SALCEF GROUP

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

ADDITIONAL FINANCIAL INFORMATION AT 30 SEPTEMBER 2022

E-MARKET SDIR CERTIFIED

SALCEF GROUP

Registered office in Via di Pietralata 140, 00158 Rome – Italy

Salcef Group holding company

Company registration number: 08061650589 | REA no.: RM – 640930

Tax code 08061650589 | VAT no. 01951301009

www.salcef.com

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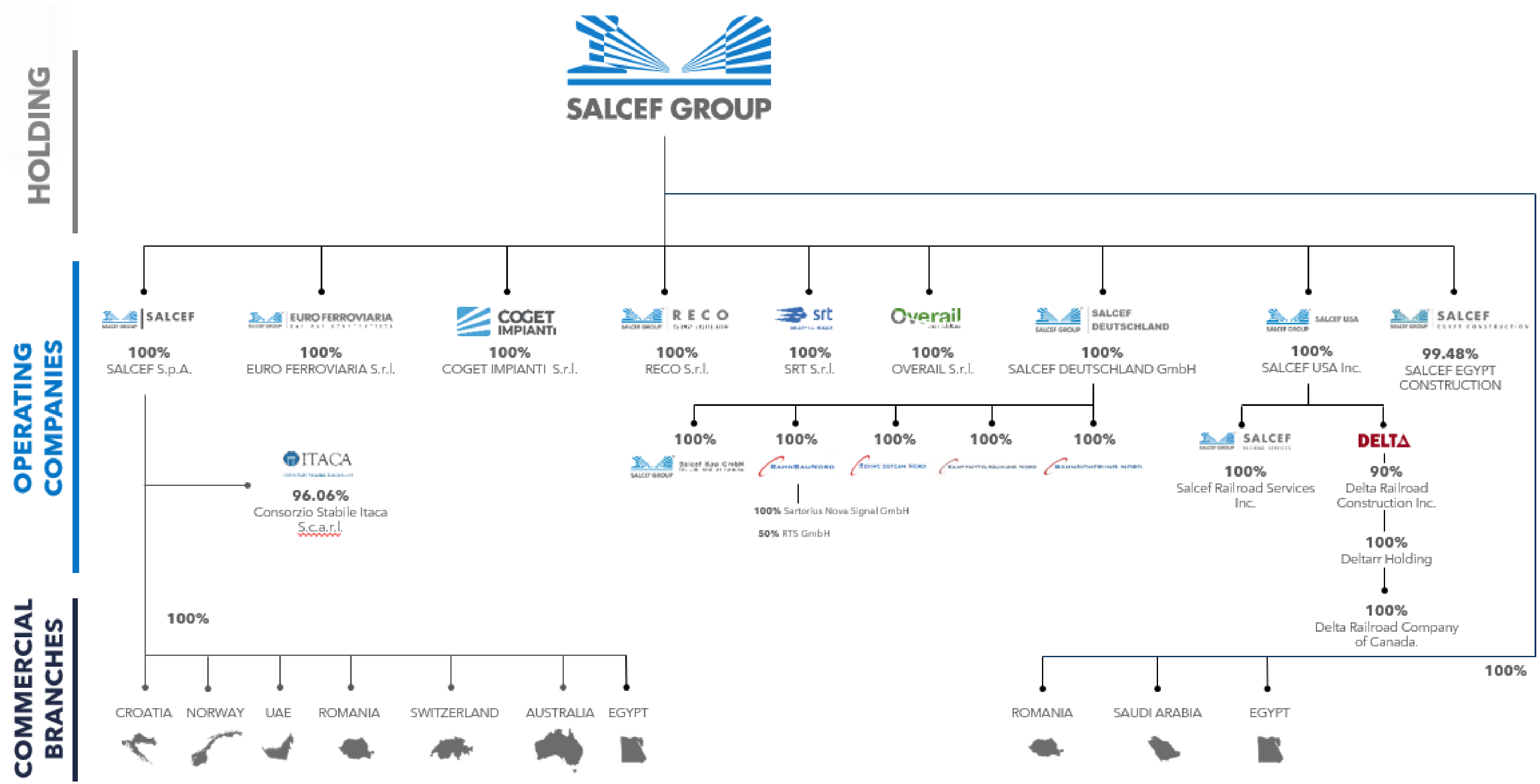
INTRODUCTION

Company officers

Board of directors *appointed by the shareholders' meeting on 29 April 2022. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024.*	Chairperson CEO Director Director (independent) Director (independent) Director (independent) Director (independent)	Gilberto Salciccia Valeriano Salciccia Angelo Di Paolo Veronica Vecchi Bruno Pavesi Valeria Conti Emilia Piselli
Remuneration and appointment committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Emilia Piselli Veronica Vecchi Bruno Pavesi
Audit and risk committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Valeria Conti Veronica Vecchi Bruno Pavesi
Related parties committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Bruno Pavesi Emilia Piselli Valeria Conti
Board of statutory auditors *appointed by the shareholders'meeting on 29 Aprile 2022. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024.*	Chairperson Standing auditor Standing auditor Alternate auditor Alternate auditor	Pier Luigi Pace Giovanni Bacicalupi Maria Assunta Coluccia Carla Maria Melpignano Maria Federica Izzo
Manager in charge of financial reporting	Fabio De Masi	
Independent auditors *appointed for the 2020/2028 nine-year period by the shareholders at their ordinary meeting of 5 April 2019.*	KPMG S.p.A.	

Group structure



DIRECTORS' REPORT

AT 30 SEPTEMBER 2022

General information

Salcef Group S.p.A. (the "parent") is a company limited by shares with registered office in Rome (Italy) in Via di Pietralata 140. It is the parent of a group of specialist companies active in the design, construction and maintenance of systems for railway infrastructure and tram and metro networks in Italy and abroad.

Salcef Group S.p.A.'s ordinary shares are traded on the STAR segment of the Euronext Milan, regulated market organised and managed by Borsa Italiana S.p.A..

This additional financial information at 30 September 2022 includes the interim financial statements of the parent and its subsidiaries (together, the "Salcef Group" or the "Group"). The parent's board of directors approved this information and authorised its publication during its meeting of 14 November 2022.

At the date of preparation of this additional financial information, Finhold S.r.l. (the "ultimate parent") holds the absolute majority of Salcef Group S.p.A. shares but does not manage or coordinate it.

On 6 October 2020, in accordance with articles 70.8 and 71.1-bis of the Issuer Regulation, Salcef Group S.p.A.'s board of directors resolved to opt out of publishing the disclosures required by Annex 3B to the Issuers Regulation for significant mergers, demergers, share capital increases through contribution in kind, acquisitions and sales.

