined to overcome the "SOEC" technology (solid oxides) in favor of the development of the "AEM" (membrane) technology, aimed at the realization of a first prototype of multi-cell stacks in the course of 2023, This could lead to the opening of a new pilot line at the Genoa plant.

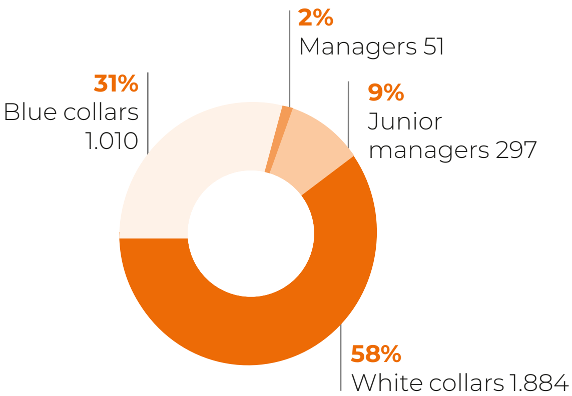
The current actions for the rationalization of the workforce of the subsidiary in Switzerland have also been improved; to combat the partial release of work and better balance the professional mix, a new redundancy management plan has been launched, with a trade union agreement signed in May; moreover, all the actions of efficiency continued, among which the consolidation of the rationalization already started for the activities of Warehouse *Service* and the start of a training path for Mechanical Montoators in order to favor a greater use in the yard of the professional figures operating in the factory.

In this context, for a period of 5 months, the planned training courses carried out under the New skills Fund, which involved some 1,600 resources with the aim of adapting the professional skills present in the Company to the new themes of digitization, have been carried out, Sustainability and energy transition, which are also fundamental to the achievement of the objectives identified in the industrial plan.

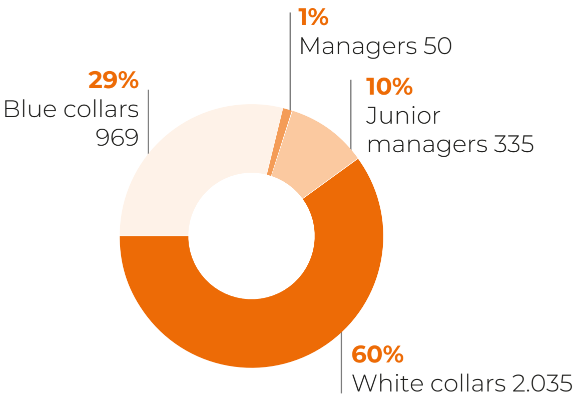
Moreover, the internal intragroup mobility has been given greater impetus, in order to favor a better balance of the skills present in the Company, strengthening the business areas considered more strategic and contrasting the outflow of critical resources suffered during the year.

The Group's resources at the end of 2023 amounted to 3,242.

HEADCOUNTS AS OF 12/31/2023



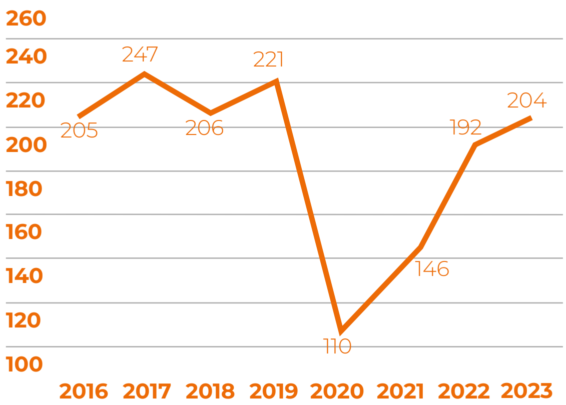
HEADCOUNTS AS OF 12/31/2022



Training

During 2023, the customer-facing training activities were carried out more regularly than in previous years, when the adoption of measures against the diffusion of Covid-19 had caused a significant reduction in the number of courses.

CUSTOMER TRAINING DURATION (IN DAYS)



From the graph above it can be observed that the number of customer training days delivered in 2023 is substantially aligned with that of the pre-pandemic situation.

The following courses were awarded in 2023:

Job Order	Country	Power Plant	Client	Course Title	Kind of training	Location	SoW	Duration in days
0051	United Kingdom	Tavazzano	EPP	Basic O&M	Formal	On-site	CCPP with GT36	63
0664	United Kingdom	Villanova	Triad	Basic O&M	Formal + Walk-down	On-site	ICS	20
0529	United Kingdom	Codrongianos	Triad	Basic O&M	Formal + Walk-down	On-site	ICS	20
0647	Germany	Irsching	Uniper	Training in control room	On the job	On-site	OCPP with AE94.3A	52
0099	Poland	Oswiecim	Synthos	Basic O&M	Formal	On-site	GTG with AE64.3	46
0661	United Kingdom	Turbigo	Iren	HRSG e Pumps	Formal	On-site	Repowering with AE94.3A	3

All courses were held in the presence and on-site at the reference centers for a total of 204 training days.

Regarding Tavazzano site, there are still some training days for maintenance personnel and for the staff of the Control Room (on the Job) that will be provided during the first months of 2024.

Training at Turbigo took place mainly in 2022, but had a tail in December 2023 and will end in early 2024.

The training on the Terna Synchronous Compensating plants, which began in January 2020, will be completed by the beginning of 2024 with the Suvereto site.

Irsching and Oswiecim training can be considered completed.

SUSTAINABILITY

Ansaldo Energia continues its activities in support of the energy transition and, in general, in the growth path on the themes of sustainability and their promotion, having also expanded the reporting perimeter to the Italian subsidiaries for the period 2020-2021-2022.

The third Sustainability Report, available as the previous ones also on the WEB site, therefore, also contains some updates and in-depth information about the products and the first assessment of the objectives and actions contained in the Sustainability Plan.

The plan, first included in the Report published in 2022, reports the results and updates of its environmental, social and governance program and new initiatives, always with a short and medium-term timescale.

The commitment to constantly pursue its sustainability strategy in accordance with the Principles and Objectives of Sustainable Development of the ONU contained in Agenda 2030 and the regulatory developments in the management of ESG issues, despite the continuing existence of certain critical issues in the energy sector, it is thus confirmed and communicated to the stakeholders, who will increasingly be involved, as foreseen by the update of the Materiality analysis launched in 2023.

In 2023, the Board of Directors appointed the Joint Committee for risks and Sustainability.

The Committee, in its company's determination to create the greatest synergies between the *Enterprise Risk Management* system in support of the Group's decision-making processes through the monitoring of ESG issues, the analysis of Materiality and the Sustainability Plan, has instructive, proactive, and advisory functions, on assessments and decisions relating to risk and sustainability issues.

The team composed of contacts of the main business functions impacted by ESG themes and coordinated by *Sustainability Manager* was also confirmed.

The Team continues its activities both in the preparation of the sustainability report, drawn up in accordance with the "GRI *Sustainability Reporting Standards*" of the *Global Reporting Initiative* and subjected to a third-party *assurance* process, and in providing answers to all ESG requests, in particular, the evaluation tests made by the customers, as well as the updating of the Materiality analysis, starting from the start of the same.

ENVIRONMENT, HEALTH AND SAFETY IN THE WORKPLACE

Environment

The Italian sites of Ansaldo Energia fall within the scope of D.P.R. 13th March 2013, n. 59 (AUA – unique 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, however being in the category of "small emitters".

In addition to the constant commitment to the maintenance of environmental certification according to the ISO 14001 standard, Ansaldo Energia has further developed its commitment to the continuous improvement of its environmental performance, obtaining the certification according to the ISO 50001 standard of its energy management system.

From the periodic updating of the assessment of the significance of environmental aspects and the Context Analysis, a controlled, marginal, and therefore largely tolerable level of environmental impact risk is confirmed, while the effectiveness of the multiannual sustainability plan is being confirmed, with the achievement of the first efficiency objectives.

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 through the study and design of circular economy initiatives.

The increasing attention at European level to an approach to environmental management that is less and less limited to the individual process and increasingly broadened to the evaluation of the entire life cycle of products is introducing increasingly challenging and cross-cutting regulations and directives into Community legislation. Environmental management is a subject that today affects all corporate bodies.

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 company is engaged in a process of strengthening and integrating the existing data management information systems.

Health and safety in the workplace

In 2023 Ansaldo Energia continued in the process of implementing initiatives aimed at spreading the safety culture across all personnel involved in the various processes, with the aim of creating a concrete, homogeneous approach and further reducing all indicators in the field of Health and Safety at work.

The Company 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.

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 based on 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 the safety regulations on the workplace, a continuous control process on the lifting equipment to periodically assess the actual state of conservation and the continued efficiency, with attention to the most obsolete equipment.

Furthermore, a portable departmental ladder management system has been made operational, improving its management. The installation stages of the COST department have been improved by creating new metal floors, thus eliminating the previous risks. A study on lifting methods was then started which led to the design of a specific training activity aimed also at the definition of new lifting methods.

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 specialized 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 on the topic of 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 sub-contracting 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, 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 Company operates. During the year, the Commission issued an update of the assessment of the risks subject to health surveillance for all tasks, of the risks related to the manual handling of loads and of the risks related to mechanical vibrations.

The Group has continued the process of improvement of the management of the Emergency and evacuation Tests, which includes, in addition to the usual program of training and training of the personnel and the continuous updating of the procedure of management of the internal emergencies, an ever greater involvement of all workers in the practice and simulation of different emergency scenarios; in 2023 emphasis was placed on the scenario of medical emergency on all departments.

The risk assessment documents for all external yards have been drawn up in accordance with local and reference legislation.

ORGANIZATION AND QUALITY

The 2023 ended with the launch of a new first level organizational structure that exceeded the functional approach in favor of a logic of P&L, articulating the functions of the Group in *Business Line* responsible, each for the assigned business, for the entire value chain, from the sale to the execution of contracts and their economic results. The organizational structure is completed by three operational support units, responsible for activities common to the business - *Operations, Procurement and Product & Technology* - in addition to the central functions with tasks of directing, coordinating and controlling all the business activities of the Group.

On the quality management system, the past year has gradually brought to a full working order the organizational structure set up in 2022, in which the functions of the Quality System and the Organization have been integrated, With the aim of maximising synergies between the two groups and strengthening in perspective support for the Company Summit.

The activities have therefore continued as set out in the previous years, but with a greater integration between the organizational view and the system quality view:

- optimization of the business processes and elaboration of the relevant descriptive documentation (directives, procedures, instructions);
- planning and carrying out internal audits;
- definition and management of tools and metrics to measure and represent the functioning of the organization and its processes (*Vendor Rating, Customer Satisfaction, Quality Economics, Key Performance Indicators*).

As regards the application of the quality requirements of the specific *New Units* and *Service* orders (offer and execution), the dedicated team has carried out two pilot experiences aimed at strengthening the role of *Project Quality Manager* in the management of quality requirements in the on-site executive phases. especially in the handling of non-quality events. Strengthening that enables the processes of lesson learn and backcharge, that is the recovery of the costs of non-quality caused by non-company actors (e.g. suppliers).

The maintenance visit of the multisite certificate of the Quality Management System, according to the ISO 9001:2015 scheme, took place in the second part of the year and was successful.

The audit regarding the maintenance of the certification of the functional safety system (IEC 61511/61508) was also positive.

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 n. 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/grant 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, Fondimpresa training grants), they are not subject to any information fulfilment, since they are outside the scope of this standard;
- it is considered, also in accordance with what has been done by Assonime with the aforementioned circular, that any tax advantages enjoyed by the Company are of a general nature and therefore should not be compulsorily disclosed for the purposes of the rule in question.

RISK MANAGEMENT

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

To eliminate or minimize the credit risk and to optimize the cash flows of the orders, the Parent Company 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 include specific futures contracts for the coverage of all the most important transactions.

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

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

It is noted that CDP Equity has made a formal commitment to the Ansaldo Energia that all future compensation related to the case "asbestos" will be paid by Leonardo directly to Ansaldo Energia S.p.A.

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 in the explanatory note.

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

PERFORMANCE OUTLOOK

As described in the "Going Concern" paragraph, during the three-year period 2021-2023 the replacement of the order backlog has begun with contractual types with lower risk levels, which are performing in line with the expected margins.

The 2024 Budget shows a growing trend in Group orders, an increase in revenues and a positive operating margin. The 2024-2028 Industrial Plan takes note of the Group's structural strength, characterized by strong skills and competitive products. The plan confirms a strong refocusing on the *core business* of rotating machines (turbogas, steam turbines and generators) in a global growth landscape of electricity demand.

For Ansaldo Nucleare, the plan foresees a strong increase in activities, linked to the numerous projects to relaunch the sector planned in Europe.

At the same time, Ansaldo Green Tech's activities will focus on the development of new generation electrolyzers supported by the European contribution program and on a more efficient and widespread marketing of microturbines.

The implementation of the industrial plan will be made possible by the company reorganization that has just ended.

ESMA INFORMATION REQUIREMENTS

Issues related to climate change

The World Energy Outlook 2023 (WEO) of the International Energy Agency (IEA) describes a global energy landscape that is undergoing significant changes, driven by factors such as the acceleration of the energy transition and the geopolitical landscape.

The transition to a zero-emission environment is constantly accelerating, which is why the analysis of the impacts of the "climate change" on the Group's reference market and of possible regulatory developments have been considered in the **Group's industrial plan 2024-2028.**

Ansaldo Energia has a structure dedicated to *Enterprise Risk Management* (ERM) with the aim of identifying, evaluating and managing the main business risks, consistently with the objectives, strategies and risk appetite, in order to support management in sharing and managing risk, and also making aware decisions to optimize performance.

With regard to climate change, the risk related to the contraction of *Core Business* and/or loss of competitive advantage for inadequate business models due to a change in the macroeconomic, regulatory or technological context must be highlighted.

