EMARKET SDIR CERTIFIED

SALCEF GROUP

2022 INTEGRATED ANNUAL REPORT

EMARKET SDIR CERTIFIED

SALCEF GROUP

Salcef Group S.p.A.

Registered office: Via Salaria 1027 - 00138 Rome - Italy

Salcef Group holding company

Fully paid-up share capital €141,544,532.20

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

Tax code 08061650589 | VAT no. 01951301009

www.salcef.com

This report, prepared in PDF format for ease of consultation, is not the official version published in accordance with Directive 2004/109/EC (the "Transparency Directive") as subsequently amended

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INTRODUCTION

Letter to the stakeholders

GRI 2-22 Statement on sustainable development strategy

Dear stakeholders,

Three years after our stock market listing, we are proud to present our first Integrated Annual Report, another important milestone in our growth path, demonstrating the maturity of our organisation and our proactive, transparent approach to engagement with you, our stakeholders. We decided to integrate information about our financial and ESG performances into one document because we strongly believe this provides a clearer understanding of how sustainability plays an increasingly integral role in our daily lives and drives our performance.

2022 was a landmark year for the group, which has reached a new scale despite the challenging global scenario, characterised by the outbreak of the war in Ukraine, fears about an energy crisis in Europe, unforeseen spiralling inflation and their very significant repercussions. Thanks to the fundamental contribution of our people, who once again leveraged their strength, ability to adapt and team spirit, the group was able to continue its growth journey and to achieve and even outperform its strategic, financial and sustainability objectives.

In strategic terms, we completed not one but two important acquisitions during the year, investing almost €100 million, and beating our objective of completing one acquisition a year. With the contribution of PSC Group's railway business unit (acquired in March) and Francesco Ventura Costruzioni Ferroviarie (the acquisition of which was finalised just before year end), we have reinforced our competitive foothold not only in our core sectors and segments, such as permanent way systems and electrification, as well as moving into new areas connected to railway infrastructure in which governments are investing heavily, such as railway signalling, electric substations and railway safety systems. Thanks to these two acquisitions, the group's workforce has expanded to welcome around 500 new colleagues, bringing our total resources to over 1,900, a new record for us.

The group's growth is also confirmed by all its key economic and financial parameters. For the second consecutive year, revenue grew by approximately 30%, including 22% through organic growth, to €565 million. Inflation and the mix of projects entering operations affected our margins, which maintained excellent levels in excess of 20%, pushing up EBITDA by more than 15% to €114 million. Thanks to the above-mentioned acquisitions and a superb commercial performance, our order backlog has reached a record high of €1.7 billion, as we were awarded important contracts both in Italy, mostly under the umbrella of the National Recovery and Resilience Plan, and abroad (chiefly to build a light transit line in the United States and to upgrade infrastructure in Romania). On the financial front, we continued our investment plan to expand and modernise our fleet as well as to develop new products and solutions. Overall, we invested approximately €48 million, representing another increase on 2021.

In the ESG area, the group also improved its environmental performance, cutting its CO2 emissions intensity rate by 18%. We also increased the proportion of new hires in the under 30 years of age bracket to 39% (compared to 23% in 2021), confirming our ambition to be an increasingly attractive and competitive employer for the younger generations. We bettered our occupational safety record, with the consolidated injury rate (the frequency rate multiplied by the severity rate) down 37% on 2021, proof of the success of the group's training programmes and awareness raising initiatives for all work site personnel. During the year, two policies on diversity and inclusion and human rights were drafted, reaffirming the group's commitment to our human capital, which is essential for our development, and they will be applied in 2023. We are also very pleased to announce that the restructuring of the new headquarters in Rome has been completed. This state-of-the-art green building includes a gym and a canteen with high quality meals with selected ingredients for employees. The group's ESG achievements have been recognised by leading ESG rating agencies, such as MSCI, which has upgraded the group's ESG rating for the second consecutive year bringing it up to "A", and Ecovadis which has assigned five platinum medals and one gold medal to six group companies.

We have deployed nearly all the resources made available by investors to drive the group's growth three years ago. We believe that we have acted in the interests of all our stakeholders in doing so and have created a group with strong roots and the ambition and tools to continue its journey and confirm its role as a primary facilitator of the transition towards sustainable mobility.

Gilberto Salciccia

(Chairperson of the board of directors)

Valeriano Salciccia

(Chief executive officer)

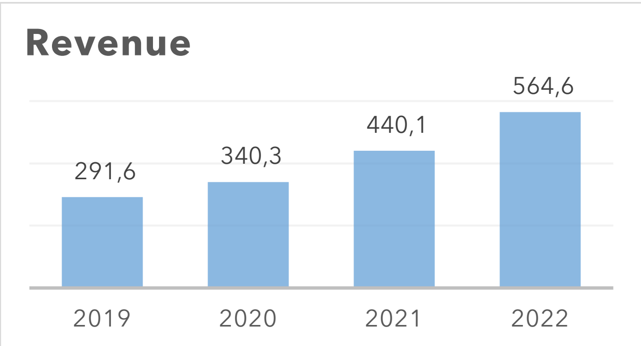
Highlights

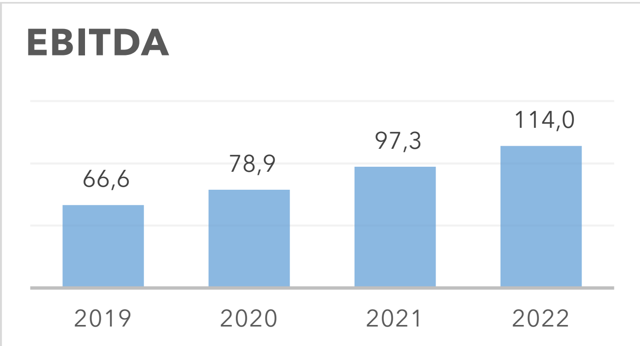
We are leaders in the railway infrastructure. We have always worked to enhance railway infrastructures on a global level, increasing speed and safety in the movement of goods and people, through projects with the best quality standards that not only facilitate today's mobility, but define tomorrow's. We operate with the awareness that railways offer sustainable transport to safeguard future generations, ensuring less pollution and greater liveability for our cities. We are constantly committed to offering a highly specialised service to meet the needs of the railway market. We are at our clients' side through all the work phases, with an approach that includes design, construction and the supply of materials and machinery to ensure efficient, high quality customised solutions.

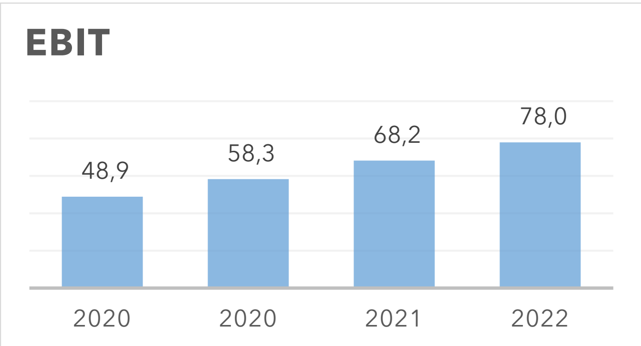
Over the years, the group has expanded to work on four continents, directly acquiring the skills needed for every element of our projects: from research and design to construction.

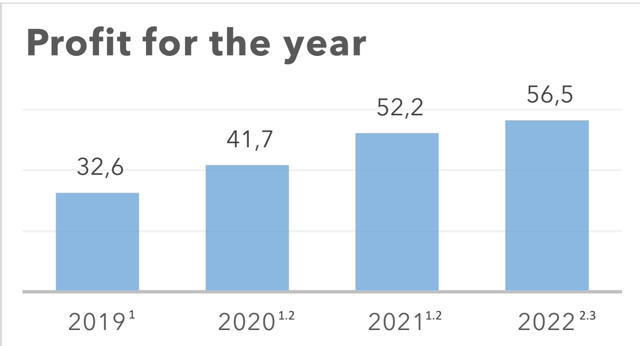
Our key performance indicators are set out below:

€m







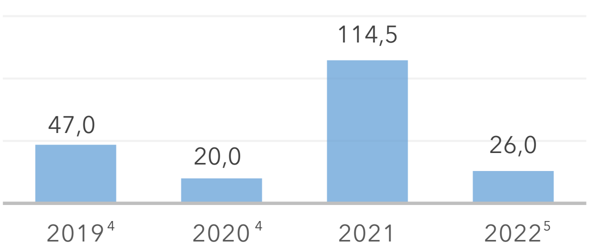


[1] Excludes the effect of changes in fair value of the additional conversion warrants on financial expense

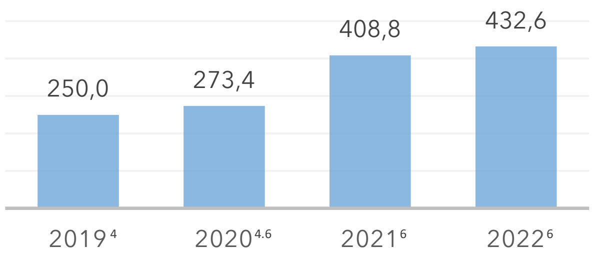
[2] Excludes the effect on income taxes of the recognition/reversal of deferred tax assets on fiscally-driven revaluations and the recognition of non-recurring tax expense

[3] Excludes the effect of changes in fair value of financial investments on financial expense

Net financial position



Equity



[4] Excludes the effect of recognising the additional conversion warrants

[5] Excludes the effects of changes in fair value of financial investments and contract advances received from the customer IRICAV DUE, net of costs already incurred, for the HS/HC Verona - Padua railway contract

[6] Excludes the effect of the recognition in 2020 and reversal in subsequent years of deferred tax assets on fiscally-driven revaluations

	2022 results (compared to 2021)
Environmental	**+42%** Consumption of electrical energy from renewable sources (23% of the total)
	-27% Energy intensity
	- 1,388 $tCO_{2}e$ (8%) Direct scope 1 emissions
	-18% Total emission intensity rate
	-4% Water withdrawals
	85.0% EU taxonomy-aligned turnover
Social	**+37%** Personnel
	39% Under 30 hires (23% in 2021)
	-37% Consolidated injury rate
	ISO 30415 Diversity and Inclusion certification
	"Diversity, equity and inclusion policy" and Human rights policy" prepared
	94.5% Proportion of spending on local suppliers
Governance	**43%** women in the new BoD
	"Engagement with shareholders and investors policy" and "Diversity in the board of directors and board of statutory auditors policy" prepared
	-43% Non-compliance rate for audited work sites and facilities

Guide to the report

This report is the Salcef Group's first Integrated Annual Report and represents our intention to adopt an integrated reporting approach to provide our stakeholders with a complete overview of the group's objectives and achievements in terms of its economic and financial, environmental, social and governance performance. This information is organised within a single document to present how the group's strategies, commitment to sustainable mobility, governance and its (financial and non-financial) performance create shared value for all stakeholders.

The Integrated Annual Report comprises:

- a directors' report, which includes the information required by article 2428 of the Italian Civil Code, supplemented, when appropriate, by the specific regulations on the preparation of separate and consolidated financial statements and sustainability reporting (environmental, social and governance). The sustainability report is presented in Part III and is the non-consolidated financial statement ("NFS") prepared pursuant to Legislative decree no. 254 of 30 December 2016.

  With respect to the non-financial information, the NFS is presented in accordance with the methodologies and standards set out in the GRI Sustainability Reporting Standards 2021 ("in accordance" option) defined by the Global Reporting Initiative ("GRI Standards"). The quantitative and other information included in this statement are identified by reference to the GRI Standards as follows "GRI [number and description]".

  With respect to the Italian Civil Code requirements, the directors' report accompanies both the group's consolidated financial statements and the parent's separate financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. Therefore, it provides information on the results and performance of both the group and the parent, updated to 31 December 2022, and events after the reporting date;
- the group's consolidated financial statements, consisting of a statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows and a statement of changes in equity, and notes thereto; and
- the parent's separate financial statements, consisting of a statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows and a statement of changes in equity, and notes thereto.

Salcef Group S.p.A.'s board of directors approved this report and authorised it for publication on 16 March 2022.

Methodological note

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GRI 2-1 Organizational details
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GRI 2-3 Reporting period, frequency and contact point
GRI 2-4 Restatements of information
GRI 2-5 External assurance
GRI 3-1 Process to determine material topics

Preparation of a directors' report requires a consistent and comprehensive approach to company reporting and improves the overall quality of the information published and circulated to the benefit of all stakeholders.

This approach is fully confirmed by the changes in the reference regulatory framework, highlighting the strategic importance of sustainability topics (ESG, Environmental, Social, Governance) not only from a regulatory viewpoint but also and especially as a business model.

In November 2022, the European Parliament approved Directive (EU) 2022/2464, which amended the previous Directive 2014/95/EU (transposed into Italian law with Legislative decree no. 254/2016). The new directive is applicable for financial years starting on or after 1 January 2024 in line with a calendar for the progressive roll-out of the regulatory obligation. It provides, inter alia, that sustainability reporting/statements shall be mandatorily included in a special section of the directors' report of the annual report.

The Directive (EU) 2022/2464 establishes that the directors' report shall include information necessary to understand the company's impact on sustainability matters, and information necessary to understand how sustainability matters affect the company's development, performance and position.

NFS - Non-financial statements as per Legislative decree no. 254/2016

As set out in the "Guide to the report" above, the directors' report includes the consolidated non-financial statement (the "NFS") of the Salcef Group, published once a year, prepared in accordance with articles 3 and 4 of Legislative decree no. 254/2016 (the "decree"), enacting Directive 2014/95/EU. It sets out information about environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters, useful to understand the group's activities, performance, results and their impacts.

As required by Legislative decree no. 254/2016, the NFS presents the new risks, generated or incurred, connected to the above matters and that derive from the group's operations, its products, services or trade relations, including, when relevant, the supply and subcontractor chains, and how they are managed.

The information provided in the NFS about environmental, social, economic and governance matters ensures a better understanding of the group's operations, its products, results and their impact. This supports information users in making informed assessments and decisions about the group's impacts and contribution to sustainable development.

The NFS was prepared in accordance with the methodologies and standards of the GRI Sustainability Reporting Standards defined by the Global Reporting Initiatives (GRI Standards). The GRI content index, included in the appendices to this report and an integral part hereof, references the indicators and the other quantitative and qualitative information presented.

The GRI Standards enable companies to publicly disclose the most significant impacts of their activities and business relationships on the economy, environment, and people. These impacts, which are often financial (or can have financial impacts over time), are of primary importance for sustainable development and stakeholders. Sustainability reporting is fundamental for a better understanding of a company's financial performance and value. The information provided in sustainability reports provides inputs to identify financial risks and opportunities related to a company's impacts, value and to assess its long-term success.

Except where indicated otherwise, the quantitative and other information making up the group's sustainability reporting (the NFS) is provided in Part III " Consolidated non-financial statement" of the directors' report. It is identified by the reference to the GRI Standards as follows "GRI [number and description]".

The group has applied the GRI Standards 2021, which updated the reporting process, general information and the process used to identify and measure the material topics to prepare the 2022 NFS: GRI 1 Foundation 2021; GRI 2 General Disclosures 2021 and GRI 3 Material Topics 2021.

GRI 1 Foundation 2021 defines the reporting principles: accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

The GRI Standards and the related reported performance indicators refer to the material sustainability topics (material topics) analysed that reflect the group's operations and its impacts. The group performed the procedure to analyse, identify, assess and prioritise the material topics, as described in the "The procedure to identify, assess and prioritise topics" paragraph of the "Salcef Group materiality" section in accordance with Legislative decree no. 254/2016 and the GRI Standards. The group updates and develops this procedure over time as part of its sustainability accountability reporting.

The content of the NFS about the climate change topics is based on the European Commission Communication published in June 2019, "Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)", which supplements the recommendations of the Task Force on Climate-related Financial Disclosures - TCFD of the Financial Stability Board. The recommendations of the TCFD are structured around four thematic areas: governance, strategy, risk management, and metrics and targets.

The NFS includes the disclosure required by article 8 of Regulation (EU) 2020/852, related to the EU Taxonomy for sustainable activities. The Taxonomy establishes the conditions an economic activity must meet in order to be considered sustainable. This disclosure is provided in the "EU taxonomy reporting" section.

The reporting scope of the qualitative and quantitative data and information refers to the performance of the parent, Salcef Group S.p.A., and its subsidiaries (except for Francesco Ventura Costruzioni Ferroviarie S.r.l., the acquisition of which was completed on 23 December 2022), included in the group's consolidated financial statements at 31 December 2022 and that have been consolidated for the entire year (1 January to 31 December 2022).

Comparative figures for the previous two years are presented to enable a comparison of the data over time and an assessment of the performance of Salcef Group's operations.

Any use of estimates for some of the quantitative information is referenced directly in the relevant paragraphs.

In order to ensure the consistency and comparability of the information when necessary to correct any errors or to reflect changes in the methodology applied to measure the indicators or the nature of the operations, the quantitative figures presented for previous periods may be recalculated and restated (and therefore differ from the figures published in the previous year's NFS. The related indications, recalculation criteria and effects are provided in the relevant chapters and paragraphs.

The process for the preparation of the NFS involved the managers of the various departments of the parent, Salcef Group S.p.A., and its Italian and foreign subsidiaries.

The parent's board of directors approved the NFS, included in the directors' report, on 16 March 2023 and KPMG S.p.A. performed a limited assurance engagement on it in accordance with the standards and guidance set out in International Standard on Assurance Engagements 3000 (revised) ("ISAE 3000 revised") of the International Auditing and Assurance Standards Board (IAASB). KPMG S.p.A. has also been engaged to perform the statutory audit of the separate and consolidated financial statements of Salcef Group S.p.A.. As disclosed in the notes thereto, the separate and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Commission. The independent auditors' reports are attached at the end of this document.

The Integrated Annual Report which includes the NFS is published in the Sustainability section of the company's institutional website www.salcef.com. For more information, please contact sustainability@salcefgroup.com.

Salcef Group S.p.A. has notified GRI (Global Reporting Initiative) of its use of the GRI Standards and its statement of use.

2

DIRECTORS' REPORT

2.1

Directors' report

Part I – Presentation of the group

Profile and operations

Structure

The history of a key player in the railway sector

Company officers

Profile and operations

GRI 2-1 Organizational details
GRI 2-2 Entities included in the organization's sustainability reporting
GRI 2-6 Activities, value chain and other business relationships

With over 70 years of experience and an international footprint, the Salcef Group contributes to the development of sustainable mobility in the railway infrastructure. Specifically, the group is specialised in the renewal, maintenance, construction and electrification of railway infrastructure, and tram and metro networks, as well as the design and construction of railway materials and equipment.

The group leverages its know-how and equipment to offer specialist, integrated services deploying its cutting-edge expertise in structural, civil and technological components.

Vision – We have always worked to enhance railway infrastructures on a global level, increasing speed and safety in the movement of goods and people, through projects with the best quality standards that not only facilitate today's mobility, but define tomorrow's. We operate with the awareness that railways offer sustainable transport to safeguard future generations, ensuring less pollution and greater liveability for our cities.

Mission – We are constantly committed to offering a highly specialised service to meet the needs of the railway market, adapting our methods and machinery to undertake complex projects in ever-changing operating scenarios on a daily basis. We are at our clients' side through all the work phases, solving any type of problem with an integrated approach that includes design, construction and the supply of materials and machinery to ensure efficient, high quality customised solutions.

The group mainly operates in Italy and, thanks to its acquisition of local operators, has an industrial base in the United States and Germany as well. Its international footprint extends beyond its national borders to eastern Europe, the Middle East, North Africa, Scandinavia and Canada.

The group is comprised of 15 operating companies and it has branches in eight countries (Saudi Arabia, Australia, Croatia, Egypt, United Arab Emirates, Norway, Romania and Switzerland).

Salcef Group has seven business units, which all report to the "Railway Industry" strategic business unit.

TRACK & LIGHT CIVIL WORKS

This is the group's core business. It operates in permanent way systems and on civil works in operation.

The main activities performed are:

- Maintenance and renewal of railway lines, with the partial or total replacement of the railway superstructure (tracks, sleepers and ballast);

	- Construction of ballasted track for high speed and standard speed, and tram and metro lines based on ballasted and ballastless systems; - Construction of small infrastructure works as part of complex railway projects.
	ENERGY, SIGNALLING & TELECOMMUNICATION Building and maintenance of electrical traction, substations and signalling systems, as well as works for overhead and underground high, medium and low voltage power transmission lines. The main activities performed are: - Design, construction, renewal and maintenance of various railway, metro and tram line electrification systems: overhead contact lines, third rail for urban mobility and electrical substations; - Design, installation and maintenance of signalling systems for the management and control of railway, tram and metro circulation; - Design, construction and maintenance of electricity transmission and supply systems, particularly high and very high voltage overhead and underground lines.
	RAIL GRINDING & DIAGNOSTICS Rail and turnout grinding to maximise the average life of the infrastructure, thanks to the removal of irregularities and defects that could cause surface cracks on the tracks and, with time, lead to a fracture in the track.
	HEAVY CIVIL WORKS Design, building and maintenance of complex multi-disciplinary works, such as the construction of new railway lines, the doubling of existing lines, the construction of new systems at stations in complex scenarios or the upgrade of railway junctions.
	RAILWAY MATERIALS Design, production and sale of railway materials for the superstructure, such as monobloc sleepers, prefabricated tunnel segments, prefabricated reinforced slabs for urban transport and railway systems.
	RAILWAY MACHINES Design, construction, maintenance, sales and rentals of machinery for the construction and maintenance of railway infrastructure.

ENGINEERING

Design and engineering of railway works and structures (civil works, permanent way systems, energy, signalling), supporting customers and group companies from the early stages of drafting a project to identify the best solutions.

The main types of services performed are:

- pre-feasibility and feasibility studies;
- preliminary, executive and as-built design;
- topographic surveys;
- project management and engineering consulting.

For full disclosure purposes, this report also refers to the "General Services" business unit. It covers all those activities that refer to all business units, such as administration, procurement, safety, quality, the environment, etc.

The table below shows the distribution of the business units across the main group companies.

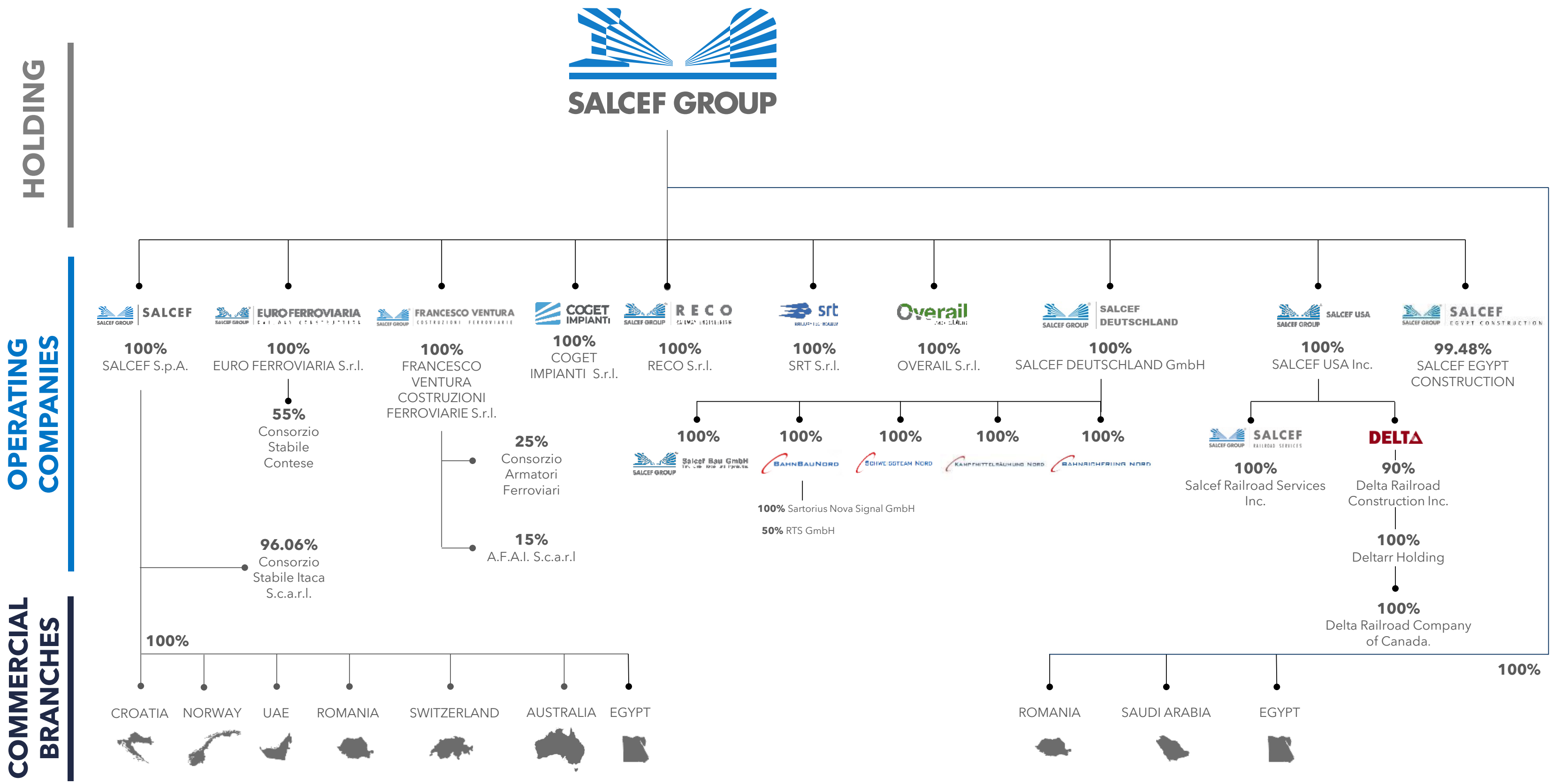
BUSINESS UNIT	Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	Francesco Ventura Costruzioni Ferroviarie S.r.l.	SRT S.r.l.	RECO S.r.l.	Overail S.r.l.	Salcef Bau GmbH	Coget Impianti S.r.l.	Delta Railroad Construction Inc.	Bahnbau Nord GmbH
TRACK & LIGHT CIVIL WORKS	●	●	●	●				●		●	●
ENERGY, SIGNALLING & TELECOMMUNICATION		●	●					●	●		
HEAVY CIVIL WORKS		●						●			
RAILWAY MATERIALS							●				

BUSINESS UNIT	Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	Francesco Ventura Costruzioni Ferroviarie S.r.l.	SRT S.r.l.	RECO S.r.l.	Overail S.r.l.	Salcef Bau GmbH	Coget Impianti S.r.l.	Delta Railroad Construction Inc.	Bahnbau Nord GmbH
RAILWAY MACHINES					●					●	
RAIL GRINDING & DIAGNOSTICS		●								●	
ENGINEERING						●					

Structure

GRI 2-1 Organizational details
GRI 2-2 Entities included in the organization’s sustainability reporting
GRI 2-6 Activities, value chain and other business relationships

Salcef Group S.p.A. (the “parent”) heads a group of specialist companies active in Italy and abroad.



The history of a key player in the railway sector

The Salcef Group commenced its activity in the railway construction sector in Italy in 1949 and has always featured an organisational model which prioritises innovation and highly-specialised production processes. Over the decades, it has acquired a series of companies operating in the permanent way systems sector, expanding its reach and creating a structure able to build complex works.

Since the 1990's, the group has expanded its global footprint in the European, African and Middle Eastern markets to become known and respected in Italy and abroad.

It started its international industrial expansion in 2018 with its first cross-border acquisition in Germany, followed by its entry into the North American market in 2020 and another acquisition in Germany in 2021.

In 2022, the group completed two important transactions in Italy, acquiring the railway business unit from the PSC Group and Francesco Ventura Costruzioni Ferroviarie. The first deal made the group the market leader of the Italian railway electrification sector and strengthened its market presence in the railway signalling and infrastructure technology market while the second transaction allowed it to reinforce its core railway permanent way systems business, extend its routine and extraordinary maintenance operations in South Italy and build up its fleet.

1949

Establishment of **Cosfer**, operating in Italy in railway maintenance sector

1975

Salciccia family acquires the business and launches an important development plan

1975-2017

Growth phase through **3 strategic streams:**

1. Capacity building
2. Sector consolidation in Italy
3. Business development in Eastern Europe and Middle East

2018

First international acquisition (German company H&M Bau now Salcef Bau)

2019

- **Listing on the Euronext Growth Milan** market
- **Acquisition** of **Coget Impianti** to enter in the **electricity transmission** business

2020

- Debut on the **Euronext Milan** market
- **Acquisition** of **Delta Railroad Construction in the US**

2021

- **Second acquisition in the Germany** (Bahnbau Nord)
- Admission to the **STAR Segment**

2022

- **Acquisition of PSC Group's business unit operating in the railway sector** (signaling, electrification, Telco, electrical substations and safety systems)
- Acquisition of **Francesco Ventura Costruzioni Ferroviarie** (track maintenance and construction)

Governance and company officers

Board of directors *Appointed by the shareholders on 29 April 2022 and in office up until the date of the shareholders' meeting called to approve the financial statements as at and for the year ending 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 financial statements as at and for the year ending 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 financial statements as at and for the year ending 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 financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Bruno Pavesi Emilia Piselli Valeria Conti
Board of statutory auditors *Appointed by the shareholders on 29 April 2022 and in office up until the date of the shareholders' meeting called to approve the financial statements as at and for the year ending 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 October 2020.*	KPMG S.p.A.	

The parent's corporate governance structure is based on a traditional organisational model and is comprised of the following company bodies: (i) the **shareholders' meeting**, which resolves on the issues provided for by the law and the company's by-laws; (ii) the **board of directors**, responsible for the management of the company, whose powers are detailed below; and (iii) the **board of statutory auditors**, entrusted with a supervisory function.

Based on a reasoned proposal made by the board of statutory auditors, the shareholders conferred the nine-year statutory audit by means of a resolution taken in their meeting.

The board of directors is vested with the broadest powers for the ordinary and extraordinary management of the parent. The directors are assigned all powers necessary for the implementation and achievement of the business purposes other than those reserved exclusively to the shareholders by law or the by-laws.

The board members, who do not necessarily have to be shareholders of the group, remain in office for three years. They are elected by the shareholders which decide on the number of members (between three and eleven) before electing them. Directors are elected from lists, drawn up in accordance with the methods set out in the corporate governance and ownership structure report and candidates must meet the necessary professional and independence requirements. Lists presenting three or more candidates must include candidates of different genders so that the board of directors' composition complies with the regulations about gender equality.

The chairperson of the board of directors has unlimited representation powers for the parent and is also assigned the organisation and management of company structures, as well as the definition of the guidelines and operating strategies for the other Salcef Group companies. Specifically: a) definition of strategic guidelines for new investments and activities to ensure company assets are operating efficiently; b) definition of the operating plan for Salcef Group's investments; c) research and development and other activities which are aimed at increasing and diversifying Salcef Group's products and services offer over the medium to long-term, including the roll-out of design activities and the research for new patents and production systems.

The chief executive officer (CEO) is assigned general representation powers, management of personnel and employment relationships, administrative management, contracts and financial management.

The following table provides a breakdown of the board of directors by gender and age bracket:

Board of directors – Diversity (gender – age bracket)					
Women		Men		Total	
No.	%	No.	%	No.	%
3	42.86%	4	57.14%	7	100.0%
Under 30 years of age		Between 30 and 50 years of age		Over 50 years of age	
No.	%	No.	%	No.	%
-	-	1	14.29%	6	85.71%

Six of the seven directors were elected from the list presented by the controlling shareholder, Finhold S.r.l., while the other director was elected from the list presented by a group of institutional investors.

The board committees have the following duties:

— the **remuneration and appointment committee** carries out preliminary functions and advises the board of directors on the determination of the fees of directors assigned special duties, as well as in relation to personnel remuneration and retention policies;

— the **audit and risk committee** supports the board of directors in assessments and decisions in relation to risks and the internal control system;

— the **related parties committee** carries out the functions provided for by the regulation governing related party transactions adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 17221 of 12 March 2010, as amended, also taking into account the instructions and guidelines for the application of the related party transactions regulation provided by Consob with communication no. DEM/10078683 of 24 September 2010;

2.2

Directors' report - Part II

Performance

Financial figures and key performance indicators - group

Economic value generated and distributed

Government grants and subsidies

Financial figures and key performance indicators - parent

Performance of consolidated companies

Share performance

Key events of the year

Financial figures and key performance indicators - group

Group results

Salcef Group management assesses the group's performance using certain measures not provided for by the IFRS. Although they are derived from the consolidated financial statements, they cannot be considered as substitutes of the IFRS indicators. Group management constructs the following alternative performance measures using the historical figures and they only relate to the reporting period covered by this report and the previous comparative period. They are not representative of the group's future performance.

Reclassified income statement
(€'000)

	2022	2021	Variation
Revenue	564,620	440,141	124,479
Operating costs	(462,370)	(356,626)	(105,744)
Other operating costs	(12,807)	(9,840)	(2,967)
Internal work capitalised	24,524	23,636	888
EBITDA (Gross operating profit)	**113,967**	**97,312**	**16,655**
Amortisation, depreciation and impairment losses	(35,270)	(27,363)	(7,907)
Impairment losses	(697)	(1,780)	1,083
EBIT (Operating profit)	**78,000**	**68,168**	**9,832**
Financial income	3,293	3,375	(82)
Adjusted financial expense*	(5,035)	(1,473)	(3,562)
Adjusted pre-tax profit	**76,258**	**70,071**	**6,187**
Adjusted income taxes**	(19,768)	(17,843)	(1,925)
Adjusted profit for the year	**56,490**	**52,227**	**4,263**
* Net fair value losses on financial investments and warrants	(8,900)	(9,737)	837
** Deferred tax liabilities on net fair value losses on financial investments, ** Reversal of deferred tax assets on revaluation and non-recurring tax expense	(1,953)	(3,148)	1,195
Profit for the year	**45,637**	**39,342**	**6,295**

Key performance indicators
(€'000)

	2022	2021
EBITDA margin	20.18%	22.11%
EBIT margin	13.81%	15.49%

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

Key financial indicators
(€'000)

	31.12.2022	31.12.2021
NFP	26,006 (*)	114,547
Adjusted equity	432,620	408,798

(*) the NFP at 31 December 2022 was adjusted to exclude the effects of the net fair value losses on the group's short-term investments and contract advances received from the customer IRICAV DUE, net of costs already incurred, for the HS/HC Verona - Padua railway contract

Description of the alternative performance measures

Where applicable, the alternative performance measures are presented in accordance with the ESMA Guidelines (Reference 2015/1415) as acknowledged by Consob communication no. 0092543 of 3 December 2015. In accordance with these documents, the criteria used to construct these measures are presented below:

- EBITDA is calculated by adjusting the profit or loss for the year to exclude taxation, net financial expense and amortisation, depreciation and impairment losses;
- EBIT is calculated by adjusting the profit or loss for the year to exclude taxation and net financial expense;
- adjusted pre-tax profit or loss is calculated by adjusting the profit or loss for the year to exclude taxation and other amounts, such as fair value gains and losses on short-term investments and, in the comparative period only, 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;
- adjusted profit or loss is calculated by adjusting the profit or loss for the year to exclude other amounts, such as fair value gains and losses on short-term investments and, in the comparative period only, 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, and 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 2022.

These measures reflect the group's financial performance net of non-recurring events and events unrelated to the core business to allow a more consistent analysis of the group's performance with previous periods.

Comments on the group's 2022 performance

In 2022, the group recognised revenue of €564,620 thousand, up €124,479 thousand (+28.3%) on the previous year's figure of €440,141 thousand. This improvement is mainly due to the group's organic growth and the changes in the consolidation scope following the acquisition of the business unit from the PSC Group, effective 1 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 €113,967 thousand, an €16,655 thousand (+17.1%) increase over the €97,312 thousand of 2021. The EBITDA margin is 20.18%, down on the previous year, due to the different revenue mix and higher direct operating costs, such as fuel and the raw materials used by the group. The EBITDA margin was not significantly affected by the hike in electricity prices as the group companies do not carry out energy intensive activities.

EBIT amounts to €78,000 thousand, up €9,832 thousand (+14.4%) over the €68,168 thousand of 2021. The EBIT margin of 13.81% decreased on the previous year due to higher depreciation following the roll-out of new plant and machinery which the group had purchased in 2021 and 2022.

The adjusted profit for the year is €56,490 thousand compared to €52,227 thousand in 2021. The adjustments (compared to the profit for the year of €45,637 thousand) related to: (i) the net fair value losses on financial investments of €8,900 thousand, (ii) the related deferred tax liabilities of €2,136 thousand, (iii) the release of deferred tax assets on revaluations of €3,191 thousand, and (iv) other non-recurring tax expense of €898 thousand. The net fair value losses of €8,900 thousand relate to the group's short-term investments due to the downturn in international financial markets. The profit for 2021 reflected the financial expense (€9,737 thousand) consisting of the net fair value losses on the additional conversion warrants recognised from 1 January 2021 until their complete extinguishment in July 2021 after either their conversion or their expiry for not being exercised before the term provided for by their regulation. The additional conversion warrants were classified as financial liabilities in accordance with IAS 32. They were considered equity solely for tax purposes. On this basis, the liability recognised as a balancing entry to the equity reserve and the fair value gains and losses on the additional conversion warrants with an impact on profit or loss cannot be recognised for tax purposes. Therefore, not even the extinguishment of the liability when the warrants were converted generated a tax impact for the parent.

The effect of the tax treatment of the additional conversion warrants led to a smaller tax loss for the parent than it would have had if the accounting effects of the additional conversion warrants had been relevant for tax purposes.

The profit for 2022 was also impacted by the tax expense (€3,191 thousand; €3,148 thousand in 2021) deriving from the release of the deferred tax assets recognised at 31 December 2021 (€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 reverse starting from 2021 as 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 consolidated financial statements (see note 7 to the consolidated financial statements).

The group's adjusted net financial position (i.e., with liquidity exceeding debt) amounts to €26,006 thousand at the reporting date, compared to €114,547 thousand at 31 December 2021. The €88,541 thousand decrease is mostly due to the dividend payment of roughly €28.5 million, the payment of around €24.6 million to the PSC Group for the acquisition of a business unit operating in the railway sector, the payment of approximately €13.7 million to acquire Francesco Ventura Costruzioni Ferroviarie S.r.l. and the €29.5 million adjustment to exclude collection of contract advances received from IRICAV DUE (described later) and the net fair value losses on the group's financial investments. The decrease is partly offset by the cash generated by the group in the year.

The table below provides a breakdown of the net financial position at 31 December 2022 and 2021 in accordance with the presentation method established in the ESMA Guidelines dated 4 March 2021.

(€'000)

NET FINANCIAL POSITION	Note	31.12.2022	31.12.2021	Variation
(A) Cash	1	135,246	166,176	(30,930)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	2	148,643	101,588	47,055
(D) Liquidity (A + B + C)		**283,889**	**267,764**	**16,125**
(E) Current financial debt		(22,140)	(5,976)	(16,164)
(F) Current portion of non-current financial debt		(76,576)	(61,697)	(14,879)
(G) Current financial indebtedness (E + F)		**(98,716)**	**(67,673)**	**(31,043)**
(H) Net current financial position (G + D)		**185,173**	**200,091**	**(14,918)**
(I) Non-current financial debt		(129,640)	(85,544)	(44,096)
(J) Debt instruments		0	0	0
(K) Trade payables and other non-current financial liabilities		0	0	0
(L) Non-current financial indebtedness (I + J + K)		**(129,640)**	**(85,544)**	**(44,096)**
(M) Net financial position (H + L)	3	**55,533**	**114,547**	**(59,014)**
(N) Adjustments for events unrelated to the core business and/or related to non-recurring transactions	4	(29,527)	0	(29,527)
(O) Adjusted net financial position (M + N)		**26,006**	**114,547**	**(88,541)**

Note

(1) The balance at 31 December 2022 includes contract advances collected from the customer IRICAV DUE, net of costs already incurred, related to the contracts for the construction of the civil works and permanent way systems on the HS/HC Verona - Padua railway line.

(2) The balance at 31 December 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 relate to: (i) the contract advances received for the HS/HC Verona - Padua railway contracts as disclosed in note (1) (-€36,722 thousand), and (ii) the net fair value losses on securities as disclosed in note (2) (€7,195 thousand). The latter adjustment does not reflect the reversal of fair value gains recognised at 31 December 2021 (€1,860 thousand).

The net financial position shown above includes a five-year loan that Crédit Agricole granted in February 2022 (the "S-Loan"), totalling €20 million. 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.The net financial position also includes two €20 million loans disbursed by BPM and BNL in July 2022, maturing in 2026 and 2025, respectively. The group has entered into IRS to hedge interest rate risks on these loans.

The net financial position at 31 December 2022, determined considering solely bank and other loans and borrowings, net of cash and cash equivalents and securities, is €78,389 thousand (31 December 2021: €125,370 thousand).

Total adjusted equity at 31 December 2022 of €432,620 thousand is up €23,822 thousand on 31 December 2021. This increase is due to the profit for the year, other comprehensive income (relating to the net actuarial gains, the fair value gains on hedging derivatives and net exchange gains) and recognition of the stock grant plan, net of the dividends distributed in the year as resolved by the shareholders in their meeting of 29 April 2022.

Total equity at the reporting date includes the reserve for treasury shares of €7,179 thousand, corresponding to the 538,257 treasury shares held by the parent (0.863% of share capital). The treasury share repurchase programme has continued into 2023 and, at the date of preparation of this report, the parent holds 798,243 treasury shares (1.280% of share capital).

Order backlog

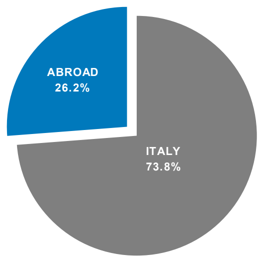
The group's order backlog represents the value of all its contracts with customers leading to obligations for both sides to fulfil their part of the contract, net of the performance obligations that have already been satisfied. As soon as a new contract is signed, it is added to the order backlog which subsequently decreases over time as the group satisfies its performance obligations, recognising the related contract revenue in profit or loss.

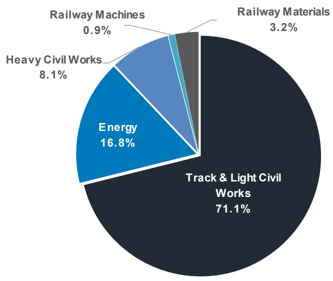
At the reporting date, the Salcef Group's order backlog includes contracts for permanent way systems (71.1%), energy sector works (16.8%), infrastructure works (8.1%), sleepers and prefabricated products manufacture (3.2%) and machinery construction and maintenance contracts (0.9%).The Salcef Group's order backlog at 31 December 2022 is detailed by business unit and geographical segment below:

SALCEF GROUP - ORDER BACKLOG AT 31.12.2022

Business Unit	*Amount (€'000)*	*%*
Italy	1,255,190.7	73.8
Abroad	445,950.8	26.2
Total [1]	1,701,141.5	100.0

Business Unit		*Amount (€'000)*	*%*
Track & Light Civil Works		1,209,919.3	71.1
	of which, Abroad	*431,560.1*	
Energy		286,083.7	16.8
	of which, Abroad	*541.8*	
Heavy Civil Works		136,961.0	8.1
	of which, Abroad	*9,407.5*	
Railway Machines		14,500.3	0.9
	of which, Abroad	*4,441.4*	
Railway Materials		53,677.2	3.2
Totale [1]		1,701,141.5	100.0



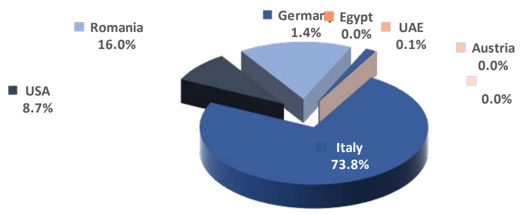


[1] Excluding intragroup contracts

SALCEF GROUP - ORDER BACKLOG AT 31.12.2022 - by country

Country	*Amount (€'000)*	*%*
Italy	1,255,190.7	73.79
USA	148,391.2	8.72
Romania	272,122.8	16.00
Germany	23,695.1	1.39
Egypt	0.0	0.00
UAE	1,393.9	0.08
Austria	347.8	0.02
Total [(1)]	1,701,141.5	100.00

[(1)] Excluding intragroup contracts



At year end, the group's order backlog exceeds €1.7 billion compared to approximately €1.2 billion at the end of 2020. This achievement is mostly due to two factors: (i) the contribution of the order backlog (approximately €242 million) of the newly-acquired Francesco Ventura Costruzioni Ferroviarie S.r.l., entirely consisting of contracts in the Italian permanent way systems sector, mostly awarded by RFI S.p.A., and (ii) the acquisition of two contracts in Romania by the subsidiary Salcef S.p.A. with Webuild S.p.A. (Salcef Group's share: around €200 million). The client is CFR (the Romanian National Railways Company) and the works consist of the modernisation of Lots 3 and 4 of the Caransebeș - Timișoara - Arad railway line. Salcef has sole responsibility for the design and building of the railway permanent way system and the electrification systems, while Webuild will perform all the other activities, including the civil infrastructure works. Both projects are financed by the EU as part of the Large Infrastructure Operational Programme (LIOP), whose objectives include development of the Trans-European Transport Network (TEN-T), of which the Caransebeș - Timișoara - Arad line is part of the Rhine - Danube corridor.

The order backlog ensures continuity using the existing operating units already active in the relevant geographical areas.

Economic value generated and distributed

GRI 3-3 Management of material topics

GRI 201-1 Direct economic value generated and distributed

The value generated and distributed is determined using the group's income statement to show the economic value directly generated by the group and distributed to its internal and external stakeholders. The income statement presents information on the creation and distribution of economic value to the stakeholders.

From an accounting viewpoint, the **value generated** is the group's net revenue (revenue, other operating revenue, net of impairment losses and tax benefits - in 2020 and 2021), while the **economic value distributed** includes costs reclassified by stakeholder category. The costs presented in the income statement are increased by dividends, when these are distributed to the shareholders.

The economic value withheld is the difference between the economic value generated and that distributed. It includes capitalised research and development expenditure, amortisation and depreciation, provisions, fair value gains and losses and deferred taxes.

Economic value (€'000)	2020	2021	2022
Economic value generated	**340,285**	**440,141**	**564,620**
Operating costs	(211,302)	(278,247)	(377,331)
Human resources - Personnel expense	(70,657)	(93,726)	(109,290)
Net financial expense	(18,144)	(7,834)	(10,642)
Public administration	1,093	(20,992)	(21,721)
Shareholders - Dividends distributed[1]	(16,904)	(21,314)	(28,745)
Economic value distributed	**(315,914)**	**(422,113)**	**(547,459)**
Economic value withheld	**24,371**	**18,028**	**17,161**

Government grants and subsidies

GRI 201-4 Financial assistance received from government

Salcef S.p.A. has tax credits of €1,875 million for investments in property, plant and equipment under the Industry 4.0 programme (Law no. 178/2020) in 2022.

The group companies have recognised tax credits of €0.190 million for 2022, related to investments in new owner-operated property, plant and equipment and intangible assets.

Overail S.r.l., Coget Impianti S.r.l. and Euro Ferroviaria S.r.l. have accrued tax benefits in 2022 related to investments in property, plant and equipment under the Industry 4.0 programme, which they will recognise and use starting from 2023.

[1] Considering intragroup eliminations

Overal S.r.l. and SRT S.r.l. have also accrued tax credits in 2022 related to costs incurred to purchase energy products (as per Decree laws no. 115/2022, no. 144/2022 and no. 176/2022), which they have claimed in 2023 and will recognise in their financial statements in the year in which their claim is accepted.

Financial figures and key performance indicators - parent

The parent's results

The parent's 2022 financial figures and key performance indicators are provided in the next table:

Reclassified income statement

(€'000)

	2022	2021	Variation
Revenue	16,984	18,231	(1,247)
Operating costs	(18,601)	(22,344)	3,743
Other operating costs	(782)	(1,331)	549
Internal work capitalised	0	0	0
EBITDA (Gross operating loss)	**(2,399)**	**(5,444)**	**3,045**
Amortisation, depreciation and impairment losses	(632)	(837)	205
Impairment losses	(380)	(1,311)	931
EBIT (Operating loss)	**(3,411)**	**(7,592)**	**4,181**
Financial income	50,237	51,514	(1,277)
Adjusted financial expense*	(3,454)	(719)	(2,735)
Adjusted pre-tax profit	**43,372**	**43,203**	**169**
Adjusted income taxes**	(576)	(166)	(410)
Adjusted profit for the year*	**42,796**	**43,037**	**(241)**
* Net fair value losses on financial investments and warrants	(8,900)	(9,737)	837
** Deferred tax liabilities on net fair value losses on financial investments	2,136	0	2,136
Profit for the year	**36,032**	**33,301**	**2,731**

Key financial indicators

(€'000)

	31.12.2022	31.12.2021
NFP	118,402 (*)	166,034
EQUITY	336,225	325,890

(*) NFP at the reporting date was adjusted to exclude the effects of net fair value losses on the group's short-term investments

The previous section on the group's performance contains a description of the alternative performance measures used by management.

Comments on the parent's 2022 results

The parent made a profit of €36,032 thousand for the year compared to €33,301 thousand for 2021 and an adjusted profit of €42,796 thousand compared to €43,037 thousand in the previous year. This profit takes into account the net fair value losses of €8,900 thousand on the group's short-term investments due to the downturn in international financial markets.

The profit for 2021 reflected the financial expense (€9,737 thousand) consisting of the net fair value losses on the additional conversion warrants recognised from 1 January 2021 until their complete extinguishment in July 2021 after either their conversion or their expiry for not being exercised before the term provided for by their regulation.

The additional conversion warrants were classified as financial liabilities in accordance with IAS 32. They were considered equity solely for tax purposes. On this basis, the liability recognised as a balancing entry to the equity reserve and the fair value gains and losses on the additional conversion warrants with an impact on profit or loss cannot be recognised for tax purposes. Therefore, not even the extinguishment of the liability when the warrants were converted generated a tax impact for the parent.

The effect of the tax treatment of the additional conversion warrants led to a smaller tax loss for the parent than it would have had if the accounting effects of the additional conversion warrants had been relevant for tax purposes.

As shown in the above table, revenue for the year came to €16,984 thousand compared to €18,231 thousand for 2021, earned on work performed by the company through its foreign branches in Saudi Arabia and Romania and on services provided to other group companies. Financial income mostly consists of dividends of approximately €45,000 thousand distributed by the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l. and SRT S.r.l. and interest income on loans granted to the subsidiaries.

The parent's net financial position (i.e., with liquidity exceeding debt) amounts to €118,402 thousand at the reporting date, compared to €166,034 thousand at 31 December 2021. The €47,632 thousand decrease is mostly due to the dividend payment of roughly €28.5 million, the payment of around €13.7 million to acquire Francesco Ventura Costruzioni Ferroviarie S.r.l. and non-current loans disbursed to the subsidiaries Francesco Ventura Costruzioni Ferroviarie S.r.l. (€12 million) and Ero Ferroviaria S.r.l. (approximately €27.4 million to provide it with the liquidity necessary to acquire the PSC business unit), net of liquidity in the form of bank loans taken out during the year minus repayments made in 2022 (around €40.5 million).

The table below provides a breakdown of the net financial position (and adjusted net financial position) at 31 December 2022 and 2021 in accordance with the presentation method established in the ESMA Guidelines dated 4 March 2021.

(€'000)

NET FINANCIAL POSITION	Note	31.12.2022	31.12.2021	Variation
(A) Cash		14,177	87,575	(73,398)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	1	252,321	191,506	60,815
(D) Liquidity (A + B + C)		**266,498**	**279,081**	**(12,583)**
(E) Current financial debt		(1,077)	(362)	(715)
(F) Current portion of non-current financial debt		(52,315)	(45,810)	(6,505)
(G) Current financial indebtedness (E + F)		**(53,392)**	**(46,172)**	**(7,220)**
(H) Net current financial position (G + D)		**213,106**	**232,909**	**(19,803)**
(I) Non-current financial debt		(101,898)	(66,875)	(35,023)
(J) Debt instruments		0	0	0
(K) Trade payables and other non-current financial liabilities		0	0	0
(L) Non-current financial indebtedness (I + J + K)		**(101,898)**	**(66,875)**	**(35,023)**
(M) Net financial position (H + L)	2	**111,208**	**166,034**	**(54,826)**
(N) Adjustments for events unrelated to the core business and/or related to non-recurring transactions	3	7,194	0	7,194
(O) Adjusted net financial position (M + N)		**118,402**	**166,034**	**(47,632)**

Note

(1) The 31 December 2022 balance reflects the impact of fair value losses on short-term investments due to the downturn in international financial markets.

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

(3) The adjustment relates to the net fair value losses on securities as disclosed in note (1). It does not reflect the reversal of fair value gains recognised at 31 December 2021 (€1,860 thousand).

The parent's net financial indebtedness at 31 December 2022, determined considering bank loans and borrowings and loans and borrowings from other financial backers, net of cash and cash equivalents and securities, is €3,060 thousand (31 December 2021: net financial position of €71,906 thousand).

Its share capital at 31 December 2022 amounts to €141,544,532.20 (unchanged from the previous year end) and is fully paid up at the date of approval of this report.

Performance of consolidated companies

GRI 2-1 Organizational details
GRI 2-2 Entities included in the organization's sustainability reporting
GRI 2-6 Activities, value chain and other business relationships

Salcef S.p.A.

Salcef S.p.A. is the group's most important company in terms of revenue. Together with Euro Ferroviaria S.r.l., it operates in the Italian railway and metro construction and maintenance sector.
It recognised revenue of €338,010 thousand (€246,879 thousand in 2021) and a profit of €32,365 thousand (€35,090 thousand in 2021). Its profit reflects the increase in direct operating costs, such as the cost of fuel and raw materials used by the subsidiary. It is also affected by the different revenue mix and higher depreciation expense as a result of the placement in service of assets acquired during the year and the assets obtained as part of the acquisition of the business unit from Coget Impianti S.r.l. (more information about this transaction is available in the "Key events of the year" section).
The contracts for which the most work was carried out in 2022 were those for the renewal and maintenance of railway lines under the three-year plan established by RFI S.p.A. with its 2021-2023 master agreements as well as the start-up of work on the contracts for the civil works and permanent way systems for the HS/HC Verona - Padua railway line. The group company's branches in Egypt and Abu Dhabi both made significant contributions to revenue.

Euro Ferroviaria S.r.l.

This company is active in the permanent way systems, electrical traction and railway signalling sector and focuses on the Italian market. In 2022, it acquired a business unit specialised in the railway electrical traction segment of the railway sector from the PSC Group. More information about this transaction is available in the "Key events of the year" section.
The company reported revenue of €63,673 thousand and a profit of €3,126 thousand, compared to €64,011 thousand and €6,374 thousand for the previous year, respectively. The profit reflects the higher depreciation expense related to property, plant and equipment and the amortisation of goodwill arising from the acquisition of the PSC business unit. EBITDA at €11,621 thousand is substantially in line with the previous year's figure of €11,862 thousand.
The contracts for which the most work was carried out in 2022 were once again those for the renewal and maintenance of railway lines under the three-year plan established by RFI S.p.A. with its 2021-2023 master agreements, as well as the electrical traction and railway signalling contracts contributed by the newly-acquired business unit.

SRT S.r.l.

This company carries out design, construction and maintenance of railway machines for the maintenance of railway infrastructure and freight transport. It has production facilities in Fano and Sant'Ippolito, which are also maintenance centres certified by RFI.

In September 2022, SFT purchased a large production facility in the municipality of Terre Roveresche (Pesaro-Urbino), where it intends to build rolling stock for sale to other group companies and third parties after it has been properly refitted.

The group company earned revenue of €34,492 thousand in 2022 (€37,625 thousand in 2021) essentially split among three areas:

- routine and extraordinary maintenance on rolling operating machines, which it performs directly at Salcef S.p.A.'s and Euro Ferroviaria S.r.l.'s active work sites;
- extraordinary maintenance on rolling operating machines at the facility in Fano (Pesaro-Urbino), mainly on Salcef S.p.A.'s and Euro Ferroviaria S.r.l.'s vehicles;
- construction of railway vehicles (such as carriages, grinders, etc.) for sale to Salcef Group companies and third parties.

Specifically, it performed 69% of its activities in 2022 for group companies under master agreements for routine and extraordinary maintenance of all their machinery, with the other 31% being carried out for third parties.

The group company made a profit of €2,253 thousand for the year, after taxes of €916 thousand, compared to €4,631 thousand in 2021. The decrease is mostly due to the higher value of work in progress (valued at cost), up from €4,293 thousand in 2021 to €14,042 thousand in 2022, the profits on which will be recognised in the year in which the railway vehicles under construction are invoiced to the end customer.

Overail S.r.l.

This company manages the Aprilia production facility and produces railway sleepers and precast products (e.g., precast slabs, tunnel segments) for urban transport systems.

It reported a profit for 2022 of €8,048 thousand, compared to €3,884 thousand in the previous year, after taxes of €2,777 thousand, with revenue of €51,751 thousand compared to €40,429 thousand in the previous year. The higher profit is a result of the surge in production volumes and the profitability of the group company's core business thanks to the investments made at the Aprilia industry facility, which is now more productive, and in the development of new products with higher profit margins.

Most of the sleeper production was carried out for its key customer RFI S.p.A. as part of a three-year plan to renew and perform extraordinary maintenance on the permanent way systems on existing lines of the RFI - Lotto Centro network. This work is being carried out in the 2021-2023 three-year period.

Coget Impianti S.r.l.

This company operates in the design, construction and maintenance of electric distribution lines ("primary lines") while it demerged the electric contact lines for electrical traction business unit to Salcef S.p.A.. More information about this transaction is provided in the "Key events of the year" section. The group company operates in Italy as well as in Austria through a permanent establishment set up in the country.
In 2022, it reported a profit of €1,412 thousand, compared to €1,075 thousand for the previous year, and revenue of €24,837 thousand against €27,472 thousand for 2021.
The company's core business profitability was stable in 2022 with an EBITDA margin going from 14.9% in 2021 to 14.7% in 2022.

RECO S.r.l.

RECO S.r.l. provides design and engineering services for the construction of railway infrastructure. It also plays a key role in the development of technological and industrial solutions working closely with the other group companies.
Its revenue for 2022 amounts to €1,928 thousand, which is substantially in line with the previous year (€1,582 thousand), and is nearly entirely earned with the other group companies on its engineering and design services.
It has a sound financial position with a pre-tax profit of €42 thousand and equity of €1,102 thousand.

Consorzio Itaca S.c.a r.l. and Consorzio Stabile Contese

Both these consortium companies are not for profit. Their business object is to be of mutual benefit to their members; therefore, all their costs incurred directly and indirectly in carrying out their activities are recharged to their members in line with their investment percentages unless it has been decided otherwise. Consorzio Stabile Contese joined the group in 2022 as it is part of the business unit owned by the PSC Group acquired by Euro Ferroviaria S.r.l.
Their operations contracted in 2022 and they recognised revenue of €187 thousand.

Salcef Deutschland GmbH

Salcef Deutschland GmbH is the group's sub-holding company for its German operations and it heads a group of companies including Salcef Bau GmbH (based in Landsberg am Lech, near Munich), Bahnbau Nord GmbH, Kampfmittelraumung Nord GmbH, Schweissteam Nord GmbH and Bahnsicherung Nord GmbH (in Henstedt-Ulzburg, near Hamburg). These companies are specialised in railway permanent way systems and infrastructure and all operate in the German permanent way systems market with the main customer Deutsche Bahn (the German railway infrastructure operator). Through Salcef Dutschland GmbH and its subsidiaries, the group intends to grow its foothold in the German market, characterised by impressive development projects as confirmed by the Deutsche Bahn plan approved by the German government with investments of €86 billion in the period from 2021 to 2030. In 2022, the German group companies ended the year with revenue (at sub-holding level) of €41 million compared to €30 million in 2021.

Salcef USA Inc.

Salcef USA Inc. is the group's sub-holding company incorporated in the state of Delaware for its operations in the United States and Canada. It is fully owned by Salcef Group S.p.A..
Salcef USA Inc. owns 90% of Delta Railroad Construction Inc. (see below) and 100% of Salcef Railroad Services Inc., set up in October 2022 to promote the group's business in the North American market.

Delta Railroad Construction Inc.

This company, in which Salcef USA Inc. has a 90% investment acquired on 15 September 2020, is based in Ohio and has worked in the permanent way systems construction and maintenance and railway machines maintenance sectors in the US and Canada since 1957.
It reported a profit of USD3,388 thousand for 2022, compared to USD3,302 thousand for 2021. Its revenue came to USD51,535 thousand compared to USD51,374 thousand in 2021.

Salcef Railroad Construction Inc.

This subsidiary of Salcef USA Inc. was set up in 2022 to offer integrated services in the North American market.

Francesco Ventura Costruzioni Ferroviarie S.r.l.

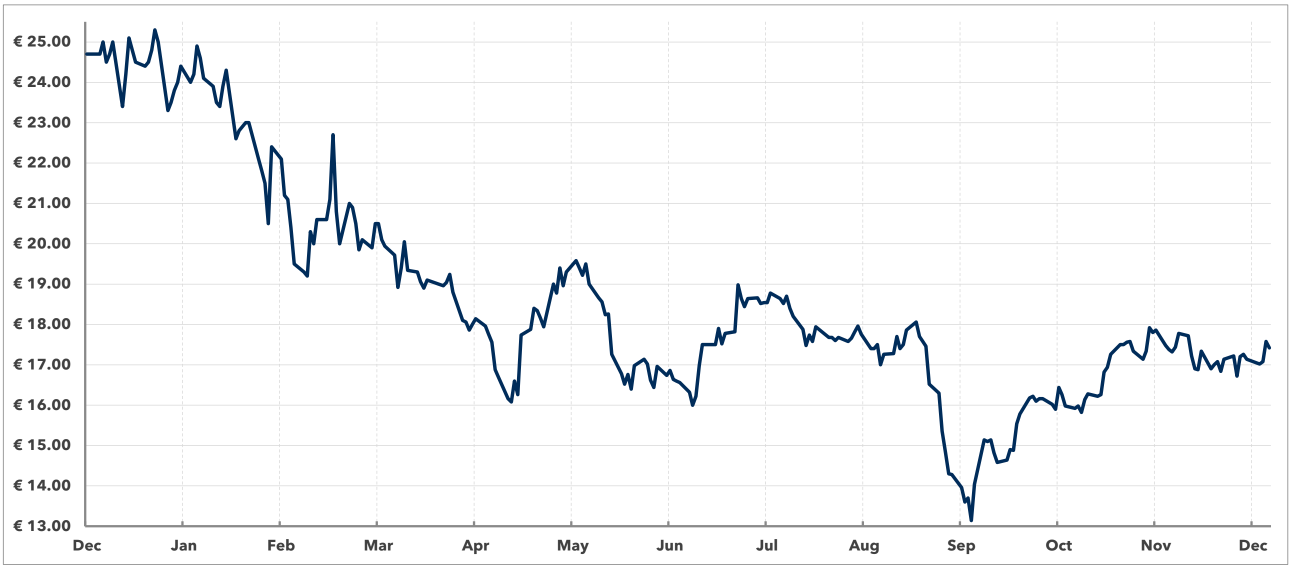
As this company became part of the group on 23 December 2022, it has not contributed towards its profit for the year. It operates in the permanent way systems sector, mostly in southern Italy. More information about its acquisition is available in the "Key events of the year" section.