Financial figures and key performance indicators

Reclassified income statement

(€'000)

	First nine months of 2022	First nine months of 2021	Variation
Revenue	385,795	319,675	66,120
Production costs	(315,985)	(257,228)	(58,757)
Other operating costs	(8,761)	(7,411)	(1,350)
Internal work capitalised	16,437	16,435	2
EBITDA (Gross operating profit)	**77,486**	**71,471**	**6,015**
Depreciation and amortisation	(25,765)	(19,756)	(6,009)
EBIT (Operating profit)	**51,721**	**51,715**	**6**
Adjusted financial income (expense)*	2,786	1,590	1,196
Adjusted pre-tax profit*	**54,507**	**53,305**	**1,202**
Adjusted income taxes**	(15,045)	(14,326)	(719)
Adjusted profit for the period*	**39,462**	**38,979**	**483**
* Net fair value losses on financial investments and warrants	(10,079)	(9,737)	(342)
** Reversal of deferred tax assets on revaluation and other non recurring tax expense	(843)	(2,367)	1,524
Profit for the period	**28,540**	**26,875**	**1,665**

Key performance indicators

(€'000)

	First three months of 2022	First nine months of 2021
EBITDA margin	20,08%	22,36%
EBIT margin	13,41%	16,18%

EBITDA: Operating profit before depreciation, amortisation and impairment losses
EBIT: Pre-tax profit before net financial income (expense)

Key financial indicators

(€'000)

	30.09.2022	31.12.2021
Net financial position	70,459*	114.547
Adjusted equity	417.552	408.798

** Adjusted NFP at the reporting date excluding the effects of net fair value gaind (losses) on the Group's short-term investments and the contractual advances collected from the client IRICAV DUE, net of expenses already incurred, on the HS/HC Verona-Padua contracts.*

Salcef Group management assesses the Group's performance using certain indicators not provided for by the IFRS.

The basis used to determine these indicators are described below, in accordance with the ESMA Guidelines (Reference ESMA/2015/1415) as acknowledged by CONSOB (the Italian commission for listed companies and the stock exchange) communication no. 0092543 of 3 December 2015:

- 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 or losses on short-term investments and, in the comparative period only, on additional conversion 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;
- adjusted profit or loss is calculated by adjusting the profit or loss for the period to exclude other amounts, such as fair value gains or losses on short-term investments and, in the comparative period only, on the additional conversion 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, as well as the tax impact of the reversal of deferred tax assets recognised on revaluations, as detailed further on, and non-recurring tax expense;
- the EBITDA margin is calculated as the ratio of EBITDA (as identified above) to total revenue;
- the EBIT margin is calculated as the ratio of EBIT (as identified above) to total revenue;
- the net financial position is calculated by deducting cash and cash equivalents and current financial assets from current and non-current financial liabilities. The net financial position is adjusted to exclude the effect of any events unrelated to the core business and/or related to non-recurring transactions with an impact on the net financial position;
- adjusted equity is calculated by deducting from equity the effects of the initial recognition in 2020 of deferred tax assets recognised on tax revaluations, as detailed further on, and the effects of the reversal of such deferred tax assets in 2021 and in 2022.

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. They 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.

In the first nine months of the year, the Group recognises revenue of €385,795 thousand, up €66,120 thousand (+20.7%) on the €319,675 thousand of the same period of 2021. This rise is mainly due to Salcef Group's organic growth and the changes in the consolidation scope following the acquisition of the business unit from the PSC group, effective from 1st May 2022 and the acquisition of the Bahnbau Nord group in May 2021 (which, therefore, only contributed to the income statement for the comparative period in the period after it was acquired).

EBITDA amounts to €77,486 thousand, a €6,015 thousand increase (+8.4%) over the €71,471 thousand of the corresponding period of 2021. The EBITDA margin stands at 20.08%, down with respect to the same period of the previous year, mainly due to the higher production cost, such as fuel and raw materials used by the Group, as well as to the different revenue mix. In this respect, it should be noted that the margins are not significantly impacted by the increase in electricity costs as the companies of the Group do not carry out energy-intensive activities.

EBIT amounts to €51,721 thousand, substantially aligned to to the first nine months of 2021, and is impacted by higher depreciation and amortization costs following the roll-out of new plant and machinery which the Group had invested both during 2021 and in the nine month of 2022.

The adjusted profit for the period is €39,432 thousand, compared to €38,979 thousand for the same period of 2021.

The profit for the first nine months of 2022 is impacted by the tax expense (€2,364 thousand) deriving from the release of the deferred tax assets recognised at 31 December 2020 (equal to €17,550 thousand) to offset the lower taxes recognised by the subsidiaries that revalued assets in their respective financial statements at 31 December 2020.

Specifically, the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. - which prepare their financial statements in accordance with OIC - revalued their assets in accordance with the "August Decree" in their financial statements at 31 December 2020 and decided to apply the substitute tax scheme, equal to 3% of the net balance of the revaluation, in order to apply the revaluation for tax purposes. This revaluation was reversed for consolidation purposes, but retained full effect for tax purposes.

Accordingly, the tax value of the assets revalued in the subsidiaries' financial statements is higher than their carrying amount in the Salcef Group's consolidated financial statements. This difference led to the recognition of deferred tax assets (IRES - corporate income tax and IRAP - regional productivity tax) in the consolidated financial statements at 31 December 2020 in accordance with IAS 12. The deferred tax assets will reverse starting from 2021 and in subsequent years when the subsidiaries that applied the revaluation fully deduct the greater depreciation arising from the revaluation in the calculation of current taxes (IRES and IRAP), while such greater depreciation is reversed in the Salcef Group's interim consolidated financial statements.

In the statement of financial position, the adjusted net financial position at 30 September 2022 is positive (i.e. the liquidity was greater than debts) for €70,459 thousand (positive for €114,547 thousand at year-end 2021). This decrease is in mainly due to the dividend payment of roughly €28.5 million and the payment of around €24.6 million to the PSC group for the acquisition of a business unit operating in the railway sector, net of the cash generated by the Group in the period.

The table below provides a breakdown of the net financial position (and adjusted net financial position) at 30 September 2022 and 31 December 2021, according to the presentation method provided by the publication of the ESMA Guidelines dated 4 March 2021.

(€'000)

NET FINANCIAL POSITION	Note	30.09.2022	31.12.2021	Variation
(A) Cash	1	181.987	166.176	15.811
(B) Cash equivalents		0	0	0
(C) Other current financial assets	2	127.967	101.588	(229.555)
(D) Liquidity (A + B + C)		**309.954**	**267.764**	**(213.744)**
(E) Current financial debt		(4.384)	(5.976)	1.592
(F) Current portion of non-current financial debt		(67.201)	(61.697)	128.898
(G) Current financial debt (E + F)		**(71.585)**	**(67.673)**	**130.490**
(H) Net current financial position (G + D)		**238.369**	**200.091**	**(83.254)**
(I) Non-current financial debt		(133.614)	(85.544)	(48.070)
(J) Debt instruments		0	0	0
(K) Trade payables and other non-current financial liabilities		0	0	0
(L) Non-current financial debt (I + J + K)		**(133.614)**	**(85.544)**	**(48.070)**
(M) Net financial position (H + L) **	3	**104.755**	**114.547**	**(131.324)**
(N) Adjustment for other financial liabilities - warrants *	4	(34.296)	0	(34.296)
(O) Adjusted net financial position (M + N)		**70.459**	**114.547**	**(165.620)**

Note

(1) The balance at 30 September 2022 includes the advances received from the client IRICAV DUE, net of expensed already incurred, pertaining the contracts for the construction of civil works and railway infrastructure on the HS/HC Verona-Padua.