Ansaldo has set, in mitigation of identified risk, specific actions of:

I. adapting the current portfolio to the use of hydrogen;
II. activities to rationalize the supply of products for the *New Units* world;
III. evaluation of the development of solutions to increase the efficiency of the machines covered by *Service* activities and their possible impact on *New Units* products.

The products of the Ansaldo Energia Group are today already a push toward decarbonization, guaranteeing a significant contribution to the stability of electricity grids in view of the unpredictability of energy generation from renewable sources.

In addition, the Group, in order to increase the sustainability of its existing portfolio, is dedicating itself to Research and development activities aimed at allowing the burning of steadily increasing percentage of hydrogen in gas turbines 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.

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

Its strategic vision is based on three main pillars:

- the short-term objective of providing effective solutions for the dismantling of old plants and accelerating the return to *green-field* of sites;
- the medium-term objective of integrating new flexible and more sustainable nuclear reactors with renewable energy sources;
- the long-term objective of making the fusion a concrete response to the energy needs of the future, with the highest standards of sustainability.

Moreover, with a view to revival and diversification, the company Ansaldo Green Tech is carrying out the evaluation of opportunities in *counter-cyclical* business instead of the *power generation* from fossil sources, with the aim of developing, producing and marketing *green* products.

Ansaldo's TV (steam turbine) engineering has also been committed to supporting projects in the field of energy transition, especially in the development of an expander for an Energy Storage plant that uses CO_2 as a working fluid. In addition, new nuclear projects were addressed, particularly in the field of *Small Modular reactor* (SMR), aimed at guiding the transition to a new generation of nuclear energy.

Objectives, emissions and Taxonomy

More generally, the **Group's sustainability objectives** are indicated on time in the last published Sustainability Report.

https://www.ansaldoenergia.com/it/sostenibilita/rapporto-di-sostenibilita

In order to achieve these objectives, specific investments have been envisaged in the Industrial Plan.

Refer to Sustainability Report as regards emissions reporting, in particular ***"scope 3"* Emissions**.

It should also be noted that in 2023, the Board of Directors appointed the Joint Committee on Risks and Sustainability.

In the company's determination to create the greatest synergies between the *Enterprise Risk Management* system to support the Group's decision-making processes through the monitoring of ESG issues, the Materiality analysis and the Sustainability Plan, the Committee has investigative, proactive and advisory functions, on assessments and decisions relating to risk and sustainability issues.

Finally, it is reported that, during 2024, an analysis and first evaluation of the applicability of **Taxonomy** will be launched through the identification of eligible activities.

Power purchase agreements

It should be noted that the company has not currently signed the ***Emission trading schemes*** or agreements setting out in advance the price for the supply of green energy (PPA *Power purchase agreements*).

Activity impairment

In line with the requirements of the International Accounting Standards, ***impairment test*** was carried out to ascertain the existence of any impairment losses of assets.

The analyzes carried out did not show any reductions in the fair-value values of the registered assets that are directly related to the problem of "climate change".

Issues related to the macroeconomic scenario

Geopolitical scenario

The macroeconomic scenario continues to be characterized by the negative impacts of the Russian-Ukrainian conflict and geopolitical uncertainty further aggravated by the resurfacing of Palestine's conflict.

The IMF estimates that the war in Ukraine reduced global GDP by 0.6% in 2023.

The geopolitical precariousness, which has caused an increase in the price of gas, uncertainty about its availability and tension on the supply chain, continues to generate instability in the market reducing the expectations of new investments by potential customers, while tensions in Palestine cause potential impacts on oil prices.

The increase of direct and indirect production costs led to a **review of the lifetime margins of sales projects, with consequent impact on economic results.** These impacts were considered in the **Industrial Plan 2024-2028.**

Following the start of the conflict between Russia and Ukraine, Ansaldo Energia Russia continued its activities under the close control of the *Compliance office* of Ansaldo Energia in the constant verification of the regulations and regulations issued by the competent bodies in the field of import and export on the Russian territory and possibly impacting on the "work purposes" of new and existing contracts.

Despite the difficult situation, the Russian company achieved the economic objectives estimated (revenues of Euro 23.6 million and operating income of Euro 1.8 million).

On the contrary, the main indirect impacts of the conflict in 2023 continue to be those noted for the previous year:

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

Due to the war in Ukraine, Ansaldo Energia set up a dedicated team of cross-functional task force that provided the minimum services to keep gas turbines under long-term contracts in Russia, always under strict control and in full line with European sanctions and the export control policy established by the Italian government.

Increased interest rates

The impact of recent **interest-rate increases** was particularly significant for the company as a result of strong financial indebtedness.

This also affected the discount rates used in the ***impairment tests***.

It should also be noted that following the revised terms on Term Loan (amount at 31st December 2023 equal to Euro 147 million) and the conclusion of a bank financing with the support of Sace (amount at 31st December 2023 equal to 1 Euro 54 million), both of them are part of the most complex financial maneuver between the end of the previous year and the beginning of the year 2023, in order to cover the cash flow risk due to the evolution of the variable interest rate curve, Ansaldo Energia has entered into two hedging instruments, for a notional amount of Euro 72.5 million and Euro 77.5 million, respectively, classified as part of the "*Interest rate cap*".

The remainder of the negative financial position is mainly fixed-rate debt. For this reason, under IFRS 7, no significant interest rate risks are identified on such positions.

Liquidity risk

Already in 2022, the geopolitical and market environment strongly influenced Ansaldo's results and increased attention to liquidity risk.

The reduction in cash flows and the verified breaking of covenants 2022 determined the need for Ansaldo Energia to finalize a Financial Maneuver for which details refer to the Report and the Notes to the financial statements.

It should also be noted that the Parent Company uses *factoring* and *reverse factoring contracts,* which determine an optimization of net working capital resulting from the early closure of trade receivables and the late closure of trade debt positions, in relation to the concerned positions.

Ansaldo Energia, through its agreements with banks, has the possibility to extend the debt to 210 days from the date of invoice issue, while the supplier has the guarantee to collect at maturity the recognized credits and the possibility to request advances on future credits.

This financial instrument, both for the sale of active invoices and passive invoices, generated financial charges in the year 2023 for approximately Euro 7.8 million.

Expected credit loss

According to IFRS 9, Ansaldo carries out an analysis of trade receivables and estimates the probability of recoverability by using all available information from internal and external sources.

Ansaldo Energia operates in a business characterized by a limited number of large customers (typically state-owned companies) where trade receivables are normally settled within one year. Management considers any technical risk that could cause a delay in the collection of commercial credits already at project level.

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

Considering the requirements of IFRS 9, the Parent Company also conducted a specific analysis of claims that have not expired or expired for less than a year, taking into the consideration the country default risk (where the customer's specific default risk is not available), applying it to 40% of the amount claimed (*loss given default*). The analysis confirmed the consistency of the allowance for doubtful accounts to an amount of Euro 4.3 million.

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

Management has done ECL analysis of Cash and cash equivalents by analyzing the default risk of banks, with no significant impact.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2023

CONSOLIDATED INCOME STATEMENT

Euro/thousand	*Notes*	**2023**	**of which with related parties**	**2022**	**of which with related parties**
Revenues	*13*	1,102,565	40,875	1,237,083	80,063
Other operating income	*14*	49,455	-	58,123	-
Purchases costs	*15*	420,024	11,784	457,860	13,088
Services costs	*15*	518,268	1,248	661,105	5,309
Personnel expenses	*16*	242,543		246,036	
Amortization, depreciation and impairment losses	*17*	87,312		490,269	
Other operating expenses	*14*	94,204	150	88,506	60
Change in finished goods, work-in progress and semi-finished goods	*18*	(3,632)		67,732	
(-) Internal works capitalized	*19*	17,140		26,797	
EBIT		**(196,823)**		**(554,040)**	
Financial income	*20*	20,803	-	29,993	-
Financial expenses	*20*	96,201	12,130	85,142	14,860
Share of profits (losses) of associates and joint ventures accounted for using equity method	*24*	2,367		(27)	
Profit (loss) before taxes and discontinued operations		**(269,854)**		**(609,217)**	
Income taxes	*21*	(41,837)		(50,194)	
Net result		**(228,017)**		**(559,023)**	
Net result attributable to non-controlling interests		(484)		189	
Net result attributable to the owner of the Parent		(227,533)		(559,212)	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro/thousand	2023	2022
NET RESULT	**(228,017)**	**(559,023)**
Items that will not be reclassified to profit or loss		
- Actuarial gains (losses) or defined benefit plans measurement	(2,326)	18,062
Revaluation/(devaluation)	(2,326)	18,062
Exchange rate differences	-	-
Items that may be reclassified to profit or loss		
- Changes in cash flow hedges:	2,405	(1,369)
Variation generated in the period	2,405	(1,369)
Transfer to profit (loss) for the period		-
Exchange rate differences		-
- Exchange differences	(3,794)	73
Gains (losses)	(3,794)	73
- Tax effect	(334)	(2,932)
from cash flow hedge	*(609)*	*409*
from plans to defined benefits	*275*	*(3,341)*
Total other comprehensive income, net of tax effect	**(4,049)**	**13,834**
Total comprehensive income (loss)	**(232,066)**	**(545,189)**
of which attributable to non-controlling interests	*(484)*	*189*
of which attributable to non-controlling interests exchange rate differences	*383*	*3*
Total attributable to non-controlling interests	*(101)*	*192*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro/thousand	*Notes*	12/31/2023	of which with related parties	12/31/2022	of which with related parties
Assets					
Non-current assets					
Intangible assets	*22*	969,752		994,436	
Property, plant and equipment	*23*	184,014		200,456	
Right of use assets	*23*	32,792		37,949	
Investments in subsidiaries and associates	*24*	7,055		6,502	
Equity investments	*24*	13,183		11,636	
Receivables	*25*	82,316	1,400	139,039	1,867
Deferred tax assets	*25*	50,033		54,693	
Other non-current assets	*25*	-		12	
		1,339,145		**1,444,723**	
Current assets					
Inventories	*26*	642,548		612,741	
Contract work-in-progress	*27*	121,710		174,680	
Trade receivables	*28*	365,306	75,803	396,196	95,089
Tax assets	*29*	1,768		3,993	
Financial receivables	*28*	75,086	931		
Derivatives	*38*	423		16,613	932
Other current assets	*30*	102,932	55,253	101,477	60,884
Cash and cash equivalents	*31*	232,691		108,031	
		1,542,464		**1,413,731**	
Total assets		**2,881,609**		**2,858,454**	
Equity and liabilities					
Equity					
Share capital	*32*	325,394		615,626	
Other reserves	*32*	(79,126)		(599,268)	
Equity attributable to the owners of the parent		*246,268*		*16,358*	
Equity attributable to non-controlling interests		*(580)*		*(479)*	
Total Equity		**245,688**		**15,879**	
Non-current liabilities					
Loans and borrowings	*33*	580,220	259,818	259,021	249,505
Lease liabilities	*33*	28,200		31,907	
Employee benefits	*34*	14,178		12,765	
Provisions	*35*	81,075		83,860	
Deferred tax liabilities	*36*	34,637		38,865	
Other non-current liabilities	*36*	14,354	10,225	13,857	10,225
		752,664		**440,275**	
Current liabilities					
Advances from customers	*27*	836,093		834,276	
Trade payables	*37*	498,013	13,929	563,130	21,458
Loans and borrowings	*33*	384,395	162	873,957	-
Lease liabilities	*33*	7,956		7,898	
Tax liabilities	*29*	2,606		2,137	
Provisions	*35*	81,486		49,760	
Derivatives	*38*	931		2,129	
Other current liabilities	*36*	71,777	157	69,013	-
		1,883,257		**2,402,300**	
Total liabilities		**2,635,921**		**2,842,575**	
Total liabilities and Equity		**2,881,609**		**2,858,454**	

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro/thousand	2023	2022
Cash flow from operating activities:		
Gross cash flow from operating activities	(45,956)	(12,365)
Changes in working capital and other operating assets (liabilities)	22,428	(42,743)
Cash receipts (payments), net financial incomes (expenses), taxes and other operational assets (liabilities), use of funds	(30,066)	(94,715)
Cash flow generated from (absorbed) operating activities	**(53,594)**	**(149,823)**
Cash flow from investing activities:		
Sale of equity investments	2	13
Investments in property, plant and equipment and intangible assets	(38,819)	(49,153)
Sale of property, plant and equipment and intangible assets	89	1,111
Other investment activities	(219)	(476)
Dividends received (paid)	68	272
Cash flow generated from (absorbed) investing activities and other	**(38,879)**	**(48,233)**
Cash flow generated from (absorbed) strategic investing activities and other non-recurring items	**-**	**(10,244)**
Cash flow generated from (absorbed) investing activities	**(38,879)**	**(58,477)**
Cash flow from financing activities:		
Capital increases and payments from shareholders	469,374	35,626
Net change in financial receivables/payables and other financing activities	(247,186)	(19,707)
Cash flow generated from (absorbed) financing activities	**222,188**	**15,919**
Net increase (decrease) in cash and cash equivalents	129,715	(192,381)
Other changes	(4,865)	(680)
Cash and cash equivalents as of 1st January	108,031	301,092
Changes in the consolidation area	(190)	-
Cash and cash equivalents as of 31st December	**232,691**	**108,031**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