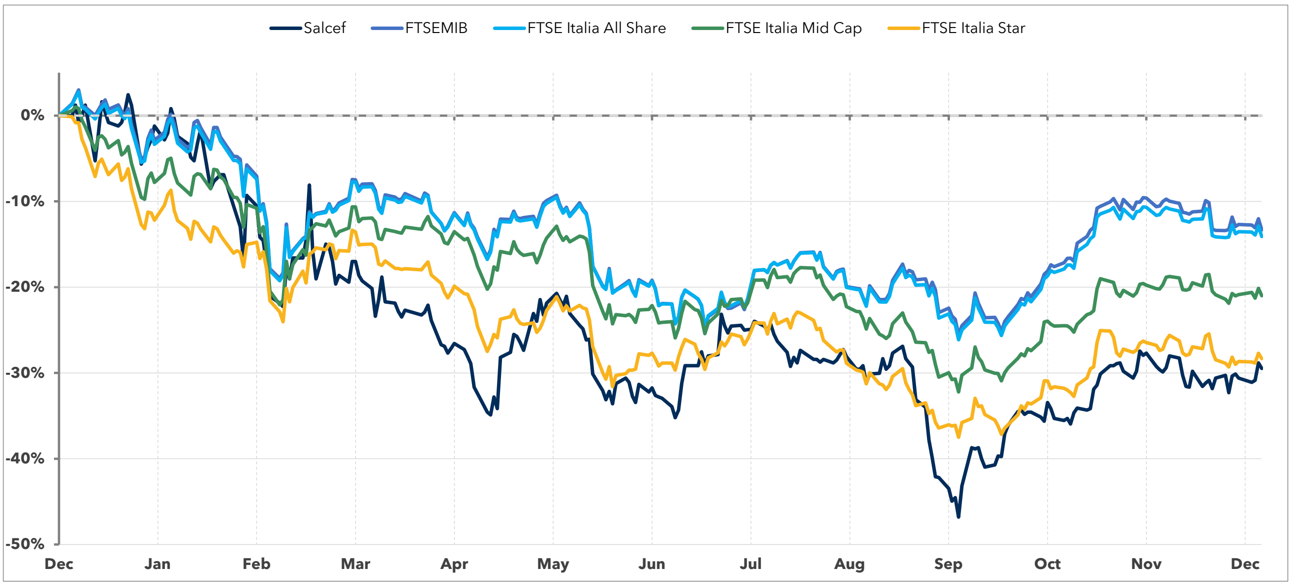
SALCEF GROUP

Share performance

The parent's ordinary shares (ISIN: IT0005388266) are listed on the Euronext STAR segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A..

On 30 December 2022 (the last trading day of the year), the share price was €17.42 compared to €24.70 on 30 December 2021, showing a decrease of €7.28 per share for an annual performance of -29%. The parent's market capitalisation was €1,087 million at 30 December 2022.
The graph shows the share's performance in 2022 while the second graph provides a comparison with the main indexes of the Italian market. The second graph also shows how the share's performance reflects that of the international financial market, affected by inflation, rising energy prices and geopolitical tensions.





Key events of the year

Conflict between Russia and Ukraine

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

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 substantially in line with 2022. This moderately optimistic view reflects, on 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 and the group's investments at the reporting date (although they are not located in the countries affected by the conflict) are exposed to the volatility and uncertainty seen on international financial markets in 2022, with a general downturn in major market 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 in 2021, 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 shareholders 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 the former company (the "demerged company") to the latter company (the "beneficiary"), both of which were wholly owned by Salcef Group S.p.A.. As a result, the beneficiary received 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 of 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 on 1 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 concurrent signing and closing of the transaction on 8 March 2022 as the transaction was not subject to any conditions precedent. The acquisition became effective on 1 May 2022.
This 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 will be settled indirectly by offsetting it against the business unit's liabilities.
The group self-financed the acquisition in full.

Approval of financial statements and dividend distribution

At their ordinary meeting of 29 April 2022, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2021, which show a profit for the year of €33,300,893, and were presented with the consolidated financial statements as at and for the year ended 31 December 2021, which show a profit for the year attributable to the owners of the parent of €39,070,532.

The shareholders also resolved to distribute a dividend of €0.46 per eligible ordinary share at the record date (i.e., 17 May 2022), with coupon detachment on 16 May 2022 and payment date on 18 May 2022. The shareholders then approved the allocation of the remaining profit for the year, allocating €1,665 thousand to the legal reserve and €3,161 thousand to retained earnings.

During their ordinary meeting, the shareholders:

(i) appointed, by voting for lists, Salcef Group S.p.A.'s new board of directors, deciding that there would be seven members and setting their term of office as three years, therefore expiring with the shareholders' meeting to approve the financial statements at 31 December 2024. The members of the new board of directors are: Gilberto Salciccia (Chairperson), Valeriano Salciccia, Valeria Conti, Emilia Piselli, Bruno Pavesi and Angelo Di Paolo, from list no. 1 presented by the controlling shareholder Finhold S.r.l., and Veronica Vecchi from list no. 2 presented by a group of institutional investors collectively holding 4.95302% of the company's share capital;

(ii) appointed, by voting for lists, Salcef Group S.p.A.'s new board of statutory auditors, setting their term of office for three years, therefore expiring with the shareholders' meeting to approve the financial statements at 31 December 2024. The members of the new board of statutory auditors are: Pier Luigi Pace (Chairperson), from list no. 2 presented by a group of institutional investors collectively holding 4.95302% of the company's share capital and Giovanni Bacicalupi (Standing auditor) and Maria Assunta Coluccia (Standing Auditor) both from list no. 1 presented by the controlling shareholder Finhold S.r.l.. The alternative auditor Carla Maria Melpignano was nominated from the controlling shareholder's list, whereas the alternate auditor Maria Federica Izzo was nominated from the list presented by the group of institutional investors;

(iii) authorised the board of directors, after revoking the authorisation resolved by the shareholders on 29 April 2021 for the part not exercised, to repurchase and use treasury shares as per article 2357 and following articles of the Italian Civil Code and article 132 of the Consolidated Finance Act, including in more than one tranche, up to a maximum which, considering the ordinary shares of the parent held at any time by the parent and its subsidiaries, shall not cumulatively exceed 10% of the parent's share capital, pursuant to article 2357.3 of the Italian Civil Code, considering the parent's ordinary shares held at date of preparation of this report. The authorisation has a term of 18 months of the date of the meeting at which the shareholders took the relevant resolution;

(iv) approved the 2022-2025 stock grant plan, which provides for the free allocation of up to a maximum of 40,000 ordinary shares without nominal value if set performance conditions are met. The beneficiaries are some employees, including key management personnel, of the parent and group companies and other beneficiaries holding key management positions in the group who can have a significant impact on the group's sustainable success. The plan is a short-term incentive plan (management by objectives, MBO) and has one grant cycle for the free-of-charge allocation of shares if the performance objectives are met;

(v) approved the 2022-2023 performance share plan, which provides for the free allocation of up to a maximum of 10,000 ordinary shares without nominal value if set performance conditions are met. The beneficiaries are some key management personnel of the parent and group companies. The plan consists of one grant cycle for the free-of-charge allocation of shares if the performance objectives are met;

(vi) examined the report on remuneration policy and compensation paid, prepared in accordance with current legal and regulatory requirements, approved the company's remuneration policy for 2022 included in the first section of such report, pursuant to article 123-ter.3-bis/3-ter of Legislative decree no. 58/98 (the "TUF") and resolved in favour of the second section of the report, pursuant to article 123-ter.6 of the TUF;

(vii) resolved, during an extraordinary meeting, to give the board of directors the power to increase the share capital against payment on one or more occasions, even separately (in one or more tranches), with or without warrants and even for the exercise of warrants, for a maximum of five years from the date of the resolution and, therefore, until 28 April 2027, for up to €100 million, including the share premium, in accordance with the right of first refusal under article 2441 of the Italian Civil Code, or even excluding the right of first refusal pursuant to article 2441.4/5 of the Italian Civil Code, provided that the unexercised power given by the shareholders on 5 October 2020 has been revoked;

(viii) resolved, during an extraordinary meeting, to update the by-laws to reflect the new names of the Euronext Milan market and the Corporate Governance Code.

Sale of the subsidiary Kampfmittelräumung Nord GmbH

The German sub-holding company, Salcef Deutschland GmbH, finalised a contract for the sale of the subsidiary Kampfmittelräumung Nord Gmbh ("KMR Nord") to KMR Verwaltung und Beteiligung GmbH. The buyer transferred the agreed consideration of €1.3 million on 16 January 2023 (the transaction effective date) and took on and concurrently extinguished KMR Nord's liability to Salcef Deutschland GmbH.

The group acquired the investment in KMR Nord as part of its acquisition of the Bahnbau Nord Group in May 2021. However, KMR Nord solely carries out war ordnance reclamation activities, which is not a business closely related to the railway sector, although it is mostly carried out before civil works can take place. The group does not deem this sector of interest to it as it does not generate synergies with its other lines of business.

The transaction is recognised in the consolidated and separate financial statements in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations, as explained in note 35 to the consolidated financial statements.

Acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l.

The parent acquired 100% of Francesco Ventura Costruzioni Froviarie S.r.l. ("FVCF"), based in Rome and active in the permanent way systems sector, undertaking the design, construction, maintenance and renewal of railways predominantly in southern Italy where it has taken part in important projects covering regular railways, high speed lines and urban transport. It has a workforce of about 400 employees and a fleet of more than 400 track machines, including machinery for narrow-gauge lines. The transaction was closed on 23 December 2022 after the final conditions precedent, which are common in this type of transaction and were included in the preliminary agreements, were met (such as finalising the separation of assets not directly related to the track work business but which remain in the hands of the seller).

Payment of the consideration for the share purchase of €25 million partially took place at the closing of the deal and the rest has been deferred until certain conditions precedent are met. The agreement includes the usual price adjustment mechanisms as mentioned earlier. The deal has been entirely funded from Salcef Group's own resources.

Spread of the Coronavirus (Covid-19)

The Salcef Group continues to maintain all the necessary safeguards to ensure constant monitoring of the effects of the pandemic and to manage health risk, taking all steps to inform employees, suppliers, subcontractors and any other parties involved with the Salcef Group of the necessary and/or useful safeguards to minimise the risks of infection, and to manage any risks or actual infections.

At the reporting date, no Salcef Group operations had been suspended or slowed due to the pandemic. In fact, all sites are fully operational both in Italy and abroad.

2-3

Directors' report - Part III

Consolidated non-financial statement

Business model and strategy

Governance and responsible business conduct

Risk management

Salcef Group materiality

Sustainability performance

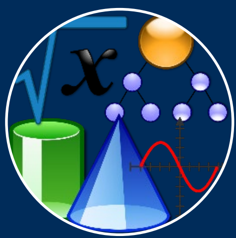
Business model and strategy

Our values

GRI STANDARDS	2-6 Activities, value chain and other business relationships

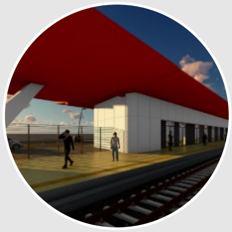
Ethics

- Propriety
- Transparency



Professionalism

- Reliability
- Punctuality
- Expertise



Spirit of initiative

- Competitiveness
- Creativity
- Innovation
- Integration

Value chain and business relationships

Salcef Group suppliers

Considering the nature of the activities performed and the markets in which it operates, Salcef Group relies on a large number of suppliers and sub-suppliers for the provision of services related to the contracts acquired. Numerous employees and collaborators of sub-contractor companies operate every day at the group's various work sites. In line with its Code of ethics, Salcef Group manages its relations with suppliers fairly, correctly, professionally, and by encouraging long-term collaboration and solid and long-standing relationships of trust.

Supplier types

Salcef Group classifies its suppliers based on how central their services are to the group's operations.

It considers critical those suppliers with the greatest impact on performance and the results of operations, both in terms of financial and reputation outcomes and as regards ESG and CSR. The evaluation is based on an analysis and monitoring of suppliers' product categories. At the qualification stage, each supplier selects at least one product category and if one of these is critical, then the supplier will be deemed critical.

The product categories classified as critical are described below for each supply type:

- **Supplies**: critical suppliers are those that provide Salcef Group with key materials related to its business sectors, such as permanent way systems (e.g., railway ballast, concrete sleepers, rails, etc.), electric traction (e.g., metal carpentry for electric power lines and electric traction, electric transformation stations and substations, contact lines, etc.), civil works (e.g., iron, concrete, cement and composites, items in concrete, steel items, etc.) and the main materials related to the group's manufacturing activities (e.g., metal carpentry for machines and equipment, components, spare parts and accessories for railway vehicles, components for goods produced, etc.).
- **Works/sub-contracts**: these are the most delicate type of supplies as suppliers carry out works on behalf of the group and, therefore, their organisation and output have a direct impact on customer satisfaction and the group's image. Accordingly, all suppliers that offer this type of service are considered critical. They include suppliers that operate in the railway field in the supply of works on permanent way systems, the production of electrical traction systems, the production of railway signalling systems and the performance of civil and other works on the railway infrastructure.
- **Services**: critical services suppliers are those that carry out activities with an impact in the ESG field and on business. They include transport, waste management and machinery maintenance.

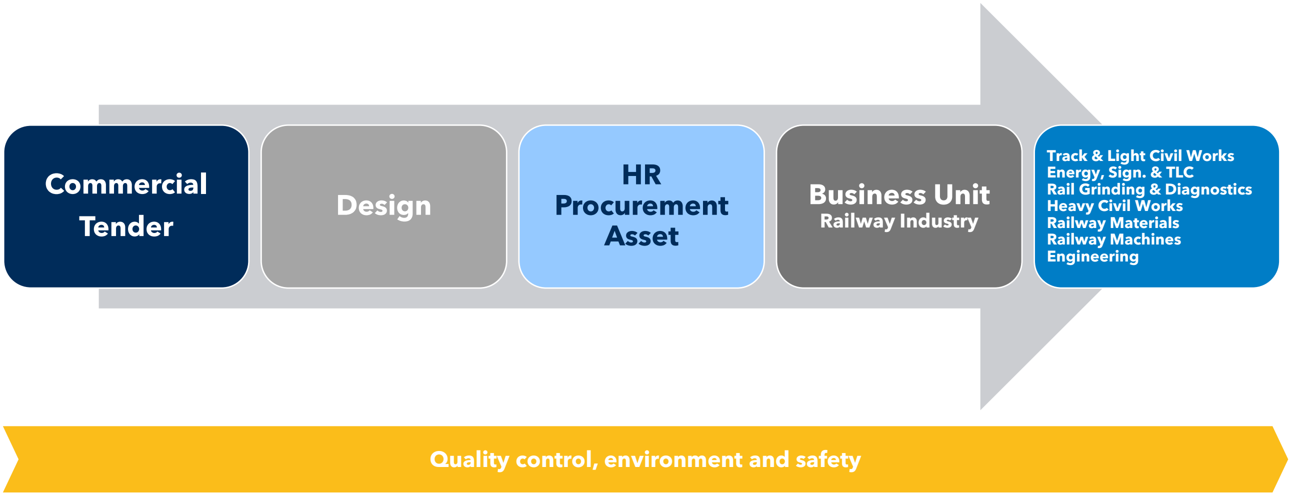
- **Rentals and leases**: this is also a sensitive category for the business. Critical suppliers are those that offer rental services both with and without machine operators and road and rail vehicles.
- **Consultancy and professional services**: critical suppliers are those that carry out important and essential activities for Salcef Group's products, such as testing, commercial and management consulting, laboratory testing, and project and engineering positions.

Critical suppliers are monitored more closely right from the qualification stage, as described in the following paragraphs.

Customer relations

Through its **Railway industry strategic business unit (SBU)**, Salcef Group coordinates the strategies, processes, resources and technologies of its various business units. The Railway Industry SBU is divided into seven operating business units. These **seven business units**, defined by type of activity, correspond to the operating departments set up in one or more of the group companies, involved in one or more specific business areas, under the centralised control and coordination of the parent, Salcef Group S.p.A..

Group operations mainly comprise the participation in bids or tenders, according to the following model:



The model developed by Salcef Group enables it to supervise all stages of the process in order to ensure a high level of control and compliance with quality standards. Group activities involve the programming of costs and production times and are organised to optimise the internal production capacity of work sites and facilities. The model's starting point is commercial development, with activities linked to the sales and marketing process for the acquisition of new contracts via the participation in tenders. It ends with the specific production activities of the work site and facility of each business unit.

The commercial and tender stages include the bidding in calls for tender for long-term contracts and the agreement of contracts for the production of railway stock and materials for third party customers. The aim of the critical analysis of the market is to identify those opportunities that match the group's operating capacity and the consequent design and drawing up of a proposal with the support of the tender department.

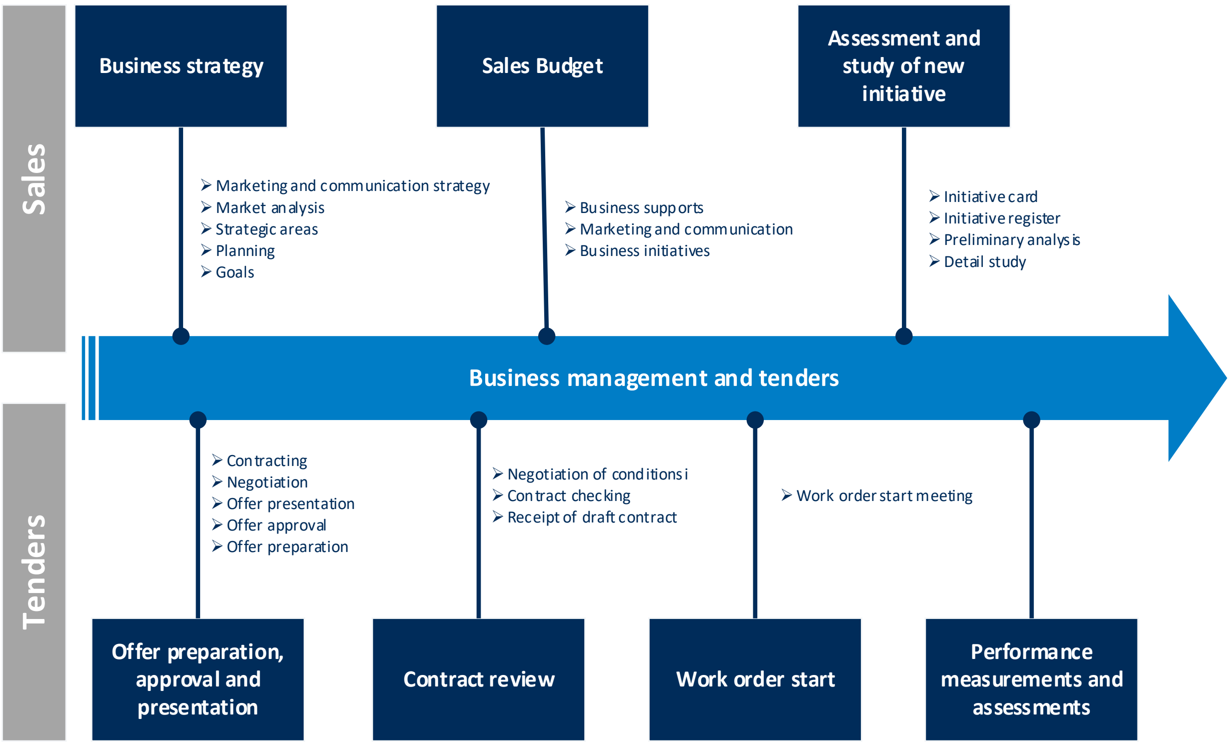
The ethics of commercial relations

In line with its fundamental values and in the knowledge that each customer has different needs and expectations, Salcef Group bases its relations with all customers, be they private or public, on stringent compliance with the legislative provisions in force and internal procedures, and the principles of integrity, honesty, correctness, respect and reciprocal trust, as well as professionalism, independence and fairness.

The personnel responsible for negotiating with and managing contractual relations with the public administration ascertains the veracity and correctness of the statements given, particularly in relation to the information related to meeting the requirements, costs and other financial information. Moreover, it is prohibited to provide services or benefits of any kind to commercial partners that are not suitably justified in the context of the relationship.

The commercial process

The management of commercial activities requires specific expertise and actions, as shown in the following:



The types of customers and projects

Customer loyalty to the group and the quality of the services, considering the characteristics of the activities performed, can be assessed by **identifying the number of renewals/consecutive awarding of a specific framework agreement or contract**.

RFI, Salcef's main customer, accounted for 66.3% of the group's revenue in the 2020-2022 three-year period. Confirming the high concentration of revenue with just a few customers, the top five customers in the same three-year period accounted for approximately 79.4% of the group's total turnover.

In the last 20 years, the group has laid over 2,600 kilometres of new railway lines (with a maximum production of two kilometres a day), including more than 340 kilometres of high-speed lines, and renewed over 8,500 kilometres of railway tracks and 1,200 kilometres of overhead contact lines. It has also carried out numerous civil and systems works for the construction or modernisation of railway stations, railway tunnels, bridges, underpasses, overpasses and other minor works. Salcef has built railway infrastructure in numerous different contexts, from the Arabian desert to the icy north, with each project presenting its own technical and methodological challenge and the chance to consolidate the group's position on the international market.

For details of the group's activities and latest projects, see the section dedicated to projects available on the group's website: https://www.salcef.com/it/progetti/

Sector certifications – Technical qualifications

The group's activities are largely concentrated in the public sector and it is therefore exposed to changes in the relevant legislative context in Italy and abroad, for instance: regulations governing public works, tax and environmental legislation, public safety, building and town planning.

As well as holding certifications of a general nature (i.e., ISO 14001:2015 for the environment and ISO 45001:2018 for safety), the group has sector-specific certifications. The group companies involved in construction activities in Italy (Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l. and FVCF S.r.l.) hold the SOA certificate, which is mandatory to bid in calls for tender for the performance of public works, and are registered in the suppliers' lists of the main customers that manage railway infrastructure and for urban transport.

Salcef's main sector-specific technical qualifications are listed below:

- **RFI SQ_001** - Works on electric traction and energy systems
- **RFI SQ_003** - Engineering services

- **RFI SQ_004** - Works on permanent way systems
- **RFI SQ_005** - Railway signalling systems
- **RFI SQ_011** - Civil works on operating lines
- **RFI SQ_012** - Maintenance of machines
- **RFI SQ_013** - Technological systems for emergencies in railway tunnels
- **Deutsche Bahn AG** - Supplier management system
- **Zertifizierung Bau certification** - Monitoring of sewer pipes for third parties
- **Terna S.p.A.** - Works on 150Kv power lines (LELE 02)
- **Terna S.p.A.** - Works on 380Kv power lines (LELE 04)
- **Terna S.p.A.** - 132-150kv high-voltage cable laying works (LELE08)
- **Terna S.p.A.** - 220-380kv high-voltage cable laying works (LELE09)
- **Achilles Utilities Nordics & Central Europe** - Supplier qualification system
- **Entity in charge of maintenance** - Directive 2004/49/EC and Regulation (EU) no. 445/2011.

Stakeholders: role and engagement

GRI STANDARDS	2-29 Approach to stakeholder engagement 3-1 Process to determine material topics

Stakeholders are individuals or groups that have an interest (expression of values), expectations in relation to a business or that could be affected by their operations. Stakeholders may not always have a direct relationship with the business or may live at a distance.

Businesses form and develop relationships with their stakeholders over time, via a suite of instruments, with the aim of strengthening relationships and this translates into an improved ability to generate and distribute value over time. Stakeholder involvement and engagement is essential and is aimed at understanding their interests, expectations and needs. This approach encourages an effective and responsible decision-making process, appropriate strategic planning and the achievement of business targets.

Salcef's stakeholders have been identified taking into account the group's sector, business model and existing system of relationships, as well as its geographical footprint. The suite of instruments through which Salcef manages its relationships with its stakeholders is shown below. The instruments are differentiated for the various stakeholder categories.

Stakeholder	Engagement activity Projects – Initiatives – Relationships
Shareholders	Shareholders' meeting – board of directors – press releases – website – financial statements.
Financial community	Shareholders' meeting – press releases – website – financial statements – IR conferences/roadshows.
Banks and insurance companies	Dedicated meetings and regular events – financial statements.
Workers and trade unions	Training programmes and events – career growth and development programmes – welfare initiatives – ERP – performance assessment – newsletters and internal communication – multimedia sharing and communication channels (instant messaging, video calls and video streaming) – website and social channels – corporate climate surveys – regular meetings with trade union and other representatives.

Stakeholder	Engagement activity Projects – Initiatives – Relationships
Suppliers	Technical/commercial meetings and visits – social media – events, trade fairs and other marketing activities – audits and inspections – supplier qualification and evaluation platforms – correspondence.
Companies and trade associations	Technical/commercial meetings and visits – social media – work groups – events, trade fairs and other marketing activities – assessment tools and questionnaires – website – bidding on tenders.
Customers	Technical/commercial meetings and visits – social media – publications – events, trade fairs and other marketing activities – assessment tools and questionnaires – audits and inspections – coordination and planning meetings – correspondence – website – supplier pre-qualification/qualification and evaluation – participation in expressions of interest – bidding on tenders.
Institutions and control bodies	Technical meetings and visits – audits and inspections – correspondence.
Society and local communities	Meetings with local community representatives – joint projects with universities – career days, events and fairs – visits to the company – website – social media.
The media	Press releases – social media – website – publications – events, fairs and other marketing activities – interviews and specialist analysis.

Sustainable mobility

GRI STANDARDS	2-6 Activities, value chain and other business relationships

The reference context – Transport systems and sustainable mobility

Mobility is a fundamental human need and is essential to prosperity. The transport system as a whole is fundamental to people, businesses and global supply chains, enabling access to goods and services fundamental to society, such as work, markets and products, social interaction, cultural activities and education.

After centuries of development and having improved the lives of billions of people, transport systems are facing a critical challenge: the evolution towards sustainable mobility to meet the needs of the planet and the expectations of future generations.

Sustainable mobility is a safe, inexpensive, fair, accessible and efficient system that can help mitigate the effects of climate change, by reducing emissions and all other environmental impacts.

This evolution is supported as much by the new digital and product technologies as by the policies adopted by governments, nationally and internationally, to promote a more efficient, sustainable and exclusive mobility [World Economic Forum, Strategic Intelligence 2023].

Salcef's commitment and its business model and operations make it an important player in this transformation process, enabling the development of rail mobility around the world, in both urban settings and for long distances.

Transport and climate change

With increased mobility, the carbon footprint of transport activities has also grown. For instance, transport currently accounts for 37% of global CO_2[2] emissions and one quarter of the EU's greenhouse gas emissions and these figures are destined to grow further with the rise in demand.

Emissions – According to the Intergovernmental panel on climate change (IPCC), global concentrations of greenhouse gases in the atmosphere must not rise if global warming is to be limited to 1.5°C above pre-industrial levels[3] in the 21st century. As stated in the IPCC's latest report[4], net GHG emissions continued to

[2] IEA, Transport – Topics - IEA, www.iea.org/topics/transport.
[3] Between 1850 and 1900.
[4] IPCC, Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change, see: https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf.

grow in the 2010-2019 decade, but with a drastic and immediate 43% decrease in emissions by 2030 (compared to 2019 figures) and an 84% decrease by 2050, average global warming could be contained to within 1.5°C. A substantial but more gradual 27% decrease in emissions by 2030 (compared to 2019 figures) and a 67% decrease by 2050 would lead to warming of between 1.5 and 2.0°C.

In December 2015, 197 countries signed the Paris Agreement, undertaking to substantially cut global GHG emissions to limit global warming to 2°C, while also pursuing pathways to limit warming to 1.5°C.

A drastic decrease in emissions is urgently needed and the actions taken over the next ten years will be crucial, as a continuous increase would lead to average global warming exceeding 2°C, with serious impacts on natural systems and people's lives.

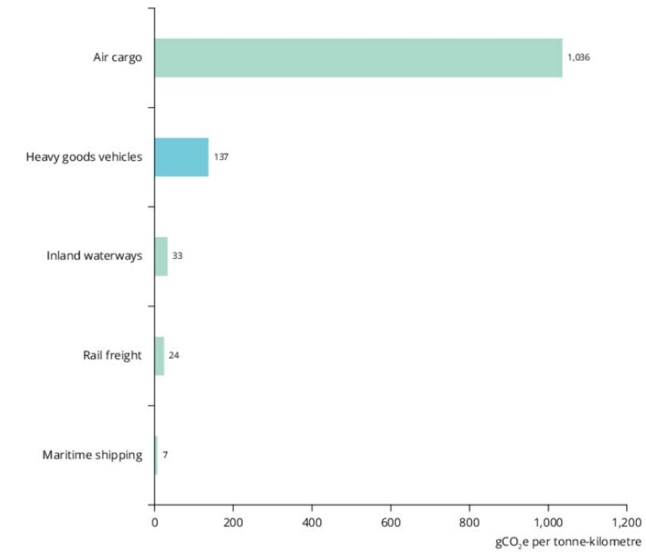
In this context, the transport sector has significant potential to reduce emissions. The annual GHG emissions growth between 2010 and 2019 in the sector remained almost constant at about 2% p.a.[5]. In a situation where the adoption of alternative fuel sources is still limited, a wide range of policies will be needed to encourage a modal shift to lower carbon-intensive travel options, such as railways, and operational and technical energy efficiency measures to reduce the carbon intensity of all modes of transport, if transport is to remain in step with the IEA's net zero scenario.

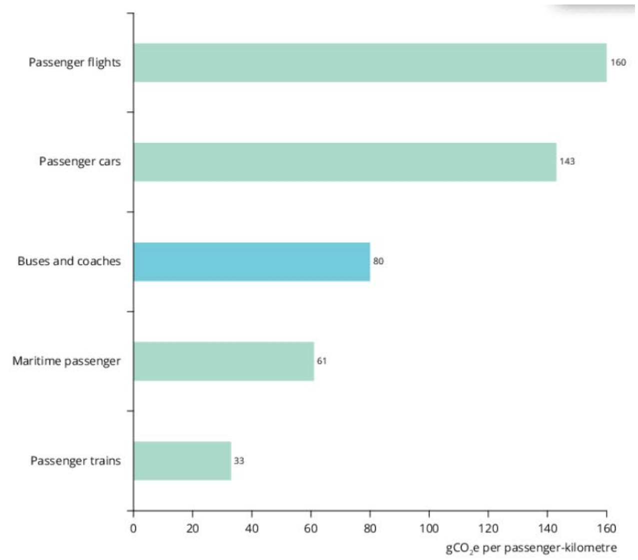
The European Environmental Agency (EEA)[6] analyses shown in Figure 1 confirm this line of action. The use of rail or ships for freight transport would enable a significant decrease in emissions compared to aviation or by road, while public transport (railway, buses and coaches) is most efficient for passenger transport.

Figure 1 - GHG emissions efficiency of the various modes of transport for freight (left) and passengers (right)

Figure 1 - GHG emissions efficiency of the various modes of transport for freight (left) and passengers (right)

[5] IPCC, Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change, see: https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf, p.8.
[6] See: EEA Report No 2/2022, Decarbonising road transport — the role of vehicles, fuels and transport demand.





[Source: European Environment Agency (EEA), 2022a[7]]

Railway transport - Rail transport is the most energy-efficient, least emissions-intensive mode of passenger transport, although oil currently covers over half of the energy needs of passenger railways and two thirds of that of freight rail. [8]The NZE scenario envisages significant growth in passenger rail, particularly for metros and high-speed rail, which is mostly electricity-based.

According to market forecasts, **high-speed passenger rail will grow more than threefold by 2030** as demand for travel increasingly shifts from short-haul flights to rail as a low-emissions option. Regulatory developments in this regard are also gaining pace, for instance, with France's 2021 proposal to stop domestic short-haul flights where there is an alternative rail journey of less than 2.5 hours[9].

Rail freight demand is also expected to increase significantly. Despite this, global CO_2 emissions from rail should fall from 90 Mt CO2 in 2021 to almost zero by 2050 as all new tracks on high throughput corridors are electrified from now on and as electricity's share of rail energy demand should rise from around 45% today to 65% by 2030, and almost 90% by 2050[10]. Biodiesel is expected to account for a further 5% of demand in 2050, and hydrogen for an additional 2%, while conventional diesel use is expected to reduce to only 3%. Fuel cell trains could potentially serve long-distance rail travel without refuelling, but are currently at a demonstration stage.

[7] See: https://www.eea.europa.eu/publications/co2-emissions-of-new-heavy.
[8] International Energy Agency - World Energy Outlook 2022, p.150.
[9] France's proposed flight ban applies if the train route is the same as the flight, i.e., the same connection between two cities, with a train journey time of less than two and a half hours. On Thursday 1 December 2022, the European Commission approved the plan proposed by France in 2021. The measure will initially provide for the cancellation of just three routes for a period of three years, after which the Commission will assess the impact of the change.
[10] International Energy Agency - World Energy Outlook 2022, p.150.

Impact of climate change and extreme weather events

IEA data show that the global transport sector consumes a quarter of total final energy consumption today and is responsible for nearly 40% of the emissions from end-use sectors[11]. Oil dominates in transport, accounting for 90% of consumption. Transport emissions therefore contribute heavily to climate change, while at the same time transport systems are also highly vulnerable to the effects of climate change, such as extreme weather events and natural disasters, with impacts that increase the potential for significant human and economic losses.

According to the IPCC's aforementioned Sixth assessment report, there will be an increasing occurrence of some extreme events unprecedented in the observational record with additional global warming.

The impacts of extreme weather events on infrastructure can vary greatly depending on the weather event and the nature of the infrastructure exposed to climate risk. For instance, the impacts could derive from heatwaves and cold snaps, drought, wildfires, river, coastal and other flooding, landslides and wind storms. They include: accelerated coastal erosion, flooding, sea flooding/coastal flooding of ports and roads; restricting access to docks and tourist ports; deterioration in the conditions and structural integrity of road pavements, bridges and railway tracks.

The climate impacts on land transport infrastructures identified in the report of the Ministry for infrastructure and sustainable mobility report on climate change, infrastructure and sustainable mobility[12] are described below.

[11] International Energy Agency - World Energy Outlook 2022, p.146.
[12] Ministry for infrastructure and sustainable mobility, Cambiamenti climatici, infrastrutture e mobilità, January 2022, p. 129 and 132.

Table 1 – Climatic impacts on land transport infrastructure (railways) and local public transport

Climate risk	Impact on railways	Impact on local public transport
Heatwaves	- Track deformation caused by heat expansion - Speed limits and/or service interruptions - Excessive overheating of rolling stock - Malfunction of signalling and telecommunication components - Damage to bridges and overpasses linked to heat expansion	- Deterioration of the road surface - Increase in vehicle wear and tear due to greater rolling resistance and greater use of the on-board auxiliary systems - Track deformation caused by heat expansion - Deterioration of the overhead line contact for trams with consequent service disruption and/or suspension - Decreased travel convenience (waiting and duration) resulting in demand shifting to private cars, which causes an increase in externalities
Cold snaps	Damage or destruction of various railway infrastructure components (e.g., freezing of signalling, communications and routing systems)	- Deterioration of the road surface - Loss of tyre grip on the road surface due to ice, causing road safety problems, traffic hold-ups and service disruption - Greater use of the on-board auxiliary systems - Breakage of railway tracks - Decreased travel convenience (waiting and duration) resulting in demand shifting to private cars, which causes an increase in externalities. - Increased operating costs for metro stations when they are used as emergency overnight shelters for homeless people
Drought	Structural damage to railway tracks due to subsidence	
Wildfires	Damage caused by exposure to fire and high temperatures	Damage or total impairment of equipment, vehicles and facilities with consequent reduced operation and higher repair and/or rebuilding costs
River and coastal flooding	- Structural damage caused by the direct impact of swell, particularly to bridges and overpasses; railway track failure; erosion at the base of the piles and bridge abutments	- Flooding of the route with a consequent reduction or suspension of operations and increased repair and maintenance costs for manholes and storm drains
Flooding	- Flooding of railway tracks causing reduced operations - Malfunctioning of drainage systems	- Greater fuel consumption for detours, with an increase in externalities.
Landslides	- Possible blockage of the railway tracks	- Damage or total impairment of equipment, vehicles and facilities with

Climate risk	Impact on railways	Impact on local public transport
	- Structural damage caused by the direct impact of movements of earth	consequent reduced or suspended operation and higher repair and/or rebuilding costs - Greater fuel consumption for detours, with an increase in externalities
Wind storms	- Possible blockage of the railway tracks by fallen trees - Greater strain on electrification systems - Structural damage due to wind pressure or the impact of debris, particularly bridges and overpasses	- Damage to the route due to foreign bodies falling on the railway area, with a consequent reduction or suspension of operations and increased removal and repair costs and service disruption - Greater fuel consumption for detours, with an increase in externalities - Vehicles overturning

When mobility is compromised, freight transport and supply chains are disrupted, including for vital products such as food and medicines, and people may not be able to access their work, healthcare and other basic services. Mitigation strategies in the transport sector can therefore have various co-benefits, including improving air quality, health benefits, fair access to transport services, and reductions in congestion and demand for materials[13].

[13] IPCC, Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change, see Summary for Policymakers: https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf, p.32.

Government and institutional plans/interventions for sustainable mobility

EUROPEAN UNION

EU GREEN DEAL

The European Green Deal is a package of strategic initiatives with the aim of making the EU carbon-neutral by 2050.

Main aims:

2030:

- Double high-speed railway traffic
- All large and medium-sized cities will implement sustainable urban mobility strategies
- At least 30 million zero-emissions cars and 80,000 zero-emissions lorries
- Documentation for freight transport fully computerised

2050:

- Double railway freight traffic
- A fully operational multimodal trans-European transport network for sustainable and smart transport with high speed connectivity
- The number of deaths from all modes of transport in the EU close to zero

Further information is available athttps://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

ITALY

NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP)

The NextGenerationEU package of reforms and investments for 2021-2026 provides for investments of **€222.1 billion**.

The NRRP has **six Missions**[14], corresponding to the six pillars of NextGenerationEU. Transport, infrastructure and sustainability interventions are included in two of the NRRP missions, to develop a modern and accessible railway network and improve passenger and freight mobility:

M3 - Infrastructure for sustainable mobility

A **total of €25.4 billion**, of which €24.7 billion for investments in the railway network

M2 - Green revolution and ecological transition

A **total of €59.5 billion**, of which 23.8 billion for renewable energy, hydrogen, the grid and sustainable mobility, including investments of €3.6 billion in large-scale public transport.

Further information is available athttps://www.italiadomani.gov.it/content/sogei-ng/it/en/home.html

2022-2031 BUSINESS PLAN OF FS ITALIANE GROUP

[14] Specifically: I. Digitisation, innovation, competitiveness, culture and tourism; II. Green revolution and ecological transition; III. Infrastructure for sustainable mobility; IV. Education and research; V. Inclusion and cohesion; VI. Health.

Creation of the Infrastructure Hub headed up by RFI and responsible for technical investments of **€110 billion** in extraordinary maintenance, technologies, regional networks, port/interport links, routes of national importance (high speed/high capacity), safety and upgrades, tourist lines, metros and airport connections.

Further information is available athttps://www.fsitaliane.it/content/fsitaliane/it/il-gruppo-fs/il-piano-industriale-2022-2031-e-i-quattro-poli-di-business.html

GERMANY

2021-2030 INVESTMENTS PLAN

A ten-year joint investment plan between the federal government and Deutsch Bahn for a total **€86 billion** to upgrade and improve the railway network of the entire country.

UNITED STATES

INFRASTRUCTURE INVESTMENT AND JOBS ACT

The Infrastructure Investment and Jobs Act (IIJA), which provides for spending of USD1,200 billion, including new federal spending of USD550 billion in the 2022-2026 period to fund new initiatives including the repair of roads and bridges, the improvement of public transport, and the provision of drinking water and high-speed internet.

The new initiatives include major investments in rail and public transport:

- **USD66 billion** to modernise and maintain rail systems for passengers and freight
- **USD39 billion** to improve public transport, create new bus lines and increase accessibility for elderly and disabled people

Salcef's sustainable development strategy and commitment

GRI STANDARDS	2-6 Activities, value chain and other business relationships 2-23 Policy commitments 2-24 Embedding policy commitments

The group's strategy is mainly based on certain key principles:

- Strengthening the competitive position;
- Expanding the business lines;
- Investments in high-tech product development.

The strategy

Strengthening the competitive position – external growth

The group has a strong track record of acquisitions, initially to consolidate its market share in Italy before turning its sights abroad in 2018, first to Germany and then the United States. The aim is to overcome the barriers to entrance posed by the highly regulated environment to establish an industrial presence in these countries.

March 2022 saw the completion of the acquisition of PSC Group's railway business unit, with the aim of strengthening the group's leadership in the railway electrical traction sector and above all, to develop business segments such as railway signalling, the construction of electricity generating substations and tunnel technological systems.

The acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. was finalised in December 2022. The company has been active in the railway construction and maintenance sector for over fifty years and the acquisition will enable the group not only to bolster its core activities of permanent way systems in Italy but also to expand its commercial horizons to new customers and sectors, particularly in the narrow gauge segment.

Also in view of the substantial government investment plans in its main strategic markets, the group will look to strengthen its competitive positioning through acquisitions of and/or combinations with companies active in railway maintenance and technology, both in Italy and abroad.

Expanding the business lines

The group plans to develop its operations in business sectors that are technically similar to its current ones, but with different customers and markets. This includes the sectors of railway signalling, the construction of electricity generating substations and tunnel technological systems referred to in relation to the aforesaid acquisition of PSC Group's railway business unit finalised in 2022, as well as the plant engineering sector for the construction and maintenance of electricity grids for the bodies that manage electricity distribution, both in Italy and abroad, mainly Eastern European countries.

Investments in high-tech product development

The group aims to consolidate its leading edge in the railway industry by developing solutions and methodologies that lead the way in environmental and efficiency terms thanks to the synergic skills, experience and technologies of the business units: from design to production, and machinery engineering to laying techniques. Salcef Group's business plan includes a purchase and production programme for new machinery and extraordinary maintenance works on existing machinery in order to improve efficiency, productivity and environmental performance. The new and renewed machinery will bolster the current work teams and will mainly be used to renew the tracks both in Italy and in the foreign countries where the group is present.

FAST SYSTEM

Salcef's subsidiary specialised in the design and production of concrete items for the railway industry, Overail, unveiled and launched a new ballastless permanent way system named "*FAST System*" in 2022. This innovative, reliable, flexible and highly modular solution responds to all railway, metro and tram line renewal and construction needs using ballastless systems.

Based on a precast concrete slab which integrates all fastening systems, FAST guarantees top performance and overcomes some of the limits of other ballastless tracks, thanks to various patented solutions. Specifically, simplified installation means it can be installed during partial or specific service interruptions so that train circulation is not affected. FAST also guarantees the reduction of noise and vibrations from railway traffic, helping to improve conditions for local residents.

FAST is produced at the Aprilia production facility, a manufacturing and research centre that is an example for the railway industry in terms of technological innovation and production capabilities. It is a technological factory developed according to the Industry 4.0 model features, characterised by automation of the main production and control processes, and by a focus on environmental sustainability.

VOLCAN SERIES RAIL GRINDERS

The rail grinders designed and produced by the subsidiary SRT are cutting-edge, highly flexible, new concept machines guaranteeing high performance in restoring the profile of rail tracks and turnouts, as well as services such as diagnostic systems for track geometry and ultrasound testing. They can operate in extreme weather conditions and are equipped with Industry 4.0 systems and state-of-the-art measuring systems.

Like all SRT products, the rail grinders were developed with a focus on environmental sustainability, particularly with the introduction of innovative solutions designed to limit exhaust gas emissions and systems to collect and dispose of production residues.

The catalogue includes the VULCANO series rail grinders: the scalable heavy model can have between 50 and 96 grinding stones to operate in any condition, and the light model with between 10 and 20 grinding stones can also operate on metro lines.

The rail grinders are produced at SRT's highly automated facilities which minimise the environmental impact.

INDUSTRY 4.0

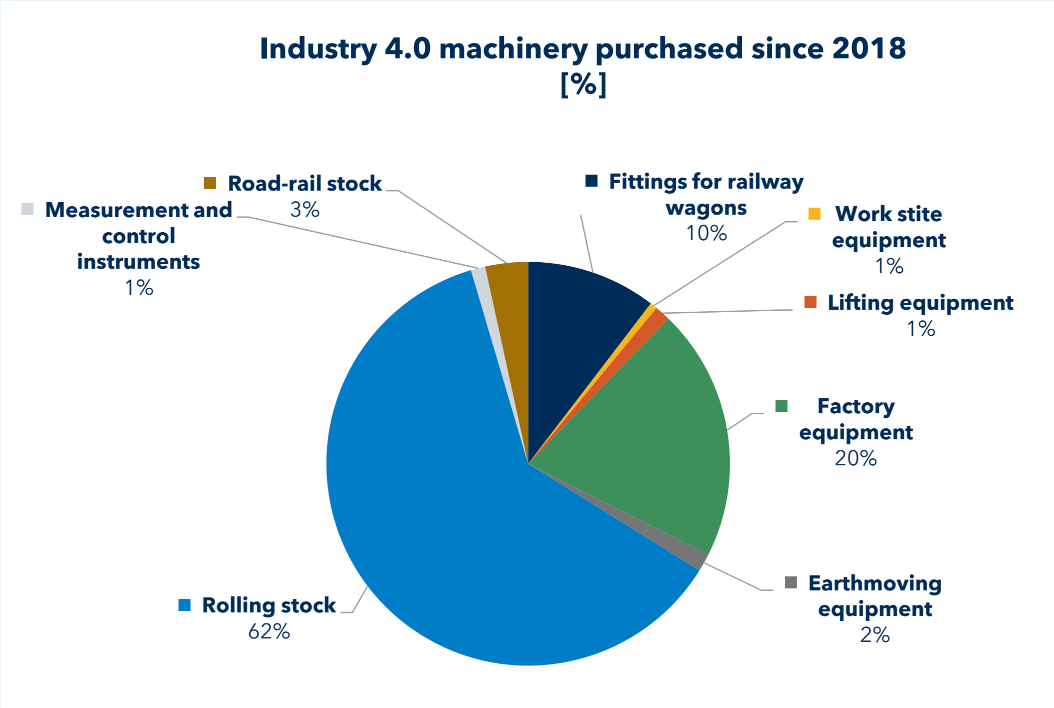
The Industry 4.0 initiative introduced by the Italian government in 2017 to promote and incentivise investments in machinery and technologies saw the roll-out of the latest technological innovations, including cyber-physical systems, wireless communication, the Internet of Things, digitisation, robotics and advanced sensors, enabling machines to connect to other machines or logistical systems.

Against this backdrop, the group has commenced – mainly through the subsidiary, SRT – a long-term plan of innovative projects aimed at the application of technologically advanced solutions for the outfitting of new machinery to be used for the maintenance of railway plant and the management of railway traffic safety on railway and urban networks.

Since 2018, Salcef Group has invested **€81.6 million** in Industry 4.0 next generation machinery and investments in innovation continue in 2023.

The various categories of Industry 4.0 machinery are summarised in the following graph:

Industry 4.0 machinery purchased since 2018 [%]

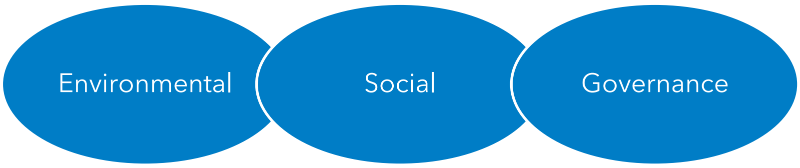


Industry 4.0 machinery is interconnected with Salcef Group's "My Salcef" management system which facilitates the exchange of information such as instructions, part programs, production, diagnostic and maintenance data, geolocation, alarms, etc. The interconnection of the machines with the group management system offers greater control over production, enabling decisions to be made based on objective, actual data, making the maintenance process faster and more efficient, as well as improving quality, safety and environmental performance.

Salcef's commitment

Salcef's ESG policy

Salcef Group's business development model makes the principles of sustainability, transparency and quality its own. The model sets out concrete commitments and specific management and organisational structures with the goal of creating shared value for all stakeholders, for the people, communities and local areas, while respecting the environment. Salcef has an ESG policy with guidelines to ensure its operations are consistent with the **E**nvironmental, **S**ocial and **G**overnance commitments.



Environmental factors: reduction of CO_2 emissions; decrease in air and water pollution; optimisation of energy consumption and waste reduction.

Social factors: respect for human rights; exclusion of any discriminatory practice; support for equal opportunities; better occupational health and safety; and greater attention to protecting sensitive data.

Governance factors: adoption of fairer management remuneration policies; increased control procedures; promotion of conduct inspired by compliance with the law and ethics; control of the implementation of legislation regarding corporate liability and anti-corruption; compliance with independence criteria for the board of directors; and a focus on regulation in the markets of operation.

Salcef Group and the SDGs

Businesses are required to commit to the pursuit of financial and economic targets that also generate positive impacts in environmental and social terms.

Salcef is a signatory of the United Nations Global Compact and bases its system of values on the ten principles of this charter.

In the 2030 Agenda, sustainable transport is part of various SDGs and goals, particularly those related to safety, health, energy, economic growth, infrastructure, cities and human settlements. The importance of transport for climate action is recognised: the transport sector will play a particularly important role in the reaching of agreements between countries, given that one quarter of global greenhouse gas emissions linked to energy comes from transport and these emissions are expected to rise substantially in coming years.

Salcef is involved in the construction and improvement of infrastructure for sustainable mobility, which enables the reduction of the sector's environmental impacts (a more efficient use of natural resources, cleaner and innovative technologies, and mitigation of the impacts of climate change) and helps generate positive social impacts (on life and relationships between people).

Please refer to the paragraph entitled "Material topics - objectives and actions" later in this document for an analysis of Salcef's specific commitments in relation to the SDGs and correlation with the material topics (main environmental – social – economic impacts and in relation to governance).

Salcef and ESG ratings

EcoVadis

All Salcef Group's Italian operating companies are registered on the EcoVadis platform, the world's largest corporate sustainability ratings body, with over 90,000 companies assessed. It also plays an important role in supplier evaluation for RFI, Salcef Group's main customer.

In the 2022 scorecards, Salcef Group's six companies subject to analysis scored five platinum medals – the maximum rating, corresponding to the top 1% of the best companies in the sector – and one gold medal – corresponding to the top 5% of the best companies in the sector.

Every company also improved on their 2021 scores, contributing to the achievement of three new platinum medals.

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MSCI

Salcef was awarded an A rating by MSCI on 13 January 2023, an improvement on its previous BBB rating assigned in December 2021. MSCI ESG Research provides research, ratings and in-depth analyses on commercial practices linked to the environment, social and governance for thousands of companies worldwide.

ISS ESG

Salcef was awarded a C- rating by ISS ESG on 5 January 2023. ISS ESG assesses ESG risks, opportunities and impacts along a company's value chain.

EU taxonomy reporting

Regulation (EU) 2020/852: criteria and objectives

In order to meet climate and energy targets and direct investments towards sustainable projects and activities, the European Union has adopted a definition of what is "sustainable". The **EU Taxonomy** is a classification system for economic activities which underpins the action plan on financing sustainable growth.

Regulation (EU) 2020/852 on the EU Taxonomy establishes the criteria that an economic activity must meet in order to qualify as environmentally sustainable (Article 3).

	Regulation (EU) 2020/852 - The criteria of article 3
Taxonomy eligible	a) contributes substantially to one or more of the environmental objectives set out in Article 9 (Environmental objectives). Sectors and activities eligible under the current Taxonomy, (irrespective of whether they meet any or all of the technical screening criteria of the Taxonomy).
Taxonomy aligned	d) complies with technical screening criteria that have been established by the Commission for eligible sectors and activities.
DNSH Do No Significant Harm	b) does not significantly harm any of the environmental objectives set out in Article 9.
Minimum Safeguards	c) is carried out in compliance with the minimum safeguards laid down in Article 18.

	Environmental objectives (Article 9)
1	**Climate change mitigation**
2	**Climate change adaptation**
3	**The sustainable use and protection of water and marine resources**
4	**The transition to a circular economy**
5	**Pollution prevention and control**
6	**The protection and restoration of biodiversity and ecosystems**

The **Delegated regulation (EU) 2021/2139**, supplementing Regulation (EU) 2020/852, established the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to **climate change mitigation or climate change adaptation** and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. At the date of publication of this report, there have been no further measures issued subsequent to this regulation in relation to the other environmental objectives.

Article 8 disclosures

Article 8 of **Regulation (EU) 2020/852** on the EU Taxonomy requires companies to disclose a) the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable; and b) the proportion of their capital expenditure and the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

The disclosures are drawn up also with reference to the Commission Delegated Regulation of 6 July 2021, which specifies the content and information to be disclosed by companies concerning environmentally sustainable economic activities.

Salcef Group

In addition to disclosures on the **eligibility** of Salcef Group's activities under the EU Taxonomy, as from 2022, the NFS will also include the disclosures required on the proportion of **aligned activities**.

Aligned activities are those eligible activities that satisfy both the Taxonomy "substantial contribution" criteria for environmental objective 1. Mitigation of climate change while doing no significant harm (DNSH) to the other environmental objectives.

The NFS disclosures includes an evaluation of compliance with minimum safeguards.

The following condensed figures confirm Salcef Group's role of and contribution to the substantial objective of climate change mitigation. Please refer to the detailed tables in the Annex for greater information.

Economic activities				EU Taxonomy indicators (%)			
Business unit	Sectors	Code	Description		Turnover	CapEx	Operating costs
Track & light civil works	6 Transport	6-14	Railway transport infrastructures	Aligned	58.73%	44.41%	69.57%
				Eligible but not aligned	0.24%	0.18%	0.28%
				Not eligible	0.00%	0.00%	0.00%
Energy, Signalling & Telecom	6 Transport	6-14	Railway transport infrastructures	Aligned	12.59%	4.56%	8.62%
				Eligible but not aligned	0.05%	0.02%	0.03%
				Not eligible	4.97%	2.44%	8.44%
Heavy Civil Works	6 Transport	6-14	Railway transport infrastructures	Aligned	10.58%	3.37%	8.15%
				Eligible but not aligned	0.04%	0.01%	0.03%
				Not eligible	0.00%	0.00%	0.00%
Rail Grinding & Diagnostics	6 Transport	6-14	Railway transport infrastructures	Aligned	3.06%	13.00%	1.64%
				Eligible but not aligned	0.01%	0.05%	0.01%
				Not eligible	0.00%	0.00%	0.00%
Railway materials	6 Transport	6-14	Railway transport infrastructures	Aligned	0.00%	0.00%	0.00%
				Eligible but not aligned	0.00%	0.00%	0.00%
				Not eligible	8.42%	19.44%	0.75%
Railway Machines	3 Manufacturing	3-3	Manufacture of low-carbon technologies for transport	Aligned	0.00%	0.00%	0.00%
				Eligible but not aligned	1.31%	12.51%	2.48%
				Not eligible	0.00%	0.00%	0.00%
Total - Salcef Group				**Aligned**	**84.96%**	**65.34%**	**87.98%**
				Eligible but not aligned	**1.65%**	**12.77%**	**2.83%**

Economic activities				EU Taxonomy indicators (%)			
Business unit	Sectors	Code	Description		Turnover	CapEx	Operating costs
				Not eligible	**13.39%**	**21.89%**	**9.19%**

The Engineering business unit is not reported as all its activities are at the service of the other group companies and are therefore considered as infragroup transactions at consolidated level.

Railway transport infrastructures

Construction, upgrade, management and maintenance of railway and metros, as well as of bridges and tunnels, stations, terminals, railway service systems and traffic management and safety systems, including the services of architects and engineers, project drawing up, building inspection and surveying and mapping and similar services, as well as the performance of physical and chemical tests or other types of analytical tests of all types of materials and products.

A summary of the technical screening criteria established by Regulation (EU) 2021/2139 related to the substantial contribution to climate change mitigation follows:

6.14 Infrastructure for rail transport		
Substantial contribution to climate change mitigation		
1	Criteria (the activity must comply with one of the following) / (abstract) a) Infrastructure i. electrified trackside infrastructure and associated subsystems. ii. new and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, or where the infrastructure will be fit for use by zero tailpipe CO_2 emission trains within 10 years from the beginning of the activity. iii. until 2030, existing trackside infrastructure and associated subsystems that are not part of the TEN-T network and its indicative extensions to third countries, nor any nationally, supranationally or internationally defined network of major rail lines: infrastructure, energy, on-board control-command and signalling, and trackside control-command.	**Salcef Group's activities relate to infrastructure that falls under the categories referred to in a).**
	b) the infrastructure and installations are dedicated to transhipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transhipment of goods.	
	c) infrastructure and installations are dedicated to the transfer of passengers from rail to rail or from other modes to rail.	
2	The infrastructure is not dedicated to the transport or storage of fossil fuels.	**Salcef Group's activities relate almost entirely to infrastructure not dedicated to the transport or storage of fossil fuels.**

The data and information take into account the complexity and current uncertainties in relation to the application of the current provisions of the regulations. Reporting on the Taxonomy and interpretations of the regulation may evolve over time, also in relation to the regulation's expected completion and, specifically, the publication of the delegated regulations related to the four remaining non-climate-related objectives, the applicable cases and reporting practices. These developments could also have an impact on the taxonomy indicators presented above.

Reporting standards

For the purposes of the disclosure pursuant to article 8 of Regulation (EU) 2020/852 on the Taxonomy, Turnover, CapEx and OpEx are defined as follows. Reference should be made to the consolidated financial statements for more specific information on the reporting standards:

- *Turnover* – Revenue from products and services.
- *CapEx* – Increases in property, plant and equipment and intangible assets, including capitalised research and development costs, before any fair value adjustments and gross of amortisation/depreciation and impairment losses.
- *OpEx* – Uncapitalised research and development costs, building renovation costs, short-term lease contract expense, maintenance and repairs and other indirect costs for the regular maintenance of group assets, plant and equipment.

The process to determine whether activities are Taxonomy-eligible included the following steps:

01. Analysis of the economic activities of Salcef Group's various business units and their inclusion within the Taxonomy (Commission Delegated Regulation (EU) 2021/2139 on climate change-related objectives).
02. Allocation of the required indicators (Turnover – CapEx and OpEx – Operating costs) based on the EU methodology.

Individually eligible CapEx/OpEx items

Under the relevant regulations, other expenses related to the procurement of goods and services linked to economic activities other than those eligible under the Taxonomy may be included as eligible CapEx and OpEx, if these purchases contribute to emission reductions and if the economic activity of the supplier is Taxonomy-eligible.

CapEx – There were no significant investments in 2022 that qualify under the above definition.

OpEx – Salcef Group does not currently have the information available to identify any Taxonomy-eligible purchases. Collecting this information requires a prior assessment of the activities of the suppliers, which could not be done for 2022.

DNSH - Do No Significant Harm

To be defined as sustainable, an economic activity must not only substantially contribute to one of the objectives established in the Taxonomy, it must do no significant harm to the others. DNSH-compliance for eligible activities has been identified for the environmental objectives other than objective 1, Climate change mitigation, in relation to which a substantial contribution by Salcef Group has been identified.

The annexes to Commission Delegated Regulation (EU) 2021/2139 establish the criteria for determining DNSH-compliance.

The main stages of the internal due diligence process provide for: a) the involvement of the managers of the Salcef Group business units and an analysis of the eligible activities, the policies and operating practices compared to the criteria for DNSH-compliance; b) analysis of the documentation used in reporting the material topics covered in this NFS.

6.14 Infrastructure for rail transport	
Environmental objectives	**Alignment with DNSH criteria** **Commission Delegated Regulation (EU) 2021/2139 - Annex 1 Climate change mitigation**
2 Climate change adaptation	Criteria set out in Annex A Generic DNSH criteria for climate change adaptation. **►The analysis did not show any physical climate risks that are material to the activity. Please refer to the disclosure on climate risks/opportunities (Risk management)**
3 Sustainable use and protection of water and marine resources	Criteria set out in Annex B Generic DNSH criteria for the sustainable use and protection of water and marine resources. **► Some of Salcef Group's activities are located in areas with significant water stress. However, the analysis did not indicate significant environmental risks associated with the use of water resources (withdrawal and consumption). Please refer to the contents of the Water chapter in this document in relation to the management of water resources.**
4 The transition to a circular economy	Specific DNSH criteria At least 70% (in terms of weight) of the non-hazardous construction and demolition waste (excluding the materials in their natural state defined in code 17 05 04 of the European list of waste established by Commission Decision 2000/532/EC) produced at building sites is prepared for reuse, recycling and other types of material recovery, including filling operations that use the waste in place of other materials. **► The policies and operating practices of Salcef Group comply with the specific criteria. For further information, please refer to the Waste generation and management chapter which sets out quantitative data for the waste generated and the related recovery/disposal procedures.**

6.14 Infrastructure for rail transport	
Environmental objectives	**Alignment with DNSH criteria** **Commission Delegated Regulation (EU) 2021/2139 - Annex 1 Climate change mitigation**
5 Pollution prevention and control	Specific DNSH criteria The noise and vibrations deriving from the use of the infrastructure are mitigated by adding ditches, sound barriers or other measures and comply with Directive 2002/49/EC of the European Parliament and of the Council. Steps are taken to reduce the noise, dust and polluting emissions during construction or maintenance works. **► The policies and operating practices of Salcef Group comply with the specific criteria.**
6. The protection and restoration of biodiversity and ecosystems	Criteria set out in Annex D Generic DNSH criteria for the protection and restoration of biodiversity and ecosystems. **►Biodiversity is not considered a material topic for the purposes of the 2022 NFS. This decision is based on the type of activities and, specifically, the role played by Salcef Group, which does not have responsibility for the entire infrastructure and its impact on biodiversity.** **In any case, Salcef Group complies with EU regulations protecting biological diversity, adopting a systematic approach designed to minimise the impacts, in line with that established by the environmental management systems it adopts. Attention to biodiversity is an essential component thereof, and comes from the conviction that developing works and infrastructures of public interest cannot be decoupled from sensitivity to a country's environmental capital, from which biodiversity and the integrity of the ecosystems derive.**

Minimum safeguards

Article 18 of Regulation (EU) 2020/852 on the Taxonomy defines minimum safeguards as those *procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.*

The criteria established by Article 3 of Regulation (EU) 2020/852 require that to qualify as environmentally sustainable, in addition to that established in the preceding paragraphs (eligibility – alignment with technical screening criteria – DNSH), an economic activity shall be *carried out* (Article 3c) *in compliance with the minimum safeguards laid down in Article 18.*

Salcef Group undertakes to conduct its business in line with ethical criteria and with integrity and to respect human rights in all its activities. The assessments of the minimum safeguards related in particular to the following areas established in the regulation.

Human rights – Salcef Group undertakes to respect the internationally-recognised human rights referenced in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. These rights include the basic rights at work, such as the right to freedom of association and collective bargaining, the right not to be subject to forced labour, child labour or discrimination in respect of employment and occupation, as well as regulations on working hours and a safe and healthy working environment. This undertaking, which is reflected in the Code of ethics and in the management procedures and systems, was further confirmed in 2022 with the drafting of a specific policy on Human Rights. For further information, please refer to the Human Rights chapter in this document

Corruption – Salcef Group's commitment to preventing and identifying any cases of corruption led to the adoption of an anti-corruption policy based on different levels and which envisages both an Organisational, development and control model pursuant to Legislative decree no. 231/01 (of which the Code of Ethics forms an integral part) and the specific ISO 37001 management system. For further details, please refer to the Anti-corruption measures chapter in this report.

Taxation – Salcef Group adopts a transparent and prudent approach to tax issues and adopts policies aimed at reducing risks of a tax nature. The Tax transparency chapter of this document provides relevant details as part of the reporting on the underlying sustainability issue.

Free competition – Salcef Group operates in compliance with the conditions of freedom of enterprise and the rules and regulations on free competition. Compliance with laws and regulations is an essential condition to ensure business continuity.

Governance and responsible business conduct

Company bodies and committees

GRI STANDARDS	2-9 Governance structure and composition 2-10 Nomination and selection of the highest governance body 2-11 Chair of the highest governance body 2-12 Role of the highest governance body in overseeing the management of impacts 2-15 Conflicts of interest 2-17 Collective knowledge of the highest governance body 405-1 Diversity of governance bodies and employees

Salcef's corporate governance structure is based on a traditional organisational model and is comprised of the following company bodies:

- The shareholders' meeting (resolves on the issues provided for by the law and the company's by-laws);
- The board of directors (responsible for the management of the company);
- The board of statutory auditors (entrusted with a supervisory function).

