(Translation from the Italian original which remains the definitive version)

SALCEF GROUP

INTERIM FINANCIAL REPORT

AT 30 JUNE 2020

SALCEF GROUP S.p.A.

Registered office in Via di Pietralata 140, 00158 Rome

Fully paid-up share capital €61,771,489.60 - Rome REA no. 640930

Tax code 08061650589 and Rome Chamber of Commerce registration no. 01951301009

SALCEF GROUP

E-MARKET SDIR CERTIFIED

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Company officers

Board of directors for the 2019/2021 three-year period

Board of directors

Chairman	Gilberto Salciccia
CEO	Valeriano Salciccia
Director	Alessandro Di Paolo
Director	Giovanni Cavallini
Director	Attilio Francesco Arietti
Director	Germano Maiolini
Director	Bruno Pavesi

Board of statutory auditors for the 2019/2021 three-year period

Chairman	Gianluca Gagliardi
Standing auditor	Daniela Lambardi
Standing auditor	Roberto Schiesari

Supervisory body pursuant to Legislative decree no. 231/2001

Stefano Crociata

Fabrizio De Paolis

Roberto D'Amico

Independent auditors for the 2019/2021 three-year period

KPMG S.p.A.

DIRECTORS' REPORT

AT 30 JUNE 2020

Financial figures and key financial indicators

This interim financial report provides information about the Salcef Group's financial position as at 30 June 2020 and the performance for the six months then ended, as well as significant events of the period.

Reclassified income statement

(€'000)

	H1 2020	H1 2019
Revenue	150,242	139,751
Production costs	(116,197)	(118,609)
Other operating costs	(3,501)	(2,715)
Internal work capitalised	5,936	11,471
EBITDA (Gross operating profit)	**36,480**	**29,898**
Amortisation, depreciation and impairment losses	(10,426)	(7,256)
Impairment losses	(141)	(19)
EBIT (Operating profit)	**25,913**	**22,622**
Financial income	148	458
Adjusted financial expense*	(2,423)	(920)
Adjusted pre-tax profit*	**23,638**	**22,160**
Income taxes	(7,241)	(7,481)
Profit for the period *	**16,397**	**14,679**
* Fair value gains/(losses) on warrants	(17,675)	0
Profit/(loss) for the period	**(1,278)**	**14,679**

Key performance indicators for the group

(€'000)

	H1 2020	H1 2019
EBITDA to revenue ratio	24.3%	21.4%
EBIT to revenue ratio	17.2%	16.2%

Revenue increased to €150.2 million in the first half of 2020 from €139.7 million in the first half of 2019.

The group made an adjusted profit for the period of €16.4 million, compared to €14.6 million for the corresponding period of 2019.

As shown by the above EBITDA to revenue and EBIT to revenue ratios, the group recorded an improvement in the core business profitability in the first half of 2020. The EBITDA to revenue ratio rose by 2.9 p.p. on the corresponding period of the previous year.

Key statement of financial position indicators

(€'000)

	30/06/2020	31/12/2019
Adjusted net financial position	36,038	46,991
Adjusted equity	249,246	250,007

Both the net financial position and equity were impacted by the own shares repurchase transactions for €1,816 thousand, and by the distribution of dividends for €16,904 thousand.

Although not provided for in the IFRS, the above alternative performance indicators (EBIT, EBITDA, adjusted pre-tax profit, adjusted profit, adjusted net financial position and adjusted equity), are based on amounts calculated under such standards.

These indicators are shown at consolidated level in order to present the group's financial performance, net of non-recurring events, events unrelated to the core business and non-recurring transactions, as identified by the group. These indicators reflect the main financial and operating figures net of non-recurring income and expense not directly related to core business activities and operations, thereby enabling an analysis of the group's performance more consistent with that of previous periods.

EBITDA is calculated by adjusting the profit or loss for the period to exclude taxation, net financial expense and amortisation, depreciation and impairment losses. EBIT is calculated by adjusting the profit or loss for the period to exclude taxation and net financial expense.

Adjusted pre-tax profit or loss is calculated by adjusting the profit or loss for the period to exclude taxation and other amounts, such as fair value gains and losses on the warrants issued by Salcef Group S.p.A., related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group.

The adjusted net financial position is calculated by deducting current cash and cash equivalents and current financial assets from current and non-current financial liabilities, excluding the warrants issued by Salcef Group S.p.A at 30 June 2020 recognised at fair value in compliance with the IFRS, as described later on in this report. The following information relates only to the "additional conversion" warrants classified as financial liabilities pursuant to the IFRS; it does not relate to the "new" warrants issued by Salcef Group S.p.A. classified as equity instruments.

Specifically, the financial liability for warrants amounts to €23,574 thousand at 30 June 2020 and shows their fair value at initial recognition at their date of issue (8 November 2019), subsequently adjusted to their fair value at 31 December

2019 and then adjusted for conversions and fair value gains and losses for the first half of 2020. The warrants are settled through the issue of ordinary shares of Salcef Group S.p.A. at the time of their conversion, restating the financial liability as an increase in equity. Accordingly, this liability will not generate a future outflow of cash for the group.

Fair value gains and losses on the warrants, recognised in the income statement as a financial expense, came to €17,675 thousand in the first half of 2020. As stated above, they are not included in the calculation of the adjusted pre-tax profit or loss and the adjusted profit or loss for the period.

At the reporting date, the group's order backlog includes permanent way systems routine maintenance and upgrading work (66.36%), multidisciplinary railway works (3.14%), energy sector works (27.47%), sleepers and prefabricated products production (2.31%) and work on machinery (0.72%), which ensure continuity using the existing operating units active in the relevant geographical areas.

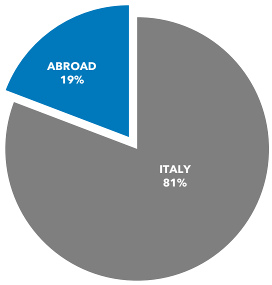
The group's order backlog at 30 June 2020 is analysed below by business unit:

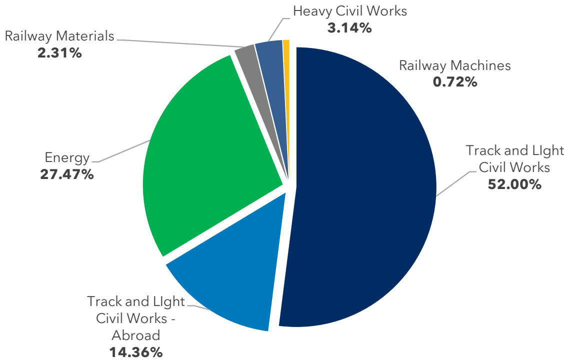
SALCEF GROUP

SALCEF GROUP - BACKLOG AT 01/07/2020

Business unit	Amount (€'000)	%
Italy	408,500.5	80.79
Abroad	97,110.7	19.21
Total	505,611.2	100.00

Business unit	Amount (€'000)	%
Track and light civil works	262,939.6	52.00
Track and light civil works - Abroad	72,603.7	14.36
Energy	138,866.1	27.47
Railway materials	11,688.9	2.31
Heavy civil works	15,867.5	3.14
Railway machines	3,645.5	0.72
Total	505,611.2	100.00





With respect to its workforce, the group carries out its activities in full compliance with the relevant environmental and occupational hygiene regulations as well as applicable foreign legislation.

A breakdown follows of the group's workforce at 30 June 2020 compared to 31 December 2019:

Workforce at 31 December 2019	Italy	Abroad	TOTAL
Managers	26	–	26
White collars	198	40	238
Blue collars	641	96	737
Total	**865**	**136**	**1,001**

Workforce at 30 June 2020	Italy	Abroad	TOTAL
Managers	28	3	31
White collars	201	49	250
Blue collars	683	87	770
Total	**912**	**139**	**1,051**

Key events of the period

Spread of the Coronavirus (Covid-19)

The global spread of the Coronavirus (Covid-19) and its impact on the healthcare systems, as well as on people's lifestyles, social relations and business activities is today a source of great concern for the future impact of the pandemic on the global economy.

Following a steadily growing number of countries reporting cases of infection, the World Health Organisation (WHO) declared the Covid-19 virus a pandemic on 11 March 2020.

The public health emergency hit Italy on 21 February 2020, before the other European countries.

In order to contain its spread, the governments of the various countries introduced increasingly restrictive measures aimed at limiting people's movements and contacts. Various production activities in sectors defined as non-essential were also halted, often entirely, only allowing the continuity of essential activities and production, which include those of the sector where the Salcef Group operates.

Italy moved into Stage 2 restrictions on 4 May 2020, easing the restrictions imposed to stop the spread of Covid-19.

Prime Ministerial decree no. 147 published in the Italian Official Journal on 11 June 2020 set out the Stage 3 Coronavirus emergency measures, introducing new rules for movements and the opening up of production and business activities.

Financial markets reacted negatively to the great uncertainty about the spread of the virus and its expected impact on the global economy, showing huge volatility since the pandemic's outbreak.

This situation has affected all business sectors. The global infrastructure sector is expected to see a drop in revenue of around 4% in 2020.

The Italian construction sector is expected to reduce by 0.7% in 2020. It had been expected to grow by 1.5%, but the pandemic shut down most construction sites. However, the sector has proved particularly resilient as infrastructure assets enjoy high profit margins, cash /liquidity generation capacity and available resources to service debt for a period of around six to twelve months.

The parent's priority is, and will continue to be, ensuring its employees' safety and business continuity.

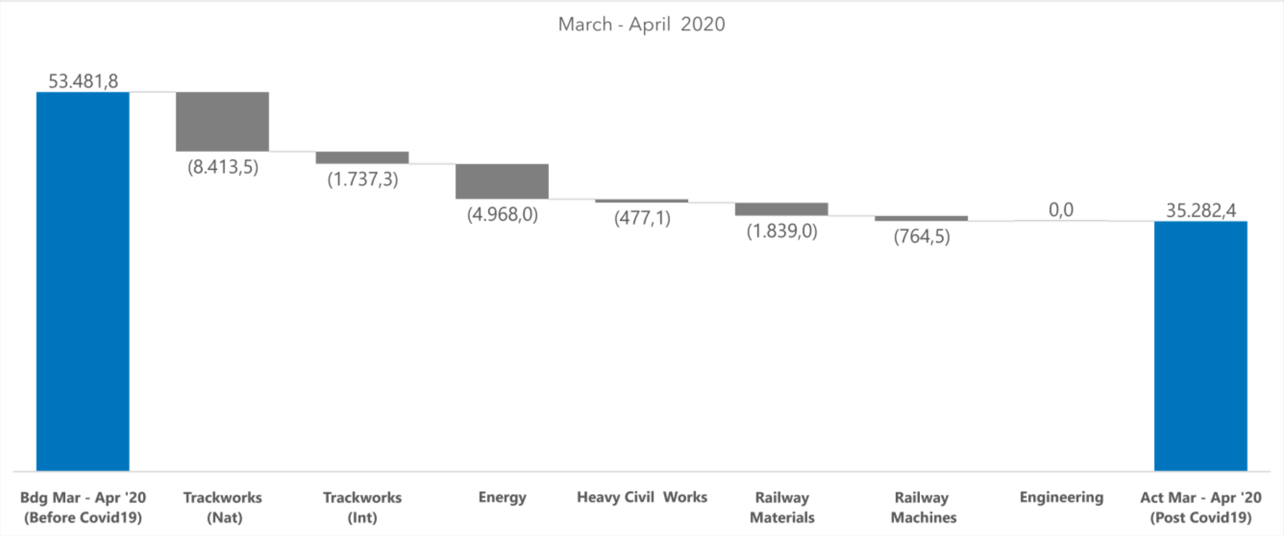
The group immediately and responsibly adopted all the approaches and safety measures indicated by the authorities, introducing a dedicated task force, new protocols, new working practices and safety measures.

After having cut back production from the second half of March and through to the end of April, the group has re-opened its construction sites and industrial facilities, in compliance with the most stringent safety measures.

All the group's production units returned to full operational status in May 2020 and, therefore, the impact in terms of a reduction in revenue is limited to March and April 2020.

H1 2020 production contracted by a net 10.7%.

A breakdown of the impact in March and April 2020 is provided below:



Covid-19 pandemic emergency donations

In March 2020, the Salcef Group donated about €0.3 million for the Covid-19 emergency to frontline health and social care organisations that had already been battling the spread of the virus and caring for the most vulnerable citizens for many weeks.

Incorporation of a new company

Salcef USA Inc., a US-based wholly-owned subsidiary of Salcef Group S.p.A., was incorporated with registered office in Delaware on 12 March 2020.

Through the new subsidiary, the group will offer many services to the US market: from the construction of new tracks to the upgrading of railway infrastructure through to the supply of rolling stock and equipment.

The US market offers vast development opportunities on several fronts, such as the maintenance of existing infrastructure, the implementation of new technologies, such as high speed railway lines, and the production and installation of urban mobility systems in large cities.