(2) The balance at 30 September 2022 reflects the impact of fair value losses on the group's short-term investments due to the downturn in international financial markets.

(3) Net financial position calculated as per Consob communication no. 6064293 of 28 July 2006 and in compliance with ESMA Guidelines of 4 March 2021

(4) The adjustments refer to: (i) for € (42,515) thousand to the contractual advances collected on the HS/HC Verona-Padua contracts, as previously illustrated in note (1) and (ii) for €8,219 to the fair value losses on the group's short-term investments recorded in the course of 2022, as illustrated in the previous note (2). This last adjustment does not consider the reversal of the positive changes in fair value up to 31 December 2021 (equal to €1,860 thousand)

Net financial position provided in the previous table includes a five-year loan amounting to €20,000 thousand (so called "S-Loan") provided by Crédit Agricole in February 2022. The loan provides for certain financial covenants based on the identification and monitoring of certain ESG performance indicators. Improvements in these indicators may trigger decreases in the interest rate. Furthermore, net financial position includes two loans provided by BPM and BNL in July 2022, amounting to €20 million each, with maturity in 2026 and 2025 respectively. For both loans, IRS contracts were signed to hedge the interest rate risk.

The net financial position at 30 September 2022, determined considering solely bank loans and borrowings and loans and borrowings from other financial backers, net of cash and cash equivalents and securities, is €125,021 thousand (31 December 2021: €125,370 thousand).

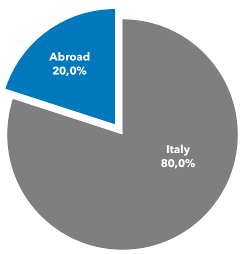
Total adjusted equity at 30 September 2022 of €417,552 thousand, is up €8.754 thousand on 31 December 2021. This change is due to the profit for the period, other comprehensive income (relating to the net actuarial gains/losses on defined benefit liability, changes in fair value of hedging derivatives and changes in translation reserve), to the accounting of the stock grant plans partially offset by the distribution of the dividend in the period, as revolved by shareholder's meeting on 29 April 2022.
Total equity at 30 September 2022 includes a negative reserve for treasury shares equal to €6,483 thousand that corresponds to the 498,243 treasury shares owned by the parent (equal to 0.7985% of its share capital) at the reporting date. This situation is unchanged at the date of preparation of this report.

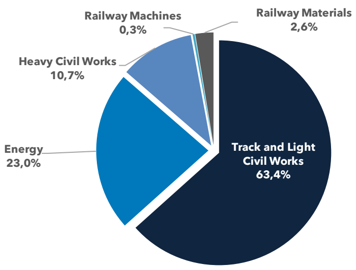
At the reporting date, the Salcef Group's order backlog reaches about €1.35 billion and includes track and light civil works (63.4%), energy sector works (23%), heavy civil works (10.7%), sleepers and prefabricated products production (2.6%) and machinery construction and maintenance contracts (0.3%), which ensure continuity using the existing operating units active in the relevant geographical areas.
The Salcef Group's order backlog at 30 September 2022 is detailed by business unit and geographical segment below:

SALCEF GROUP - BACKLOG 30 September 2022

Business Unit	Amount (€x1.000)	%
Italy	**1.079.870,2**	**80,0**
Abroad	**270.006,1**	**20,0**
Total [1]	**1.349.876,3**	**100,0**

Business Unit		Amount (€x1.000)	%
Track and Light Civil Works		**855.577,5**	**63,4**
	of which Abroad	*259.934,3*	
Energy		**309.992,7**	**23,0**
	of which Abroad	*2.234,4*	
Heavy Civil Works		**144.831,4**	**10,7**
	of which Abroad	*5.840,8*	
Railway Machines		**4.249,8**	**0,3**
	of which Abroad	*1.996,7*	
Railway Materials		**35.224,9**	**2,6**
Total [1]		**1.349.876,3**	**100,0**



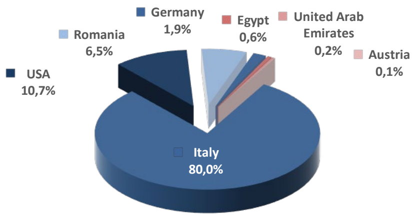


[1] Excluding intercompany contracts

SALCEF GROUP - BACKLOG 30 September 2022 - by Country

Country	Amount (€x1.000)	%
Italy	1.079.870,2	80,00
USA	144.183,0	10,68
Romania	87.443,0	6,48
Germany	25.290,8	1,87
Egypt	8.000,8	0,59
United Arab Emirates	3.314,5	0,25
Austria	1.774,0	0,13
Total [(1)]	1.349.876,3	100,00

[(1)] Excluding intercompany contracts



Human resources

With respect to its workforce in first nine months of 2022, 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 of the Group's workforce at the reporting date compared to the previous year end is as follows:

Workforce by category

	Italy	Abroad	TOTAL
Managers	30	13	43
White collars	228	143	371
Blue collars	703	292	995
31 December 2021	**961**	**448**	**1,409**
Managers	33	17	50
White collars	310	137	447
Blue collars	823	279	1,102
30 September 2022	**1,166**	**433**	**1,599**

Key events of the period

Conflict between Russia and Ukraine

The Group has verified that the geopolitical events linked to the Russian/Ukrainian conflict and the restrictions imposed on Russia by the European Union, should not impact its financial position or future performance.

The Group does not have sales or purchases contracts or other trading relationships with entities resident in Russia, Belarus or Ukraine, nor does it hold assets, liquidity, equity or debt instruments in these countries. Moreover, it does not have receivables due from Russian, Belarusian or Ukrainian entities and is not exposed to currency risk deriving from exposures in Russian rubles or Ukrainian hryvnia as it does not have any positions in these currencies. As a result, it does not expect the conflict to have a significant impact on its commercial activities or supply chain.

Since the prices of raw materials and other operating costs are expected to rise as an indirect consequence of the conflict, given the information currently available and optimistically assuming that inflation will stabilise, future profitability should remain in line with the first nine month of 2022. This moderated optimistic view, compared to previous assessments, takes into account on the one hand the increases in the cost chain and, on the other, the positive effect of legislative measures to offer Italian companies relief.