KPMG S.p.A. was appointed to perform the statutory audit by the shareholders in their meeting of 5 October 2020. The engagement ends with the approval of the financial statements at 31 December 2028.

On 6 October 2020, the board of directors resolved to adopt Borsa Italiana's Corporate Governance Code (available on www.borsaitaliana.it).

The board of directors, comprised of seven members, was appointed by the shareholders in their meeting of 29 April 2022 for the 2022-2024 three-year period, with the appointment of Gilberto Salciccia as chairperson.

Board of directors

Board of directors	
Gilberto Salciccia	Chairperson of the board of directors
Valeriano Salciccia	CEO
Angelo Di Paolo	Director

Board of directors	
Valeria Conti	Independent director
Bruno Pavesi	Independent director
Emilia Piselli	Independent director
Veronica Vecchi	Independent director

The board of directors is vested with the broadest powers for the ordinary and extraordinary management of the company. The directors are assigned all powers necessary for the implementation and achievement of the business purposes other than those reserved exclusively to the shareholders by law or the by-laws.

Salcef's board of directors defines the strategy and business model and establishes the group's sustainable development objectives and contribution.

Salcef Group's commitments and policies are periodically reviewed by the board of directors in order to strengthen the management of sustainability topics, pursue the strategic objectives, and monitor and improve management of the impacts.

ESG topics are integral to how Salcef conducts its business and to the role it plays in sustainable development (eligible activities under the EU Taxonomy). This requires an ongoing enhancement of expertise. The decision to establish a board committee for sustainability topics (operative from 2023) confirms this approach.

The members of the board of directors, who do not necessarily have to be shareholders of the group, remain in office for three years. They are elected by the shareholders that decide on the number of members (between three and eleven) before electing them. Directors are elected from lists, drawn up in accordance with the methods set out in the Corporate governance and ownership structure report and candidates must meet professional and independence requirements. Lists presenting three or more candidates must include candidates of different genders so that the board of directors' composition complies with gender equality regulations. Potential conflicts of interest are prevented and mitigated by governance instruments and the related policies adopted by the group.

The chairperson of the board of directors has unlimited representation powers for the parent and is also assigned the organisation and management of company structures, as well as the definition of the guidelines and operating strategies for the other Salcef Group companies. Specifically: a) definition of strategic guidelines for new investments and activities to ensure company assets are operating efficiently; b) definition of the operating plan for Salcef Group's investments; c) research and development and other activities which are aimed at increasing and diversifying Salcef Group's products and services over the medium to long-term, including the roll-out of design activities and the research for new patents and production systems.

The chief executive officer (CEO) is assigned general representation powers, management of personnel and employment relationships, administrative management, contracts and financial management.

Board of directors – Diversity (gender – age bracket)					
Women		**Men**		**Total**	
No.	**%**	**No.**	**%**	**No.**	**%**
3	42.86%	4	57-14%	7	100.0%
Under 30 years of age		**Between 30 and 50 years of age**		**Over 50 years of age**	
No.	**%**	**No.**	**%**	**No.**	**%**
-	-	1	14.29%	6	85.71%

Board of statutory auditors

The board of statutory auditors, comprised of three standing statutory auditors and two alternate statutory auditors, was appointed on 29 April 2022 and will remain in office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2024.

Board of statutory auditors	
Pier Luigi Pace	Chairperson
Giovanni Bacicalupi	Standing auditor
Maria Assunta Coluccia	Standing auditor
Carla Maria Melpignano	Alternate auditor
Maria Federica Izzo	Alternate auditor

Committees

Salcef's corporate governance provides for the following committees. They are comprised of members of the board of directors and their term is the same as that of the board of directors:

- **Remuneration and appointment committee** (3 members): carries out preliminary functions and advises the board of directors on the determination of the fees of directors assigned special duties, as well as in relation to personnel remuneration and retention policies. The committee is comprised of Emilia Piselli (chairperson), Veronica Vecchi and Bruno Pavesi.
- **Audit and risk committee** (3 members): supports the board of directors in assessments and decisions in relation to risks and the internal control system. The committee is comprised of Valeria Conti (chairperson), Veronica Vecchi and Bruno Pavesi.
- **Related parties committee:** carries out the functions provided for by the regulation governing related party transactions adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 17221 of 12 March 2010, as amended, also taking into account the instructions and guidelines for the application of the related party transactions regulation provided by Consob with communication no. DEM/10078683 of 24 September 2010. The committee is comprised of Bruno Pavesi (Chairperson), Emilia Piselli and Valeria Conti.

Corporate governance

GRI STANDARDS	2-9 Governance structure and composition 2-13 Delega di responsabilità per la gestione di impatti 2-14 Role of the highest governance body in sustainability reporting 2-16 Communication of critical concerns 2-18 Evaluation of the performance of the highest governance body 2-19 Remuneration policies 2-20 Process to determine remuneration 2-21 Annual total compensation ratio

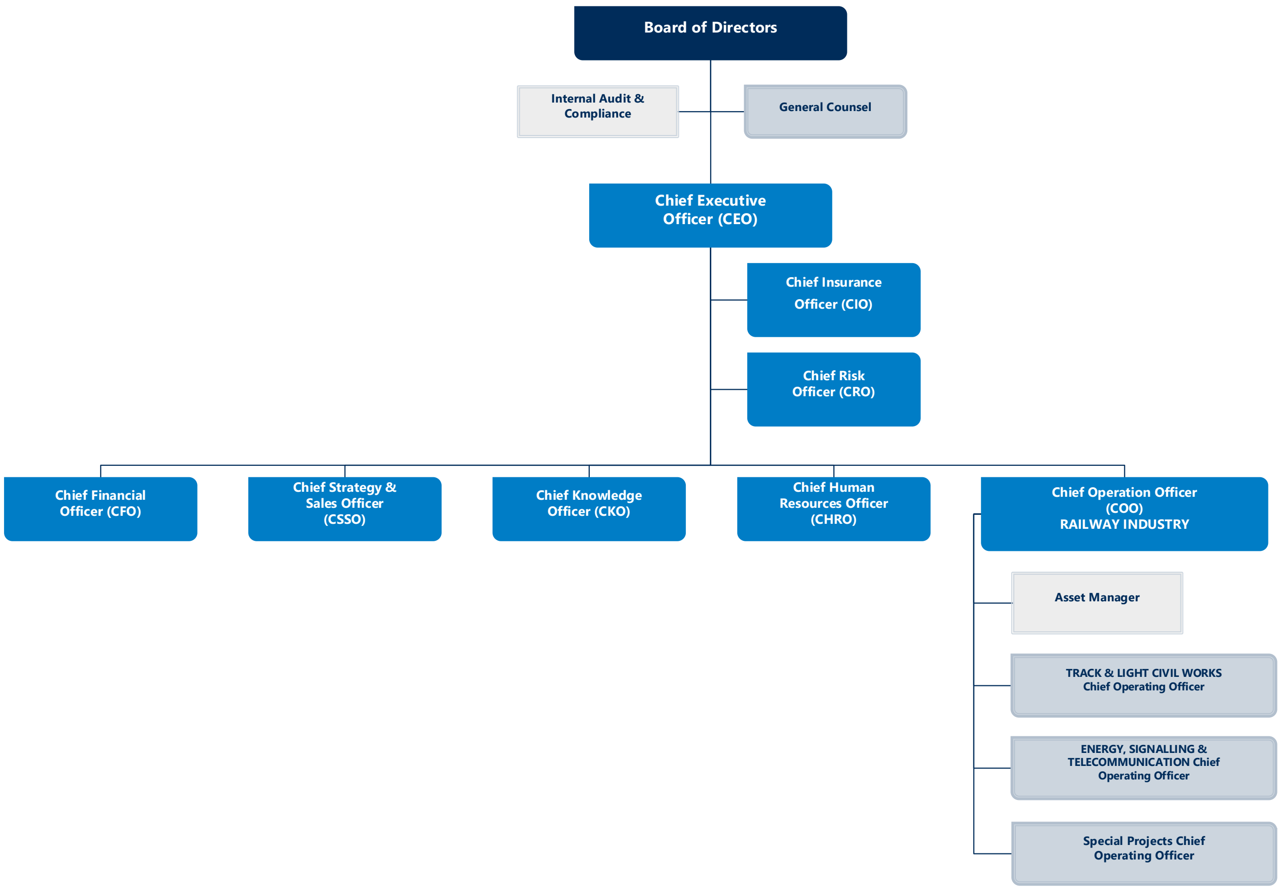
The delegation process

Under Salcef Group's governance system, the board of directors delegates part of its management duties to the chief executive officer (CEO) in the area of general representation powers, management of personnel and employment relationships, administrative management, contracts and financial management.

Organisational structure

The organisational structure of Salcef Group S.p.A. was developed with a view to optimising not only the processes for the provision of centralised services but also to ensure the management and coordination function between the parent and the subsidiaries, ensuring the best conditions for the performance of the core businesses of the subsidiaries.

The organisational model is therefore heavily focussed on "management and coordination", with the aim of providing governance of the group and the subsidiaries, as well as defining the company organisation, process management and resource management.



The organisational structure has four central business units and one operating business unit:

- **Railway industry operating unit**: responsible for the update, development and management of activities related to the group's business, as well as the development of the organisation's technical and scientific expertise. The unit is headed up by the railway industry chief operating officer.
- **Finance central unit**: responsible for administrative and financial management and management control. The unit is headed up by the chief financial officer (CFO).

- **Strategy & Sales central unit**: responsible for the commercial development of the group's business activities, including marketing, pre-qualification, external communication the promotion of the group's brand. The unit is headed up by the chief strategy & sales officer (CSSO).
- **Knowledge central unit**: responsible for the coordination, update and development of integrated management systems in compliance with legislative and technical standards. The integrated management systems include health and safety, environment, quality and privacy and ICT. This unit includes the parent's procurement office which coordinates and defines the systems to ensure effective and efficient procurement within the group. The unit is headed up by the chief knowledge officer (CKO).
- **Human resources central unit**: responsible for the coordination, training and development of human resources. The unit is headed up by the chief human resources officer (CHRO).

In addition to the above units, the company's organisational model also includes the following roles which report to the CEO or directly to the board of directors:

- **Chief risk officer (CRO)**: responsible for the analysis and management of business risks and the identification and resolution of critical issues that could damage the organisation's business.
- **Chief insurance officer (CIO)**: responsible for the definition of guidelines, coordination and monitoring for all activities regarding the group's insurance portfolios.
- **Internal audit and compliance**: supports the organisation in monitoring, audit and supervision pursuant to Legislative decree no. 231/01. It also carries out compliance functions for the prevention of corruption pursuant to the requirements of ISO 37001. For further details please refer to Internal audit.
- **General counsel**: coordinates the legal activities.

Sustainability governance

A board committee was established in 2023 to carry out preliminary functions, advise and make suggestions to the board of directors in the area of sustainability, bolstering the management and monitoring of ESG topics and the extent of their impact on the group, as well as how the group interacts with stakeholders and the supervision of the drafting process for the consolidated non-financial statement, including supervision of the identification and approval process for the material topics.

Communication processes

As part of their duties, the CEO regularly reports to the competent board committee and at least quarterly to the board of directors on ESG issues arising in carrying out their duties or of which they have become aware, so that the committee (or board of directors) can take the appropriate steps.

Remuneration policies and the evaluation of the performance of the board of directors

In line with the incentive system adopted by the group, described in detail under Personnel management, enhancement and development policies, the board of directors approved a remuneration policy in 2022 which contributes to the business strategy and to the pursuit of long-term goals, defined taking into account the remuneration and working conditions of the group's employees.

Confirming Salcef's commitment to the creation of sustainable value and its broader financial and business operation goals, the variable incentive plans for key management personnel (particularly those with strategic responsibilities) includes several short- and long-term ESG indicators, particularly as related to workplace health and safety and in the social sphere, which have been carefully calibrated so that Salcef Group has a positive impact on a wide range of stakeholders.

For the current reporting period, the total annual remuneration of the group's employees is not disclosed in the remuneration report.

For further information on the remuneration policy and incentive system, please consult the "Remuneration" page of Salcef's website:https://www.salcef.com/governance-structure/remuneration/.

Responsible business conduct

GRI STANDARDS	2-23 Policy commitments 2-24 Embedding policy commitments 2-25 Processes to remediate negative impacts 2-26 Mechanisms for seeking advice and raising concerns

Human rights

Salcef Group recognises its human rights protection obligations and undertakes to respect and promote human rights in its operations and in the areas in which it operates. Respect for human rights is, moreover, integral to the supply chain and human resources management processes. Particularly relevant for Salcef Group's operations and in its sector are issues of workplace health and safety, the rejection of all forms of forced and child labour, freedom of association and the right to collective bargaining, non-discrimination, diversity and equal opportunities, and respect for fair, equal and favourable working conditions. These aspects are equally important in the group's commercial relationships, where specific procedures are in place to promote and guarantee respect for human rights along the supply chain. Please refer to the paragraph of this document dedicated to the analysis of supplier relations (Supply chain management) and human resources management (Human resources). In this area, the stakeholder categories that warrant particularly attention are: employees and other workers; vulnerable groups such as migrant workers, people with disabilities, children, women, national or ethnic, religious and linguistic minorities, people that could be discriminated against based on their sexual orientation or gender identity or expression; local communities; trade union organisations; national institutions and authorities; and non-government organisations.

To strengthen the group's position in relation to the protection of human rights and the other aspects of diversity, equity and inclusion, two specific human rights and diversity, equity and inclusion policies were drafted which will be approved and implemented in 2023.

The definition of the policies and the group's actions in general in relation to human rights, diversity and equal opportunities are based, at a minimum, on the framework defined by the International Bill of Human Rights, ILO's Declaration on Fundamental Principles and Rights at Work and its eight fundamental conventions (no. 29, 87, 98, 100, 105, 111, 138 and 182), the United Nations instruments on human rights and on the rights of particularly vulnerable groups and communities, as well as the European convention on human rights, the European social charter and the Charter of fundamental rights of the European Union. Moreover, to avoid causing or actively contributing to any form of negative impact on human rights in its direct operations and in its global value chain, and to remediate them, Salcef Group complies with and endorses the following international guidelines: the Organisation for economic co-operation and development (OECD) Guidelines for multinational enterprises, the UN guiding principles on business and human rights, the ILO Tripartite declaration of principles concerning multinational enterprises and social policy and the ILO's Social policy, and the ten principles of the UN Global compact. Salcef Group provides its stakeholders with a whistleblowing channel for the reporting of any situations that present or could present a risk of infringing the commitments made in relation to human rights, non-discrimination and equal opportunities. For further details, please refer to the "Code of Ethics" chapter. Salcef Group's commitment to human rights is also substantiated by its endorsement of the United Nations Global compact.

Organisational, management and control model pursuant to Legislative decree no. 231/2001

Salcef Group has adopted an "Organisational, management and control model" (the "model" or "231 model") pursuant to Legislative decree no. 231/01, which introduced administrative liability for companies into Italian legislation. The model takes into account Salcef's organisational and operational characteristics and is periodically updated. Pursuant to the relevant legislation, supervisory bodies have been set up to monitor the operation of and compliance with the model and to ensure it is updated. The model is available on the website CG Salcef - Company documents.

The model is comprised of a general part and special parts. The general part describes the essential components of the model, particularly as relates to the supervisory body, personnel training and the dissemination of the model within the company and external to the company, the disciplinary system and the measures adopted in the event of failure to comply with the provisions of the model.

The special parts are dedicated to the various types of crimes and administrative offences deemed a possible risk for Salcef Group. Each special part contains reference to the individual crimes referred to in Legislative decree no. 231/2001, the general rules of conduct to be adopted in all areas potentially at risk of crime and other areas identified at risk of crime. For each area at risk of crime, the sensitive activities, the possible ways in which the crime could be committed or conduct that facilitates the commission thereof, as well as the preventative control principles, are identified.

Code of ethics

Salcef is determined to ensure maximum integrity in how it conducts its business and related company activities, and to protect its image and reputation. The code of ethics is an integral part of the model and sets out the ethical principles and values Salcef follows in carrying out its business, and which it expects all employees and, more generally, all parties that collaborate with it in the pursuit of its company mission, to rigorously observe.

Salcef Group bases all actions, operations, relationships and transactions carried out in the various company activities on the principles of the code of ethics. The code of ethics applies to all those with representative, executive or management functions, or that, even de facto, carry out management and control activities of Salcef, or that cooperate and collaborate with it, in any capacity, in the pursuit of its business objectives, all employees without exception, collaborators and any party with business relations with Salcef. Specifically, Salcef's directors are required to comply with the principles of the code of ethics when setting business objectives, proposing investments and carrying out projects, and in any decision or action related to Salcef's management.

Salcef complies with the following principles in the pursuit of its objectives:

Compliance with the law and the rules of conduct
Equality and impartiality
Integrity, honesty, transparency and reliability
Loyalty, propriety and good faith
Confidentiality and protection of company know-how
Value of the individual and of human resources
Environmental protection and safety

Salcef Group has set up a **whistleblowing** channel which protects the identity of the whistleblower using IT and cryptographic techniques. This channel can be accessed by completing the relevant form on the home page of the MySalcef system. Reports are handled by the internal audit and compliance manager, who is the only person authorised to access this information. Like in previous years, no reports were received through the whistleblowing channel in 2022.

Through its subsidiary Salcef S.p.A., Salcef Group has joined the initiative of the Italian competition authority (AGCM), obtaining the Legality rating which was last renewed in February 2022 and which expires in February 2024.

Anti-corruption measures

The risks of active and passive corruption can significantly compromise the reputation and impact of a company and have major impacts on its business. For Salcef Group, it is essential and strategic - also considering the profile of its clientele - to have tools, policies and systems able to combat all potential risks of this type. Specifically, Salcef's anti-corruption system includes the following:

- Code of ethics

- 231 model
- ISO 37001 management system

The **ISO 37001**-certified anti-bribery management system has been operational since 20 January 2020. It applies to all group companies, processes, procedures and operations. The most significant risks related to corruption are reported in the subsequent Risk management paragraph.

The system of anti-corruption policies and procedures is assessed and approved by the board of directors of the parent, Salcef Group S.p.A., and is communicated and disseminated to the directors, managers and employees of the group companies.

As reported in the Training and development paragraph, specific training modules are held on anti-corruption and the 231 model. The supplier qualification and selection procedures (paragraph Qualification and check of requirements) provide for specific communication procedures and acceptance of the group's policies.

Management systems

GRI STANDARDS	2-23 Policy commitments 2-24 Embedding policy commitments

Over time, the group has built up its management system in compliance with international quality (ISO 9001:2015), environmental (ISO 14001:2015), occupational health and safety (ISO 45001:2018), anti-bribery (ISO 37001:2016), social accountability (SA 8000:2014), energy (ISO 50001:2018) and road traffic safety (ISO 39001:2016) management standards, and sector best practices. The management systems applied and their bridging to the material topics is summarised below.

Management system	Description	Material topics references
ISO 9001	The quality management system applied to the company processes and organisation with a view to improving effectiveness in creating products and providing services, as well as gaining and increasing customer satisfaction.	- Product and service quality and safety - Financial performance - Attraction and enhancement of human resources - Working environment - Diversity and equal opportunities - Engagement with and development of the local area/local communities
ISO 14001	Management system to control the environmental impacts of operations and for the systematic pursuit of consistent, effective and, above all, sustainable, improvement thereof.	- Energy consumption and efficiency - CO_2 emissions and climate change - Waste management and the circular economy - Water withdrawal and consumption - Materials and use of natural resources - Attraction and enhancement of human resources
ISO 45001	Occupational health and safety management system establishing the minimum standards of best practice for the protection of workers. It also establishes a framework for the improvement of safety, the reduction of risks in the workplace and the improvement of worker health and well-being,	- Occupational health and safety - Working environment - Diversity and equal opportunities - Attraction and enhancement of human resources - Product and service quality and safety

Management system	Description	Material topics references
	thereby enabling an improvement in health and safety performance.	
ISO 50001	Management system with the objective of the systematic pursuit of continuous improvement in energy performance, including energy efficiency and energy consumption and use.	- Energy consumption and efficiency - CO_2 emissions and climate change
ISO 37001	Management system that supports the organisation in the fight against corruption, engendering a culture of integrity, transparency and compliance. The standard offers an important aid in implementing effective measures for preventing and tackling corruption.	- Ethics and integrity in business operations - Attraction and enhancement of human resources - Supply chain management
SA 8000	Social accountability (or CSR: corporate social responsibility) system with the aim of improving working conditions. This management system relates to: respect for human rights and the rights of workers, safeguards against child labour, and the protection of the health and safety of workers.	- Ethics and integrity in business operations - Attraction and enhancement of human resources - Working environment - Diversity and equal opportunities - Occupational health and safety - Supply chain management - Engagement with and development of the local area/suppliers and local communities
ECM	Management system pursuant to Regulation (EU) 779/2019 (formerly Regulation (EU) 445/2011) with the aim of improving access to the railway transport services market by establishing common principles for the management, regulation and supervision of railway safety. Specifically, it establishes the training, expertise and organisational requirements of the entities in charge of maintenance (ECMs).	- Attraction and enhancement of human resources - Product and service quality and safety
ISO 39001	Management system for the planning, implementation and improvement of road safety and the reduction of the risk of road accidents.	- Attraction and enhancement of human resources - Working environment - Diversity and equal opportunities - Occupational health and safety

Management system	Description	Material topics references
ISO 30415	Guidance on the implementation, evaluation, maintenance, improvement and development of more inclusive and sustainable company pathways.	- Attraction and enhancement of human resources - Working environment - Diversity and equal opportunities

The following table summarises the management system certifications obtained by the group companies:

Company	ISO 9001	ISO 14001	ISO 45001	ISO 50001	ISO 37001	SA 8000	ECM	ISO 39001	ISO 30415
Salcef Group S.p.A.	●	●	●						
Euro Ferroviaria S.r.l.	●	●	●			●			●
Salcef S.p.A.	●	●	●		●	●		●	●
Reco S.r.l.	●								
SRT S.r.l.	●	●	●				●		
Overail S.r.l.	●	●	●			●			
Coget Impianti S.r.l.	●	●	●	●	●	●			●
Delta Railroad Construction[15]	●								
Bahnbau Nord GmbH	●		●						
Bahnsicherung Nord GmbH	●		●						

[15] The Delta Railroad Construction certification refers only to Quality Track Equipment, a subsidiary of Delta Railroad Construction, Inc.

Social performance team

Salcef has set up a **Social performance team**, as required by the SA 8000 – Social responsibility standard, with the task of:

- helping to assess risks and identify and assign priorities to the areas of actual or potential non-compliance with SA 8000:2014 and ISO 45001:2018;
- proposing improvement actions for the risks identified to management;
- monitoring the activities in the workplace, checking compliance, the implementation of the planned actions and the effectiveness of the approaches taken;
- working with other group departments to examine, define, analyse and/or resolve any instances of non-compliance with SA 8000:2014 and ISO 45001:2018;
- facilitating the regular internal audits and preparing reports for management on the results and the benefits of the actions taken;
- organising regular meetings to review progress and to identify any actions for the more effective application of SA 8000:2014 and ISO 45001:2018.

The social performance team also carries out the duties of the Safety committee, pursuant to ISO 45001:2018 – Occupational health and safety management system.

Legislative compliance

GRI STANDARDS	2-27 Compliance with laws and regulations

The group operates in compliance with the applicable legislative provisions in force in its various areas of operation.

Compliance with environmental regulations

Salcef Group companies are subject to environmental permits to carry out their operations. The group pursues a sustainable business model at its work sites and facilities, aiming to reduce its environmental impact in all its forms, particularly by decreasing emissions, eliminating waste and properly managing waste.

Given the types of projects and services it provides, Salcef Group is subject to all environmental regulations. With specific reference to Italy, these include:

- Legislative decree no. 152 of 3 April 2006 (the “Environmental code”): the environmental regulations in Italy. This code governs the procedures to obtain environmental permits and includes regulations about soil conservation, the protection of waters against pollution, waste management, water discharges, reclamation of contaminated sites, protection of the air and the reduction of atmospheric emissions.

- Presidential decree no. 59 of 13 March 2013: governs the single environmental authorisation (for plants not covered by the integrated environmental authorisation), and simplifies the administrative environmental fulfilments for small and medium-sized companies.
- Ministerial decree of 6 September 1994: regulatory and technical guidelines on ending the use of asbestos and, specifically, the risk assessment, control, maintenance and reclamation of material containing asbestos in buildings.
- Royal decree no. 1775 of 11 December 1933: consolidated text of the legal provisions governing water and electrical systems (derivations and the use of public waters).
- Regulation (EC) no. 1907/2006 of 18 December 2006 (the REACH regulation): for the proper management of chemical substances (evaluation and registration); Regulation (EC) no. 1272/2008 of 16 December 2008: classification, labelling and packaging of substances and mixtures.
- UNI EN ISO 14001:2015: specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance.

The group companies and their operations are subject to environmental and occupational health and safety regulations. Among others, such regulations govern the release of polluting materials into water, the air and the soil, the use, storage and disposal of hazardous substances and waste, and the reclamation of any contaminated areas. In this context, Salcef operates under environmental authorisations subject to periodic (five-yearly) renewal, which contain provisions, including of a technical nature, that must be complied with. The group companies that hold the relevant authorisations are: Overail S.r.l. for the Aprilia production facility, SRT S.r.l. for the Fano (Puglia) production facility, Coget Impianti S.r.l. for the Rovato and Corteno Golgi production facilities.

The work site activities carried out by the group companies are authorised on a case-by-case basis with temporary permits required by the applicable legislation.

The asbestos risk

After the completion of all the removal and maintenance of the materials containing asbestos at its facilities, no Salcef Group production facilities have asbestos at the date of this report. Salcef nonetheless continues to monitor this issue closely.

Underground tanks

As the presence of underground tanks generally increases the risk of contamination of soil and underground water, also pursuant to Legislative decree no. 152/2006, these installations are closely monitored and limited by the group.

At the date of preparation of this report, only Overail has underground tanks at its Aprilia production facility.

Penalties and/or disputes in relation to environmental matters

At the date of preparation of this report, there are no disputes of an environmental nature that have given rise to significant penalties for non-compliance with environmental laws, legislation or regulations.

Non-compliance with social and economic laws and regulations

At the date of this report, there were no cases of violations of laws and/or regulations of a social and economic nature. No such penalties were received in 2022 and there are no significant proceedings underway.

Participation in external initiatives and memberships

GRI STANDARDS	2-28 Membership associations

Endorsement of codes of conducts and principles

WE SUPPORT UN GLOBAL COMPACT

Salcef Group S.p.A. joined the Global Compact in 2020, the United Nations initiative conceived to encourage companies worldwide to adopt and issue sustainable policies in compliance with corporate social responsibility. Salcef Group committed to supporting and implementing the ten principles of the UN Global Compact, related to human rights, working conditions, the environment and anti-corruption. Salcef's commitment is to incorporate these principles into its strategies, culture and everyday actions. For further information, see Salcef Group's participant page at https://unglobalcompact.org/what-is-gc/participants/141744.

Associations - Memberships

Through its companies, Salcef Group participates in various trade associations, as shown in the following table:

Trade associations	Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	Overail S.r.l.	Coget Impianti S.r.l.
Associazione Nazionale Imprese Armamento Ferroviario (ANIAF)		●	●		
ANIE Federazione	●				●
Collegio Ingegneri Ferroviari Italiani (CIFI)	●				
Confindustria Brescia					●
UNINDUSTRIA				●	
Associazione Infrastrutture Sostenibili	●				

A brief description of the individual trade associations follows.

Associazione Nazionale Imprese Armamento Ferroviario (ANIAF)

Associazione Nazionale Imprese Armamento Ferroviario (the Italian association for permanent way companies), set up in 1997, represents the most important companies specialised in track construction and its ordinary and extraordinary maintenance. For further details, refer to the association's website and the page dedicated to the member companies: https://www.aniaf.it/associati/.

ANIE Federazione

ANIE Federazione is one of the largest Confindustria trade associations by importance, size and representation. ANIE has 1,500 member companies from the electrotechnical and electronic sector.

The member companies are suppliers of cutting-edge technological systems and solutions and are an expression of Made in Italy technological excellence, the result of substantial annual investments in research and innovation. The ANIE sectors account for 30% of annual private research and innovation spending in Italy. For further details, refer to the association's website and the page dedicated to the member companies: https://anie.it/aziende.

Collegio Ingegneri Ferroviari Italiani (CIFI)

The Collegio degli Ingegneri Ferroviari Italiani (C.I.F.I., the Italian railway engineers board), founded in 1899, is one of the oldest and most important technical and professional associations in Italy.

It counts around 2,200 individual members and over 130 industrial and transport companies, as well as universities. CIFI's activities are mainly of a cultural nature and to provide moral support to the profession. For further details, refer to the association's website: http://www.cifi.it/.

Confindustria Brescia and UNINDUSTRIA

These Confindustria branches for Brescia and Lazio represent and protect local entrepreneurs and companies and offer a granular external representation and an integrated system of relations with local stakeholders. For further details, refer to the associations' websites: https://www.confindustriabrescia.it/ and https://www.un-industry.it/.

Associazione Infrastrutture Sostenibili

This sustainable infrastructure association is a scientific-technical think tank of excellence, a respected and valuable point of reference for public and private institutions. The association's main aim is to foster a widespread, informed sustainability culture and increasing awareness of the social and economic value offered by sustainable infrastructure. For further details, refer to the association's website: https://infrastrutturesostenibili.org/.

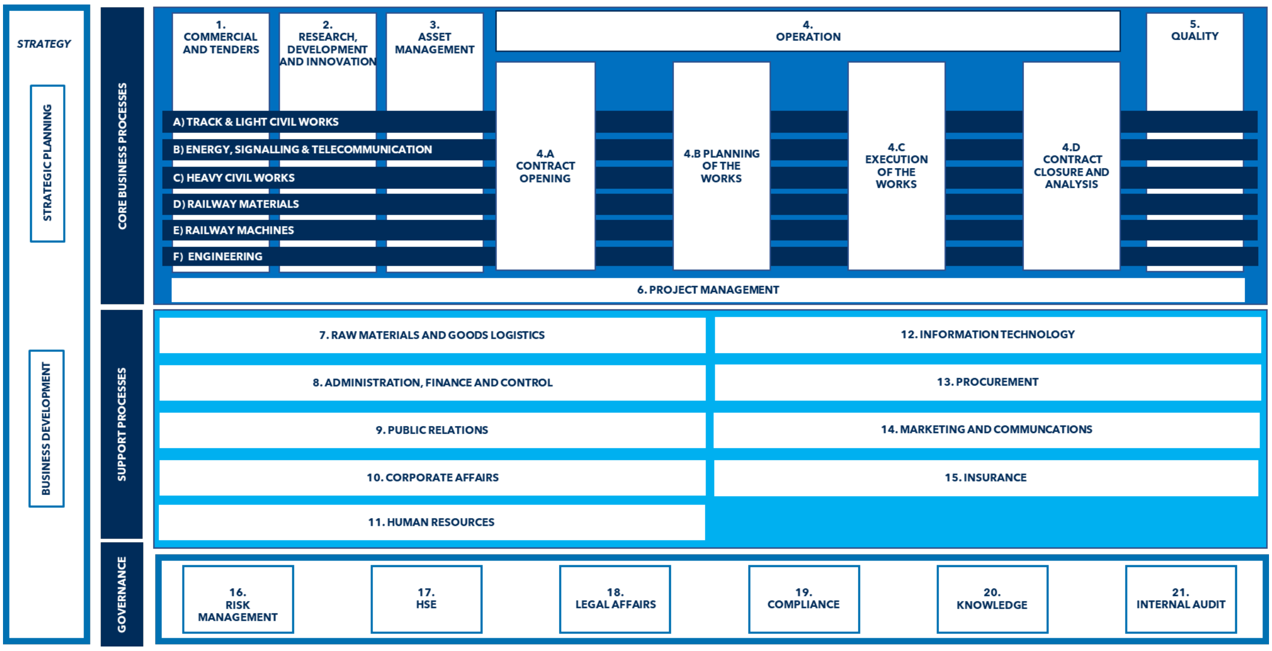
Risk management

GRI STANDARDS	3-1 Process to determine material topics 3-3 Management of material topics

ERM goals and the departments involved

Salcef Group has adopted an Enterprise risk management (ERM) system in line with the relevant standards (CoSo Framework 2017, ISO 31000, Ferma, etc.) and the best practices in place at companies of comparable size. The aim of the ERM is to support management in making decisions compatible with the company's risk profile and its objectives and to foster a culture of assessing, managing and mitigating risks that could compromise the implementation of strategies and the achievement of company goals.

The company followed a structured process to implement its ERM system, beginning with a detailed analysis of company processes to identify and catalogue the main types, determine the respective relationships and define the group's value chain. Mapping of the company departments involved in company processes and identifying the associated risks comprised the subsequent stages of the process, culminating in a risk assessment and prioritisation of the main company risks based on consolidated materiality criteria.



Salcef's **risk model** is designed to:

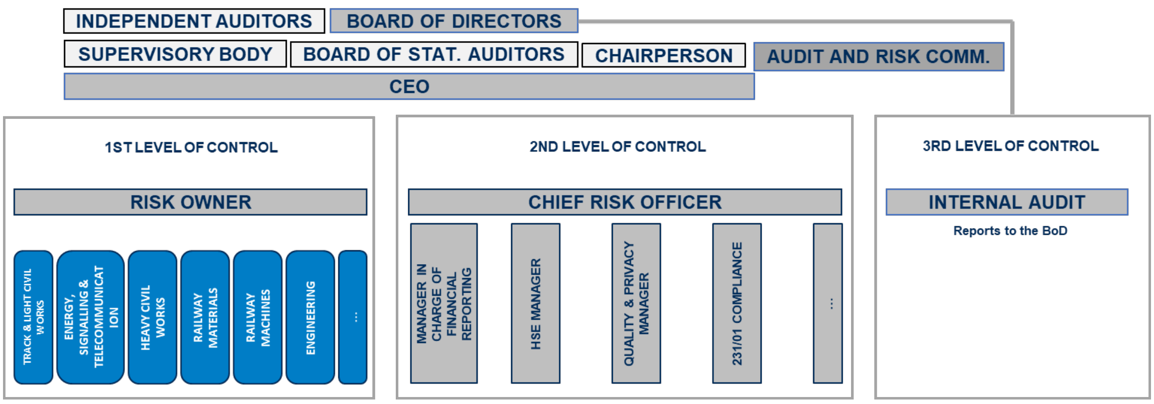
- Ensure greater awareness in strategic decision-making, taking due account of the current and future risks as part of an organised and comprehensive vision.

- Promote the dissemination of risk management in company processes to ensure consistent risk management and control methodologies and tools.
- Develop a shared language on risks and disseminate a risk management culture as part of an integrated approach consistent with the group's underlying mission, vision and values.
- Provide a uniform approach to the identification of events that could impact the company's operations.
- Ensure business continuity, coordinating the risk owners and the other parties involved in the process.

Main departments involved

In organisational terms, the main parties involved in Salcef's risk management system are:

- **Risk owner**: responsible for the process impacted by the risk, in charge of identifying the actions to be taken to mitigate the risk and for its monitoring. This involves all the main departments of Salcef Group.
- **Chief risk officer (CRO)**: designs and supports the implementation of the ERM risk management system, stimulating the development of relevant methodologies and operating tools and coordinating the parties involved in the broader risk management process.
- **Audit and risk committee**: comprised of non-executive directors, both internal and external to the group, most of whom are independent. It supports the board of directors in their assessments and decisions related to the internal control and risk management system. It checks the adequacy and effectiveness of this system in relation to the characteristics of the company and its risk profile.

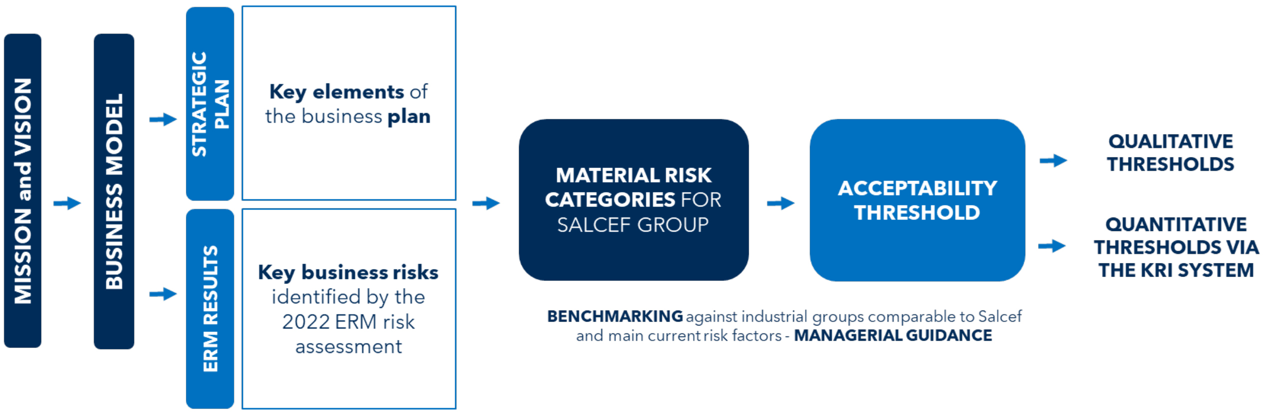


Salcef Group's enterprise risk management model

The aim of Salcef's enterprise risk management is to incorporate risk management activities into the organisation's processes and culture, with the gradual implementation and continuous improvement of the process. This approach means both that risk management issues are swiftly brought to the attention of the board of directors and management and that the risk management process is adapted to the structure of the organisation, which is constantly evolving.

In operation, Salcef manages the risks management process in four stages, in line with the principles of the CoSo ERM Framework: a) identification; b) assessment; c) response/management and mitigation; d) update and improvement of processes.

In 2022, starting from the above risk identification drivers, the group fine-tuned the processes, defined a new ERM methodology and adopted a qualitative-quantitative risk measurement system. This led to the update of the group's risk model, the configuration of a further three key risk indicators (now ten), such as condensed indicators for the regular monitoring of risk trends, the expansion of the risk identification and assessment process in line with the group's size, with a focus on the operating companies, and, lastly and particularly, the adoption of a risk appetite statement formally defining the acceptable risk thresholds.



In the second half of the year, an ERM risk assessment was carried out at the group's Italian companies (Salcef Group, Salcef Construction, Euro Ferroviaria, Overail, Coget Impianti, SRT, Reco) with the key aim of developing and disseminating a risk culture at all levels of the organisation. This was achieved with an initial stage of communication and training workshops aimed at increasing awareness of the exposure to risks and the ability to manage them, followed by a second operating stage comprised of a number of one-to-one and one-to-other meetings for the collection, assessment and analysis of the risk data.

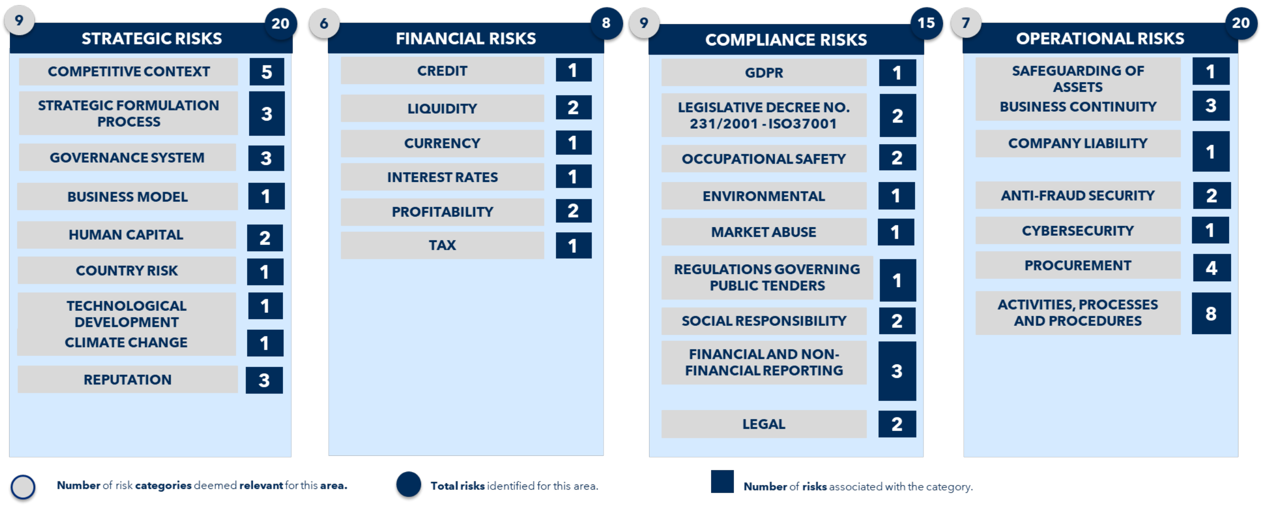
The methodology adopted for the risk assessment was based on the following concepts, criteria and metrics:

- Predictive/historical probability
- Five impact drivers (financial, performance, reputation, compliance and HSE)
- Five levels of assessment metrics
- Internal control systems to manage the risk
- Treatment measures

As stated above, the group processes were carefully mapped. This activity enabled the processes to be first identified and catalogued as core, supporting or governance, before identifying the organisational departments responsible for the processes and, finally, identifying the risk owners for the related departments. A total of **62 risk owners** were identified for the seven companies and **47 risk assessments** were performed.

Risks and their management

Salcef Group's **risk model** is set out below, showing the **risk categories** (31) deemed material and the number of **associated risks** (63) per category.



For these risks, the related management methods are summarised, including through reference to other parts of this report and/or documentation available on Salcef's website. The table also shows the underlying material topics reported in this NFS.

Considering Salcef's business model and sector, the risk management system and the overall control model assign a materiality level to compliance risks, particularly those related to the material topic of ethics and integrity in business operations, an area strategic and central to Salcef's governance.

Moreover, by their very nature, environmental risks are transversal with respect to the underlying material topics detailed in the table.

In the area of risks related to competition, the ERM analysis showed significant opportunities related to the development and introduction of new technologies and work tools, linked to the technological evolution. Salcef's research and development activities are therefore heavily focussed in this direction.

Risk area/category	Related material topic	Summary of management approach
Strategic risks		
Human capital Risks deriving from shortcomings of the organisation's human capital or the unavailability of key people/skills	- Working environment - Diversity and equal opportunities - Attraction and enhancement of human resources	- Definition of personnel management policies in relation to remuneration, training and satisfaction (see Personnel management, enhancement and development policies). - Formalisation of the criteria personnel must meet for the allocation of roles, functions and duties. - Definition of training and skill standards for each Salcef Group role and monitoring that the skills are maintained. - Definition of a structured succession model for key corporate governance roles. - Definition of rules on equal opportunity and respect for the individual through the adoption and implementation of diversity, equity and inclusion and human rights policies.
Business model Risks linked to inadequacies or failure of the business model	- Financial performance	- Promotion of synergies and economies of scale. - Coordination of partnerships with subsidiaries, associates, affiliates and related companies.
Competitive context Risks deriving from the characteristics and development of the organisation's competitive context with possible impacts on market positioning	- Financial performance	- Constant monitoring of the Italian and international macroeconomic context. - Definition of the group's commercial strategy, which identifies the relevant geographical areas, including in terms of the nature of local risks. - Close monitoring of the relevant markets and growth strategies and entrance into new markets of current and potential competitors.

Risk area/category	Related material topic	Summary of management approach
Climate change Risks associated with climate change and the carbon footprint of Salcef Group and its assets. Climate risks are divided into physical risks and transition risks. Physical risks relate to events (acute) or long-term changes in climate models (chronic), while transition risks relate to the transition to a low-carbon economy, entailing changes to the political, legal, technological and market contexts in response to the changing requirements of climate change adaptation.	- Energy consumption and efficiency - CO_2 emissions and climate change	- Continuous monitoring of the company's environmental impact. - Ongoing R&D investments to improve company assets and reduce their impact on the surrounding environment. - Offsetting initiatives undertaken by the company.
Strategic formulation process Risk of inconsistency between strategic objectives and company mission/vision, and/or the risk that management will define strategic/business objectives on the basis of partial, incomplete or inadequate assumptions and/or the risk of	- Financial performance - Ethics and integrity in business operations and compliance	- Periodic review of the group's strategic planning following changes to the market and competition, as well as the production capacity of the group's business units. - Analysis of the group's commercial and industrial potential.

Risk area/category	Related material topic	Summary of management approach
inadequate investment planning.		
Governance system Risks associated with the partial/inadequate formalisation of the group's organisational model (roles and responsibilities) and governance model (management and coordination rules) and the failure to apply them by group companies.	- Ethics and integrity in business operations and compliance	- Definition of a governance system and organisational structure that reflect the company culture and policies with the establishment of control bodies and functions, the allocation of responsibilities, and the definition of operating rules via regulations, processes and procedures. - Regular review of the company's organisational chart and individual powers, their content and quantitative limits, their operation and information flows.
Country risk Risks associated with the socio-political and economic stability of the countries in which the group operates	- Financial performance - Ethics and integrity in business operations and compliance	- Design and implementation of measures to mitigate the risks associated with the social, economic, political and geographical conditions of the various countries in which the group operates (political and economic instability; unfavourable changes in government policies, particularly as regards foreign investment; significant fluctuations in interest and exchange rates; complex bureaucratic requirements; difficultly in protecting legal and contract rights; customs duties or other unforeseen payments).
Technological development The risk deriving from technological development/innovation and the challenge of	- Investments – innovation and digitisation	- Check the proper development and application of the new information systems and/or updates of existing ones, promoting training and know-how within the group. - Ongoing investment by the group in improving processes/instruments/tools and to make them more efficient.

Risk area/category	Related material topic	Summary of management approach
grasping all implications/opportunities linked to new technological discoveries, and the human, financial and technical resource costs/investments that organisations may need to incur/make for the constant renewal of products/services/systems		
Reputation Risks deriving from customer loss of trust and/or damage to the group's image due to deficient, inaccurate or untimely communication management, including in the event of a critical event (crisis communication), or the dissemination of fake news, including on social media.	- Ethics and integrity in business operations and compliance - Financial performance	- Constant monitoring of the organisation's reputation. - Management of reputational risk through the identification of potential risk events. - Communication and information, including through the website and social media, to maintain the group's good reputation. - Structured crisis management process to guarantee timeliness, transparency and professionalism.
Compliance risks		
Legislative decree no. 231/2001 - ISO 37001 Risk of fines or bans penalties, or seizure or the publication of the ruling,	- Ethics and integrity in business operations and compliance	- Checks that the 231 and anti-corruption procedures are correctly applied. - Training of all personnel to the extent necessary, in order to raise awareness of the organisational model (see Training and development).

Risk area/category	Related material topic	Summary of management approach
following the commission of the crimes expressly referred to in Legislative decree no. 231/01, or in the event of corruption (ISO 37001).		- Due diligence procedures on third parties in line with the provisions of the organisational model and anti-corruption policy.
Environmental Risks deriving from potential polluting events attributable to the group's operations.	- Ethics and integrity in business operations and compliance - Investments - innovation and digitisation - CO_2 emissions and climate change - Waste management and the circular economy - Materials and use of natural resources - Water withdrawal and consumption - Product and service quality and safety - Supply chain management - Engagement with and development of the local area	- Analysis of new technologies, instruments and working methods available on the market and the potential technological evolution. - Definition of a system of company proxies which establish duties, responsibilities and powers for those charged with managing environmental issues. - Training for all personnel on legislative issues and matters to their role. - Regular controls over the compliance with environmental legislation of critical suppliers and sub-contractors.
GDPR Risk of penalties due to non-compliance /infringements of the privacy legislation (Regulation (EU) 679/2016 - the GDPR), particularly as regards the organisational structure, including in terms of obligations and responsibilities (data protection officer,	- Cybersecurity and privacy	- Check that the regulations and procedures have been properly applied.

Risk area/category	Related material topic	Summary of management approach
controller, processor), the lawfulness of data processing, informed consent, the rights of data subjects, the definition and implementation of logical, legal and procedural security measures for the protection of personal data		
Regulations governing public tenders Risks arising from non-compliance with legislation governing public contracts, the qualification systems in place at customers (RFI and Terna, etc.), as well as other regulations (anti-trust, privacy, etc.).	- Ethics and integrity in business operations and compliance	- Systematic review of group procedures designed to incorporate all legislative and regulatory requirements of Italian law governing public tenders, as well as customer or other applicable qualification system regulations.
Occupational safety Risks related to accidents, incidents or near misses in the workplace (work sites, offices, etc.)	- Occupational health and safety	- Definition of a system of company proxies which establish duties, responsibilities and powers for those charged with managing occupational safety issues. - Training for all personnel on legislative issues and matters specific to their role. - Regular checks that the procedures are correctly applied and of the training level of personnel.
Social responsibility Risk of penalties due to infringements of the provisions of Legislative	- Occupational health and safety - Supply chain management - Working environment - Diversity and equal opportunities	o - Educating personnel on the group's code of conduct and monitoring that the disciplinary measures are properly applied. - Application of the SA 8000 procedures for suppliers.

Risk area/category	Related material topic	Summary of management approach
decree no. 81/08 or the group's Code of conduct.		- Human rights/diversity, equity and inclusion policies.
Market abuse Risks deriving from the abuse of privileged information (market abuse), i.e., when investors in financial markets have to directly or indirectly deal with the negative consequences of the conduct of other parties who: *i)* used information not accessible to the public to their advantage or to the advantage of others (insider trading); *ii)* distorted the price fixing mechanism for financial instruments or disseminated false or misleading information (share manipulation).	- Ethics and integrity in business operations and compliance	- Systematic review of group procedures designed to incorporate all legislative and regulatory requirements of Italian law, particularly the those of Consob and Borsa Italiana. - Systematically informing and training senior management, the senior managers and personnel with access to relevant and privileged information.
Legal Risks deriving from contractual or non-contractual responsibilities or other legal disputes and/or disputes linked to contract management	- Ethics and integrity in business operations and compliance	- Timely management of legal disputes by general counsel. - Constant monitoring of the legal disputes underway.
Operational risks		

Risk area/category	Related material topic	Summary of management approach
Safeguarding of assets Risks deriving from compromising the integrity and continuity of individuals, infrastructural assets and/or group technologies due to an event not directly related to the group's operations or due to malfunction, damage, lack of maintenance, with impacts on access to infrastructures, the provision of services and business operations and on the achievement of the organisation's goals.	- Financial performance - Quality and safety of services/products - Occupational health and safety	- Check that the specific policies for direct and indirect risks are properly implemented and that there is a suitable system of proxies and powers, and that the assets have been properly assigned to the competent person in charge. - Definition of actions against the infringement of intellectual property rights.
Business continuity Losses due to downtime, malfunctions or the unavailability of systems.	- Financial performance - Quality and safety of services/products	- Definition of specific protocols to ensure business continuity. - Development of strategies, processes and systems to manage and monitor risks in order to protect business continuity.
Company liability Risks deriving from liability directly attributable to the group following external incidents or events of a natural or accidental nature (e.g., natural disasters, non-compliant or defective products, events linked to	- Quality and safety of services/products - Occupational health and safety - CO_2 emissions and climate change	- Check that specific policies are properly implemented for direct and indirect risks, that any incidents are managed, and that there is a suitable system of proxies and powers. - Check that the provisions, procedures and instructions for the integrated management systems are correctly applied and regularly updated.

Risk area/category	Related material topic	Summary of management approach
individuals, etc.) with impacts on group operations.		
Operations, processes and procedures The risk deriving from weaknesses in the group's process design and from errors/negligence/non-fulfilment of the procedures for the performance/management of operating activities and the related controls.	- Quality and safety of services/products - Ethics and integrity in business operations and compliance	- Systematic review of group procedures - Regular audits to check that the provisions, procedures and instructions for the integrated management systems are correctly applied and regularly updated.
Anti-fraud security Risk deriving from any action in which an employee or third party (e.g., employee, supplier, sub-supplier, parties external to the company) takes or appropriates confidential information or company assets or, alternatively, commits deeds aimed at causing damage to the group.	- Ethics and integrity in business operations and compliance	- Check that the anti-corruption and 231 regulations and procedures have been properly applied. - Check of changes to the regulatory context and of organisational changes to systematically update and improve the group's management system and organisational model. - Scheduling and implementation of compliance training and information initiatives.
Cybersecurity The risk deriving from malfunctions and/or failures of business IT systems/applications or	- Cybersecurity and privacy	- Check the proper development and application of the new information systems and/or updates of existing ones, promoting training and know-how within the group. - Coordination of all IT activities within the group.

Risk area/category	Related material topic	Summary of management approach
weaknesses in physical or procedural security measures or from cyber attacks with the potential to compromise data integrity or confidentiality for which the group is liable.		
Procurement Risk deriving from relationships with the suppliers of goods/services and any issues associated with dependence, breach of contract, or the quality of the service or product received.	- Supply chain management	- Salcef Group's suppliers list and supervision of the checks of requirements, qualification and suspension. - Supplier assessment, incorporating a summary of the ratings of the services in terms of quality, the environment and safety. - Supervision of the correct fulfilment of the procurement requests related to Salcef Group S.p.A. as part of any budgets approved.
Financial risks		
Credit Risk deriving from non-compliance or the deterioration of credit rating of counterparties or of Salcef Group.	- Financial performance	- Careful short- and long-term financial planning and the efficient management of relationships with banks and other financial backers to ensure the group companies access to credit lines such to cover their operating requirements and business development. - Financial assessment of customers and financial instruments to mitigate the risk. - Systematic check of the recording of credit and collections.
Liquidity	- Financial performance	○ - Supervision of the roll-out of the group companies' business plans, of financial management and of relationships with

Risk area/category	Related material topic	Summary of management approach
Risks deriving from inadequate cash flow planning/management with excess liquidity or lack of access, or associated with difficulties in contracting or refinancing the loans necessary to ensure the financing for the group's organic growth and/or to meet its financial commitments.		banks and other financial backers and business partners. - Use and supervision of financial instruments for sustainable cash management.
Currency Risks deriving from unexpected fluctuations in exchange rates affecting the carrying amount of assets and liabilities and/or financial income and expense.	- Financial performance	- Continuous monitoring of exchange rate trends. - The potential use of financial instruments to hedge the currency risk.
Interest rates Risks deriving from unexpected fluctuations in interest rates affecting the carrying amount of assets and liabilities and/or financial income and expense, or from the inadequate hedging of the interest rate risk resulting in a financial expense.	- Financial performance	- Continuous monitoring of interest rate trends. - The potential use of financial instruments to hedge the interest rate risk.
Profitability	- Financial performance	- Systematic check of compliance with the budget and the definition (with the

Risk area/category	Related material topic	Summary of management approach
Risks deriving from negative differences between budgeted and actual production		assistance of the controlling manager and the board of directors) of any actions to be taken.
Tax The risk of incorrect tax management with repercussions on the group	- Ethics and integrity in business operations and compliance	- Systematic control and monitoring of developments in tax legislation. - Dual-level check that tax legislation has been correctly applied. - Strengthening the tax area through recruitment plants.

Salcef Group materiality

Impacts and material topics

GRI STANDARDS	3-1 Process to determine material topics

Impacts and material topics under the GRI standards

Under the GRI standards, the **impacts** are the effects that a company has or could have on the **economy, environment, and people**, including human rights, as a consequence of its operations or business and commercial relations.

Impacts may be actual or potential, positive or negative, short or long-term, intentional or non-intentional, reversible or irreversible, and represent an organisation's positive or negative contribution to sustainable development. Depending on their nature (economic, environmental or social), these impacts are correlated with each other and indicate an organisation's **contribution - positive or negative - towards sustainable development**.

The most significant impacts, as identified by the company using the approach described in the following paragraphs, are the **material topics**.

The materiality analysis always takes into account the dynamic nature of business operations, facing associated topics and impacts that change over time, both in their nature and in the materiality of the impact, which influences strategy, the business model, and the system of relationships and decision-making.

Sustainability reporting plays an important role as an activity of **public interest**.

►The impacts of an organisation's operations and business relationships on the economy, the environment and people may also have positive and negative consequences for its operations or reputation. These consequences are often also **financial** or could become so in the medium- to long-term. Understanding these impacts is therefore necessary for an organisation in order to identify any material risks and opportunities associated with these impacts that could influence a **company's value** and, consequently, relationships with stakeholders and competitive position on the market.

European Union - Directive (EU) 2022/2464 and double materiality

Directive (EU) 2022/2464 (CSRD, Corporate sustainability reporting directive), approved by the European Parliament in November 2022 and which came into effect on 5 January 2023, establishes new rules and extends the scope of non-financial reporting. The directive, whose new rules will apply with effect from financial years starting on or after 1 January 2024 for the first companies involved (i.e., those already required to prepare non-financial statements under current legislation pursuant to Legislative decree no. 254/2016), supplemented the definition of material topics, introducing the double materiality perspective. Under this approach, material topics are: a) aspects and topics of a governance, social and environmental nature on which the entity has a material impact through its operations (impact materiality); b) aspects that could have significant impacts on an entity's development, performance and, consequently, financial value (financial materiality).

As the provisions of Directive (EU) 2022/2464 will apply from 2024, this document has been prepared under the GRI Standards, adopting the material topics definitions of the GRI Standards. As already stated, the two materiality types are obviously closely interrelated.

The procedure to identify, assess and prioritise topics

The analysis, identification, assessment and subsequent prioritisation of the material topics for the purposes of this NFS was carried out in accordance with the GRI Standards.

Understanding the organisation's context

Salcef's context and reference framework, its business model, operations and business relationships, as well as the sustainability context and the stakeholder analysis are reported in the various paragraphs of the "Business model and strategy" chapter of this document.

Identification of actual and potential impacts

An internal due diligence involving an analysis of external and internal sources was performed for the actual and potential impacts of Salcef's operations and business relationships on the economy, the environment and people, including human rights.

External sources
World economic forum - Strategic intelligence / Global risk report
OECD Due diligence guidance for responsible business conduct and sector-specific due diligence guidance
Local/national/international government department reports: - MIMS – Ministry of infrastructure and transport - Transport regulation authority – 2022 annual report - European Union Agency for Railways
NRRP regulation - Sectors: - rail transport / freight - local public transport
NextGenerationEU (Thematic Analysis - Sustainable Mobility)

External sources
EU Green Deal (Transport)
Reports and analyses of sector associations and organisations: - National rail and road and motorway infrastructure safety agency (ANSFISA, *Agenzia Nazionale per la Sicurezza delle Ferrovie e delle Infrastrutture Stradali e Autostradali*) – 2021 report
SASB – Sustainability accounting standards board - Materiality finder
ESRS – European sustainability reporting standards (DRAFT)
IFRS-S – International financial reporting standards – Sustainability (DRAFT)
Benchmarks for comparison with main peers and strategic partners of AV Group for: - material topics management - policies - risk management
Internal sources
Organisational, management and control model pursuant to Legislative decree no. 231/2001- General part
Salcef Group management systems
ERM - Risk assessment and management documents
ESG performance monitoring and assessment surveys received from customers and investors - MSCI - ISS ESG - Sustainalytics
News and press coverage of Salcef Group

The following is noted in relation to some of the main sources analysed:

► **Analysis of the SASB – Sustainability accounting standards -** SASB Materiality finder - One of the tools of the SASB (Sustainability accounting standards board) - the standard setter which is now part of the IFRS Foundation - the finder is divided by sectors and material topics and allows the identification of topics that could impact the financial conditions or the operating performance of companies for a given sector. The main aim of the analysis was to check the consistency of the material topics identified with those identified by the SASB materiality finder. The analysis carried out for Salcef focussed on the following sectors **INFRASTRUCTURE SECTOR - Engineering & Construction Services**, **RESOURCE TRANSFORMATION - Industrial Machinery & Goods**, **TRANSPORTATION SECTOR - Rail Transportation**.

► As already examined under the "Sustainable mobility" paragraph of the Business model and strategy chapter, the main Italian and European development plans (**National recovery and resilience plan / NextGenerationEU, EU Green deal** and **EU Urban mobility framework**) were examined, with a focus on the guidance and regulatory directives for sector operators to access the investments, in order to identify the main impacts on the rail transport sector.

► **World economic forum – Strategic intelligence / Global risk report 2023** – The Strategic intelligence tool developed by the World economic forum and updated annually, published in conjunction with the Global risk report, is used to map the main connections between different economies, industrial macrosectors and risk issues in the global context, thereby identifying the main impacts, trends and changes of a given sector in the short-, medium- and long-term.

► **OECD Due diligence guidance for responsible business conduct** offers practical support to companies on the implementation of the OECD Guidelines for multinational enterprises by providing non-binding principles and standards for responsible business conduct in terms of the main social and environmental risks faced by companies on the global market. Implementing these recommendations can help companies avoid and address adverse impacts related to workers, human rights, the environment, corruption, consumers and corporate governance that may be associated with their operations, supply chains and other business relationships.

The identification and ongoing assessment of the impacts involves the main stakeholders and is carried out systematically as part of the business model, independent of the sustainability reporting procedure. It was not necessary to repeat the process of listening to and interacting and liaising with stakeholders undertaken for the 2021 consolidated non-financial statement via a survey of the group's internal and external stakeholders for this year's report, given the temporal proximity and similarity of the results of the analysis of the impacts and identification of the materials topics for Salcef's 2022 NFS. To increase engagement on sustainability topics, the group is considering organising specific ESG-themed events (focus groups, seminars, webinars, etc.) which would gradually involve representatives from the group's stakeholder categories.

Assessment of the significance of impacts and prioritisation

The aim of the assessment of the materiality of the identified impacts is to establish their priority. This enables a company to determine the material topics to report on and, particularly, to identify the commitments and actions needed to *address* the impacts more effectively and from a materiality perspective. The materiality of an impact depends on a company's specific conditions, its sector and business model.

The significance of an actual **negative impact** is determined by the *severity* of the impact, while the significance of a potential negative impact is determined by the severity and likelihood of the impact. The GRI Standards define severity on the basis of three dimensions: a) scale (how grave the impact is); b) scope (how widespread the impact is); c) irremediable character.

The significance of an actual **positive impact** is determined by the scale and scope of the impact, while the significance of a potential positive impact is determined by its scale and scope as well as its likelihood. For positive impacts, the scale refers to real and/or potential benefits of the impact, while the scope refers to its actual or possible scope.

At the end of the process, a priority is assigned to the impacts identified and assessed, in relation to their importance and on the basis of a threshold defined for this purpose (a scale from 1 to 5 where 3 is the minimum threshold for an impact to qualify as a material topic).

The impacts identified as most significant are reported on in this document.

Material topics for Salcef Group

GRI STANDARDS	3-2 List of material topics

The results of the activities carried out are summarised in the following table showing the material topics, the underlying impact areas (descriptions and the reasons for the materiality of the selected topics), the characteristics of the material topic, and the specific indicators (GRI Standards) used for reporting and detailed in the GRI Content index, which forms an integral part of this document.

The same table also shows the connection to the aspects referred to in Legislative decree no. 254/2016 which governs the preparation of the non-financial statement.

The material topics are grouped according to the ESG (environmental, social, governance) classification also used by Directive (EU) 2022/2464 (CSRD).