Approval of financial statements and dividend distribution

At their ordinary meeting of 24 April 2020, the parent's shareholders approved the financial statements as at and for the year ended 31 December 2019 and presented the consolidated financial statements as at and for the year ended 31 December 2019, both prepared in accordance with the OIC. The latter show a net profit for the year of €38,407,809. The shareholders also approved the distribution of a dividend of €0.40 for each ordinary and performance share, totalling €16,904,403.60. The detachment, record and payment dates were 18, 19 and 20 May 2020, respectively.

Own share repurchase programme

At their ordinary meeting of 24 April 2020, the parent's shareholders authorised the board of directors to repurchase, including in more than one tranche, ordinary shares of the parent up to a maximum which, considering the ordinary shares of the parent held at any time by the parent and its subsidiaries, shall not cumulatively exceed 10% of the parent's share capital, pursuant to article 2357 of the Italian Civil Code, article 25-bis of the AIM (alternative investment market) Issuers' Regulation, article 132 of the Consolidated Finance Act and article 144-bis of Consob's (the Italian Commission for Listed Companies and the Stock Exchange) Issuers' Regulation.

The authorisation was granted for the purpose, inter alia, of repurchasing own shares to allocate, incentivise and retain employees and directors of the parent and its subsidiaries as part of the incentive plans currently being drawn up, as well as for transactions to purchase equity investments and/or property and/or finalise agreements with strategic partners. Furthermore, the authorisation also allows the board to act, in compliance with current provisions and via brokers, to set up an inventory of shares or to seize any investment opportunities.

Pursuant to article 2357-ter of the Italian Civil Code, the shareholders also authorised the board of directors to use, in whole or in part and in one or more transactions, the ordinary shares repurchased as part of the above resolution or otherwise held by the parent.

The repurchase can be made in one or more tranches within 18 months of the date of the shareholders' resolution, considering that the price per share may not be more than 15.00% higher or lower than the official share price recorded in the stock exchange session prior to each individual transaction and may not exceed the higher of the price of the last arm's length transaction and the highest arm's length purchase offer price.

Conversely the authorisation to use the ordinary treasury shares is without any time limits.

The parent holds 155,326 treasury shares at the reporting date, equal to 0.3613% of the share capital.

Repurchases of own shares continued after reporting date and the parent holds 254,687 treasury shares, equal to 0.6137% of the share capital, at 31 August 2020.

Outlook

In the second half of 2020, the group will continue to operate in its sectors of interest (permanent way systems, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of reinforced, vibrated and prestressed concrete sleepers) in Italy and abroad in those countries where it already has a strong base and its specialised plant and personnel have ensured efficient service for many years. Despite the contraction in production in March and April 2020 due to the Covid-19 pandemic, revenue and profitability for 2020 are expected to be substantially in line with those of the last few years.

The order backlog guarantees continuity for the current workforce for at least the next two years, with production and profit margins in line with the average results for the last few years.

In the second half of 2020, Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. will continue to operate as part of the national master agreements covering the renewal and maintenance of RFI S.p.A.'s tracks and points for the 2018-2020 three-year period, specifically the lots in central and north-west Italy. Indeed, as a result of the large amounts earmarked by the customer for the maintenance and upgrading of its existing equipment and infrastructure, the three-year investment plan is significantly higher for all the work categories related to maintenance of the railway infrastructure, in line with Ferrovie dello Stato S.p.A.'s new 2019-2023 five-year plan.

Moreover, as part of a joint arrangement, the Salcef Group was awarded the tender called by Rete Ferroviaria Italiana to double the railway lines on the Telese – San Lorenzo Maggiore – Vitulano section. This relates to around 20 km on the new HS/HC Naples - Bari railway line, reducing travelling times between two of southern Italy's major urban and industrial hubs, increasing both passenger and freight traffic capacity. The tender has not yet been signed as a pending claim lodged by another bidder has not yet been decided by the competent administrative judicial authorities.

As part of another joint arrangement, in 2019 Salcef had already won the tender to carry out track work to increase the speed of the Frasso Telesino - Telesse section. Together these two works are worth €54 million for the Salcef Group.

Both works fall under the group's core business: permanent way systems, electrical traction, substations, signalling and systems for electricity transmission. The group's contribution to the joint arrangement harnesses the expertise of two of its companies, Salcef S.p.A. and Coget Impianti S.p.A..

Overail S.r.l. will complete the supply of segments for an initial amount of roughly €9 million, related to the new tunnel of section T3 of the Rome Metro Line C with the customer Metro C S.c.ar.l.. Works are also underway on concrete slabs also to be supplied for the Rome Metro Line C.

Abroad, the work on Line 3 of the Riyadh Metro in Saudi Arabia will be completed during 2020. The contractual relationship will continue, covering the warranty period.

Furthermore, the construction of a new railway station in Kozzyka for Line 1 to Cairo, Egypt by the National Authority for Tunnels will continue, as will the works in Romania related to contracts for the rehabilitation of two adjacent railway lots on the Frontiera-Curtici-Simeria railway line, part of the European IV Corridor (Sublots 2A and 2B). Because of its complexity, work is expected to take about three years.

The Norwegian branch will continue to lease machinery and specialised personnel for the customer BaneService AS to renovate 150 km of tracks of the Norwegian railway network. The work is expected to be completed in late 2020. Furthermore, works commenced in relation to the new services contract agreed in 2019 with the joint arrangement set up with Acciona e Ghella S.p.A. for the construction of 40 km of tracks for the Follo Line Project in Norway worth approximately €6.8 million.

The Abu Dhabi branch will continue works for the construction of the track for the new railway line that will link the cities of Ruwais and Ghuweifat, on the border with Saudi Arabia on behalf of the joint arrangement between China State Construction Engineering Corporation and SK Engineering and Construction. Specifically, the Salcef Group will build the main and secondary lines. It will also handle the installation of points and the production of long welded track via the construction of a welding machine. This work forms part of the project approved by Etihad Rail, the operator of the United Arab Emirates' national railway network, for the construction of infrastructure that will act as a link to the United Arab Emirates' border with Saudi Arabia. Once completed, the railway will stretch for 605 km, from Ghuweifat to the port of Fujairah. Once all the planning stages are complete, a 1,200 km network will be built connecting the main industrial, manufacturing, production, urban and commercial hubs of the United Arab Emirates. It is therefore an important strategic work which will form an integral part of the proposed Gulf Railway system totalling 2,177 km to connect all Gulf Cooperation Council-member states in the Persian Gulf.

With respect to the investments necessary to develop the business of the individual group companies, in 2020, extraordinary maintenance and other work to upgrade some areas and buildings in Overail S.r.l.'s Aprilia production facility will be completed, and the project to upgrade and extend SRT S.r.l.'s Fano production facility will also be completed.

Key risks and uncertainties

The main market risks to which the group is exposed are interest rate risk, currency risk, liquidity risk and credit risk.

Interest rate risk

The group uses third party funding which bears floating interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates is very low as the group works solely with Italian banks and its high credit standing means that it has been able to negotiate cheap market rates for some years. It neutralises the effect of increases in interest rates by agreeing interest rate swaps for its main loans.

Pursuant to article 2427.22-ter of the Italian Civil Code, the group does not have any agreements not shown in the statement of financial position with risks and/or benefits that are material for the purposes of assessing its financial position, and financial performance.

Currency risk

The group carries out nearly all its main transactions using the Euro and only a minimal part using other currencies. Therefore, it does not hedge future cash flows on specific contracts to neutralise or mitigate the effect of fluctuations in exchange rates on foreign currency revenue or costs, which is limited to just a few contracts.

Should this situation change in the future and make the use of hedges necessary given the size of the amounts subject to currency risk, the group will decide whether to change its policy.

Liquidity risk

The group is not exposed to liquidity risk as it has access to both internal and external funds sufficient to meet its expected liquidity requirements both for its current operations and to carry out its medium to long-term contracts and the investments planned in order to complete them.

Risk of changes in contract consideration

The group is not exposed to the risk of changes in the contract consideration for ongoing contracts except for variations which are yet to be approved (a minimal part).

Credit risk

The parent and the subsidiaries monitor credit risk arising from the day-to-day performance of their normal activities.

The group has not encountered significant cases of counterparty default.

Related party transactions

Related party transactions do not qualify as either atypical or unusual, as they form part of the group's normal operations. They are carried out in the group's interest on an arm's length basis. Reference should be made to the Related party transactions section of the notes to the condensed interim financial statements as at and for the six months ended 30 June 2020 for further information.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AT 30 JUNE 2020

Consolidated financial statements as at and for the six months ended 30 June 2020

SALCEF GROUP

E-MARKET SDIR CERTIFIED

STATEMENT OF FINANCIAL POSITION

ASSETS	Not	30/06/2020	31/12/2019
Non-current assets			
Intangible assets with finite useful lives	1	5.328.676	4.070.838
Goodwill	2	13.806.369	13.806.369
Property, plant and equipment	3	74.212.446	73.906.826
Right-of-use assets	4	14.908.185	12.253.072
- of which, with related parties		*184.024*	*368.048*
Equity-accounted investments	5	40.543	39.788
Other non-current assets	6	13.760.004	13.506.817
Deferred tax assets	7	5.471.359	4.668.307
Total non-current assets		**127.527.582**	**122.252.017**
Current assets			
Inventories	8	11.242.503	10.883.119
Contract assets	9	126.247.744	99.372.764
Trade receivables	10	44.595.488	70.856.770
- of which, with related parties		*282.145*	*373.805*
Current tax assets	11	2.850.171	4.834.708
Financial assets	12	60.575.508	24.514.755
- of which, with related parties		*353.465*	*678.465*
Cash and cash equivalents	13	52.097.952	82.206.698
Other current assets	14	18.207.271	24.162.166
- of which, with related parties		*50.572*	*100.000*
Total current assets		**315.816.637**	**316.830.980**
TOTAL ASSETS		**443.344.219**	**439.082.997**

LIABILITIES	Not	30/06/2020	31/12/2019
Equity attributable to the owners of the parent			
Share capital		61.771.490	60.000.000
Other reserves		165.176.803	149.817.044
Profit/(loss) for the period/year		(1.278.043)	27.660.235
Total equity attributable to the owners of the parent		**225.670.250**	**237.477.279**
Share capital and reserves attributable to non-controlling interests		1.744	1.744
Profit/(loss) for the period/year attributable to non-controlling interests		0	0
TOTAL EQUITY	**15**	**225.671.994**	**237.479.023**
Non-current liabilities			
Financial liabilities	16	23.774.157	17.769.345
Lease liabilities	4-16	6.792.629	6.071.828
Employee benefits	17	946.301	1.024.492
Provisions for risks and charges	18	3.228.435	1.301.793
Deferred tax liabilities	7	1.095.078	867.030
Total non-current liabilities		**35.836.600**	**27.034.488**
Current liabilities			
Bank loans and borrowings	16	0	120
Financial liabilities	16	64.529.694	44.894.522
Current portion of lease liabilities	4-16	5.112.824	3.522.771
Contract liabilities	9	6.348.899	6.899.615
Trade payables	19	79.004.439	93.616.374
- of which, with related parties		*1.676.049*	*2.862.641*
Tax liabilities	20	7.209.424	1.936.163
Other current liabilities	21	19.630.345	23.699.921
Total current liabilities		**181.835.625**	**174.569.486**
TOTAL LIABILITIES		**217.672.225**	**201.603.974**
TOTAL EQUITY AND LIABILITIES		**443.344.219**	**439.082.997**

INCOME STATEMENT

	Not	H1 2020	H1 2019
Revenue from contracts with customers		149.836.499	139.043.240
Other income		405.897	707.853
Total	**22**	**150.242.396**	**139.751.093**
Raw materials, supplies and goods	23	(25.450.109)	(33.823.025)
Services	24	(58.238.494)	(58.240.635)
- of which, with related parties		*(235.255)*	*(85.338)*
Personnel expense	25	(32.508.267)	(26.545.492)
Amortisation, depreciation and impairment losses	26	(10.425.740)	(7.255.912)
Impairment losses	27	(141.427)	(19.185)
Other operating costs	28	(3.500.984)	(2.715.487)
Internal work capitalised	29	5.935.645	11.471.077
Total costs		**(124.329.376)**	**(117.128.659)**
Operating profit		**25.913.020**	**22.622.434**
Financial income	30	148.183	457.500
Financial expense	30	(20.098.223)	(919.592)
- of which, with related parties		*(5.218)*	*(12.202)*
Pre-tax profit		**5.962.980**	**22.160.342**
Income taxes	7	(7.241.023)	(7.481.250)
Profit/(loss) for the period		**(1.278.043)**	**14.679.092**
Profit/(loss) for the period attributable to:			
Non-controlling interests		0	0
Owners of the parent		(1.278.043)	14.679.092
Earnings (loss) per share:			
Basic earnings (loss) per share	33	(0,03)	0,51