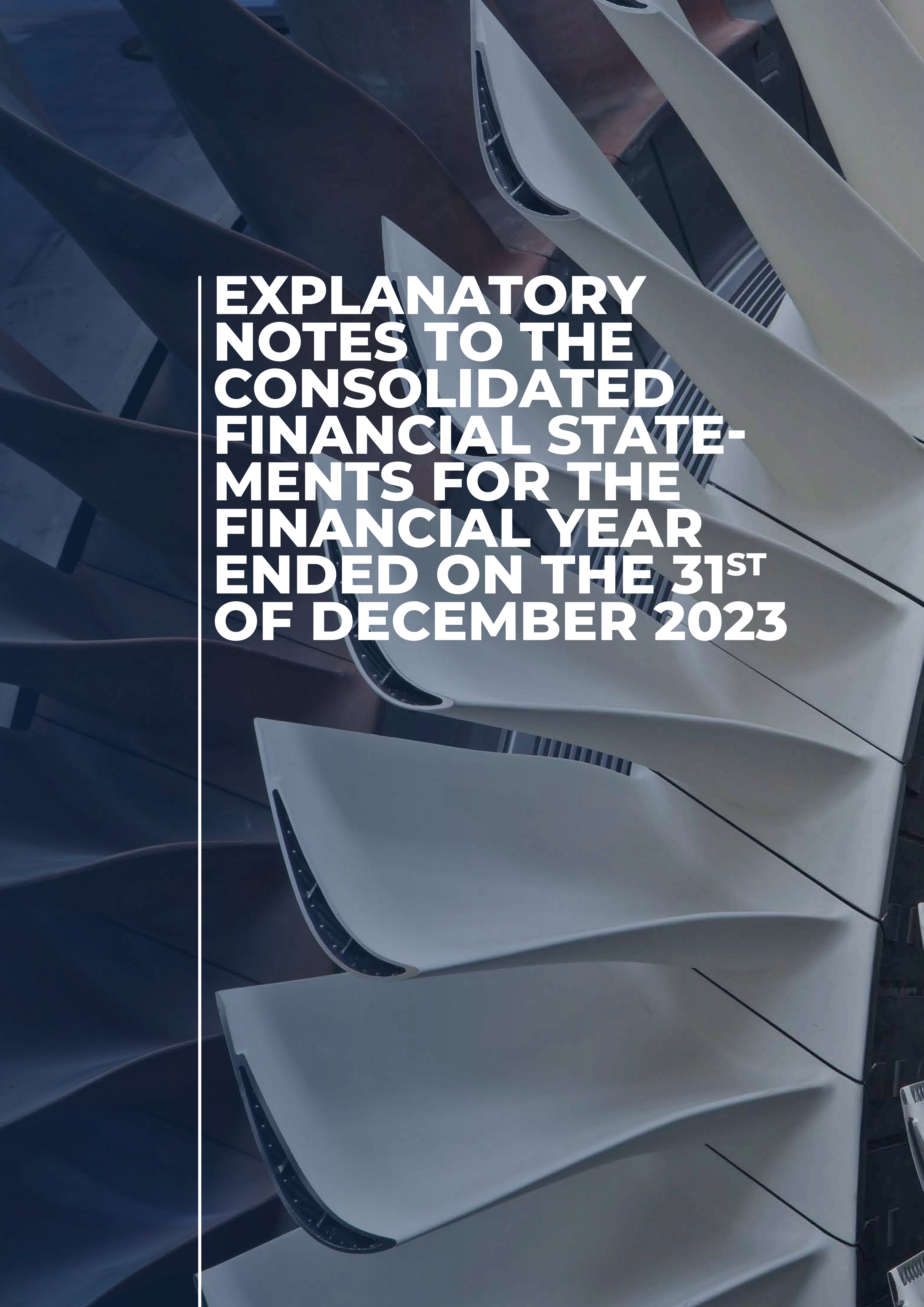
Euro/thousand	Share capital	Hedging reserve	Actuarial reserve	Retained earnings and other reserves	Total Equity
1st January 2022	**580,000**	**(542)**	**(23,244)**	**(29,542)**	**526,672**
Comprehensive income for the year:					
Net result	-	-	-	(559,212)	(559,212)
Other comprehensive income (expenses)	-	(960)	14,721	70	13,831
Total comprehensive income	-	**(960)**	**14,721**	**(559,142)**	**(545,381)**
Shareholders related transactions recorded directly in equity:					
Capital increases	35,626	-	-	-	35,626
Total shareholders related transactions recorded directly in equity	**35,626**	-	-	-	**35,626**
Other changes	-	-	-	(559)	(559)
31st December 2022	**615,626**	**(1,502)**	**(8,523)**	**(589,243)**	**16,358**
Comprehensive income for the year:					
Net result	-	-	-	(227,533)	(227,533)
Other comprehensive income for the year	-	1,796	(2,051)	(4,177)	(4,432)
Total comprehensive income	-	**1,796**	**(2,051)**	**(231,710)**	**(231,965)**
Shareholders related transactions recorded directly in equity:	-				
Capital increase	312,477	-	-	156,897	469,374
Total shareholders related transactions recorded directly in equity	**312,477**	-	-	**156,897**	**469,374**
Other changes	(602,709)	1,271	(1,271)	595,210	(7,499)
31st December 2023	**325,394**	**1,565**	**(11,845)**	**(68,846)**	**246,268**

The "other movements" refers to the covering of previous losses by reducing the share capital, to which is added the creation of a capital reserve of -2.3 million Euro relating to the costs incurred for the finalization of the financial maneuver on equity.

RECONCILIATION OF THE PARENT'S EQUITY AND NET RESULT WITH CONSOLIDATED FIGURES AS OF 31ST DECEMBER 2023

Euro/thousand	**Equity 2023**	**Of which net result**
Parent company equity and net result as of 31st December 2023	**257,308**	**(213,639)**
Equity surplus in annual financial statements compared to the carrying amounts of investments in consolidated companies	(63,520)	
Consolidation adjustments for:		
- PPA Nuclear Engineering Group	15,459	
- PPA Gastone	52,138	(7,656)
- Intercompany profits		(2,183)
- Dividends/write-downs/revaluations of equity investments		(7,424)
- Other adjustments	(15,117)	3,369
Equity and net result attributable to the owners as of 31st December 2023	**246,268**	**(227,533)**
Non-controlling interests	(580)	(484)
Total equity and net result as of 31st December 2023	**245,688**	**(228,017)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON THE 31ST OF DECEMBER 2023



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 Euro 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 Euro 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 Euro 35.6 million 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.

In January and February 2023, CDP Equity paid an amount of Euro 14.3 million as a capital increase, as a residual tranche of the total amount of Euro 50 million mentioned above.

On 19th June 2023, the extraordinary shareholders' meeting approved approves an issue of shares for cash amounting to Euro 580 million.

On 1st June 2023, CDP Equity paid a share of Euro 230 million in accordance with the commitments entered into under the Agreement signed on 30th May 2023 (ECA *Equity commitment Agreement*), whereas on 28th June the commission paid a tranche of Euro 225 million.

During 2024, the final tranche of the capital increase is due to be paid by the members, in accordance with their respective subscription rights.

Currently, the shareholding of the shareholder CDP Equity is approximately 88% (12/31/2023) and that of the shareholder Shanghai Electric Hongkong Co. Limited is approximately 12% of the 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 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 2023 (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 Statements 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 Group 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, except for the valuation of the financial 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 14th March 2024 approved the Presentation to the shareholders of the draft financial statements ad of the 31st December 2023, on the same date, authorized its circulation and convened the shareholders' Meeting in ordinary session on 18th April 2024 in first call and 6th May 2024 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 2023 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 % Direct	Investment % Indirect	Change of the perimeter	Contribution to the Group %
Aliveri Power Unit Maintenance SA		100%		100%
Ansaldo Energy Gulf	100%			100%
Ansaldo Energia P UK Ltd	100%			100%
Ansaldo Energia Iranian LLC	70%	30%		100%
Ansaldo Energia Muscat LLC	50%	50%	x[1]	
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%

x[1] No more consolidated into the Group financial statements due to loss of the requirements.

The parent company participates in Ansaldo Energia Switzerland for a share of 89.50%. About the remaining share, currently in possession of Simest, Ansaldo Energia boasts an option to purchase it mandatory to be exercised by June 2025; in view of this situation, the share currently in possession of Simest S.p.A. has been considered to be a de facto holding of Ansaldo.

COMPANIES MEASURED USING THE EQUITY METHOD

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

x[1] Polaris – Anserv Srl has been sold during the year

Changes in the scope of consolidation

During 2023, Ansaldo Energia Muscat was no longer fully consolidated in response to the loss of the necessary requirements, while Polaris Anserv Srl, previously consolidated with Equity method, was sold.

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, separated 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), 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 2023
AED	3.972100	4.058100
ARS	316.353500	892.923900
AUD	1.628500	1.626300
AZN	1.838700	1.878500
BRL	5.401600	5.361800
CDF	2,521.902200	2,952.750000
CLP	908.084200	977.070000
CNY	7.659100	7.850900
DZD	146.956100	148.265700
EGP	33.173000	34.158900
EUR	1.000000	1.000000
FSV	0.971700	0.926000
GBP	0.869900	0.869050
HUF	381.759100	382.800000
IDR	16,480.345000	17,079.710000
IRR	405,391.750000	427,322.000000
IRU	89.324900	91.904500
JOD	0.766800	0.783400
JPY	151.942100	156.330000
KRW	1,413.264200	1,433.660000
LBP	15,015.470000	16,575.000000
MAD	10.958300	10.928000
MXN	19.189700	18.723100
NGN	695.235400	974.090700
OMR	0.415900	0.424900
PKR	302.554000	310.428500
ROL	49,467.000000	49,756.000000
RSD	117.251800	116.984100
RUB	92.290400	99.643400
SAR	4.055900	4.143800
THB	37.633000	37.973000
TND	3.355900	3.393600
TYR	25.748700	32.653100
USD	1.081600	1.105000
ZAR	19.954400	20.347700

The exchange rates used coincide with the rates transmitted by the Bank of Italy except for the IRR and the RUB. For the first one was used the rate transmitted by the Iranian Central Bank, while the second was determined by Bloomberg.

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, 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., since its 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 can be identified in the Group's activities:

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.

Patent and similar rights

Patent and similar rights 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 infra-annual 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 "held for sale" must be immediately available for sale, their disposal must be highly likely (i.e., undertakings already exist) and 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 since 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 fittings	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, 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 since 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 5 Euro/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 over the shortest period 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 of exercising the option.

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 valuation of an option to purchase the underlying asset. In such cases, the lease payments will be reviewed on the basis of the new lease term and to take account of 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 one 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*
  Regarding 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, considering 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 contractual term, both at the date of commencement of the contract and later (in the case of substantial and significant changes in the contractual conditions), the Group uses an evaluation approach based on the duration foreseen by the obligation agreed between the parties, compatibly with future intentions in wanting/being able to target the end and the acquired experiences.

Impairment losses

(a) Goodwill

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

The *impairment test*, described in greater detail in the Addendum, is carried out with reference to each of the cash-generating units ("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 after tax that reflects current market valuations of the cost of money, in relation to the investment period and the asset's specific risks. 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 are 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 Comprehensive 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.

Investments in other companies

Equity investments in other companies (other than those in subsidiaries, associates, and *joint ventures*) are measured 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 profit and loss account, 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, apart from financial charges and structural overheads.

The warehouse inventories are exposed net of the obsolescence fund which is calculated according to the forecast

I. of unfavorable conjunctions that could be determined in the future or
II. of risks of unsaleability of the products.

Construction work in progress

Work-in-progress are recognized since the progress method (or percentage of completion) according to which costs, revenues and margin are recognized since 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.

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 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 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 currency different from the functional currency (Euro for the Group) are valued 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 exchange risk policy requires that all contracts that present significant exposures of cash and payment flows to exchange rate changes be 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 given below.

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, are measured using the actual interest rate. The effects of this measurement are recognized among the financial components of income.

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

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

A. the asset is held within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset and

B. the contractual terms of the asset provide for cash flows represented solely by payments of capital and interest on the amount of capital to be repaid.

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

Financial assets at fair value with a balancing entry on 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 shall be charged immediately to the 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 income statement during the period in which they are recognized under "gains (losses) from assets measured 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 Company.

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 and is periodically (at least at each date of publication of the financial statements or of the interim situations) 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 implemented 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 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:

A. the rights to receive cash flows from the asset are extinguished;

B. 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;

C. 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 derivatives)

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.

With respect to the derecognition of a financial liability, the settlement of the financial 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 shall be the capital subscribed and paid up 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 Shares

Treasury Stock are registered in a reduction of shareholders' equity. In the case of repurchase of shares recognized in equity, or the consideration paid, including the costs directly attributable to the transaction, is recognized as a reduction in equity. The shares thus repurchased are classified as Treasury Stock and recognized in the reserve for Treasury Stock. The consideration received from the subsequent sale or reissue of Treasury Stock is recognized as an increase in equity. Any positive or negative difference arising from the transaction is recognized in the reserve by Additional Paid in Capital. In accordance with IAS 32, Treasury Stock are recorded as a reduction in equity 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 Company uses several pension schemes (or supplementary schemes) which can be divided into:

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

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

Other long-term employee benefits and post-employment benefits

The Group recognizes employees with certain benefits (for example, on reaching a certain presence in the company, seniority premiums) which, in some cases, are recognized even after retirement (for example, medical care). 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.

Employee termination benefits and incentive plans

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 of costs to complete long-term contracts

The Group operates in business sectors and with particularly complex contractual schemes, recognized in the financial statements through the percentage of completion method. The margins recognized in the profit and loss account are a function of both the progress of the contract and the margins which are deemed to be recognized for the entire work at its completion: therefore, the correct recognition of the Work-in-progress and the margins relating to works not yet completed presupposes the correct estimate by the management of the final costs, of the increases assumed, as well as of the delays, of the extra-costs and of the penalties that could compress the expected margin. To better support management estimates, management and contract risk analysis schemes have been adopted, aimed at identifying, monitoring and quantifying risks related to the performance of such contracts(for more details see note 7 “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, the management needs to estimate the results of these disputes. The main potential risk situations deemed “likely” or “possible” (the latter not set aside in the balance sheet) are commented on later.

Revenues

Revenues are recognized in accordance with IFRS 15. The latter 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 customer.

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 time) or in a specific time (at a point in time).

Revenues for performance obligations met over 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 valuation of the lifetime revenues of multi-year projects considers as provided for in IFRS 15 the "variable consideration" in case of applicability of escalation indices 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 principles of inertia and economic competence.