The parent's share price, as well as the Group's financial investments at 30 September 2022, although they are not located in the countries affected by the conflict, are exposed to the volatility and uncertainty rife on the international financial markets in the last month, which has pushed down the main indices.

Conversion of performance and special shares

Pursuant to article 7.4.c.iii and article 7.5.e.ii of the parent's by-laws and considering the number of new warrants exercised during the previous year, on 15 January 2022, all the remaining performance and special shares were converted into ordinary shares. Specifically: (i) 641,044 performance shares were converted using the ratio of five ordinary shares to every one performance share for a total of 3,205,220 ordinary shares and (ii) 153,851 special shares were converted using the ratio of seven ordinary shares to every one special share for a total of 1,076,957 ordinary shares. These conversions did not increase the parent's share capital, which comprised 62,399,906 ordinary shares, without a par value, at the reporting date.

Demerger of Coget Impianti S.p.A. to Salcef S.p.A.

On 27 January 2022, the shareholder's meeting of Coget Impianti S.p.A. (now Coget Impianti S.r.l.) and Salcef S.p.A. approved the demerger proposal for the partial proportionate demerger of Coget Impianti S.p.A. (the "demerged company") to Salcef S.p.A. (the "beneficiary"). Both companies are fully owned by Salcef Group S.p.A.. As a result, the beneficiary receives the business unit that designs, constructs and maintains electrical contact lines for electrical traction (the "ET business unit").

The objective behind the demerger is to streamline the Group's operations and make them more efficient. The ET business unit's specific organisation and competitive edge sets it apart from those of the rest of the operations carried out by the demerged company. Therefore, the demerger will facilitate the centralisation of the design, construction and maintenance of electrical contact lines for electrical traction in one company (the beneficiary, which already works in this area) in order to optimise the deployment of resources and costs for both companies.

The demerger was completed on 30 March 2022, after the legal term following the filing the shareholders' resolutions with the competent company registrars had passed, with the signing of the demerger deed in which it was established that the demerger would take effect for statutory, accounting and tax purposes 1st April 2022. The accounting effects of the demerger were recognised using the carrying amounts shown in the parent's financial statements as this is a transaction under common control. The equity transferred from the demerged company to the beneficiary amounts to €5,197 thousand.

When the shareholders of Coget Impianti S.p.A. approved the demerger, they also approved the company's transformation into a company limited by quotas (S.r.l.) in accordance with article 2500 of the Italian Civil Code and the transfer of its registered office from Corteno Golgi (Brescia) to Rome.

Acquisition of the railway business unit from the PSC group

The Group company Euro Ferroviaria S.r.l. acquired the railway business unit from PSC S.p.A. Group with the signing and closing of the transaction completed at the same time on 8 March 2022 as the acquisition was not subject to any conditions precedent. The acquisition is effective from 1st May 2022.

The transaction is part of the Group's mission to strengthen its leadership position in the railway electrical traction sector and to facilitate the development of business segments such as railway signalling, the construction of electricity generating substations and tunnel technological systems. The Group expects these segments to grow rapidly and strongly, thanks to the sizeable investments to be made under the Italian National Recovery and Resilience Plan as well as the projects to upgrade the Italian railway network.

The business unit has a workforce of around 100 employees, a good fleet of railway vehicles and an order backlog of more than €100 million. The consideration transferred approximated €26.6 million and is subject to the usual price adjustment mechanisms (upwards or downwards) depending on variations in the business unit's working capital. Payment was made at the closing except for €3.5 million. Of this amount, €1.5 million was paid after the closing and the remainder has been indirectly paid by compensating some commercial debts pertaining the business unit acquired.

The Group self-financed the acquisition in full.

Approval of financial statements and dividend distribution

On 29 April 2022 the Shareholder's Meeting approved the financial statements for the year ended 31 December 2021, which reported a net profit of €33,300,893, and took note of the consolidated financial statements for 2021, which reported a net income attributable to the parent company of €39,070,532.

The Shareholder's Meeting also resolved to distribute a dividend of €0.46 per eligible Ordinary Share at the record date (i.e. 17 May 2022), with dividend date 16 May 2022 and payment date 18 May 2022. The Shareholder's Meeting has then approved the allocation of the residual portion of the profit for the year to the Legal Reserve for €1,665 thousands and to the Reserve for Retained Earnings for €3,161 thousands.

The Shareholder's Meeting has also:

(i) appointed, through the slate mechanism, the new Board of Directors of Salcef Group S.p.A., determining the number of its members in 7 and fixing the duration of the relevant mandate in three years, therefore expiring at the date of the Shareholders' Meeting for the approval of the financial statements at 31 December 2024. The new Board of Directors is composed of the following members: Gilberto Salciccia (Chairperson), Valeriano Salciccia, Valeria Conti, Emilia Piselli, Bruno Pavesi and Angelo Di Paolo, taken from the slate no. 1 presented by the majority shareholder Finhold S.r.l. and Veronica Vecchi taken from the slate no. 2 presented by a group of institutional investors holding altogether 4.395302% of the share capital;

(ii) appointed, through the slate mechanism, the new Board of Statutory Auditors of Salcef Group S.p.A., fixing the duration of the relevant mandate in three years, therefore expiring at the date of the Shareholders' Meeting for the approval of the financial statements as at 31 December 2024. The new Board of Statutory Auditors is composed of the following members: Pier Luigi Pace (Chairman), taken from the slate no. 2 presented by a group of institutional investors holding altogether 4.395302% of the share capital, and Giovanni Bacicalupi (Statutory Auditor) and Maria Assunta Coluccia (Statutory Auditor), both taken from the slate no. 1 presented by the majority shareholder Finhold S.r.l.. The Alternate Auditor Carla Maria Melpignano has been taken from the majority slate while the Alternate Auditor Maria Federica Izzo has been taken from the minority slate;

(iii) authorized the Board of Directors, subject to revocation of the authorisation granted by the Shareholders' Meeting of 29 April 2021 for the part not executed, to purchase and dispose of, pursuant articles 2357 and following of the Italian Civil Code and Art. 132 of the TUF and also in several tranches, ordinary shares of the Company, up to a maximum number that, taking into account the ordinary shares of the Company from time to time held in the portfolio by the Company and its subsidiaries, does not exceed a total of 10% of the Company's share capital in accordance with the provisions of Article 2357, paragraph 3, of the Italian Civil Code and, therefore, taking into account the number of treasury shares held by the Company as of today. The authorization will last 18 months from the date of the resolution of the Shareholders' Meeting;

(iv) approved the 2022-2025 Stock Grant Plan, that provides certain employees, including executives with strategic responsibilities, of the Company and of the companies of the Salcef Group and other beneficiaries who hold managerial positions with significant impact on the sustainable success of the Group, with the right to receive free of charge up to a maximum of no. 40,000 ordinary shares of the Company without nominal value, based on the achievement of pre-established performance targets. The Plan is functional to the short-term incentive plan (Management by ObjectivesMBO) and provides for a single cycle for assigning the rights to receive the Shares free of charge based on the achievement of the performance objectives;