STATEMENT OF COMPREHENSIVE INCOME

	Not	H1 2020	H1 2019
Profit/(loss) for the period		**(1.278.043)**	**14.679.092**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial losses	17	(14.603)	(98.502)
Income taxes		4.136	27.896
Total		**(10.467)**	**(70.606)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Hedging gains		7.494	3.968
Income taxes		(1.799)	(952)
Translation gains/(losses)		(213.654)	1.087.651
Total		**(207.959)**	**1.090.667**
Other comprehensive income/(expense), net of the tax effect		**(218.426)**	**1.020.061**
Comprehensive income (expense) for the period		**(1.496.469)**	**15.699.153**
attributable to:			
Non-controlling interests		0	0
Owners of the parent		(1.496.469)	15.699.153

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Reserve for own shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit/(loss) for the period	Equity att. to non-controlling interests	Equity
Balance at 1 January 2020		**60,000,000**	**94,852,284**	**-**	**(228,573)**	**(11,799)**	**(3,707,641)**	**(7,610,105)**	**66,522,878**	**27,660,235**	**1,744**	**237,479,023**
Loss for the period										(1,278,043)	-	(1,278,043)
Other comprehensive expense					(10,467)	5,695	(213,654)					(218,426)
Comprehensive expense for the period		**-**	**-**	**-**	**(10,467)**	**5,695**	**(213,654)**	**-**	**-**	**(1,278,043)**	**-**	**(1,496,469)**
Allocation of 2019 profit			1,246,036						26,414,199	(27,660,235)		-
Exercise of warrants		1,771,490	4,321,501					2,308,110				8,401,101
Repurchase of own shares				(1,816,145)								(1,816,145)
Dividend distribution									(16,904,404)			(16,904,404)
Other variations/reclassifications									8,888			8,888
Variation in translation reserve												-
Total owner transactions		**1,771,490**	**5,567,537**	**(1,816,145)**	**-**	**-**	**-**	**2,308,110**	**9,518,683**	**(27,660,235)**	**-**	**(10,310,560)**
Balance at 30 June 2020		**61,771,490**	**100,419,821**	**(1,816,145)**	**(239,040)**	**(6,104)**	**(3,921,295)**	**(5,301,995)**	**76,041,561**	**(1,278,043)**	**1,744**	**225,671,994**
Balance at 1 January 2019		**200,000**	**80,542,930**	**-**	**(156,584)**	**(24,781)**	**(5,222,794)**	**-**	**36,292,119**	**30,600,620**	**3,870**	**142,235,380**
Profit for the period										14,679,092	-	14,679,092
Other comprehensive expense					(70,606)	3,016	1,087,651					1,020,061
Comprehensive income for the period		**-**	**-**	**-**	**(70,606)**	**3,016**	**1,087,651**	**-**	**-**	**14,679,092**	**-**	**15,699,153**
Allocation of 2018 profit									30,600,620	(30,600,620)		-
Exercise of warrants												-
Repurchase of own shares												-
Dividend distribution			(30,000,000)									(30,000,000)
Other variations/reclassifications			(690,645)						(369,862)		(2,126)	(1,062,633)
Variation in translation reserve												-
Total owner transactions		**-**	**(30,690,645)**	**-**	**-**	**-**	**-**	**-**	**30,230,758**	**(30,600,620)**	**(2,126)**	**(31,062,633)**
Balance at 30 June 2019	**15**	**200,000**	**49,852,285**	**-**	**(227,190)**	**(21,765)**	**(4,135,143)**	**-**	**66,522,877**	**14,679,092**	**1,744**	**126,871,900**

SALCEF GROUP

E-MARKET SDIR CERTIFIED

STATEMENT OF CASH FLOWS

		Note	H1 2020	H1 2019
	Profit/(loss) for the period		**(1,278,043)**	**14,679,092**
	Depreciation of property, plant and equipment		10,135,306	6,872,400
	Amortisation of intangible assets		290,434	383,512
	Impairment losses		141,427	19,185
	Net financial expense		19,950,040	462,092
	Gains on the disposal of property, plant and equipment		(34,742)	(303,860)
	Other adjustments for non-monetary items		4,774	(20,737)
	Accruals to provisions for risks and charges		2,008,161	348,429
	Accruals for employee benefits		1,036,933	979,860
	Income taxes		7,241,023	7,481,250
(A)	**Cash flows from operating activities before changes in working capital**		**39,495,313**	**30,901,223**
	(Increase)/decrease in inventories		(359,384)	1,507,237
	Increase in contract assets/liabilities		(27,531,240)	(31,599,229)
	Decrease in trade receivables		26,263,893	12,206,374
	Decrease in trade payables		(14,611,935)	(8,883,458)
	Decrease in other current and non-current assets		6,172,059	1,854,588
	Increase / (decrease) in other current and non-current liabilities		(5,284,809)	22,303,538
(B)	**Changes in working capital**		**(15,351,416)**	**(2,610,950)**
	Cash flows generated by operating activities (A+B)		**24,143,897**	**28,290,273**
	Interest paid		(483,946)	(414,356)
	Income taxes paid		(1,051,684)	0
(C)	**Net cash flows generated by operating activities**		**22,608,267**	**27,875,917**
	Investing activities			
	Interest collected		10,781	78
	Dividends collected		0	0
	Investments in intangible assets		(1,418,073)	(520,799)
	Acquisition of property, plant and equipment		(16,287,926)	(18,814,966)
	Acquisition of equity investments and securities		(38,268,662)	0
	Proceeds from the sale of property, plant and equipment		2,843,543	522,627
	Exchange differences		252,888	(83,029)
(D)	**Cash flows used in investing activities**		**(52,867,449)**	**(18,896,089)**
	Financing activities			
	Change in current financial assets and liabilities		10,594,874	2,041,984
	Change in non-current financial assets and liabilities		4,916,962	(1,687,959)
	Increase/(decrease) in share capital (and share premium)		1,771,490	0
	Dividends distributed		(16,904,404)	(30,000,000)
	Other changes in equity		(209,538)	(42,571)
(E)	**Cash flows generated by (used in) financing activities**		**169,384**	**(29,688,546)**
(F)	**Net change in cash and cash equivalents (C+D+E)**		**(30,089,798)**	**(20,708,718)**
(*)	**Opening cash and cash equivalents**		**82,206,578**	**41,377,601**
	Net change in cash and cash equivalents	13	(30,089,798)	(20,708,718)
(*)	**Closing cash and cash equivalents**		**52,116,780**	**20,668,883**

(*) Cash and cash equivalents are net of current loans and borrowings

Notes to the condensed interim consolidated financial statements at 30 June 2020

General information

Salcef Group S.p.A. (the "parent") is a company limited by shares with its registered office in Rome (Italy) in Via di Pietralata 140. It is the parent of a group of specialist companies that have been active for decades in the railway construction and maintenance sector. The condensed interim consolidated financial statements at 30 June 2020 (the "condensed interim consolidated financial statements") include the financial statements of the parent and its subsidiaries (together, the "Salcef Group" or the "group"). The board of directors of the parent Salcef Group S.p.A. approved these condensed interim consolidated financial statements and authorised their publication during their meeting of 7 September 2020. The shares of the parent are listed on the AIM Italia - Alternative investment market managed by Borsa Italiana S.p.A.. At the date of preparation of these condensed interim consolidated financial statements, Finhold S.r.l. (the "ultimate parent") is the shareholder with an absolute majority of the shares of Salcef Group S.p.A.. The ultimate parent does not carry out any management and coordination activities in relation to the parent.

These condensed interim consolidated financial statements at 30 June 2020 have been prepared to fulfil the disclosure requirements provided for by the AIM regulation and for inclusion in the prospectus that will be prepared by the parent pursuant to article 113.1 of Legislative decree no. 58 of 24 February 1998, as part of the listing procedure for its ordinary shares on the Italian Stock Exchange (MTA) organised and managed by Borsa Italiana S.p.A..

Reporting standards and compliance with the IFRS

The condensed interim consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) endorsed by the European Commission and enacted at the reporting date, as well as the former International Accounting Standards (IAS). Specifically, the condensed interim consolidated financial statements have been prepared in compliance with IAS 34 Interim Financial Reporting. Although they do not include all disclosures required for a full set of financial statements, they include specific notes to explain the events and transactions relevant to understanding the variations in the group's financial position and performance since the last annual financial statements. The financial schedules are the same as those used in the annual consolidated financial statements.

Basis of preparation

The condensed interim consolidated financial statements comprise an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows and these notes.

The group opted to present assets and liabilities as current or non-current and to present the income statement items based on their nature. This approach is consistent with the management reporting method adopted by the group and is held to best represent its financial position and performance rather than presenting items by destination. It provides more reliable and pertinent information for the group's segments.

The income statement and the statement of comprehensive income are presented as two separate statements and, therefore, the group has prepared a statement that presents the profit or loss components (the income statement) and another statement that starts with the profit or loss for the year and adds the other items of other comprehensive income thereto (the statement of comprehensive income). The latter shows changes in equity generated by transactions other than owner transactions.

The group has prepared the statement of cash flows using the indirect method, classifying cash flows as generated by operating, investing and financing activities.

The statement of changes in equity complies with the presentation requirements of IAS 1.

Note 32 provides information and details of related party transactions.

The group's presentation currency is the Euro, which is also the parent's functional currency. Assets and liabilities are presented separately without offsetting. The figures in the condensed interim consolidated financial statements and the notes thereto are in Euros, unless indicated otherwise. Therefore, the total balances in some tables may be slightly different from the sum of the individual items due to the rounding effect.

Accounting policies

The general principle adopted to prepare these condensed interim consolidated financial statements is that of historical cost, except for those captions that the IFRS require be measured at fair value. The most significant accounting policies applied are described below.

The group has prepared the condensed interim consolidated financial statements clearly and on a going concern basis and to give a true and fair view of the group's financial position, financial performance and cash flows. Management has made use of estimates as described later.

Consolidation scope and basis of consolidation

The condensed interim consolidated financial statements at 30 June 2020 have been prepared by consolidating the parent's separate interim financial statements at the same date and those of the Italian and foreign companies that it directly or indirectly controls. The group exercises control when it has the power to directly or indirectly direct an investee's operating, management and administrative decisions and obtain benefit therefrom. Control is generally presumed to exist when the group directly or indirectly holds more than half of an investee's voting rights. At the reporting date, the parent did not exercise joint control over any of its investees, by virtue of its investment share or specific contractual arrangements.

The interim financial statements of the consolidated companies prepared for consolidation purposes have been suitably adjusted and reclassified to comply with group accounting policies, as detailed below.

The reporting date of the subsidiaries' interim financial statements is the same as the parent's. The following table shows the companies included in the consolidation scope and the parent's related direct and indirect investment percentages:

	REGISTERED OFFICE	CURRENCY	Share/quota capital	Investment percentage Indirect	Direct	Method
Subsidiaries						
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidated
RECO S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidated
Salcef S.p.A. single-member company	Rome - Italy	Euro	60,000,000		100%	Consolidated
SRT S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidated
Overail S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidated
Salcef Bau GmbH	Hellental - Germany	Euro	25,000		100%	Consolidated
Coget Impianti S.p.A. single-member company	Corteno Golgi (BS) - Italy	Euro	1,000,000		100%	Consolidated
Consorzio Stabile Itaca S.c.ar.l.	Rome - Italy	Euro	40,000	96.06%		Consolidated
Associates						
Frejus S.c.a.r.l.	Bologna - Italy	Euro	20,000		42.93%	Equity method
Sesto Fiorentino S.car.l.	Rome - Italy	Euro	10,000	47.68%		Equity method
Consorzio I.C.A.V.	Rome - Italy	Euro	50,000	50.00%		Equity method

During the period, the consolidation scope did not change significantly compared to the previous year end.

Investments in associates are measured using the equity method.

The consolidation process is as follows:

- subsidiaries are consolidated on a line-by-line basis, whereby:
- the carrying amounts of the assets, liabilities, costs and revenue are included in full, regardless of the investment percentage held;
- the carrying amount of the investment is eliminated against the group's share of the investee's equity;

- the effects of intragroup transactions, including dividends distributed among the group companies, are eliminated;
- non-controlling interests are classified in the specific equity caption. Likewise, the profit or loss for the period attributable to non-controlling interests is presented separately in the income statement;
- investments in associates are measured using the equity method, whereby their carrying amount is adjusted to consider the following:
- consistency with group accounting policies, where necessary;
- the investor's share of the investee's profit or loss realised after its acquisition;
- changes in the investee's equity that are not recognised in profit or loss under the IFRS;
- dividends distributed by the investee;
- any differences identified upon acquisition (measured using the criteria set out in the Business combinations section) and recognised in accordance with the IFRS;
- the group's share of equity-accounted investees' profit or loss is recognised in the income statement.