Financial income and expenses

Interest is recognized in the profit and loss account for competence on the basis of the actual interest method, using – that is, the interest rate that makes all the incoming and outgoing flows (including any payments, divestones, commissions, etc.) that make up a given transaction financially equivalent.

The financial charges related to the acquisition, construction or production of certain assets that require a significant period to be ready for use or for sale "qualifying asset" are capitalized together with the asset.

Dividends

They are recognized when the shareholders' right to receive the payment which normally corresponds to the shareholders' decision to distribute the dividends.

The distribution of dividends to shareholders, is represented as a movement of equity and is recorded as a liability in the period in which the distribution of the same is approved by the shareholders' meeting.

Taxes

The Group's tax burden 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 financial statements.

Deferred taxes are calculated based on 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 Company holds such a holding that it can exercise significant influence. The definition of Related parties also includes members of the Group's Board of Directors and executives with strategic responsibilities. Managers with strategic responsibilities are those who have the power and responsibility, direct or indirect, for the planning, management, and control of the 's activities.

4. ACCOUNTING STANDARDS AND APPROVED INTERPRETATIONS IN FORCE AS OF 1ST OF JANUARY 2023

- 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 on the basis of 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 actualize 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.

  In addition, 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 adoption of this principle and its amendment did not have any effect on the financial statement, since it was not an insurance group.

- On 7th May 2021, the IASB published an amendment called **"Amendments to IAS 12 income taxes: Deferred Tax related to Assets and Liabilities arising 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 adoption of these amendments did not affect the financial statement.
- On 12th 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"**. Changes to IAS 1 require an entity to disclose relevant information about the accounting policies applied. The amendments aim to improve the disclosure of the Group's 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 policy.
The adoption of these amendments did not affect the Group's consolidated financial statement.
- On 23rd May 2023, the IASB published an amendment called **"Amendments to IAS 12 income taxes: International Tax reform – Pillar two Model Rules"**. The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities in respect of the Pillar two Model Rules (the rule of which is in force in Italy as of 31st December 2023, but applicable from 1st January 2024). It provides for specific disclosure requirements for the entities affected by the relevant International Tax reform.
The document provides for the immediate application of the temporary exception, while reporting requirements apply only to annual financial statements initiated on (or after) 1st January 2023 but not to interim financial statements with a closing date prior to 31st December 2023.

  Based on the preliminary tests conducted on the data for the financial year 2022 by the parent company CDP S.p.A., the effect of a possible top-up tax to be assessed for the Group would be marginal. The subject will be monitored for the 2024 financial statement, already in the half-yearly report.

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

The following International Financial Reporting Standards, amendments and interpretations have been approved by the European Union but are not yet mandatory and have not been adopted in advance on 31st December 2023:

- On 23rd 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 31st October 2022, published an amendment called **"Amendments to IAS 1 Presenta-**

tion of Financial Statements: Non-current Liabilities with Covenants". These changes are intended to clarify how to classify debts and other short- or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer the termination of a liability for at least 12 months is subject to compliance with certain parameters (i.e. covenants). The amendments come into force on the 1st of January 2024; however, they are allowed to be applied in advance.
Now, the directors are considering the possible effects on the financial statement of the introduction of the amendment.

- On 22nd September 2022, the IASB published an amendment called **"Amendments to International 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. Now, the directors are considering the possible effects of the introduction of the amendment.

6. INTERNATIONAL ACCOUNTING STANDARDS, AMENDMENTS AND 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 25th May 2023, the IASB published an amendment called **"Amendments to IAS 7 Statement of Cash flows and International Financial Reporting Standards 7 Financial Instruments: Disclosures: Supplier Finance arrangements"**. The document requires an entity to provide additional information on reverse factoring agreements that enable users of financial statements to assess how financial arrangements with suppliers can affect the entity's liabilities and cash flows and to understand the effect of such agreements on the entity's exposure to the liquidity risk. The amendments will apply from 1st January 2024, but early implementation is allowed.
At present, the directors are considering the possible effects of the introduction of this amendment on the financial statement.
- On August 15th, 2023, the IASB published an amendment called **"Amendments to IAS 21 the effects of changes in Foreign Exchange Rates: Lack of Exchangeability"**. The document requires an entity to apply a methodology to be applied consistently in order to verify whether one currency can be converted to another and, where this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the notes. The change will apply from 1st January 2025, but it is allowed to be applied earlier.
At present, the directors are considering the possible effects of the introduction of this amendment on the financial statement.
- On 30th January 2014, the IASB published **International Financial Reporting Standards 14 - Regulatory Deferral Accounts**, which allows only those who adopt for the first time the International Financial Reporting Standards to continue recognizing amounts relating to activities subject to regulated tariffs ("*Rate Regulation activities*") in accordance with previous adopted accounting standards. Since the Group is not a first-time adopter, this principle is not applicable.

7. USE OF ESTIMATES AND DISCRETIONARY ASSESSMENTS

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 affect the amounts shown in the balance sheet, the balance sheet and financial statements, the income statement, the total income statement, the Statement of cash flows, and the information provided. The 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 are individually significant, they are as a whole, the following briefly describes the areas that require more than others a greater subjectivity on the part of the directors in the elaboration of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's financial results.

Deferred tax assets

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

Provision 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.

Funds for risks and charges

In the face of legal and fiscal risks, provisions representing negative outcome phenomena are recognized. The value of the funds entered in the balance sheet relating to these risks is the best estimate made by the Directors at the time. This estimate involves the adoption of assumptions that depend on factors that may change over time and that could, therefore, have significant effects on 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 for a defined useful life are subject to verification to determine whether a reduction in value has been achieved, which must be recognized by devaluation, 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, as well as the estimates for their determination, depend on factors that may vary over time, influencing the assessments and estimates made by the directors.

Useful life depreciation and amortization

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

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

Recognition of revenues and costs relating to contract work in progress

The Group uses the percentage of Completion method to account for long-term contracts. The margins recognized in the profit and loss account are a function of both the progress of the contract and the margins which are deemed to be recognized for the entire work at its completion; therefore, the correct recognition of the work-in-progress and the margins relating to works not yet completed presupposes the correct estimate by the administrators of the costs at the end, of the increases assumed, as well as of the delays, the extra costs and the penalties that could compress the expected margin. Using the percentage of Completion method requires the Group to estimate the cost of completion, 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.

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 based on future perspectives. This assessment requires both the use of projections of the economic and financial performance and an assessment by the directors based on the available information. The assessment made by the directors is part of the discretionary assessments.

8. RISK MANAGEMENT

The Group is exposed to financial risks related to its operations, related to the following cases:

- *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 in order to reduce 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.
- *Country regulation 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 possibility that the available financial resources are not sufficient to meet the obligations on the agreed terms and deadlines;
- *Market risks*, relating to exposure to interest-generating positions (interest-rate risks) and to 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 using hedging derivatives.

The following paragraphs analyze, also through sensitivity analysis, the potential impact on the results resulting from hypothetical fluctuations in the reference parameters. These analyzes are based, as provided for in IFRS 7, on simplified scenarios applied to the balance sheet data of the periods referred to and, by their very nature, they cannot be regarded as indicators of the real effects of future changes in the benchmarks in relation to a different capital and financial structure and market conditions, nor can they reflect the interrelations and complexity of the reference markets.

Liquidity risk

Liquidity risk is the possibility 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. This has a negative impact on the economic result if it is forced to incur additional costs to meet its commitments or insolvency.

The objective 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 opportunity cost and
II. maintain a balance in terms of maturity 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 2023 and 2022.

The first column represents the balance of the financial statements at the end of the year, while the following columns represent the cash-outs expected at the indicated deadlines, including interest.

Euro/thousand	**Amount as of December 31, 2023**	**Within 1 year**	**Over 1 year and up to 5 years**	**Over 5 years**	**Total**
Bonds	189,689	191,952			191,952
Other current and non-current loans and borrowings	811,082	213,209	374,91	379,633	967,752
Trade payables	498,013	498,013			498,013
Other current and non-current liabilities	120,768	71,777	48,991		120,768

Euro/thousand	**Amount as of December 31, 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

In 2022, the actual expected flows were shown, but the non-current portion of EIB financing (Euro 6.7 million), IFIS financing guaranteed by SACE (Euro 8.3 million) and Bond were reclassified in the accounting schemes (Euro 349.8 million for a total current bond of Euro 354.9 million), as the periodic tests involved breach of the financial indicators (covenants) required by the banks.

Interest rate risk

The Group is exposed to changes in the interest rate regarding its liquidity use.

After the revision of term loan conditions, (balance at 12/31/2023 equal to Euro 147 million) and stipulation of a bank loan with Sace support (balance at 12/31/2023 equal to Euro 154 million), both included in the more complex Financial Maneuver finalized between the end of the previous year and the beginning of the year 2023, in order to hedge the cash flow risk due to the trend of the variable interest rate curve, Ansaldo Energia has acquired two hedging instruments, respectively for a notional amount of Euro 72.5 million and Euro 77.5 million, framed under the "*Interest rate cap*" case.

The residual of negative financial position consists mainly of fixed-rate debt.For this reason, in accordance with IFRS 7, there are no significant risks related to the interest rate.

Foreign exchange risks

The Group's procedures provide for the coverage, at the time of the acquisition of 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 2023, the total notional value in Euro of the matches covered by the derivative instruments on sale amounted to 51,985 Euro/thousand, while the purchase value amounted to 17,129 Euro/thousand.

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 business operations and for financing and investment activities, as well as for guarantees given on third-party debts or commitments.

To eliminate or minimize the credit risk arising from commercial transactions, 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 which 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, such 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, before allowance for doubtful accounts, and by geographical area on the December 31st, 2023:

Euro/thousand	Italy area	Europe, CIS, Africa, Middle East	America Region	Asia area	Total
Not due yet	54,217	49,642	5,515	19,181	**128,555**
Overdue by less than six months	15,893	63,089	-11,460	14,256	**81,778**
Overdue between six months and one year	1,192	24,106	95	3,875	**29,268**
Overdue between one and five years	1,154	48,414	8,973	35,301	**93,842**
Overdue by more than five years	7,033	25,906	2,971	319	**36,229**
	79,489	**211,157**	**6,094**	**72,932**	**369,672**

CIS = Commonwealth of Independent States

Please refer to the paragraph relating to the Esma Information regarding the expected credit loss (ECL) .analysis.

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 shall provide itself with the capital necessary to financing are divided into a balanced mix of risk capital and debt capital, to ensure a balanced financial structure and the minimization of the total costs of capital, with the consequent benefit of all "stakeholders".

The financial situation of previous years has made the risk indices in question worse; reference is made to the report on operations about the going concern analysis. Part of debt capital derives from the shareholder financing that took place in 2019 and revised following the financial maneuver occured in late 2022 and early 2023.

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 ensure adequate remuneration for capital, the safeguarding of going concern and the development of business, the Group constantly monitors the evolution of the level of indebtedness in relation to equity, to the business performance and to the forecasts of expected cash flows, in the short and medium/long term.

10. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

In the following tables, the details of the Group's financial assets and liabilities required by IFRS 7, according to the categories identified by IFRS 9, as of 31st December 2022, and 2023 are given respectively.

Euro/thousand	Dec-31-23		
	Financial assets/ liabilities at amortized cost	Hedging derivatives	Total
Financial receivables and cash equivalents	307,777		307,777
Other non-current financial assets			-
Non-current receivables	82,316		82,316
Trade receivables	365,306		365,306
Other receivables and other current assets	102,932	423	103,355
Total	**858,331**	**423**	**858,754**
Loans and borrowings and other non-current liabilities	392,351		392,351
Other debts and non-current liabilities	14,354		14,354
Loans and borrowings and other current liabilities	608,420		608,420
Trade payables	498,013		498,013
Other debts and other current liabilities	71,777	931	72,708
Total	**1,584,915**	**931**	**1,585,846**

Euro/thousand	Dec-31-22		
	Financial assets/ liabilities at amortized cost	**Hedging derivatives**	**Total**
Financial receivables and cash equivalents	124,644		124,644
Other non-current financial assets			-
Non-current receivables	139,039		139,039
Trade 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 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**

It should be noted that the Group, except for foreign exchange derivatives, does not have financial assets and liabilities valued at *fair value* with changes charged to the Consolidated Income Statements or the Consolidated Statements of Comprehensive Income.

The following table shows the reconciliation of the net financial position from 1st of January 2023 to the 31st of December 2023, which shows the financial movements and changes which did not involve a financial flow (non-cash changes):

Euro/thousand	**Cash and cash equivalents**	**Financial receivables**	**Short-term financing**	**Medium/ long-term loans**	**Total**
Net financial position as of 31st December 2022	**108,031**	**16,613**	**(881,855)**	**(290,928)**	**(1,048,139)**
Cash flow of the period	124,660	58,472	701,598	(529,586)	**355,144**
Other non-monetary movements			(212,094)	212,094	**-**
Net financial position as of 31st December 2023	**232,691**	**75,085**	**(392,351)**	**(608,420)**	**(692,995)**

The item "reclassifications" includes reclassifications from medium/long to short-term of financial debts.

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* of December 31st, 2023, and 2022, based on the level that reflects the inputs used in the determination of *fair value*:

Euro/thousand	**Fair Value 2023**	**Fair Value 2022**
Activity		
Interest rate swap	423	-
Liabilities		
Currency forward/swap/option	931	2,129

The Group uses internal models of assessment, 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), that of energy.

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 by service line and the details of the gross margin (defined as the difference between revenue and cost of production) for each service line are given below.

Euro/thousand	**Renewable energies**	**New Unit**	**Nuclear**	**Service**	**Total**
Revenues	1,477	406,667	63,215	631,206	**1,102.565**
Gross Operating Margin	-635	-219,637	5,574	172,804	**-41,894**

13. REVENUES

Euro/thousand	2023	2022
Revenue from sales	360,868	543,840
Revenue from services	261,051	182,419
Penalties	(14,982)	(1,011)
	606,937	**725,248**
Cheange in work-in-progress	454,753	431,772
Revenue from Related parties	40,875	80,063
Total revenues	**1,102,565**	**1,237,083**

Revenues from sales and services 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 for 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 report on operations, it is noted that the *New Unit* segment recorded, in line with the previous year, a limited volume of orders such that the total backlog decreased, leading to a contraction in revenues.