Material topic		Impacts		GRI standard	Aspects as per Legislative decree no. 254/2016
		Summary	Characteristics		
E	**Environmental**				
1	**Energy consumption and efficiency**	Negative impacts: higher costs, negative environmental impact	Actual: energy use for group operations	302 Energy	Environmental
			Direct: caused by group operations		
			Short-medium-long-term (structural to the business model)		
			Expected: as they are associated with group operations		
2	**CO_2 emissions and climate change**	Negative impacts: increased CO_2 in the air and consequent air pollution,	Actual: production of emissions by group operations	305 Emissions	Environmental
			Direct and from commercial relationships (partners and		

Material topic		Impacts		GRI standard	Aspects as per Legislative decree no. 254/2016
		Summary	Characteristics		
		acceleration of climate change processes	suppliers): Scope 1, 2 & 3 emissions Medium-long-term (structural to the business model) Expected: as they are associated with group operations		
3	**Water withdrawal and consumption**	Negative impacts: water consumption in areas with water stress, water scarcity, consumption of water resources	Actual: use of water for group processes Direct: caused by group operations Short-medium-long-term (structural to the business model) Expected: as they are associated with group operations	303 Water and effluents	Environmental
4	**Waste management and the circular economy**	Negative impacts: increased non-recyclable waste to landfill, environmental pollution	Actual: use of water for group processes Direct: caused by group operations Short-medium-long-term (structural to the business model) Expected: as they are associated with group operations	306 Waste	Environmental
5	**Materials and use of natural resources**	Negative impacts: material not obtained from recycling, increased non-product outputs	Actual: use of materials for production Direct and from commercial relationships (partners and suppliers) Medium-long-term (structural to the business model) Expected: as they are associated with group operations	301 Materials	Environmental
S	**Social**				
6	**Product and service quality and safety**	Positive impacts: customer loyalty / winning tenders / improved company reputation / acquisition of new contracts / safety of group products/services	Potential: possibility that a product is defective / non-compliant Direct and from commercial relationships (partners and suppliers) Short-medium-long-term (structural to the business model)	416 Customer health and safety	Social

	Material topic	Impacts		GRI standard	Aspects as per Legislative decree no. 254/2016
		Summary	Characteristics		
			Expected and unintentional: as they are associated with group operations but with unexpected outcomes		
7	**Supply chain management**	Positive impacts: supplier qualification and signing of a Code of conduct / guarantee of fair and decent working conditions / compliance with international regulations / development of local areas / consolidation of a qualified, professional supplier chain	Actual: connected with group operations	308 Supplier environmental assessment	Social
			Direct and from commercial relationships (partners and suppliers)		
			Short-medium-long-term (structural to the business model)	414 Supplier social assessment	
			Expected and unintentional: associated with group operations but not completely under the group's control		
8	**Attraction and enhancement of human resources**	Positive impacts: support and development of the distinctive skills necessary and consistent with the group strategies / attraction and training of qualified personnel	Actual: connected with group operations	401 Employment	Personnel
			Direct: caused by group operations		
			Short-medium-long-term (structural to the business model)	404 Training and education	
			Expected: associated with group operations		
9	**Working environment - Diversity and equal opportunities**	Positive impacts: employee satisfaction / better company climate and brand identity / better working conditions	Actual: connected with group operations	405 Diversity and equal opportunity	Respect for human rights
			Direct: caused by group operations		
			Short-medium-long-term (structural to the business model)	406 Non-discrimination	
			Expected: associated with group operations		
10	**Occupational health and safety**	Negative impacts: repercussions on workers' health / damage to image / potential human rights violations / regulatory-disciplinary consequences	Potential: possibility of accidents in the workplace	403 Occupational health and safety	Personnel
			Direct: caused by group operations		
			Short-medium-long-term (structural to the business model)		
			Expected: associated with group operations and mitigated by		

	Material topic	Impacts		GRI standard	Aspects as per Legislative decree no. 254/2016
		Summary	Characteristics		
			occupational health and safety training and policies		
11	**Cybersecurity and privacy**	Negative impacts: data leakage / loss of customer-company population data / complaints and infringements of privacy / damage to image	Potential: possibility of data loss	418 Customer privacy	Social
			Direct and from commercial relationships: caused by group operations and partners		
			Short-medium-long-term (structural to the business model)		
			Unintentional: possibility of external attacks on the IT infrastructure		
G	**Governance**				
12	**Ethics and integrity in business**	Positive impacts: business continuity - regulatory / disciplinary - reputational	Potential: linked to business activities	205 Anti-corruption	Fight against active and passive corruption
			Direct: caused by group operations	206 Anti-competitive behavior	
			Short-medium-long-term (structural to the business model)	207 Tax	
			Expected and unintentional: associated with group operations		
13	**Financial performance**	Positive impacts: financial sustainability / financial soundness / business continuity	Actual: connected with group operations	201 Economic performance	
			Direct and from commercial relationships: caused by group operations and partners		
			Short-medium-long-term (structural to the business model)		
			Expected and unintentional: associated with group operations but partly dependent on external forces		
14	**Engagement with and development of the local area**	Positive impacts: brand reputation / distribution of economic value / community well-being	Actual: connected with group operations	413 Local communities	Social
			Direct and from commercial relationships: caused by group operations and partners		
			Short-medium-long-term (structural to the business model)	204 Procurement practices	
			Expected: connected with group operations		

Material topic		Impacts		GRI standard	Aspects as per Legislative decree no. 254/2016
		Summary	Characteristics		
15	**Investments - innovation and digitisation**	Positive impacts: product innovation / energy efficiency and products with a lower environmental-social impact / greater competitiveness / organisational efficiency thanks to digital processes	Actual: connected with group operations Direct and from commercial relationships: caused by group operations and partners Short-medium-long-term (structural to the business model) Expected: connected with group operations	203 Indirect economic impacts	

The following graph shows the material topics in relation to their impact, obtained at the end of the prioritisation stage.

Changes from the previous reporting period.

As reported, there is no evidence of significant changes in the material topics identified compared to the 2021 Sustainability report / NFS. In this year's report, some material topics previously presented using terms covering several impacts have been unpacked, in order to:

i) detail the impacts related to the individual material topics more precisely and

ii) align the presentation of the material topics with the guidelines of the European Union's Corporate sustainability reporting directive (CSRD).

The new topics arising from the assessment of the impacts are **Materials and use of natural resources** (included under the "Waste management and the circular economy" topic in the previous report), **CO_2 emissions and climate change** (included under "Climate change: Energy – emissions" in the previous report) and **Cybersecurity and privacy**. After the completion of the analysis, "Noise pollution/sounds and vibrations" and "Sustainable mobility Environmental and social impact of products and services" are no longer considered material topics.

Material topics - objectives and actions

GRI STANDARDS	3.3 Management of material topics

Salcef's commitments in relation to the material topics identified are shown in the table below, which also shows the correlation and consistency with the United Nations 2030 Agenda and the SDGs - Sustainable Development Goals (17 goals and 164 targets identified by the Agenda).

The objectives and actions and the effectiveness of the latter in managing the topics and related impacts, together with the processes and procedures adopted to monitor performance, are analysed in the relevant chapters of this document addressing and reporting on these topics.

Salcef's role and commitment in relation to the SDGs ranges across various interconnected action areas:

Sustainable transport - Some SDGs are directly related to sustainable transport. Specifically: SDG 3 (Good health and well-being - SDG Target 3.6 on road safety), SDG 9 (Industry, innovation and infrastructure - SDG Target 9.1 on infrastructure), SDG 11 (Sustainable cities and communities - SDG Target 11.2 on access to safe, affordable, accessible and sustainable transport systems for all and the expansion of public transport).

Business model - Specifically, those SDGs that directly reflect the impacts of Salcef's business model: SDG 7 (Affordable and clean energy), SDG 13 (Climate action) and SDG 12 (Responsible consumption and production).

Organisational model and preliminary conditions – Salcef's commitment to SDGs that have direct economic and social impacts, such as SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities) reflect the conditions promoting the achievement of objectives linked to the business model and reference sector.

	Material topic	Aspect	Action area	Commitment	SDGs
E	**Environmental**				
1	**Energy consumption and efficiency**	Business model Sustainable mobility	01 Climate change: Reduction of the business' carbon footprint	Quality of works, products and machinery.	**7 Ensure access to affordable, reliable, sustainable and modern energy for all**
				Reduction of the impacts of operations and the use of new technologies.	7.2 - By 2030, increase substantially the share of renewable energy in the global energy mix
				Investments in research into new services and products.	
				Digitisation of business processes.	
				Develop technologies for integrated and sustainable mobility.	
2	**CO_2 emissions and climate change**	Business model Sustainable mobility	01 Climate change: Reduction of the business' carbon footprint		**13 Take urgent action to combat climate change and its impacts**
					13.2 - Integrate climate change measures into national policies, strategies and planning
3	**Water withdrawal and consumption**	Business model Sustainable transport	02 Responsible resource management and the circular economy	Reduction of the impacts of operations and the use of new technologies.	**12 Ensure sustainable consumption and production patterns**
				Develop technologies for integrated and sustainable mobility.	12.2 - Achieve the sustainable management and efficient use of natural resources
4	**Waste management and the circular economy**	Business model Sustainable transport		Investments in research into new services and products.	12.a - Support developing countries to strengthen their scientific and technological capacities to move towards more sustainable patterns of consumption and production
				Reduction of waste generated: training and monitoring of the management of waste and improved performance.	
5	**Materials and use of natural resources**	Business model Sustainable transport			12.2 - Achieve the sustainable management and efficient use of natural resources
S	**Social**				

	Material topic	Aspect	Action area	Commitment	SDGs
6	**Product and service quality and safety**	Sustainable transport business model		Develop technologies for integrated and sustainable mobility.	**3 Ensure healthy lives and promote well-being for all at all ages**
				Investments in research into new services and products.	3.6 - Halve the number of global deaths and injuries from road traffic accidents
					11 Make cities and human settlements inclusive, safe, resilient and sustainable
					11.2 - Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport
7	**Supply chain management**	Business model Sustainable transport	04 Responsible business conduct and human rights	Promote a culture of quality, environmental protection and safety, training, communication and supplier engagement.	**8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**
					8.3 - Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
					8.8 - Protect labor rights and promote safe and secure working environments for all workers
8	**Attraction and enhancement of human resources**	Organisational model and preliminary conditions	03 Enhancement of human resources	Protection of the health and psychophysical well-being of Salcef Group employees	**10 Reduce inequality within and among countries**
				Reduction of risks and the prevention of occupational disease and accidents at work.	10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
				Promote a culture of quality, environmental protection and safety, training, communication and supplier engagement.	10.3 Ensure equal opportunity and reduce inequalities of outcome
				A quality working environment.	

	Material topic	Aspect	Action area	Commitment	SDGs
				Innovation of equipment and machinery.	
				Respect for human rights; exclusion of any discriminatory practice; support for equal opportunities.	
9	**Working environment - Diversity and equal opportunities**	Organisational model and preliminary conditions	03 Enhancement of human resources		
10	**Occupational health and safety**	Organisational model and preliminary conditions	04 Responsible business conduct and human rights		
11	**Cybersecurity and privacy**	Organisational model and preliminary conditions		Strengthening ICT governance / protection of privacy and information security	Not directly related to key SDGs in terms of Salcef Group's operations and direct impacts
G	**Governance**				
12	**Ethics and integrity in business**	Organisational model and preliminary conditions	05 Sustainability governance	Strengthening of governance and, specifically, the governance of sustainability topics. Please refer to chapter 2.2 Governance and responsible business conduct and related paragraphs.	**16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**
					16.5 Substantially reduce corruption and bribery in all their forms
					16.6 Develop effective, accountable and transparent institutions at all levels
13	**Financial performance**	Organisational model and preliminary conditions	05 Sustainability governance	Please refer to the "Salcef's sustainable development strategy and commitment" paragraph of Chapter 2.1 Business model and strategy	General reference to SDG 8 on economic growth / employment
14	**Engagement with and development of the local area**	Sustainable transport		Partnerships and collaborations	**9 Build resilient infrastructure, promote sustainable industrialization and foster innovation**
					9.1 - Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

	Material topic	Aspect	Action area	Commitment	SDGs
15	**Investments - innovation and digitisation**	Sustainable transport		Develop technologies for integrated and sustainable mobility.	9.4 - Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
				Invest in research into new services and products.	9.a - Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support
				Promote a culture of quality, environmental protection and safety, training, communication and supplier engagement	

Sustainability performance

▪Compliance and integrity in business

GRI STANDARDS	3-3 Management of material topics 205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 207-1 Approach to tax 207-2 Tax governance, control, and risk management 207-3 Stakeholder engagement and management of concerns related to tax 207-4 Country-by-country reporting 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Anti-corruption procedures

Like in previous reporting periods, there were no episodes reported of active or passive corruption involving Salcef Group directors or employees.

Anti-trust procedures

During the reporting period, there were no episodes and/or commencement of proceedings or legal action against Salcef Group in relation to violations of free competition, monopolistic practices or anti-trust.

Tax transparency

Approach to tax

Salcef Group's approach to tax complies with the content of "Provision 310 - Salcef Group's Code of ethics and conduct" which contains the guiding principles for Salcef Group's business operations, and applies to all those with representative, executive or management functions, or that carry out management and control activities of Salcef, or that cooperate and collaborate with it in the pursuit of its business, all employees, collaborators that work mainly with Salcef Group companies on an ongoing basis, and any party with business relations with Salcef.

The group has not defined a specific tax strategy.

Salcef Group's management bases its conduct on the principles of honesty and lawfulness and on compliance, also in the approach to taxation, with relevant legislation and regulatory provisions in force in the countries in which the group operates. Under no circumstances does Salcef Group pursue or achieve its goals in violation of tax laws.

Salcef Group's objective in relation to taxation is to fulfil its tax obligations (both formal and substantive compliance) completely, correctly and in due time, to minimise the tax risks related to the application of legislative and regulatory provisions governing taxes in force in all countries in which the group operates, including in relation to cases where there are interpretative doubts.

Salcef Group's approach to tax compliance is consistent with the business strategies and the sustainable development of the organisation.

Tax governance, control, and risk management

Salcef Group has a low tax risk. In determining the tax treatment of a particular transaction or activity, it makes reasonable, well-founded and reasoned tax choices and interpretations.

Given the size and complexity of the group's operations, risks may arise in relation to the interpretation of complex tax legislation. These risks are identified and analysed internally and with the support of qualified tax and legal advisors, taking into account the provisions in force in each country in which the group operates.

Salcef Group is supervised by a board of statutory auditors and subject to audit by independent auditors.

Relations with tax authorities (stakeholder)

In line with the content of "Provision 310 - Code of ethics and conduct" adopted by the group, Salcef Group ensures compliance with the applicable laws and the principles of transparency, honesty and correctness in relations with the tax authorities in the countries in which it operates.

Relations with the tax authorities are handled exclusively by the relevant company departments.

The group does not improperly influence, including through third parties, the decisions of the tax authorities of the countries in which it operates. Rather, it aims to maintain open and constructive relations with all relevant tax authorities and to resolve any dispute in a collaborative manner, including through the use of instruments to settle the dispute.

In the event of particular uncertainty as to the tax treatment applicable to significant issues, Salcef Group evaluates whether to avail of instruments to understand the position of the relevant tax authorities in advance.

Salcef Group is not presently subject to the country-by-country reporting rules referred to in article 1.145/146 of Law no. 208 of 28 December 2015 and Council Directive (EU) 2016/881 of 25 May 2016, amending Council Directive 2011/16/EU, as well as the related implementing provisions.

Tax reporting

Salcef Group is not presently subject to the country-by-country reporting rules referred to in article 1.145/146 of Law no. 208 of 28 December 2015 and Council Directive (EU) 2016/881 of 25 May 2016, amending Council Directive 2011/16/EU, as well as the related implementing provisions.

The group's presence in countries other than Italy is exclusively linked to commercial, operating or industrial needs.

Specifically, in those markets where there is a robust tradition and local industry in the railway infrastructure sector and which offer solid future prospects, the group considers setting up subsidiaries with the basis and structure to ensure its organisational and production autonomy (like in Germany and the United States). In markets that do not yet have these features, the group operates via branches which manage the specific contracts or commercial development.

Direct taxation for 2022 totalled €21.8 million (€21.0 million in 2021), 90% of which related to countries of the European Union (94% in 2021) and the remaining 10% to other countries (6% in 2021). These percentages are consistent with the proportion of revenue generated in the two areas (88% and 12%, respectively) and is based on the nominal rate (29%) of the tax jurisdiction which accounts for the greatest portion, Italy, which is higher than the average rate applied in the other jurisdictions. Also in terms of the human resources employed (88% and 12%, respectively), the breakdown is consistent with the tax effects in the two areas.

Moreover, as the group's operations outside of Italy, Germany and the United States involve the execution of individual contracts, direct taxation can vary significantly over time.

Cybersecurity and privacy legislation

In conducting its operations, the group processes personal data, including of a special nature, related to individuals (employees, customers, suppliers, etc.). Accordingly, it is required to comply with the provisions of the GDPR and any other national and/or EU privacy provisions, including, where applicable, those laid down by the Data protection authority.

The group has implemented its own privacy structure pursuant to the provisions of the GDPR, adopting the documentation required by such legislation (e.g., privacy notice, appointment of external data protection officers, designation of persons authorised to process data, etc.).

In 2022 and in the previous reporting periods (2020 and 2021), there were no events entailing data breaches or substantiated complaints concerning breaches of customer privacy and losses of customer data.

Product and service quality and safety

GRI STANDARDS	3-3 Management of material topics 416-1 Assessment of the health and safety impacts of product and service categories 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

In its more than 70 years of operation, Salcef has carried out hundreds of projects worldwide, to ensure **safe railway operation, create new connections and contribute to sustainable urban mobility**. Salcef has built railway infrastructure in numerous different contexts, from the Arabian desert to the icy north, with each project presenting its own technical and methodological challenge and the chance to consolidate the group's position on the international market.

Quality, respect for the environment, health and social responsibility are fundamental for business operation. In the firm belief that these factors offer added value to the customer, the work itself and to those who use it, Salcef is committed to its objectives of protecting the environment, maximum technical efficiency, legal compliance, optimising the rational use of resources and energy and identifying all risks for people and the local areas.

The group's international nature has also led to an in-depth knowledge of the railway sector's regulations abroad, as well as in Italy and Europe, resulting in increased know-how and offering ways to improve and innovate to make the management model even more solid. Further details are available in the Social Performance Team paragraph.

The integrated policy

Salcef is committed to providing its customers with unrivalled services and the promotion of a culture of quality, respect for the environment and safety, as well as the design, construction and maintenance of works related to the construction and maintenance of railway, tram and metro lines and related civil works, with the supply of the related components, as well as machinery, machines and rolling stock for the construction, renewal and maintenance of infrastructure and the design and production of prefabricated systems for railway infrastructure.

For Salcef Group, environmental protection is a fundamental value for the community and is compatible with company development. Salcef Group is therefore committed to operating in compliance with relevant legislation in its offices and at work sites, applying the best available technologies, in order to facilitate and design activities that enhance natural resources, preserve the environmental and promote initiatives for widespread environmental protection. The group also takes into account the needs of the local communities in which it operates (the areas near the work sites) and contributes to their economic, social and civil development.

Accordingly, the continuous improvement of internal management processes, and operating in compliance with the provisions of the integrated quality, environmental and occupational health and safety systems pursuant to UNI ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, is fundamental.

The control model and the effectiveness of the policies

Internal audit

Salcef's control model provides for an internal audit department. The internal audit manager checks, both on an ongoing basis and in relation to specific requirements and in compliance with international standards, the operation and the suitability of the internal control and risk management system, via an audit plan approved by the board of directors, based on a structured process of analyses and prioritisation of the key risks.

The objective of the internal audit activity is to assess the effectiveness of the policies adopted by Salcef Group in the various significant areas and to identify improvements.

The internal audit department also prepares regular reports providing information on its activities, the way in which it manages the risks and compliance with the plans established for their containment and control, as part of the audit plan, the reliability of the information systems, including the accounting systems. The internal audit manager is not responsible for any operating area and reports to the board of directors.

Assessment of the policies

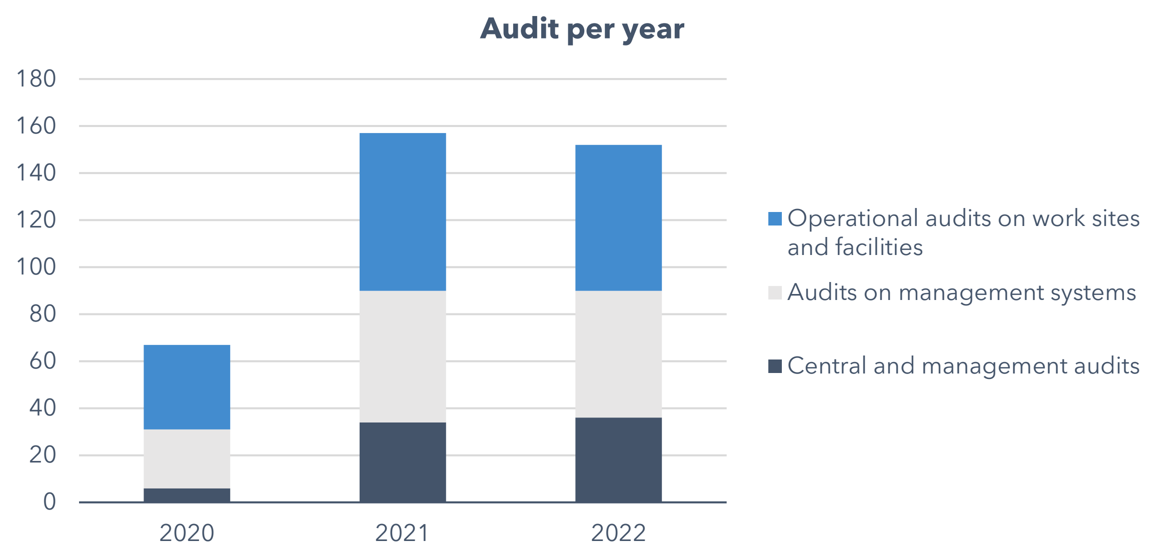
The group monitors the effectiveness of its policies, procedures and management systems via internal audits. Specifically, there are three types of audits:

Central and management audits: checks aimed at assessing the central and transversal group processes, checking the correct application of the procedures, information flows and the integrated management system, as well as compliance with the organisational, management and control system pursuant to Legislative decree no. 231/01. The audits are conducted by the parent's internal audit and compliance department which also relies on the support of other central departments and external consultants.

Audits of management systems: audits to check the proper implementation of the management systems applied.

Operational audits on work sites and facilities: audits to check the proper functioning of the operating processes, particularly as relates to safety, the environment and quality. They are mainly conducted by the relevant company's HSE department.

The following graph shows all types of audits performed in the 2020-2022 three-year period:



Central and management audits

These audits related to the topics summarised in the table:

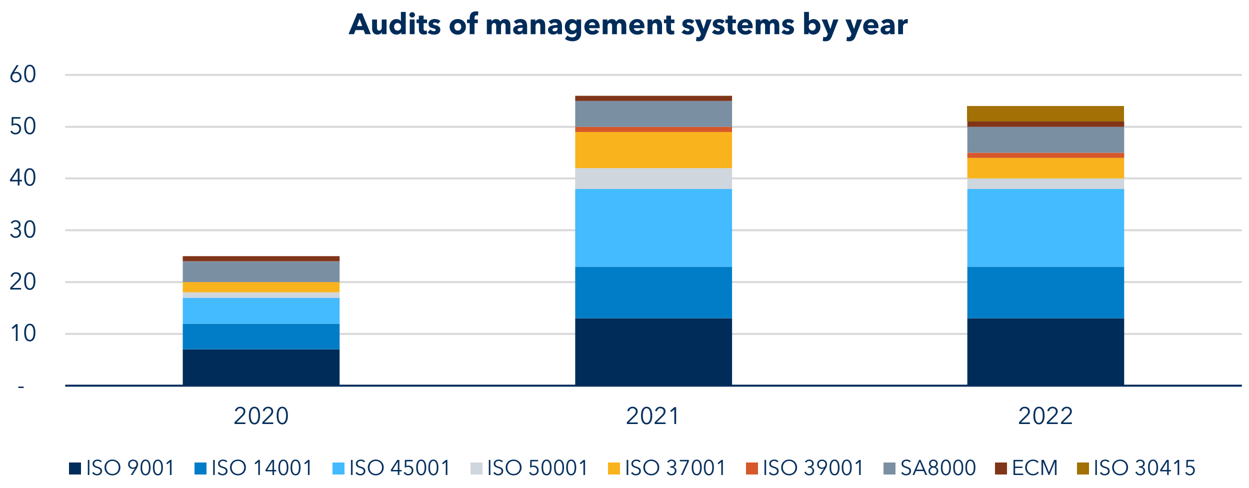
Central and management audits	2020	2021	2022
SG management consultancy		●🗁⌛	
Procurement management	●[17]	●	●[17]
Operating finance management			●
Financial statements closure		●	
Intragroup contracts			●
Tender and sales management	●	●[17]	
SG sponsorships and contributions	●		●[17]
Contract management		●[15]	
Wages and contributions	●[17]		
Gifts and entertainment	●	●[15]	●
Keeping of the insider trading register	●	●	●[17]

There were five instances of non-compliance and one new requirement or opportunity for improvement in 2022.

Audits of management systems

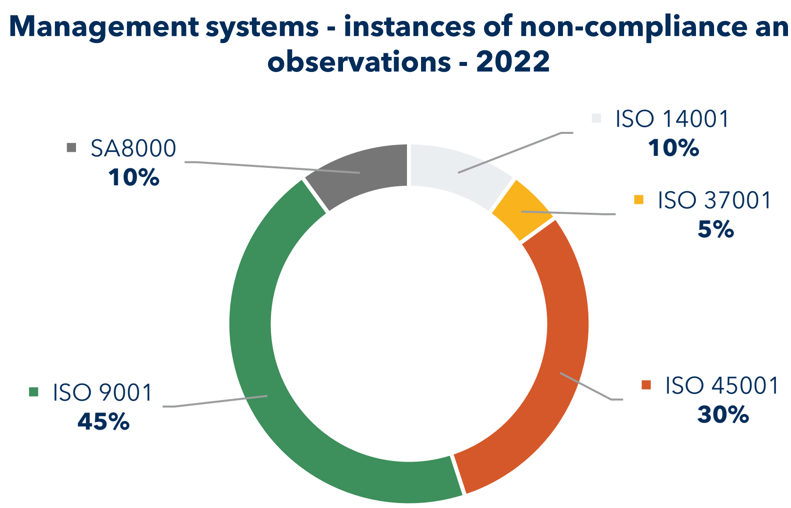
Audits were carried out on all management systems implemented in the Salcef Group companies in 2022. The following graph shows the management systems audits conducted in the last three-year period:

[16] Follow-up audits.



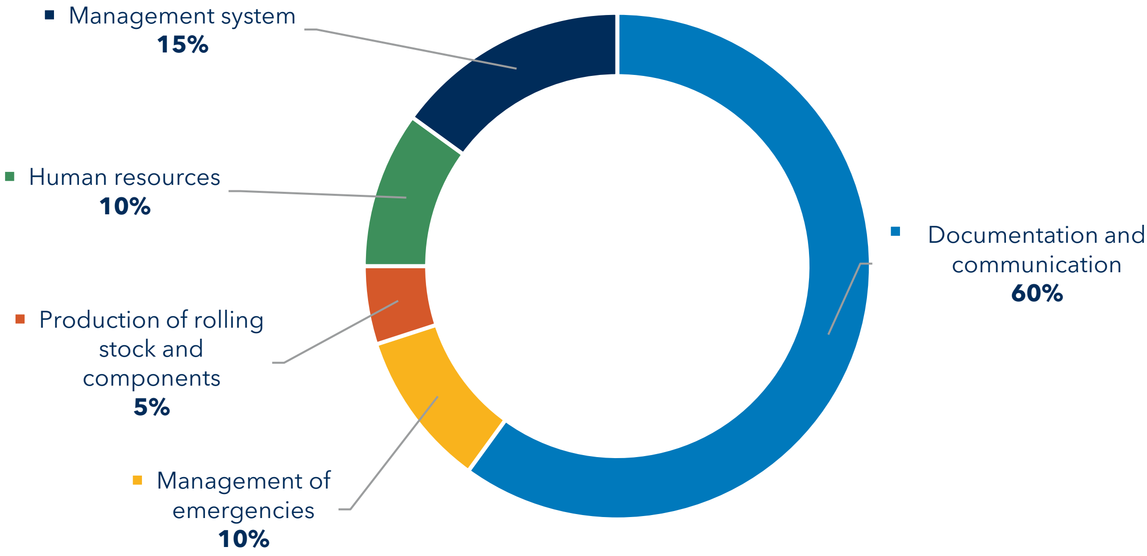
A total of 54 audits were carried out on management systems in 2022, in line with the previous year. Eight new certifications were obtained by group companies in 2022 (such as the ISO 30415 certifications obtained by Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.r.l.).

There were two instances of non-compliance and 18 observations were made on the following management systems in 2022:



The instances of non-compliance and observations of 2022 on the management systems mainly related to aspects linked to "documentation and communication" and "management of emergencies".

Type of non-compliance and observations - 2022



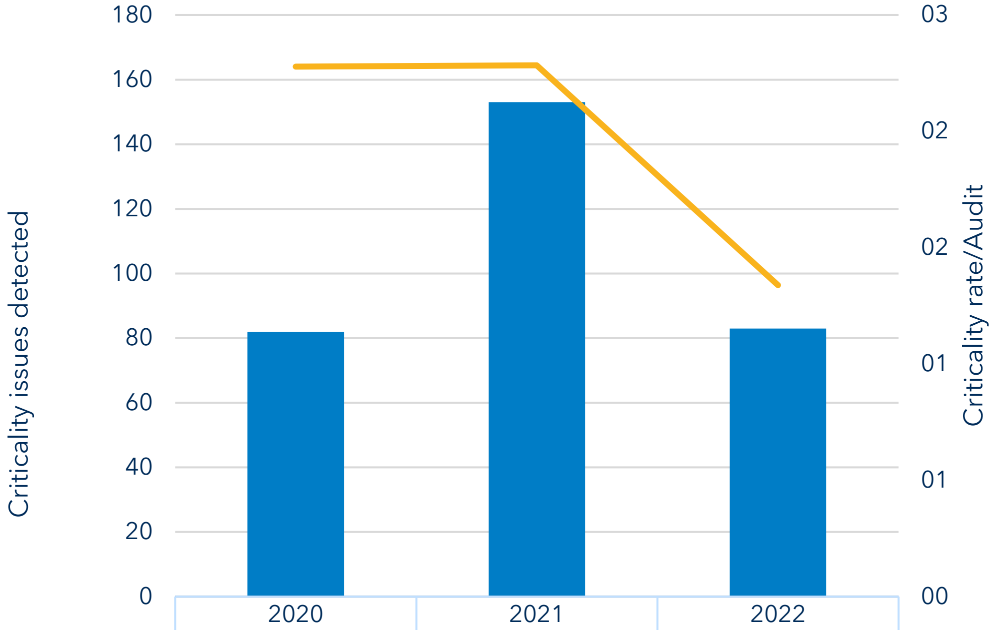
All these cases are subject to a corrective action plan to be resolved during the year, with an overall improvement on the group's management systems.

Operational audits on work sites and facilities

Operational audits are a control of key importance for the group as they check that all the procedures and the organisation put in place for the performance of the business activities are actually complied with.

The planning and performance of the operational audits has been standardised over time and all the corrective actions taken have gradually improved the process, with a consequent decrease in the critical issues identified, as shown in the following graph:

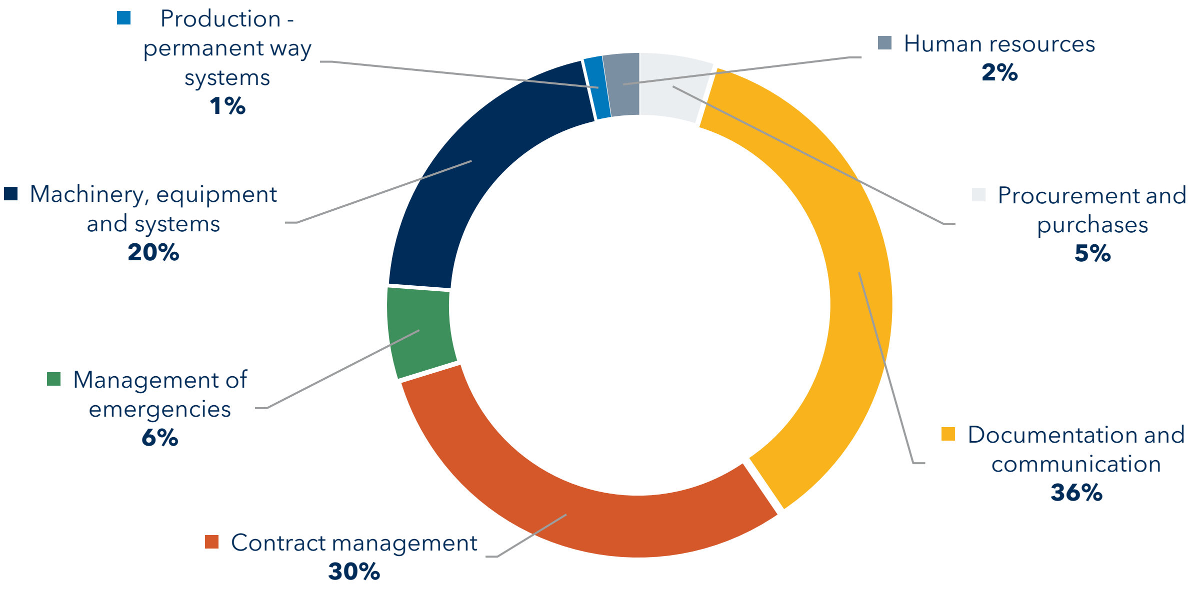
Operational Audits on worksites and facilities - Criticalities



	2020	2021	2022
Criticality issues detected	82	153	83
Criticality rate/Audit	02	02	01

For 2022, the 83 instances of non-compliance identified have now been resolved or are nearly resolved. They mainly related to aspects linked to contract management, machinery, equipment and systems and documentation and communication.

Contract audits - non-compliance and observations - 2022



The impact of products and services on health and safety

As reported in the Quality, safety and environmental impacts chapter below, in line with its integrated quality and safety policy, Salcef operates in full compliance with the law and applies rigorous controls on the impacts its products and services have on health and safety.

In the reporting period, like in 2020 and 2021, there were no significant cases of: a) non-compliance with legislation, regulations or voluntary codes governing the impact of products and services on health and safety; b) non-compliance with regulations and/or self-regulatory codes governing products and services information and labelling.

Environmental impact of products and services

Salcef's integrated policy and, specifically, the ISO 14001 environmental management system which is part thereof, is designed to ensure **full compliance with applicable legal provisions** and other regulations and international standards regarding the environment, in the pursuit of continuous improvement.

In this context, compliance with environmental regulatory provisions in its operations in the various countries in which it operates is therefore a priority, in order to minimise the environmental impact of products and services (products for infrastructure and the supply of railway services).

The risks related to compliance with environmental regulations and for the use of potentially hazardous substances that could cause environmental and/or other violations of current legislation are identified and managed via a system providing for:

- A system of company proxies which establish duties, responsibilities and powers for those charged with managing environmental issues.
- Training for all personnel on legislative issues and matters specific to their role.
- Alignment of all company procedures and employee conduct with the principles of such legislation.
- Scheduled regular checks that the procedures are correctly applied and of the training level of personnel, as well as the internal disciplinary system.
- The implementation of controls over the compliance with environmental legislation of major suppliers and sub-contractors.

- Monitoring that the procedures of the integrated management system and any additional specific procedures for the contract (quality, environmental or other management plans) are correctly applied.

From a different perspective, the activities managed by Salcef which play an important role in the transition to an extensive Sustainable mobility model generate positive impacts both of an environmental and social nature (see the "Sustainability mobility" paragraph in the previous chapter).

Supply chain management

GRI STANDARDS	3-3 Management of material topics 204-1 Proportion of spending on local suppliers 308-1 New suppliers that were screened using environmental criteria 308-2 Negative environmental impacts in the supply chain and actions taken 414-1 New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken

In line with its integrated management system, Salcef Group's processes for supplier screening processes and for the determination of the terms of purchase for goods and services are based on objective and impartial assessments based on quality, price and the assurances provided.

The principles

- Every Salcef Group[17] supplier first undergoes qualification on the basis of their product categories. This may include a range of checks, from documentation and reputation to financial and economic aspects. Supplier qualification is carried out exclusively by the parent's procurement department.
- Supplier relations are handled through the general purchase conditions. These are standard throughout the entire Salcef Group in order to ensure consistent treatment of the group's various suppliers and companies.
- Each group company has a dedicated procurement department.
- The parent's procurement department coordinates the various procurement departments of the subsidiaries and monitors their performance, ensuring uniform and suitable quality levels.

[17] With the exception of specific categories of suppliers that do not impact the business or its operations, such as those related to personnel management (hotels, restaurants, travel, etc.).

- The group companies do not practice or approve of any form of "reciprocity" with suppliers. The goods/services that the company needs are selected and purchased exclusively on the basis of their price and quality.
- Any negotiations with a current or potential supplier refer exclusively to the goods and services subject to negotiation.
- The purchasing process is fully integrated into the group's MySalcef ERP system, from the request stage through approval, to the agreement of the contract and related acceptance and subsequent evaluation. This ensures compliance with group procedures and the transparency of the approval process.
- Those in charge of the purchase of goods and services are independent of the production departments and the person making the request and can therefore not be subject to any form of pressure by suppliers.

The assumption of commitments and the management of relations with current and potential suppliers takes place in compliance with the company's directives on conflict of interest and business operation.

Salcef Group has also decided to comply with the safety, environmental and corporate social responsibility requirements of the relevant international standards. This is not only to set an example of the duty to respect health and safety, the environment and the human rights of workers, but also in order to promote them with its partners and suppliers. To this end, the following documentation has been issued and made available to all relevant parties:

- Salcef Group's Integrated Policy;
- Salcef Group's Code of ethics and conduct;
- Organisational, management and control model pursuant to Legislative decree no. 231/2001;
- Supplier code of conduct;
- Regulation governing Salcef Group's supplier qualification system.

The final objective is to encourage a chain reaction of compliance with the standards by partners, suppliers and sub-suppliers, influencing conduct and increasing the ethical-social quality. Salcef Group therefore requires all its suppliers to consistently comply with the ethical, transparency, legality, safety and social and environmental responsibility requirements. These documents are always available and may be consulted on the group's website (https://www.salcef.com/governance-structure/company-documents/).

Supplier code of conduct and regulation governing the supplier qualification system

Salcef Group's management intends to encourage the professional growth of all employees, in compliance with the national laws of the various countries in which it operates, the fundamental principles contained in the Universal declaration of human rights, together with the ILO's eight fundamental conventions as enshrined in the Declaration on fundamental principles and rights at work. The group requires that all suppliers of its supply chain comply with these social responsibility principles. Specifically:

- Respect for the liberty and dignity of employees and other workers, including the prevention of abuse;
- Prohibition of child labour;
- Prohibition of forced labour;
- Respect for worker health and safety;
- Respect for the right to freedom of association and collective bargaining;
- Ban on any form of discrimination, including exclusion or preference based on race, sex, age, religion, political opinion, nationality or social class;
- Compliance with legislation governing disciplinary measures, wages, working hours and equal pay between the sexes for the same task.

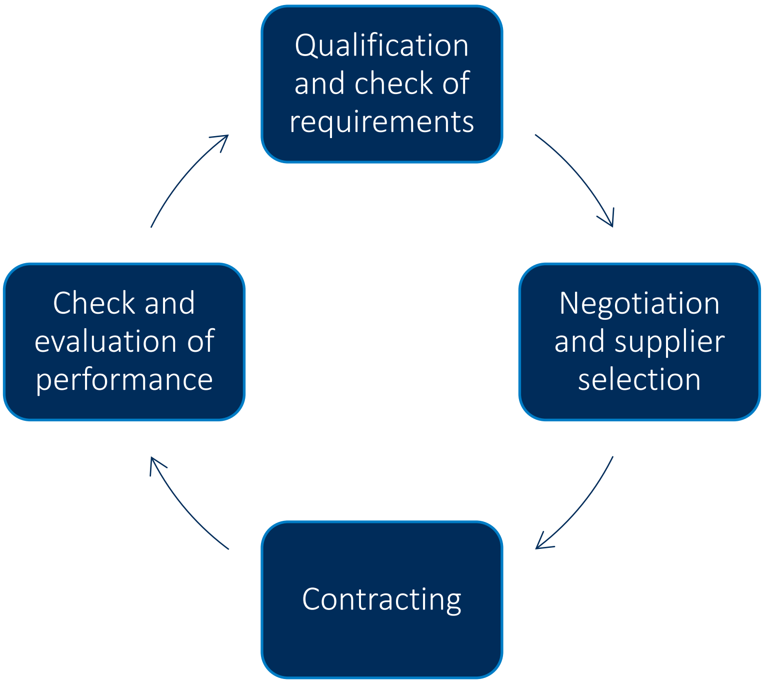
The group has specific contractual clauses to ensure that the employees of any third parties with which the group collaborates (suppliers, consultants, etc.) in the manner and with the limitations established by the company procedures governing the decision-making process, are legally employed in terms of residence permit, expressly requiring a commitment to comply with Salcef Group's Organisational, management and control model and Code of ethics and conduct, and with the fundamental principles contained in the SA 8000 standard on corporate social responsibility.

To ensure the social responsibility policy is implemented in relation to suppliers, group management selects and evaluates suppliers based on their ability to satisfy the requirements of the SA 8000 standard. All critical suppliers are also required to formally accept and comply with the above principles by filling in a questionnaire.

Supplier management cycle

Over the years, Salcef Group has built a robust supplier management system, defining the requirements and procedures to be adopted at each stage.

The process can be compared to a cycle in which everything begins with the qualification stage and checking that suppliers meet the requirements, and this is the basis for the future negotiation, selection and contracting activities. Subsequent monitoring and assessment of performances and their evaluation are some of the elements used to determine whether the supplier's qualification will be renewed and the cycle begins again.



Qualification and check of requirements

Salcef's supplier assessment is governed by the supplier qualification procedure. Suppliers that wish to offer their products/services and be included in the group's supplier qualification system register on the group's website (www.salcef.com) and complete the questionnaire under the suppliers area, providing all information required so that the group can check all requirements are met and complied with.

At the time of registration, the supplier must formally accept:

- the notice pursuant to Regulation (EU) 2016/679 (the GDPR) on the protection of personal data and the related consent to the processing and communication of their data for the purposes described;
- the supplier code of conduct;
- the regulation governing Salcef Group's supplier qualification system.

Salcef Group has established specific criteria for each product category in its supply system, adapting them to the various geographical areas in which it operates.

Based on the documents and information provided and above all their product categories, suppliers are carefully evaluated in relation to the main requirements. These may be:

- Of a general nature.
- **Environmental** (environmental protection, sustainability, etc.).
- Related to employee **health and safety**.
- **Ethical** (social responsibility, anti-corruption, etc.).
- Related to financial capacity and soundness.
- Related to technical– production capacity.
- Technical (limited to their role, i.e., the main works carried out by the supplier).
- Related to the company's **quality** system.
- Presence of a certified quality, safety and/or environmental management system.
- Presence of a corporate social responsibility management system.
- Presence of an organisational, management and control model.
- Adoption of a code of ethics.

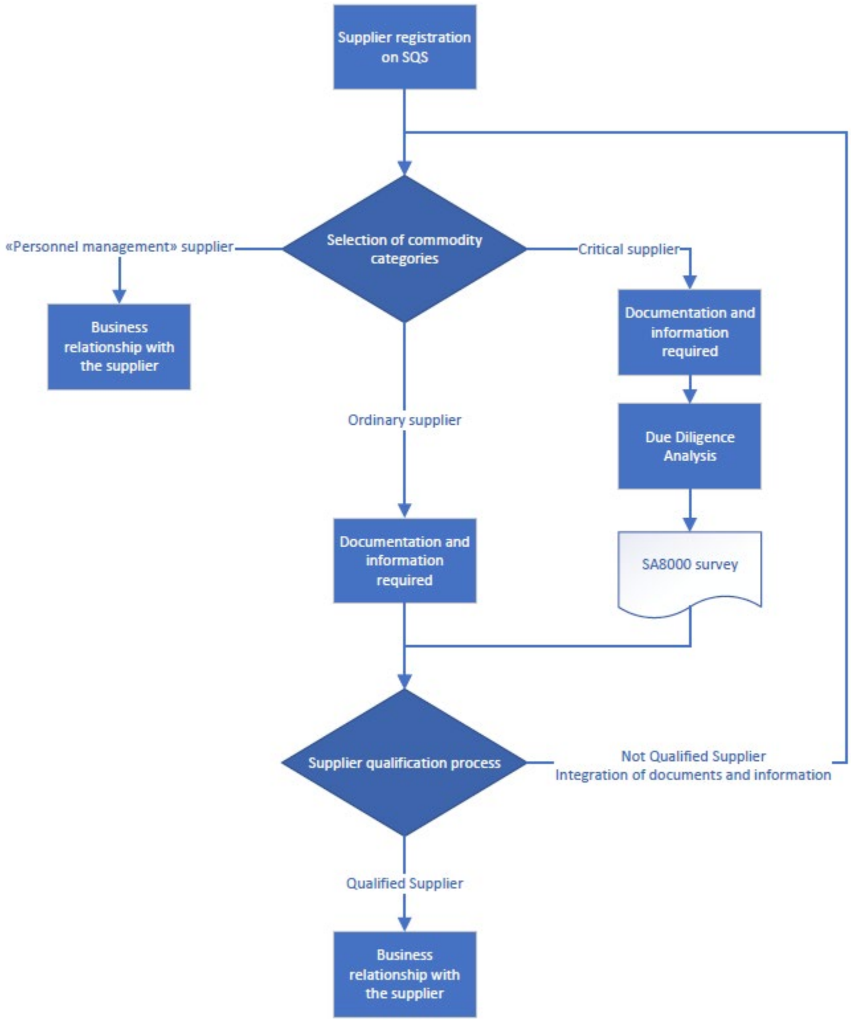
Critical suppliers also undergo more detailed and specific evaluation. The group carries out a due diligence on this category of suppliers using business intelligence systems which analyse public (UN, IMF, etc.) and private (e.g., Bureau van Dijk) databases to produce a detailed report on the supplier. In this case, the main types of information that can be evaluated are:

- Publicly-available official information (address, contacts and identification data).
- Financial position and financial performance and performance over time.
- Credit situation and ratings.
- Company organisation and structure (owners, managers and ultimate beneficiaries).
- Industry (ATECO, NACE and NAICS codes).
- Detailed analysis of managers and shareholders, including parallel and past roles.
- Presence in countries with high corruption risk (https://www.transparency.it).
- Presence on public blacklists (terrorism, UN, OFAC and government lists).

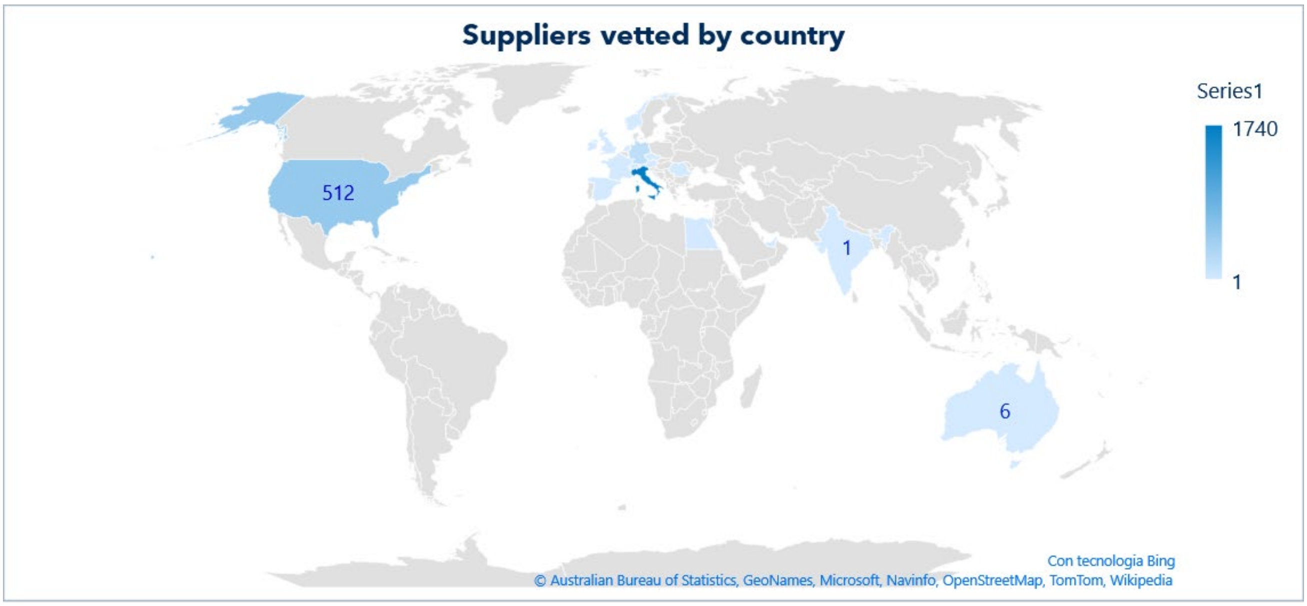
- Presence in tax havens.
- News and other public communications.
- Company leaks.

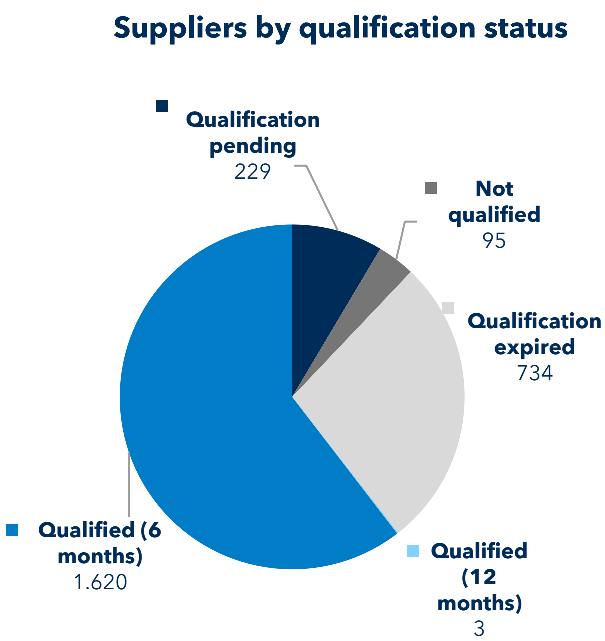
Based on the information provided, the services and the qualification process, the supplier can be classified as: registered (qualification is not necessary, the supplier category is excluded from qualification), qualification pending, qualified, not qualified, suspended or blacklisted.

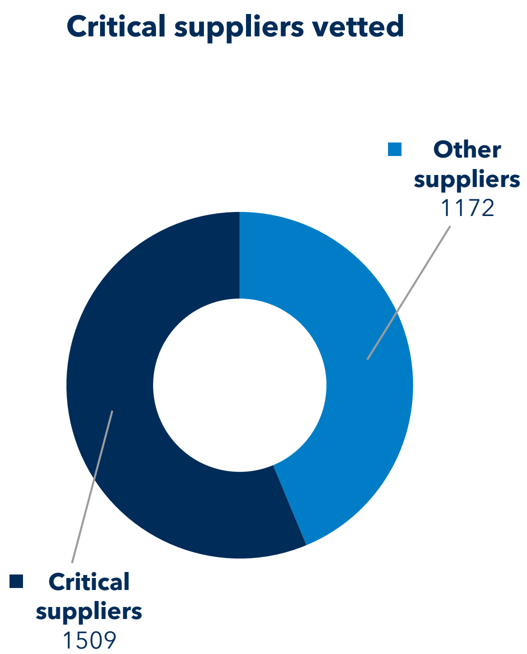
Each qualified supplier undergoes the qualification process at least every six months, except for a very small number of suppliers that are monitored every twelve months. Excluding those suppliers which are not required to be qualified (suppliers related to personnel management, such as travel, hotels and restaurants), all others must be qualified in order to undertake any commercial relation with Salcef Group. Analysing the 2022 supply chain information, approximately 35% of the suppliers that dealt with the group during the year, accounting for 88% of the total value of the supply chain, was subject to qualification. The remaining part (12% of the total amount spent) relates to suppliers that are not required to be qualified.



In 2022, Salcef Group vetted 2,681 suppliers from 19 different countries. There was a strong prevalence of Italian suppliers (approximately 70% of the suppliers evaluated), followed by those from the United States (around 19%) and German suppliers (some 8%).


Suppliers vetted by country
Series1
1740
1
512
1
6
Con tecnologia Bing
© Australian Bureau of Statistics, GeoNames, Microsoft, Navinfo, OpenStreetMap, TomTom, Wikipedia


Suppliers by qualification status
Qualification pending
229
Not qualified
95
Qualification expired
734
Qualified (6 months)
1.620
Qualified (12 months)
3


Critical suppliers vetted
Other suppliers
1172
Critical suppliers
1509

Negotiation and supplier selection

The negotiation and supplier selection stage is particularly important in the suppliers management system. In addition to the ordinary commercial negotiations to obtain the best economic conditions, during this stage, Salcef Group analyses the supplier in terms of their technical, organisational and production capacity so as to always select the most appropriate supplier in each case.

By way of example, this stage includes the analyses of:

- the price obtained/most advantageous offer;
- supply times;
- production unit requirements;
- supply quality requirements;
- possession of specific certifications/authorisations required for a specific project; the requirements needed;
- supplier's score and other evaluations of previous dealings with the supplier;
- other ratings and weighting coefficients.

Contracting

After the negotiation and selection stage, the group formalises the contract for each supply, using standard general contracts and conditions depending on the type of contract (e.g., supply, transport, rental, sub-contract, professional services, etc.).

The current standard contracts are used by all group companies. They were drawn up and checked by senior group personnel involved in corporate responsibility and include a series of clauses which regulate the various aspects of supply. Specific clauses govern extremely important legislative areas such as occupational safety, environmental protection, corporate responsibility, social responsibility, the protection of workers, etc.

As these are very important aspects in our business sector, the contractual clauses covering compliance with environmental and worker health and safety requirements make reference to the following:

- who are the main people responsible for the contract and who the supplier should contact;
- information and training of the suppliers' employees on risks and operating procedures;
- compliance with relevant national and local legislation and Salcef Group's procedures;

- the preparation and keeping of relevant documentation;
- the possession of all authorisations required for the activities to be performed;
- holding, use and maintenance of machinery and machines needed for work activities;
- correct management of waste and production scraps;
- knowledge of the emergency procedures.

These aspects are checked and supervised by the Salcef Group personnel in charge of the operating activities and project management.

Violation of these provisions leads to cancellation from the supplier qualification system and the termination of any contracts in place. In all cases of violation, Salcef Group reserves the right to request compensation for damages caused by unlawful conduct.

Check and evaluation of performance

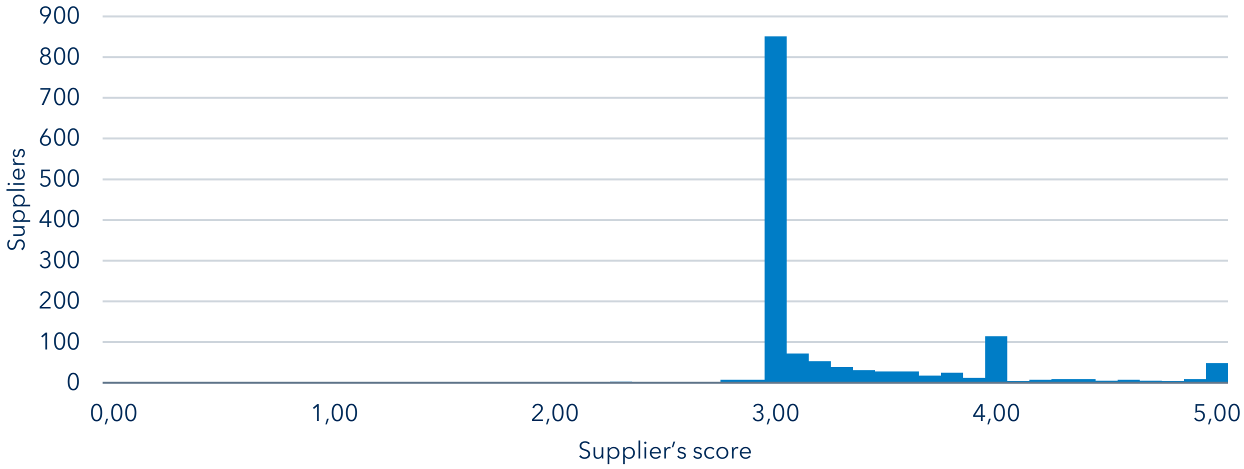
All suppliers in Salcef Group's supplier qualification system are subject to analysis, checks and evaluation against the group's standards. The following are the main areas of evaluation for each supplier:

- Service quality and quantity.
- Supply times and delivery methods.
- Compliance with safety and environmental regulations.

Suppliers are assigned a score based on their performance in the above areas. The supplier's score ranges from 1 to 5 and is used by the procurement department when selecting suppliers for commercial negotiations and when updating the qualification.

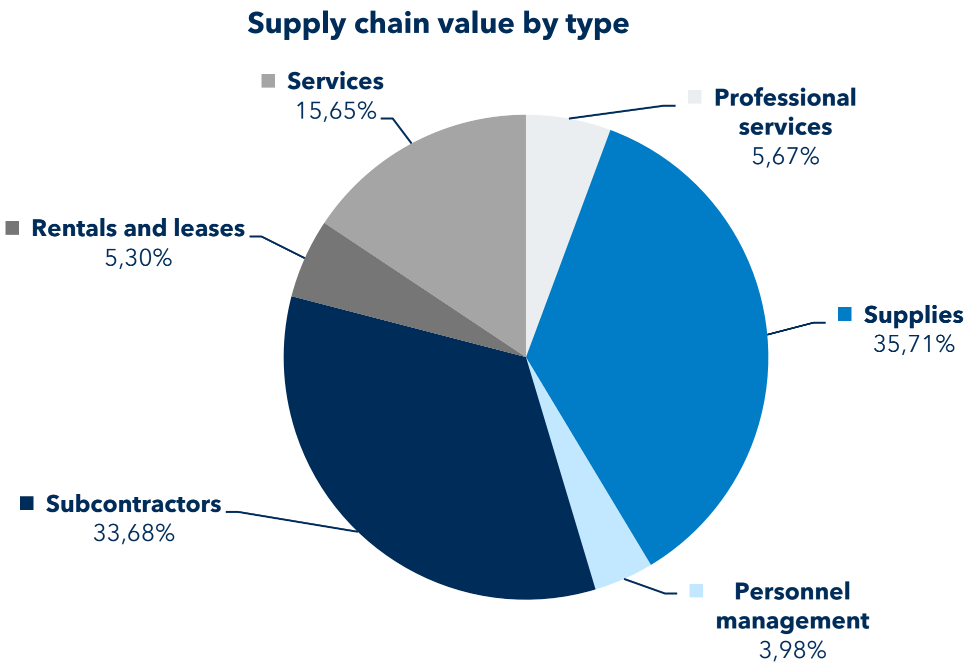
During 2022, the performance of 1,401 suppliers was evaluated. In 97.6% of cases, the evaluation was positive (a score ≥ 3) and the average supplier's score for the year was 3.29.

Supplier's score distribution

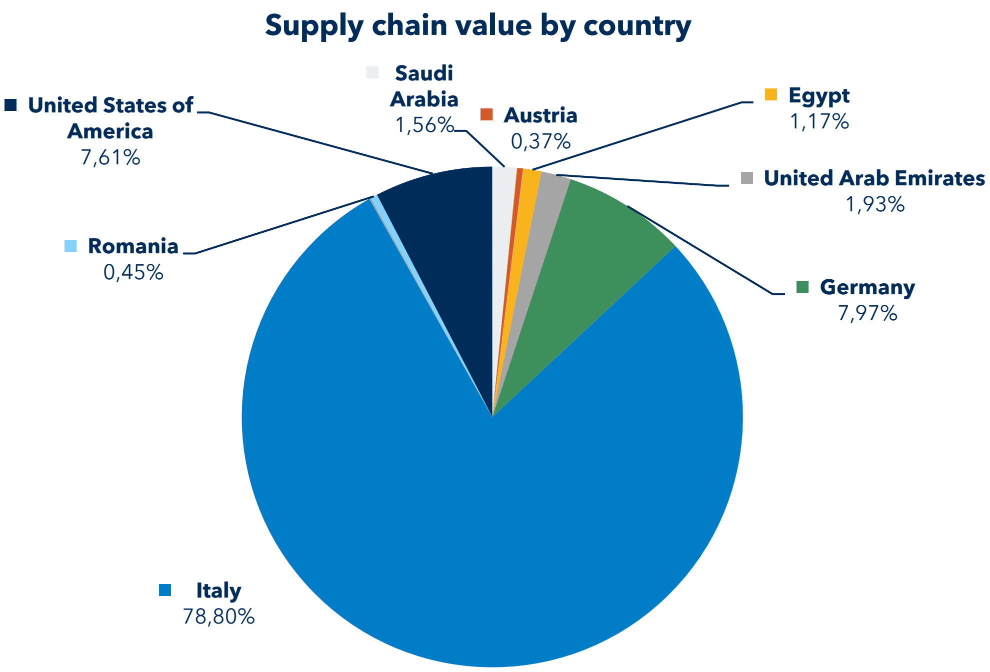


Salcef Group supplies

The total value of Salcef Group supplies came to **€366.0 million** in 2022.

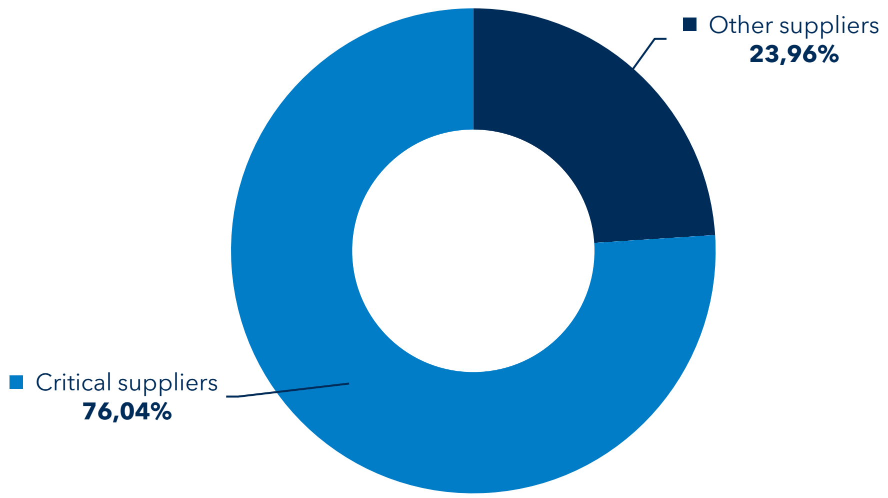


Most supplies were made in Italy, followed by Germany and the United States, as shown in the graph below.



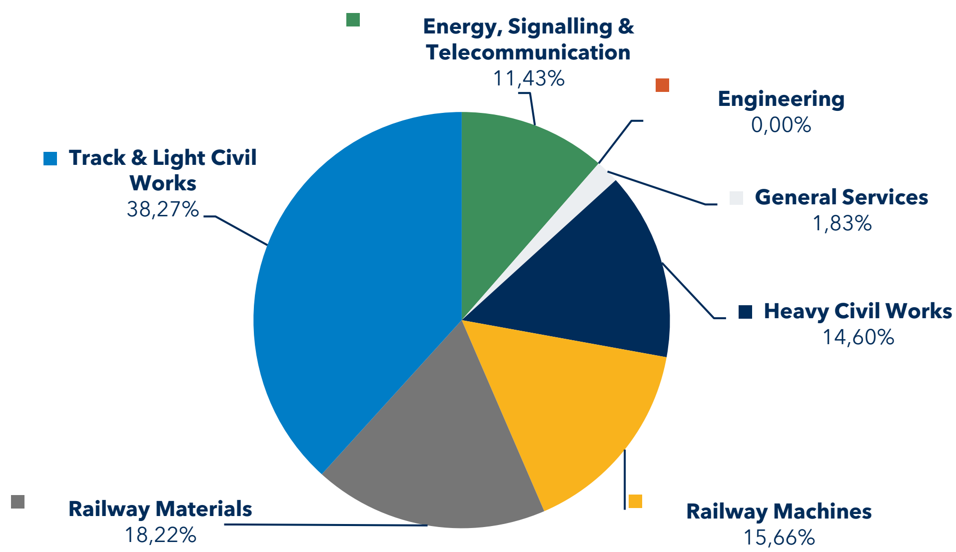
Salcef Group dealt with 4,608 suppliers in 2021. Analysing the supplier type shows that 76.04% of the amount of the supply chain relates to critical suppliers (see the definition in the "Supply chain management" chapter).