Dividends, impairment gains and losses and losses on consolidated investments, the gains or losses from intragroup sales of consolidated investments and the related tax are eliminated. Profits or losses from transactions among consolidated companies that have not been directly or indirectly realised with third parties are eliminated. Unrealised intragroup losses are recognised if the underlying transaction shows evidence of impairment of the transferred asset.

Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is measured at fair value, which is the sum of the fair values of the assets acquired and the liabilities assumed at the acquisition date. Contingent consideration is considered to be part of the transfer price and is measured at the acquisition-date fair value. Any subsequent fair value gains or loss are recognised immediately in profit or loss. The identifiable net assets acquired are generally measured at fair value. Any goodwill that arises, calculated as the difference between the consideration transferred and the fair value of the net assets acquired, is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships, which are generally recognised in profit or loss.

Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Translation of foreign currency items and financial statements

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are generally recognised in profit or loss and presented within net financial income/(expense).

However, exchange differences arising from the translation of the following items are recognised in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income (FVOCI) (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective;
- qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on acquisition, are translated into Euros at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euros at the average exchange rates of the period which approximate the exchange rates ruling at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the translation reserve, except for any exchange difference to be allocated to non-controlling interests.

CURRENCY	Code	H1 2020	
		Spot closing rate	Average rate
Polish zloty	PLN	4.4560	4.4120
Egyptian lira	EGP	18.1012	17.4524
Romania leu	RON	4.8397	4.8173
Croatian kuna	HRK	7.5708	7.5336
UAE dirham	AED	4.1125	4.0473
Saudi riyal	SAR	4.1993	4.1327
Norwegian krone	NOK	10.9120	10.7324
US dollar	USD	1.1198	1.1020
Swiss franc	CHF	1.0651	1.0642

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses. Cost includes costs incurred directly to move the asset and prepare it for its intended use in its final location and any costs of dismantling and removing the asset and restoring the site on which it was located.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group. Costs incurred for regular maintenance are expensed when incurred.

Items of property, plant and equipment are depreciated systematically over their useful life. When the depreciable asset comprises separately identifiable parts, with different useful lives, they are depreciated separately using the component approach.

Land, including appurtenance land, is not depreciated.

The group reviews the depreciation criteria and useful lives at least at each annual reporting date to incorporate any significant changes.

Depreciation starts when the asset is available for use. The following table shows the estimated useful lives of the various asset categories, shown as annual depreciation rates:

Average rate	
Industrial buildings	3%
Plant and equipment	15%
Industrial and commercial equipment	30%
Other assets	20%

The group tests the carrying amount of items of property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Reference should be made to the Impairment of non-financial assets section for information on impairment testing.

Gains and losses on the sale of assets or groups of assets are calculated by comparing the fair value less costs to sell to the assets' carrying amount.

The cost of internally-produced assets is calculated using the same criteria as those applied to purchased assets. If the group regularly produces similar assets for sale, the cost is generally the production cost of the asset produced for sale. Accordingly, any internal profits are deducted from the cost. Similarly, the cost of unusual waste of materials, work or other resources incurred in the internal production of an asset is not included in its cost.

Right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities are recognised in accordance with IFRS 16.

The group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Upon initial application, the group elected to use the following practical expedients provided for by the new standard:

(i) it applied the same discount rate to leases with similar characteristics in terms of residual term for classes of similar underlying assets in similar locations;

(ii) it considered the leases with a term ending before 31 December 2019 as short-term leases;

(iii) it excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

(iv) it determined the contractual variables (especially the lease term) using hindsight.

In addition to the above practical expedients relating to the transition guidance, the group elected to use the exemption relating to leases for which the underlying asset is of low value and short-term leases. Accordingly, the group has opted not to recognise the lease payments for leases for which the underlying asset's value when new does not individually exceed €5,000 or with a lease term shorter than 12 months. The group recognises payments due for such contracts as an expense over the term of the lease. At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16. At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component. The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following: (i) fixed payments, including in-substance fixed payments; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; and (iv) the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance that generates future benefits for the group.

Intangible assets acquired or developed internally are recognised when it is probable that the use of the asset will generate future economic benefits and the cost of the asset can be determined reliably.

They are recognised at acquisition and/or development cost including costs incurred to ready the asset for its intended use less accumulated amortisation (except in the case of intangible assets with indefinite useful lives) and any accumulated impairment losses.

Amortisation begins when the right that the group has acquired is available for use and is allocated on a systematic basis over its useful life based on its residual use. The group reviews the amortisation criteria, useful lives and residual use of the assets at least at every annual reporting date to consider any significant variations.

When recognised as part of a business combination, goodwill is calculated as the positive difference between the consideration transferred in the acquisition, the share of the acquiree's equity attributable to non-controlling interests and the acquisition-date fair value of the acquirer's previously held equity interest in the net assets acquired and liabilities assumed. After initial recognition, goodwill is not amortised but is tested for impairment at least annually or more frequently if specific events or changes in circumstances indicate that it may be impaired. Reference should be made to the Impairment of non-financial assets section for information on impairment testing.

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are recognised at the lower of cost and fair value which is their net realisable value. The cost of raw materials, consumables and supplies is determined using the weighted average cost method. Cost includes the related costs.

Revenue from contracts with customers and contract assets/liabilities

Revenue from contracts with customers is recognised when (or as) control of a promised good or service is transferred to the customer for an amount reflecting the amount of consideration the group expects to be entitled to receive for such goods and services. Transfer of control of the good or service to the customer may be over time or at a point in time.

For contracts that meet the requirements for recognition over time, revenue is recognised on the basis of the stage of completion (or percentage of completion) of the contract whereby the costs, revenue and contract profit or loss are recognised by reference to the stage of completion of the contract activities. The percentage of completion is measured using the output method. The contract output is measured at the reporting date and reflects the best estimate of the work performed at the reporting date. The underlying assumptions are updated periodically. Any revenue or costs are recognised in the period in which the updates are made.

Conversely, when the requirements for revenue recognition over time are not met, revenue is recognised at a point in time.

The difference between the group's performance and the customer's payments is recognised in the statement of financial position under contract assets or contract liabilities. Specifically:

- net contract assets are the right to consideration for goods or services already transferred to the customer;

- contract liabilities are the group's obligation to transfer goods or services to the customer for which consideration has already been received (or for which the right to consideration has already arisen).

Contract assets are shown net of any allowances.

The transaction price reflects the contract consideration, variations, price adjustments and any additional consideration resulting from claims. With respect to the latter, revenue is recognised when it relates to an enforceable right and it is highly probable that its inclusion will not result in a significant revenue reversal in the future. Furthermore, in determining the transaction price, the group considers the effect of the following elements:

a. variable consideration;

b. the existence of a significant financing component in contracts;

c. non-monetary consideration;

d. consideration payable to the customer.

When, during the progress of contracts, the review of plans reveals that the costs to perform the obligations exceed contract revenue, the portion of costs in excess of the economic benefits generated by the contract is expensed entirely in the period the relevant amount becomes reasonably foreseeable and accrued in a provision for onerous contracts, under the current portion of provisions for risks and charges.

Financial assets and liabilities

Financial assets are classified into the following three categories, depending on their characteristics and the business model used to manage them: (i) at amortised cost; (ii) at fair value through other comprehensive income ("FVOCI"); (iii) at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under the amortised cost method, after initial recognition, the financial asset's carrying amount is adjusted for principal repayments, any loss allowance and the cumulative amortisation of any difference between the maturity amount and the initial carrying amount. Amortisation is calculated using the effective interest rate, which is the rate that discounts the estimated cash flows associated with the financial asset to its carrying amount at initial recognition. Loans, receivables and other financial assets measured at amortised cost are presented net of the related loss allowance in the statement of financial position.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. Fair value gains or losses on a financial instrument measured at FVOCI are recognised in equity, under other comprehensive income. Any fair value gain or loss accumulated in the equity reserve that includes other comprehensive income is taken to profit or loss when the financial instrument is derecognised. Any interest income measured using the effective interest rate, exchange gains or losses and impairment losses are recognised in profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers: (i) contingent events that would change the amount or timing of cash flows; (ii) terms that may adjust the contractual coupon rate, including variable rate features; (iii) prepayment and extension features; and (iv) terms that limit the group's claim to cash flows from specified assets (e.g., non-recourse features).

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Reference should be made to the Impairment losses section for information on the expected credit losses on financial assets.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand and demand bank deposits. They are recognised at their fair value which is usually their nominal amount.

Financial instruments

The group classifies financial instruments as financial liabilities, financial assets or equity instruments based on the substance of the contractual agreements and their terms. Specifically, instruments that will or may be settled through an entity's equity instruments (such as the warrants issued by the parent, Salcef Group S.p.A.), the key element for classification depends on whether there is a conversion ratio setting the exchange of a fixed or variable number of shares against a fixed or variable amount of cash or cash equivalents (fixed for fixed or fixed for variable). Fixed for fixed instruments (when there is a fixed conversion ratio and exercise price) are classified as equity instruments; otherwise they are classified as financial assets or liabilities. The additional conversion warrants issued by Salcef Group S.p.A. are financial instruments that will be settled with a variable number of shares of the issuer (reference should be made to note 15 Equity for further details) as the conversion ratio is not fixed for the term of the instrument. Indeed, although the number of shares that could be issued is limited to within a range, their number may vary depending on the conversion date and, specifically, the share price at that date.

As the additional conversion warrants do not meet the condition to be classified as equity instruments, they are classified as financial liabilities. Their accounting treatment provides for their initial recognition at fair value as a direct decrease in equity, while subsequent fair value gains and losses are recognised in profit or loss as financial expense/income. At the time of their exercise, pursuant to IFRIC 19, the group recognises the settlement of the financial liability remeasured at fair value and recognises the fair value of the equity instruments issued to settle such liability. Conversely, the "new" warrants issued by Salcef Group S.p.A. are fixed for fixed financial instruments as they provide for a fixed conversion ratio and exercise price and they are, therefore, classified as equity instruments. At the time of exercise of the "new" warrants, the group recognises an increase in equity equal to the exercise price of the warrants.

The group recognises its derivatives at their initial fair value and any subsequent fair value gains or losses. The latter's recognition depends on whether the derivative meets the IFRS 9 requirements for hedge accounting.

The group holds derivatives specifically for hedging interest rate risks. At the inception of designated hedging relationships, the group documents the economic relationship between the hedged item and the hedging instrument, the risk management objective and strategy for undertaking the hedge, the identification of the hedging instruments, the hedged item or transaction and the nature of the hedged risk. At the inception of the transaction and subsequently on an ongoing basis, the group also documents whether the hedging instrument meets the effectiveness requirements, i.e., whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. Hedging policies are considered on the basis of risk management objectives. The derivatives that do not meet the IFRS

9 requirements for hedge accounting are classified as at FVTPL.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

The group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

Provisions for risks and charges

The group makes provisions for risks and charges in the following circumstances:

- it has a present obligation (legal or constructive) at the reporting date which will require an outflow of financial resources to settle past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

- a reliable estimate can be made of the amount of the obligation (best possible estimate of the future expenditure).

When the effect of the time value of money is material and the payment dates of the obligation can be reliably estimated, the amount of the provision is equal to the pre-tax future cash flows (the expected expenditures) discounted using a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as financial expense in profit or loss.

Impairment losses

The group recognises expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- contract assets;

based on a forward looking expected credit losses (ECL) model. Indeed, irrespective of an identified or latent specific trigger event, the expected losses determined under the ECL model shall be recognised for all financial assets (except for those measured at FVTPL).

An impairment model based on the simplified approach permitted by IFRS 9 has been implemented for trade receivables. Specifically, they are divided into similar groupings based on the type of receivable, the customer's credit rating and the related geographical segment. To calculate the lifetime expected credit losses, the reference parameters (PD, LGD and EAD) were subsequently determined for each grouping based on the information obtained. For receivables due from customers with a high credit risk (speculative grade, non-investment grade or high yield) and/or with significant delays in payment, individual impairment losses are recognised in line with the parameters identified from time to time.

For the other assets to be impaired, analyses were performed based on the general approach provided for by the standard, whereby a stage allocation was performed for the impaired items estimating the expected losses with the PD, LGD and EAD risk parameters. In this regard, the group uses the low credit risk exemption provided for in the standard whereby low-risk receivables (investment grade) are allocated directly in stage 1.

Financial income and expense

The group's financial income and expense include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL;
- the exchange gain or loss on financial assets and financial liabilities;
- impairment losses (and gains) on investments in debt securities carried at amortised cost or FVOCI;

Interest income and expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current taxes are calculated on the taxable profit for the period in accordance with the tax laws applicable to each consolidated company at the rates enacted at the reporting date. They are shown net of payments on account, withholdings and tax assets as current tax liabilities if the balance is negative, or as current tax assets if the balance is positive.

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES purposes with its subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., RECO S.r.l., SRT S.r.l. and Overail S.r.l.. The agreement has a three-year term from 2020 to 2022.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax assets and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are calculated on all temporary differences between the tax base of an asset and its carrying amount (the liability method). Deferred taxes are calculated using the tax rates expected to be enacted in the years in which the temporary differences will be recovered or settled.