In addition, a review of the lifetime margins of the *New Unit* projects is highlighted, with consequent economic impacts, deriving from the main EPC contracts acquired in the three-year period 2018-2020 and the subject of problems already identified in the 2022 financial statements.

Revenues were reduced by penalties due to risks estimated at Euro 13 million.

In addition, revenues by geographic area are as follows:

Euro/thousand	Revenues	
	2023	2022
Italy	520,412	726,549
Europe/CIS/Africa/Middle East	504,797	396,252
America	9,057	9,054
Asia/Australia	68,299	105,228
	1,102,565	**1,237,083**

**CIS=Commonwealth of Independent States*

14. OTHER OPERATING INCOME AND EXPENSES

Euro/thousand	2023		2022	
	Revenues	**Costs**	**Revenues**	**Costs**
Capital gains/losses on disposals of tangible and intangible assets	-	31	7	1
Accruals to/reversals of provisions	10,448	53,065	3,424	23,429
Exchange rate gains (losses) on operating activities	8,748	5,944	10,216	10,729
Unrealized exchange rate gains and losses	26,122	24,205	24,475	26,964
Financial income/expenses on trade receivables/payables	1	850	-	157
Insurance compensation	936		19,345	
Indirect taxes		1,933		581
Realized losses of thirt-party operating receivables		2,332		-
Membership fees and contributions		614		588
Other operating income/expense	3,200	5,080	656	25,997
Other related parties operating income/expense	-	150	-	60
	49,455	**94,204**	**58,123**	**88,506**

The exchange rate gains (losses) 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.

The provision includes straordinary allocation for 28,000 Euro/thousand mainly for intervention risks on new products line, while the removals concern orders on GT36.

In addition, the provisions include exceptional components commented on in the management report.

Credit losses result from insolvency proceedings involving certain customers which have made it impossible to collect the relevant claim.

Insurance refunds are due to damage to Marbach and Garigliano and have been fully collected.

15. PURCHASES AND SERVICES COSTS

Euro/thousand	2023	2022
Materials from third parties	449,656	476,837
Change in inventories	(41,416)	(32,065)
Purchases from related parties	11,784	13,088
Total purchases	**420,024**	**457,860**
Services from third parties	509,775	646,423
Services from Related parties	1,248	5,309
Rental and operating leases	7,245	9,373
Total costs for services	**518,268**	**661,105**

The costs for purchases of materials amounted to 420,024 Euro/thousand, a decrease compared to the previous year of 37.836 Euro/thousand, mainly due to the contraction of *New Units* orders as well as to the reduction of costs.

Total service costs (to third parties and to related parties) refer mainly to the following items: industrial performance and technical assistance of the parent company (343,644 Euro/thousand), costs for services of the swiss subsidiary (31,513 Euro/thousand), industrial services of Ansaldo Nucleare (13,007 Euro/thousand), transport costs and customs charges of the parent company (19,343 Euro/thousand), software and other information services of the parent company (17,102 Euro/thousand), insurance premiums of the parent company (12,475 Euro/thousand), travel expenses and travel expenses of the parent company (15,728 Euro/thousand), maintenance costs of the parent company (20,831 Euro/thousand), facility management expenses of the parent company (8,531 Euro/thousand).

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	2023	2022
Wages and salaries	182,645	184,244
Social security and pension contributions	43,098	42,279
Costs related to other defined benefit plans	277	367
Costs related to defined contribution plans	7,812	7,928
Incentives	6,942	10,285
Other costs	1,769	933
	242,543	**246,036**

"Incentives" includes extraordinary exodus incentives of Euro/thousand 3,099 and other incentives for difference.

The cost of 242,543 Euro/thousand represents the burden for monthly and deferred competences, social security charges and end-of-relationship allowances at December 31st, 2023 and includes the part relating to stable foreign organizations of the Parent Company for 12,353 Euro/thousand.

At the end of 2023, the resources entered were 3,242.

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

Euro/thousand	2023	2022	Variations
Managers	51.0	54.1	**-3.1**
Junior Managers	295.8	318.4	**-22.6**
White collars	1,923.6	2,011.80	**-88.2**
Blue collars	1,018.2	983.6	**34.6**
	3,288.6	**3,367.90**	**-79.3**

17. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

Euro/thousand	2023	2022
Amortization and Depreciation:		
- Intangible assets	49,900	54,485
- Property, plant and equipment	35,944	45,120
	85,844	**99,605**
Impairment:		
- intangible assets	1,468	219,000
- other activities	-	664
- goodwill	-	171,000
	1,468	**390,664**
Total amortization, depreciations and impairment losses	**87,312**	**490,269**

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 Notes of Financial Position.

For intangible assets, the following average Amortization classes are given:

	% of depreciation
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 depreciation
Land	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.

The results of the various *impairment tests* of 2022 have led to:

- a write-down of the development costs on the H-class GT36 technology for Euro 219 million;
- a write-down of Goodwill of Euro 171 million.

In addition, the depreciation of 1,468 Euro/thousand in 2023 was necessary as a result of the termination of the license relationship with the Energy Dome Company.

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

Euro/thousand	2023	2022
Changes in inventories of finished products, in progress and semi-finished goods	(3,632)	67,732

19. INTERNAL WORK CAPITALIZED

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

20. FINANCIAL INCOME AND EXPENSES

Euro/thousand	2023			2022		
	Income	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Dividends	68		**68**	272		**272**
Interest cost on defined benefit plans		222	**(222)**		129	**(129)**
Discount of financial assets	-	2,193	**(2,193)**	-	4,803	**(4,803)**
Banks and borrowers assets	3,414	53,260	**(49,846)**	963	29,203	**(28,240)**
Commissions		6,137	**(6,137)**		7,569	**(7,569)**
Premiums paid/cashed on forward	599	841	**(242)**	-	606	**(606)**
Exchange rate gains and losses	14,176	18,375	**(4,199)**	28,758	26,679	**2,079**
Fair value gains and losses		410	**(410)**		1,281	**(1,281)**
Other financial income and expenses	2,546	1,451	**1,095**	-	12	**(12)**
Related parties financial income/expense	-	12,130	**(12,130)**	-	14,860	**(14,860)**
Losses on *Interest rate cap*		1,182	**(1,182)**		-	
	20,803	**96,201**	**(75,398)**	**29,993**	**85,142**	**(55,149)**

Financial income mainly includes interest, due to deposits with ordinary banks and on currency accounts, as well as exchange differences in foreign exchange items.

The financial charges are adequately detailed in the table above and consist mainly of interest on the bond (7,468 Euro/thousand), interest on the revolving financing (8,316 Euro/thousand), interest on the term loan (12,916 Euro/thousand), exchange rate differences on financial figures (18,375 Euro/thousand) and leasing debt discount charges arising from the application of IFRS 16 (2,193 Euro/thousand).

The financial charges to Related parties relate mainly to the interest accrued on the shareholders loan (10,347 Euro/thousand).

The “other income” refers mainly to the saving realized thanks to the partial repurchase of the company notes (shares) that took place “below equal” following the completion of the public repurchase offer finalized in July 2023.

Finally, there is a charge on the new *Interest rate cap* derivatives described in the Financial Risk Management paragraph.

Following the 2023 financial regulation, the Parent Company applied the accounting standard provided by IFRS 9 relating to the d.c. “ 10% test “ to define whether the debt rescheduling (*Term Loan* and *Shareholder loan*) it could be defined as modification or as a new loan.

For the two financing lines, the present value of the cash flows in the new terms calculated using the original interest rate of return and the present value of the residual cash flows of the original liability were compared. The result of the test showed a not substantial contractual change for both parties (less than 10%) whereby the difference between the two discounted amounts over the remaining term of the modified liability will be amortised.

The net impact was substantially zero, although significant on individual loans:

- a charge of Euro 9.8 million on the Term Loan, included in the item “Interest banks/ other lenders.”
- an income of Euro 8.5 million on the Shareholder Loan, expressed by the item “related party financial expenses”.

21. INCOME TAXES

The income tax item is composed as follows:

Euro/thousand	**2023**	**2022**
Benefit from tax consolidation	43,265	57,118
IRAP	27	64
Other income taxes	1,245	3,192
Tax fund surplus	228	-
Prior year taxes	396	489
Provisions for tax risks	84	41
Net deferred taxes	(96)	3,138
	(41,837)	**(50,194)**

It should be noted that in 2022 Ansaldo Energia joined the fiscal consolidation of the parent company Cassa Depositi e Crediti S.p.A. The mechanism of application of this regime has allowed, as foreseen by the D.P.R. 917/1986 (c.d. (TUIR) in Articles 117 to 129, the remuneration of the tax loss, to the extent of the Ires rate in force (24%), as well as unpayable interest in the amount of half the current Ires rate (12%) as provided for in the consolidated contract signed between Ansaldo and Cassa Depositi e Credito S.p.A., involving the inclusion in the balance sheet of income of Euro 43.3 million, distributed between the parent company, Ansaldo Nucleare and Ansaldo Green Tech. The amount in question has been confirmed by the counterparty.

22. INTANGIBLE ASSETS

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

Euro/thousand	Goodwill	Deve-lopment expenses	Patent and similar rights	Conces-sions, licenses and trademarks	Intangible assets acqui-red through business combination (PPA)	Others and assets under con-struction	Total
31st December 2022							
Cost	805,967	637,493	921	108,544	628,797	78,996	2,260,718
Accumulated amortization and impairment	179,254	521,690	679	28,279	499,406	36,974	1,266,282
Carrying amount	**626,713**	**115,803**	**242**	**80,265**	**129,391**	**42,022**	**994,436**
Cost							
Investments	-	25,704	-	-	-	981	26,685
Sales	-	-	-	-	-	(104)	(104)
Other changes and reclassifications	178	18,535	-	-	-	(20,272)	(1,559)
	178	**44,239**	**-**	**-**	**-**	**(19,395)**	**25,022**
Accumulated Depreciation							
Sales	-	-	-	-	-	(104)	**(104)**
Other changes and reclassifications	178	-	-	-	-	(1,735)	**(1,557)**
Depreciation, amortization and impairment	-	17,323	44	913	28,904	4,184	**51,368**
	178	**17,323**	**44**	**913**	**28,904**	**2,345**	**49,707**
31st December 2023							
Cost	806,145	681,733	921	108,544	628,797	59,601	**2,285,741**
Amortization and impairment	179,432	539,013	723	29,192	528,310	39,319	**1,315,989**
Carrying amount	**626,713**	**142,720**	**198**	**79,352**	**100,487**	**20,282**	**969,752**

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

The item "*Goodwill*" derives for 26,226 Euro/thousand 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.

The item "*concessions, licenses and trademarks*" refers mainly to the Ansaldo brand registered in Ansaldo Energia (with a residual value of 75,040 Euro/thousand) and Ansaldo Nucleare (with a residual value of 3,271 Euro/thousand).

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 (26,562 Euro/thousand), and, for the delta, the residual value of intangible assets deriving from the acquisition of part of Alstom's gas turbine business from General Electric Company (c.d. Gastone project).

The depreciation of Euro 1.5 million was necessary due to the license relationship interruption with the Energy Dome Company.

Impairment

The result of the *impairment test* is derived from the estimates made by management on the basis of the information available to date and the assumptions set out in the following paragraphs. Assumptions characterized by the greatest uncertainty profile and for which a higher use of subjective assessments is required relate, in particular, to those relating to:

- to obtain the expected orders and the consequent estimate of the margin of the orders;
- the estimation of the financial parameters used for the determination of the discount rate;
- to the evolution of legislation in the field of energy.

The Group has taken into account the above uncertainties in the elaboration and definition of the basic assumptions used for the determination of the recoverable amount of goodwill and GT36 – GT26 technologies by inserting an execution risk of 1% in the discount rate of the cash flows. This evaluation resulted in a *Headroom* on Goodwill of Euro 226 million and on GT36 and 26 technologies of Euro 14 million and Euro 25 million respectively.

Further sensitivity was carried out on the plane EBITDA value in a range of +/- 1.5% and in both cases no impairment is shown; it is pointed out that the recoverable amount would be equal to the reference value, therefore *Headroom* equal to zero in the hypothesis of a -1.95% EBITDA reduction.

The analyzes listed above confirm the sensitivity of the recoverable assessments of the non-current assets to the variation of the above-mentioned exogenous and non-controllable variables; In this context, the directors will systematically monitor their progress for any adjustments to the estimates of recoverability of the values of goodwill and technology in the financial statements.

Goodwill

The item "Goodwill", equal to 626,713 Euro/thousand on the 31st of December 2023, is attributable as follows:

- Euro 600 million to the reverse merger between Ansaldo Energia S.p.A. and its parent company Ansaldo Energia Holding S.p.A. in 2012;
- 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 sector within which all the services and products supplied, i.e. the energy sector, are brought together.

In this respect, goodwill is found to be recoverable through the joint activity of a group of CGCs which, in particular, coincides with the energy sector.

Within the guidelines of the 2024-2028 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 in order to ascertain the existence of any impairment losses of goodwill. The *impairment test* was carried out by comparing the carrying amount of goodwill with the CGU use value to which it refers.

The value of use was determined using the *Discounted Cash Flow* ("DCF method") methodology by discounting the operating cash flows generated by the asset (net of the fiscal effect) at a rate representative of the weighted average cost of capital. The post-tax WACC used to discount future cash flows is 11.3%. 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, including *execution risk* equal to 1% to cover the risks of execution of the industrial plan underlying the exercise of *impairment*.

The growth rate in terminal value was estimated to be 1.9%, also taking into account 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 2024-2028, 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 industrial plan on which the *impairment test* is based was approved by the Board of Directors on 14th March 2024.