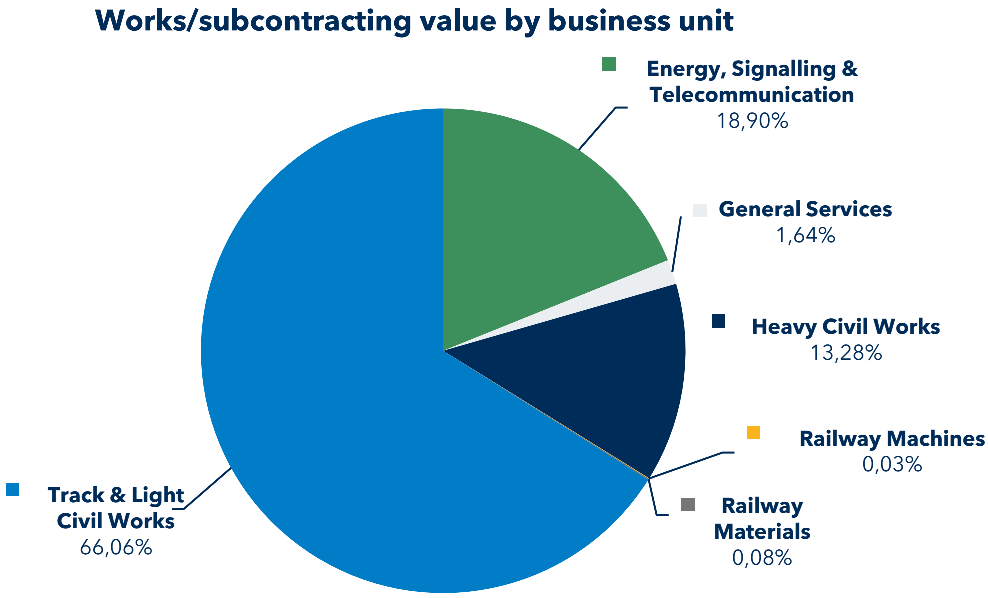
Supply chain value by critical/non-critical supplier



The Track & Light Civil Works business unit is the most important for both of the two main supply categories (supplies and works).

Supply value by business unit





The concentration of suppliers and distributors external to the group is very low: the group's top five and top ten suppliers in 2022 respectively account for 11% and 17% of the value of the supply chain.

Local suppliers

In the group's operations, which mainly involve infrastructure projects at temporary and mobile work sites, the base often moves and this certainly does not facilitate relations with local suppliers. Local suppliers are those from the same country as the group company or branch purchasing the supplies. Despite the challenges due to the nature of its business, where possible, the group seeks to involve local suppliers in its commercial relations, as this offers a range of advantages: the use of local suppliers means the group can minimise transport over long distances and mitigate the related environmental impacts while also achieving economic benefits (see Logistics - transport system emissions (GHG Scope 3)). Moreover, the use of local suppliers offers Salcef an initial contact with new communities and areas.

For some projects the use of local suppliers is governed by specific contractual clauses provided for by the customer, requiring Salcef to use local suppliers for certain categories or for part of the total supplies.

Salcef Group maintained a strong link with the local supply chain in 2022, with an average of 94.51% of its spending with local suppliers. A breakdown by geographical area follows:

Country	Total spending [€]	National suppliers [€]	% local suppliers
Italy	288,388,216.79	279,303,987.96	96.85%
Germany	29,181,366.17	27,293,331.78	93.53%
United States of America	27,843,232.90	27,411,662.79	98.45%
United Arab Emirates	7,055,111.78	5,223,053.20	74.03%
Saudi Arabia	5,693,534.40	0.00	0.00%
Egypt	4,288,143.85	3,719,887.37	86.75%
Romania	1,655,901.32	1,434,326.36	86.62%
Austria	1,340,052.56	1,161,763.41	86.70%
Norway	302,305.97	156,028.13	51.61%
Australia	127,096.23	127,096.23	100.00%
Croatia	42,548.98	42,548.98	100.00%
Poland	39,785.57	0.00	0.00%
Switzerland	19,811.46	19,811.46	100.00%
Total	365,977,107.98	345,893,497.68	94.51%

Development of the local area and communities

GRI STANDARDS	3-3 Management of material topics 413-1 Operations with local community engagement, impact assessments, and development programs

Partnerships with universities

In the firm belief that the training and preparation of its personnel is key to its business success, Salcef Group has partnered with Italian universities over the years, particularly for the recruitment and selection of specialised technical/engineering middle management roles.

For the fourth year in a row, Salcef Group has partnered with Rome's La Sapienza University for the second-level master's programme, "Railway Infrastructure and Systems Engineering", involving some of the leading railway sector companies, first and foremost, Ferrovie dello Stato Group.

Salcef Group has recruited several technical specialists through the master's programme (such as mechanical design engineer, civil engineer and civil design engineer), initially as interns and then with an open-ended contract.

The group also endorses the placement course for professional engineers in the construction infrastructure and oil & gas sectors sponsored by ANCE (the Italian national association of builders) and accredited by The

CPD Certification Service in London. This course has trained junior and senior managers of construction companies in managing business processes and construction site procedures for 20 years.

Salcef Group also has a personnel area on the "Job Soul" website which advertises vacancies within the group, in collaboration with the placement offices of all universities in Lazio.

Lastly, in recent years, the Salcef Group company specialised in the maintenance and production of rolling stock, SRT S.r.l., has partnered with the prestigious Alma Mater Studiorum University in Bologna for two curricular internships for final examination, the first with a civil engineer and the second with a mechanical engineer.

Support of associations and the community

Salcef for the Community of Sant'Egidio

Continuing its support of the Sant'Egidio Community volunteer association, which has helped homeless people in Rome since the early 1980s, Salcef Group funded an "adoption" project in support of the night shelter in Rome. The initiative involves the upgrade of the ten night shelters managed by the association for a total of 149 beds, both to expand the available capacity and to improve energy performance. It also has the goal that each shelter will become fully plastic-free.

As part of the same initiative, Christmas Eve dinner was also provided to all guests of the 10 shelters.

Salcef for Caritas, Rome

As part of the Rome Caritas "The door is always open" initiative helping to accommodate homeless people that have lost the "roof over their heads" and are living on the streets, particularly in the winter months, Salcef Group covered the cost of the production and distribution of panettone cakes at the time of the Christmas 2022 holidays, helping to raise awareness in over 15,000 people and raising funds of around €63 thousand.

Salcef for Telethon

Salcef Group again supported the Telethon Foundation in 2022 with a donation to fund research.

Sustainable Track magazine

Salcef Group inaugurated its **Sustainable Track** magazine in 2020, dedicated to railway transport and sustainable mobility.

The biannual magazine takes a deep dive into the main rail, logistics and transport issues, key technical innovation and the most important public and private projects and contracts in the world of mobility.

The six editions published to date have included accounts of leading experts both in Italy and abroad, as well as from the business world.

For further information and to consult the magazine: https://www.salcef.com/it/magazine-sustainable-track/

Human resources

GRI STANDARDS	3-3 Management of material topics 2-7 Employees 2-8 Workers who are not employees 2-30 Collective bargaining agreements 401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave 404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs 404-3 Percentage of employees receiving regular performance and career development reviews 405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men 406-1 Incidents of discrimination and corrective actions taken

Personnel management, enhancement and development policies

Salcef Group's human resources are essential and valuable to its existence and future development. To enhance the skills and expertise of its employees, Salcef Group adopts criteria of merit and ensures equal opportunities for all.

Salcef Group is also committed to ensuring that authority is exercised fairly and properly, preventing any misuse. The group ensures that authority does not become an exercise of power detrimental to the dignity and autonomy of employees and collaborators in the broadest sense. The work organisational choices safeguard the value of employees and collaborators.

In protecting and promoting the supreme value of the human person, Salcef Group does not tolerate any form of discriminatory behaviour or any form of harassment and/or personal or sexual offence. At each of its companies, the group is committed to providing a working environment which excludes all forms of discrimination and harassment related to ethnicity, sex, religious belief, nationality, age, sexual orientation, invalidity, language, political and trade union views or other personnel characteristics unrelated to work.

The group commenced a process to strengthen its policies in 2022 which, inter alia, led to the drafting of a Diversity, equity and inclusion policy (please refer to the Diversity, inclusion and equal opportunities paragraph). The introduction of an operating procedure offering further assurances to employees in terms of gender recognition and identity is also under evaluation.

Salcef Group ensures the physical and moral integrity of its employees and collaborators, working conditions that are respectful of the dignity of the individual and safe and healthy working environments. Requests or threats aimed at inducing people to act against the law and the group's code of ethics, or conduct harmful to the moral and personal beliefs and preferences of each person, are not tolerated under any circumstances.

Salcef Group categorically rules out the use of child labour (workers under 16 years old) and ensures compliance with this principle, including in relation to personnel provided by temporary employment agencies.

Salcef Group does not use or support the use of forced labour. The work carried out by all personnel is entirely voluntary and no-one is the victim of threats or other intimidations that in any way forces them to provide their services to the group. Moreover, at the time of recruitment, Salcef Group always applies the sector-specific National collective labour agreement or its equivalent abroad. In the case of foreign workers, these contracts are translated into the worker's native tongue. At the time of hiring, each worker is informed on the procedures for handing in their resignation and about the group's main rules of conduct.

In the reporting and previous periods, there were no episodes of discrimination based on geographical origin, gender, religion, political opinion, national origin or social background, or other forms of discrimination involving internal and/or external stakeholders.

Selection and recruitment

Salcef Group bases its efficiency and competitiveness on the communication abilities and soft skills, motivation, flexibility, technical expertise, ability to analyse and identify priorities, willingness to take responsibility, reliability, ability to work in a team, professional goals, knowledge and engagement of its employees, and the group supports the professional development of its people. These values are the founding criteria of the recruitment and selection process, formalised in a specific procedure used throughout the group. The results of the selection procedure are also recorded in specific forms to ensure process transparency and accountability.

Salcef for the Future

Salcef Group continued the "Salcef for the Future" project in 2022, a two-year professional placement pathway for young engineers designed to attract new recruits to the railway infrastructure sector who could cover future key roles in our group.

At the date of preparation of this document, the general/motivational and technical interview process has led to the recruitment of four resources, including two in the Track & Light Civil Works business unit and two in the Energy, Signalling & Telecommunication business unit.

The selection process will continue in 2023 for the recruitment of additional young candidates.

Naturally, recruits are offered professional development opportunities and a suitable remuneration policy which provides for promotions and salary increases consistent with the professional skills acquired.

Performance management and incentive systems

The performance management process is a cornerstone in the management of Salcef Group's human resources, as it responds to the need for a structured relationship between the employees and the group and fulfils the requirements and expectations of the parties involved.

The first key element of the performance management process is the sharing with all group personnel of the strategic objectives, which are renewed and defined annually, tailoring them to the various positions and associating them with individual performance expectations.

The method not only places emphasis on the objectives but also on competencies and conduct, with the aim of clarifying Salcef Group's cultural model and to support the growth process, ensuring that the founding values are preserved despite the growth in the organisation's size and complexity. In line with the group's values, the competencies assessed are: correctness and transparency, sense of belonging, respect, results orientation, time management, problem solving, autonomy, perseverance, interpersonal communication, economic awareness, customer orientation, creativity and innovation, integration and cooperation, aptitude for learning, flexibility and leadership.

A further objective of the performance management process is to provide Salcef Group managers with a robust tool for the management of relations with their collaborators, based on objective evaluation criteria but also characterised by occasions to pinpoint areas for improvement and the continuous improvement of technical competencies and soft skills.

As part of the performance management process, Salcef Group has adopted various incentive systems for managers since 2021, as summarised below:

Incentive system	Beneficiary	Features
Variable remuneration - Chairperson and CEO	Executive chairperson and CEO	Cash-settled variable short-term (STI) and long-term (LTI) remuneration
Variable LTI remuneration for key management personnel	Key management personnel	Variable equity-settled long-term remuneration (LTI), 60% of which is granted up-front and the remaining 40% vesting after three years
Management by objectives (MBO)	Key managers, senior managers and any managers strategic to the group's development and organisation.	Variable short-term remuneration (STI) with a cash-settled component (75%) and an equity-settled component (25%), with the latter granted in two instalments vesting after one and two years.

Even though the incentive instruments are different, they are part of the same incentive policy that has the aim of formally and clearly communicating the performance objectives for each year and focussing the efforts of employees towards their achievement. Specifically, the multiple aims of this policy are:

- pursuing the group's sustainable success;
- attracting, retaining and motivating employees with the expertise and professionalism required by their role in the group; further developing policies to attract managerial and professional talents to continue to develop and strengthen the group's distinctive key competencies;
- further developing the retention policies for key group resources to incentivise them to remain with the group;
- linking the remuneration of key group resources to the group's results and the value created;
- steering key group resources towards the pursuit of short-medium and long-term results by virtue of the performance targets for the allocation of the variable component of remuneration;
- effectively linking the group's short- and medium-term results with a view to the creation of sustainable value.

The system is based on individual performance objectives assigned to the beneficiary and the amount of the incentive is based on their achievement. The performance objectives used are different and account for different percentages depending on the managerial profile of the role. They cover various areas, including occupational health and safety, the environment, the organisation of human resources and related social aspects and it is through these objectives that the group also intends to disseminate a culture of sustainability and to share its strategy in this regard. The following table shows the areas of the objectives, with some examples of indicators.

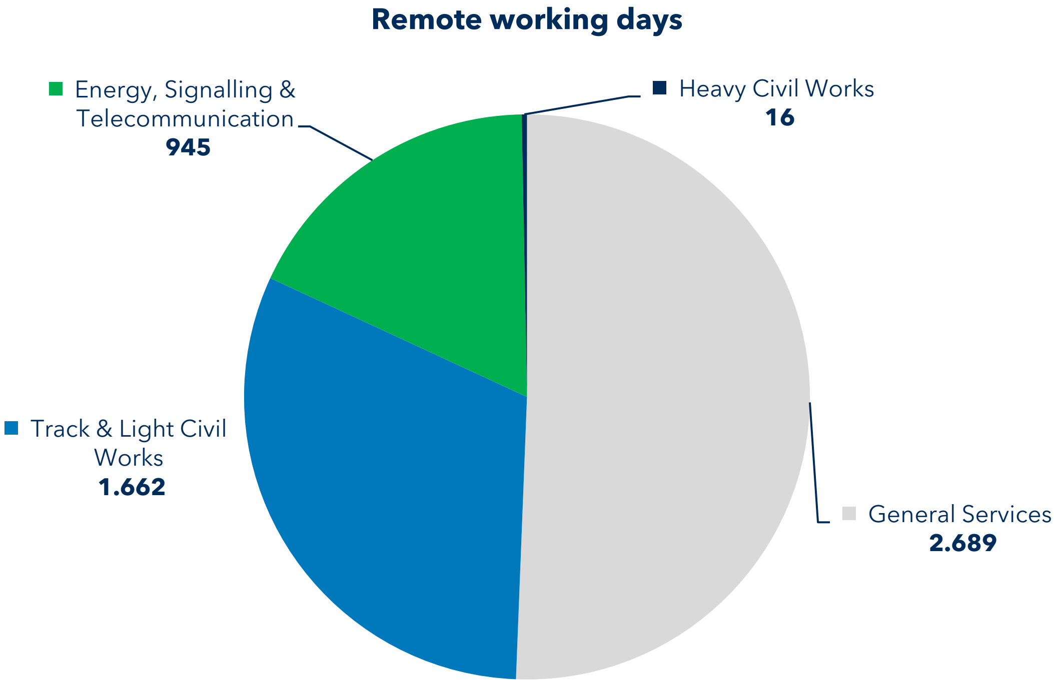
Area	Indicators used
Economic - financial	EBITDA Revenue
Process/product innovation	Progress on specific projects/initiatives involving the beneficiary, evaluation of the beneficiary's commitment and completion of the processes
Occupational health and safety	Consolidated injury rate
Environmental	Energy intensity (both total and for fuel or electricity consumption)
Human Resources and Social factors	Untaken holidays Overtime Average training hours

Each performance objective assigned is personalised and tailored to each beneficiary, depending on their position, expertise and actual involvement in the group's development and organisation. The indicators actually used may therefore refer to the entire group, specific companies or geographical areas, or to specific organisational areas (e.g., business units, operating units, central units or sales area).

For further information on the remuneration policy and incentive system, please consult the "Remuneration" page of Salcef's website:https://www.salcef.com/governance-structure/remuneration/.

Remote working

In 2022, 5,312 days were worked remotely within the group, distributed by business unit as shown in the following diagram:



Employees

As reported in the Methodological note, the tables in this section do not include the 391 workers related to the group company, Francesco Ventura Costruzioni Ferroviarie S.r.l., acquired on 23 December 2022.

For completeness of information, the following table alone reports the total number of employees, including those related to Francesco Ventura Costruzioni Ferroviarie S.r.l..

	2020	2021	2022
Number of employees at year end	1,258	1,409	1,929

The data confirm the group's growth in the last three-year period. The total number of employees rose by 520, or 53.3%. This large increase is the combined effect of the organic growth in personnel and the contribution of the companies acquired during the period, of which Francesco Ventura Costruzioni Ferroviarie is the largest.

When the tables in this section make reference to employees, those from other categories which are not material for Salcef Group are not included. The Other workers paragraph provides details of the group's temporary workers.

Employees by gender

At 31 December 2022, in the absence of a formalised dedicated data collection and management procedure, information on employee gender composition comprises the male/female categories. The data presented are based on the personal data available. To date, no communications have been received from employees stating they do not identify as these genders or expressing a desire to refrain from communicating their gender identification, or that they identify as a different gender to their assigned gender.

Given the nature of the group's activities, characterised by a high degree of manual and physical labour, the male gender is decidedly the more represented gender, accounting for 93% of the group's workforce in 2022. Nevertheless, the number of women rose by 28% in the year, from 79 employees at the end of 2021 to 101 at the end of 2022, accounting for 7% of the total.

Employees	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Number of employees at year end	62	1,196	**1,258**	79	1,330	**1,409**	101	1,437	**1,538**

White collars and other workers	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Percentage of employees at year end	5%	95%	**100%**	6%	94%	**100%**	7%	93%	**100%**

Employees by contract type and gender

The most frequent type of contract is open-ended (80% of the total in 2022) and is substantially stable over the three-year period.

Contract type	2020			2021			2022		
	women	men	total	women	men	total	women	men	total

Open-ended	53	946	**999**	64	1,091	**1,155**	80	1,158	**1,238**
Fixed-term	9	250	**259**	15	239	**254**	21	279	**300**
Total	**62**	**1,196**	**1,258**	**79**	**1,330**	**1,409**	**101**	**1,437**	**1,538**

Contract type (%)	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Open-ended	4.0%	75.0%	**79.0%**	4.5%	77.4%	**82.0%**	5.2%	75.3%	**80.5%**
Fixed-term	1.0%	20.0%	**21.0%**	1.1%	17.0%	**18.0%**	1.4%	18.1%	**19.5%**
Total	**5.0%**	**95.0%**	**100.0%**	**5.6%**	**94.4%**	**100.0%**	**6.6%**	**93.4%**	**100.0%**

Employees by type of position and gender

Part-time positions are rare and almost all the group's workers have full-time positions.

Type of position[1]	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Full-time	52	1,187	**1,239**	67	1,321	**1,388**	95	1,431	**1,526**
Part-time	10	9	**19**	12	9	**21**	6	6	**12**
Total	**62**	**1,196**	**1,258**	**79**	**1,330**	**1,409**	**101**	**1,437**	**1,538**

Employees by type of position and geographical segment

The "open-ended" contract is the main one in Italy, while this varies significantly in the other geographical segments. Fixed-term contracts are generally used for project-based workers hired for a specific contract.

Contract type		Open-ended	Fixed-term	Total
Italy	**2020**	734	198	**932**
	2021	757	204	**961**

	2022	923	229	**1,152**
Eastern Europe	**2020**	51	16	**67**
	2021	48	19	**67**
	2022	48	10	**58**
Middle East	**2020**	16	13	**29**
	2021	4	29	**33**
	2022	6	19	**25**
North Africa	**2020**	-	28	**28**
	2021	41	1	**42**
	2022	-	41	**41**
North America	**2020**	137	-	**137**
	2021	129	-	**129**
	2022	121	-	**121**
Western Europe	**2020**	61	4	**65**
	2021	176	1	**177**
	2022	140	1	**141**
Total	**2020**	**999**	**259**	**1,258**
	2021	**1,155**	**254**	**1,409**
	2022	**1,238**	**300**	**1,538**

Other workers

Salcef Group only makes use of temporary workers in limited cases and, as can be seen in the following table, they are used to a limited extent only in certain geographical areas by the relevant companies. The temporary workers are used to cover intermittent peaks of work and in compliance with signed trade union agreements.

The group does not have other worker categories other than temporary workers.

At year end, the group has 59 temporary workers accounting for less than 4% of the total and an insignificant number.

Country	Temporary workers at 31/12/2022
Germany	1
Italy	58

Trade unions and collective bargaining

Salcef Group guarantees its employees the right to collective bargaining and freedom of association and it has taken all the necessary measures to comply with the SA 8000 requirements. In the geographical areas in which the group operates, there are no situations in which freedom of association and collective bargaining are impeded (thanks to national legislation). All workers are therefore free to form, join and organise trade unions of their choice and to bargain collectively with the group.

In Italy, Salcef Group applies the applicable National collective labour agreement and all legislative provisions applicable to contractual relations with employees/collaborators in managing contractual relations with all workers. Specifically, the national collective labour agreements used to date in the various sectors are: metalworkers, construction, bricklayers and industrial managers.

Most of the countries abroad in which the group operates have national collective labour contracts, with the exception of Egypt, Romania, Saudi Arabia and the United Arab Emirates. In these cases, Salcef Group ensures conditions comply with local regulations and group policies.

The total percentage of employees covered by collective bargaining agreements as of 2022 is 92.0%. The figures for the 2020-2022 three-year period are set out below:

Employees covered by collective bargaining agreements	2020	2021	2022
Employees covered (number)	1,138	1,272	1,415
% of total for the period	90.5%	90.3%	92.0%

Diversity, inclusion and equal opportunity

Salcef Group drafted a specific Diversity, equity and inclusion policy in 2022 to strengthen its commitment in this area and to promote diversity within the group, in line with SDG 5 (Gender equality) and SDG 10 (Reduced inequalities). Via the policy, the group undertakes to:

- Enhance diversity and inclusion across all group departments and operating areas, encouraging a supporting, diversified and inclusive environment for all employees and stakeholders.
- Increase knowledge and raise awareness of the issues dealt with in this policy through dedicated training programmes.

- Encourage diversity, equal opportunity and inclusion throughout the value chain, working with the group's customers, suppliers, commercial partners and local communities to ensure the policy's implementation.

The policy will be approved and become operational in 2023. It is available for consultation on the "Company documents" page of Salcef's website at: https://www.salcef.com/governance-structure/company-documents/.

Diversity is analysed in the following sections by gender and age for four categories: managers, junior managers, white collars and blue collars. No other significant types of diversity have been identified. Each of the following tables presents the data in numbers and percentages.

Employees by category and gender

Given the nature of the activities carried out by the group, blue collar workers are the largest category (69.1% of the total). The natural consequence of this, as stated previously, is that the company workforce is mostly made up of males (98.5% of the blue collars). Women account for 21.8% of the group's white collars, which increased in the reporting period.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	1	35	**36**	2	41	**43**	3	47	**50**
Junior managers	3	51	**54**	4	60	**64**	4	63	**67**
White collars	45	204	**249**	66	241	**307**	78	280	**358**
Blue collars	13	906	**919**	7	988	**995**	16	1047	**1063**
Total	**62**	**1,196**	**1,258**	**79**	**1,330**	**1,409**	**101**	**1,437**	**1,538**

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	0.1%	2.8%	**2.9%**	0.1%	2.9%	**3.1%**	0.2%	3.1%	**3.3%**
Junior managers	0.2%	4.1%	**4.3%**	0.3%	4.3%	**4.5%**	0.3%	4.1%	**4.4%**
White collars	3.6%	16.2%	**19.8%**	4.7%	17.1%	**21.8%**	5.1%	18.2%	**23.3%**
Blue collars	1.0%	72.0%	**73.1%**	0.5%	70.1%	**70.6%**	1.0%	68.1%	**69.1%**
Total	**4.9%**	**95.1%**	**100.0%**	**5.6%**	**94.4%**	**100.0%**	**6.6%**	**93.4%**	**4.9%**

Employees by category and age group

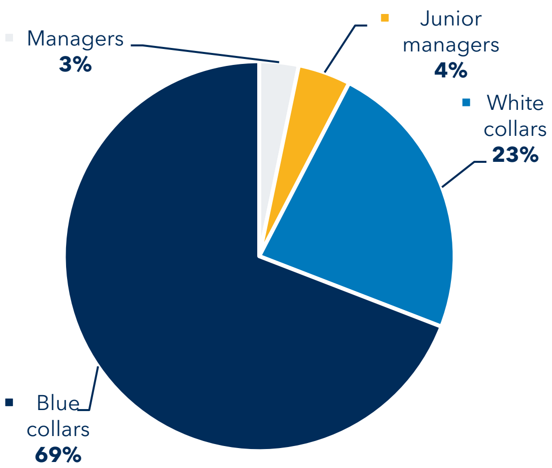
This indicator was fairly stable in the 2020-2022 three-year period. For all four categories analysed, the most common age group is from 30 to 50 years of age (accounting for more than 50% in the years analysed). Another key diversity factor is the presence of employees up to 29 years of age, which increased 2% on 2021.

Employee category[1]	2020				2021				2022			
	Up to 29	From 30 to 50	Over 50	total	Up to 29	From 30 to 50	Over 50	total	Up to 29	From 30 to 50	Over 50	total
Managers	-	18	18	**36**	-	18	25	**43**	-	24	26	**50**
Junior managers	1	30	23	**54**	1	47	16	**64**	1	39	27	**67**
White collars	37	164	48	**249**	42	222	43	**307**	62	222	74	**358**

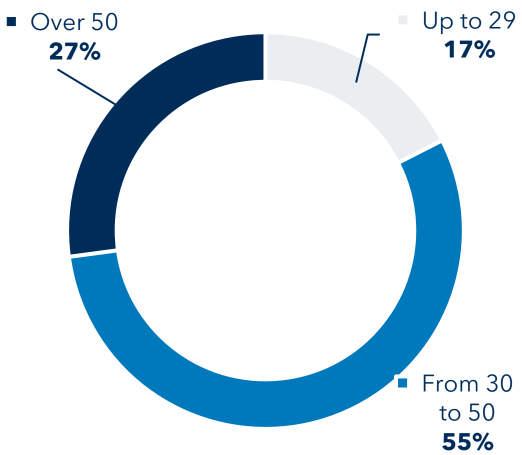
Blue collars	173	466	280	**919**	173	545	277	**995**	206	567	290	**1,063**
Total	**211**	**678**	**369**	**1,258**	**216**	**832**	**361**	**1,409**	**269**	**852**	**417**	**1,538**

Employee category[1]	2020				2021				2022			
	Up to 29	From 30 to 50	Over 50	total	Up to 29	From 30 to 50	Over 50	total	Up to 29	From 30 to 50	Over 50	total
Managers	0.0%	1.4%	1.4%	**2.9%**	0.0%	1.3%	1.8%	**3.1%**	0.0%	1.6%	1.7%	**3.3%**
Junior managers	0.1%	2.4%	1.8%	**4.3%**	0.1%	3.3%	1.1%	**4.5%**	0.1%	2.5%	1.8%	**4.4%**
White collars	2.9%	13.0%	3.8%	**19.8%**	3.0%	15.8%	3.1%	**21.8%**	4.0%	14.4%	4.8%	**23.3%**
Blue collars	13.8%	37.0%	22.3%	**73.1%**	12.3%	38.7%	19.7%	**70.6%**	13.4%	36.9%	18.9%	**69.1%**
Total	**16.8%**	**53.9%**	**29.3%**	**100.0%**	**15.3%**	**59.0%**	**25.6%**	**100.0%**	**17.5%**	**55.4%**	**27.1%**	**100.0%**

Category



Age group



Employees by age group and gender

As stated earlier, this indicator also tended to be fairly stable in the three-year period analysed. The most common age group is from 30 to 50 years of age for both women and men.

Age group[1]	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Up to 29	11	202	**213**	12	204	**216**	19	250	**269**

Age group[1]	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
From 30 to 50	37	645	**682**	52	780	**832**	60	792	**852**
Over 50	14	349	**363**	15	346	**361**	22	395	**417**
Total	**62**	**1,196**	**1,258**	**79**	**1,330**	**1,409**	**101**	**1,437**	**1,538**

Age group (%)[1]	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Up to 29	0.9%	16.1%	**16.9%**	0.9%	14.5%	**15.3%**	1.2%	16.3%	**17.5%**
From 30 to 50	2.9%	51.3%	**54.2%**	3.7%	55.4%	**59.0%**	3.9%	51.5%	**55.4%**
Over 50	1.1%	27.7%	**28.9%**	1.1%	24.6%	**25.6%**	1.4%	25.7%	**27.1%**
Total	**4.9%**	**95.1%**	**100.0%**	**5.6%**	**94.4%**	**100.0%**	**6.6%**	**93.4%**	**100.0%**

New hires and turnover

New hires by age group and gender

Salcef Group's new hires increased over the 2021-2022 two-year period compared to 2020, reflecting the group's steady growth. The over 50 age group accounted for most new hires in the period (48%), followed by the up to 29 age group (39%). New hires grew steadily in this age group over the 2020-2022 three-year period, going from 31% in 2020 to 39% in 2022.

Age group	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Up to 29	3	74	**77**	9	106	**115**	12	147	**159**
From 30 to 50	5	130	**135**	20	288	**308**	2	49	**51**
Over 50	2	38	**40**	3	73	**76**	16	180	**196**
Total	**10**	**242**	**252**	**32**	**467**	**499**	**30**	**376**	**406**

Age group (%)	2020			2021			2022		
	women	men	total	women	men	total	women	men	total

Up to 29	1.0%	29.0%	**31.0%**	1.8%	21.2%	**23.0%**	3.0%	36.2%	**39.2%**
From 30 to 50	2.0%	52.0%	**54.0%**	4.0%	57.7%	**61.7%**	0.5%	12.1%	**12.6%**
Over 50	1.0%	15.0%	**16.0%**	0.6%	14.6%	**15.2%**	3.9%	44.3%	**48.3%**
Total	**4.0%**	**96.0%**	**100.0%**	**6.4%**	**93.6%**	**100.0%**	**7.4%**	**92.6%**	**100.0%**

New hires by age group and geographical segment

Most new hires took place in Italy where the group has most of its facilities and activities.

Age group		Up to 29	From 30 to 50	Over 50	Total
Italy	2020	51	99	22	172
	2021	63	138	40	241
	2022	122	130	30	282
Eastern Europe	2020	5	9	1	15
	2021	5	29	13	47
	2022	2	1	1	4
Middle East	2020	6	6	1	13
	2021	1	12	1	14
	2022	2	2	-	4
North Africa	2020	9	46	3	58
	2021	3	8	-	11
	2022	-	-	-	-
North America	2020	5	6	4	15
	2021	27	36	14	77
	2022	14	32	13	59
Western Europe	2020	10	15	12	37
	2021	10	47	5	62
	2022	16	23	7	46
Total	2020	77	135	40	252
	2021	115	308	76	499
	2022	159	196	51	406

Age group (%)	Italy	Eastern Europe	Middle East	North Africa	North America	Western Europe	Total

	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Up to 29	20%	13%	30%	2%	1%	0%	2%	0%	0%	-	2%	1%	2%	5%	3%	4%	2%	4%	**31%**	**23%**	**39%**
From 30 to 50	39%	28%	32%	4%	6%	0%	2%	2%	0%	-	9%	2%	2%	7%	8%	6%	9%	6%	**54%**	**62%**	**48%**
Over 50	9%	8%	7%	-	3%	0%	-	0%	0%	-	1%	0%	2%	3%	3%	5%	1%	2%	**16%**	**15%**	**13%**
Total	**68%**	**48%**	**69%**	**6%**	**9%**	**1%**	**5%**	**3%**	**1%**	**-**	**12%**	**3%**	**6%**	**15%**	**15%**	**15%**	**12%**	**11%**	**100%**	**100%**	**100%**

Resignations/dismissals by age group and gender

Most resignations/dismissals were in the 30 to 50 age group.

Age group	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Up to 29	1	37	**38**	8	114	**122**	6	86	**92**
From 30 to 50	5	71	**76**	10	205	**215**	9	149	**158**
Over 50	-	47	**47**	2	109	**111**	2	72	**74**
Total	**6**	**155**	**161**	**20**	**428**	**448**	**17**	**307**	**324**

Age group (%)	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Up to 29	1.0%	29.0%	**30.0%**	1.8%	25.4%	**27.2%**	1.9%	26.5%	**28.4%**
From 30 to 50	2.0%	52.0%	**54.0%**	2.2%	45.8%	**48.0%**	2.8%	46.0%	**48.8%**
Over 50	1.0%	15.0%	**16.0%**	0.4%	24.3%	**24.8%**	0.6%	22.2%	**22.8%**
Total	**4.0%**	**96.0%**	**100.0%**	**4.5%**	**95.5%**	**100.0%**	**5.2%**	**94.8%**	**100.0%**

Resignations/dismissals by age group and geographical segment

Analysing the resignations/dismissals data by geographical segment, like for new hires, most resignations/dismissals were in Italy.

	Italy	Eastern Europe	Middle East	North Africa	North America	Western Europe	Total

Age group	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Up to 29	28	61	48	2	5	2	4	5	4	-	8	4	3	26	20	1	17	14	**38**	**122**	92
From 30 to 50	53	98	75	4	31	4	4	4	10	-	34	5	8	38	34	7	10	30	**76**	**215**	158
Over 50	33	53	37	2	11	4	-	1	-	-	2	1	6	21	10	6	23	22	**47**	**111**	74
Total	**114**	**212**	**160**	**8**	**47**	**10**	**8**	**10**	**14**	**-**	**44**	**10**	**17**	**85**	**64**	**14**	**50**	**66**	**161**	**448**	**324**

Age group (%)	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Up to 29	17%	14%	15%	1%	1%	1%	2%	1%	1%	-	2%	1%	2%	6%	6%	1%	4%	4%	24%	27%	28%
From 30 to 50	33%	22%	23%	2%	7%	1%	2%	1%	3%	-	8%	2%	5%	8%	10%	4%	2%	9%	47%	48%	49%
Over 50	20%	12%	11%	1%	2%	1%	-	0%	0%	-	0%	0%	4%	5%	3%	4%	5%	7%	29%	25%	23%
Total	**71%**	**47%**	**49%**	**5%**	**10%**	**3%**	**5%**	**2%**	**4%**	**-**	**10%**	**3%**	**11%**	**19%**	**20%**	**9%**	**11%**	**20%**	**100%**	**100%**	**100%**

Reasons for resignation/dismissal by gender

The main reason for resignation/dismissal is "Voluntary departure", followed by "Other", which mainly relates to those contracts that are not renewed due to the completion of projects.

Reason for resignation/dismissal	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Voluntary departure	4	59	**63**	5	103	**108**	9	155	**164**
Retirement	-	17	**17**	-	15	**15**	-	15	**15**
Dismissal	1	29	**30**	3	104	**107**	1	55	**56**
Other	1	50	**51**	12	206	**218**	7	82	**89**
Total	**6**	**155**	**161**	**20**	**428**	**448**	**17**	**307**	**324**

Turnover by gender

Overall, the rate of new hires is always higher than the rate of resignations/dismissals, a further sign of strong growth also in the area of human resources. Moreover, the overall turnover rate for 2022 confirms that the number of new hires is around 6% higher than resignations/dismissals, which is higher than in 2021.

Turnover	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Negative turnover (resignations/dismissals)	14.0%	16.2%	**16.1%**	32.3%	35.8%	**35.6%**	7.6%	23.1%	**23.0%**
Positive turnover (new hires)	23.3%	25.4%	**25.3%**	51.6%	39.0%	**39.7%**	38.0%	28.3%	**28.8%**
Overall turnover	**9.3%**	**9.1%**	**9.1%**	**19.4%**	**3.3%**	**4.1%**	**30.4%**	**5.2%**	**5.8%**

Negative turnover (resignations/dismissals) by geographical segment and age group

The negative turnover figures reflect that already discussed for resignations/dismissals by geographical segment and age group: the highest figure relates to Italy, where most of the employees are located. Compared to 2021, negative turnover decreased from 35.6% to 23.0% in 2022.

Age group	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Up to 29	2.8%	4.8%	3.4%	0.2%	0.4%	0.1%	0.4%	0.4%	0.3%	-	0.6%	0.3%	0.3%	2.1%	1.4%	0.1%	1.4%	1.0%	**3.8%**	**9.7%**	**6.5%**
From 30 to 50	5.3%	7.8%	5.3%	0.4%	2.5%	0.3%	0.4%	0.3%	0.7%	-	2.7%	0.4%	0.8%	3.0%	2.4%	0.7%	0.8%	2.1%	**7.6%**	**17.1%**	**11.2%**
Over 50	3.3%	4.2%	2.6%	0.2%	0.9%	0.3%	-	0.1%	0.0%	-	0.2%	0.1%	0.6%	1.7%	0.7%	0.6%	1.8%	1.6%	**4.7%**	**8.8%**	**5.3%**
Total	**11.4%**	**16.9%**	**11.4%**	**0.8%**	**3.7%**	**0.7%**	**0.8%**	**0.8%**	**1.0%**	**-**	**3.5%**	**0.7%**	**1.7%**	**6.8%**	**4.5%**	**1.4%**	**4.0%**	**4.7%**	**16.1%**	**35.6%**	**23.0%**

Positive turnover (resignations/dismissals) by geographical segment and age group

The positive turnover figures reflect that already discussed for new hires by geographical segment and age group.

Age group	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Australia			Total		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022

Up to 29	5.1%	5.0%	8.7%	0.5%	0.4%	0.1%	0.6%	0.1%	0.1%	-	0.7%	0.2%	0.5%	2.1%	1.0%	1.0%	0.8%	1.1%	0.0%	0.0%		**7.7%**	**9.1%**	**11.3%**
From 30 to 50	9.9%	11.0%	9.2%	0.9%	2.3%	0.1%	0.6%	1.0%	0.1%	-	3.7%	0.6%	0.6%	2.9%	2.3%	1.5%	3.7%	1.6%	0.0%	0.0%		**13.5%**	**24.5%**	**13.9%**
Over 50	2.2%	3.2%	2.1%	0.1%	1.0%	0.1%	0.1%	0.1%	0.0%	-	0.2%	0.0%	0.4%	1.1%	0.9%	1.2%	0.4%	0.5%	0.0%	0.0%		**4.0%**	**6.0%**	**3.6%**
Total	**17.3%**	**19.2%**	**20.0%**	**1.5%**	**3.7%**	**0.3%**	**1.3%**	**1.1%**	**0.3%**	**-**	**4.6%**	**0.8%**	**1.5%**	**6.1%**	**4.2%**	**3.7%**	**4.9%**	**3.3%**	**0.0%**	**0.0%**	**0.0%**	**25.3%**	**39.7%**	**28.8%**

Overall turnover (resignations/dismissals) by geographical segment and age group

In the reporting period, there was a positive turnover in the up to 29 years and in the 30 to 50 years age groups. There was a slightly negative turnover in the over 50 age group.

Age group	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Up to 29	2.3%	0.2%	5.3%	0.3%	0.0%	0.0%	0.2%	-0.3%	-0.1%	-	0.1%	-0.1%	0.2%	0.1%	-0.4%	0.9%	-0.6%	0.1%	**3.9%**	**-0.6%**	**4.8%**
From 30 to 50	4.6%	3.2%	3.9%	0.5%	-0.2%	-0.2%	0.2%	0.6%	-0.6%	-	1.0%	0.2%	-0.2%	-0.2%	-0.1%	0.8%	2.9%	-0.5%	**5.9%**	**7.4%**	**2.7%**
Over 50	-1.1%	-1.0%	-0.5%	-0.1%	0.2%	-0.2%	0.1%	0.0%	0.0%	-	0.1%	-0.1%	-0.2%	-0.6%	0.2%	0.6%	-1.4%	-1.1%	**-0.7%**	**-2.8%**	**-1.6%**
Total	**5.8%**	**2.3%**	**8.7%**	**0.7%**	**0.0%**	**-0.4%**	**0.5%**	**0.3%**	**-0.7%**	**-**	**1.1%**	**0.1%**	**-0.2%**	**-0.6%**	**-0.4%**	**2.3%**	**1.0%**	**-1.4%**	**9.1%**	**4.1%**	**5.8%**

Parental leave

All Salcef Group employees have the right to parental leave. The trend of people taking parental leave increased over the three-year period. The 2022 figures show that all employees returned to work after taking parental leave.

Parental leave	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
No. of employees entitled to parental leave	62	1,196	**1,258**	79	1,330	**1,409**	101	1,437	**1,538**
No. of employees that took leave	3	3	**6**	5	19	**24**	8	20	**28**
No. of employees that returned to work in the reporting period after taking leave	2	3	**5**	4	16	**20**	8	20	**28**

No. of employees that returned to work after taking leave that are still with the group in the 12 months after returning	1	3	**4**	2	16	**18**	5	14	**19**
Rate of return to work	**67%**	**100%**	**83%**	**80%**	**84%**	**83%**	**100%**	**100%**	**100%**
Retention rate	**50%**	**100%**	**80%**	**50%**	**100%**	**90%**	**100%**	**74%**	**79%**

Basic salary and remuneration

In all the countries where there are national collective labour agreements, the amount Salcef Group pays its employees is determined in line with these contracts, which guarantee both minimum remuneration for the various employee categories and regular increases in the basic remuneration. Also in those countries where there is no national labour agreement law, the salary and remuneration are in line with the national average. For details of the application of the national collective labour contracts, see the Trade unions and collective bargaining paragraph.

In addition to complying with the national collective labour agreements, the group as a whole adopts a remuneration policy which applies meritocratic principles to the fixed and variable components of remuneration, resulting in remuneration levels higher than those of the minimum levels established by the national contracts. Salcef Group has also introduced a productivity bonus which is paid to all employee categories in January, with the exception of management which is subject to the MBO system (see Performance management and incentive systems).

Analysing both the basic salary and total remuneration figures set out in the following tables, with a few exceptions, the amounts received by the group employees rose steadily over 2020, 2021 and 2022, both by gender and category. The few exceptions, where present, are mainly due to turnover, which also impacts average salaries and total remuneration.

The comparison of remuneration and salary by gender, excluding managers, shows female employees have slightly lower earnings. However, it is difficult to make a comparison, as female employees are generally more recent hires and they have therefore had fewer seniority-linked salary increases and lower starting levels than the averages for male employees, who have sometimes had over a decade's work experience.

Finally, comparing basic salary and remuneration (which includes variable remuneration) shows that the categories with the greatest difference between salary and remuneration are, on the one hand, senior positions (managers and junior managers) and, on the other, blue collars, who receive various variable remuneration items (overtime, extra pay for night shifts, holiday bonuses, etc.).

Basic salary	2020			2021			2022		
	Women	Men	%	Women	Men	%	Women	Men	%
Managers	148,283	113,043	**131%**	136,739	121,233	**113%**	132,280	130,993	**101%**
Junior managers	78,576	88,216	**89%**	46,550	67,130	**69%**	71,334	74,684	**96%**
White collars	32,583	31,391	**104%**	33,842	45,068	**75%**	37,154	38,293	**97%**
Blue collars	20,514	33,176	**62%**	23,792	29,381	**81%**	12,041	29,543	**41%**

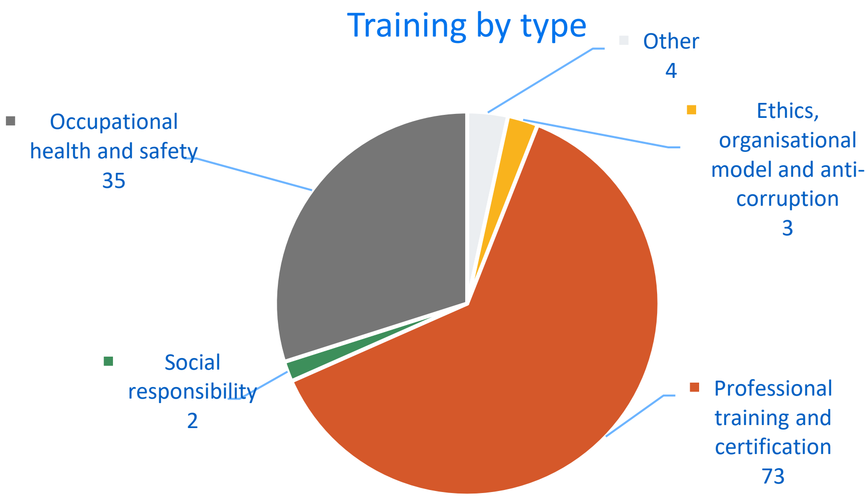
Remuneration	2020			2021			2022		
	Women	Men	%	Women	Men	%	Women	Men	%
Managers	280,680	130,886	**214%**	184,316	128,184	**144%**	155,761	150,278	**104%**
Junior managers	81,037	112,592	**72%**	60,577	70,264	**86%**	90,876	83,835	**108%**
White collars	34,623	35,056	**99%**	34,769	49,461	**70%**	39,520	44,002	**90%**
Blue collars	28,579	38,037	**75%**	23,792	39,989	**59%**	14,159	45,449	**31%**

Training and development

Salcef Group has a well-structured training system designed for the overall management of training requirements and continuous improvement. Training is essential to maintaining a competitive edge and is fundamental to tackling issues connected with technological and organisational innovation.

The process helps focus on the actual training needs, the planning and roll-out of activities that respond to real needs and also offers methodologies and instruments to develop and monitor a group training plan which takes into account training needs, the analysis of actual training requirements, the definition of a training plan and the evaluation of training activities.

Within Salcef Group, the human resources department is responsible for coordinating training for the parent and its subsidiaries and it establishes the training requirements for the group's positions. The training process is managed through the group's ERP system, MySalcef, which ensures proper monitoring and control. The software contains an inventory of all the group's training initiatives (110 different training courses grouped into five types).



Moreover, the software identifies all the tasks performed within the group (more than 120), along with the training, medical check-ups and personal protective equipment required for each one. In this way, the actions to be taken are immediately apparent to new employees or employees that change roles and the alerts and emails notifying all personnel involved in training of deadlines makes monitoring easier and more streamlined.

Training is provided by the group during working hours by internal instructors or specialised consulting companies, as appropriate. There is usually a test on the material covered at the end of each training session.

As well as the quantitative data shown below, there is a large amount of training which is "not tracked" by the system, involving work site training and information. This type of training is formalised in a specific report and involves all site workers for about one hour. It is provided for each new contract or task or when a new worker joins the production team. The goal of this activity is to inform and raise awareness in operating personnel of the specific risks of the work site.

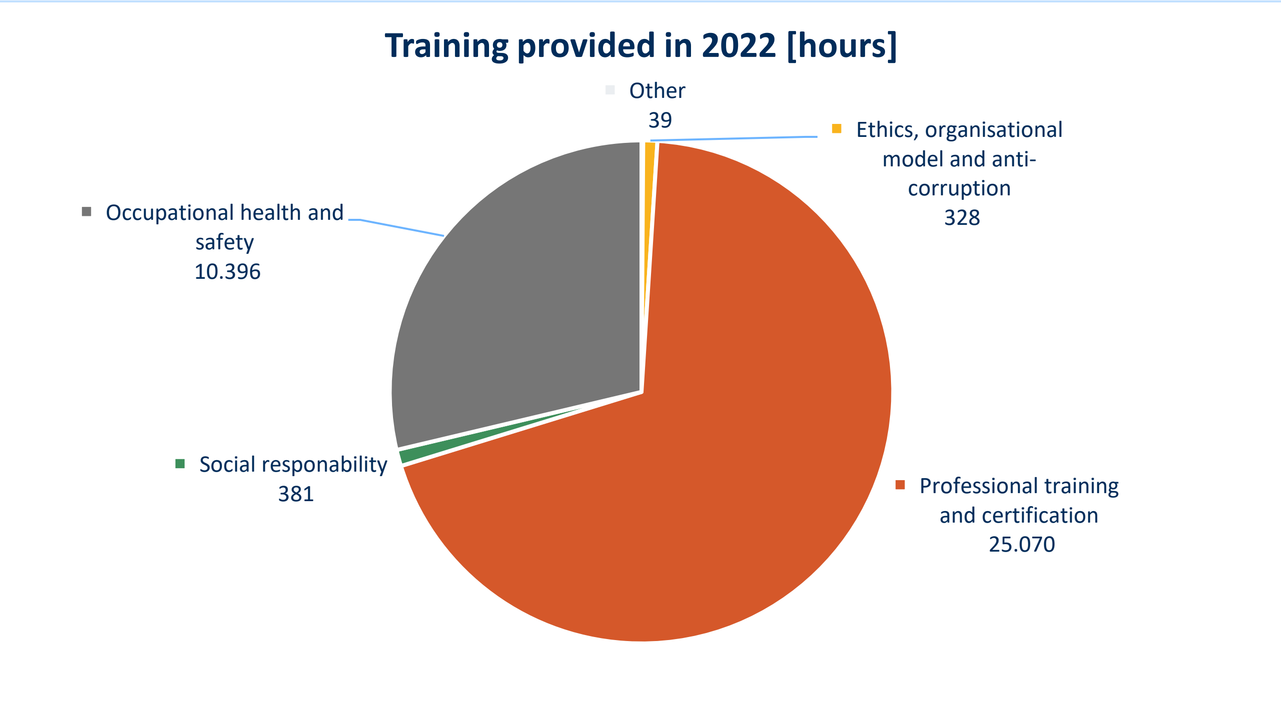
Training provided

The total and average per capita training hours provided for each year of the 2020-2022 three-year period are shown below. The different types of training are also analysed.

Total training hours by category and gender

In the 2020-2022 three-year period, Salcef Group provided over 109,000 training hours. In 2022, 36,214 hours of training were provided. The decrease on 2021 is mainly due to the different timing of updates/renewals and of certain technical-specialist training courses.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	1	519	**520**	-	420	**420**	8	226	**234**
Junior managers	63	1,299	**1,362**	-	1,047	**1,047**	16	1,674	**1,690**
White collars	580	3,458	**4,038**	602	6,025	**6,627**	1,347	4,703	**6,050**
Blue collars	30	23,798	**23,828**	11	35,797	**35,808**	55	28,186	**28,241**
Total	**674**	**29,074**	**29,748**	**613**	**43,289**	**43,902**	**1,426**	**34,788**	**36,214**



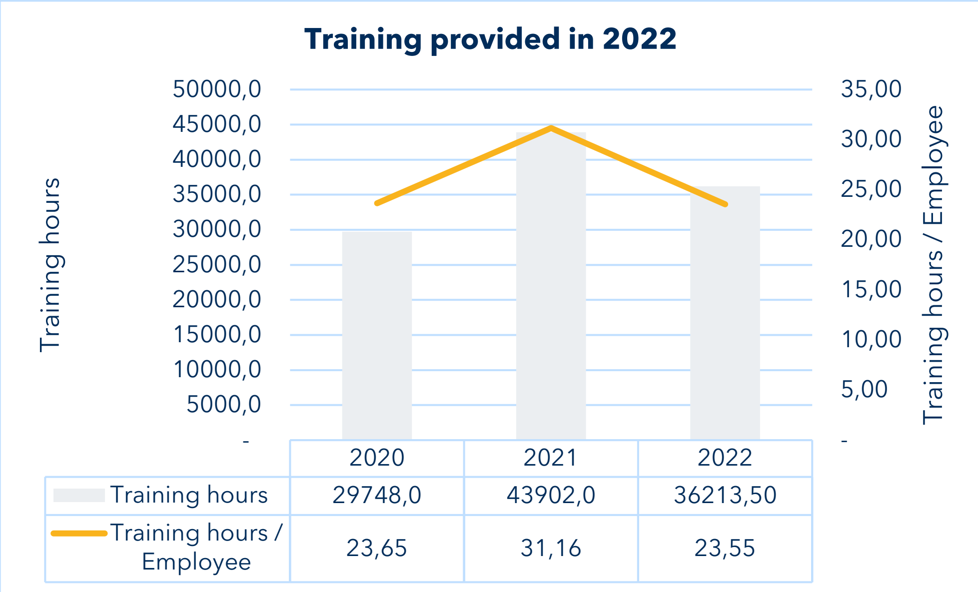
Average training hours by category and gender

The average training hours show that employees received approximately 24 training hours per capita in both 2020 and 2022, while this figure rose to 31 hours of training per capita in 2021.

Taking into account the training linked solely to professional qualifications and occupational health and safety, blue collar workers are the main recipients of group training initiatives.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	1.00	14.83	**14.44**	-	10.24	**9.77**	2.67	4.81	**4.68**
Junior managers	22.98	25.56	**25.43**	-	17.45	**16.36**	4.00	26.56	**25.22**

White collars	12.81	16.94	**16.19**	9.12	25.00	**21.59**	17.26	16.80	**16.90**
Blue collars	2.31	26.27	**25.93**	1.57	36.23	**35.99**	3.44	26.92	**26.57**
Total	**10.87**	**24.31**	**23.65**	**7.76**	**32.55**	**31.16**	**14.11**	**24.21**	**23.55**



Total health and safety training hours by category and gender

Occupational health and safety training is Salcef Group's largest category in terms of hours provided. A total of 50,978 health and safety training hours was provided in the 2020-2022 three-year period, which alone accounts for over half the total training hours provided by the group in the period.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	-	349	**349**	-	161	**161**	7	51	**58**
Junior managers	51	800	**851**	-	610	**610**	15	319	**334**
White collars	469	2,131	**2,600**	391	3,408	**3,799**	335	1470	**1,805**
Blue collars	8	14,825	**14,833**	10	17,369	**17,379**	55	8144	**8,199**
Total	**528**	**18,105**	**18,633**	**401**	**21,548**	**21,949**	**412**	**9,984**	**10,396**

Total professional training and certification hours by category and gender

Professional training and certification includes all training provided for a specific operating activity or the use of machinery or equipment. It includes training carried out to obtain customer certifications (e.g., RFI, Terna, etc.). This type of training has the greatest variety of courses, with over 25,000 training hours provided in 2022 to mainly blue-collar workers.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	-	120	**120**	-	255	**255**		159	**159**
Junior managers	4	393	**397**	-	416	**416**		1288	**1,288**
White collars	36	1,047	**1,083**	144	2,448	**2,592**	960	3058	**4,018**
Blue collars	8	8,182	**8,190**	-	17,791	**17,791**		19605	**19,605**
Total	**48**	**9,742**	**9,790**	**144**	**20,910**	**21,054**	**960**	**24,110**	**25,070**

Total training hours on the organisational, management and control model and anti-corruption by category and gender

Training on the organisational, management and control model and anti-corruption includes all training provided on Salcef Group's Code of ethics and conduct, the organisational, management and control model pursuant to Legislative decree no. 231 and the corruption prevention management system.

Training is mandatory for all personnel. There are two different modules depending on the risk profile: one for blue collars and the other for white collars and junior and other managers.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	-	34	**34**	-	3	**3**	1	15	**16**
Junior managers	4	57	**61**	-	15	**15**	1	42	**43**
White collars	38	151	**188**	30	119	**149**	31	106	**137**
Blue collars	6	354	**360**	1	152	**153**		132	**133**
Total	**48**	**596**	**643**	**31**	**289**	**320**	**33**	**295**	**328**

Total social responsibility training hours by category and gender

Social responsibility training is mandatory for all personnel and includes training on the SA 8000 management system. It has two different modules, one for the social performance team (see Social Performance Team) and one for all personnel.

Category	2020			2021			2022		
	women	men	total	women	men	total	women	men	total
Managers	-	16	**16**	-	1	**1**		1	**1**
Junior managers	4	49	**53**	-	6	**6**		10	**10**
White collars	37	130	**167**	3	47	**50**	13	53	**66**
Blue collars	8	437	**445**	-	456	**456**		304	**304**
Total	**49**	**632**	**681**	**3**	**510**	**513**	**13**	**368**	**381**

On-site training

Given Salcef Group's high level of specialisation, in addition to other training, on-site training is an important part of the group's training programme. On-site training comprises all activities aimed at training workers in the correct use of equipment, machines, systems, substances, devices (including personal protective equipment) and work procedures, so that each worker can exercise the discretionary component of their position in an informed (and responsible) manner.

Where provided for, on-site training is provided to new hires or when an employee changes role, or when new machinery and technologies are introduced. In the training start-up stage, the operating department identifies the trainer with the right characteristics and experience in the field who will be responsible for instructing, training and supporting the resource in their new activity.

Occupational health and safety

GRI STANDARDS	3.3 Management of material topics 403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation 403-3 Occupational health services 403-4 Worker participation, consultation, and communication on occupational health and safety 403-5 Worker training on occupational health and safety 403-6 Promotion of worker health 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 403-8 Workers covered by an occupational health and safety management system 403-9 Work-related injuries 403-10 Work-related ill health

Occupational health and safety legislation

Occupational health and safety regulations are contained in Legislative decree no. 81/2008 (the "81/2008 decree") issued to reorganise and coordinate the relevant legislation. The 81/2008 decree establishes the manner in which a series of preventative actions must be carried out, such as the assessment of risks in the group and, consequently, a series of measures must be adopted to improve worker health and safety, including: (i) the compliance of structures, systems and equipment; (ii) health checks; (iii) training courses and all other mandatory aspects, the absence of which could expose the group to significant penalties.

The 81/2008 decree provides for the establishment and appointment of specific roles within the group, such as the Health and safety officer, the workers' representative, the Company doctor, and the Employer. The latter carries out an assessment of the risks in the group, implements prevention and protection measures to eliminate or contain them and ensures that every worker is suitably trained and informed.

The main international regulatory frameworks are:

- the ISO 45001 standard;
- the NEBOSH guidance;
- protocols, recommendations and guidelines of the International Labour Organization (ILO);
- local occupational health and safety laws and legislation of the country in which the activities take place.

Bearing in mind that Salcef Group's safety management system is strongly inspired by Italian legislation, which is particularly comprehensive and effective abroad, the group's approach in the field of occupational health and safety is to always apply the most rigorous measures that best protect workers.

The principles and the management system

Salcef Group considers the protection and promotion of health, safety and well-being of the individual a priority value and principle in all of its activities. Accordingly, the activities and processes connected to personnel management are extremely important. Therefore, the way it operates is therefore aimed at protecting employees, customers, suppliers and, in general, anyone that comes into contact with Salcef Group.

Salcef Group guarantees working conditions that respect the dignity of the individual and ensures that its working environments are safe and healthy, in compliance with accident prevention and occupational health and safety legislation. Salcef strongly promotes the dissemination of a safety culture and an awareness of the risks associated with the working activities, and requires that everyone at every level adopt responsible conduct that is compliant with the safety system in place and all company procedures that form an integral part thereof. In this respect, every employee, collaborator or anyone who for any reason provides working activities at the group's offices, work sites and facilities, is required to personally contribute to maintaining the safety and quality of the working environment in which they operate, rigorously complying with the safety system and all group procedures that are a part thereof.

Salcef Group undertakes to:

- put in place safe activities in order to protect the health of group employees and the communities in which it operates, ensuring its operating strategies comply with group occupational health and safety and environmental policies;
- provide training and information to all personnel that work in group offices, work sites and facilities on safety risks to which they are exposed from time to time, providing them with the means and personal protective equipment required by relevant legislation in relation to the activities carried out;
- periodically review and continuously monitor the performance and efficiency of the safety risk management system, and maintain safe workplaces to protect the integrity of its personnel and achieve the group's goals of continuous improvement in the fields of health, safety and the environment.

The commitment to occupational health and safety is a key aspect for Salcef Group. For this reason, and to go beyond mere legal compliance, it has implemented, maintained and improved an occupational health and safety management system which is applied to all group operations and companies. The management system is ISO 45001:2018-certified.

The occupational health and safety management system is applied to all Salcef Group workers and also extends to all parties that come into contact with the group, such as sub-contractors, temporary workers, professionals, etc..

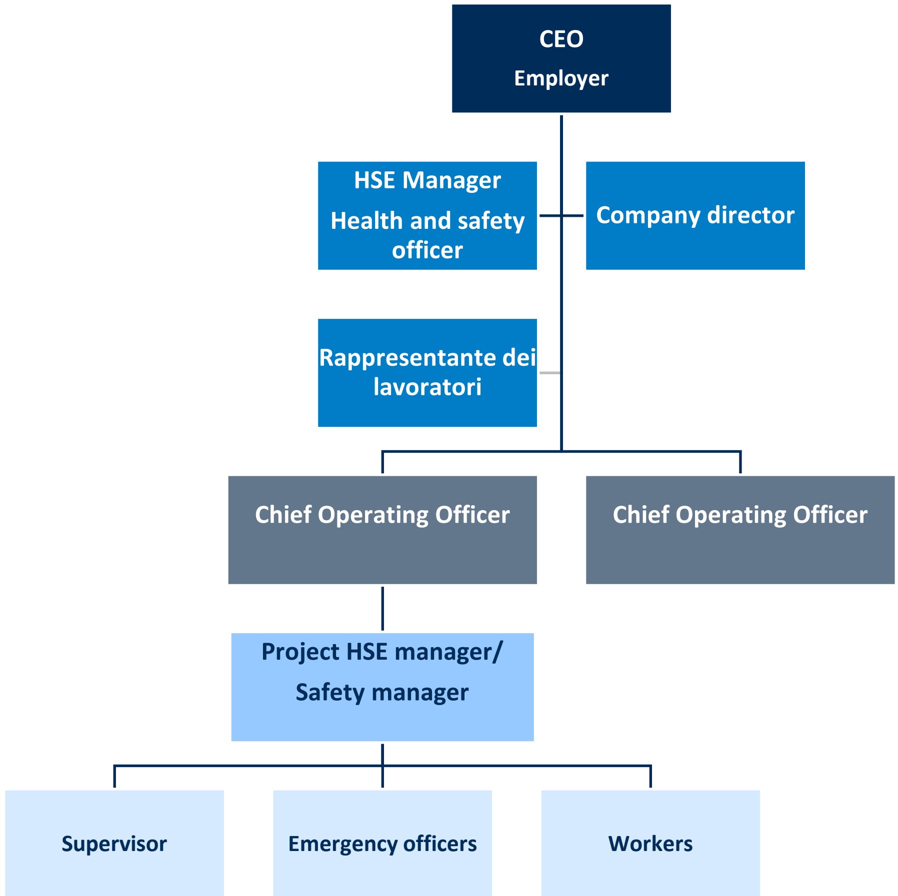
At least once a year, qualified personnel carry out an internal audit to check the proper and effective application of the integrated management system, including the occupational health and safety management system. For further information on the related findings, see the paragraph on Audits of management systems.

All certified management systems are also audited annually by independent and accredited third-party certification bodies. These audits assess the compliance of the management systems with the international standards governing them.

Safety organisation

Salcef Group's safety organisation provides for a safety management system manager (the HSE manager), which reports to the parent's Knowledge department. The HSE manager ensures the management system is active and effective, including the operating control activities and their updating and reports to the management representative on the performance and areas for improvement. In addition to heading up the health and safety service pursuant to Legislative decree no. 81/2008, the HSE manager of the parent, Salcef Group S.p.A., carries out management and coordination activities for the safety and environmental offices of the group's subsidiaries, ensuring uniformity, support and the dissemination of best practices.