Current and deferred taxes are recognised in profit or loss, except for those related to items recognised directly in equity which are also accounted for directly in equity. Deferred tax assets and liabilities are not discounted.

Earnings per share

Basic and diluted earnings per share are shown at the foot of the income statement. Basic earnings per share are calculated by dividing the Salcef Group's profit or loss for the period by the weighted average of the ordinary shares outstanding in the period, excluding treasury shares. To calculate the diluted earnings per share, the weighted average of the outstanding shares is adjusted to assume all potential shares having dilutive effect are converted.

Fair value measurement

The group relies on observable market data to the greatest extent possible in measuring an asset or liability at fair value. Based on the observable significant inputs used in measurement, the assets and liabilities measured at fair value in the condensed interim consolidated financial statements are measured and classified based on the fair value hierarchy established by IFRS 13:

- level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 inputs: unobservable inputs for the asset or liability.

The classification of the entire fair value of an asset or liability is based on the hierarchy level corresponding to the lowest significant input used for the measurement.

Operating segments

The Salcef Group is specialised in the supply of integrated products and services in the construction and maintenance of railway infrastructure with all-round expertise in the infrastructure and technology aspects. Thanks to its business units, the group has the capacity to manage the key stages of the production process, from the design of works through to their construction and maintenance, the production and supply of materials and the design and construction of machines.

The group handles the design, construction and maintenance of:

- permanent way systems;
- electrical traction systems, substations and railway signalling;
- high, medium and low voltage electricity supply networks;
- multidisciplinary railway works, i.e., contracts covering several areas of specialisation, including the construction of infrastructure works (eg., railway tracks, buildings, platforms, underpasses and infrastructures).

The group is also active in:

- the design, production and supply of railway materials;
- the design, construction, maintenance and sale of machines, systems and equipment for the construction and

maintenance of railway infrastructure;

- engineering services and equipment hire.

With reference to and in compliance with the criteria set by IFRS 8, the Salcef Group's business model has a single operating segment, as strategies, processes, resources and technologies are shared across the various business units.

Changes in accounting policies, errors and changes in accounting estimates

The group only changes an accounting policy if the change is required by an IFRS or it results in the financial statements providing more reliable and more relevant information about the effects of transactions on the group's financial position, financial performance and cash flows.

Changes in accounting policies are applied retrospectively and the group adjusts the opening balance of the affected component of equity for the earliest prior period presented. The other comparative amounts disclosed for each prior period presented are adjusted as if the new accounting policy had always been applied.

The prospective approach is only applied when it is impracticable to reconstruct the comparative information.

Application of a new or amended IFRS is recognised as required by the standard. If the standard does not include specific transitional provisions, the change is recognised retrospectively or, if impracticable, prospectively.

The group treats material errors in the same manner as changes in accounting policies described above. Immaterial errors are corrected in profit or loss in the year in which the error is identified. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in the period of the change if the change affects that period only, or the period of the change and future periods, if the change affects both.

Use of estimates

Preparation of the condensed interim consolidated financial statements in compliance with the IFRS requires the directors to prepare evaluations, estimates and assumptions that affect the carrying amounts of the assets, liabilities, costs and revenue, as well as the disclosures provided. Estimates are based on the most recent information available to the directors when preparing the condensed interim consolidated financial statements. Estimates are used, inter alia, to measure credit risk, contract assets, amortisation and depreciation, impairment of assets, goodwill, revenue, employee benefits, income taxes and other provisions. The actual amounts may differ from those based on such estimates and reported in these condensed interim consolidated financial statements, given the uncertainty inherent in the assumptions and hypotheses underlying the estimates. Estimates and assumptions are reviewed regularly and the effects of any changes are recognised in profit and loss for the period in which the change takes place.

New standards and interpretations

At the date of approval of these condensed interim consolidated financial statements, the IASB has issued reporting standards, interpretations and amendments, some of which are still at the consultation phase, and which have not yet been endorsed by the European Union. These include:

- The IASB published the new IFRS 17 Insurance Contracts on 18 May 2017, which replaces the current IFRS 4. The aim of this new standard is to increase transparency on the sources of income and on the quality of the profits realised and to ensure results are highly comparable, introducing a single revenue recognition principle which reflects the services provided. Moreover, on 25 June 2020, the IASB published "Amendments to IFRS 17", which includes some amendments to IFRS 17 and the postponement of the standard's enactment until 1 January 2023. At the reporting date, the endorsement process is still underway.
- On 23 January 2020, the IASB published some amendments to IFRS 1. The "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" provides that a liability is classified as current or non current based on rights existing at the reporting date. It also establishes that the classification is not impacted by an entity's expectation of whether it will exercise its rights to postpone settlement of the liability. It also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments apply to financial statements for annual periods beginning on or after 1 January 2022. Early application is permitted and the endorsement process is still underway.
- On 14 May 2020, the IASB published "Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020" with the aim of making specific narrow-scope amendments to these standards. The amendments apply to financial statements for annual periods beginning on or after 1 January 2022. The endorsement process is still underway.
- On 28 May 2020, the IASB published "Leases Covid 19-Related Rent Concessions", which amended IFRS 16 Leases. It includes a voluntary practical expedient to simplify the assessment by lessees of the rent concessions obtained following the Covid-19 pandemic. The expedient is not available to lessors. The amendments to IFRS 16 apply to annual periods beginning on or after 1 June 2020 and early application is permitted (including in interim financial statements) that have not yet been authorised for publication. The endorsement process is still underway and is

expected to be completed in the next few months.

- On 25 June 2020, the IASB published "Amendments to IFRS 4 Contracts – deferral of IFRS 9" with the aim of clarifying certain application aspects of IFRS 9 pending the definitive application of IFRS 17. The amendments apply to financial statements for annual periods beginning on or after 1 January 2021. The EU endorsement process is expected to be completed during 2020.

The impacts that reporting standards, amendments and interpretations that will be enacted in the near future could have on the group's financial reporting are being examined and evaluated.

Notes to the main statement of financial position captions

ASSETS

NON-CURRENT ASSETS

1 Intangible assets with finite useful lives

These assets amount to €5,329 thousand at 30 June 2020, compared to €4,071 thousand at 31 December 2019.

The following table gives a breakdown of this caption and the changes for the period:

(€'000)

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development	Other	TOTAL
Balance at 31 December 2019:					
Cost	1,243	607	2,237	6,448	10,535
Acc. amortisation	(823)	(564)		(5,077)	(6,464)
Carrying amount at 31 December 2019	**420**	**43**	**2,237**	**1,371**	**4,071**
Investments - Historical cost	192	16	1,094	117	1,419
Disposals - Historical cost	0				
Other variations - Historical cost	0			0	
Reclassifications - Historical cost	0			130	130
Exchange differences - Historical cost					
Amortisation	(72)	(3)		(216)	(291)
Disposals - Acc. amortisation					
Other variations - Acc. amortisation					
Reclassifications - Acc. amortisation					-
Exchange differences - Acc. amortisation				(1)	(1)
Balance at 30 June 2020:					
Cost	1,435	623	3,331	6,695	12,084
Acc. amortisation	(895)	(567)		(5,294)	(6,756)
Carrying amount at 30 June 2020	**540**	**57**	**3,331**	**1,401**	**5,329**

Industrial patents and intellectual property rights amount to €540 thousand at 30 June 2020 and mainly consist of the industrial patents acquired by SRT S.r.l. for railway technologies (€271 thousand), intellectual property rights acquired by Overail S.r.l. during the period (€35 thousand), the software user licences acquired by the parent, Salcef S.p.A., SRT S.r.l., Salcef Bau and RECO S.r.l. (€185 thousand) and patents contributed by Vianini S.p.A. with the business unit in 2017 (€49 thousand).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€52 thousand).

Assets under development and payments on account include costs incurred by SRT S.r.l. to design new railway machinery (€3,071 thousand), the payments on account made by Overail S.r.l. to purchase production management software (€36 thousand) and the payments on account made by RECO S.r.l. to purchase a design software (€60 thousand), which had not yet been rolled out at 30 June 2020.

Other intangible assets mainly consist of the internal costs incurred by SRT S.r.l. to design new railway machinery (€973 thousand), non-recurring leasehold improvements carried out on the property in Via Pietralata 140, Rome where the parent has its administrative office (€163 thousand) and costs incurred to obtain the certifications and attestations to perform its activities, such as the SOA (certification required in Italy to submit tenders for public works contracts) and occupational safety certifications (€71 thousand), which are amortised over the term of such certifications and attestations.

2 Goodwill

(€'000)

GOODWILL	30/06/2020	31/12/2019	Variation
Carrying amount	13,806	13,806	0
Total	**13,806**	**13,806**	**0**

At the reporting date, this caption amounts to €13,806 thousand (unchanged from 31 December 2019) and includes goodwill recognised on the acquisition of businesses or business units.

With respect to the acquisition of business units, the following goodwill exists (by acquisition period):

- €423 thousand on the acquisition of the permanent way systems business unit in 2002;
- €682 thousand on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand on the acquisition of the electrical traction business unit in 2008;
- €242 thousand on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand for the 2015 acquisition of a business unit from Tuzi Costruzioni Generali S.p.A., active in the permanent way systems, construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. in 2017 (€392 thousand) and on the difference between the cost incurred by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the first consolidation date (€521 thousand);
- €677 thousand arising in 2018 on the acquisition of the equity investment in H&M Bau GmbH;
- €9,554 thousand arising in 2019 on the acquisition of the equity investment in Coget Impianti S.p.A..

The group tested the cash-generating units (CGUs) to which goodwill had been allocated for impairment in the presence of indicators. Specifically, goodwill was allocated to the following CGUs:

(€'000)

CGU	30/06/2020	31/12/2019	Variation
Permanent way systems	1,589	1,589	0
Abroad	677	677	0
Energy	10,385	10,385	0
Design	242	242	0
Sleepers production	913	913	0
Total	**13,806**	**13,806**	**0**

At 31 December 2019, the group calculated the value in use applying the discounted cash flow (DCF) method to the estimated cash flows for the next two years (2020-2021), based on the CGUs' projected figures, to which a WACC of 8.1% was applied for the Permanent way systems, Energy and Sleepers production CGUs, a WACC of 6.4% for the Abroad CGU and a WACC of 9.1% for the Design CGU. The average nominal growth rate of the cash flows available after the plan period on a perpetual basis (g rate), used to calculate the residual value, was assumed to be 1%. The results of the impairment test were higher than the CGUs' carrying amount. The sensitivity analysis showed that, compared to the parameters used for the impairment tests, impairment losses would not be generated even if the growth rate decreased by 50% (g rate 0.5%) and the discount rate concurrently increased by 10%.

The estimates and projected figures to which the above parameters were applied were determined using the group's past experience and expectations about the development of the markets in which it operates.

The group constantly monitors circumstances and events related to changes in the current economic context that could generate impairment losses. The effects of the Covid-19 pandemic are not deemed to be impairment indicators requiring specific testing of the recoverability of the goodwill recognised, as it they are limited in amount and timeframe. Reference should be made to the section of the directors' report on significant events of the period.

3 Property, plant and equipment

This caption mainly consists of plant and machinery used in production. The following table shows a breakdown of the caption and changes of the period:

(€'000)

PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2019:							
Cost	3,221	9,458	170,594	13,541	7,943	9,600	214,357
Acc. depreciation	-	(1,403)	(121,383)	(12,336)	(5,328)	-	(140,450)
Carrying amount at 31 December 2019	**3,221**	**8,055**	**49,211**	**1,205**	**2,615**	**9,600**	**73,907**
Investments - Historical cost			2,427	252	1,104	3,908	7,691
Disposals - Historical cost			(61)	(144)	(216)	(124)	(545)
Reclassifications - Historical cost			807	0	98	(1,035)	(130)
Impairment losses - Historical cost							
Other variations - Historical cost							
Exchange differences - Historical cost		(9)	(311)	(2)	(12)		(334)
Depreciation		(142)	(5,799)	(482)	(452)		(6,875)
Disposals - Acc. depreciation			93	144	180		417
Reclassifications - Acc. depreciation							
Impairment losses - Acc. depreciation							
Other variations - Acc. depreciation							
Exchange differences - Acc. depreciation			74	2	5		81
Balance at 30 June 2020:							
Cost	3,221	9,449	173,456	13,647	8,917	12,349	221,039
Acc. depreciation	-	(1,545)	(127,015)	(12,672)	(5,595)	-	(146,827)
Carrying amount at 30 June 2020	**3,221**	**7,904**	**46,441**	**975**	**3,322**	**12,349**	**74,212**

The increases of the first half of 2020 are part of the major investment plan in property, plant and equipment implemented by the Salcef Group which were mostly eligible for the tax benefits introduced by the Industria 4.0 plan. Specifically, when certain requirements are met, companies can avail of hyper-amortisation, i.e., for assets purchased or ordered in 2018, including for delivery in 2019, they can apply a 150% increase on the acquisition cost deductible for tax purposes, while complying with the depreciation plan applicable to each asset. The increase for assets purchased or ordered in 2019, including for delivery in 2020, was reformulated into brackets following legislative changes, with percentages ranging from 50% to 170%.