(v) approved the 2022-2023 Performance Shares Plan, that provides certain executives with strategic responsibilities of the Company and of the companies of the Salcef Group with the right to receive free of charge up to a maximum of no. 10,000 ordinary shares of the Company without nominal value, based on the achievement of pre-established performance targets. The Plan provides for a single cycle for assigning the rights to receive the Shares free of charge based on the achievement of the performance objectives;

(vi) examined the Report on the remuneration policy and on the compensation paid prepared in accordance with the current legal and regulatory provisions, approved the Company's remuneration policy for the financial year 2022 described in the First Section of the Remuneration Report, pursuant art. 123-ter, paragraph 3-bis and 3-ter of the TUF and resolved in favour of the Second Section of the said Remuneration Report, pursuant art. 123-ter, paragraph 6 of the TUF;

(vii) resolved, in extraordinary session, to grant the Board of Directors the power to increase the share capital for cash, in one or more tranches, with or without warrants and also to service the exercise of warrants, for maximum 5 years from the date of the resolution of the Shareholders' Meeting held today and, therefore, by and no later than 28 April 2027, for a maximum of € 100,000,000 including share premium, in accordance with pre-emption rights as per Article 2441 of the Italian Civil Code or with exclusion of pre-emption rights as per Article 2441, paragraph 4 and 5 of the Italian Civil Code, subject to revocation of the previous authorisation granted by the Shareholders' Meeting of 5 October 2020 for the part not executed;

(viii) resolved, in extraordinary session, the amendment of the Articles of Association with the aim to include the most recent naming of the Euronext Milan market and the Code of Corporate Governance.

Spread of the Coronavirus (Covid-19)

The Salcef Group continues to maintain all the necessary safeguards to constantly monitor the evolution of the impact of the pandemic and to manage the health risks, putting in place all steps to inform employees, suppliers, sub-contractors and others, whatever their relationship with the Salcef Group, of the necessary and/or useful safeguards to limit the risk of infection as much as possible and handle any risk situations or cases of Covid-19.

At the date of preparation of this document, no Salcef Group activity was suspended or slowed as a result of issues due to the continuing pandemic. Either in Italy or abroad, all work sites are fully operational.

Events after the reporting date

No events have taken place from the reporting date to the date of preparation of this report that would have had a significant impact on the group's financial position at 30 September 2022 or its financial performance for the nine months then ended.

The non-adjusting subsequent events include exclusively the closure of the foreign establishment (branch) in Poland of Salcef Group S.p.A., which took place on 10 October 2022.

Outlook

In light of the results achieved during the first nine months and of the solidity of the Group's backlog, revenue growth at year end is expected at around 20% vs. 2021.

Without any additional and unforeseeable deteriorations of the geopolitical scenario and of the inflationary tensions, the Group profitability for 2022 is expected to remain broadly in line with the one recorded in the first half of the year

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, as well as operational risk and management risk.

Inflation and production cost risk

Like most of the operators in the public works construction and maintenance sector in Europe, the Group is exposed to the risk of increases in the direct costs linked to the significant inflationary phenomena affecting Italy and the majority of the countries in the world. Specifically, the cost of labour, raw materials, semi-finished products and finished goods has jumped, as have the costs of subcontractors and other service providers. Furthermore, the effects of the conflict in Ukraine are already dire in terms of increases in many production costs, particularly the cost of energy sources. Most of the contracts in the Group's backlog do not include price revision clauses, although a series of legislative measures has been enacted in this respect in recent months, particularly in Italy, the latest being the decree converted into Law no. 91 of 15 July 2022, which introduced price adjustment mechanisms for processing and supplies, not only for new contracts, but above all for contracts that had already been entered into by 2021. The Group has therefore partly offset the effects of the widespread increase in prices with the greater revenue from higher consideration, limiting the impact on consolidated profit margins.

The Group has not yet experiences any production slowdowns due to a shortage of materials, transporters and service providers.

Risk of the loss of qualifications and certifications

Similarly to all the other operators in the public sector construction industry, the Group is exposed to the risk that its production activities could be restricted should its qualifications and inclusion in supplier lists, SOA (certification required in Italy to submit tenders for public works contracts) certification and other authorisations necessary for it to carry out its business be lost or limited, including as a result of measures taken by authorities and/or customers following disciplinary proceedings. These events would limit its operations and possible participation in calls for tenders.

Interest rate risk

The Group uses third party funding which mostly bears floating interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates is growing due to the rise in interest rates, that is a most remarkable phenomenon compared to previous quarters and that is expected to continue in the last months of this year. The Group's interest rate risk hedging policy is to neutralise the effect of increases in interest rates by agreeing interest rate swaps for its main loans in place. The sole purpose of these derivatives contracts is hedging against the interest rate risk. Therefore the Group has no speculative derivatives.

Currency risk

The Group carries out nearly all its main transactions, except for those in North America, 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.

All the revenue and costs that Delta Railroad Construction Inc. invoices and incurs are in local currency (USD) and, accordingly, there is no currency risk on contract management.

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 currency risk hedging policy.

The Group decided to neutralise fluctuations in exchange rates on a specific transaction, i.e., it entered into currency forwards to hedge the cash flows on the loan in US dollars that Salcef Group S.p.A. granted to its subsidiary Salcef USA Inc.. The sole purpose of these derivatives contracts is hedging against the currency risk. Therefore the Group has no speculative derivatives.

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 its 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.

Operational risks

The production and industrial nature of the Group’s Italian and foreign operations means that the Group is exposed to the risk of partial reductions in production capacity of its business lines, which could be caused by several factors, the main ones being: accidents or extraordinary events at work sites and facilities involving the destruction of machinery and/or injuries to employees; customer’s application of early termination clauses included in contracts with customers; measures issued by domestic, foreign and supranational bodies curbing the parent’s bargaining and operating capacity; the cancellation, suspension or downgrading of the operating companies from state-owned or private customers’ supplier databases and/or of authorisations to participate in calls for tender and the performance of public works.

The Group mostly operates through mobile work sites located in different areas. Therefore, business interruption issues arising from natural disasters and/or external events are limited to the affected work sites. To the extent technically possible, business continuity is ensured by a risk management policy aimed at minimising the effects of operational risks, including the agreement of relevant insurance policies.

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.
The “Related party transaction procedure” is available on the parent's website (www.salcef.com).