The value of use, as determined, was compared with adjusted net invested capital, including operating assets (after any loss of value) and goodwill.

The results on the *impairment test* showed that the estimated recoverable amount for the CGU was Euro 226 million higher than its carrying amount at the reference date; therefore, it was considered that it was not required adjustments at Goodwill level.

Impairment intangible assets

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

The R&D-related Intellectual Properties 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 curves, 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 19 years foreseen for the sale of new units and 25 years for the sale of the relevant service for the GT36 and 17 years for the sale of new units and the Related service for GT26.

The opportunity W.A.C.C., 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 present value of future flows is 14 million Euro higher than the load value for GT36 technology and Euro 25 million for GT26 technology. Therefore, it was considered appropriate not to make any value adjustments.

Other intangibles

For all other intangible assets subject to Amortization, analyzes have been carried out to identify any assumptions of loss of value from which no risk situations have arisen.

23. PROPERTY, PLANT, AND EQUIPMENT

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

Euro/thousand	Land and buildings	Plants and machinery	Equipment	Others	Fixed assets in progress and advances	Leased assets	Total
31st December 2022							
Cost	205,662	353,322	159,121	32,963	3,952	67,082	822,102
Accumulated amortization and impairment	100,850	281,132	142,455	30,127		29,133	583,697
Carrying amount	**104,812**	**72,190**	**16,666**	**2,836**	**3,952**	**37,949**	**238,405**
Cost							
Investments	-	551	161	411	11,010	3,260	15,393
Sales	-	(143)	(320)	(307)	-	(89)	(859)
Other changes and reclassifications	(316)	4,950	3,578	586	(9,450)	(173)	(803)
	(316)	**5,358**	**3,419**	**690**	**1,560**	**3,020**	**13,731**
Accumulated depreciation							
Sales	-	(143)	(320)	(276)		-	(739)
Other changes and reclassifications	(104)	403	42	(417)		180	104
Depreciation, amortization and impairment	5,067	14,322	7,411	1,169		7,975	35,944
	4,963	**14,582**	**7,133**	**476**	**-**	**8,155**	**35,309**
31st December 2023							
Cost	205,345	358,681	162,540	33,654	5,512	70,080	835,812
Amortization and impairment	105,813	295,714	149,588	30,603		37,288	619,006
Carrying amount	**99,532**	**62,967**	**12,952**	**3,051**	**5,512**	**32,792**	**216,806**

Reclassifications include payments from current fixed assets to specific asset categories.

The leased assets also include costs of dismantling Birr's site with a residual value of 1,263 Euro/thousand.

The main areas of the capitalizations are:

- interventions for the improvement of safety standards on factory machinery for 1,065 Euro/thousand;
- the acquisition of tools for Service interventions in the yard for 867 Euro/thousand;
- the capitalization of tooling for the manufacture and processing of gas turbines for 1,536 Euro/thousand;
- the intervention for the upgrade of the Tig Old machinery for 1,279 Euro/thousand;
- the intervention for the upgrade of the EDM machinery for 726 Euro/thousand;
- extraordinary maintenance work on buildings for 881 Euro/thousand.

In addition, the capitalization of Ansaldo Green Tech's laboratories among plants and machinery and industrial equipment in the project financed by Nemesi for 994 Euro/thousand is highlighted.

24. EQUITY INVESTMENTS

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

Euro/thousand	12/31/23	12/31/22
1st January	18,138	19,418
Valuation effects by using equity method	2,367	(27)
Dividends received	(1,325)	(582)
Change in the scope of consolidation	507	-
Disposals	-	(13)
Other changes and exchange differences	551	(658)
31st December	**20,238**	**18,138**

Dividends received refer to the subsidiaries Dynamic (992 Euro/thousand) and Ansaldo Algerie (333 Euro/thousand).

The “consolidation perimeter variation” line refers to the exit of Ansaldo Energia Muscat due to loss of requirements, as well as the sale of Polaris Anserv.

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 Euro 1,037 thousand and -958 Euro/thousand respectively; the first is held at 60%, the second is held at 40%; the two JV, valued at Equity, were born in the cooperation project 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 companies accumulated a result of 2,634 Euro/thousand and (-2.776) Euro/thousand respectively, which consequently led to their revaluation in the first case and depreciation in the second case.

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 12.31.2023

Denomination *Euro/thousand*	**% of ownership**	**Participation value**
Subsidiaries and associates		
Ansaldo Algerie	49%	2,339
Ansaldo Energia Muscat	70%	553
Dynamic	25%	1,755
Joint Ventures		
Ansaldo Gas Turbine Technology (JVA)	60%	9,089
Other equity investments and consortia		
AC Boilers	10%	6,000
Cogenerazione Rosignano	33.33%	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	2.16%	15
SIIT	2.30%	14
		20,238

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%	(476)
Shanghai Electric Gas Turbine (JVS)	40%	(2,956)

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

As of 31st December 2023 *Euro/thousand*	**Ansaldo Gas Turbine Technology Co.**	**Shanghai Electric Gas Turbine Co.**
Total assets	**20,034**	**413,963**
Total liabilities	**4,887**	**421,353**
Total equity	**15,148**	**(7,389)**
Operating result	**2,634**	**(2,776)**
Total revenues	**11,219**	**199,469**

The data were converted using 2023 exchange rates (end-of-period exchange rate for capital items and average exchange rate for the period for economic items).

It should be noted that, as a guarantee of the investment in AC boiler, the parent company had an option to exchange its investment in ACB with the equivalent holding in the capital of Centro combustor Ambiente (CCA).

The trade-in has been carried out and is currently being processed.

The following table shows the effects of the valuations of investments consolidated with Equity method:

Euro/thousand	**2023**	**2022**
Ansaldo Algerie	1,000	809
Ansaldo Gas Turbine Technology	1,580	1,236
AU Finance Holdings	(10)	(815)
Dynamic	907	1,255
Polaris Anserv	-	7
Shanghai Electric Gas Turbine	(1,110)	(2,519)
	2,367	**(27)**

25. RECEIVABLES AND OTHER NON-CURRENT ASSETS

The item can be detailed as follows:

Euro/thousand	12/31/23	12/31/22
Cautionary deposits	413	423
Financial receivables	6	-
Others	80.497	136.749
Non-current receivables from related parties and other	1.400	1.867
Non-current receivables	**82.316**	**139.039**
Deferred tax assets	50.033	54.693
Other	-	12
Other non-current assets	**50.033**	**54.705**

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

Non-current receivables to related companies refer to Cogenerazione Rosignano.

The item "Deferred tax assets" refers mainly to taxes on the parent's funds (final costs, stock and guarantees).

26. INVENTORIES

The item can be detailed as follows:

Euro/thousand	12/31/23	12/31/22
Raw materials, consumables and supplies	388,726	344,714
Work-in-progress and semi-finished products	221,032	223,458
Finished products and goods	3,884	9,948
Advances to suppliers	28,906	34,621
	642,548	**612,741**

Raw materials, consumables, and supplies

Net of the impairment provisions of 47,611 Euro/thousand (42,774 in 2022), allocated to meet the needs arising from *slow moving* and the abandonment of certain products.

Products in process and semi-finished products

The current and semi-finished products, increased by 2,246 Euro/thousand, relate to parts with high standardization characteristics that will only be associated to sales orders at the time of customization.

Advances to suppliers

They decreased by 5,715 Euro/thousand. The variation is mainly due to the normal life of orders linked to production.

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

The item in question can be detailed as follows:

Euro/thousand	12/31/23	12/31/22
Work-in-progress (gross)	1,595,553	1,497,109
Progress payments and advances from customers	1,473,843	1,322,429
Contract work-in-progress	**121,710**	**174,680**
Progress payments and advances from customers (gross)	5,199,576	4,842,947
Contract work-in-progress	4,363,483	4,008,671
Progress payments and advances from customers (net)	**836,093**	**834,276**

Net work-in-progress decreased by 52,970 Euro/thousand.

Net advances from customers increased by 1,827 Euro/thousand are generated by orders of a relevant 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.

Contract work-in-progress / Progress payments and advances from customers (net) from net customers includes a depreciation fund of 44,513 Euro/thousand mainly due to the worsening of the margin of some *New Units* projects.

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 provision for the risks and expenses.

Multi-annual contracts, as provided for in the IFRS 15 principle, shall be assessed 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 -41,894 Euro/thousand.

28. TRADE AND FINANCIAL RECEIVABLES

The item can be detailed as follows:

Euro/thousand	12/31/2023		12/31/2022	
	Commercial	**Financial**	**Commercial**	**Financial**
Receivables	293,869	74,155	305,475	15,681
(Bad debt allowance)	(4,366)	-	(4,368)	-
Receivables from related parties	75,803	931	95,089	932
	365,306	**75,086**	**396,196**	**16,613**

Commercial claims in litigation and in doubt, in relation to legal disputes, judicial proceedings or insolvency proceedings, are recorded at face value and devalued in a special Allowance for doubtful accounts reflecting.

Registered credits are not supported by bills of exchange or similar securities.

The depreciation fund is in line with the previous year.

For the analysis of credit expiration and the considerations on how credit risk is managed through "*Expected credit loss*", please refer to the relevant paragraphs.

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

- MPS: Euro 3.5 million, providing a partial guarantee for the exhibition of guarantees relating to the HERIS project (Iran);
- CACIB: Euro 6 million in favor of Cacib and Societé Generale, partly guaranteeing the exhibition of guarantees for the Labreg project (Algeria);
- Mediobanca Euro 64.4 million, the use of which is tied to the repayment of the bond.

It should be noted that the financial credits include approximately Euro 400 million claimed by the Parent Company to turkish related companies which have been fully devalued.

29. TAX LIABILITIES AND ASSETS

The item in question can be detailed as follows:

Euro/thousand	12/31/2023		12/31/2022	
	Receivables	**Payables**	**Receivables**	**Payables**
For direct taxes	1,768	2,606	3,993	2,137
	1,768	**2,606**	**3,993**	**2,137**

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

30. OTHER CURRENT ASSETS

The entry is composed as follows:

Euro/thousand	31/12/23	31/12/22
Prepayments – current portion	5,860	5,480
Receivables from employee and pension institution	1,198	1,319
Other tax assets	14,703	11,734
Other assets	23,131	19,328
Cautionary deposits	2,787	2,732
Other receivables from related parties	55,253	60,884
	102,932	**101,477**

Other current assets include:

- active repayments, mainly relating to the share of the part of assembly insurance in future financial years, allocated to contracts on the basis of their progress;
- branches tax receivables of the Parent Company on foreign payments of 10,387 Euro/thousand;
- a receivable of the Parent Company for the client NLC Neyveli for 2,047 Euro/thousand for Witholding Tax improperly retained, for which there is a formal dispute in India regarding which no particular criticality is reported;
- deposits of 2,787 Euro/thousand;
- a credit of Parent Company to Leonardo S.p.A. of 10,742 Euro/thousand for the asbestos risk guaranteed to Ansaldo Energia following the sale of shares to the FSI (now CDP Equity);
- a credit of the Parent Company to Leonardo S.p.A. of 912 Euro/thousand as an application for reimbursement for deduction of Irap from Ires (Decreto Monti);
- a credit to Cassa Depositi e Prestiti arising from benefit deriving from a fiscal consolidation of 43,265 distributed between the Parent Company, Ansaldo Nucleare and Ansaldo Green Tech;
- domestic and international VAT and other debts to Ansaldo Energia Switzerland (Euro/thousand 9,414).

31. CASH AND CASH EQUIVALENTS

The entry in question can be detailed as follows:

Euro/thousand	12/31/23	12/31/22
Cash and cash equivalents	232,691	108,031
	232,691	**108,031**

32. EQUITY

Shareholders' equity on 31st December 2023 amounted to 245,688. Euro/thousand.

As reported in the report on the management, regarding the change in share capital, it is noted that the shareholders' meeting of the Parent Company held on 19th June 2023 for the approval of the 2022 financial statements decided to:

- to cover the loss for the year 2022 by using the reserves available for approximately Euro 409 million and reducing the share capital according to Article 2446 cod. civ. For Euro 240.5 million;
- cover the retained of Euro 362 million by further reduction of the share capital.

In addition:

- on the same date, the extraordinary Shareholders' Meeting approved the proposed capital increase for Euro 580 million;
- in January and February 2023, CDP Equity paid an amount of Euro 14.3 million as a capital increase, as a residual tranche of the total amount of Euro 50 million, Earlier deliberation by the majority shareholder in the event of a breakdown of the *Minimum Available Liquidity* (*financial covenant*), which occurred during the December 2022 quarterly test;
- on 1st June 2023, CDP Equity paid a share of Euro 230 million in accordance with the commitments entered into under the agreement signed on May 30st, 2023 (ECA), while on 28th June CDP paid a share of Euro 225 million.

As a result of what has been said above, the share capital of Ansaldo Energia is today constituted by n. 1,489,813 non-nominal shares, broken down as follows:

- no. 1,111,003,281 of shares in category Z and n. 370,849,532 of Common Stock owned by CDPE Spa;
- no. 7,200.000 of Common Stock owned by SEC.

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 2022	**(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
31st December 2022	**(1,502)**	**(8,523)**	**(589,243)**	**(599,268)**
Net result	-	-	(227,533)	(227,533)
Other changes	1,271	(91)	747,930	749,110
Fair value adjustments	2,405	(3,506)	-	(1,101)
Deferred taxes from equity method	(609)	275	-	(334)
31st December 2023	**1,565**	**(11,845)**	**(68,846)**	**(79,126)**

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 movements” mainly refers to cover the previous losses by resetting the available reserves and reducing the share capital, in accordance with what was decided at the extraordinary shareholders' meeting of the Parent Company on June 19th, 2023 as already commented in the previous paragraphs and, for the remainder, It refers to the creation of the Additional Paid in Capital reserve for Euro 156.8 million as a result of the increase in share capital, to the creation of a reserve for costs related to the financial maneuver on equity of Euro-2.3 million.