The decreases of €545 thousand relate to assets that are no longer used in production or relevant to the group's activities.

Land and buildings include SRT S.r.l.'s operating offices (€4,071 thousand), and related land (€938 thousand), and the industrial site housing Overail S.r.l.'s railway sleeper production plant in Aprilia (€6,854 thousand), of which €2,284 thousand relates to land.

The increases in plant and machinery mainly refer to the purchase of assets with technical features and performances suitable for the group's operations and significant parts of these assets, including for extraordinary maintenance to improve their efficiency and output. Specifically, the rolling stock and excavators and bulldozers are the main operating assets for the group's core business. The related asset categories included under plant and machinery increased by €1,854 thousand, due to the renewal and/or lengthening of the assets' useful lives as a result of extraordinary maintenance and costs to improve the assets, which include structural modifications to the rolling stock so they can be used on tracks and for contracts with different characteristics.

The other assets (€3,322 thousand) mainly consist of motor vehicles and cars (€2,867 thousand) and office furniture, fittings and equipment (€454 thousand).

Assets under construction and payments on account (€12,349 thousand) include costs incurred for the construction and extraordinary maintenance of machinery and equipment not yet in use, mainly performed by SRT S.r.l. on behalf of Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.p.A. (€6,935 thousand). They also include costs incurred by SRT S.r.l. (€4,673 thousand) and Overail S.r.l. (€3,421 thousand) respectively to expand the Fano warehouse and the Aprilia plant, related to activities not yet completed and/or pending inspection at 30 June 2020.

4 Right-of-use assets

These assets amount to €14,908 thousand at 30 June 2020, compared to €12,253 thousand at 31 December 2019.

(€'000)

RIGHT-OF-USE ASSETS	30/06/2020	31/12/2019	Variation
Carrying amount	14,908	12,253	2,655
Total	**14,908**	**12,253**	**2,655**

This caption relates to the operating leases whose overall discounted value is recognised under property, plant and equipment pursuant to the new IFRS 16 which the group adopted on 1 January 2019 using the modified retrospective approach. Accordingly, the prior period corresponding figures are not restated and continue to be presented in accordance with IAS 17 and IFRIC 4.

The changes of the period in the right-of-use assets and lease liabilities are summarised below:

(€'000)

RIGHT-OF-USE ASSETS	Land and buildings	Plant and machinery	Other assets	TOTAL
Carrying amount at 31 December 2019	1,838	9,887	528	12,253
Depreciation	(431)	(2,672)	(158)	(3,261)
Increases	146	5,748	22	5,916
Derecognition	–	–	–	–
Carrying amount at 30 June 2020	**1,553**	**12,963**	**392**	**14,908**

(€'000)

Lease liabilities	
Carrying amount at 31 December 2019	9,595
Payments	(2,538)
Increases	4,756
Interest expense	92
Carrying amount at 30 June 2020	**11,905**
of which, current	*6,792*
of which, non-current	*5,113*

5 Equity-accounted investments

Equity-accounted investments amount to €41 thousand at 30 June 2020, compared to €40 thousand at 31 December 2019.

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	30/06/2020	31/12/2019	Variation
Associates	38	38	0
Other companies	3	2	1
Total	**41**	**40**	**1**

The breakdown and details of the changes of the period are reported below:

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	REGISTERED OFFICE	30/06/2020	31/12/2019	Variation
Associates and other companies				
Frejus S.c.a.r.l.	Bologna - Italy	8	8	0
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità	Rome - Italy	25	25	0
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	5	5	0
Sassariolbia S.c. a r.l.	Rome - Italy	1	1	0
Consorzio Telese S.c.a.r.l.	Rome - Italy	1	0	1
Concise Consorzio Stabile S.c. a r.l.	Pordenone - Italy	1	1	0
Total		**41**	**40**	**1**

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	Associates	Other companies	Total
Carrying amount at 31 December 2019	38	2	40
Increases/Capital increases		1	1
Decreases			-
Impairment losses			-
Carrying amount at 30 June 2020	**38**	**3**	**41**

The €1 thousand increase relates to the set up of Consorzio Telese S.c.ar.l. on 16 June 2020 which will carry out the executive planning and construction of the Telese-San Lorenzo – Vitulano section of the HS/HC Naples - Bari railway line after the tender contract was signed with RFI. Salcef S.p.A. represents 6.30% and Coget Impianti S.p.A. 1.25% of this consortium.

6 Other non-current assets

They amount to €13,760 thousand (31 December 2019: €13,507 thousand) and may be analysed as follows:

(€'000)

OTHER NON-CURRENT ASSETS	30/06/2020	31/12/2019	Variation
Guarantee deposits	628	693	(65)
Performance bonds	13,078	12,760	318
Other assets	54	54	0
Total	**13,760**	**13,507**	**253**

The guarantee deposits include amounts paid by group companies to guarantee the supply of goods and services to be received and for property leases.

The other assets include the amount due from the liquidator of the subsidiary Ferrovie Sarde S.c.a r.l. due to its winding-up (€54 thousand).

7 Deferred tax assets - Deferred tax liabilities - Current and deferred taxes

Income taxes may be analysed as follows:

(€'000)

INCOME TAXES	H1 2020
IRES	*6,321*
IRAP	*1,744*
Foreign income taxes	*38*
Total current taxes	**8,103**
Change in deferred tax assets	(801)
Change in deferred tax liabilities	*228*
Total deferred taxes	**(573)**
Prior year taxes	**(289)**
Total	**7,241**

Deferred tax assets and liabilities amount to €5,471 thousand and €1,095 thousand, respectively. Changes in these two captions are analysed below:

(€'000)

DEFERRED TAX ASSETS	01/01/2020	Accruals	Utilisations	Other variations	30/06/2020
Depreciation of revalued buildings	93				93
Loss allowance	1,106	637			1,743
Exchange differences	9	29	(9)		29
Effect of IAS 19 application	36		(23)	4	17
Fair value of derivatives	4			(2)	2
Elimination of intragroup profits and losses	559		(70)		489
Effect of IFRS 15 application	228	328	(228)		328
Effect of IFRS 9 application	26	60	(26)		60
Fair value of securities	0	273			273
Taxable loss	1,235				1,235
Other	1,371		(170)		1,201
Total	**4,668**	**1,327**	**(526)**	**2**	**5,471**

(€'000)

DEFERRED TAX LIABILITIES	01/01/2020	Accruals	Utilisations	Other variations	30/06/2020
Exchange differences	25	22	(25)		22
Reversal of amortisation of goodwill	414	141			555
Leases pursuant to IAS 17	428	128	(55)		501
Other	0	18	(1)		17
Total	**867**	**309**	**(81)**	**0**	**1,095**

CURRENT ASSETS

8 Inventories

Inventories amount to €11,242 thousand at 30 June 2020, compared to €10,883 thousand at 31 December 2019, as follows:

(€'000)

INVENTORIES	30/06/2020	31/12/2019	Variation
Raw materials, consumables and supplies	4,602	4,637	(35)
Work in progress and semi-finished products	6,640	6,246	394
Total	**11,242**	**10,883**	**359**

Raw materials, consumables and supplies include consumables and other materials purchased for the construction and permanent way systems works and not yet used at the reporting date, raw materials for the maintenance of rolling stock and railway equipment by SRT S.r.l. and materials necessary for Overail S.r.l.'s production of railway sleepers.

Work in progress and semi-finished products relate to works carried out at the Fano workshop.

9 Contract assets and liabilities

Contract assets include the contractual consideration for work in progress certified by progress reports issued by the customer's works manager or internal reports prepared by the group and not yet invoiced.

(€'000)

CONTRACT ASSETS	30/06/2020	31/12/2019	Variation
Contract assets	126,417	99,437	26,980
Impairment losses	(169)	(64)	(105)
Total	**126,248**	**99,373**	**26,875**

They have incurred impairment losses of €169 thousand at the reporting date.

At 30 June 2020, the contract assets relate to the parent (€2,120 thousand), Euro Ferroviaria S.r.l. (€15,636 thousand), Salcef S.p.A. (€78,932 thousand), Overail S.r.l. (€21,132 thousand), Salcef Bau (€3,247 thousand) and Coget Impianti S.p.A. (€5,350 thousand).

The contract assets existing at 30 June 2020 were invoiced in the first few days of July for approximately €20 million.

The following table provides a breakdown of contract assets by geographical segment:

(€'000)

GEOGRAPHICAL SEGMENT	30/06/2020	31/12/2019	Variation
Italy	114,885	94,776	20,109
Europe (excluding Italy)	8,903	2,089	6,814
Africa	2,088	1,916	172
Middle East	372	592	(220)
Total	**126,248**	**99,373**	**26,875**

The following table provides information on financial assets and contract assets and liabilities:

(€'000)

FINANCIAL STATEMENTS BALANCES RELATED TO CONTRACTS	30/06/2020	31/12/2019	Variation
Amounts included under trade receivables	44,595	70,857	(26,262)
Amounts included under assets held for sale	-	-	-
Contract assets	126,248	99,373	26,875
Contract liabilities	(6,349)	(6,900)	551
TOTAL	**164,494**	**163,330**	**1,164**

As mentioned previously, contract assets are mainly comprised of the group's right to receive payment for that portion of work in progress that has been completed but not invoiced at the reporting date.

Contract liabilities are mainly comprised of advances on contracts referring to contracts awarded to the group, which will be subsequently invoiced on the basis of the progress reports issued and approved by the customer.

At the reporting date, the caption mainly related to:

- the advance received from NAT - National Authority for Tunnels (€418 thousand) for the construction of a new railway station in Kozzyka (Egypt);

- the advance received from ATAC S.p.A. (€181 thousand) for the maintenance works on the permanent way systems on the Rome Metro Line C;
- the advance received from R.F.I. S.p.A. (€1,695 thousand) for the commencement of the permanent way systems and civil works for railway tracks for various sections of the Cagliari - Golfo Aranci line;
- the advance received from ATAC S.p.A. (€115 thousand) for the maintenance works on the permanent way systems on the Rome – Civita Castellana – Viterbo line;
- the advance received from SRT S.r.l. (€99 thousand) for the construction of a machine;
- the advance received from the Abu Dhabi branch (€3,841 thousand) for the commencement of works for the construction of the track for the new Ghuweifat - Ruwais railway line, subscribed with the joint arrangement between China State Construction Engineering Corporation and the South Korean SK Engineering and Construction on 14 September 2019.

10 Trade receivables

(€'000)

TRADE RECEIVABLES	30/06/2020	31/12/2019	Variation
Customers	*48,752*	*75,192*	*(26,440)*
Loss allowance	*(4,439)*	*(4,709)*	*270*
Total receivables from third parties	**44,313**	**70,483**	**(26,170)**
Associates	*282*	*374*	*(92)*
Total receivables from related parties	**282**	**374**	**(92)**
Total	**44,595**	**70,857**	**(26,262)**

The following table shows changes in the loss allowance during the period:

(€'000)

LOSS ALLOWANCE	
Carrying amount at 1 January 2020	(4,709)
Utilisations/Releases	306
Accruals	(36)
Carrying amount at 30 June 2020	**(4,439)**

Although the group's exposure to credit risk is mainly related to the specific characteristics of each customer, group management also considers variables typical of the group's backlog, including the insolvency risk of the customer's sector and country.

Reference should be made to the note to related party transactions for more information about receivables from related parties.

Receivables from third parties by geographical segment

(€'000)

GEOGRAPHICAL SEGMENT	30/06/2020	%	31/12/2019	%	Variation
Italy	34,897	78.8%	64,550	91.6%	(29,653)
Europe (excluding Italy)	8,610	19.4%	3,012	4.3%	5,598
Africa	188	0.4%	312	0.4%	(124)
Asia	40	0.1%	72	0.1%	(32)
Middle East	578	1.3%	2,537	3.6%	(1,959)
Total	**44,313**		**70,483**		**(26,170)**

11 Current tax assets

Current tax assets of €2,850 thousand (31 December 2019: €4,835 thousand) include:

- direct income taxes paid abroad (€2,509 thousand);
- the 2019 IRES asset of €288 thousand related to Coget Impianti S.p.A.;
- the 2019 IRAP asset of €53 thousand related to Salcef Group S.p.A..

12 Current financial assets

(€'000)

CURRENT FINANCIAL ASSETS	30/06/2020	31/12/2019	Variation
Securities	60,222	23,837	36,385
Loan assets with associates	353	678	(325)
Total	**60,575**	**24,515**	**36,060**

Loans assets with associates at 30 June 2020 relate to the non-interest bearing loan granted to the associate Consorzio I.C.A.V.. At 31 December 2019, the balance also included the €325 thousand non-interest bearing loan granted to Sesto Fiorentino S.c.a r.l., repaid during the first half of 2020.