The main roles in the safety organisation of the subsidiaries are shown in the following diagram. They are formally identified and appointed.



- The **sole director or CEO** acts as the Employer pursuant to Legislative decree no. 81/08. Specifically, they draw up and approve the risk assessment document (see details in the following paragraph Risk identification and assessment), which also sets out the measures to be implemented to eliminate/mitigate such risks. They also appoint the other positions in the safety organisation.
- The **HSE manager** also fulfils the role of Health and safety officer pursuant to Legislative decree no. 81/2008. They are responsible for safety management in the workplace and for relations with the various supervisory and certification bodies and entities, and liaises with the Workers' safety representative and the directors. The HSE manager/Health and safety officer of the group companies report to the Employer and are centrally coordinated by the HSE manager/health and safety officer of the parent, Salcef Group S.p.A.. They meet periodically to discuss and define any critical issues identified, as well as the performance of the management system and any improvement actions to be taken.
- The **Company doctor** is a role required by Legislative decree no. 81/2008 to perform the health screening required by law and the occupational health and safety management system. This role is usually only present in the Italian companies. In other countries, health screening is usually organised by dedicated personnel, with the involvement of local institutions and specialist centres.

- The **Workers' representative**, also referred to by Legislative decree no. 81/2008 as the Workers' safety representative, is elected or appointed, and has the task of representing workers in the field of occupational health and safety. In carrying out this task, they attend periodic meetings with all positions making up the safety organisation. Depending on the complexity of the operating activities and how large the workforce is, one or more Workers' safety representatives are elected for each group company.
- The **Chief operating officer** is delegated all powers associated with the role of Employer. They are responsible for operational management and coordinates personnel, machines and resources in the various contracts acquired by the group/branch.
- The **Project HSE manager** also fulfils the role of Safety manager pursuant to Legislative decree no. 81/2008. This position is appointed for those companies where the chief executive officer and the chief operating officer are unable to effectively supervise the relevant operating units due to the company's operational complexity, including logistical. This is especially relevant for companies that work on temporary and mobile work sites. The Project HSE manager is responsible for supervising and ensuring the correct application of the safety management system procedures at the assigned operating units. The project HSE manager (or the COO or CEO) appoints Emergency officers, who are trained to respond to situations of danger and emergency. For details refer to the Procedures for workers to remove themselves from hazardous situations paragraph.
- The **Supervisor** is the position provided for by Legislative decree no. 81/2008. Within the individual teams, the Supervisor is responsible for supervising and ensuring that workers comply with safety requirements.

Risk identification and assessment

With regard to the identification of risks and their assessment and the investigation of incidents, Legislative decree no. 81/08 and associated regulations detail the responsibilities, activities and deadlines. In addition to the legal requirements, the occupational health and safety system procedures also apply. In this context:

- the mandatory legal requirements applicable in the organisation are identified;
- information is collected on-site (operational control);
- instances of non-compliance (whether incidents, injuries or near-misses) are recorded and addressed;
- the preventative measures indicated by the analysis of the results of the operating control and the instances of non-compliance are taken.

Risk identification

The assessment of the risks to which workers are exposed involves the analysis of the specific situations the workers find themselves in carrying out their duties.

Risk assessment is:

- related to the choices made for equipment, substances and the layout of the workplace;
- designed to identify and implement appropriate measures and actions to be taken.

Risk assessment is therefore linked both to the stage of production carried out at the production unit and situations caused by systems, such as the working environment, structures and systems used, materials and products involved in the processes.

The guidelines considered are based on the following aspects:

- observation of the working environment (standard of the premises, access routes, equipment safety, microclimate, lighting, noise and physical and harmful agents);
- identification of the tasks carried out in the workplace (in order to identify risks arising from individual tasks);
- observation of the way in which the work is carried out (to check compliance with procedures and whether they entail other dangers);
- examination of the environment to detect external factors that could have a negative impact on the workplace (microclimate and ventilation);
- examination of work organisation;
- review of the psychological, social and physical factors that could contribute to stress at work and how they interact with each other and other factors in the organisation and work environment.

The risk assessment is also carried in accordance with that set out in chapter *2.3 Risk management*. Moreover, it is revised when there are changes to the production process or work organisation relevant to the health and safety of workers, or in relation to the development of the techniques, prevention and protection or following serious injuries or when the results of health surveillance show it is necessary. Following this revision, the prevention measures are also updated as necessary.

Reporting dangers and hazardous situations in the workplace

All workers can report dangers and hazardous situations in the workplace through various channels, the main ones being:

- **Whistleblowing**: a channel which protects the identity of the whistleblower using IT and cryptographic techniques. This channel can be accessed by completing the relevant form on the home page of the My Salcef ERP system. Whistleblowers are guaranteed maximum confidentiality, including in the subsequent stages of managing the report.
- **Reporting of near misses**[18]: following a near miss, an injury or near miss report can be completed, detailing the event.

Salcef Group does not retaliate against workers that make these reports, rather, it encourages them. The HSE managers periodically raise awareness among workers to encourage the reporting of any near misses, in order to continuously improve the prevention system.

Moreover, one of Salcef Group's objectives for the improvement of its occupational health and safety management system is an increase in the number of these reports compared to previous years.

Procedures for workers to remove themselves from hazardous situations

An emergency and evacuation plan is drawn up for each group facility and location. These contain measures to manage emergencies and the evacuation of group workplaces.

With respect to the emergency procedures for production units at mobile and temporary work sites, since the information is site-specific, the procedures are evaluated on a case-by-case basis before work commences and included in a specific emergency plan, which is an integral part of the safety operating plan for the contract.

Emergency officers are identified and formally appointed for both the offices and the operating units. They are informed and trained on the contents of the emergency plan and on any measures to be taken.

In the event of an emergency, each worker is free to remove themselves from work situations that they believe could cause them injury or work-related illness.

Analysis of emergency situations and near misses

In the event of an emergency or near miss, once all the necessary actions to respond to the incident and/or to bring the situation under control have been taken, the safety manager reports the main details of the event to his or her managers in an "Injury or near miss report".

The HSE manager then checks whether the incident or near miss is a case of non-compliance and, if so, manages it in accordance with group procedures.

[18] An event that could have caused an injury of varying seriousness or that could or did cause damage to things and which, by pure chance, did not have significant consequences for those present.

Through this activity, the root causes of the emergency situation are analysed, to prevent it happening again. To this end, the HSE manager investigates the incident, determines the causes thereof and involves the parent's HSE manager in checking whether similar incidents have occurred. Based on these analyses, and with the assistance of all parties involved and the parent's HSE manager, the HSE manager defines the corrective measures to be taken.

The HSE manager also checks whether it is necessary to update the risk assessment document and whether the integrated management system needs to be amended in light of the analysis of the emergency or near miss.

At the periodic meeting held pursuant to article 35 of Legislative decree no. 81/08, the HSE manager informs the Workers' representatives about the incidents, injuries and near misses, the corrective measures taken and their effectiveness.

Health monitoring and surveillance

Salcef Group has a monitoring system for the physical health of its personnel, beginning with the assessment of suitability before hiring through to the termination of employment, reviewed from time to time in compliance with current legislation. The health protocol is specific to each group company based on the health checks required for each group of similar tasks.

Together with the HSE office, the human resources department sets the medical examination requirements for the various tasks and communicates them to the Company doctor. The health protocol is defined by the Company doctor on the basis of the professional risks for the groups of similar tasks assessed in the risk assessment document pursuant to Legislative decree no. 81/2008. Various types of health checks take place, as follows:

- Medical examinations required by law.
- Medical examinations for specific certifications.
- Medical examinations following prolonged absences for health reasons.

Confidentiality of employees' health-related information is ensured in compliance with the requirements of the GDPR and Italian implementing legislation.

Worker participation – HSE manager/Health and safety officer, Workers' safety representative and the Safety committee

The HSE managers/Health and safety officers of the group's subsidiaries are often in contact with workers and the managers of production units and meet with them to discuss and define any critical issues detected or potential critical issues raised by workers. These activities are carried out with the assistance of the Workers' safety representative who represents the workers in relation to occupational health and safety.

Moreover, in order to improve communication and the participation of all workers, Salcef Group has introduced, in addition to the Workers' safety representative, safety committees. These have the task of helping to assess risks and possibly suggesting to management improvement measures to tackle the risks identified.

The Safety committee is also the social performance team (SPT) set up pursuant to SA 8000:2014 – Social accountability (for further details see the Social Performance Team paragraph).

For each company, these committees are comprised of the management representative, the quality and privacy manager, the relevant HSE manager, the Workers' safety representative and/or the SA 8000 Workers' representative and by a trade union representative, if present.

Health and safety training and promotion

All Salcef employees receive occupational health and safety training, based on the tasks performed, in line with the requirements and deadlines set by legislation and the group's integrated management system. The HSE manager/Health and safety officer are responsible for planning the training. Emergency drills are also conducted regularly.

Worker consultation and participation in occupational health and safety takes place through the Workers' safety representatives. These are identified by the workers from among the members of the trade union representatives. They are consulted in relation to risk assessment, attend annual safety meetings and other meetings called by the HSE manager/Health and safety officer. The HSE manager/Health and safety officer call an annual safety meeting, attended by the Employer, the Company doctor and the Workers' representatives.

For further details on the training process see Training and development.

Both in Italy and abroad, Salcef offers its employees a supplementary healthcare plan paid for by the group.

Prevention and mitigation of health and safety impacts

Salcef Group requires its suppliers of goods and services to formally accept the group's Code of ethics, as an integral and substantial part of the relationship and to refrain from conduct contrary to it. The Code of ethics includes clauses on occupational health and safety. With the aim of preventing and mitigating the negative impacts on the health and safety of workers it does not directly manage and that do not work in places under its control, Salcef gives priority to qualified suppliers with consolidated experience in the production of the goods and services required. (see Qualification and check of requirements).

Cantiere Sicuro ("Safe sites")

Safe sites is an initiative conceived in 2021 to raise awareness of safety issues among operating personal, a refresher on the proper operating procedures to be adopted at railway work sites.

The issues covered are: the correct operating management of temporary and mobile work sites from set-up to closure; emergencies at work sites; the importance of near misses and their proper reporting; an analysis of injuries; and audits as an opportunity for growth.

Nine training sessions had been held by the end of 2022, involving more than 200 project managers, safety managers, site managers and site foremen for a total of over 1,000 hours of training. The directors, operational managers and the managers of the main departments also took part in the initiative, a sign of management's focus on safety.

Further editions are slated for 2023, which will also involve colleagues from the companies acquired in 2022.

Injuries[19]

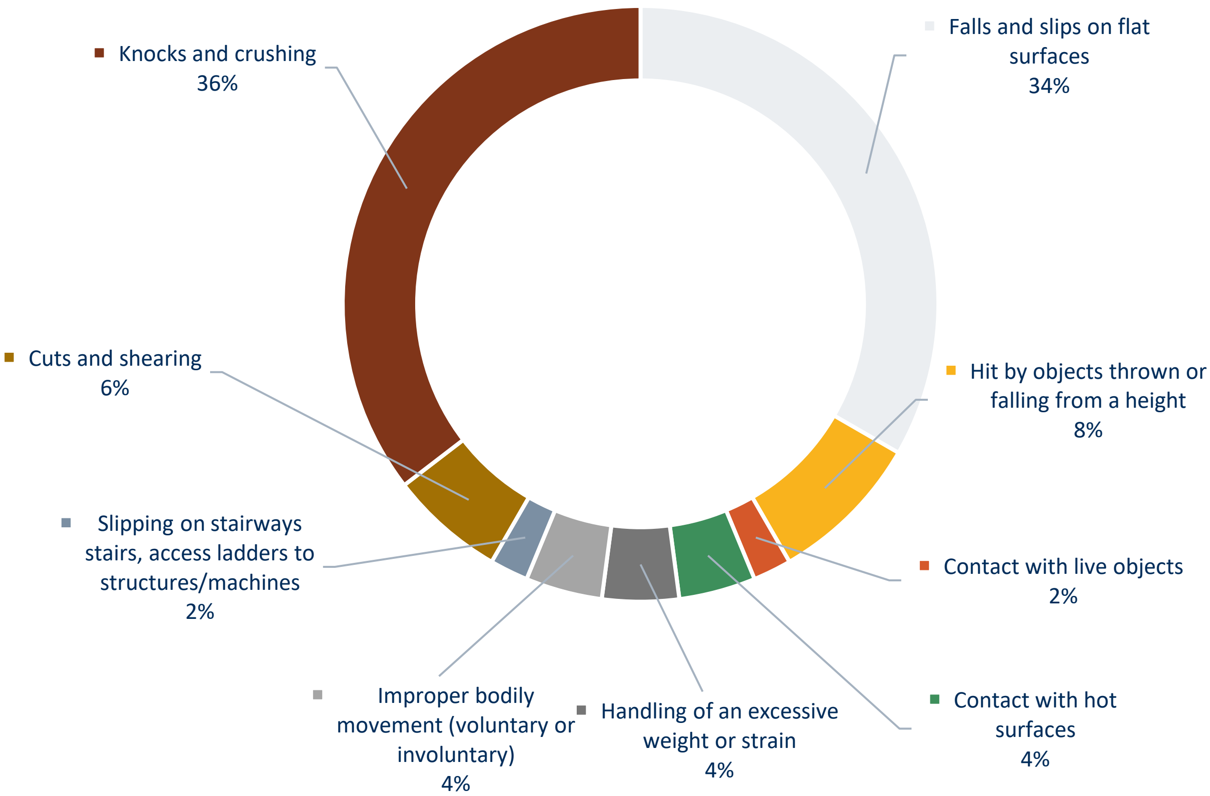
Work-related injuries (excluding "in transit")	2020	2021	2022
Fatalities	-	-	-
%	0%	0%	0%
Serious injuries	1	5	2
%	1.96%	12.2%	4.2%
Recordable work-related injuries (excluding serious injuries)	50	36	46
%	98.04%	87.8%	95.8%
Total	**51**	**41**	**48**
Hours worked	**2020**	**2021**	**2022**
Total hours worked	2,040,878	2,667,924	2,965,638
Days absent due to injury (excluding "in transit")	**2020**	**2021**	**2022**
Total days absent	2,690	3,320	2,210

Injuries "in transit"

Injuries "in transit"	2020	2021	2022
No. of injuries "in transit"	1	4	2
Days of absence due to injuries incurred "in transit"	165	87	16

[19] The reporting scope of all the tables presented in this paragraph include all group companies, with the exception of Francesco Ventura C.F., acquired on 23 December 2022. Only the total number of employees is reported for this company.

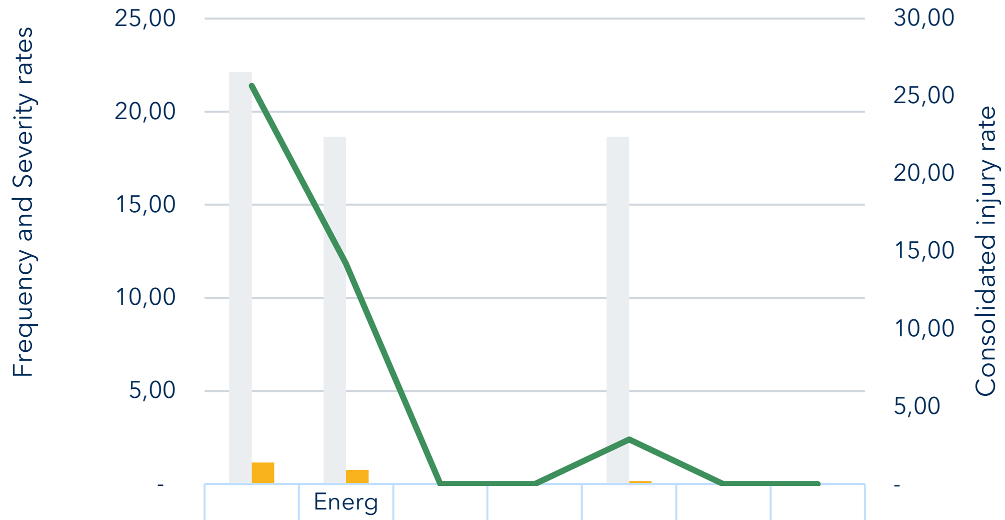
Types of injuries



Indicators	2020	2021	2022
Death rate from work-related injuries [(number of deaths from work-related injuries / Number of hours worked) x 1,000,000]	-	-	-
Rate of work-related injuries with serious consequences (excluding deaths) [(number of work-related injuries with serious consequences / Number of hours worked) x 1,000,000]	0.98	1.87	0.67
Rate of recordable work-related injuries [(number of recordable work-related injuries / Number of hours worked) x 1,000,000]	24.50	13.49	15.51

Injuries indicators (excluding "in transit")	2020	2021	2022
Frequency rate (No. of injuries/hours worked) x 1,000,000	24.99	15.37	16.19
Severity rate (days absent for injuries / hours worked) x 1,000	1.32	1.24	0.75

Injuries indicators (excluding "in transit")	2020	2021	2022
Average duration of injuries (days absent for injuries / No. of injuries)	52.75	80.98	46.04
Consolidated injury rate (frequency rate * severity rate)	**32.94**	**19.12**	**12.06**



	Track & Light Civil Works	Energy, Signalling & Telecommunication	Rail Grinding & Diagnostics	Heavy Civil Works	Railway Machines	Railway Materials	Engineering
Frequency rate (No. injuries/hours worked) x 1,000,000	22,14	18,66	-	-	18,65	-	-
Severity rate (No. Missed days/hours worked) x 1,000,000	1,16	0,76	-	-	0,15	-	-
Consolidated injury rate (Frequency rate * Severity rate)	25,67	14,22	-	-	2,87	-	-

No cases of work-related illness were recorded by the group in the reporting period.

Accidents involving personnel external to the organisation

In 2022, there was one fatality involving workers that are not employees of the group but whose work and/or workplace is under the group's control, for a total of 1,531,243 hours worked by external workers on Salcef Group contracts.

Indicators	2020	2021	2022
Death rate from work-related injuries [(number of deaths from work-related injuries / Number of hours worked) x 1,000,000]	-	-	0.65

Indicators	2020	2021	2022
Rate of work-related injuries with serious consequences (excluding deaths) [(number of work-related injuries with serious consequences / Number of hours worked) x 1,000,000]	-	-	-
Rate of recordable work-related injuries [(number of recordable work-related injuries / Number of hours worked) x 1,000,000]	-	-	-

Injuries indicators (excluding "in transit")	2020	2021	2022
Frequency rate (No. of injuries/hours worked) x 1,000,000)	-	-	0.65
Severity rate (days absent for injuries / hours worked) x 1,000)	-	-	4.90
Average duration of injuries (days absent for injuries / No. of injuries)	-	-	7,500.00
Consolidated injury rate (frequency rate * severity rate)	**-**	**-**	**3.20**

Absences

In 2022, the total days of absence due to illness decreased on those of 2021, largely as a result of the easing of the emergency linked to the Covid-19 epidemic. "Other", which includes holidays, leave and other types of time off and absences, increased. In general, the increases are also due to the general growth in Salcef's workforce, as described in the section on Employees.

Days of absence by type	2020	2021	2022
Injuries (excluding "in transit")	2,690	3,320	2,210
Illness	17,831	19,742	14,875
Parental leave	531	2,460	596
Other	11,273	38,750	25,640
Total	**32,490**	**64,272**	**43,321**

Materials

GRI STANDARDS	3-3 Management of material topics 301-1 Materials used by weight or volume 301-2 Recycled input materials used

Sustainable management of resources

The group has expressed its commitment to environmental and energy protection, through the adoption of its Integrated quality, health and safety and environmental policy and by communicating the principles thereof to personnel and all stakeholders.

With the adoption of this policy, Salcef Group undertakes to pursue the following corporate goals:

- To use processes and technologies that prevent and/or reduce environmental impacts;
- To manage production activities in such a way as to reduce the directly associated environmental impacts, particularly as relates to waste management, atmospheric emissions, raw materials consumption and the risks linked to the use of pollutants;
- To pursue continuous improvement in environmental performance;
- To fully digitise all group processes, reducing paper use and encouraging the use of new technologies for the centralisation and sharing of information.

As it considers environmental protection essential for quality of life and to sustainable development, in putting its environmental protection commitment into practice, Salcef Group aims to reconcile the needs of business development and value creation with care for the environment and its protection.

The choices made in the purchasing, consumption and disposal of materials are of key importance to sustainability, in both environmental and social terms. These choices are oriented towards increasingly environmentally-friendly materials, ensuring customer satisfaction but also with a focus on community and local areas.

In carrying out works, the group is committed to analysing the entire supply chain, from raw materials to end-of-life. Resource sustainability originates with supply chain management and supplier evaluation, continues with the sound management of materials in the production process such to ensure both safety and environmental reliability and durability, and ends with sound waste management in compliance with legislation and group procedures, encouraging the practices of recycling and reuse as well as the reduction of scraps.

Input materials

The following table sets out the quantities of the main materials procured in the last three years by Salcef. As shown by the quantities handled, the main materials relate to railway infrastructure, such as: railway ballast, concrete and cement mixes, sundry aggregates, concrete products, steel products (rods, wires, etc.), iron materials, pre-stressed reinforced concrete sleepers and bearers, etc.. All these materials are mainly used in the operations of the Track & Light Civil Works business unit.

The following materials related to other group business units are also important: oils and greases, thinners and machine components related to the Railway Machines business unit. Analysing the historical trend of the use of certain materials closely related to the construction of civil infrastructure works, such as concrete and cement mixes, marble, flooring and cladding and steel materials, shows a decrease in recent years, mainly due to the completion of certain infrastructure contracts.

Conversely, materials related to the production and maintenance of railway machines have increased strongly, mainly due to the new contracts acquired by the subsidiary SRT S.r.l..

Of no less importance is the stability of certain strategic supplies over the three years, due to the stable portfolio of works in the group's core business (railway ballast, technical gases, aluminothermic welding kit, etc.).

The following table shows all non-renewable materials with the exception of timber formwork, lumber, wood material in pieces (planks, etc.), which are shown in the note:

Material	Measurement unit	2020	2021	2022
Asphalt and bitumen	m^3	487	62	10,637
Concrete and cement mixes (kg)	kg		274,225	17,320,198
Concrete and cement mixes (m^3)	m^3	38,751	43,574	273,174
Timber formwork, various measurements, and accessories	m^2	103	-	1,434
Metal formwork, various measurements, and accessories	m^2	17,892	9,014	17,411
Concrete	t	30,455	26,410	35,783
Machine components	no.	513,076	332,498	463,657
Systems components	no.		45,933	41,170
Components for sleepers	no.		449,553	529,540
Bituminous conglomerate	t	1,632	525	5,040
Turnouts and other rail equipment (couplings, bumpers, level crossings)	no.	1,401	683	1,487
Thinners and additives	l	115,517	125,569	295,877
Safety devices (PPE, extinguishers, etc.)	no.	268,135	256,426	156,734
Bituminous emulsion	l	300	-	920
Technical gases in cylinders (oxygen, acetylene, etc.) (kg)	kg		15,025	14,049
Technical gases in cylinders (oxygen, acetylene, etc.) (kg) (l)	l		209,158	196,778
Technical gases in cylinders (oxygen, acetylene, etc.) (m^3)	m^3		-	419
Technical gases in cylinders (oxygen, acetylene, etc.) (no.)	no.	52,547	243	409

Material	Measurement unit	2020	2021	2022
Geotextile, sheaths, mattresses	m^2	48,351	67,641	568,423
Logistics systems	no.	39,501	7	94
Recycled aggregates	t		-	24,223
Sundry aggregates	t	151,173	120,417	218,607
Aluminothermic welding kits	no.	15,406	17,760	17,532
Lumber (no.)	no.		107	203
Lumber (m^3)	m^3	160	-	-
Concrete products (pieces)	no.	11,116	5,912	14,396
Linear concrete products (e.g., curbs, troughs, gneiss, pipes, etc.)	m	16,434	27,285	47,812
Marble, flooring and cladding	m^2	7,170	36,698	11,661
Consumables for machines and equipment	no.		7,692	44,617
Electrical material (m) (cables, earthing wires, etc.)	m	6,972	78,176	212,126
Electrical material (pieces) (terminals, cable lugs, etc.)	no.	320,120	134,734	237,287
Steel material (kg) (rods, wire, etc.)	kg	2,526,580	3,938,952	30,100,822
Rubber material in pieces	no.	331,878	15,330	11,834
Wood material in pieces (planks, etc.)	no.	63,961	43,832	109,780
Material in PVC (m.)	m	71,461	91,005	487,712
Material in PVC (pieces)	no.	1,605	9,414	14,892
Iron materials (m)	m	67,672	58,460	779
Iron materials (pieces)	no.	3,862,542	1,890,757	2,831,564
Metal materials (kg) (profiles, sheets, meshes, etc.)	kg	504,453	1,411,233	3,907,283
Metal materials (pieces) (metalwork, small parts, etc.)	no.	102,640	3,691,564	4,630,906
Oils and greases (kg)	kg	1,858	3,387	3,296
Oils and greases (l)	l	99,057	157,801	160,091
Pre-fabricated panels in concrete (e.g., pre-stressed slabs)	m^2	15,417	59,952	34,480
Level crossings	m^2	-	1,940	1,472
Railway ballast	t	490,011	599,624	597,785
Fencing	m	15,577	4,117	18,072
Fencing and net (m^2)	m^2	5,100	-	27,820
Resins/chemical anchors	no.	2,043	66,116	25,011
Track	t	15,960	2,873	9,351
Road and railway signage	no.	1,587	2,332	7,444
Coupling systems	no.	386,055	252,726	512,826
Pre-stressed reinforced concrete sleepers and bearers	no.	47,011	28,321	113,480
Timber concrete sleepers and bearers	no.	1,033	36,111	20,253
Cable	m		34,700	-
Paints and enamels (kg)	kg	12,596	23,274	12,619
Paints and enamels (l)	l	5,540	2,704	-

Recycled/reused input materials

The following table sets out the quantities of recycled/reused input materials. These materials only relate to the railway infrastructure construction and maintenance works (Track & Light Civil Works business unit) and are mainly used for temporary sites and non-core activities. The materials used for the construction of operational lines are always subject to validation and pre-qualification by the customer and, in most cases, the customer requests materials that do not come from recycling/reuse.

Material	Measurement unit	2020	2021	2022
Reused turnouts	no.	-	-	
Recycled aggregates	t	-	-	24,223
Reused pre-stressed concrete sleepers	no.	1,300	-	

For each recycled/reused material, the following tables set out the related percentages of use in the reference period:

Material - Turnouts	Measurement unit	2020	2021	2022
Reused turnouts	no.	-	-	-
Turnouts and other track equipment (not obtained from recycling/reuse)		9	683	1,487
% Recycled/reused input materials	**%**	**-**	**-**	**-**

Material - Aggregates	Measurement unit	2020	2021	2022
Recycled aggregates	t	-	-	24,223
Sundry aggregates (not obtained from recycling/reuse)		151,173	120,417	218,607
% Recycled/reused input materials	**%**	**-**	**-**	**10%**

Material - Sleepers	Measurement unit	2020	2021	2022
Reused pre-stressed concrete sleepers	no.	1,300	-	-
Pre-stressed reinforced concrete sleepers and bearers (not obtained from recycling/reuse)		46,622	28,321	113,480
% Recycled/reused input materials	**%**	**2.7%**	**-**	**-**

Water

GRI STANDARDS	3-3 Management of material topics 303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts 303-3 Water withdrawal 303-4 Water discharge 303-5 Water consumption

The reporting standard for water resources (GRI 303) is consistent with the United Nations 2030 Agenda for Sustainable Development (SDGs), goal 6 in particular, the objectives of which include the sustainable management of water for all. The standard requires reporting of an organisation's water use, the associated impacts and how to deal with them.

Water resource management policies

Withdrawals - The group's water withdrawals are planned with the aim of limiting the impact caused by production activities (facilities), which are associated with the largest uses of water. The main sources of water are groundwater (wells) and aqueducts.

Water stress - This refers to the ability to meet the demand for water, both human and of ecosystems as a whole, that is, the ratio of total water withdrawals to available renewable supply from surface and groundwater sources. Water withdrawals include those for domestic, industrial, irrigation and livestock consumption and unused water. Higher values indicate greater *competition* between users.

For the evaluation of areas with water stress, reference is made to the Aqueduct Water Risk Atlas Aqueduct | World Resources Institute (wri.org) of the World Resources Institute.

Salcef Group's production facilities, particularly Overail's production facility. (Aprilia LT) and The SRT production facilities. (Fano PU), are located in areas with high/extremely high water stress. The following measures have been taken to limit the group's impact on water resources:

Overall

- Water is only withdrawn from the company's well to reduce the impact on the mains water;
- Construction of a water plant to treat, store and monitor the water used in the facility;
- System for the reuse of concrete washing water and water generated by steam condensation.

SRT

- Water is only withdrawn from the company's well to reduce the impact on the mains water;
- Construction of a washing water treatment plant.

Water withdrawal, consumption and discharge

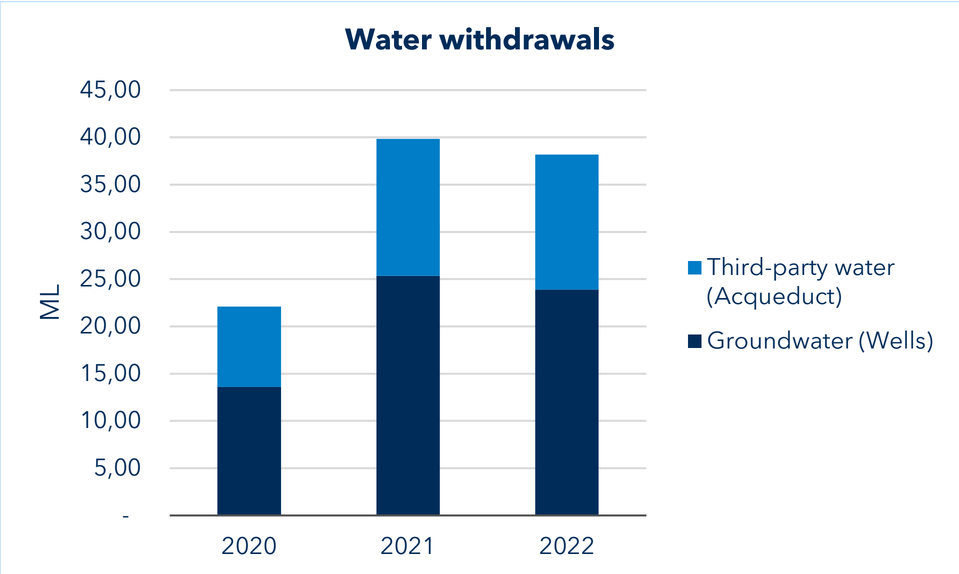
Water withdrawal

As required by the GRI standards (GRI 303-3), water withdrawal figures are reported in megalitres (1 cubic metre = 0.001 megalitres). The table also provides a breakdown of withdrawals in relation to the source: freshwater (≤1,000 mg/L total dissolved solids), and other water (>1,000 mg/L total dissolved solids).

Water withdrawal	2020		2021		2022	
(ML - Megalitres)	Total	Area with water stress	Total	Area with water stress	Total	Area with water stress
Surface water	-	--	-	-	-	-
Groundwater (wells)						
Freshwater (≤1,000 mg/l total dissolved solids)	13.60	13.60	25.35	25.35	23.90	23.90
Other water (>1,000 mg/l total dissolved solids).	-	-	-	-	-	-
Total	**13.60**	**13.60**	**25.35**	**25.35**	**23.90**	**23.90**
Seawater	-	-	-	-	-	-
Produced water	-	-	-	-	-	-
Third-party water (Aqueducts)						

Water withdrawal	2020		2021		2022	
(ML - Megalitres)	Total	Area with water stress	Total	Area with water stress	Total	Area with water stress
Freshwater (≤1,000 mg/l total dissolved solids)	8.50	3.80	14.50	2.61	14.24	12.04
Other water (>1,000 mg/l total dissolved solids).	-	-	0.00	-	0.05	-
Total	**8.50**	**3.80**	**14.50**	**2.61**	**14.29**	**12.04**
Freshwater (≤1,000 mg/l total dissolved solids)	**22.10**	**17.40**	**39.84**	**27.96**	**38.13**	**35.93**
Other water (>1,000 mg/l total dissolved solids).	**-**	**-**	**0.00**	**-**	**0.05**	**-**
Total	**22.10**	**17.40**	**39.84**	**27.96**	**38.18**	**35.93**

The definition of freshwater/other water adopted by the GRI Standards is based on ISO 14046:2014 and the USGS (United States Geological Survey) document, Water Science Glossary of Terms, water.usgs.gov/edu/dictionary.html, (accessed 1 June 2018) and on the WHO (World Health Organization) document, Guidelines for Drinking-water Quality, 2017.



Comparing the 2022 figure with that of 2021, water withdrawals are 4.2% lower, mainly due to the decreased requirements of the Railway Materials business unit.

Withdrawals in areas with water stress regard the group's Italian facilities mentioned above, together with (to a lesser extent) the water withdrawals occurring as part of operating activities and contracts managed in Saudi Arabia, the United Arab Emirates, Egypt, Germany and Romania. Withdrawals in areas with water stress accounted for 94.1% of the total in 2022, compared to 70.2% in 2021 and 78.4% in 2020. This increase is mainly due to an increase in the group's operations in Italy, which is almost entirely affected by high water stress. Moreover, locations where Salcef withdraws water changed in 2022 from areas with medium-low water stress to medium-high or high, and were consequently included in the reporting.

The source of Overail's industrial water is the well for the derivation of water from a body of groundwater, with extraction of public water from the water table to meet the various requirements.

The water withdrawn from the wells is used in different ways:

- Directly for the packaging of concrete for the manufacture of products.
- Directly for the washing of plant, machinery and equipment: when the washing is completed, the water is sent to the treatment plant and then recycled for subsequent use in the production process, particularly in the concrete production plants.
- After treatment, the water is used in steam generators (curing of sleepers), to speed up the curing of the manufactured items.
- Part of the water is used for washing work surfaces, as well as machinery.

Water discharge

Water discharges are produced by office activities and, mainly, by production facilities. The Overail production facilities generate the following types of wastewater:

- **industrial wastewater**, this water is kept completely separate from domestic and stormwater discharges;
- **domestic wastewater**, consisting of discharges from sanitary facilities;
- **stormwater runoff**, collected from the non-permeable areas of the facility with a washing effect.

During the facility's renovation and expansion, a new demineralisation plant was installed for water pumped from the well. It consists of a double reverse osmosis process, and the water is only used to feed the boilers for steam production needed to produce concrete. This system has been fully functional since 2021 and does not generate sludge but a continuous discharge which has the same chemical components as the water pumped from the well.

The application for authorisation to discharge the industrial wastewater treated by Overail, only in the case of any final discharge into a body of surface water, relates to the Fosso di Caronte.

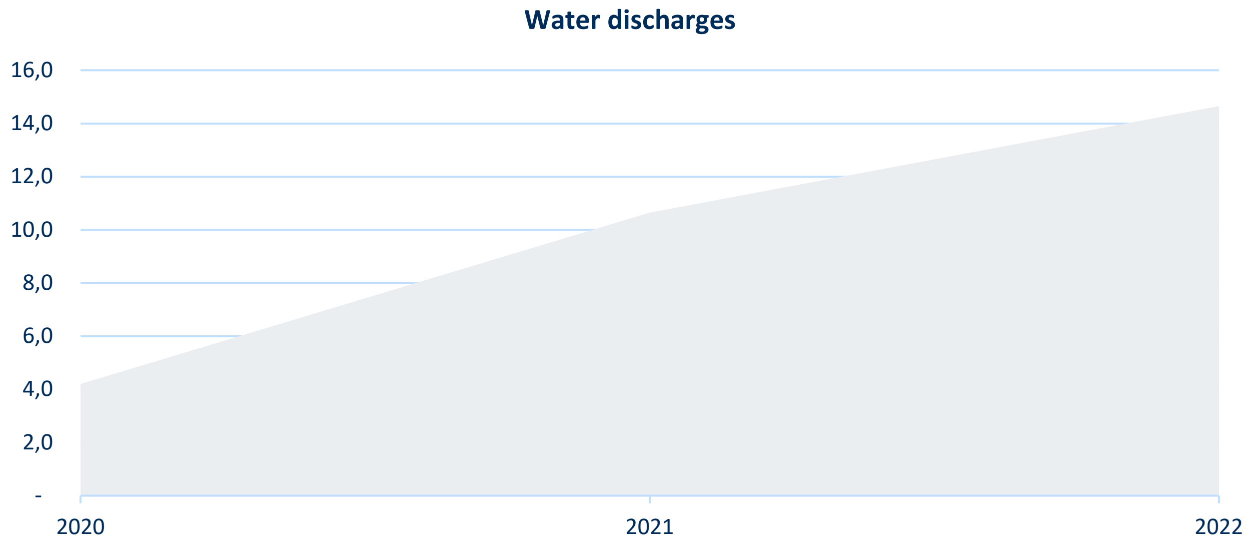
Moreover, to reduce the quantity and prevent discharges into soil or into ditches (after suitable treatment), a complex system has been installed for the collection, recirculation and treatment of water from washing and condensation in order to reuse it in the production process.

Unused and untreated stormwater qualifies for direct discharge into surface bodies of water in compliance with legal requirements and without treatment.

For all other facilities, discharges are subject to a specific authorisation.

Water discharges (ML)	General Services	Track & Light Civil Works	Energy, Signalling & Telecom	Heavy Civil Works	Rail Grinding & Diagnostics	Railway Machines	Railway Materials	Engineering	Total (ML)
Seawater									-
Produced water									-
Surface water									-
Groundwater (wells)	0.25					2.22	-		2.47
Third-party water	4.99	3.07	0.01	2.04		1.37	-	0.70	12.18
Total	**5.24**	**3.07**	**0.01**	**2.04**		**3.59**		**0.70**	**14.65**

Water discharges	2020	2021	2022
Total water discharges (ML)	4.2	10.6	14.7



Water consumption

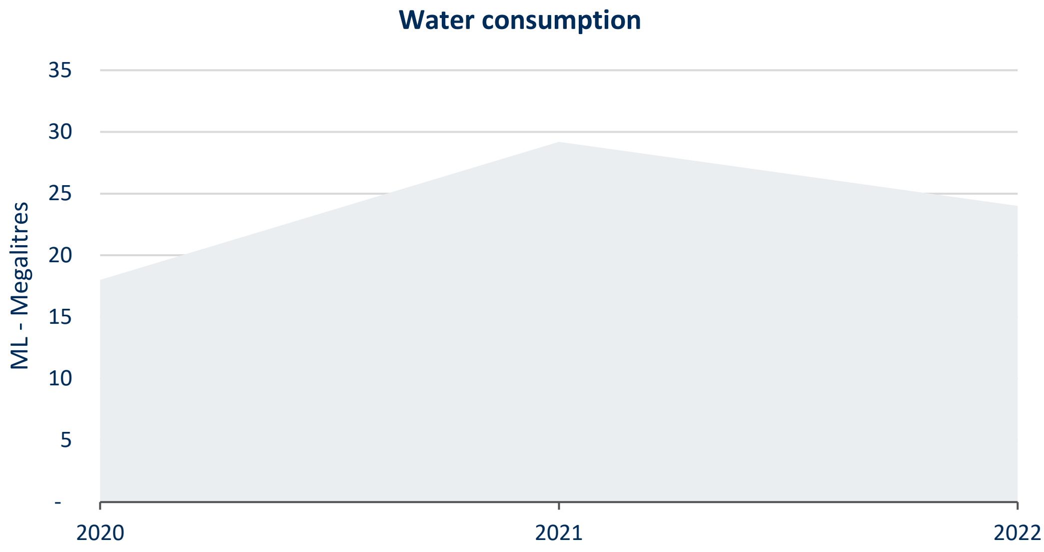
Water consumption is mainly due to the production activities of the Track & Light Civil Works, Energy, Signalling & Telecommunication, Heavy Civil Works and Railway Materials business units.

In the first three business units, water consumption mainly relates to all activities connected to the civil works carried out during works on railway infrastructure, such as the construction of foundations, retaining walls, pavements, etc..

For the Railway Materials business unit, consumption is generated by the activities carried out at the Overail facility, which mainly requires water in the production processes as water is an ingredient in cement mixing.

Also due to the fact that Overail produces only for acquired contracts and never for warehousing, it is not possible to forecast its fixed annual water consumption. Rather, the actual amount is determined by reading the flow meter and measuring the water pumped from the well via the electric pump in the well. The quantities withdrawn are subject to annual reporting, in accordance with the requirements of the relevant regional authority. The quantitative controls are joined by qualitative controls carried out by an external laboratory based on that stated in the annual self-monitoring plan.

Water consumption	2020	2021	2022
Total water consumption (ML)	18	29	24



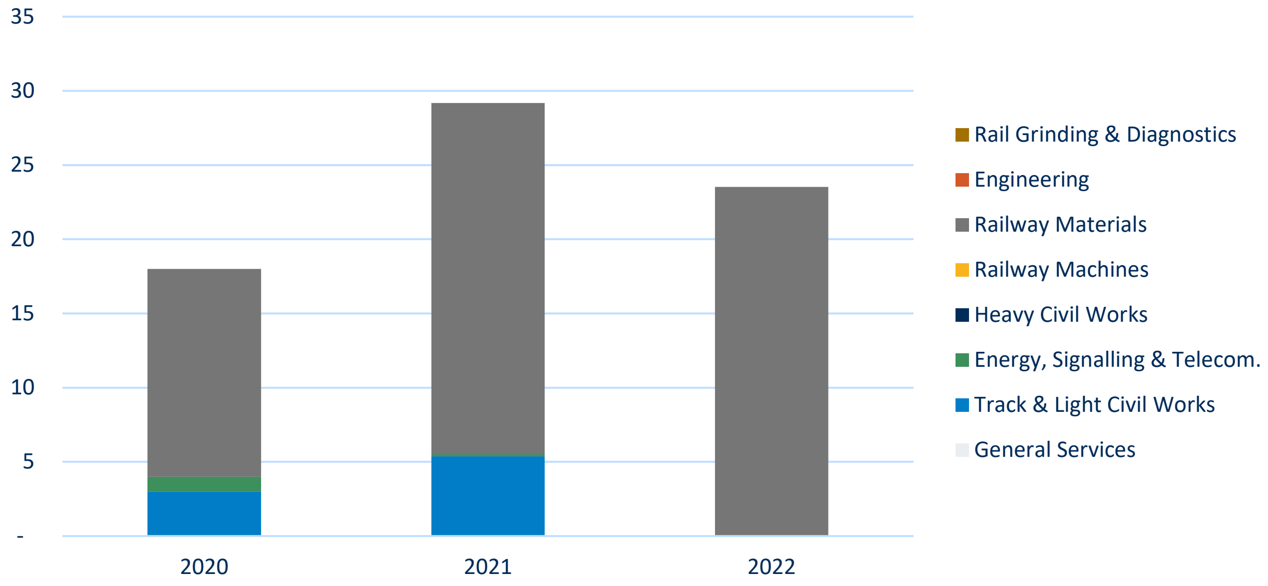
Water consumption by business unit

A breakdown follows of water consumption by business unit. The Railway Materials business unit accounts for 100% of this indicator in 2022 (around 83% of the total for 2021).

Consumption is expressed in megalitres.

Year	General Services	Track & Light Civil Works	Energy, Signalling & Telecom	Rail Grinding & Diagnostics	Heavy Civil Works	Railway Machines	Railway Materials	Engineering	Total (ML)
2020	-	3	1	-	-	-	14	-	**18**
2021	-	5	0	-	-	-	24	-	**29**
2022	-	-	-	-	-	-	24	-	**24**

Water consumption by business unit



Energy, emissions and climate change

GRI STANDARDS	2-4 Restatements of information 3-3 Management of material topics 302-1 Energy consumption within the organization 302-3 Energy intensity 302-4 Reduction of energy consumption 305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-4 GHG emissions intensity 305-7 Nitrogen oxide (NOx), sulfur oxides (SOx) and other significant air emissions

The European Union and TCFD recommendations

This section reports the disclosure on climate change, based on the framework recommended by the TCFD - Task Force on Climate-related Financial Disclosures - of the Financial Stability Board. The disclosure makes reference to the Communication from the European Commission Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C/209/01). This Communication, which supplements the guidelines issued by the Commission on non-financial reporting pursuant to Directive 2014/95/EU, contains (non-binding) guidance on the climate-change information to be provided by companies.

Governance

Salcef's governance system is described in the previous chapter 2.2 Governance and sustainability, to which reference should be made. In this system, a particularly important role is played by the Audit and risk committee, which supports the board of directors in assessments and decision-making with regards to risk management and the internal control system, with a view to ensuring business operations oriented to maximise the group's value and sustainable development.

The Audit and risk committee gives its opinion annually on the adequacy and effectiveness of the safeguards and instruments adopted by the group for the identification, measurement, management and monitoring of the main risks that could compromise the group's ability to implement strategies and achieve its objectives.

The assessments and decisions related to environmental risks, which include those related to climate change, are therefore subject to processes involving an adequate level of attention.

The main operating instruments are a) the ESG policy; b) the Integrated quality, health and safety and environmental policy; b) the ISO 14001:2015 management system; c) Coget Impianti's 50001 energy management system; d) the ERM model.

Strategies: the industry, climate change and the role of Salcef

As already discussed in paragraph 2.1 Business model and strategy / Sustainable mobility / Salcef's commitment, the transport sector is undergoing a radical transformation towards a more intelligent, cleaner and more inclusive mobility system. One of the key drivers of this transformation is climate change, in the two dimensions of: a) mitigation of climate change, thanks to a system that encourages public transport (especially rail) and the decrease in the dependence on fossil fuels, thus reducing emissions, and; b) adaptation to the climate change underway, by bolstering the infrastructures of systems vulnerable to the effects of climate change (extreme weather events and natural disasters).

Salcef plays an active role and is an enabler in this transformation process, providing support and assistance with its services and products through its business units in the respective operating segments.

The need for companies to respond to climate change is confirmed within Salcef's organisation: the Integrated quality, health and safety and environmental policy and the actions implemented for the responsible use of resources have this objective, which includes the reduction of directly generated emissions.

At present, Salcef has not developed specific medium to long-term scenarios of resilience and the financial impacts of an increase of 2°C or less and of more than 2°C (20).

Risk management

Issues related to climate change risk were a focus of Salcef Group's enterprise risk management modelling and 2022 risk assessment activities. Risks were analysed on the following basis: *business continuity*, in relation to the safeguarding of structures and infrastructures in the event of natural disasters or external events in general; *competitive context*, monitoring sector regulatory changes in general, including as relates to climate change; *environmental*, as regards responsibility for environmental pollution; *country risk*, as relates to the monitoring of risks associated with the solvency of customers in relation to changes in macroeconomic and/or geopolitical scenarios. Two quantitative measurement tools (key risk indicators) were also developed for the environmental and country risk categories.

Risks and opportunities

As part of its enterprise risk management activities, Salcef has identified the following risks and opportunities linked to the potential effects of climate change. Specific business cases/sensitivity analyses have not yet been developed for these risks.

Risks - Transition risks	Impacts and management
Legislative and regulatory risks	Material impacts: possible limitations on group activities/operations; exposure to potential liabilities for penalties and/or sanctions. Risk management: monitoring of changes in the reference regulatory framework in the group's markets
Procurement risks for raw materials/energy	Material impacts: shortages of materials; negative economic performance; delays/interruptions to production cycles. Management method: strategies based on the close monitoring of market trends, the expansion of the supply chain, and tailoring contracts to include clauses to mitigate these risks (i.e., raw materials price escalation). With reference to its operations, Salcef pursues a strategy of reducing its reliance on external supplies of electricity by installing photovoltaic plants.
Technological risks	Material impacts: technological obsolescence; physical deterioration of group assets. Management approach: adoption of robust investment plans in rolling stock, in order to avoid technological obsolescence. Significant technological advances are not expected in this sector in the medium term, so investments and regulations are aimed at progressive efficiency in terms of consumption and the consequent reduction in polluting atmospheric emissions.
Reputational risks	Material impacts: deterioration of commercial relations with customers/strategic partners; dissemination of false or misleading information or that damages the group's impact and reputation. Management approach: strategies designed to ensure full compliance; adoption of communication strategies reflecting group values; monitoring of brand reputation in the media and in general; Enhancement of the fact that the group operates in a sector classified as green.
Risks - Physical risks	**Impacts and management**
Business continuity risks – acute risks	Material impacts: interruptions to infrastructure operation, destruction or inaccessibility of structures housing critical operating resources; unavailability of essential personnel for the functioning of group processes. Management approach: business continuity is ensured by the type of business and the related organisation of technical and human resources. The investment policy (machinery and recruitment) is able to cover key operating requirements.

Opportunities	Impacts and management
Legislative development	As an operator in the railway transport sector, the legislative development that accompanies the transformation process of the transport sector with the aims of creating a sustainable mobility system (see the Sustainability mobility section of this report) represents a significant opportunity for Salcef to expand its sphere of operations.
The market and technological development	The effects of climate change are a factor driving the expansion of sustainable mobility systems, with positive impacts for the group's business in terms of greater demand for services.

Metrics and targets

Performance – indicators and metrics

Salcef's current reporting system is based on the performance indicators and metrics of the GRI Standards. Specifically, the following are reported:

302 ENERGY

- 302-1 Energy consumption within the organization
- 302-3 Energy intensity
- 302-4 Reduction of energy consumption

305 EMISSIONS

- 305-1 Direct (Scope 1) GHG emissions
- 305-2 Energy indirect (Scope 2) GHG emissions
- 305-3 Other indirect (Scope 3) GHG emissions – partial reporting (from the 2021 NFS)
- 305-4 GHG emissions intensity
- 305-7 Nitrogen oxide (NOx), sulfur oxides (SOx) and other significant air emissions

Targets

Salcef Group has for the present defined the following targets for its organisation:

- Reduction of **energy intensity** indicators (fleet renewal and consumption efficiency).
- Increase in the **energy consumed from renewable sources** (electricity – installation of photovoltaic plants).

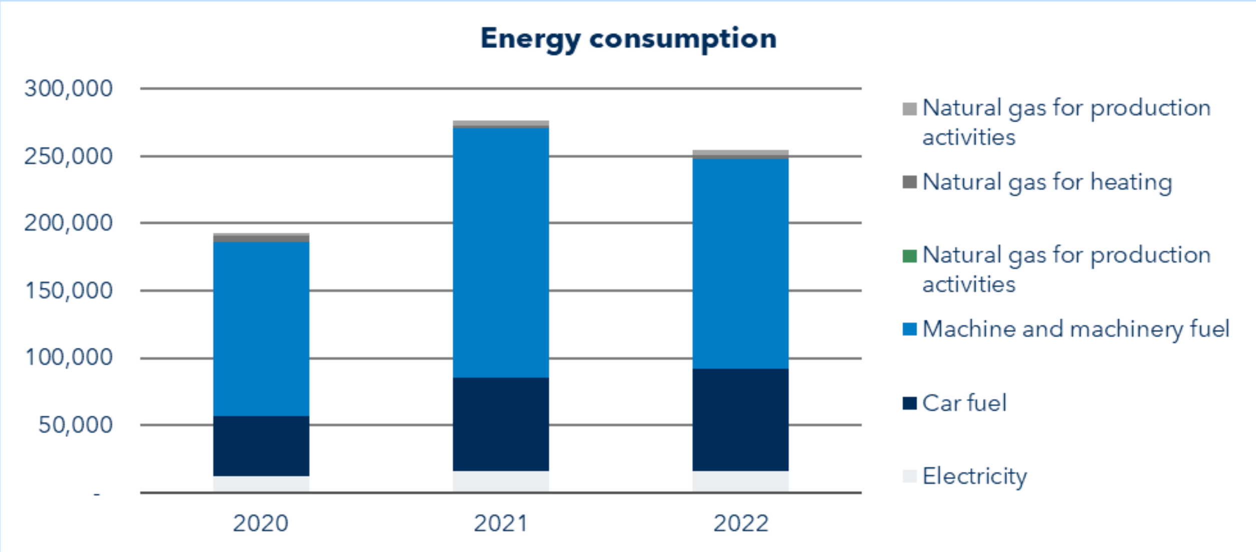
Energy consumption

The energy sources mainly used by Salcef Group are diesel at the work sites, to fuel machinery and equipment, and electricity at its facilities. The quantity of energy consumed from renewable sources has tripled over the three years.

Energy consumed (GJ)	2020	2021	2022
Electricity			
Electricity acquired	11,094	13,898	14,429
Of which, from renewable sources		*655*	*1,843*
Electricity generated by the photovoltaic plants	1,393	2,055	2,077
Less energy sold to the grid	211	169	314
Total	**12,275**	**15,784**	**16,192**
Of which, from renewable sources	1,182	2,541	3,606
Car fuel			
Diesel	39,488	58,050	61,400
Petrol	5,141	11,246	15,005
LPG	2	360	18
Total	**44,631**	**69,656**	**76,423**
Machine and machinery fuel			
Diesel	129,733	184,915	155,522
Petrol		116	106
Total	**129,733**	**185,030**	**155,628**
Natural gas for heating	**4,430**	**1,803**	**2,731**
Other sources - Natural gas for production activities	**2,137**	**4,436**	**3,642**
Total energy consumption - GJ	**193,206**	**276,709**	**254,617**

Of which, from renewable sources	**1,182**	**2,541**	**3,606**

Energy consumption data are presented in gigajoules, a measurement provided for by the GRI standards, which allows for comparison. A joule is a unit of work or energy and is "*equal to the work done by a force of one newton when its point of application moves through a distance of one metre in the direction of the force; it is equivalent to the energy that is dissipated in 1 second in the form of heat*" (*Oxford Languages*).

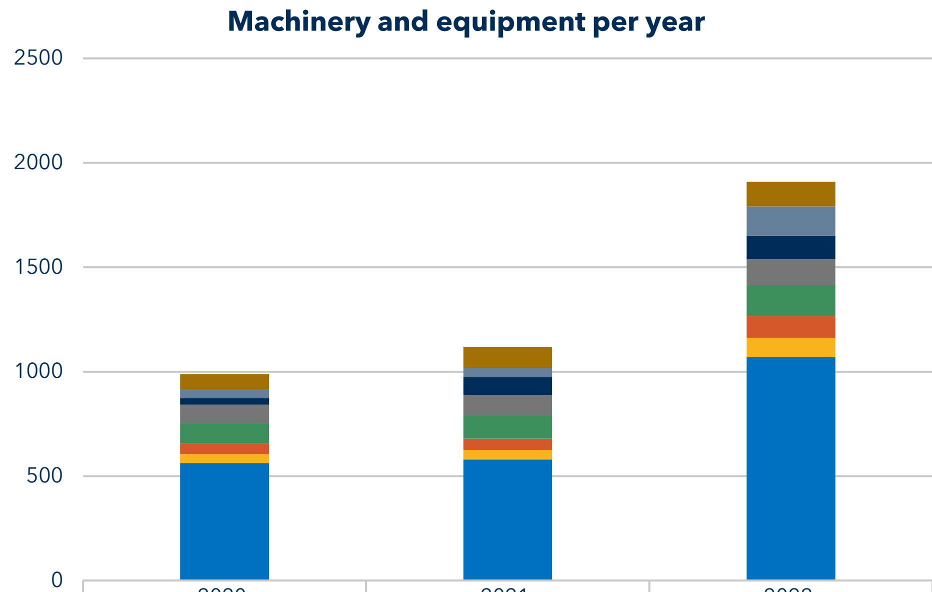


The main source of consumption, accounting for 61% – down compared to the previous year – relates to Machine and machinery fuel, as discussed in greater detail in the relevant paragraph. The Car fuel component increased to 30% in 2022 from 25% in 2021.

SALCEF GROUP'S FLEET AND MACHINERY

Salcef Group has highly specialised, highly efficient production machinery in order to carry out all manner of works on tracks, overhead contact lines, and also in its production facilities.

In its largest categories of machinery and equipment, the group went from just over 1,000 items in 2020 to around 2,000 in 2022, thereby also increasing its production capacity. The two main factors driving this growth are: the acquisition of various specialist companies over time and the unremitting commitment to innovation and investment in new machinery and technologies.

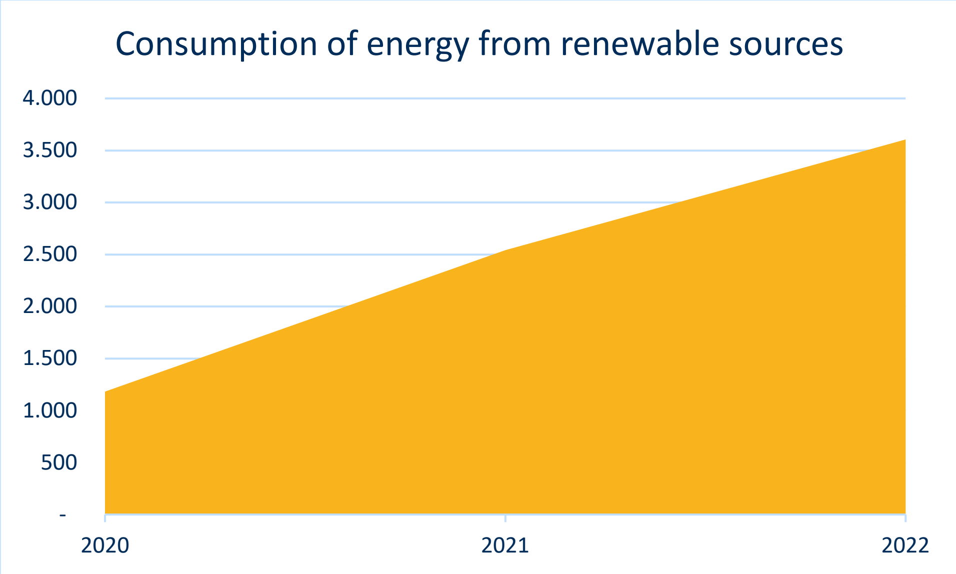


	2020	2021	2022
L - Fittings for railway wagons	72	102	118
I - Road machines	44	44	140
F - Mobile and work site equipment	31	86	113
E - Lifting equipment	88	95	122
D - Earthmoving equipment	96	113	151
C - Lifting and laying systems	53	53	103
B - Road-rail stock	42	46	92
A - Rolling Stock	563	580	1070

While electricity increased as a portion of total energy consumption compared to 2021, the share coming from renewable sources grew over the previous year. This was mainly due to the photovoltaic plants installed at the Overail and SRT facilities, and to the obtaining of guarantee of origin certificates by five group companies. Greater details are provided in the section on Electricity.

The Overail facility in Aprilia has a photovoltaic plant providing a total of 361 KWp and an estimated total production of 447 MWh/year. It generated 276.2 MWh during 2022, all of which was consumed by the facility. The energy produced by the photovoltaic plant covers 16% of the total annual energy requirements.

The SRT facility at Fano also has a photovoltaic plant comprised of 768 260W panels providing an estimated total production of 243MWh/year. It generated 216.6 MWh during 2022, 213.4 MWh of which was consumed by the facility. The energy produced by the photovoltaic plant covers 21% of the total annual energy requirements.

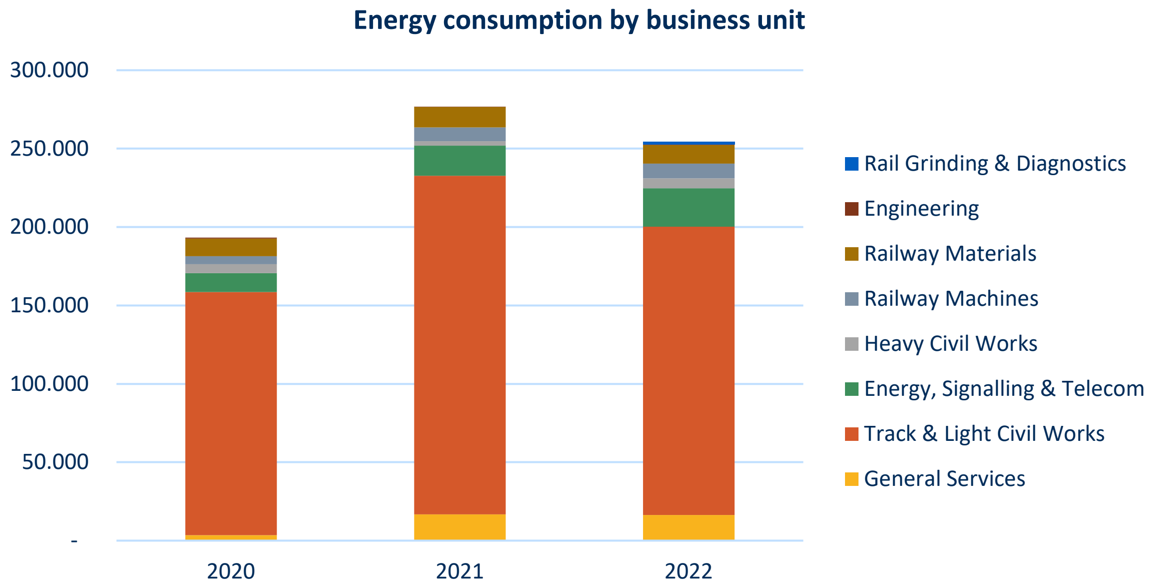


Analysing the figures by business unit shows a prevalence of the Track & Light Civil Works business unit in total energy consumption. This business unit represents the group's core business and is therefore the most active. It mainly consumes energy in the form of Machine and machinery fuel which, as already stated, is the most prevalent type of consumption.

Energy consumed (GJ)			
Total consumption by business unit	**2020**	**2021**	**2022**
General Services	3,463	16,787	16,278
Track & Light Civil Works	155,081	215,965	184,005
Energy, Signalling & Telecom	11,980	19,069	24,358
Rail Grinding & Diagnostics[1]	-	-	1,903
Heavy Civil Works	5,723	3,027	6,332
Railway machines	5,215	8,756	9,418
Railway Materials	11,210	13,070	11,877
Engineering	534	34	446
Total	**193,206**	**276,709**	**254,617**
Impact of the consumption of the Track & Light Civil Works business unit	80%	78%	72%

[1] 2020 and 2021 consumption is included in the Track & Light Civil Works business unit

Salcef Group has set clear objectives and strategies to reduced consumption as described in the Energy consumption and reduction targets and projects paragraph.

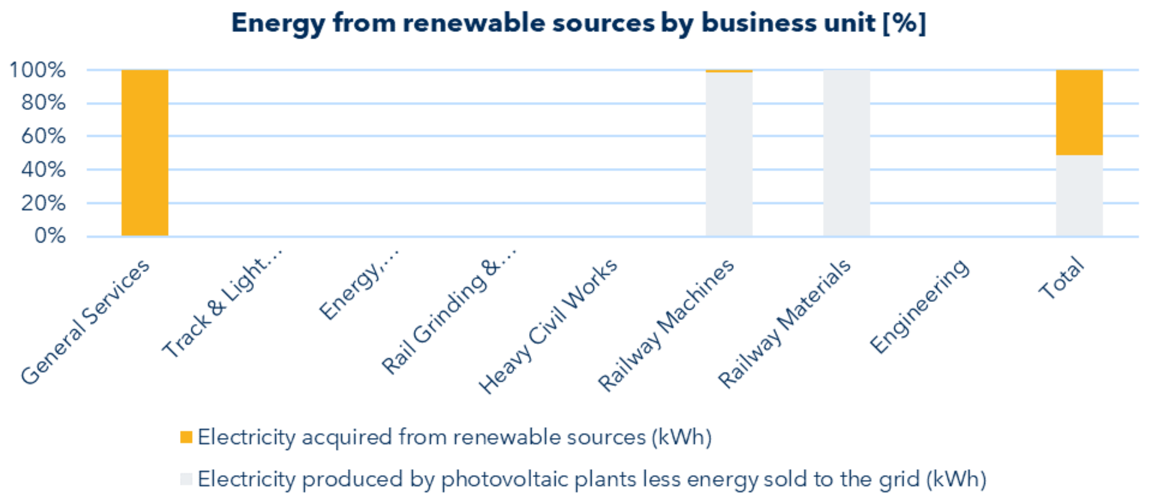


Electricity

Electricity is mainly used to fuel the equipment and systems at the production facilities and office utilities.