33. LOANS AND BORROWINGS AND LEASE LIABILITIES

The entry in question can be detailed as follows:

Euro/thousand	12/31/23			12/31/22		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bonds	189,689	-	189,689	354,852	-	354,852
Bank loans and borrowings	192,642	320,402	513,044	516,816	9,516	526,332
Lease liabilities	7,956	28,200	36,156	7,898	31,907	39,805
Other loans and borrowings	1,902	-	1,902	2,289	-	2,289
Related parties loans and borrowings	162	259,818	259,980	-	249,505	249,505
	392,351	**608,420**	**1,000,771**	**881,855**	**290,928**	**1,172,783**

The handling of financial debts was as follows:

Euro/thousand	**12/31/22**	**New borrowings (and other increases)**	**Payment**	**Other movements**	**12/31/23**
Bonds	354,852	189,689	(352,758)	(2,094)	189,689
Banks loans and borrowings	526,332	488,409	(499,070)	(2,627)	513,044
Lease liabilities	39,805	3,197	(8,914)	2,068	36,156
Other loans and borrowings	2,289	2,344	(1,027)	(1,704)	1,902
Related parties loans and borrowings	249,505	20,467	(10,094)	102	259,980
	1,172,783	**704,106**	**(871,863)**	**(4,255)**	**1,000,771**

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

Subject	Delivery date	Date of restructuring or increase	Type of financing	Provider	Expiration	Disbursed value	Carrying amount at 12.31.23
AEN	01/31/2017		Loan	BEI 3	01/31/2024	80,000	6,724
AEN	12/31/2017	07/07/2023	Loan	VARI	05/31/2024	186,815	189,689
AEN	12/22/2021		Loan	INTESA	12/31/2028	52	30
AEN	07/31/2018	05/31/2023	Loan	CDP	06/30/2029	200,000	259,818
AEN	06/30/2021		Loan	BANCA IFIS	03/31/2025	20,000	8,333
AEN	04/27/2020	05/23/2023	Loan	IMI	12/31/2028	20,000	146,976
AEN	06/06/2023		Loan	SACE	12/31/2028	155,000	153,833
AEN	05/25/2020	12/11/2023	Loan	INTESA MISE 3	06/30/2029	1,604	1,604
AEN	05/25/2020	12/11/2023	Loan	INTESA MISE 3	06/30/2029	5,616	4,869
AEN	07/04/2019	05/15/2023	Loan	INTESA MISE 1	06/30/2027	12,429	8,965
AEN	12/11/2023	05/23/2023	Revolving	IMI	01/11/2024	100,000	100,426
AEN	12/27/2023	05/23/2023	Revolving	IMI	01/29/2024	15,000	15,013
AEN	12/07/2023	05/23/2023	Revolving	IMI	01/08/2024	35,000	35,179
AEN	12/11/2023		Hot Money	BSONDRIO	01/11/2024	20,000	20,078
AEN	11/21/2018		Anticipo Fatt	BPASSADORE		10,000	4,530
AEN	12/15/2023		Loan	DELL BANK INT	12/15/2025	1,850	1,197
ANN	12/10/2018	12/11/2023	Loan	INTESA	12/31/2028	1,054	1,054
ANN	12/10/2018	12/11/2023	Loan	INTESA	12/31/2028	3,596	3,070
GULF	06/14/2018		Loan	INTESA	06/07/2026	3,500	2,070

The bond loan as of 31st December 2023 amounted to 189,689 Euro/thousand and the interest attributable to it amounted to 7,468 Euro/thousand.

The following details are given:

Type of financing	Bond
ISIN	XS1624210933
Coupon	2.75%
Issue date	May-31-17
Expiration date	May-31--24
Issue price	186,815 Euro/thousand
Gross return on maturity	5.11%
Rating	unrated
Nominal value	186,815 Euro/thousand

It should be noted, as reported in the paragraph on financial credits, that there is a post (current account "intended") of Euro 64.4 million, the use of which is restricted to the repayment of the bond.

Moreover, the already commented payment of the last tranche of capital increase of Euro 125 million will also be credited to the Mediobanca account for the repayment of the Bond expected in May.

The characteristics of the other financing reports on the 31st of December 2023 can be summarized as follows:

Line of debt	Description
Bond	The bond was issued by Ansaldo Energia S.p.A. and purchased by institutional investors in May 2017 on the secondary market. A portion of it was sold in July 2023. The current nominal value is 186.8 million Euro with a fixed interest rate of 2.75% annually. The maturity date remains unchanged on May 31th, 2024. No covenants are specified in the contract.
Ansaldo Energia- Term Loan (Pool)	The credit line was subscribed to by Ansaldo Energia S.p.A. in April 2020 and restructured in May 2023 with a pool of 8 banks for a nominal value of Euro 145 million at the Euribor 6 months + Spread rate. The Spread is based on the Group Energy's Leverage ratio with detection from June 2024. The spread has increased from 2.65% to 3.80%. Maturity is on December 31th, 2028, with annual amortization starting from December 2025.
Ansaldo Energia – Sace Term Loan	The financing was subscribed to by Ansaldo Energia S.p.A. following the restructuring in May 2023 with a pool of 8 banks for a nominal value of 155 million Euro. This financing is supported by Sace guarantee for which an annual fee is provided on 90% of the nominal value. The applied rate is Euribor 3 months + fixed Spread equal to 2%. The repayment of installments is constant starting from June 2026. Maturity is on December 31, 2028.
Ansaldo Energia – Loan Dell Bank International	The financing was subscribed to by Ansaldo Energia S.p.A. for the purchase of computer equipment in October 2023. The nominal value is Euro 1.9 million. Early repayment with 3 constant installments starting from December 2023. Maturity is in December 2025. The fixed and final rate is 6.96% annually.
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 S.p.A. with European Investment Bank (EIB) for a nominal value of Euro 80 million, 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 (Sustainable Growth Fund). Date of issue 07/03/2019. Nominal value Euro 5.9 million, the second and final disbursement was made in May 2023 for an amount of Euro 7.2 million. 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 S.p.A. 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 2020, for Euro 3.1 million, broken down as follows: bank loan equal to Euro 0.7 million and subsidized loan equal to Euro 2.4 million; the second disbursement was made in December 2023 for a total amount of Euro 4 million, divided as follows: a loan from the bank amounting to 0.9 million Euro and subsidized financing amounting to Euro 3.1 million. Repayment of principal and interest is scheduled semi-annually. Rate Euribor 6 months + spread of 3%. Rate Facilitated Fixed rate of 0.80% per annum. 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 Euro 200 million, restructured in May 2023 for maturity, with a repayment plan starting on 06/30/2029. Interest rate Euribor 6 months (zero-floor) + spread (6.75%).
Ansaldo Energia - Soft Loan (CDP) MISE 2	Loan granted to Ansaldo Energia S.p.A. by Intesa San Paolo for the portion financed by CDP. The loan was obtained following the research and development project concerning advanced control systems for thermoacoustic phenomena in high-efficiency gas turbine combustion processes with reduced environmental impact. An amount of 52 Euro/thousand was disbursed in December 2021. Maturity in December 2028. Semi-annual installment and interest payments. Fixed interest rate of 0.16% annually.
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 March 2025. Euribor rate 3 months + spread 2.75% yearly. Pre-amortization 1 year; repayment of 12 constant capital installments.
Ansaldo Nucleare Intesa Bank Loan and Subsidized Loan (CDP) MISE 3	Loan signed on 06/25/2018 by Ansaldo Nucleare Spa with 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. First disbursement in December 2019 for an amount to Euro 2.2 million, broken down as follows: bank loan equal to Euro 0.5 million and Subsidized loan equal to Euro 2.2 million; second disbursement in December 2023 for an amount of Euro 2.5 million, divided as follows: Bank Loan of Euro 0.6 million and subsidized financing of Euro 1.9 million. Repayment of installments and interest semi-annually. Rate Euribor 6 months + spread of 3%. Rate Facilitated Fixed rate of 0.80% per annum. Maturity on 31st of December 2028.

Ansaldo EnergiaGulf Bank loan Intesa San Paolo Abu Dhabi Branch	Loan signed on 06/07/2018 by Ansaldo Energia Gulf with Intesa San Paolo Abu Dhabi Branch for the construction of "Warehouse and Borrower's general Corporate purposes". Loan of AED equal to Euro 14 million with a six-monthly repayment plan for 5 years with a constant instalment and equal to AED Euro 1.4 million from June 2021 (3 years of pre-amortization). Maturity on June 2026. Interest rate Eibor 6 months + spread. Spread is of 3.05%.

For all Ansaldo Energia loans listed in the table, with the exception of Bond and shareholder loan, two indicators on consolidated financial statement data are required: The "*leverage ratio*" (Net Borrowing /adjusted EBITDA) and the "*Interest cover ratio*" (adjusted EBITDA/Net Interest payable).

The next test is scheduled for 30th June 2024, 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.

Net financial debt

The details of the financial debt as of 31st December 2023 and 2022 are as follows:

Euro/thousand	12/31/23	of which with related parties	12/31/22	of which with related parties
Cash and cash equivalents	232,691		108,031	
Securities held for trading			-	
Cash and cash equivalents	**232,691**		**108,031**	
Current financial receivables	**75,085**	**931**	**16,613**	**932**
Current bank loans and borrowings	192,642		516,816	
Bond liabilities (current portion)	189,689		354,852	
Lease liabilities (current portion)	7,956		7,898	
Other current loans and borrowings	2,064	162	2,289	-
Current financial debt	**392,351**		**881,855**	
Net current financial debt (cash)	**84,575**		**757,211**	
Non-current bank loans and borrowings	320,402		9,516	
Bond liabilities (non-current portion)				
Lease liabilities (non-current portion)	28,200	-	31,907	-
Other non-current liabilities	259,818	259,818	249,505	249,505
Non-current financial debt (cash)	**608,420**		**290,928**	
Net financial debt (cash)	**692,995**		**1,048,139**	

34. EMPLOYEE BENEFITS

The entry in question can be detailed as follows:

Euro/thousand	12/31/23	12/31/22
Post employement benefits debt	6,208	6,588
Defined benefit pension plans	1,451	1,469
Other staff funds	6,519	4,708
	14,178	**12,765**

This amount mainly includes the liability for defined contribution plans of the Group's foreign companies (Ansaldo Energia Switzerland and Ansaldo Energia Gulf) of 4,526 Euro/thousand and the debt for end-of-relationship treatment of 6,208 Euro/thousand.

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	12/31/23	12/31/22
Opening balance	6,588	8,135
Interest costs	222	129
Actuarial losses (gains) on equity	2,326	(18,062)
Liquited shares	1,252	1,601
Increases from business combinations	(1,676)	175
Other changes	-	17,812
Closing balance	**6,208**	**6,588**

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

Euro/thousand	The post employed benefit debt	
	12/31/2023	12/31/2022
Inflation rate	2.00%	2.30%
Discount rate (average)	3.09%	3.71%

According to the new social security reform, for companies with at least 50 employees, future accrued shares of the post employed benefit 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	Post employed benefit and defined benefit plans	
	12/31/2023	12/31/2022
Death	R.G. 48	R.G. 48
Retirement	2.6	2.8
Annual turnover and advance frequency post employed benefit		
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	12/31/23		
	Present value of the obligation	**Present value of the asset**	**Defined benefits of obligation**
Opening Balance	1,469		**1,469**
Costs for benefits provided	277		**277**
Benefits paid	(295)		**(295)**
Closing balance	**1,451**		**1,451**

35. CURRENT AND NON-CURRENT PROVISIONS

The entry in question can be detailed as follows:

Euro/thousand	Provision for equity investments	Provision for product warrantie	Pending disputes	Tax provision	Others	Total
1st January 2022	-					
Current	-	-	1,986	623	58,101	60,710
Non-current	-	18,771	-	17,692	17,852	54,315
	-	**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)
Absorptions	-	-	-	-	(3,424)	(3,424)
Other changes, riclassifications and exchange	2,481	3,152	(3)	70	(3,088)	2,612
31st December 2022	**2,481**	**38,141**	**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**
Accruals	-	5,000	500	84	48,065	53,649
Utilisations	-	(31,880)	(362)	(739)	(4,143)	(37,124)
Absorptions	-	-	(86)	-	(82)	(168)
Other changes, reclassifications, and exchange	951	-	(2)	(20)	11,655	12,584
31st December 2023	**3,432**	**11,261**	**2,380**	**13,018**	**132,470**	**162,561**
Broken down as follows:						
Current	3,432	-	2,380	79	75,595	81,486
Non-current	-	11,261	-	12,939	56,875	81,075
	3,432	**11,261**	**2,380**	**13,018**	**132,470**	**162,561**

Equity investments risk funds

It’s related to 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 expected performance on 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.

The provisions for the period (5,000 Euro/thousand) refer to the Terna project, the uses refer to the Marghera and Terna projects (8,100 Euro/thousand and 13,500 Euro/thousand respectively) and, for the remainder, to the GT36 Presenzano, Tavazzano and Minhang orders.

Pending disputies

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.

Tax provisions

The tax provision represents the most prudent estimate of the risks related to Italian and foreign taxes (mainly related to branches) and amounts to 13,018 Euro/thousand in total.

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

- Tunisia 5,179 Euro/thousand;
- Egypt 1,400 Euro/thousand;
- Algeria 443 Euro/thousand;
- Argentina 143 Euro/thousand;
- Chile Euro 1.523 Euro/thousand;
- Congo 549 Euro/thousand;

In addition, the fund accepts 2,000 Euro/thousand as a risk to Pakistan's direct tax treatment under a local legislative amendment for which local bodies are checking.

Finally, the fund comprises 1,000 Euro/thousand relating to other tax risks in Italy and 373 Euro/thousand for smaller tax credits.