Securities of €60,222 thousand represent the investments existing at the reporting date in mutual property funds, certificates and policies taken out by Salcef Group S.p.A. to invest the cash and cash equivalents obtained following the merger of Indstars 3 in November 2019. They are measured at fair value (level 1 according to the IFRS 3 hierarchy) and the related gains and losses are taken to profit or loss.

(€'000)

SECURITIES	31/12/2019	Purchases	Sales	Fair value gains (losses)	30/06/2020
Unicredit mutual funds	5,985	1,423	(750)	(114)	6,544
Unicredit certificates	1,325			(121)	1,204
Intesa Eurizon SGR	10,000			(121)	9,879
BPS Arca Bond Corporate	1,400	1,600		(71)	2,929
BPS Fondo Etica	1,400	1,600		(39)	2,961
UBI Polizza BAP Vita	3,727	2,233		(40)	5,920
BTP BPS	-	425		9	434
Mandato Fiduciario Mps	-	15,000		0	15,000
BTP Deutsche Bank	-	993		18	1,011
Servizio Italia Polizza Cardiff	-	15,000		(660)	14,340
Total	**23,837**	**38,274**	**(750)**	**(1,139)**	**60,222**

13 Cash and cash equivalents

(€'000)

CASH AND CASH EQUIVALENTS	30/06/2020	31/12/2019	Variation
Bank and postal accounts	52,079	82,182	(30,103)
Cash-in-hand and cash equivalents	19	25	(6)
Total	**52,098**	**82,207**	**(30,109)**

The bank and postal accounts at the reporting date are mostly held by the parent (€25,051 thousand), Salcef S.p.A. (€18,113 thousand), Euro Ferroviaria S.r.l. (€4,088 thousand) and Coget Impianti S.p.A. (€2,716 thousand).

14 Other current assets

Breakdown of other current assets

(€'000)

OTHER CURRENT ASSETS	30/06/2020	31/12/2019	Variation
Other tax assets	8,059	13,373	(5,314)
Other assets	5,254	7,440	(2,186)
Prepayments and accrued income	4,894	3,349	1,545
Total	**18,207**	**24,162**	**(5,955)**

Other tax assets mainly refer to indirect taxes (mainly VAT) paid in Italy and abroad (€7,015 thousand; 31 December 2019: €10,958 thousand). The balance is lower than at 31 December 2019 as the VAT reimbursement claims for 2019 and the first quarter of 2020 were lodged with the tax authorities and then sold to factoring companies.

The other assets include:

(€'000)

OTHER ASSETS	30/06/2020	31/12/2019	Variation
Personnel and work sites	1,042	943	99
Advances on trade receivables assigned without recourse	1,803	2,964	(1,161)
Advances to suppliers	1,347	976	371
Social security institutions	318	313	5
Suspended amounts with third parties (joint arrangements)	358	1,821	(1,463)
Others	386	423	(37)
Total	**5,254**	**7,440**	**(2,186)**

The assignment without recourse of trade receivables by Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. near the end of the period, (€1,803 thousand) relates to the amounts not yet paid to these three companies of €1,253 thousand, €386 thousand and €164 thousand, respectively.

Prepayments and accrued income consist exclusively of cost prepayments incurred during the period but pertaining to future periods. They mainly relate to prepaid insurance premiums for the work sites, bank surety commissions and rentals and leases.

LIABILITIES

TOTAL EQUITY AND LIABILITIES

15 Equity

The main equity captions and changes therein are commented on below.

Share capital

The fully paid-up share capital at 30 June 2020 amounts to €61,771,490 and is comprised of 43,253,456 shares without nominal value, as follows:

a) 41,493,456 ordinary shares;

b) 1,500,000 performance shares;

c) 260,000 special shares.

The following are also in circulation at 30 June 2020:

- 7,337,288 new warrants which, pursuant to the terms and procedures set out in the regulation, give the bearers the right to subscribe conversion shares at the ratio of 1 conversion share for each new warrant exercised at a subscription price of €10.50 per share.

- 8,895,966 additional conversion warrants which, pursuant to the terms and procedures set out in the regulation, give the bearers the right to subscribe conversion shares at a ratio that will be notified monthly and at a subscription price of €0.10 per share.

Specifically, the bearers of the additional conversion warrants can ask to subscribe conversion shares at any time at the subscription price at the following exercise ratio, as long as the average monthly price is higher than the strike price of €9.30:

$$\frac{\text{Monthly average price} - \text{Strike price}}{\text{Monthly average price} - \text{Share subscription price}}$$

If there is an acceleration, i.e., if the average monthly price is higher than the threshold price of €13.00, the bearers of the warrants can ask to subscribe conversion shares at the share subscription price within and not after 60 (sixty) days from the notice of acceleration at the following exercise ratio:

$$\frac{\text{Threshold price} - \text{Strike price}}{\text{Threshold price} - \text{Share subscription price}}$$

Other reserves

They mainly comprise:

- Legal reserve: this reserve of €1,227 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Other reserves: they mainly include the translation reserve related to the financial statements of the foreign branches and the reserve generated by the merger between Salcef Group S.p.A. and Indstars 3 on 8 November 2019 (€45,167 thousand);
- Reserve for warrants: set up at the date of issue of the additional conversion warrants (8 November 2019) on the basis of their market value and then adjusted for conversions made in the first half of 2020. The exercise of the warrants entails the settlement of the related financial liability through the issue of ordinary shares of Salcef Group

S.p.A. reclassified as an increase in the other equity reserves.

The parent holds 155,326 treasury shares at the reporting date, equal to 0.3613% of the share capital.

NON-CURRENT LIABILITIES

16 Current and non-current financial liabilities – Lease liabilities – Bank loans and borrowings

Lease liabilities and bank loans and borrowings may be analysed as follows:

(€'000)

LOANS AND BORROWINGS	30/06/2020	31/12/2019	Variation
Non-current bank loans	23,766	17,754	6,012
Hedging instruments	8	15	(7)
Lease liabilities pursuant to IFRS 16	6,793	6,072	721
Total non-current loans and borrowings	**30,567**	**23,841**	**6,726**
Bank loans and borrowings	0	1	(1)
Loans and borrowings from other financial backers	5,710	1,064	4,646
Short-term bank loans and borrowings	35,245	31,302	3,943
Financial liability for warrants	23,574	12,528	11,046
Lease liabilities pursuant to IFRS 16	5,113	3,522	1,591
Total current loans and borrowings	**69,642**	**48,417**	**21,225**
Total	**100,209**	**72,258**	**27,951**

This caption mainly refers to the medium to long-term bank loans taken out by the parent, Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. and contracts bearing floating interest linked to the Euribor.

Loans and borrowings from other financial backers include the VAT asset for the third quarter of 2019 of €4,055 thousand reimbursed by the tax authorities. This receivable had been sold to a factoring company and is therefore payable thereto.

The additional conversion warrants are recognised at fair value at 30 June 2020 based on the Salcef Group S.p.A. warrants' listed spot prices at that date. As described previously and in the note to financial income and expense, in addition to the financial liability at 30 June 2020, the group also recognised fair value losses of €17,675 thousand as a financial expense.

The following table provides a breakdown of the net financial position (and adjusted net financial position) at 30 June 2020 and 31 December 2019:

(€'000)

NET FINANCIAL POSITION	30/06/2020	31/12/2019	Variation	%
(A) Cash	19	25	(6)	-24%
(B) Cash equivalents	52,079	82,181	(30,102)	-37%
(C) Securities held for trading	60,222	23,837	36,385	>100%
(D) Liquidity (A + B + C)	**112,320**	**106,043**	**6,277**	**6%**
(E) Current loan assets	**353**	**678**	**(325)**	**-48%**
(F) Current bank loans and borrowings	0	(1)	1	-100%
(G) Current portion of non-current debt	(40,953)	(32,366)	(8,587)	27%
(H) Other current loans and borrowings *	(28,689)	(16,050)	(12,639)	79%
(I) Current financial debt (F+G+H)	**(69,642)**	**(48,417)**	**(21,225)**	**44%**
(J) Net current financial position (D+E+I)	**43,031**	**58,304**	**(15,273)**	**-26%**
(K) Non-current bank loans and borrowings	(23,766)	(17,754)	(6,012)	34%
(L) Other non-current loans and borrowings	(6,801)	(6,087)	(714)	12%
(M) Non-current financial debt (K+L)	**(30,567)**	**(23,841)**	**(6,726)**	**28%**
**(N) Net financial position (J+M) ** **	**12,464**	**34,463**	**(21,999)**	**-64%**
(O) Adjustment for other financial liabilities - warrants	23,574	12,528	11,046	88%
(P) Adjusted net financial position (N+O)	**36,038**	**46,991**	**(10,953)**	**-23%**

(*) includes the financial liability for the warrants referred to in letter O

(**) Net financial position calculated as per Consob communication no. 6064293 of 28 July 2006 and in compliance with ESMA recommendation 2013/319

The following table shows financial debt by maturity bracket at 31 December 2019 and 30 June 2020:

(€'000)

LOANS AND BORROWINGS BY MATURITY DATE	Due within one year	Due after one year and within five years	Due after five years	TOTAL
Bank loans	31,302	17,754	-	49,056
Loans and borrowings from other financial backers	1,064	-	-	1,064
Bank loans and borrowings	1	-	-	1
Lease liabilities	3,522	6,072	-	9,594
Financial liability for warrants	12,528	-	-	12,528
Hedging instruments	-	15	-	15
Carrying amount at 31 December 2019	**48,417**	**23,841**	**-**	**72,258**
Bank loans	35,245	23,766	-	59,011
Loans and borrowings from other financial backers	5,710	-	-	5,710
Bank loans and borrowings	-	-	-	0
Lease liabilities	5,113	6,793	-	11,906
Financial liability for warrants	23,574	-	-	23,574
Hedging instruments	-	8	-	8
Carrying amount at 30 June 2020	**69,642**	**30,567**	**-**	**100,209**

17 Employee benefits

This caption includes the group's estimated liability for the post-employment benefits due to employees when their employment relationship ends, as the benefits are defined benefit plans under IAS 19. The liability is calculated by an actuary using actuarial techniques.

The key assumptions used by the actuary for 2019 and the first half of 2020 are set out below:

SUMMARY OF THE ACTUARIAL ASSUMPTIONS	30/06/2020	31/12/2019
Annual discount rate	0.75%	0.78%
Annual inflation rate	1.5%	1.5%
Annual rate of increase in employee benefits	2.3%	2.3%

Changes in the caption are shown in the following table:

(€'000)

EMPLOYEE BENEFITS	
Carrying amount at 1 January 2020	1,024
Accruals	1,037
Utilisations/Transfers	(1,134)
Interest cost	4
Net actuarial gains	15
Carrying amount at 30 June 2020	**946**

18 Provisions for risks and charges (non-current portion)

The following table presents changes in this caption during the period:

(€'000)

PROVISIONS FOR RISKS AND CHARGES	Provision for litigation
Carrying amount at 1 January 2020	1,302
Accruals	2,008
Utilisations/Releases	(82)
Carrying amount at 30 June 2020	**3,228**

The provision for litigation represents an estimate of the probable charges the Salcef Group will incur in respect of the disputes underway or the claims currently pending and being assessed in which the group may be asked to pay for the damage suffered by the counterparty.

CURRENT LIABILITIES

19 Trade payables

(€'000)

TRADE PAYABLES	30/06/2020	31/12/2019	Variation
Suppliers	77,328	90,753	(13,425)
Associates	1,676	2,863	(1,187)
Total	**79,004**	**93,616**	**(14,612)**

Payables to suppliers (€77,328 thousand) mostly refer to Salcef S.p.A. (€45,783 thousand), the parent (€3,537 thousand), Euro Ferroviaria S.r.l. (€6,686 thousand), Overail S.r.l. (€10,819 thousand) and SRT S.r.l. (€4,294 thousand).

Payables to associates mainly include costs recharged by the consortium companies and consortia to the parent, Salcef S.p.A. and Euro Ferroviaria S.r.l..

The following table provides a breakdown of trade payables by geographical segment:

(€'000)

GEOGRAPHICAL SEGMENT	30/06/2020	%	31/12/2019	%	Variation
Italy	70,528	91.2%	86,009	94.8%	(15,481)
Europe (excluding Italy)	5,110	6.6%	2,175	2.4%	2,935
Africa	678	0.9%	475	0.5%	203
United States	64	0.1%	0	0.0%	64
Middle East	947	1.2%	2,094	2.3%	(1,147)
Total	**77,328**		**90,753**		**(13,425)**

20 Tax liabilities

TAX LIABILITIES	30/06/2020	31/12/2019	Variation
Direct taxes	5,807	537	5,270
Foreign current taxes	486	483	3
Tax provision	916	916	0
Total	**7,209**	**1,936**	**5,273**

Of the tax provision (€916 thousand), €750 thousand reflects a prudent estimate of the tax charges the Salcef Group may incur in the event of tax audits, inspections or assessments, while €166 thousand has been accrued for a tax assessment underway at the Egyptian branch.