Electricity consumption of 2022 remained essentially in line with 2021 levels, with a greater use of energy from renewable sources, particularly for the energy acquired – 13% of which is guarantees of origin certified – and in internally-produced energy from the photovoltaic plants at the Overail and SRT facilities. The portion of electricity from renewable sources thus accounted for 23% of the total in 2022, a significant increase on the 16% in 2021.

Electricity	Unit	2020	2021	2022
Electricity acquired	kWh	3,081,548	3,860,569	4,008,141
Of which, from renewable sources	*kWh*		182,000	511,954
Electricity generated by the photovoltaic plants	kWh	386,973	570,865	576,911
Less energy sold to the grid	kWh	58,677	46,937	87,327
Total	**kWh**	**3,409,844**	**4,384,497**	**4,497,725**
Of which, from renewable sources	kWh	328,296	705,928	1,001,538



Car fuel

Car fuel is mainly used for the road transport of people and freight to reach the operating units and work sites. Petrol consumption rose further in 2022, with a 32.7% increase over 2021.

Car fuel	Unit	2020	2021	2022
Diesel	litres	1,116,968	1,621,515	1,708,888
Petrol	litres	163,581	348,173	461,977
LPG	litres	78	14,800	738
Total	**litres**	**1,280,627**-	**1,984,488**	**2,171,603**
Of which, from renewable sources	litres	-	-	

Machine and machinery fuel

Machine and machinery fuel is the energy type with the greatest impact on consumption. It is mainly used for road and rail machines used in work sites, as well as to power work site infrastructure through generators. The main energy source used is diesel. The decrease on 2021 is mainly linked to the completion of a project abroad which, due to operating requirements not dependent on choices of the company, entailed the greater consumption of fuel for the same amount of production.

Machine fuel	Unit	2020	2021	2022
Diesel	litres	3,667,522	5,165,214	4,328,484
Petrol	litres		3,585	3,262
Total	**litres**	**3,667,522**	**5,168,799**	**4,331,746**
Of which, from renewable sources	litres	-	-	-

Natural gas for heating

The consumption of natural gas for heating increased in 2022, albeit remaining far lower than 2020 levels.

Natural gas for heating	Unit	2020	2021	2022
Natural gas	scm	125,558	51,101	77,419
Total	**scm**	**125,558**	**51,101**	**77,419**

Natural gas for production activities

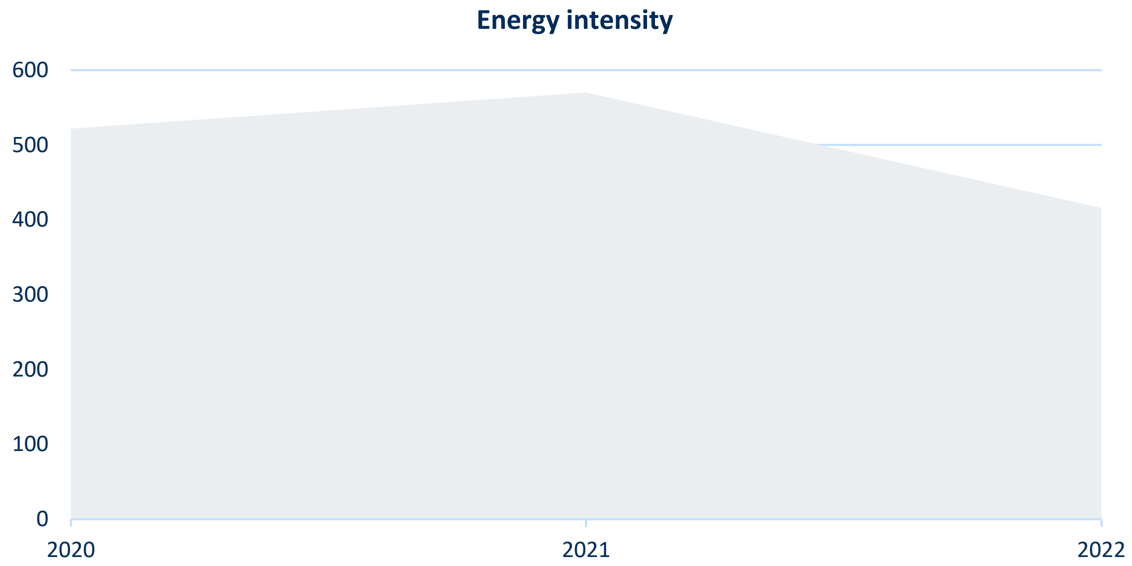
The consumption of natural gas for steam production at the Overail facility (Railway Materials business unit) and for painting activities at the SRT facility (Railway Machines business unit) was somewhat variable over the three years, with a decrease in 2022 compared to 2021.

Other sources	Unit	2020	2021	2022
Natural gas for production activities	scm	60,572	125,723	103,232
Total	**scm**	**60,572**	**125,723**	**103,232**

Energy intensity

In order to analyse the consumption intensity, consumption has been compared to the revenue of the period, expressed in millions of euros. The resulting indicator was selected to represent the energy consumption necessary to generate €1 million in revenue. This indicator is particularly effective for comparing different periods, irrespective of their related production. The revenue used for this indicator is the aggregate amount, before infragroup eliminations.

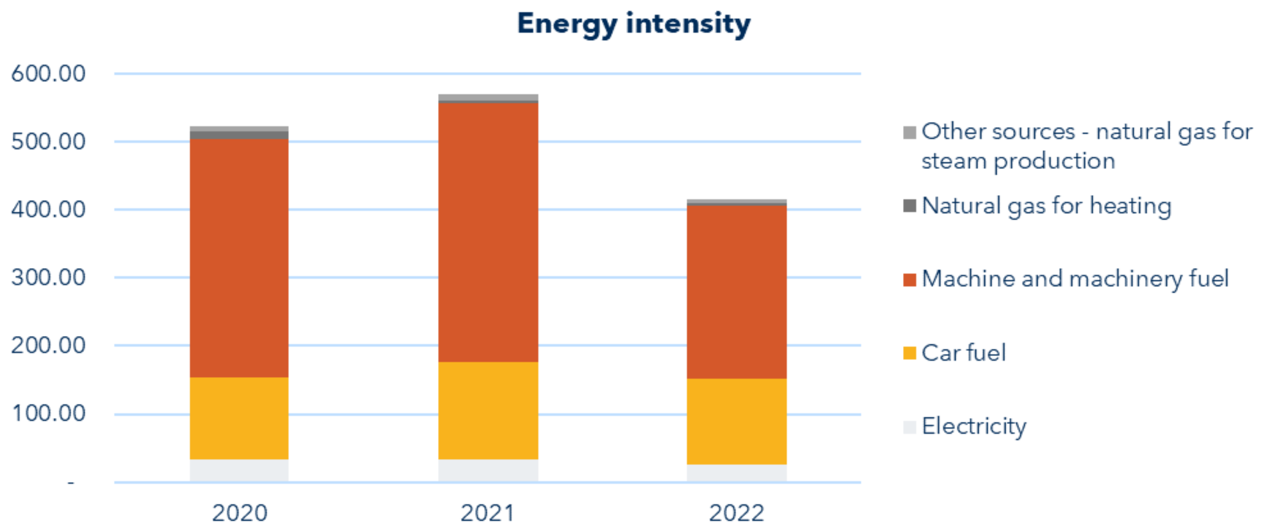
Energy intensity	Unit	2020	2021	2022
Energy consumption	GJ	193,206	276,709	254,617
Revenue	Euro	370,320,906	485,309,339	611,950,691
Intensity indicator	**GJ/€ million**	**522**	**570**	**416**



The analysis of energy consumption intensity for each type of consumption shows the prevalence of fuel, both for machines and cars. The intensity drops for the other types of consumption, except for natural gas used for heating. The greatest decreases were in the energy intensity in the consumption of electricity, fuel for machines and natural gas for steam production.

Energy intensity - GJ /€ million	2020	2021	2022
Electricity			
Electricity acquired	29.96	28.64	23.58
Of which, from renewable sources		1.35	3.01
Electricity generated by the photovoltaic plants	3.76	4.23	3.39
Of which, energy sold to the grid	0.57	0.35	0.51
Total	**33.15**	**32.52**	**26.46**
Car fuel			
Diesel	106.63	119.61	100.34
Petrol	13.88	23.17	24.52
LPG	0.01	0.74	0.03
Total	**120.52**	**143.53**	**124.88**
Machine and machinery fuel			
Diesel	350.33	381.02	254.14
Petrol		0.24	0.17
Total	**350.33**	**381.26**	**254.32**

Energy intensity - GJ /€ million	2020	2021	2022
Natural gas for heating			
Natural gas	11.96	3.71	4.46
Total	**11.96**	**3.71**	**4.46**
Other sources - Natural gas for steam production			
Natural gas	5.77	9.14	5.95
Total	**5.77**	**9.14**	**5.95**
Total energy intensity - GJ /€ million	**521.73**	**570.17**	**416.07**



Energy consumption reduction targets and projects

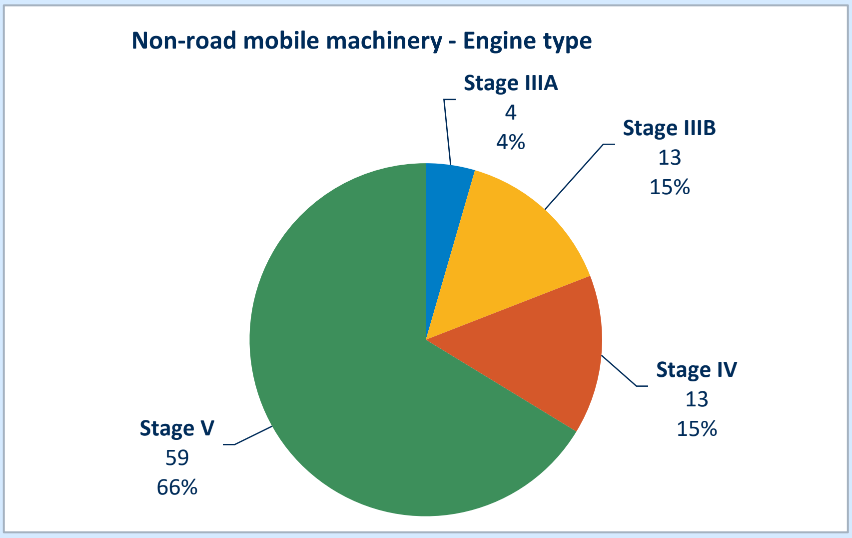
As shown by the figures, energy consumption relates for some 70% to the Track & Light Civil Works business unit and are mainly linked to Machine and machinery fuel.

Salcef Group will continue its approach to innovation, mainly linked to machinery, by investing in increasingly high-performance assets with a lower environmental impact and improving and optimising the existing ones.

ENGINE DEVELOPMENT

Salcef Group invests in the renewal, modernisation and upgrade of its fleet of machines, mainly on road and rail machinery, classed as non-road mobile machinery (NRMM). The term NRMM is used in the European standards on emissions from engines not principally used on public roads. The definition includes both off-road and railway vehicles. For details see: https://ec.europa.eu/growth/sectors/automotive/environment-protection/non-road-mobile-machinery_en

From 2018 to 2022, the investments in Industry 4.0 and innovation include 89 new non-road mobile machines (NRMM), included in the categories of rolling stock, road-rail stock, fittings for railway wagons, earthmoving equipment and some lifting equipment; these are all equipped with Stage IIIB and Stage V engines and, comparing them with the obsolete machines they replace, offer significant benefits in terms of consumption and atmospheric emissions.



The efficiency and improvement of the machine fleet includes the renovation and upgrade of the existing assets and Salcef Group has various programs to modernise its older machines. This include updating the original engines with new, more efficient and low consumption engines to improve environmental performance and extend the life cycle of the machinery.

Moreover, as regards electricity, Overail's photovoltaic plant will be expanded to increase its production capacity, new photovoltaic plants will be installed in other locations for the internal use of the electricity generated, and supply contracts with guarantee of origin certificates will be expanded.

SALCEF GROUP'S NEW HEADQUARTERS

Salcef Group's Rome headquarters were renovated in 2022.

The energy efficiency of the facility, which has a covered surface area of 8,300 m2 and more than 9,000 m2 uncovered, was a major focus. The energy efficiency class went from F to A2 at the conclusion of the works, thanks to the adoption of technological solutions aimed at energy saving and the reduction of the environmental impact, such as:

- **External insulation** with panels in expanded polystyrene (EPS). More than 10% of the weight of each panel is recycled EPS and the panels are produced without the use of banned flame retardants or expanding agents with an ozone depletion potential above zero.
- **Installation and waterproofing of flat roofing** of decks and roofs with insulation panels in polyurethane foam with overlapping sheaths, with a second slate roofing sheath in Mineral Reflex White on the roofs, which increases solar reflectance of the roof surface area, enabling a reduction in temperature and energy savings on air conditioning in the premises below.
- **Aluminium thermal-break window fixtures and low emissivity glass**
- **LED lighting**. Internal lighting is automatically controlled using sensors that turn on lights only when people are present and the intensity of which depends on the light coming from outside. External lighting automatically turns on and off depending on the natural light level, turning on at twilight and turning off at first light.
- **Underground activated sludge wastewater treatment plant** with four purification stages ensuring total oxidation purification.
- **Photovoltaic plant**, comprising 306 microcrystalline type modules for a total of 122.4 kWp, able to produce around 187,000 kWh annually.
- **Electric car and bike charging stations** in the appropriate locations.
- **Green area irrigation system** connected to a rainwater collection tank.

Direct and indirect emissions: GHG Scope 1 - Scope 2

The emissions figures are reported in tonnes of carbon dioxide equivalent (tCO_2e) and refer to direct emissions (Scope 1 GHG - Greenhouse gases), together with the indirect emissions related to the consumption of electricity from the grid (Scope 2 GHG).

The group agreed specific supply contracts with guarantees of origin certificates in 2022, an electronic certification that attests to the renewable original of the sources used for the production of electricity. Net of these contracts, the indirect emissions from electricity consumption (Scope 2 GHG) were calculated using both a location-based approach and a market-based approach.

- Under the **location-based** method, the emissions deriving from electricity consumption are recorded applying national average emission factors for the production of electricity.
- The **market-based** method requires the calculation of Scope 2 GHG generated by the purchase of electricity based on the specific emission factors communicated by the suppliers. For purchases of electricity from renewable sources, a zero tCO_2e emission factor is applied. If there are no specific contractual agreements, this method requires the use of national residual mix emission factors, where technically applicable.

The emissions reported in the following tables for 2021 and 2020 differ from those disclosed in previous editions of the Sustainability report. The reason is because of the continuous updating of the emission factors in the relevant databases.

Emissions / tCO_2e - Scope 1 GHG	2020	2021	2022
tCO_2e			
Car fuel			
Diesel	2,844	4,074	**4,371**
Petrol	355	764	**999**
LPG	-	23	**1**
Total car fuel	**3,197**	**4,861**	**5,371**
Machine and machinery fuel			
Diesel	9,338	12,977	**11,072**
Petrol		8	**7**
Total machine and machinery fuel	**9,338**	**12,985**	**11,079**
Natural gas for heating			
Natural gas	249	101	**154**
Other sources - Natural gas for production activities	120	249	**205**
Total - Scope 1 emissions	**12,906**	**18,196**	**16,808**

Sources

Italian Ministry for the Environment - national emissions calculation table EU ETS - Italia: News (minambiente.it) .
Fuels and other emissions sources – DEFRA UK - Greenhouse gas reporting: conversion factors 2022 - GOV.UK (www.gov.uk)

The decrease in direct emissions compared to 2021 is mainly due to the completion of a project abroad which entailed the movement of machinery over long distances. Like for consumption, Machine and machinery fuel and Car fuel are the categories with the greatest impact.

Emissions / tCO_2e - Scope 2 GHG **tCO_2e - Location-based method**	**2020**	**2021**	**2022**
Electricity acquired	867	1,138	1,254

Sources

Italy, Austria, Croatia, Germany, Poland and Romania - ISPRA - Ministry for the Environment - ISPRA Efficiency & decarbonization indicators ITA Europe 366-2022 Tab A 2 20 – Emission factors in the electricity sector for electricity production.

UK - DEFRA (UK Department on Environment) - Greenhouse gas reporting: conversion factors 2022.

USA - US EPA - Summary Data – Released 1/30/2023.

Other countries (Saudi Arabia, Australia, Canada, Egypt, United Arab Emirates, United States and Switzerland) - CARBON FOOTPRINT - COUNTRY SPECIFIC ELECTRICITY GRID GREENHOUSE GAS EMISSION FACTORS – Last Updated: March 2022 - Climate Transparency - The Climate Transparency Report 2022.

Emissions / tCO_2e - Scope 2 GHG **tCO_2e - Market-based method**	**2020**	**2021**	**2022**
Electricity acquired	1,419	1,687	1,591

Compared to 2021, the Scope 2 emissions were substantially unchanged in 2022 for both calculation methods.

Sources

Italy, Austria, Croatia, Germany, Poland and Romania - ISPRA - Ministry for the Environment - ISPRA Efficiency & decarbonization indicators ITA Europe 366-2022 Tab A 2 20 – Emission factors in the electricity sector for electricity production.

UK - DEFRA (UK Department on Environment) - Greenhouse gas reporting: conversion factors 2022.

USA - US EPA - Summary Data – Released 1/30/2023.

Other countries (Saudi Arabia, Australia, Canada, Egypt, United Arab Emirates, United States and Switzerland) - CARBON FOOTPRINT - COUNTRY SPECIFIC ELECTRICITY GRID GREENHOUSE GAS EMISSION FACTORS – Last Updated: March 2022 - Climate Transparency - The Climate Transparency Report 2022.

The 2020 and 2021 emissions data were recalculated based on the emission factors for the relevant periods.

For the indirect emissions, it should be noted that the final figure is significantly impacted by the emission factors applied by the relevant country and, therefore, nations with a more polluting energy production mix (e.g., Saudi Arabia, Poland and the USA) have higher emission factors. In any case, the aim is to encourage consumption from renewable sources so as to reduce emissions.

Emissions / CO_2 - Scope 1 GHG + Scope 2 GHG Location-based method **tCO_2e**	**2020**	**2021**	**2022**
Total GHG Scope 1 emissions (direct)	12,906	18,196	16,808
Total GHG Scope 2 emissions (indirect)	867	1,138	1,254
Total Scope 1 / Scope 2 GHG emissions	13,773	19,334	18,062

Emissions / CO_2 - Scope 1 GHG + Scope 2 GHG Market-based method **tCO_2e**	**2020**	**2021**	**2022**
Total GHG Scope 1 emissions (direct)	12,906	18,196	16,808
Total GHG Scope 2 emissions (indirect)	1,419	1,687	1,591
Total Scope 1 / Scope 2 GHG emissions	14,324	19,883	18,336

For the purposes of the calculation of the Emissions intensity indicators, reference was made to the results obtained using the location-based method for the Scope 2 emissions, as it is more representative of the current electricity purchase profile.

Logistics - transport system emissions (Scope 3 GHG)

With effect from 2021, Salcef's improvement process for sustainability performance reporting has seen the inclusion of emissions generated by the transport system.

The analyses related only to the Italian companies and the commercial branches reporting to Salcef Group S.p.A. and Salcef S.p.A.. The following movements by road, air and sea were mapped:

- Transport of machinery to the production units
- Transport of materials to the production units
- Transport of waste for disposal
- Transport of finished products to customers

It therefore excludes transport included in the supply cost, shipments of less than 50kg delivered via courier and transport carried out directly by the group companies (the related emissions are included in Scope 1).

The process involved an estimate of the GHG emissions (greenhouse gases: CO_2 carbon dioxide and other greenhouse gases) for 2021, as the first reporting period and the baseline.

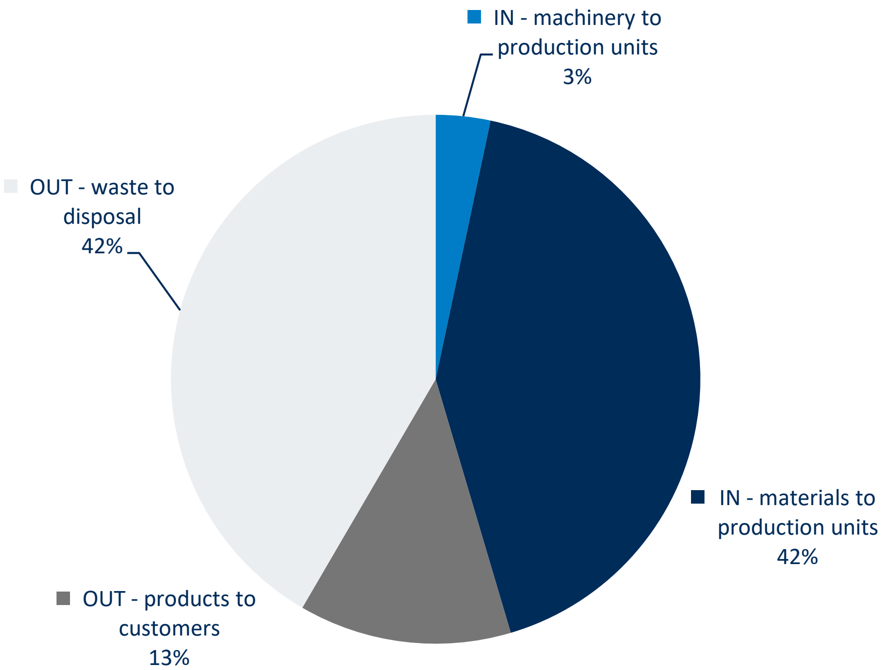
The EcoTransIT World tool was used for the reporting, using the following method:

- Actual distance in kilometres (detailed database of the routes)
- Wheel-to-wheel

77% of the total kilometres travelled by road transport vehicles related to routes of less than 100 kilometres. Salcef Group's purchasing policy encourages the use of local suppliers, thereby limiting the impact of the environmental costs generated by transport emissions.

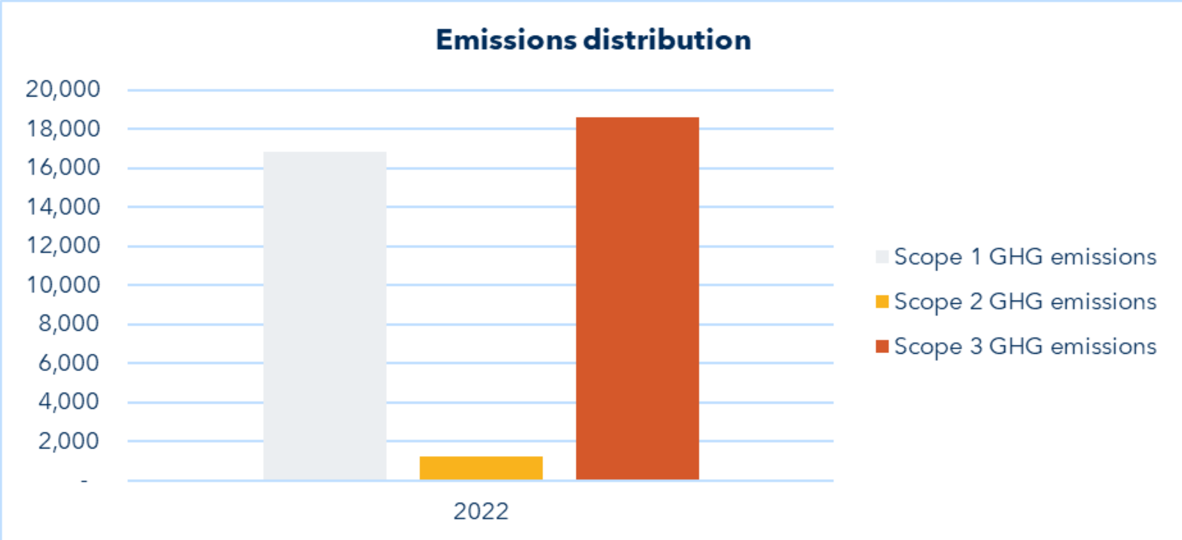
Other indirect emissions (Scope 3 GHG) – Transport activities **tCO_2e**	**2021**	**2022**
IN - machinery to production units	585	618
IN - materials to production units	7,453	7,819
OUT - products to customers	2,719	2,412
OUT - waste to disposal	5,119	7,727
TOTAL	**15,877**	**18,576**

Total annual emissions of CO_2 - GHG (WTW) by usage [t]



The Scope 1, Scope 2 and Scope 3 emissions for 2021 and 2022 are summarised below:

Emissions	Unit	2021	2022
Scope 1 emissions	tCO_2e	18,196	16,808
Scope 2 emissions - Location-based method	tCO_2e	1,138	1,254
Scope 3 emissions	tCO_2e	15,877	18,576

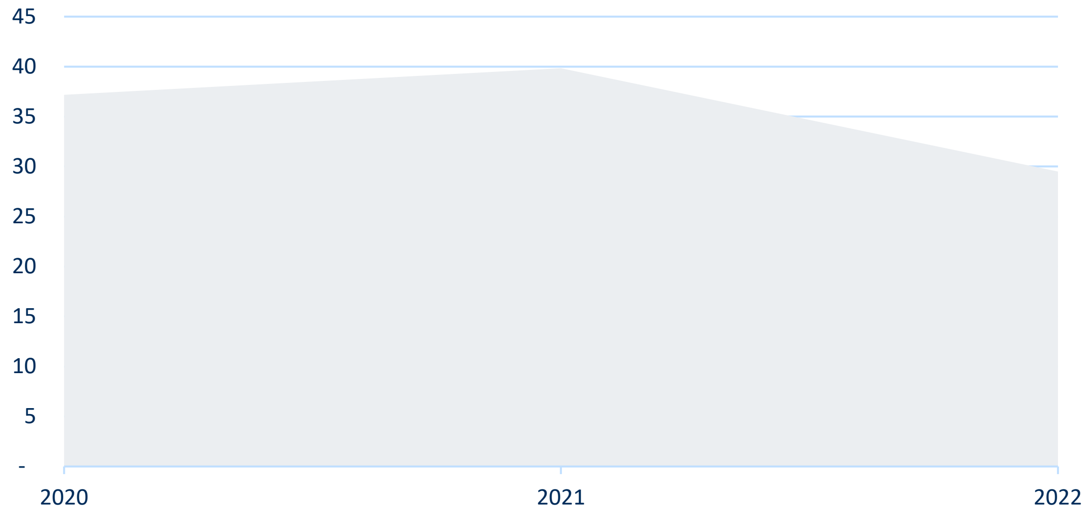


Emissions intensity

In order to analyse the intensity of emissions, the amount of tonnes of CO_2 equivalents (tCO_2e) have been compared to the revenue of the period, expressed in millions of euros. The resulting indicator was selected to represent the quantity of emissions generated for €1 million in revenue. This indicator is particularly effective for comparing different periods, irrespective of their related production. The revenue used for this indicator is the aggregate amount, before infragroup eliminations.

Emissions intensity	Unit	2020	2021	2022
Scope 1 + Scope 2 + Scope 3 emissions	tCO_2e	-	35,211	36,638
Scope 1 + Scope 2 emissions - Location-based method	tCO_2e	13,773	19,334	18,062
Scope 3 emissions	tCO_2e	-	15,877	18,576
Revenue	Euro	370,320,906	485,309,339	611,950,691
Total intensity indicator	**tCO_2e /€ million**	**-**	**73**	**60**
Scope 1 + Scope 2 intensity indicator - Location-based method	**tCO2e /€ million**	**37**	**40**	**30**
Scope 3 intensity	**tCO2e /€ million**	**-**	**33**	**30**

Scope 1 + Scope 2 intensity indicator



Emissions intensity - Scope 2 - Location-based method	Unit	2020	2021	2022
Electricity acquired	tCO_2e /€ million	2.34	2.34	2.05

Emissions intensity - Scope 1	Unit	2020	2021	2022
Car fuel				
Diesel	tCO_2e /€ million	7.68	8.39	7.14
Petrol	tCO_2e /€ million	0.96	1.57	1.63
LPG	tCO_2e /€ million	0.00	0.05	0.00
Total	**tCO_2e /€ million**	**8.63**	**10.02**	8.78
Machine fuel				
Diesel	tCO_2e /€ million	25.21	26.74	18.09
Petrol	tCO_2e /€ million		0.02	0.01
Total	**tCO_2e /€ million**	**25.21**	**26.76**	18.10
Natural gas for heating				
Natural gas	tCO_2e /€ million	0.67	0.21	0.25
Total	**tCOe /€ million**	**0.67**	**0.21**	0.25

Emissions intensity - Scope 1	Unit	2020	2021	2022
Other sources - Natural gas for production activities				
Natural gas	tCO_2e /€ million	0.32	0.51	0.33
Total	**tCO_2e /€ million**	**0.32**	**0.51**	0.33
Total - Scope 1 emissions intensity	**tCO_2e /€ million**	**34.85**	**37.49**	**27.47**

Other emissions

In addition to the emissions reported in the previous paragraphs, Salcef Group, specifically, SRT S.r.l. and Overail S.r.l., periodically measure the other emissions related to production activities, as required by the Single environmental authorisations in force.

The following table summarises the amounts of these emissions for 2022.

Emission	Total emissions [kg/year]
Overail S.r.l. – Railway Materials business unit	
Carbon monoxide	353.64
Total particles	3.18
Nitrogen oxide	462.34
SRT S.r.l. – Railway Machines business unit	
Particulate matter	47.64
Volatile organic substances	2,994.60
Inorganic dust	0.01

These emissions are subject to periodic controls by specialised third-party companies, as defined in the Single environmental authorisation and the requirements are met in full.

Waste generation and management

GRI STANDARDS	3-3 Management of material topics 306-1 Waste generation and significant waste-related impacts 306-2 Management of significant waste-related impacts 306-3 Waste generated 306-4 Waste diverted from disposal 306-5 Waste directed to disposal

Waste generation

The importance of environmental protection to the group is seen in its commitment to waste management.

The waste generated by the group comes from the following activities:

- Administrative and office activities;
- Production activities (carried out in the production units located at construction sites or in the production facilities).

Office waste, which is treated as urban waste, is subject to ordinary management in accordance with the rules defined by the relevant municipality. Waste from the production cycle is managed in accordance with national legislation and group regulations. The latter category is of the greatest focus for the organisation, to ensure production activities have the lowest possible environmental impact.

The potential environmental impacts vary depending on the type of production activities carried out, whether they relate to the construction of new railway infrastructure or the maintenance of existing infrastructures, the production of railway materials or the construction and maintenance of railway machinery. All activities are carried out in such a way as to prevent or mitigate the generation of negative impacts.

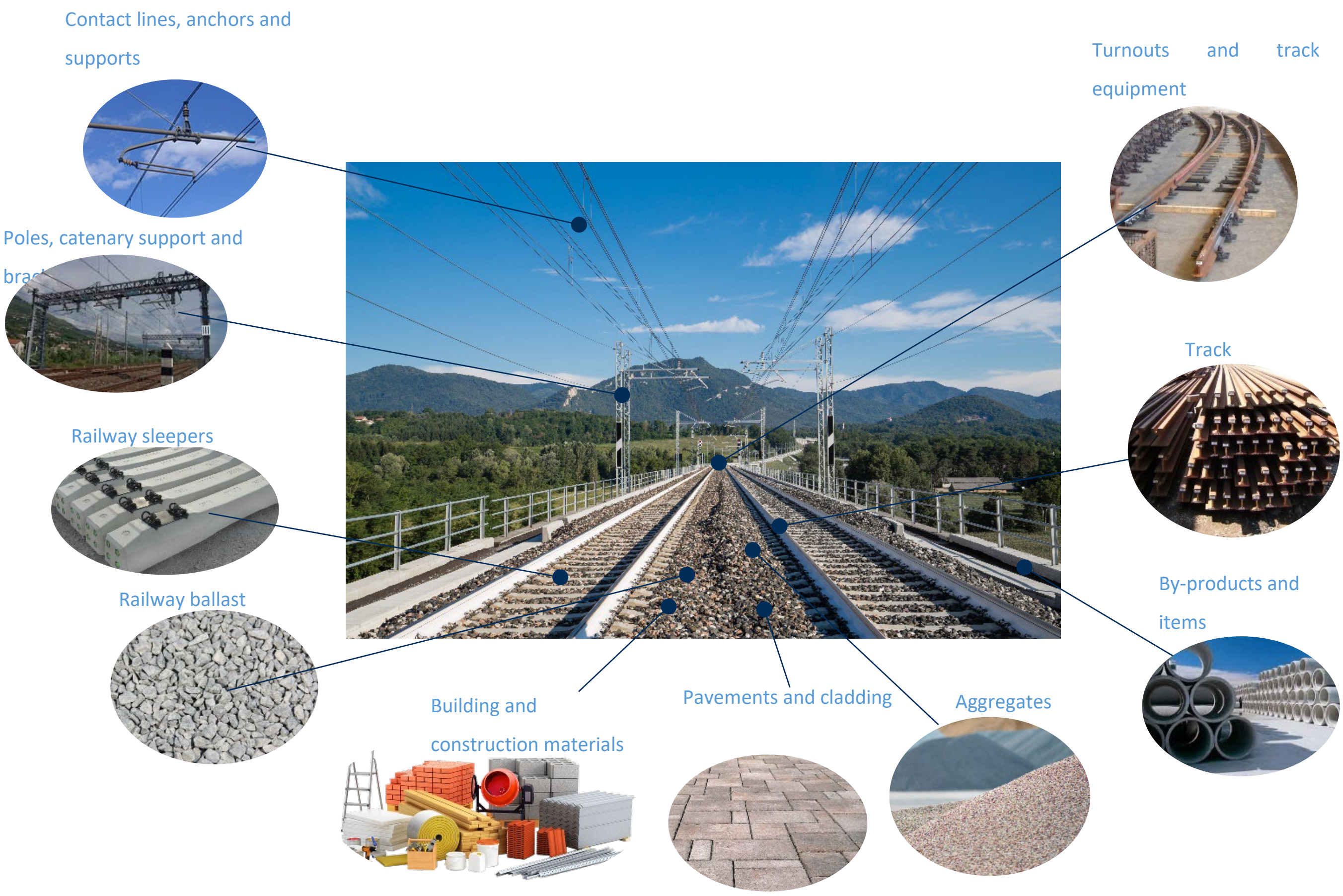
The waste generation process is analysed below for the business units (three macro-groups).

Railway infrastructure works

This includes the activities of the Track & Light Civil Works, Energy, Signalling & Telecommunication, Heavy Civil Works and Engineering business units.

The maintenance of railway infrastructure and the construction of new works requires the use of significant quantities of construction materials and the production of demolition materials, mainly excavated earth or rocks or railway ballast removed. To ensure the proper management of natural resources, a management system has been drawn up for such materials which provides for their reuse in the design to executive stages, where possible and in compliance with safety standards. This system provides for the reuse of the materials to reduce procurement upstream and the production of waste downstream. Materials are only managed as waste where they do not meet the characteristics to be treated as goods or by-products.

The materials used in this activity are shown in the following image and described below.



- **Railway ballast,** used to form the track bed, is comprised of material obtained from the crushing or rock and must meet requirements of hardness, resistance and composition, as well as the customer's specifications in order to be used. On completion of maintenance activities, the removed ballast is taken to screening and washing facilities, which transforms it into recycled material to be used in building and construction works. Particular importance is given to sampling and analysis activities before infrastructure maintenance works (including a check for the presence of traces of asbestos over a certain limit and consequent asbestos removal and disposal works).
- **Tracks**, **turnouts** and **other track equipment**, such as **poles**, **catenary support**, **brackets**, the **contact line** and **anchors**, specialised products for railway infrastructure, are normally in steel or other metals, in compliance with the relevant standards and are generally validated by the customer. When these materials are replaced during maintenance activities, they are returned to the customer for reuse as by-products, or recycled. During the construction and maintenance of poles, catenary support and masts, excavation activities generate excavated earth and rock, as does the demolition

of the concrete foundations. In both cases, the resulting material is either reused on-site or taken to authorised centres for recovery.

- **Railway sleepers** are generally in pre-stressed reinforced concrete and are produced by specialised companies. Details of the upstream materials and processes and the downstream value chain are available in Production of railway materials. Like all the main materials making up the railway infrastructure, the sleepers meet specific technical standards and are validated by the customer. At the end of their life, railway sleepers are replaced during maintenance activities on the infrastructure and their rail fastening systems are removed and generally returned to the customer. The sleepers are taken to recycling centres where they are crushed and transformed into recycled materials used in building and construction works. Railway sleepers may also be in timber but these are used in very few cases and geographical areas. Timber sleepers on old tracks are quite often replaced with pre-stressed reinforced concrete ones. The important factor is the disposal of the timber sleepers, which are primed with creosote oil and therefore constitute hazardous waste, requiring specific procedures for their disposal.
- Various types of **aggregates** are used and sometimes originate from recycling, where their characteristics allow. At the end of their life, aggregates are taken to specialised recovery centres where they are prepared as a material that can be reused in the construction sector.
- **Building and construction materials** and **by-products** and **items** are a very wide category encompassing various types of materials. They are mainly comprised of materials in concrete, iron, PVC and plastic materials obtained through industrial processes and laid during construction activities. During maintenance/renewal, the obsolete materials are removed using demolition processes and sent to specialised recycling centres.
- The **pavements** and **cladding** category is very broad and includes all materials used as cladding both for vertical and horizontal surfaces. The main materials used are: ceramic, stone or similar tiles, rubber, asphalt and bitumen. The materials are generally acquired and installed during the works. At the end of their life, they are removed using demolition activities and taken to special recovery or authorised disposal centres.

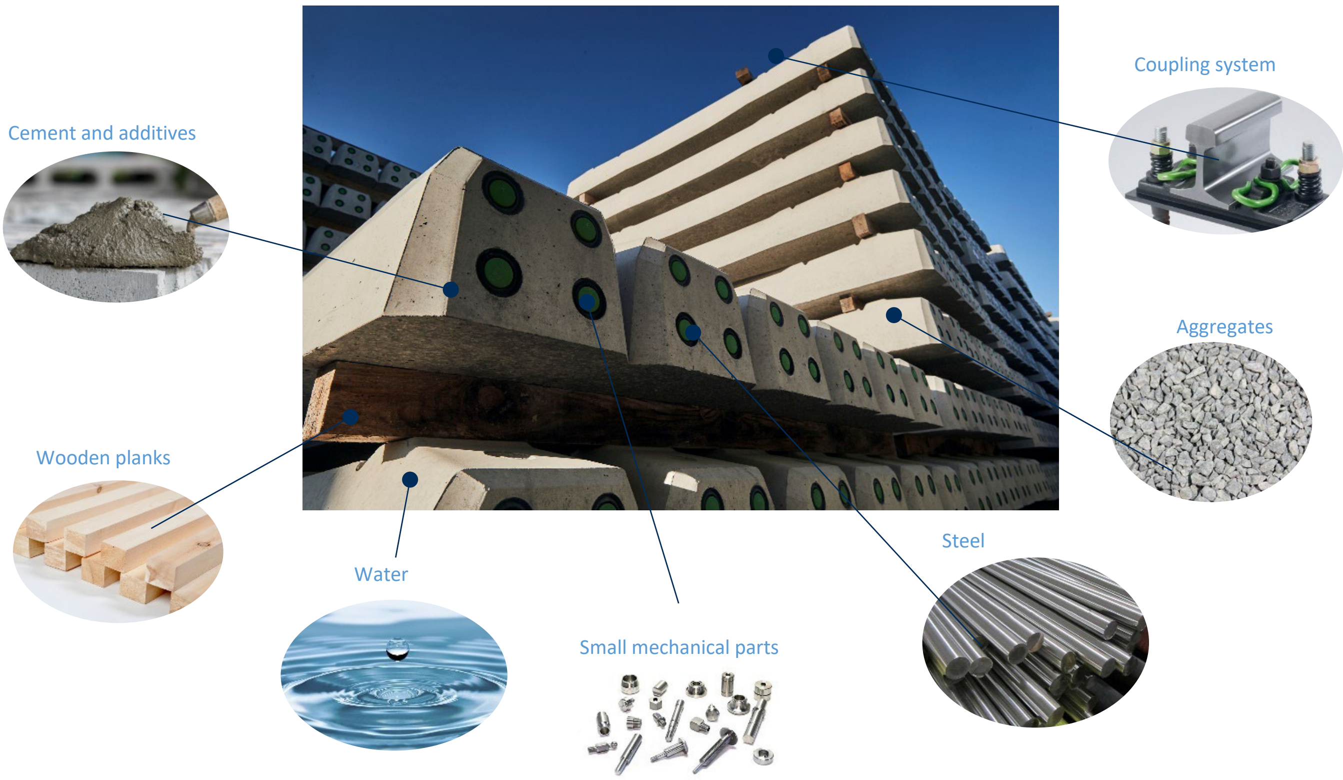
Production of railway materials

This activity relates to the Railway Materials business unit. The production activities comprise the construction, using mechanised and industrial processes, of items in pre-stressed reinforced concrete, such as railway sleepers, slabs and other solutions for permanent way systems. The products are provided to the Track & Light Civil Works business unit or to specialised external companies for installation on railway infrastructure.

The products are key elements of the railway infrastructure and are thus subject to certification in accordance with national and international legislation and the customer's technical standards. They must therefore meet certain technical specifications, which currently exclude the use of recycled or similar materials. In addition, concrete must be comprised of a specific mix of cement, additives, aggregates and water. The mix is pre-approved by the customer for the product's validation.

During the production process, the materials are mixed together in order to make the product as a single piece. At the end of their life, the products are generally sent to recovery centres for crushing and separation of the metal parts for their subsequent recycling/reuse in the building and construction sectors. These activities are carried out during the railway infrastructure maintenance works, as described in the Railway infrastructure works section.

The materials used in this activity are shown in the following image and described below.



- The **cement** and **additives** used come from chemical/industrial processes. During the production process, these materials become an integral part of the final product following the cycle described above.
- **Small mechanical parts** include all metal parts used to pre-stress steel used to make products. These materials come from steel manufacturing processes and must meet certain resistance requirements. They become an integral part of the final product during the production process.

- **Steel** is used in railway products, such as longitudinal bars and rebar cages. Steel is used in the concrete pre-stressing stage and must comply with certain mechanical strength requirements. These materials become an integral part of the final product during the production process.
- The **aggregates** used come from mining processes and must meet various requirements both in terms of strength and composition and particle size. These materials become an integral part of the final product during the production process.
- The **rail fastening system** is the device assembled on the sleeper enabling the installation and anchoring of the track. It is comprised of parts in rubber and metal parts. Part of the system is incorporated in the device during production, while the remaining part is installed during the product finishing stages. An important aspect is the mixed packaging (paper, plastic and wood). At the end of life, generally during Railway infrastructure works activities, the pre-installed parts are removed from the item and generally returned to the customer.
- **Timber planks** are used to pack the sleepers to avoid impacts and damage during transport and storage activities. At the end of their use, the planks are recovered and reused by the group for the same purpose. If they are damaged or at the end of their life, they are sent to authorised recovery centres.
- **Water** is a fundamental ingredient for the production of concrete. It is withdrawn from well and collection systems and the related qualities are detailed in the Water withdrawal, consumption and discharge section.

Construction and maintenance of railway machines

The construction and maintenance of railway machines relates to the Railway Machines business unit.

The production activities consist of building complex machinery used for the construction and maintenance of railway infrastructure (these activities relate to the Track & Light Civil Works business unit). As the machines undergo various authorisation procedures for their validation and circulation on the railway network, the materials and production processes used are also certified and qualified.

The machines are of different types and models but the materials used are generally those shown in the following image and described below.

- All **mechanical, hydraulic, oleodynamic, pneumatic, electrical** and **electronic components** are finished products supplied by external companies and subsequently assembled by the group. A significant part of the waste generated by the handling of these materials is packaging, which is generally comprised of plastic, cardboard and some wood. Packaging is generally all sent for recovery. At the end of life, the components are replaced and disposed of during maintenance/servicing activities. The metal parts are usually sent for recovery. If the parts are contaminated with pollutants (e.g., oil, lubricants and liquids), they are considered hazardous waste and disposed of in accordance with national and group regulations. This is usually the case for components of the hydraulic and oleodynamic systems and also filters and other similar parts. Otherwise, the materials are disposed of as non-hazardous special waste, maximising the diversion to recovery.
- **Sheets**, **chassis**, **metal carpentry**, **running gear** and **bogies** are produced on demand, either internally or using specialised companies. This material is usually recycled at end of life.
- **Consumables** are subject to rapid wear and tear during the operation of machinery. An example is the grinding wheel used by the rail grinders. These materials are usually specialised products for the railway industry and are disposed of in accordance with the producer's instructions at the end of their life.
- **Lubricants**, **paints** and **similar** (solvents, etc.) are products acquired from specialised suppliers. The use of paints and similar products produces hazardous waste, which is disposed of using

specialised companies. For this reason, the use of solvents to clean equipment has decreased over time, opting for the use of industrial washers that use water-based solutions. Lubricants are acquired as finished products from specialised suppliers and when they are at the end of their life due to wear and tear, they are replaced during maintenance activities and disposed of at authorised centres. Used lubricants constitute hazardous waste.

Waste management and monitoring

With a view to sustainable management, the group is committed, where possible, to:

- Reducing the consumption of materials and minimising waste
- Considering the environmental impact of the materials used at the time of their selection
- Opting for materials with higher benefits for the circular economy
- Encouraging on-site reuse

Waste generated is immediately identified and classified in line with local legislation, for instance, in the European context, it is allocated a European Waste Catalogue (EWC) code. After classification, the place and production of the waste is identified, where it will be temporarily stored. Storage takes place in designated areas and/or containers and is carried out by homogeneous category of waste, in compliance with the technical legislation and identified with signage.

Depending on the case, the waste is then sent for recycling or disposal with transporters responsible for its collection and transport. The process carried out in this stage is documented and monitored through the form containing the main information on the waste (type, place of production and collection, date, weight, producer, recipient and transporter, etc.) which will accompany it to its destination. All waste forms are recorded to ensure traceability and monitoring. This activity is also important to the analysis of the impact that the various production activities have in terms of waste, in order to implement measures to reduce the effects on the environment.

As a producer, the group is responsible for its waste until it reaches the disposal facility. Accordingly, Salcef Group supervises all waste management activities until disposal, both as a producer and contractor. In this respect, the group ensures that all transporters and disposal facilities have the necessary authorisations, requirements and certifications through suitable qualification and assessment activities and contractual arrangements, as described in the Supplier management cycle section. During production activities, continual monitoring is carried out, involving periodic inspections to ensure that procedures and applicable legislation are implemented, machines and instruments are kept clean, maintained and in good repair, and that materials and waste are stored correctly.

The end goal of this process is to maximise the dissemination within the group of a management approach underpinned by environmental awareness and production aimed at sustainability.

Waste generated

The following tables sets out the waste generated in the 2020-2022 period, showing the quantities of hazardous and non-hazardous special waste disposed of or recovered, by type. Quantities are shown in tonnes (t).

The tables show the share of certain types of waste, such as non-hazardous aggregates and materials arising from construction and maintenance activities for railway infrastructure and packaging deriving from production processes carried out in the facilities and production sites. In general, the activities of work sites, which have extremely different lifespans, and the operations of the facilities vary on the basis of the tenders won during the year. The group is committed to complying with recycling rules for the proper disposal of the waste generated and to pursue improvements in its waste management.

The production of hazardous waste is minimal compared to total waste. It mainly derives from oils for engines, filters, pads, etc. coming from machine maintenance activities by the Railway Machines business unit. This quantity has dropped sharply in recent years, mainly due to processes to optimise machine maintenance activities which provide for a drastic decrease in solvents (hazardous waste) in washing activities in favour of water-based solutions. In addition, the use of newer and more efficient machinery is producing a huge drop in all hazardous waste generated by machine maintenance. In 2020, major renovation works were carried out on the group's future headquarters, which produced a significant amount of waste, including hazardous waste. In 2022, specifically, a large amount of "Glass, plastic and wood containing or contaminated by hazardous substances" waste was produced by the recovery of wooden railway sleepers containing wood impregnated with cretosole oil dismantled during the renewal underway.

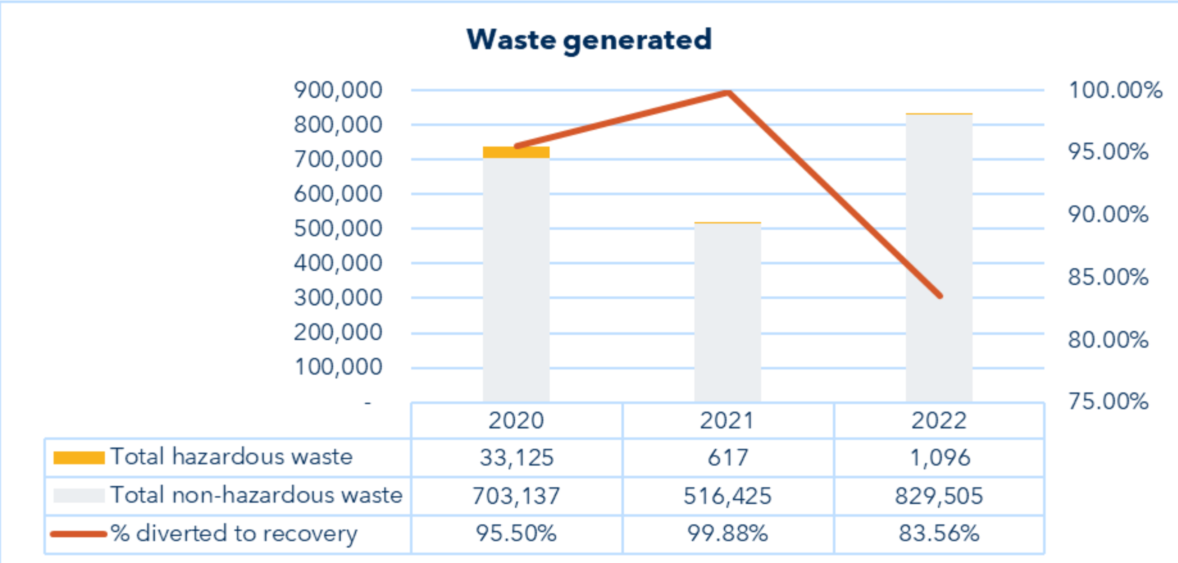
Hazardous waste	2020			2021			2022		
(t)	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Other oils for engines, gears and lubrication	13,964	-	**13,964**	21	0	**22**	22	2	**24**
Other emulsions	-	3,760	**3,760**	-	2	**2**	-	1	**1**
Absorbent material, filtering materials (including oil filters not otherwise specified), rags and protective clothing contaminated with hazardous substances	6	3,601	**3,607**	8	6	**14**	4	8	**12**

Hazardous waste (t)	2020			2021			2022		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Hazardous components other than oil filters, brake pads containing asbestos, brake fluid and anti-freeze fluids containing hazardous substances	-	2,830	**2,830**	-	4	**4**	2	3	**5**
Non-chlorinated mineral oils for engines, gears and lubrication	2,664	-	**2,664**	3	6	**9**	1	0	**1**
Packaging containing residues of or contaminated by hazardous substances	3	2,164	**2,167**	4	2	**6**	8	3	**11**
Waste paints and enamels containing organic solvents or other hazardous substances	-	1,460	**1,460**	2	3	**5**	0	3	**3**
Lead batteries	1,266	-	**1,266**	2	0	**2**	4	-	**4**
Oil filters	1,079	-	**1,079**	1	0	**1**	1	1	**2**
Glass, plastic and wood containing or contaminated by hazardous substances	155	126	**281**	506	21	**527**	1,011	-	**1,011**
Other hazardous waste	6	41	**47**	10	16	**26**	15	6	**22**
Total hazardous waste	**19,143**	**13,982**	**33,125**	**558**	**60**	**617**	**1,069**	**27**	**1,096**

Non-hazardous waste (t)	2020			2021			2022		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Railway ballast not containing hazardous substances	358,995	-	**358,995**	309,706	-	**309,706**	402,460	0	**402,460**
Concrete	114,344	-	**114,344**	145,969	-	**145,969**	152,960	210	**153,171**
Iron and steel	62,297	-	**62,297**	1,136	-	**1,136**	1,849	0	**1,849**
Filings and shavings of ferrous materials	49,123	-	**49,123**	591	-	**591**	73	2	**76**
Packaging with mixed materials	44,892	-	**44,892**	236	-	**236**	259	1	**260**
Earth and rocks not containing hazardous substances	44,219	84	**44,303**	49,140	148	**49,288**	103,804	11,097	**114,901**

Non-hazardous waste (t)	2020			2021			2022		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Mixed waste from construction and demolition activities not containing mercury, PCB and other hazardous substances	10,485	-	**10,485**	6,241	-	**6,241**	24,178	0	**24,178**
Septic tank sludge	4	7,839	**7,843**	14	95	**109**	-	125,010	**125,010**
Plastic waste	2,614	-	**2,614**	17	11	**29**	6	11	**18**
Tyres no longer used	2,325	-	**2,325**	7	-	**7**	56	2	**58**
Other non-hazardous waste	5,408	506	**5,914**	2,800	314	**3,114**	7,315	211	**7,526**
Total non-hazardous waste	**694,708**	**8,429**	**703,137**	**515,857**	**568**	**516,425**	**692,961**	**136,544**	**829,505**

Total waste generated (t)	**713,851**	**22,411**	**736,262**	**516,415**	**628**	**517,043**	**694,030**	**136,572**	**830,601**



Waste and recovery

The waste generated is generally diverted to recovery operations and the transport and disposal activities are entrusted to specialist companies, in full compliance with the legislation applicable to waste and group procedures. Given the significant use of natural resources in the construction and railway sector, it is important to consider alternatives to merely disposing of waste in authorised centres in order to reduce the environmental impact.

Depending on the type of waste, the recovery of materials can take various forms. However, as shown in the table, the main recovery activity regards the retention of aggregates or their reuse for the production of secondary raw materials, which is usually preferred to recycling. All operations are generally carried out off-site by specialised centres.

Most of the waste diverted to recovery operations comes from construction and demolition (aggregates) activities and can therefore be disposed of as unrecyclable waste (cement, bricks, tiles and ceramics, cement mixes, earth and rocks).

Although most of the waste pollutes very little or not at all, its correct management by the production unit is vital. Close attention is therefore paid to the waste generation stage, which ensures the separation of hazardous waste and other types in order to make recovery and/or recycling possible.

Hazardous waste (t)	2020			2021			2022		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Preparation for reuse	-	18,953	**18,953**	-	-	**-**	-	-	**-**
Recycling	8	2	**10**	-	11	**11**	-	2	**2**
Other recovery operations	-	180	**180**	-	547	**547**	-	1,067	**1,067**
Total hazardous waste	**8**	**19,135**	**19,143**	**-**	**558**	**558**	-	**1,069**	**1,069**

Non-hazardous waste (t)	2020			2021			2022		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Preparation for reuse	-	161,906	**161,906**	10,498	-	**10,498**	-	9,094	**9,094**
Recycling	-	56,538	**56,538**	-	79,834	**79,834**	-	163,056	**163,056**
Other recovery operations	-	476,264	**476,264**	-	425,525	**425,525**	-	520,810	**520,810**
Total non-hazardous waste	**-**	**694,708**	**694,708**	**10,498**	**505,359**	**515,857**	**-**	**692,961**	**692,961**

Total waste diverted to recovery (t)	**8**	**713,843**	**713,851**	**10,498**	**505,916**	**516,414**	**-**	**694,030**	**694,030**

Waste disposal

Disposal, which legislation identifies as the least preferable option in the waste management hierarchy, consists of the treatment and definitive deposit of waste and scraps that cannot be used further. For Salcef Group, disposal is identified with the deposit in landfill or temporary storage for subsequent operations such as treatment, incineration, etc. In 2022, almost all waste directed to disposal off-site is comprised of septic tank sludge which cannot be recovered.

Hazardous waste (t)	2020			2021			2022		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Landfill	-	13,980	13,980	-	23	23	-	0	**0**
Incineration (with energy recovery)				-	6	6	-	2	**2**
Other disposal operations	-	2	2	-	30	30	-	25	**25**
Total hazardous waste	**-**	**13,982**	**13,982**	**-**	**60**	**60**	-	**27**	**27**

Non-hazardous waste (t)	2020			2021			2022		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Incineration (with energy recovery)	-	33	33	39	-	39	-	11,307	**11,307**
Landfill	405	7,917	8,322	-	375	375	-	39	**39**
Other disposal operations	-	74	74	-	154	154	-	125,198	**125,198**
Total non-hazardous waste	**405**	**8,024**	**8,429**	**39**	**529**	**568**	-	**136,544**	**136,544**

Total waste disposal (t)	**405**	**22,006**	**22,411**	**39**	**589**	**628**	**-**	**136,572**	**136,572**

2.4

Directors' report - Part IV

Other information

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 31 December 2022 or its financial performance and cash flows for the year then ended.

Below are details of the events after the reporting date that did not have any impact on the group's financial position at 31 December 2022.

Relocation of administrative and registered offices

In January 2023, the parent relocated its registered office from Via di Pietralata 140 to Via Salaria 1027, remaining within the municipality of Rome.

The registered offices of the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l., Overail S.r.l., SRT S.r.l., RECO S.r.l. and Consorzio Stabile Itaca S.c.a.r.l. were also relocated to the same address.

The subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. relocated its registered office from Piazza Sant'Andrea della Valle 6 to Via Salaria 1027, remaining within the municipality of Rome.

The group's new headquarters at the Via Salaria building became ready for use following a large-scale renovation project, with over 8,000 square metres now available to meet the group's need for larger work spaces to match its expansion in recent years. The space is fit for new work methods: current, future and always evolving.

Croatia's adoption of the Euro

Croatia joined the Eurozone on 1 January 2023, with the Kuna conversion rate set at 7.53450 Kuna per Euro. The effects of translating the foreign currency balances of Salcef S.p.A.'s Croatian branch will be immaterial as the amounts are negligible and the aforementioned conversion rate is very similar to the rate used to translate such foreign operation's balances at 31 December 2022.

Group extends its presence in Scandinavian countries

In 2022, the Salcef Group signed agreements with the Norway-based Nordic Infrastructure Group to acquire a 60% interest in two companies, Salcef Nordic AS based in Oslo (Norway) and Salcef Nordic AB based in Stockholm (Sweden) with a view to expanding the group's presence in Scandinavia. The acquisition of the

Norwegian company's shares was finalised in 2023, while the Swedish transaction will be completed over the coming months.

Repurchases of treasury shares

The parent continued its treasury share repurchase programme up until 13 March 2023, when it reached the maximum number of shares that can be repurchased as per the terms and methods set by the shareholders at their meeting of 29 April 2022 (see the next section for more information).

Treasury share repurchase programme

In their ordinary meeting of 29 April 2022, the shareholders of the parent revoked the authorisation given on 29 April 2021 to the board of directors, for the part not exercised, and authorised the board of directors to use and repurchase, including in more than one tranche, ordinary shares of the parent up to a maximum which, considering the ordinary shares of the parent held at any time by the parent and its subsidiaries, shall not cumulatively exceed 10% of the parent's share capital, pursuant to article 2357.3 of the Italian Civil Code. The repurchase may be carried out according to the methods permitted by article 132 of the Consolidated Finance Act and article 144-bis of the Issuers' Regulation.
Authorisation was granted to, inter alia:

- use treasury shares for the 2021-2024 stock grant plan, the 2022-2025 stock grant plan, the 2022-2023 performance share plan and any future incentive plans to motivate and encourage the loyalty of employees, consultants and directors of the parent and subsidiaries and/or other parties that the board of directors may choose at its discretion;
- perform transactions like sales and/or exchanges of treasury shares to acquire direct or indirect equity investments and/or real estate and/or to reach agreements with strategic partners and/or to carry out business projects or corporate finance deals that fall within the parent's and the group's expansion goals;
- carry out transactions following the repurchase or sale of shares, within the limits dictated by market practices;
- perform, directly or via brokers, transactions to stabilise and/or support the liquidity of the parent's shares in accordance with market practices;
- set up an inventory of shares to be used for future one-off financing transactions;
- perform a medium- or long-term investment or in any case seize a good investment opportunity, even considering the risk and expected return of alternative investments, including purchasing and selling shares whenever appropriate;

- use excess liquid funds.

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

The repurchase may be made in one or more tranches within 18 months of the date of the meeting at which the shareholders took the relevant resolution. Conversely the authorisation to use the ordinary treasury shares is without any time limits.

In line with the shareholders' resolution of 29 April 2022, the board of directors launched the treasury share repurchase and use programme on 14 November 2022. Its resolution established that up to 300,000 of the parent's shares would be repurchased, in one or more tranches, for a maximum consideration of €7.7 million and to ensure that, at any time and considering the treasury shares held from time to time by the parent and its subsidiaries, such treasury shares would not exceed 10% of the parent's share capital. The parent gave Banca Akros a mandate to coordinate and/or carry out the transaction.

The parent holds 538,257 treasury shares at the reporting date, equal to 0.863% of its share capital. No shares are held through its subsidiaries, trustees or nominees.

At the date of preparation of this report, the parent holds 798,243 treasury shares.

2022-2025 stock grant plan

During their ordinary meeting on 29 April 2022, the shareholders approved the 2022-2025 stock grant plan for certain employees, including key management personnel, of the parent and Salcef Group companies and other beneficiaries in management positions that are considered important within the group context (the "stock grant plan"). The stock grant plan provides for the right to receive up to a maximum of 40,000 ordinary shares for free upon the achievement of previously determined performance objectives and after a certain vesting period.

As resolved by the shareholders and following the favourable opinion of the remuneration and appointment committee, the board of directors approved the launch of the stock grant plan, with assignment of the rights on 27 June 2022. The board's resolution identified 39 beneficiaries who were assigned a total of 17,648 rights to receive a maximum of 17,648 shares.

The stock grant plan has one grant cycle and two vesting periods, of which the first (for 50% of the assigned rights) will end with approval of the separate financial statements at 31 December 2023 and the second (for the remaining 50%) will end with approval of the separate financial statements at 31 December 2024. The granting of shares and their delivery are subject to achievement of performance objectives and continued employment with the group. More information is available in the information document drafted as per article 114-bis of the Consolidated Finance Act and article 84-bis of the Issuers'

Regulation. This document is available at the parent's registered office and on its website www.salcef.com (Corporate Governance/Shareholders' Meeting section).

At the assignment date (27 June 2022, the date of the board of directors' meeting when the beneficiaries were decided), the fair value of each share was €16.74.

2022-2023 performance shares plan

During their ordinary meeting on 29 April 2022, the shareholders approved the "2022-2023 performance share plan" for certain key management personnel of the parent and Salcef Group companies (the "performance share plan"). The performance share plan provides for the right to receive up to a maximum of 10,000 ordinary shares for free upon the achievement of previously determined performance objectives and after a certain vesting period.

As resolved by the shareholders and following the favourable opinion of the remuneration and appointment committee, the board of directors approved the launch of the performance share plan, with assignment of the rights on 27 June 2022. The board's resolution identified two beneficiaries who were assigned a total of 5,540 rights to receive a maximum of 5,540 shares.

The stock grant plan has one grant cycle and two vesting periods, of which the first (for 60% of the assigned rights) will end with approval of the separate financial statements at 31 December 2023 and the second (for the remaining 40%) will end with approval of the separate financial statements at 31 December 2026. The granting of shares and their delivery are subject to achievement of performance objectives and continued employment with the group. More information is available in the information document drafted as per article 114-bis of the Consolidated Finance Act and article 84-bis of the Issuers' Regulation. This document is available at the parent's registered office and on its website www.salcef.com (Corporate Governance/Shareholders' Meeting section).

At the assignment date (27 June 2022, the date of the board of directors' meeting when the beneficiaries were decided), the fair value of each share was €16.74.