Other provisions

They consist mainly of:

- costs to be incurred after the closure of contracts for guarantees or interventions foreseen by contractual commitments (15,006 Euro/thousand);
- costs for dealing with asbestos risk (10,644 Euro/thousand). 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 Italian Strategic Fund (now CDP Equity) In the context of the transaction that covered Ansaldo Energia's share capital - they are the subject of a specific guarantee from Leonardo S.p.A. In addition, CDP Equity has already made a formal commitment to Ansaldo Energia to pay all future compensation related to this particular case by Leonardo S.p.A. directly to Ansaldo Energia; the fund has increased by 8.750 Euro/thousand indicated in the "other movements" line;

- costs for dealing with risks related to Turkey (39,300 Euro/thousand);
- costs related to interventions on new fleets of products (23,000 Euro/thousand);
- extraordinary provisions (20,783 Euro/thousand) for the description of which reference is made to the report on operations.

36. OTHER CURRENT AND NON-CURRENT LIABILITIES

The entry in question can be detailed as follows:

Euro/thousand	Non-current		Current	
	12/31/23	12/31/22	12/31/23	12/31/22
Employees	4,122	3,632	26,577	23,696
Deferred income			2,638	4,409
Social security insitutions			9,151	10,188
Other	7	-	29,380	26,359
Other payables to related parties	10,225	10,225	157	-
Total other liabilities	**14,354**	**13,857**	**67,903**	**64,652**
Other tax liabilities			3,874	4,361
Deferred tax liabilities	34,637	38,865		
Total other liabilities	**48,991**	**52,722**	**71,777**	**69,013**

Payables to employees

"Employee payables" refer to additional monthly payments, holidays and permits accrued and not enjoyed, but cleared in the following year.

The non-current share refers to seniority premiums accrued and measured at *fair value*.

Payables to social security and welfare institutions

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

Other payables to 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.

Deferred taxes

Deferred taxes mainly refer to the tax effect calculated by the parent company on the capital gains (related to a building) arising in 2012 in the context of PPA (reverse merger Ansaldo Energia Holding S.p.A.) for approximately Euro 13.5 million, and for the remainder, to the tax effect related to assets arising in 2016 in the context of PPA Gastone (acquisition of part of the Alstom business in the gas turbine sector).

37. TRADE PAYABLES

The "*maturity factoring*" operations included in this item show as of 31st December 2023 a debt of 73,604 Euro/thousand (in 2022, 83,856 Euro/thousand). With this instrument, the Parent Company allows its suppliers to carry out factoring relationships with the object of the demobilization and collection of claims from the same claimed toward the Group, for the supply of goods and/or services, with the possibility, by the Group, to obtain a further delay in the payment of commercial debt, with interest on its own.

38. DERIVATIVES

The entry in question can be detailed as follows:

Euro/thousand	12/31/23		12/31/22	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency forward	-	931	-	2,129
Interest rate cap	423	-	-	-
	423	**931**	**-**	**2,129**

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

As already indicated in the previous paragraphs, it should be noted that following the revised terms on the term loan (balance at 12/31/2023 equal to Euro 147 million) and the conclusion of a bank financing with the support of SACE (balance at 12/31/2023 equal to Euro 154 million), Both of them are part of the most complex financial maneuver between the end of the previous year and the beginning of the year 2023, in order to cover the cash flow risk due to the evolution of the variable interest rate curve, Ansaldo Energia has entered into two new hedging instruments, For a notional amount of Euro 72.5 million and Euro 77.5 million, respectively, which is part of the "*interest rate cap*".

39. TRANSACTIONS WITH RELATED PARTIES

39.1 Transactions with related parties – Consolidated Statements of Financial Position

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

The amounts of credits with Related parties are shown below:

RECEIVABLES AS OF 31ST DECEMBER 2023 *Euro/thousand*	Other non-current receivables	Current financial receivables	Trade receivables	Other current receivables	Total
Participating companies					
Shanghai Electric Hong Kong			21,896		21,896
	-	**-**	**21,896**	**-**	**21,896**
Parent companies					
Cassa Depositi e Prestiti				43,265	43,265
	-	**-**	**-**	**43,265**	**43,265**
Subsidiaries					
Ansaldo Algeria			4,546	333	4,879
Dynamic			(619)		(619)
	-	**-**	**3,927**	**333**	**4,260**
Group companies and others					
AC Boilers			1		1
Ansaldo Gas Turbine Technology			222		222
Cogenerazione Rosignano	1,400	931			2,331
Eni			39		39
Shanghai Electric Gas Turbine			31,009		31,009
Enipower			4,776		4,776
Terna			1,804		1,804
	1,400	**931**	**37,851**	**-**	**40,182**
Entities under MEF control and significant influence					
Enel			10,792		10,792
Leonardo				11,655	11,655
Sogin			1,337		1,337
	-	**-**	**12,129**	**11,655**	**23,784**
Total	**1,400**	**931**	**75,803**	**55,253**	**133,387**

RECEIVABLES AS OF 31ST DECEMBER 2022 *Euro/thousand*	**Other non-current receivables**	**Current financial receivables**	**Trade recei-vables**	**Other current receivables**	**Total**
Participating companies					
Shanghai Electric Hong Kong			34,036		34,036
	-	**-**	**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**

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

PAYABLES AS OF 31ST DECEMBER 2023 *Euro/thousand*	Non-current loans and borrowings	Other non-current liabilities	Trade payables	Current financial liabilities	Other current liabilities	Total
Parent companies						
Cassa Depositi e prestiti	259,818		13		101	259,932
CDP Equity			395		56	451
	259,818	**-**	**408**	**-**	**157**	**260,383**
Participating companies						
Shanghai Electric Group			310			310
	-	**-**	**310**	**-**	**-**	**310**
Subsidiaries						
Ansaldo Energia Muscat			773	133		906
Ansaldo Algerie			111			111
	-	**-**	**884**	**133**	**-**	**1,017**
Group companies and others						
AC Boilers			8,729	29		8,758
Ansaldo Gas Turbine Technology			182			182
Eni			47			47
Shanghai Electric Gas Turbine			1,908			1,908
Simest		10,225				10,225
Tamini Trasformatori			165			165
Valvitalia			893			893
	-	**10,225**	**11,924**	**29**	**-**	**22,178**
Entities under MEF control and significant influence						
Enel			(570)			(570)
Ferrovie dello Stato			7			7
Leonardo			34			34
Sace			837			837
Gruppo Sogin			95			95
	-	**-**	**403**	**-**		**403**
Total	**259,818**	**10,225**	**13,929**	**162**	**157**	**284,291**

PAYABLES AS OF 31ST DECEMBER 2022 *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**
Total	**249,505**	**10,225**	**21,458**	**281,188**

39.2 Transactions with related parties –Consolidated Income Statements

The following are all the economic relations with the Group's Related parties for the financial years 2023 and 2022:

2023 *Euro/thousand*	**Revenues**	**Costs**	**Other operating expenses**	**Financial expenses**
Parent companies				
Cassa Depositi e Prestiti		59		
CDP Equity		31		10,347
	-	**90**	**-**	**10,347**
Participating companies				
Ansaldo Algerie	5,837	660		
	5,837	**660**	**-**	**-**
Group companies and others				
Ansaldo Gas Turbine Technology		184		
Eni		48		
Enipower	(135)		150	
Simest				450
Tamini		4,818		
Terna	4			
Valvitalia		1,093		
	(131)	**6,143**	**150**	**450**
Entities under MEF control or significant influence				
Enel	32,334	5,914		
Ferrovie dello Stato		37		
Leonardo		93		
Sace				1,333
Sogin	2,835	95		
	35,169	**6,139**	**-**	**1,333**
Total	**40,875**	**13,032**	**150**	**12,130**

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**
Total	**80,063**	**18,397**	**60**	**14,860**

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.

40. GUARANTEES AND OTHER COMMITMENTS

The Group as of 31st December 2023 has the following guarantees:

Personal guarantees provided

Euro/thousand	12/31/23	12/31/22
Third parties guarantees	888,293	942,771
Personal guarantees issued	**888,293**	**942,771**

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

- customers for participation in tenders (3,641 Euro/thousand);
- customers for advances received and good execution of the works (854,653 Euro/thousand);
- others: Financiers, customs offices and taxes, lessors, Inps (29,999 Euro/thousand);

41. REMUNERATION TO THE INDEPENDENT AUDITING FIRME

Under contract, the annual fees for 2023 for certification services of the auditing company Deloitte & Touche S.p.A. and the other network members amount to 691 Euro/thousand, plus ISTAT adjustments.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

It should be noted that in the first months of 2024:

- the first combined-cycle power plant equipped with a GT36 gas turbine from Ansaldo Energia entered service in China. The GT36 is an integral part of the Minhang Industrial Zone project, which aims to transform the site of a former coal-fired power station into a modern, efficient and cleaner energy hub;
- Ansaldo Energia signed the contract for the reconstruction project “Almaty CHPP-3 in Kazakhstan. Two AE94.2 gas turbines, two generators and all associated auxiliary services are the subject of the contract signed with KBI Energy Group. The signature follows the Reservation Agreement concluded at the end of 2023, which provided for the pre-emption of production lines by the customer to ensure delivery in extremely rapid time. The signing of the contract is part of a process of strengthening and growing relations, not only industrial, but also institutional, in a wider context of cooperation between the two countries;
- a cooperation agreement between Ansaldo Energia and Samruk Energy was signed, focusing on cooperation efforts to implement and successfully launch new future combined-cycle power plant projects in Kazakhstan, including the “reconstruction project of the CHPP-3 power plant in Almaty”, And on the exchange of technological expertise and training of local specialists by Ansaldo Energia;
- as part of the FLEX4H2 project, Ansaldo Energia successfully tested the capacity of a GT36 gas turbine combustor to burn 100% hydrogen. This is a key technological milestone for large heavy duty gas turbines, paving the way for a more sustainable and decarbonized energy sector.

REPORT OF THE AUDITING COMPANY

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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 of 31st December 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31st December 2023, 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 financial statements, in which the Directors highlight the existence of specific uncertainties related to the going concern assumption and the reasons why, nevertheless, the financial statements have been prepared on a going concern basis.
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 of 31st December 2023, 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 of 31st December 2023 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 of 31st December 2023 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
Santo Rizzo
Partner

Genoa, Italy
April 2, 2024

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

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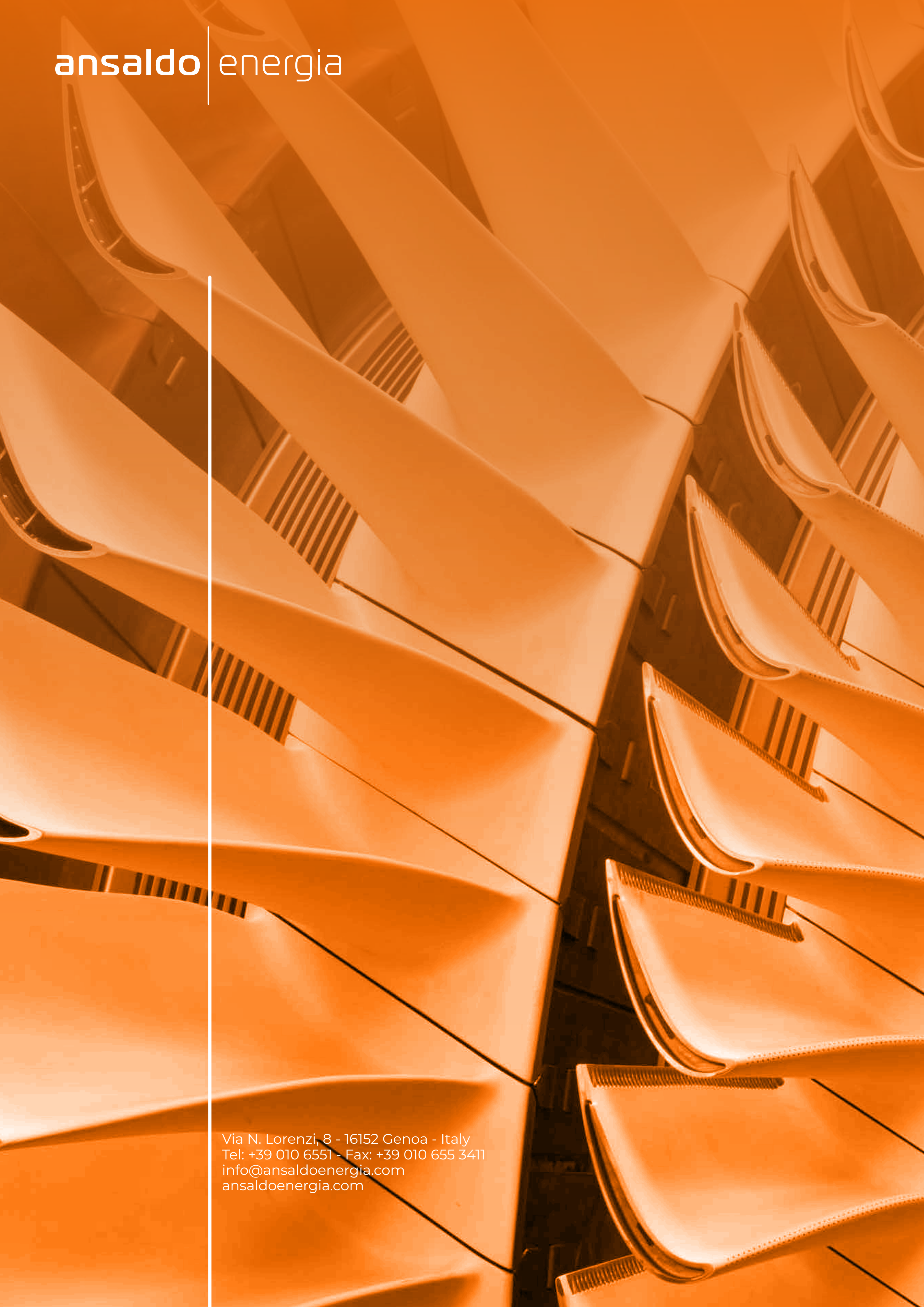

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