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	30.09.2022	31.12.2021
Non-current Assets		
Intangible assets with finite useful lives	10,947,699	7,584,146
Goodwill	69,867,028	41,795,326
Property, plant and equipment	151,013,228	123,798,390
Right-of-use assets	16,330,294	14,197,300
- of which, with related parties	*1,076,466*	*1,324,881*
Equity-accounted investments	32,643	40,543
Other non-current assets	20,218,967	20,806,786
Deferred tax assets	19,082,552	19,984,980
Total non-current Assets	**287,492,411**	**228,207,471**
Current Assets		
Inventories	27,808,339	20,664,592
Contract assets	185,687,291	107,701,357
Trade receivables	67,708,290	89,108,678
- of which, with related parties	*247,674*	*282,145*
Current tax assets	9,053,669	4,121,517
Current financial assets	127,967,331	101,588,336
- of which, with related parties	*353,465*	*353,465*
Cash and cash equivalents	181,986,676	166,175,877
Other current assets	26,698,905	26,806,619
Total current Assets	**626,910,501**	**516,166,976**
TOTAL ASSETS	**914,402,912**	**744,374,447**

LIABILITIES	30.09.2022	31.12.2021
Equity attributable to the owners of the Parent		
Share capital	141,544,532	141,544,532
Other reserves	255,343,505	238,422,972
Profit for the year	28,615,840	39,070,532
Total equity attributable to the owners of the Parent	**425,503,877**	**419,038,036**
Share capital and reserves attributable to non-controlling interests	2,334,832	2,062,943
Profit for the year attributable to non-controlling interests	(75,900)	271,889
TOTAL EQUITY	**427,762,809**	**421,372,868**
Non-current liabilities		
Non-current financial liabilities	125,950,277	79,849,385
Lease liabilities	7,664,126	5,694,159
- of which, with related parties	*814,355*	*1,070,223*
Employee benefits	1,565,116	1,154,868
Provisions for risks and charges	1,836,411	3,818,911
Deferred tax liabilities	4,540,293	3,259,382
Other non-current liabilities	3,892,464	4,194,843
Total non-current liabilities	**145,448,687**	**97,971,548**
Current liabilities		
Current financial liabilities	67,201,420	62,544,658
Current portion of lease liabilities	4,384,312	5,128,669
- of which, with related parties	*339,499*	*329,658*
Current employee benefits	846,313	971,286
Contract liabilities	68,230,107	12,916,604
Trade payables	154,437,743	117,503,520
- of which, with related parties	*256,526*	*1,182,922*
Tax liabilities	14,239,757	5,019,927
Other liabilities	31,851,764	20,945,367
Total current liabilities	**341,191,416**	**225,030,031**
TOTAL LIABILITIES	**486,640,103**	**323,001,579**
TOTAL EQUITY AND LIABILITIES	**914,402,912**	**744,374,447**

CONSOLIDATED INCOME STATEMENT

	3Q 2022	3Q 2021
Revenues from contracts with customers	377,926,413	314,947,712
- of which, with related parties	*1,627,260*	*1,407,686*
Other income	7,868,685	4,726,811
Total revenues	**385,795,098**	**319,674,523**
Raw materials, supplies and goods	(91,296,234)	(68,442,722)
Services	(144,567,186)	(119,789,089)
- of which, with related parties	*(8,573)*	*(1,585,571)*
Personnel expenses	(80,121,223)	(68,996,326)
Depreciation and Amortisation	(25,695,231)	(19,712,653)
Impairment losses	(69,870)	(43,031)
Other operating costs	(8,760,773)	(7,410,635)
Internal work capitalised	16,437,125	16,434,853
Total costs	**(334,073,392)**	**(267,959,603)**
Operating profit	**51,721,706**	**51,714,920**
Financial income	3,468,409	2,459,908
Financial expenses	(10,762,012)	(10,606,546)
- of which, with related parties	*(45,192)*	*(55,252)*
Pre-tax profit	**44,428,103**	**43,568,282**
Income taxes	(15,888,163)	(16,693,604)
Profit for the year	**28,539,940**	**26,874,678**
Profit for the year attributable to:		
Non-controlling interests	(75,900)	250,185
Owners of the Parent	28,615,840	26,624,493

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3Q 2022	3Q 2021
Profit for the year	**28,539,940**	**26,874,678**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss		
Net actuarial losses	166,628	55,014
Related tax	(47,189)	(15,580)
Total	**119,439**	**39,434**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss		
Net hedging losses	2,069,011	(1,492,554)
Related tax	(496,563)	358,213
Net exchange gains/(losses)	4,471,203	2,484,166
Total	**6,043,651**	**1,349,825**
Other comprehensive income (expense), net of tax	**6,163,090**	**1,389,259**
Comprehensive income	**34,703,030**	**28,263,937**
Comprehensive income attributable to:		
Non-controlling interests	(75,900)	250,185
Owners of the Parent	34,778,930	28,013,752

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Retained earnings	Profit for the period	Equity att. to non-controlling interests	Equity
Balance at 1 January 2022	**141,544,532**	**154,840,919**	**(6,483,130)**	**(261,078)**	**(1,609,247)**	**(2,747,360)**	**94,682,868**	**39,070,532**	**2,334,832**	**421,372,868**
Profit for the period								28,615,840	(75,900)	28,539,940
Other comprehensive income/(expense)				119,439	1,572,448	4,471,203				6,163,090
Comprehensive income	**-**	**-**	**-**	**119,439**	**1,572,448**	**4,471,203**	**-**	**28,615,840**	**(75,900)**	**34,703,030**
Allocation of prior year profit		1,665,045					37,405,487	(39,070,532)		-
Dividend distribution							(28,474,765)			(28,474,765)
Stock grant		161,676								161,676
Other variation/reclassifications										-
Total owner transactions	**-**	**1,826,721**	**-**	**-**	**-**	**-**	**8,930,722**	**(39,070,532)**	**-**	**(28,313,089)**
Balance at 30 September 2022	**141,544,532**	**156,667,640**	**(6,483,130)**	**(141,639)**	**(36,799)**	**1,723,843**	**103,613,590**	**28,615,840**	**2,258,932**	**427,762,809**

EXPLANATORY NOTES

AT 30 SEPTEMBER 2022

General information

This additional financial information at 30 September 2022 has been prepared in accordance with article 154-ter.5 of the Consolidated Finance Act introduced by Legislative decree no. 195/2007 implementing Directive 2004/109/EC. The parent's board of directors approved this information and authorised its publication during its meeting of 14 November 2022.

Reporting standards

This additional financial information at 30 September 2022 has been prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC), in force at the reporting date.

The provisions of IAS 34 (Interim financial reporting) were not applied in the preparation of the additional financial information at 30 September 2022. Indeed, the Group applies this standard to its half-year financial reports and not to quarterly reports. Moreover, although this additional financial information does not include all disclosures required for a full set of financial statements, it includes 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 accounting policies applied are described below.

Basis of preparation

The additional financial information at 30 September 2022 comprises an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity 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 Group's internal management reporting model and is therefore deemed more indicative than presenting the captions by use, as it provides more reliable and meaningful information according to the segment to which each caption belongs.
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 period 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.

Pursuant to Consob resolution no. 15519 of 28 July 2006, any income and expense on non-recurring transactions are recognised separately in profit or loss. Similarly, the balances of related party transactions are presented separately in the financial statements.