21 Other current liabilities

(€'000)

OTHER CURRENT LIABILITIES	30/06/2020	31/12/2019	Variation
Social security institutions	1,960	2,513	(553)
Employees	5,393	4,010	1,383
Third parties (joint arrangements)	1,067	2,247	(1,180)
Other liabilities	9,818	10,173	(355)
Accrued expenses and deferred income	40	80	(40)
Other tax liabilities	1,352	2,397	(1,045)
Total	**19,630**	**21,420**	**(1,790)**

Amounts due to employees refer to unpaid remuneration and untaken holidays at the reporting date.

The amounts due to third parties (joint arrangements) relate to collection by Salcef S.p.A. and Euro Ferroviaria S.r.l., as lead contractors, of invoices issued by them to the customers for contract work performed.

Other liabilities include the amount still to be paid by Salcef Group S.p.A. for the acquisition of the equity investment in Coget Impianti S.p.A. (€6,878 thousand).

The other tax liabilities mostly consist of withholdings on the June 2020 remuneration of consultants and employees.

Apart from that described in the note on commitments and risks, the group's liabilities are not secured by collateral.

Notes to the main income statement captions

22 Revenue – Other income

(€'000)

REVENUE	H1 2020	H1 2019	Variation
Revenue from contracts with customers	149,836	139,043	10,793
Other income	406	708	(302)
Total	**150,242**	**139,751**	**10,491**

Revenue from contracts with customers mainly relates to contract work carried out during the period and accepted by the customers.

Revenue from contracts with customers is broken down by the timing of revenue recognition, the main product/services lines and by the main geographical segments.

(€'000)

BREAKDOWN OF REVENUE FROM CONTRACTS WITH CUSTOMERS	H1 2020	H1 2019	Variation
Timing of revenue recognition			
Products transferred at a point in time	6,351	6,847	(496)
Products and services transferred over time	143,485	132,196	11,289
Total	**149,836**	**139,043**	**10,793**
Main products/services			
Permanent way systems	106,117	105,305	812
Civil works	9,972	2,795	7,177
Energy	15,513	15,941	(428)
Sleepers production	14,966	13,843	1,123
Maintenance and construction	3,268	1,159	2,109
Total	**149,836**	**139,043**	**10,793**
Main geographical segments			
Italy	121,532	117,615	3,917
Europe (excluding Italy)	24,151	15,848	8,303
Africa	938	2,476	(1,538)
Middle East	3,215	3,104	111
Total	**149,836**	**139,043**	**10,793**

Breakdown of other income

(€'000)

Other income	H1 2020	H1 2019	Variation
Recharges to third parties	71	58	13
Insurance and other compensation	156	24	132
Gains on sale of assets	73	363	(290)
Other sundry income	106	263	(157)
Total	**406**	**708**	**(302)**

23 Raw materials, supplies and goods

This caption amounts to €25,450 thousand net of changes in inventories and is comprised as follows:

(€'000)

RAW MATERIALS, SUPPLIES AND GOODS	H1 2020	H1 2019	Variation
Raw materials, supplies and goods	24,967	33,369	(8,402)
Change in inventories	483	454	29
Total	**25,450**	**33,823**	**(8,373)**

24 Services

This caption of €58,238 thousand may be analysed as follows:

(€'000)

SERVICES	H1 2020	H1 2019	Variation
Maintenance	1,477	1,697	(220)
Subcontracting, consultancy and third party services	36,343	39,605	(3,262)
Insurance and sureties	2,187	1,931	256
Consultants' and temporary workers' fees	2,207	2,190	17
Costs of employees on secondment	286	236	50
Utilities	375	445	(70)
Directors' fees	557	350	207
Statutory auditors' fees	70	49	21
Bed and board for employees on business trips	4,222	4,128	94
Commercial costs	108	255	(147)
General and administrative costs	411	282	129
Tender costs	10	94	(84)
Transport	4,797	5,297	(500)
Motor vehicles and cars	749	580	169
Accruals for risks	2,000	0	2,000
Fines and compensation	47	142	(95)
Other services	2,392	960	1,432
Total	**58,238**	**58,241**	**(3)**

25 Personnel expense

This caption includes all direct and indirect expenses related to the group's employees as follows:

(€'000)

PERSONNEL EXPENSE	H1 2020	H1 2019	Variation
Wages and salaries	23,511	19,384	4,127
Social security contributions	7,654	6,137	1,517
Post-employment benefits, pensions and other benefits	1,037	915	122
Other costs	306	110	196
Total	**32,508**	**26,546**	**5,962**

Workforce by category

WORKFORCE at 30 June 2020	Italy	Abroad	TOTAL
Managers	28	3	31
White collars	201	49	250
Blue collars	683	87	770
Total	**912**	**139**	**1,051**

26 Amortisation, depreciation and impairment losses

(€'000)

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	H1 2020	H1 2019	Variation
Amortisation of intangible assets	269	383	(114)
Depreciation of property, plant and equipment	6,896	5,987	909
Depreciation of right-of-use assets pursuant to IFRS 16	3,261	886	2,375
Total	**10,426**	**7,256**	**3,170**

Reference should be made to the notes to intangible assets and property, plant and equipment for more information about the amortisation and depreciation criteria.

27 Impairment losses

(€'000)

IMPAIRMENT LOSSES	H1 2020	H1 2019	Variation
Impairment losses	141	19	122
Total	**141**	**19**	**122**

28 Other operating costs

(€'000)

OTHER OPERATING COSTS	H1 2020	H1 2019	Variation
Loss on sale of assets	39	59	(20)
Rent and leases	2,493	1,531	962
Donations	294	0	294
Indirect taxes and duties	282	370	(88)
Fines and penalties	41	58	(17)
Other costs	352	697	(345)
Total	**3,501**	**2,715**	**786**

The loss on the sale of assets refers to the group's normal operations.

29 Internal work capitalised

(€'000)

INTERNAL WORK CAPITALISED	H1 2020	H1 2019	Variation
Internal work capitalised	5,936	11,471	(5,535)
Total	**5,936**	**11,471**	**(5,535)**

This caption includes the direct cost (materials, labour and other direct costs) of work performed internally on items of property, plant and equipment, principally rolling operating machines, owned by the group companies. This work consists of extraordinary maintenance performed by SRT S.r.l. personnel and subcontractors at the Fano (PU) workshop where the warehouse holding the raw materials, consumables and spare parts is also located. The maintenance work increases the value and useful life of the assets and the related cost is capitalised under property, plant and equipment with a balancing entry under this caption adjusting the related costs recognised in profit or loss.

30 Financial income and expense

The net financial expense for the first half of 2020 is shown below:

(€'000)

FINANCIAL INCOME AND EXPENSE	H1 2020	H1 2019
Financial income		
Other financial income	1	68
Interest income	11	1
Exchange gains	136	388
Total financial income	**148**	**457**
Financial expense		
Impairment losses on securities	(1,139)	-
Fair value losses on securities	(65)	-
Interest cost pursuant to IAS 19	(4)	(8)
Interest expense	(510)	(424)
Net fair value losses on warrants	(17,675)	-
Lease costs	(93)	(68)
Financial expense	(411)	(122)
Exchange losses	(201)	(297)
Total financial expense	**(20,098)**	**(919)**
Net financial expense	**(19,950)**	**(462)**

Fair value losses on warrants are those recognised in the first half of 2020 in relation to the additional conversion warrants exercised in the period and the fair value losses since 31 December 2019 on such warrants issued and not yet exercised at 30 June 2020.

Moreover, the additional conversion warrants are recognised as a financial liability pursuant to IAS 32, while purely for tax purposes, they may be recognised under equity. Accordingly, considering the objective complexity of this situation from a tax standpoint and that the tax authorities have still not issued rulings or guidance in this regard, in these condensed interim consolidated financial statements, the fair value gains and losses on warrants have been prudently assumed not to be relevant for tax purposes and therefore generated greater current taxes.

31 Commitments and risks

Commitments and risks amount to €86,570 thousand (31 December 2019: €98,629 thousand).

They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€82,632 thousand at 30 June 2020 and €93,816 thousand at 31 December 2019) and sureties given to banks for the group companies' loans (€3,938 thousand at 30 June 2020 and €4,813 thousand at 31 December 2019).

32 Related party transactions

As required by IAS 24, details of financial and trading transactions with related parties are presented at the end of the notes.

In accordance with article 2427.22-bis of the Italian Civil Code, the group did not carry out significant transactions at other than market conditions during the period, either in terms of the prices applied or the reasons underlying them.

During the period, the group provided and received services to/from related parties and recharged costs for mutually-shared services and other services. These transactions took place at normal market conditions and/or on the basis of the actual costs incurred. Their effects on the group's condensed interim consolidated financial statements are described in the notes to the individual captions.

Other than that described herein, there were no other transactions with related parties not included in the consolidation scope during the period.

(€'000)

ASSETS AND LIABILITIES at 30 June 2020	Right-of-use assets	Current financial assets	Trade receivables	Other current assets	Trade payables
Associates					
Frejus S.c.a.r.l.	_	_	281	_	(71)
Consorzio I.C.A.V.	_	353	1	_	(55)
Sesto Fiorentino S.c.ar.l.	_	_	_	_	(1.550)
Other related parties					
Talia Gestioni S.r.l.	184	_	_	_	_
Germano Maiolini	_	_	_	51	_
TOTAL	**184**	**353**	**282**	**51**	**(1.676)**

(€'000)

REVENUE AND COSTS for H1 2020	Revenue	Costs	Financial income	Financial expense
Associates				
Frejus S.c.ar.l.	_	_	_	_
Consorzio I.C.A.V.	_	_	_	_
Sesto Fiorentino S.c.a.r.l.	_	(235)	_	_
Other related parties				
Talia Gestioni S.r.l.	_	_	_	5
TOTAL	**_**	**(235)**	**_**	**5**

33 Earnings (loss) per share

Earnings (loss) per share are calculated by dividing the group's profit (loss) for the period by the weighted average number of ordinary shares outstanding in the period, considering the repurchases of own shares and the cancellation of shares.

Earnings (loss) per share was calculated as follows:

EARNINGS (LOSS) PER SHARE	H1 2020	H1 2019
Numerator (€)		
Profit/(loss) attributable to the ordinary shareholders of the parent (A)	*(1,278,043)*	*14,679,092*
Denominator (unit)		
(+) Weighted average of the ordinary shares	40,193,651	28,650,000 (*)
(-) Weighted average of the ordinary treasury shares	(16,552)	0
(=) Weighted average of the ordinary shares outstanding in the period (B)	*40,177,099*	*28,650,000*
Basic earnings (loss) per share (€) (A/B)	(0.03)	0.51

(*) the number of ordinary shares outstanding in H1 2019 has been adjusted pursuant to paragraph 28 of IAS 33 to take into account the splitting of shares carried out at the time of the merger between Salcef Group S.p.A. and Indstars 3. At that time, the pre-existing 200,000 ordinary shares were split into 28,650,000 ordinary shares at a ratio of 1 : 143.25

The group had not issued instruments with potential dilutive effects at 30 June 2019.

At 30 June 2020 there are outstanding instruments that could potentially dilute the basic earnings per share in the future. However, they were not included in the calculation of the diluted earnings per share because they would have had an "anti-dilutive" effect as the group recognised a loss for the six months ended 30 June 2020. The effect of including the potential ordinary shares that would be issued at the time of these instruments' conversion would have been to reduce the loss per share shown in the table above.

For disclosure purposes, the instruments with potential dilutive effects at 30 June 2020 are comprised of the new warrants, the additional conversion warrants and the special and performance shares described in note 15, to which reference should be made.

Significant non-recurring events and transactions

The group's financial position, financial performance and cash flows were not affected by significant non-recurring events and transactions in the first half of 2020. Moreover, the group did not carry out any atypical or unusual transactions during the period.

Events after the reporting date

No events have taken place since the date of preparation of this report that would have a significant impact on the group's financial position at 30 June 2020 or its financial performance and cash flows for the six months then ended.

The following were exercised in July and August 2020:

- 553,439 additional conversion warrants, with the consequent subscription of 128,803 ordinary shares for a total amount of €12,880.30;
- 9,963 new warrants, with the consequent subscription of 9,963 ordinary shares for a total amount of €104,611.50.

CEO

(Valeriano Salciccia)

Pursuant to article 154-bis.2 of the Consolidated Finance Act, the manager in charge of financial reporting, Fabio De Masi, states that the accounting disclosure included in this additional financial information is consistent with the supporting documentation, ledgers and accounting records.

CFO

(Fabio De Masi)