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 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 this additional financial information 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 this additional financial information on a going concern basis and to give a true and fair view of the Group's financial position and financial performance. Management has made use of estimates as described later.

Consolidation scope and basis of consolidation

The additional financial information at 30 September 2022 has been prepared by consolidating the parent's separate interim financial statements at the same date and the interim financial statements of the Italian and foreign companies that it directly or indirectly controls.

The Group exercises control when it is exposed, or has rights, to variable returns from involvement with the investee or it has the power to directly or indirectly direct an investee's operating, management and administrative decisions and obtain benefits therefrom. Control is generally presumed to exist when the Group directly or indirectly holds more than half of an investee's voting rights.

The interim financial statements of subsidiaries are included in the interim consolidated financial statements from the date on which control commences and until the date on which control ceases.

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:

Consolidation scope at 30 September 2022

	REGISTERED OFFICE	CURRENCY	Share/quota capital	Investment percentage Indirect	Investment percentage Direct	Method
Subsidiaries						
Salcef S.p.A. single-member company	Rome - Italy	Euro	60,000,000		100%	Consolidation
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
RECO S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
SRT S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
Overail S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
Coget Impianti S.r.l. single-member company	Corteno Golgi (BS) - Italy	Euro	1,000,000		100%	Consolidation
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	Euro	162,750		100%	Consolidation
Salcef Bau GmbH	Landsberg Am Lech - Germany	Euro	25,000	100%		Consolidation
Bahnsicherung Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Kampfmittelräumung Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Schweißteam Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Bahnbau Nord GmbH	Henstedt-Ulzburg - Germany	Euro	75,000	100%		Consolidation
Sartorius Nova-Signal GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000		100%	Consolidation
Salcef Railroad Services Inc.	Wilmington (DE) - USA	USD	1,000	100%		Consolidation
Delta Railroad Construction Inc.	Ashtabula - Ohio	USD	109,640	90%		Consolidation
Deltarr Holding Company, Corp.	Ashtabula - Ohio	USD	500	100%		Consolidation
Delta Railroad Company of Canada, ULC	Toronto - Canada	CAD	1	100%		Consolidation
Consorzio Stabile Itaca S.c.a.r.l.	Rome - Italy	Euro	40,000	96.06%		Consolidation
Consorzio Stabile Contese	Rome - Italy	Euro	30,000	55.00%		Consolidation
Associates and joint agreement						
Railworks/ Delta A Joint Venture	New York (NY) - USA	USD	-	45%		Proportionate method
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	Euro	10,000	47.68%		Equity-accounting
Consorzio I.C.A.V.	Rome - Italy	Euro	50,000	50%		Equity-accounting
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity-accounting

The changes in consolidation scope since 31st December 2021, in terms of companies in which the Group has acquired or lost control in the first nine months of 2022 are as follows: (i) the liquidation of the associate Frajus S.c.a r.l. in June 2022, (ii) the establishment of Salcef Railroad Services Inc. (actually in start-up phase) and (iii) the acquisition of 55% of Consorzio Stabile Contese as part of the business unit acquired from the PSC group. In the firs half of the year, the Group acquired a business unit operating in the railway sector from the PSC group. This transaction was accounted for as a business combination under IFRS 3 in Euro Ferroviaria S.r.l.'s interim accounting statements at 30 September 2022, by allocating the provisional amount of the transaction pursuant to paragraph 45 and following paragraph of IFRS 3.

The consolidation process is as follows:

- subsidiaries are consolidated on a line-by-line basis, whereby:
  - the carrying amounts of their 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 joint operations are consolidated using the proportionate method whereby:
    - the carrying amounts of their assets, liabilities, costs and revenue are included in full in proportion to 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 transactions among the companies consolidated on a proportionate basis, including dividends distributed among the Group companies, are eliminated.

- Investments in associates and joint ventures 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 business combination 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, considered part of the transfer price, is measured at its acquisition-date fair value and the obligation to pay contingent consideration is classified as other current or non-current financial liabilities.

Any subsequent fair value gains or losses in contingent consideration are recognised as financial income or expense in profit or loss. The identifiable net assets acquired are generally measured at fair value at the acquisition date. 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 immediately recognised in profit or loss while 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.
If the fair value of the assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised on the basis of such provisional amounts. Any adjustments arising from the completion of the measurement process are recognised within 12 months of the acquisition date.

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

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 at 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.

Foreign operations

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.

Exchange rates used

CURRENCY	Code	Spot closing rate at 30.09.2022	Average rate for the period
Zloty (Polonia)	PLN	4.8483	4.6724
Lira Egiziana (Egitto)	EGP	19.0526	19.0112
Nuovo Leu (Romania)	RON	4.9490	4.9348
Kuna (Croazia)	HRK	7.5240	7.5335
Dirham Emirati Arabi (Abu Dhabi)	AED	3.5800	3.9069
Dollaro statunitense (USA)	USD	0.9748	1.0638
Riyal Saudita (Arabia Saudita)	SAR	3.6555	3.9894
Corona norvegese (Norvegia)	NOK	10.5838	10.0070
Franco svizzero (Svizzera)	CHF	0.9561	1.0118
Dollaro Australiano (Australia)	AUD	1.5076	1.5044

Intangible assets with finite useful lives and goodwill

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 and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation begins when the asset 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. Specifically, patents, intellectual property rights, concessions, licences and trademarks are amortised over the shorter between the legal or contractual term and their residual use (from 3 to 5 years).
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.
There were no impairment indicators at 30 September 2022, consequently no impairment test were necessary.

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	
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 asset may be impaired. 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 net disposal proceeds 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

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 any 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 adjusts it 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. When the lease liability is remeasured, the Group adjusts the right-of-use asset accordingly.

The Group has opted to use the following practical expedients permitted by IFRS 16:

- 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;
- it excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- it determined the contractual variables (especially the lease term) using hindsight;
- upon initial application of IFRS 16, for contracts previously classified as operating leases, the parent recognised a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position before the date of initial application;
- upon initial application of IFRS 16, for contracts previously classified as finance leases, the parent deemed the carrying amount of the right-of-use asset and the lease liability to be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The Group also applies the practical expedients for low-value assets and short-term leases. Accordingly, the Group has elected not to recognise right-of-use assets and lease liabilities for leases for which the underlying asset, new and considered individually, is worth less than €5,000, and leases with terms of less than 12 months. The Group recognises the related lease payments as an expense over the term of the lease.

In the statement of financial position, right-of-use assets and lease liabilities are presented separately from other assets and other liabilities, respectively.

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 at least 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 cash-generating units (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 amortisation or depreciation, 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

Measurement and recognition

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets - classification and subsequent measurement

Upon initial recognition, 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 instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the instrument's fair value in OCI. This election is made on a case-by-case 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 differences 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 – classification and subsequent measurement

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 differences are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. For information on financial liabilities designated as hedges, reference should be made to that described below about derivatives.

Financial assets – derecognition

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.

Financial liabilities – derecognition

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments, derivatives and 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.
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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.

Impairment losses on financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

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

This is 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 clusters 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 (probability of default - PD, loss given default - LGD and exposure at default - 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 parent uses the low credit risk exemption provided for in the standard whereby low-risk receivables (investment grade) are allocated directly in stage 1.

Equity

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

The costs incurred for issuing equity instruments are recognised as a decrease in equity to the extent they are marginal costs directly attributable to the performance of the transaction, which would have otherwise been avoided.

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.
Contributions to be paid to defined contribution plans are recognised as costs in profit or loss over the period of employee service. Contributions paid in advance are recognised under assets to the extent that the advance payment will decrease the future payments or generate a repayment.

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 recognises 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).

The amount recognised as a provision represents the best estimate of the expenditure required to settle the obligation existing at the reporting date.

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.

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 are 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 in-scope 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 (corporate income tax). The tax consolidation agreement governs the income/expense and financial transactions and the mutual responsibilities and obligations between the parent and the consolidated companies. It has a three-year term from 2020 to 2022 and was signed with the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., RECO S.r.l. and SRT S.r.l.. Overail S.r.l. and Coget Impianti S.p.A. joined the scheme in 2019 and 2020, respectively.

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.

Any 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 (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.

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 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.

Share-based payments

In share-based payment transactions settled with equity instruments of the parent, the grant-date fair value of the incentives granted to employees (rights to receive shares) is recognised under personnel expense, with a corresponding increase in equity. The expense is allocated over the vesting period, during which the satisfaction of the performance conditions is assessed and the beneficiary must continue to satisfy the service condition in order to have the right to the incentives. The vesting period commences at the grant date, i.e., the date on which the parent and the employee accept the share-based payment agreement, acknowledging its terms and conditions.

The relevant cost is adjusted to reflect the actual number of incentives for which the service and performance conditions have been met and the non-market results achieved, so that the final cost recognised is based on the number of incentives that meet the above conditions at the vesting date.

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 this additional financial information in accordance with the IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, costs and revenue. Estimates are based on the most recent information available to management when preparing this additional financial information.
The accounting policies and the financial statements captions that required a higher degree of judgement in making estimates are as follows:

- Goodwill: goodwill is tested for impairment annually (or more frequently if there are impairment indicators) in order to determine whether an impairment loss is to be recognised in profit or loss. Specifically, impairment testing involves determining the recoverable amount of the CGUs to which goodwill is allocated by estimating their value in use or fair value less costs to sell. Calculating the recoverable amount of the CGUs involves the use of estimates that depend on factors that may change over time, with potentially significant effects on the valuations made by management.
- Contract assets and contract liabilities: in measuring contract assets and liabilities, the Group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the actual progress of the work performed. Furthermore, any additional consideration for variations, price revisions, incentives and claims above those contractually agreed are estimated, as well as the plans of contracts from which provisions for onerous contracts may arise.
- Purchase price allocation: as part of business combinations, in exchange for the consideration transferred to obtain control of a company, the identifiable assets acquired and liabilities assumed are recognised in the interim consolidated financial statements at the acquisition-date fair value, based on a purchase price allocation process. During the measurement period, management calculates these fair values based on estimates according to the information available on all facts and circumstances that existed as of the acquisition date that would have affected the measurement of

the amounts recognised as of that date.

- Impairment of non-current assets: property, plant and equipment and intangible assets with a finite useful life are tested for impairment. Any impairment losses are to be recognised when there are elements indicating that there may be difficulties in recovering the assets' carrying amount through use. Impairment testing requires management to make subjective assessments based on information available within the Group and the market and on historical experience. In addition, a potential impairment loss is determined using appropriate valuation techniques. The correct identification of the elements indicating potential impairment and the estimates to calculate it depend on factors that may vary over time influencing management valuations and estimates.
- Fair value measurement: when measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as described in the Fair value measurement section.
- Measurement of lease liabilities: this is affected by the lease term, being the non-cancellable contract period, to which both of the following periods should be added: (a) periods covered by extension options, if the lessee is reasonably certain to exercise the options; and (b) periods covered by the option to terminate the lease early, if the lessee is reasonably certain that it will not exercise the option. Assessing the lease term involves the use of estimates that depend on factors that may change over time with potentially significant effects compared to the assessments made by management.
- Measurement of the loss allowances for expected credit losses: in the event of impaired positions (customers with high credit risk or significant past due amounts), the Group tests them individually using historical experience in order to estimate the expected losses on these positions. Estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit or loss.
- Measurement of defined benefit plans: actuarial valuations require the development of various scenarios that may differ from actual future developments. The results depend on the technical parameters adopted including, *inter alia*, the discount rate, the inflation rate, the rate of wage increases and expected turnover. All assumptions are reviewed annually.

Actual results may differ from those reported in this additional financial information due to the uncertainty that characterises the assumptions on which the estimates are based. Estimates and assumptions are periodically reviewed and the effects of any changes are reflected in the period of change.

New standards and interpretations

At the date of approval of this additional financial information, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the Group will adopt in subsequent years, if applicable. These amendments to existing standards or interpretations are not expected to have a significant impact on the Group's additional financial information.

In addition, other standards and amendments to existing standards issued by the IASB or new interpretations issued by the IFRIC are currently undergoing the EU endorsement process. These new standards, amendments and interpretations are summarised below:

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): the amendments narrow the scope of application of the initial recognition exemption of deferred tax to exclude transactions in which equal amounts of deductible and taxable temporary differences arise on initial application. The amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- Classification of liabilities as current or non-current (Amendments to IAS 1): these amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- IFRS 17 - Insurance contracts (and subsequent amendments) which replaces IFRS 4 and is effective for annual reporting periods beginning on or after 1 January 2023;
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2): these amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- Definition of accounting estimates (Amendments to IAS 8): these amendments are effective for annual reporting periods beginning on or after 1 January 2023.

At the date of preparation of these consolidated financial statements, the Group does not expect the new amendments or standards will have a significant impact on it.

Significant non-recurring events and transactions

The Group's additional financial information was not affected by significant non-recurring events and transactions in the first nine months of 2022. Moreover, the Group did not carry out any atypical or unusual transactions during the period.

(signed on the Italian original)
CEO
Valeriano Salciccia

Statement of the manager in charge of financial reporting as per article 154-bis.2 of Legislative decree no. 58/1998 (the Consolidated Finance Act)

Pursuant to article 154-bis.2 of the Consolidated Finance Act, the manager in charge of financial reporting states that the disclosure included in this additional financial information at 30 September 2022 is consistent with the supporting documentation, ledgers and accounting records.

Roma, 14 November 2022

(signed on the Italian original)
Manager in charge of financial reporting
Fabio De Masi

SALCEF GROUP