Outlook

In 2023, the group will continue to operate in its sectors of interest (permanent way systems, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of prestressed vibrated reinforced concrete sleepers) in Italy and abroad in those countries where it already has a strong business footprint and its specialised plant and personnel have ensured efficient service for many years.

Turnover is expected to increase in 2023 due to the combined effect of organic growth and the contribution of the companies acquired in 2022, namely the business unit acquired by Euro Ferroviaria S.r.l. from the PSC

Group on 1 May 2022 and, especially, FVCF which joined the group on 23 December 2022 and, therefore, did not contribute to its results for that year.
Public investment in the railway sector in the geographical segments where the group has a significant base will continue to increase. In Italy, which is the subsidiaries' main market, the Ferrovie dello Stato Group and most other railway, tram and metro infrastructure operators have all intensified their investment programmes both for new infrastructure and for routine and extraordinary maintenance, as well as to upgrade and improve existing infrastructure. In 2022, bidding activities were very intense and the group expects to be awarded new contracts in 2023, given the operators' intention to deploy their available resources rapidly and, especially in Italy, the funds made available under the National Recovery and Resilience Plan in line with the investment programme agreed with the European Union.
It is more difficult to make assumptions about future profitability although the group has a very strong order backlog (which will keep its workforce busy throughout 2023) and profit margins in line with the recent past. However, external inputs may make it necessary to modify contract budgets to cover possible rises in costs of not only raw materials, but also all those other cost factors, such as personnel expense, the cost of transport, services, subcontracts and energy, especially from non-renewable sources. While many governments, including the Italian one, have introduced systems (of varying effectiveness) to regulate and counter the increase in production costs and help companies active in the sectors hit by the spiralling inflation, the group cannot be sure that it will be able to recoup all these extra costs during the year. In addition, the outcome of one of the events that has driven inflationary dynamics the most in Europe, the Russia - Ukraine war, is completely unpredictable and could even take on more serious overtones, with unforeseeable effects.
Moreover, and again in relation to profitability, additional internal factors need to be considered, such as: (i) the group's greater scale and its investments in different companies and footholds in different markets that have dissimilar commercial potential and average profitability levels, depending on their characteristics; (ii) the need to fully integrate the newly-acquired FVCF into the group in 2023 and to facilitate its recovery of the efficiency that has been lacking in recent years and which steadily eroded production and profitability, so as to allow it to reach at least the average levels of its reference market in the short term.
In 2023, the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., FVCF S.r.l. and Overail S.r.l. will mostly continue to work in the domestic permanent way systems sector in line with the national master agreements for the renewal and maintenance of tracks and turnouts for the 2021-2023 three-year period for RFI S.p.A. for the lots in central and north-west Italy, as well as in southern Italy, following the acquisition of FVCF. The group has a multitude of other contracts for the maintenance and renewal of railway and urban lines in the same sector. It has work sites active in Lazio and, specifically, Rome, for projects assigned by Atac (the Rome public transport body) and Astral (Lazio roads authority). The group's largest work sites have been set up for: (i) renewal of the permanent way systems on the Anagnina - Ottaviano section of Line A of the Rome Metro; (ii) extraordinary maintenance of the permanent way systems of the tram system in Rome; and (iii) maintenance work on the Rome metro network and the urban railway lines in Lazio: Roma - Lido and Roma - Viterbo.

Other work sites carry out both maintenance projects and network renewal and extension projects for other customers in the permanent way systems sector in Italy: (i) projects for the maintenance and requalification of narrow guage railway lines in Sardinia on behalf of ARST; (ii) routine and extraordinary maintenance of urban and regional lines managed by EAV, the Volturno independent authority); and (iii) numerous projects for the maintenance and extension of existing lines on behalf of Ferrovie Appulo-Lucane, Ferrovie della Calabria, TUA and Circumetnea.

The group also has foreign work sites active in the track works sector, some of which are managed by Salcef S.p.A.'s branches and others by the North American subsidiary Delta Railroad Constrution and Bahnbau Nord GmbH with Salcef Bau GmbH in Germany.

In the United States, Delta Railroad Construction has a sizeable order backlog worth approximately USD168 million in the track works sector. Its largest contract is the construction of the Purple Line for Maryland Transportation Authority (outstanding contract value of roughly USD69 million at the end of 2022) and numerous other smaller contracts in other states. Its ongoing projects guarantee work for at least two years. The group has set up another company, Salcef Railroad Services, to develop other opportunities in this country.

Bahnhau Nord GmbH and Salcef Bau GmbH cover the north and central-south of Germany, respectively, and manage smaller work sites, mostly for track works and, to a lesser extent, civil works as part of the Heavy Civil Works business unit (renewal of railway bridges). Investments in the railway sector are expected to increase, driven by Deutsche Bahn's extraordinary ten-year plan.

Salcef's operating branches are completing projects in the United Arab Emirates, Egypt and Saudi Arabia. However, the most important country in terms of the order backlog and potential new projects for 2023 and beyond, is currently Romania. Salcef has an order backlog for this country worth more than €270 million at year end, related to contracts acquired directly or as part of joint ventures with Webuild S.p.A.. The customer is CFR in all cases and the contracts cover the upgrading of railway lines in Timișoara and Arad as well as the modernisation of Lots 3 and 4 of the Caransebeș - Timișoara - Arad railway line. All contracts will commence in 2023 although significant production output is not expected, particularly for the railway line modernisation projects, although this situation will change in subsequent years.

In addition to some activities in Germany, the Heavy Civil Works BU will continue to work on two projects awarded by the IRICAV DUE consortium for civil works and track works on Lots 1 and 5 of the Verona-Vicenza Junction of the HS/HC Verona Padua section. These projects are worth approximately €172 million at 31 December 2022 and are funded under the National Recovery and Resilience Plan. They started in 2022 and will be completed in 2025.

The Energy BU has an order backlog of more than €300 million on which Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.r.l. are working. It has numerous work sites active in Italy, mostly set up for: (i) the renewal and maintenance of electrical traction systems on RFI's operating lines for various lots during the 2019-2021 three-year period; (ii) the maintenance of signalling systems and substations on RFI's operating lines for various lots during the 2019-2021 three-year period, (iii) work for Lot 3 of the project to develop

ERTMS signalling systems in central Italy; and (iv) the renewal and maintenance of high and medium voltage overhead power lines in specific areas on behalf of Terna.
The group's order backlog also includes additional contracts for the Track & Light Civil Works and Energy BU for the modernisation and building of railway infrastructure in Italy.
Overail S.r.l., the group company that produces reinforced concrete components, mainly railway sleepers which it customises to Italian customer requirements, commenced production of concrete slabs for railway lines. This new product complements its existing product portfolio, which already included alternatives to ballasted tracks for metro lines. Overail's biggest contract is linked to the master agreement for the renewal of tracks and turnouts for RFI in central Italy in the 2021-2023 two-year period.
After acquiring a large new facility in the Terre Roveresche municipality (Pesaro-Urbino), near its original location in Fano, the subsidiary SRT S.r.l. will continue to mainly construct and maintain rolling stock for group companies as well as to build machinery for third parties. Its key products are grinding trains, of which it constructs various models, for the rail and turnout grinding service. Its trains are available in different sizes with different production capacity.
Overall, in the absence of currently unforeseeable external events, the group does not expect its production capacity and profitability to be affected in the short-term, given the size and make up of its order backlog.

Related party transactions

Related party transactions do not qualify as either atypical or unusual, as they form part of the group's normal operations. They are carried out in the group's interest on an arm's length basis. Reference should be made to the Related party transactions section of the notes to the consolidated financial statements for further information, including the disclosures required by Consob resolution no. 17221 of 12 March 2010, amended with resolution no. 17389 of 23 June 2010. The "Related party transaction procedure" is available in the Governance/Procedures and regulations section of the parent's website (www.salcef.com).

Corporate governance and ownership structure report

Salcef Group S.p.A.'s corporate governance model is consistent with the principles of the "Code of Conduct for Listed Companies" approved by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI (Italian banking association), ANIA (National association of insurance companies), Assogestioni (Italian association of asset management companies), Assonime (Italian association of publicly listed companies) and Confindustria (General confederation of Italian industry).

In accordance with article 123-bis of the Consolidated Finance Act (Legislative decree no. 58 of 24 February 1998 as subsequently amended), the parent prepares an annual corporate governance and ownership structure report which includes the disclosures required by points 1 and 2 of the above article.

The 2022 corporate governance and ownership structure report, approved by the parent's directors on 16 March 2023, has been published on the parent's website in the Governance/Shareholders' meeting section (www.salcef.com).

Disclosure required by articles 70 and 71 of the Issuers Regulation

On 6 October 2020, in accordance with articles 70.8 and 71.1-bis of the Issuers' 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 contributions in kind, acquisitions and sales.

Other information

Research and development activities

The group is constantly engaged in the development of new technological solutions and new, better performing products to support the development of railway infrastructure to allow its high performance in terms of speed and safety and to contribute to the development of sustainable mobility. Most of the R&D costs incurred by the group are borne by Overail S.r.l. and SRT S.r.l..

The production facility managed by Overail S.r.l. is a research centre for the development of solutions to improve the characteristics of existing products as well as the development of patents for new innovative high performance products to be launched on the market. Thanks to its internal laboratory and equipment to test the products, the group company can study various types of cement, including innovative materials like fiber-reinforced concrete. In addition, Overail S.r.l. has partnerships with universities, research centres and other companies.

SRT S.r.l. designs and develops rolling stock. Its products represent a continuous improvement of the operational capabilities of rolling stock and working conditions, focusing especially on safety. The group company consults its customers when designing new solutions as many ideas are the response to real needs and issues that arise in the group's many work sites in Italy and abroad. It integrates the most innovative technologies into the development processes to provide cutting-edge solutions for the design and construction of rolling stock.

More information about the group's R&D activities is available in its consolidated non-financial statement.

Branches

The group companies have the following branches and local units:

COUNTRY	ADDRESS	TYPE	USE
Salcef Group S.p.A.			
Romania	Bucharest, Str. Theodor D. Sperantia n. 123	Branch	Offices
Egypt	Cairo, Elnozha Street Flat n. 5 13	Branch	Offices
Saudi Arabia	Riyadh, Al Uraija Al Gharbiya, Al Nemer Al Gharabi Salalah 6569	Branch	Offices
Salcef S.p.A.			
Romania	Bucharest, Str. Theodor D. Sperantia n. 123	Branch	Offices
Norway	Oslo, Postboks 7000 – 0306 Majorstuen	Branch	Offices
Switzerland	Mendrisio, Via Franscini, 16 - 6852	Branch	Offices
Croatia	Zagreb, Jurja Zerjavica, 11 - 10000	Branch	Offices
Abu Dhabi	Abu Dhabi, Mina Road Silverwave Tower Bldg n. 230	Branch	Offices
Australia	West Perth WA 6005, Level 2, 1 Prowse Street	Branch	Offices
Egypt	Cairo, Elnozha Street Flat n. 6 13	Branch	Offices
Saudi Arabia	Riyadh, Olaya District, Al Nemer Center Building 2	Branch	Offices
Overail S.r.l.			
Italy	Aprilia (LT), 04011 - Via Nettunense Km 24.20	Facility	Production
SRT S.r.l.			
Italy	Fano (PS), 61032 - Via del Bersaglio 2	Facility	Construction
Italy	Sant'Ippolito (PU), 61040 – Via delle Industrie 9/B	Facility	Construction
Coget Impianti S.r.l.			
Italy	Corteno Golgi (BS), 25040 - Via Antonio Schivardi 221	Offices	Offices
Italy	Rovato (BS), 25038 - Via Gavia 20-26	Warehouse	Production
Francesco Ventura Costruzioni Ferroviarie S.r.l.			
Italy	Rome (RM), 00195 – Via Sabotino 12	Offices	Offices
Italy	Bari (BA), 70100 – Via Roberto da Bari 108	Offices	Offices
Italy	Paola (CS), 87027 – Via della Civiltà, snc	Offices	Offices
Italy	Cosenza (CS), 87100 – Contrada Vaglio Lise, snc	Offices	Offices

Shares or quotas of parents

Salcef Group S.p.A. does not hold shares or quotas of its parents either directly or indirectly via trustees or nominees.

Shares or quotas of parents purchased or sold during the year

The group companies did not purchase or sell treasury shares or shares or quotas of parents either directly or indirectly via trustees or nominees.

Management and coordination

The parent is not managed and coordinated by another entity pursuant to article 2497 and following articles of the Italian Civil Code as it has checked that the presumption of management and coordination as per article 2497-sexies of the Italian Civil Code is not applicable.

Disclosure of non-EU significant companies

Salcef Group S.p.A. indirectly controls Delta Railroad Construction Inc. (and its subsidiaries) via Sacef USA Inc.. Delta Railroad Construction Inc. was incorporated under US law and qualifies as a significant subsidiary under article 15.2 of the Market Regulation (adopted by Consob with resolution no. 20249 of 28 December 2017 as subsequently amended), which refers to article 151 of the Issuers' Regulation (adopted by Consob with resolution no. 11971 of 14 May 1999 as subsequently amended).
With respect to this subsidiary: (i) Delta Railroad Construction Inc. prepares financial statements, deposited at its registered office, for inclusion in the group's consolidated financial statements; (ii) the parent has obtained a copy of its by-laws and details of the composition and powers of its corporate bodies; (iii) Delta Railroad Construction Inc. has engaged independent auditors that provide the parent's independent auditors with the information necessary to allow the latter to perform its audit of the annual consolidated financial statements and the condensed interim consolidated financial statements; and (iv) Delta Railroad Construction Inc. has an administrative and accounting system that is adequate to provide the parent with its financial reporting figures, prepared in accordance with the group's accounting policies and necessary to allow the parent to prepare consolidated financial statements.

Reconciliation of Salcef Group S.p.A.'s equity and profit for the year with those of the group

A reconciliation of the parent's equity at 31 December 2022 and 2021 and its profit for the years then ended with those of the group is presented below:

(€'000)

	Profit for 2022	Equity at 31.12.2022	Profit for 2021	Equity at 31.12.2021
Salcef Group S.p.A.	36,033	336,225	33,301	325,890
Contribution of subsidiaries	55,496	55,188	59,024	58,934
Dividends	(45,090)	(45,094)	(50,261)	-
Elimination of intragroup profits and losses	(1,108)	(5,725)	(2,993)	(5,246)
Goodwill	-	101,410	-	41,795
Total equity	**45,331**	**442,004**	**39,071**	**421,373**

Proposal for the approval of the separate financial statements and allocation of the profit for the year

Dear shareholders,

We invite you to approve the separate financial statements as at and for the year ended 31 December 2022, comprised of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, attached hereto, which give a true and fair view of the parent's financial position at 31 December 2022 and financial performance and cash flows for the year then ended and which match the accounting entries.

We propose you approve the allocation of the profit for the year of €36,032,511 as follows:

- €1,801,626 to the legal reserve (5% of the profit);
- €0.50 to each share outstanding at the ex-dividend date, excluding treasury shares held in portfolio at that date;
- the remainder to retained earnings.

Rome, 16 March 2023

CEO

Valeriano Salciccia

3

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

SALCEF GROUP

3.1

Consolidated financial statements as at and for the year ended 31 December 2022

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.12.2022	31.12.2021
Non-current assets			
Intangible assets with finite useful lives	1	17,724,878	7,584,146
Goodwill	2	101,409,924	41,795,326
Property, plant and equipment	3	194,829,294	123,798,390
Right-of-use assets	4	17,073,977	14,197,300
- of which, with related parties	*33*	*993,661*	*1,324,881*
Equity-accounted investments	5	135,643	40,543
Other non-current assets	6	25,112,368	20,806,786
- of which, with related parties	*33*	*1,526,853*	*0*
Deferred tax assets	7	25,452,686	19,984,980
Total non-current assets		**381,738,770**	**228,207,471**
Current assets			
Inventories	8	29,764,667	20,664,592
Contract assets	9	156,033,743	107,701,357
Trade receivables	10	140,505,148	89,108,678
- of which, with related parties	*33*	*11,609,934*	*282,145*
Current tax assets	11	4,167,579	4,121,517
Current financial assets	12	148,643,040	101,588,336
- of which, with related parties	*33*	*0*	*353,465*
Cash and cash equivalents	13	135,245,724	166,175,877
Other current assets	14	35,333,090	26,806,619
Assets held for sale	35	2,529,499	0
Total current assets		**652,222,490**	**516,166,976**
TOTAL ASSETS		**1,033,961,260**	**744,374,447**

LIABILITIES	Note	31.12.2022	31.12.2021
Equity attributable to the owners of the parent			
Share capital		141,544,532	141,544,532
Other reserves		252,475,698	238,422,972
Profit for the year		45,333,687	39,070,532
Total equity attributable to the owners of the parent		**439,353,917**	**419,038,036**
Share capital and reserves attributable to non-controlling interests		2,348,332	2,062,943
Profit for the year attributable to non-controlling interests		302,068	271,889
TOTAL EQUITY	**15**	**442,004,317**	**421,372,868**
Non-current liabilities			
Non-current financial liabilities	16	119,211,190	79,849,385
Lease liabilities	4-16	10,428,864	5,694,159
- of which, with related parties	*33*	*727,379*	*1,070,223*
Employee benefits	17	6,678,524	1,154,868
Provisions for risks and charges	18	2,357,957	3,818,911
Deferred tax liabilities	7	7,732,723	3,259,382
Other non-current liabilities	21	4,266,809	4,194,843
Total non-current liabilities		**150,676,067**	**97,971,548**
Current liabilities			
Bank loans and borrowings	16	4,064,734	0
Current financial liabilities	16	89,263,299	62,544,658
Current portion of lease liabilities	4-16	5,387,527	5,128,669
- of which, with related parties	*33*	*342,844*	*329,658*
Current employee benefits	17	1,127,387	971,286
Contract liabilities	9	77,763,713	12,916,604
Trade payables	19	218,281,916	117,503,520
- of which, with related parties	*33*	*460,002*	*1,182,922*
Current tax liabilities	20	8,085,187	5,019,927
Other current liabilities	21	36,035,410	20,945,367
Liabilities directly associated with assets held for sale	35	1,271,703	0
Total current liabilities		**441,280,876**	**225,030,031**
TOTAL LIABILITIES		**591,956,943**	**323,001,579**
TOTAL EQUITY AND LIABILITIES		**1,033,961,260**	**744,374,447**

INCOME STATEMENT

	Note	2022	2021
Revenue from contracts with customers		554,708,807	434,552,360
- of which, from related parties	*33*	*9,209,688*	*0*
Other income		9,911,154	5,588,606
Total revenue	**22**	**564,619,961**	**440,140,966**
Raw materials, supplies and goods	23	(135,714,123)	(91,808,541)
Services	24	(217,365,883)	(171,090,842)
- of which, from related parties	*33*	*(6,161,080)*	*(454,092)*
Personnel expense	25	(109,290,367)	(93,726,356)
Amortisation, depreciation and impairment losses	26	(35,270,355)	(27,363,104)
Impairment losses	27	(697,427)	(1,780,465)
Other operating costs	28	(12,807,106)	(9,839,764)
- of which, with related parties	*33*	*(793,997)*	*0*
Internal work capitalised	29	24,523,945	23,636,079
Total costs		**(486,621,316)**	**(371,972,993)**
Operating profit		**77,998,645**	**68,167,973**
Financial income	30	3,293,423	3,375,252
Financial expense	30	(13,935,216)	(11,209,203)
- of which, with related parties	*33*	*(50,342)*	*(69,838)*
Pre-tax profit		**67,356,852**	**60,334,022**
Income taxes	7	(21,721,097)	(20,991,601)
Profit for the year		**45,635,755**	**39,342,421**
Profit for the year attributable to:			
Non-controlling interests		302,068	271,889
Owners of the parent		45,333,687	39,070,532
Earnings per share:			
Basic earnings per share	36	0.73	0.76
Diluted earnings per share	36	0.73	0.68

STATEMENT OF COMPREHENSIVE INCOME

	Note	2022	2021
Profit for the year		**45,635,755**	**39,342,421**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	17	147,864	(33,549)
Net fair value gains/(losses) on securities measured at FVOCI	12	(154,880)	
Related tax	7	(4,704)	9,501
Total		**(11,720)**	**(24,048)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	12-16	4,796,354	(1,720,017)
Related tax	7	(1,151,125)	412,804
Net exchange gains		276,212	2,216,529
Total		**3,921,441**	**909,316**
Other comprehensive income, net of tax		**3,909,721**	**885,268**
Comprehensive income		**49,545,476**	**40,227,689**
Attributable to:			
Non-controlling interests		302,068	271,889
Owners of the parent		49,243,408	39,955,800

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit for the year	Equity att. to non-controlling interests	Equity
Balance at 1 January 2021		**62,106,165**	**102,483,069**	**(3,612,456)**	**(237,030)**	**(302,034)**	**(4,963,889)**	**(4,675,218)**	**76,041,561**	**41,149,309**	**1,879,631**	**269,869,108**
Profit for the year										39,070,532	271,889	39,342,421
Other comprehensive income					(24,048)	(1,307,213)	2,216,529					885,268
Comprehensive income		**-**	**-**	**-**	**(24,048)**	**(1,307,213)**	**2,216,529**	-	**-**	**39,070,532**	**271,889**	**40,227,689**
Allocation of prior year profit			1,227,256						39,922,053	(41,149,309)		-
Exercise of warrants		74,638,367	24,416,473					4,675,218				103,730,058
Repurchase of treasury shares				(4,752,702)								(4,752,702)
Use of treasury shares			217,997	1,882,028								2,100,025
Dividend distribution									(21,314,116)			(21,314,116)
Share capital increase		4,800,000	26,547,059									31,347,059
Other variations/reclassifications			(50,935)						33,370		183,312	165,747
Total owner transactions		**79,438,367**	**52,357,850**	**(2,870,674)**	**-**	**-**	**-**	**4,675,218**	**18,641,307**	**(41,149,309)**	**183,312**	**111,276,071**
Balance at 31 December 2021	**15**	**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**

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit for the year	Equity att. to non-controlling interests	Equity
Balance at 1 January 2022	**15**	**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 year										45,333,687	302,068	45,635,755
Other comprehensive income			(117,709)		105,989	3,645,229	276,212					3,909,721
Comprehensive income		**-**	**(117,709)**	**-**	**105,989**	**3,645,229**	**276,212**	**-**		**45,333,687**	**302,068**	**49,545,476**
Allocation of prior year profit			1,665,045						37,405,487	(39,070,532)		0
Dividend distribution									(28,474,765)			(28,474,765)
Repurchase of treasury shares				(695,871)								(695,871)
Stock grants	31		243,109									243,109
Other variations/reclassifications											13,500	13,500
Total owner transactions		**-**	**1,908,154**	**(695,871)**	**-**	**-**	**-**	**-**	**8,930,722**	**(39,070,532)**	**13,500**	**(28,914,027)**
Balance at 31 December 2022	**15**	**141,544,532**	**156,631,364**	**(7,179,001)**	**(155,089)**	**2,035,982**	**(2,471,148)**	**0**	**103,613,590**	**45,333,687**	**2,650,400**	**442,004,317**

STATEMENT OF CASH FLOWS

	Description	2022	2021
	Profit for the year	**45,635,755**	**39,342,421**
	Amortisation and depreciation	35,270,355	27,363,104
	Impairment losses	697,427	1,780,465
	Net financial expense	10,641,794	7,833,951
	Net (gains)/losses on the disposal of property, plant and equipment	(4,892,418)	
	Other adjustments for non-monetary items	(7,201,763)	(457,200)
	Accruals	(1,327,374)	1,218,559
	Income taxes	21,721,097	20,991,601
(A)	**Cash flows from operating activities before changes in working capital**	**100,544,873**	**98,072,901**
	(Increase) / decrease in inventories	(4,782,741)	(6,165,812)
	(Increase) / decrease in contract assets/liabilities	13,738,783	(5,580,081)
	(Increase) / decrease in trade receivables	(26,609,980)	(7,083,899)
	Increase / (decrease) in trade payables	61,107,874	17,712,234
	(Increase) / decrease in other current and non-current assets	(6,732,016)	(4,483,456)
	Increase / (decrease) in other current and non-current liabilities	8,244,096	(10,066,487)
(B)	**Changes in working capital**	**44,966,016**	**(15,667,500)**
	Cash flows generated by operating activities (A+B)	**145,510,889**	**82,405,401**
	Interest paid	(2,837,522)	(985,747)
	Income taxes paid	(17,996,791)	(12,472,093)
(C)	**Cash flows generated by operating activities**	**124,676,576**	**68,947,561**
	Investing activities		
	Interest collected	480,256	155,153
	Investments in intangible assets	(4,489,872)	(3,670,898)
	Acquisition of property, plant and equipment	(69,297,959)	(46,028,636)
	Investments in securities and other financial assets	(42,033,626)	(53,585,918)
	Proceeds from the sale of property, plant and equipment	14,364,056	4,968,253
	Proceeds from the sale of equity investments and non-current securities	5,620,685	20,735,035
	Acquisition/sale of subsidiaries net of cash acquired	(43,050,272)	(5,487,152)
	Exchange differences	(896,038)	(2,613,772)
(D)	**Cash flows used in investing activities**	**(139,302,770)**	**(85,527,935)**
	Financing activities		
	Disbursement of loans	90,468,779	82,000,000
	Repayment of loans	(61,356,894)	(44,449,043)
	Repayment of lease liabilities	(7,023,980)	(6,647,425)
	Change in other financial liabilities	(13,285,962)	7,684,135
	Proceeds from the issue of company shares	0	107,036,440
	Repurchase of treasury shares	(695,871)	(4,752,702)
	Dividends distributed	(28,474,765)	(21,314,116)
(E)	**Cash flows generated by (used in) financing activities**	**(20,368,693)**	**119,557,289**
(F)	**Net change in cash and cash equivalents (C+D+E)**	**(34,994,887)**	**102,976,915**
(*)	**Opening cash and cash equivalents**	**166,175,877**	**63,198,962**
	Net change in cash and cash equivalents	(34,994,887)	102,976,915
(*)	**Closing cash and cash equivalents**	**131,180,990**	**166,175,877**

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

3.2

Notes to the consolidated financial statements

General information on the reporting entity

Basis of preparation and compliance with the IFRS

Basis of presentation

Accounting policies

Key risks and uncertainties

Notes to the main statement of financial position captions

Notes to the main income statement captions

Other notes

Significant non-recurring events and transactions

Events after the reporting date

General information on the reporting entity

Salcef Group S.p.A. (the "parent") is a company limited by shares with registered office in Rome (Italy) in Via Salaria 1027. 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.

The parent's ordinary shares are listed on the Euronext STAR Milan segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A..

The consolidated financial statements as at and for the year ended 31 December 2022 include the financial statements of the parent and those of its subsidiaries (collectively, the "Salcef Group" or the "group"). Salcef Group S.p.A.'s board of directors approved the consolidated financial statements and authorised them for publication on 16 March 2023.

At the date of preparation of these consolidated financial statements, 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 Issuers' 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 contributions in kind, acquisitions and sales.

Basis of preparation and compliance with the IFRS

In accordance with Regulation (EC) no. 106/2002 of 19 July 2002, the consolidated financial statements at 31 December 2022 have been prepared in accordance with 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), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.

Basis of presentation

These consolidated financial statements at 31 December 2022 consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes.

Among the various options for the presentation of the statement of financial position, the group has opted to classify assets and liabilities as current or non-current.

The income statement is presented with the classification of the individual captions by nature, which 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 year and adds the other items of other comprehensive income thereto (the statement of comprehensive income). The latter shows changes in equity generated by transactions other than owner transactions.

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

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

Pursuant to Consob resolution no. 15519 of 28 July 2006, any income and expense on non-recurring transactions are recognised separately in other comprehensive income. Similarly, the balances of related party transactions are presented separately in the consolidated financial statements. Note 33 provides information and details of related party transactions.

The group's presentation currency is the Euro, which is also the parent's functional currency. Assets and liabilities are presented separately without offsetting. The figures in the 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 of decimals.

Accounting policies

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

The group has prepared the consolidated financial statements as at and for the year ended 31 December 2022 on a going concern basis and to give a true and fair view of its financial position, financial performance and cash flows for the year. Management has made use of estimates as described later.

Consolidation scope and basis of consolidation

The consolidated financial statements at 31 December 2022 have been prepared by consolidating the parent's separate financial statements and the financial statements of the Italian and foreign companies that it directly or indirectly controls at the same date.

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

The 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' 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 31 December 2022

	REGISTERED OFFICE	CURRENCY	Share/quota capital/ consortium fund	Investment percentage Indirect	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.	Rome - Italy	Euro	1,000,000		100%	Consolidation
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	Euro	420,000		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	10,000	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 arrangements						
Delta Railroad JV, LLC	Ashtabula - Ohio	USD		50.00%		Proportionate consolidation
Railworks/Delta A Joint Venture	New York (NY) - USA	USD	-	45.00%		Proportionate consolidation
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	Euro	10,000	47.68%		Equity
Consorzio Armatori Ferroviari S.c.p.A.	Lecce – Italy	Euro	500,000	25.00%		Equity
A.F.A.I. Armamento per la ferrovia Alifana inferiore Società consortile a r.l.	Napoli – Italy	Euro	20,000	15.00%		Equity
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity

Changes in the consolidation scope since 31 December 2021 in terms of companies in which the group has acquired or lost control in 2022 are as follows: (i) the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. (“FVCF S.r.l.” or “FVCF”) on 23 December 2022, recognised as a business combination with the group recognising the consideration as a provisional amount as permitted by paragraph 45 and following paragraphs of IFRS 3; (ii) the winding up of the investees Frejus S.c.a.r.l. in June 2022 and Consorzio I.C.A.V. in December 2022; (iii) the incorporation of Salcef Railroad Services Inc. (currently in start-up phase), wholly-owned by Salcef USA Inc., and (iv) the acquisition of 55% of Consorzio Stabile Contese, part of the business unit acquired from the PSC Group. Indeed, in 2022, through the subsidiary Euro Ferroviaria S.r.l., the group acquired a business unit operating in the railway sector (the “PSC business unit”) from the PSC Group. This transaction was accounted for as a business combination in Euro Ferroviaria S.r.l.’s financial statements at 31 December 2022 in accordance with IFRS 3, also in this case recognising the consideration as a provisional amount.

For additional details on the acquisition of FVCF and the PSC business unit, reference should be made to the section on key events of the year of the Directors’ report, as well as note 34 where the information required by IFRS 3 on business combinations is provided.

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 year 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 arrangements 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 transaction 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 loss are recognised immediately in profit or loss. The identifiable net assets acquired are generally measured at fair value. Any goodwill that arises, calculated as the difference between the consideration transferred and the fair value of the net assets acquired, is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships, which are generally recognised in profit or loss.
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, increasing (decreasing) the provisional amount recognised for an identifiable asset (liability) with a corresponding decrease (increase) in goodwill. These adjustments are recognised as if the business combination had been completed at 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 exchange 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 year 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 differences to be allocated to non-controlling interests.

Exchange rates used by the group at 31 December 2022

CURRENCY	Code	31.12.2022	
		Spot closing rate	Average rate
Egyptian lira	EGP	26.3990	20.1636
Romanian leu	RON	4.9495	4.9313
Croatian kuna	HRK	7.5365	7.5349
UAE dirham	AED	3.9171	3.8673
US dollar	USD	1.0666	1.0530
Saudi riyal	SAR	3.9998	3.9489
Norwegian krone	NOK	10.5138	10.1026
Swiss franc	CHF	0.9847	1.0047
Australian dollar	AUD	1.5693	1.5167

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).

Intangible assets with finite useful lives include the costs to fulfil a contract, i.e., costs that (i) directly refer to a contract into which the group has entered, (ii) generate and/or enhance the resources that will be used to satisfy the contractual obligations and (iii) are recoverable through the future economic benefits of the contract. Considering the contractual obligations in the Salcef Group's contracts with customers, these costs are usually pre-operating costs for contracts that do not explicitly provide for their compensation (through specific items underlying the same contract) and they are recovered through the overall contract profit margin.
The costs to fulfil a contract are recognised as intangible assets when incurred. They are amortised systematically according to the progress of the contract to which they refer

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.

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and any costs of dismantling and removing the asset and restoring the site on which it was located.

Subsequent expenditure is recognised in the carrying amount of property, plant and equipment 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, plant 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 making certain adjustments to reflect the terms of the lease and type of the asset leased.

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. 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 group 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 year 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 are 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 year when 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. These 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 and currency 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 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 year in accordance with the tax laws applicable to each consolidated company at the rates enacted at the reporting date. They are shown net of payments on account, withholdings and tax assets as current tax liabilities if the balance is negative, or as current tax assets if the balance is positive.

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (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., SRT S.r.l., Overail S.r.l. and Coget Impianti S.r.l..

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.

Earnings per share

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

Fair value measurement

The group relies on observable market data to the greatest extent possible in measuring an asset or liability at fair value. Based on the observable significant inputs used in measurement, the assets and liabilities measured at fair value in the 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 group 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, so that the final cost recognised is based on the number of incentives that meet the above conditions at the vesting date.

Non-current assets held for sale and discontinued operations

Non-current assets, disposal groups and discontinued operations, whose carrying amount will be recovered mainly through their sale rather than continuing use, are classified as held for sale and are recognised separately from other assets and liabilities in two specific statement of financial position items (i.e., assets held for sale and liabilities directly associated with assets held for sale).

A disposal group is a group of assets and directly associated liabilities to be disposed of together as a group in a single transaction. A discontinued operation is a component of the group (e.g., a major line of business or geographical area of operation) that is part of a single co-ordinated plan to dispose of such line of business or area of operation or is a subsidiary acquired exclusively with a view to resale. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable within one year. If these criteria are met after the reporting period, the non-current asset (or disposal group) are not classified as held for sale. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, disclosure shall be provided in the notes.

Non-current assets, disposal groups and discontinued operations are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. The prior year corresponding figures are not reclassified. Any difference is recognised as an impairment loss in profit or loss.

The group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Those assets and liabilities are not offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale are disclosed in the notes. The group presents separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

The group does not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior years presented for comparative purposes.

The post-tax profits or losses of discontinued operations and any post-tax gains/losses realised on disposal are presented separately in a specific caption of the statement of profit or loss (profit (loss) from discontinued operations). The prior year corresponding figures are presented accordingly.

Operating segments

The Salcef Group has a single operating segment identified in accordance with IFRS 8 - Operating segments, which requires that segment information be reported consistently with the management approach used to make operating decisions. Consequently, the operating segment was identified based on the internal reporting system used by management to make resource-allocation decisions and to assess performance. Specifically, the Salcef Group's operations comprise the supply of specialist integrated products and services in the construction, upgrade and maintenance of railway infrastructure with all-round expertise in the infrastructure and technology aspects.
From a strategic and organisational point of view, the group's chief operating decision maker plans the medium/long-term strategic objectives for the railway sector consistently, takes resource-allocation decisions and monitors the results. In this respect, the group has a single chief operation officer (reporting directly to the CEO) who is responsible for defining the strategic lines, including new investments, the operating activities for the entire production chain and managing the business units. The group also has a single chief commercial officer who is responsible for the commercial management of all group companies and business units and for overseeing the entire commercial and development process both in Italy and abroad.

The group's business units represent the operating divisions which manage the main stages of the production process, which consist of the operational design, production and supply of railway materials (e.g., sleepers and prefabricated systems), the construction of machinery (e.g., track-laying trains and rolling stock) and the construction and maintenance of permanent way systems, related infrastructure works and electrical traction systems. These operating divisions all contribute to the provision of integrated services for the construction and maintenance of railway infrastructure and, therefore, have similar economic characteristics in terms of customer type (mainly national and foreign railway infrastructure operators), the nature of their products and services (integrated solutions for the renewal, maintenance and construction of railway infrastructure), the related production processes, the reference regulatory context and the methods used to develop these products/services. Although the revenue and profit margins of each operating division are calculated and periodically reviewed by group management, these actions are carried out to monitor the performance of the common strategy defined by the entity's chief operating decision maker.

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

Changes in accounting policies, errors and changes in accounting estimates

The group only changes an accounting policy if the change is required by an IFRS or it results in the financial statements providing more reliable and more relevant information about the effects of transactions on the group's financial position, financial performance and cash flows.
Changes in accounting policies are applied retrospectively and the group adjusts the opening balance of the affected component of equity for the earliest prior period presented. The other comparative amounts disclosed for each prior period presented are adjusted as if the new accounting policy had always been applied.
The prospective approach is only applied when it is impracticable to reconstruct the comparative information.
Application of a new or amended IFRS is recognised as required by the standard. If the standard does not include specific transitional provisions, the change is recognised retrospectively or, if impracticable, prospectively. The group treats material errors in the same manner as changes in accounting policies described above. Immaterial errors are corrected in profit or loss in the year in which the error is identified.
The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in the period of the change if the change affects that period only, or the period of the change and future periods, if the change affects both.

Use of estimates

Preparation of these consolidated financial statements 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 and disclosures. Estimates are based on the most recent information available to management when preparing these consolidated financial statements.
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 estimates 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 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 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 these consolidated financial statements 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.

Standards and interpretations effective from 1 January 2022

The standards, amendments and interpretations effective from 1 January 2022 and endorsed by the European Commission are detailed below:

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework without changing the requirements of the standard. Following such amendments, to determine what constitutes an asset or a liability, an acquirer shall refer to the new definitions of assets and liabilities contained in the new Conceptual Framework published in March 2018, with the sole exception of liabilities assumed in a business combination, which shall be recognised in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets or IFRIC 21 - Levies. This exception was added to avoid the acquirer recognising a liability or contingent liability on the basis of the new definition in the Conceptual Framework and then derecognising them in accordance with the criteria set out in IAS 37 and IFRIC 21.

Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)

The IASB has clarified that proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management shall be taken to profit or loss. Following such amendments, it is no longer allowed to directly deduct from the cost of the asset proceeds from selling items produced while the company is preparing the asset for its intended use, e.g., the sale of samples produced when testing whether the assets is functioning properly.

The items produced awaiting sale shall be recognised as inventories in accordance with IAS 2 - Inventories. The production cost of items produced would not include depreciation of the item of property, plant and equipment as the latter is not yet subject to depreciation.

The amounts of proceeds and cost that relate to items produced that are not an output of the entity's ordinary activities, and which line items in the statement of comprehensive income include such proceeds and cost, shall be disclosed in the notes (if not presented separately in the statement of comprehensive income).

Onerous contracts - Cost of fulfilling a contract (Amendments to IAS 37)

The IASB has clarified that the cost of fulfilling a contract comprises all the costs that relate directly to the contract and thus include: (i) incremental costs of fulfilling that contract (e.g., raw materials, direct labour, etc.), (ii) an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Furthermore, the IASB confirmed that, before establishing a provision for an onerous contract, the entity recognises any impairment loss that has occurred on non-current assets and clarified that the impairment losses shall be determined not only on assets used solely on the contract, but also other assets partially used to fulfil the contract.

Annual Improvements to IFRS – 2018-2020 cycle (Amendments to IFRS 1, IFRS 9 and IAS 41)

Annual Improvements to IFRS are the result of the annual improvement process aimed at resolving non-urgent issues related to inconsistencies or unclear terminology identified in the standards. The Annual Improvements to IFRS – 2018-2020 cycle also includes an amendment to IFRS 16 that is not subject to endorsement by the EU as it refers to an illustrative example which is not an integral part of IFRS 16.

The adoption of the new standards starting from 1 January 2022 did not have any impact.

Standards and interpretations published but not yet adopted

At the date of approval of these consolidated financial statements, 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. 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): published in 2020, these amendments clarify the requirements for determining whether a liability is current or non-current and they are effective for annual reporting periods beginning on or after 1 January 2023. The IASB subsequently proposed further amendments to IAS 1 and deferred the effective date of the 2020 amendments to 1 January 2024. As a result, the group cannot ascertain the impact that these amendments will have on the consolidated financial statements in the year of first application and is carefully monitoring developments;
- 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.

Key risks and uncertainties

The main financial risks to which the group is exposed are analysed below along with the related management methods.

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 dire in terms of increases in many production costs, particularly energy. 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 the past two years, 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, along with the 2023 Budget Act no. 197/22 which set out guidelines for adjusting prices for 2023.
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 experienced any production slowdowns due to shortages 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 upwards trend in rates which accelerated compared to previous quarters and is expected to continue during the 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 purpose of such interest rate swaps is solely to hedge interest rate risk; therefore, the group does not hold derivatives for speculative purposes.

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.. in place. The purpose of such currency forwards is solely to hedge currency risk; therefore, as mentioned above, the group does not hold derivatives for speculative purposes.

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; the customers' application of early termination clauses included in contacts with them; 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 through the agreement of relevant insurance policies.

Notes to the main statement of financial position captions

ASSETS

NON-CURRENT ASSETS

1 Intangible assets with finite useful lives

Intangible assets with finite useful lives amount to €17,725 thousand, compared to €7,584 thousand at 31 December 2021. This caption and changes in the year are analysed in the table below.

(€'000)

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Costs to fulfil contracts	Assets under development	TOTAL
Balance at 31 December 2021:						
Cost	2,015	628	7,865	-	5,248	15,757
Accumulated amortisation	(1,373)	(576)	(6,224)	-	-	(8,173)
Carrying amount at 31 December 2021	**642**	**52**	**1,641**	**-**	**5,248**	**7,584**
Investments - Historical cost	229	10	88	2,210	1,953	4,490
Disposals - Historical cost					(39)	(39)
Other variations - Historical cost					422	422
Reclassifications - Historical cost	4		2,312		(2,316)	0
Exchange differences - Historical cost						0
Changes in the consolidation scope	195		6,633			6,829
Amortisation	(185)	(10)	(1,102)	(253)		(1,550)
Disposals - Acc. amortisation	(4)		(1)			(5)
Other variations - Acc. amortisation						
Reclassifications - Acc. amortisation						
Exchange differences - Acc. amortisation	(4)					(4)
Balance at 31 December 2022:						
Cost	2,444	637	16,898	2,210	5,269	27,458
Accumulated amortisation	(1,567)	(586)	(7,328)	(253)		(9,733)
Carrying amount at 31 December 2022	**877**	**51**	**9,571**	**1,957**	**5,269**	**17,725**

Industrial patents and intellectual property rights of €877 thousand mainly consist of the industrial patents acquired by SRT S.r.l. for railway technologies (€471 thousand), intellectual property rights and patents held by Overail S.r.l. (€47 thousand), the software user licences acquired by Salcef Group S.p.A., Salcef S.p.A. and RECO S.r.l. (€106 thousand) and intellectual property rights of Delta Railway Construction Inc. and Salcef Deutschland GmbH (€14 thousand).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€45 thousand).

Costs to fulfil contracts of €1,957 thousand refer to the pre-operating costs incurred by the subsidiary Salcef S.p.A. to build the tracks and other works for the work site of the "HS Verona - Padua" project in order to begin the scheduled work, net of the portion already taken to profit or loss as amortisation based on the percentage of completion of the contract.

Other mainly consists of costs incurred internally by SRT S.r.l. to design new railway machinery (€2,762 thousand), costs incurred to obtain the certifications and attestations to perform its activities, such as the SOA and occupational safety certifications (€21 thousand), which are amortised over the term of such certifications and attestations, and the intangible assets acquired under the business combinations carried out during the year (€6,633 thousand).

Assets under development and payments on account include costs incurred by SRT to design new railway machinery (€3,951 thousand). The decreases refer to projects completed during the year.

2 Goodwill

(€'000)

	31.12.2022	31.12.2021	Variation
Carrying amount	101,410	41,795	59,615
Total	**101,410**	**41,795**	**59,615**

At the reporting date, this caption amounts to €101,410 thousand (31 December 2021: €41,795 thousand) and includes goodwill recognised on the acquisition of businesses or business units.
Specifically, it includes:

- €423 thousand on the acquisition of the permanent way systems business unit in 2002;
- €682 thousand on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand on the acquisition of the electrical traction business unit in 2008;
- €242 thousand on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand for the 2015 acquisition of a business unit from Tuzi Costruzioni Generali S.p.A., active in the permanent way systems, construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. (now named Overail S.r.l.) in 2017 (€392 thousand) and on the difference between the cost incurred by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the consolidation date (€521 thousand);
- €6,630 thousand arising on the acquisition of the investments in Salcef Bau GmbH (in 2018) and the Salcef Deutschland Group (in 2021);
- €7,082 thousand arising in 2019 on the acquisition of the investment in Coget Impianti S.p.A. (now Coget Impianti S.r.l.) following the purchase price allocation process which the group completed in 2020;

- €26,025 thousand arising on the 2020 acquisition of the investment in Delta Railroad Construction Inc. by the subsidiary Salcef USA Inc. following the purchase price allocation process which the group completed in 2021.

Goodwill also includes amounts deriving from the business combinations carried out during the year. Specifically:

- €23,967 thousand on the acquisition of the business unit operating in the railway sector from the PSC Group (mentioned earlier in the section on the Accounting policies). This amount was determined by comparing the consideration paid by the group (through its subsidiary Euro Ferroviaria S.r.l.) to acquire the business unit with the carrying amount of the net assets acquired. The entire difference was allocated to goodwill, in accordance with IFRS 3, recognising the provisional amounts of the transaction as permitted by paragraph 45 and subsequent paragraphs of IFRS 3. In particular, the acquired business unit designs, constructs and maintains electrical contact lines for electrical traction and the acquired business will be integrated with the group operations in this sector. Accordingly, the goodwill generated by this acquisition was allocated to the "Energy, signalling and telecommunications" CGU. Reference should be made to note 34 for additional details, including the disclosures required by IFRS 3 on business combinations;
- €34,131 thousand on the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. (mentioned earlier in the section on the Accounting policies). This amount was determined by comparing the consideration paid by the group (through the parent Salcef Group S.p.A.) to acquire the entire quota capital of FVCF with the carrying amount of the net assets acquired. The entire difference was allocated to goodwill, in accordance with IFRS 3, recognising the provisional amounts of the transaction as permitted by paragraph 45 and subsequent paragraphs of IFRS 3. FCVF operates in the permanent way systems segment, especially in southern Italy. Reference should be made to note 34 for additional details, including the disclosures required by IFRS 3 on business combinations.

In addition to the aforementioned changes in the consolidation scope (regarding the goodwill provisionally allocated to the "Energy, signalling and telecommunication" and "Permanent way systems" CGUs, respectively), the change in goodwill from 31 December 2021 is also attributable to the "Delta Railroad Construction Inc." CGU (€1,517 thousand), due to fluctuations in the EUR-USD exchange rate.

At the reporting date, the group tested the cash-generating units (CGUs) to which goodwill had been allocated for impairment. Specifically, the goodwill was allocated to the following CGUs:

(€'000)

CGUs	31.12.2022	31.12.2021	Variation
Permanent way systems	35,720	1,589	34,131
Salcef Deutschland	6,630	6,630	0
Delta Railroad Construction Inc.	26,025	24,508	1,517
Energy, signalling and telecommunications	31,880	7,913	23,967

Design	242	242	0
Railway materials	913	913	0
Total	**101,410**	**41,795**	**59,615**

At 31 December 2022, this goodwill was tested for impairment by determining the value in use of the aforementioned CGUs applying the discounted cash flow (DCF) method to the estimated cash flows for the current three-year period (2023-2025), based on the CGUs' forward-looking financial figures, to which a WACC of 8.92% was applied for the permanent way systems, energy and signalling, railway materials and design CGUs, a WACC of 6.79% was applied for the Salcef Deutschland CGU and a WACC of 8.42% was applied for the Delta Railroad Construction Inc. CGU.

The operating cash flows considered for the impairment test were taken from the forward-looking financial figures in the 2022-2024 plan approved by Salcef Group S.p.A.'s board of directors.
In addition, estimated cash flows for the third year of the explicit forecast period (2025) were determined on the basis of the performance that can be inferred from the 2022-2024 plan.

The discount rate was estimated as follows:

- the risk free rate was determined to be equal to the average yield over the past six months on ten-year government securities: 3.9% for Italy (the country where the permanent way systems, energy, signalling and telecommunications, design and railway materials CGUs operate), 1.7% for Germany (the country where the Salcef Deutschland CGU operates) and 3.5% for the United States (the country where the Delta Railroad Construction Inc. CGU operates);
- the equity risk premium was 5.5%;
- levered beta of 0.84 for Italy, 0.82 for Germany and 0.83 for the US was determined considering a sample of listed companies operating in the same sector as the group;
- the additional risk premium was 3.1%.

The cost of debt was estimated to be 4.5% for Italy, 2.6% for Germany and 4.0% for the United States, plus a specific spread (2%) based on an analysis of the credit spreads of a sample of comparable companies.

The terminal value was calculated using the perpetuity formula.
An average nominal growth rate of cash flows available after the explicit period and in perpetuity (g-rate) of 1.5% was used to determine the terminal value. The value in use thus calculated was compared with the carrying amount of the net invested operating capital of the same CGUs, including goodwill. The results of the impairment test were higher than the CGUs' carrying amount. A sensitivity analysis, with different parameters than those used for the impairment test, was performed considering a reduction in the g-rate and an increase in the WACC.
The analysis showed that impairment losses would not be generated.

3 Property, plant and equipment

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

(€'000)

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2021:							
Historical cost	4,418	14,475	232,373	17,356	14,388	25,323	308,334
Accumulated depreciation	(143)	(2,335)	(160,570)	(15,289)	(6,200)	0	(184,536)
Carrying amount at 31 December 2021	**4,275**	**12,140**	**71,803**	**2,067**	**8,189**	**25,323**	**123,798**
Investments - Historical cost	0	4,267	35,924	1,666	1,768	25,673	69,298
Disposals - Historical cost	0	0	(6,567)	(813)	(579)	(4,691)	(12,651)
Reclassifications - Historical cost	1,700	11	11,328	1	(2,869)	(6,908)	3,262
Impairment losses - Historical cost	0	0	0	0	0	0	0
Other variations - Historical cost	0	0	0	0	0	0	0
Exchange differences - Historical cost	13	39	1,098	154	887	0	2,191
Changes in the consolidation scope	0	32	33,874	388	272	720	35,286
Depreciation	(15)	(485)	(23,177)	(1,330)	(1,584)	0	(26,588)
Disposals - Acc. depreciation	0	0	2,070	742	451	0	3,264
Reclassifications - Acc. depreciation	0	(9)	(1,475)	(104)	(300)	0	(1,889)
Impairment losses - Acc. depreciation	0	0	0	0	0	0	0
Other variations - Acc. depreciation	0	0	0	0	0	0	0
Exchange differences - Acc. depreciation	(9)	(14)	(986)	(127)	(5)	0	(1,141)
Balance at 31 December 2022:							
Historical cost	6,131	18,823	308,030	18,751	13,867	40,118	405,720
Accumulated depreciation	(166)	(2,844)	(184,138)	(16,107)	(7,637)	0	(210,891)
Carrying amount at 31 December 2022	**5,966**	**15,980**	**123,892**	**2,644**	**6,230**	**40,118**	**194,829**

The increases in 2022 are part of the major investment plan in property, plant and equipment implemented by the Salcef Group. Most of the investments are eligible for the tax benefits introduced by the Industry 4.0 legislation.These investments include: (i) the acquisition of the PSC business unit which joined the Salcef Group on 1 May 2022, entailing an increase in property, plant and equipment at the acquisition date for a carrying amount of €2,035 thousand and (ii) the acquisition of FVCF which joined the group on 23 December 2022, entailing an increase in property, plant and equipment at the acquisition date for a carrying amount of €33,251 thousand. These amounts are shown in the "Changes in the consolidation scope" line in the table above.

The decreases of €12,651 thousand relate to assets that are no longer used in production or relevant to the group's activities.

Land and buildings mainly include SRT S.r.l.'s operating offices and Terre Roveresche production facility acquired in 2022 (€9,621 thousand), and related land (€2,637 thousand), the industrial site housing Overail

S.r.l.'s railway sleeper production facility in Aprilia (€8,187 thousand), the plot of land acquired by the parent in 2021 as part of its project to transfer and expand its administrative offices (€982 thousand) and the land and buildings contributed by Delta Railroad Construction Inc. (€518 thousand).
On the other hand, the Aprilia production facility is divided into land of €2,284 thousand and the building of €5,903 thousand.

The increases in plant and machinery mainly refer to the purchase of assets with technical features and performance suitable for the group's operations and significant parts of these assets, including for extraordinary maintenance to improve their efficiency and output.

The other assets (€6,230 thousand) mainly consist of motor vehicles and cars (€3,072 thousand) and office furniture, fittings and equipment (€418 thousand).

Assets under construction and payments on account (€40,118 thousand) include costs incurred for the construction and extraordinary maintenance of machinery and equipment not yet in use, mainly performed by the subsidiary SRT S.r.l. on behalf of Salcef S.p.A. and Euro Ferroviaria S.r.l. (€17,246 thousand). They also include costs incurred by Overail S.r.l. (€11,307 thousand) to expand the Aprilia production facility, related to activities not yet completed and/or pending inspection at the reporting date, and costs incurred by Salcef Group S.p.A. to restructure the property in Rome to which the administrative offices were relocated in 2023 (€10,704 thousand).

4 Right-of-use assets and lease liabilities

(€'000)

RIGHT-OF-USE ASSETS	31.12.2022	31.12.2021	Variation
Carrying amount	17,074	14,197	2,877
Total	**17,074**	**14,197**	**2,877**

These mainly refer to the owner-operated assets (production machinery, vehicles) and buildings used as offices that the group occupies under operating leases. The group discounts the total amount of lease payments due and recognises it in this caption in accordance with IFRS 16. The assistance of an independent expert was used for the discounting.
Changes in the year in right-of-use assets and lease liabilities are summarised below.

(€'000)

RIGHT-OF-USE ASSETS	Land and buildings	Plant and machinery	Other assets	TOTAL
Carrying amount at 1 January 2022	4,510	9,092	596	14,198

Increases	2,429	8,282	434	11,145
Changes in the consolidation scope	174	1,770	144	2,087
Depreciation	(2,133)	(4,468)	(531)	(7,132)
Exchange differences	156	0	19	175
Derecognition	0	(3,400)	0	(3,400)
Carrying amount at 31 December 2022	**5,137**	**11,276**	**662**	**17,074**

(€'000)

LEASE LIABILITIES	
Carrying amount at 1 January 2022	10,823
Changes in the consolidation scope	2,087
Payments	(7,024)
Increases	9,476
Exchange differences	168
Interest expense	284
Carrying amount at 31 December 2022	**15,816**
of which, non-current	*10.428*
of which, current	*5.388*

At the reporting date, the parent has signed a finance lease with a major leasing company but the underlying asset (the building to which it will relocate its administrative offices) is not yet available as it is still being restructured. Therefore, such lease was not included in the calculation of right-of-use assets and lease liabilities. The restructuring of a portion of the building was completed in 2023 and, as a result, the administrative offices and registered office of the parent and the subsidiaries Salcef S.p.A, Euro Ferroviaria S.r.l., Coget Impianti S.r.l., Overail S.r.l., SRT S.r.l., RECO S.r.l., Consorzio Stabile Itaca S.c.a r.l. e Francesco Ventura Costruzioni Ferroviarie S.r.l. were relocated there. The parent is also currently holding talks with the lessor to terminate the lease early through redemption of the building. This option will be considered in the recognition of right-of-use assets and lease liabilities in 2023.

5 Equity-accounted investments

Equity-accounted investments amount to €136 thousand at 31 December 2022, compared to €41 thousand at 31 December 2021, as detailed in the table below.

(€'000)

	31.12.2022	**31.12.2021**	**Variation**
Associates	133	38	95
Joint arrangements	0	0	0

Other companies	3	3	0
Total	**136**	**41**	**95**

The breakdown and details of the changes in the year are reported below. The decrease in investments in associates is due to the winding up of Frejus S.c.a.r.l. and Consorzio ICAV in the year. The increases derive from investments in associates held by the newly-acquired FVCF.

(€'000)

	REGISTERED OFFICE	31.12.2022	31.12.2021	Variation
Associates and joint arrangements				
Frejus S.c.a.r.l.	Bologna - Italy	0	8	(8)
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità	Rome - Italy	0	25	(25)
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	0	5	(5)
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	125	0	125
A.F.A.I. Armamento per la ferrovia Alifana inferiore S.c. a r.l.	Naples - Italy	3	0	3
Other companies				
Sassariolbia S.c. a r.l.	Rome - Italy	1	1	0
Concise Consorzio Stabile S.c.a r.l.	Pordenone - Italy	1	1	0
Consorzio Telese S.c.a.r.l.	Rome - Italy	1	1	0
Total		**136**	**41**	**95**

(€'000)

	Associates	Joint arrangements	Other companies	Total
Carrying amount at 1 January 2022	38	0	3	41
Change in consolidation scope	128	0	0	128
Increases/Capital increases	0	0	0	0
Investees wound up	(33)	0	0	(33)
Exchange differences	0	0	0	0
Impairment losses	0	0	0	0
Carrying amount at 31 December 2022	**133**	**0**	**3**	**136**

The following table reconciles the key financial data and carrying amounts of investments in associates and joint arrangements.

(€'000)

Sesto Fiorentino S.c.a.r.l.	31.12.2021*
Interest	47.68%
Assets	5,448
Liabilities	5,438

Net assets (100%)	**10**
Group's share of net assets	5
Elimination of unrealised gain on intragroup sales	0
Carrying amount of the investment in the associate	**5**
Revenue	3,197
Costs	(3,197)
Operating profit/(loss) (100%)	**0**
Net financial income/(expense)	0
Income taxes	0
Profit/(loss) for the year (100%)	**0**
Comprehensive income/(expense) (100%)	0
Comprehensive income/(expense) (100%)	0
Group's share of comprehensive income/(expense)	**0**

(*) last available financial statements

(€'000)

Consorzio Armatori Ferroviari S.c.p.A.	**31.12.2021***
Interest	25.00%
Assets	63,181
Liabilities	62,857
Net assets (100%)	**324**
Group's share of net assets	81
Elimination of unrealised gain on intragroup sales	0
Carrying amount of the investment in the associate	**81**
Revenue	138,633
Costs	(138,627)
Operating profit (100%)	**6**
Net financial income	10
Income taxes	(16)
Profit/(loss) for the year (100%)	**0**
Comprehensive income/(expense) (100%)	0
Comprehensive income/(expense) (100%)	0
Group's share of comprehensive income/(expense)	**0**

(*) last available financial statements

(€'000)

A.F.A.I. Armamento per la ferrovia Alifana inferiore S.c. a r.l.	**31.12.2021***
Interest	15.00%
Assets	210
Liabilities	187
Net assets (100%)	**23**
Group's share of net assets	3

Elimination of unrealised gain on intragroup sales	0
Carrying amount of the investment in the associate	**3**
Revenue	521
Costs	(521)
Operating profit/(loss) (100%)	**0**
Net financial income/(expense)	0
Income taxes	0
Profit/(loss) for the year (100%)	**0**
Comprehensive income/(expense) (100%)	0
Comprehensive income/(expense) (100%)	0
Group's share of comprehensive income/(expense)	**0**

(*) last available financial statements

6 Other non-current assets

Other non-current assets amount to €25,112 thousand at 31 December 2022, compared to €20,807 thousand at 31 December 2021. This caption is detailed in the table below.

(€'000)

	31.12.2022	31.12.2021	Variation
Guarantee deposits	1,102	1,050	52
Performance bonds	20,414	18,986	1,428
Other assets	3,596	770	2,826
Total	**25,112**	**20,807**	**4,306**

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

The performance bonds are amounts invoiced and/or to be invoiced to customers and will be collected once the inspection of the related assets has been carried out.

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

Income taxes, recognised in the income statement and statement of comprehensive income, may be analysed as follows:

(€'000)

INCOME TAXES	2022	2021
IRES	(14,321)	(14,429)
IRAP	(3,446)	(3,520)
Foreign income taxes	(1,256)	(71)

Total current taxes	**(19,024)**	**(18,020)**
Change in deferred tax assets	(198)	(1,904)
Change in deferred tax liabilities	(1,017)	(1,529)
Total deferred taxes	**(1,215)**	**(3,433)**
Prior year taxes	**(1,482)**	**461**
Total income taxes	**(21,721)**	**(20,992)**

€'000)

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME/(EXPENSE)	Pre-tax	Tax benefit (expense)	Post-tax
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	148	(42)	106
Net fair value gains/(losses) on securities measured at FVOCI	(155)	37	(118)
Total	**(7)**	**(5)**	**(12)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	4,796	(1,151)	3,645
Total	**4,796**	**(1,151)**	**3,645**
2022	**4,789**	**(1,156)**	**3,633**

At 31 December 2022, deferred tax assets and liabilities amount to €25,453 thousand and €7,733 thousand, respectively. Changes in these two captions compared to 31 December 2021 are analysed below.

(€'000)

DEFERRED TAX ASSETS	01.01.2022	Accruals through profit or loss	Utilisations through profit or loss	Variations through OCI	Exchange differences	Changes in the consolidation scope	31.12.2022
Revaluation of assets	14,320	0	(3,191)	0	0	0	11,129
Differences in amortisation and depreciation	94	274	0	0	0	0	368
Provisions for risks	1,016	4	(595)	0	0	0	425
Elimination of intragroup profits and losses	2,039	580	(416)	0	0	0	2,203
Fair value of derivatives	510	0	0	402	0	0	912
Fair value of securities	0	1,690	0	37	0	0	1,727
Impairment of assets as per IFRS 9	639	473	(359)	0	0	0	753
Actuarial gains/losses on employee benefits	42	26	0	(42)	0	0	26
Stock grant/MBO	303	430	(233)	0	0	0	500
Tax loss	244	0	0	0	0	5,265	5,509
ACE (aid to economic growth) excess	0	987	0	0	0	0	987
Exchange differences	4	121	(4)	0	0	0	121
Foreign taxes	178	320	0	0	4	0	502
Other	596	1	(306)	0	0	0	291
Total	19,985	4,906	(5,104)	397	4	5,265	25,453

(€'000)

DEFERRED TAX LIABILITIES	01.01.2022	Accruals through profit or loss	Utilisations through profit or loss	Variations through OCI	Exchange differences	Changes in the consolidation scope	31.12.2022
Fair value of derivatives	0	0	0	1,553	0	214	1,768
Fair value of securities	446	0	(446)	0	0	0	0

Non-deductible interest income	0	0	0	0	0	1,624	1,624
Differences in amortisation and depreciation	1,122	3	(142)	0	0	0	983
Exchange differences	366	838	(366)	0	0	0	838
Foreign taxes	1,325	1,130	0	0	65	0	2,520
Total	**3,259**	**1,971**	**(954)**	**1,553**	**65**	**1,838**	**7,733**

The decrease of €3,148 thousand in deferred tax assets is mostly due to the reversal of such assets recognised at 31 December 2020 to offset the lower foreign income taxes recognised by subsidiaries due to their revaluation of company assets in their financial statements prepared in accordance with the OIC. Such revaluation is not permitted under IFRS.

Other variations in deferred tax assets include increases of €5,265 thousand due to changes in the consolidation scope regarding the acquisition of FVCF.

Deferred tax assets are recognised since it is deemed probable, on the basis of business plans, that the group will generate future taxable profits sufficient for their recovery.

Furthermore, there are no tax loss carryforwards on which deferred tax assets could be recognised.

A reconciliation of the theoretical tax rate, calculated in line with the ruling tax laws, and the effective rate is as follows:

(€'000)

Reconciliation of actual tax rate		
Pre-tax profit	67,357	
Theoretical IRES	(16,166)	-24%
Lower taxes:		
- Other	4,392	6.52%
Greater taxes:		
- Other	(2,547)	(3.78%)
Total current income taxes (IRES)	**(14,321)**	**(21.26%)**
IRAP	**(3,446)**	**(5.12%)**
Foreign income taxes	**(1,256)**	**(1.86%)**
Prior year taxes	**(1,482)**	**-2.20%**
Deferred taxes	**(1,215)**	**(1.80%)**
Total income taxes	**(21,721)**	

CURRENT ASSETS

8 Inventories

Inventories amount to €29,765 thousand at the reporting date, compared to €20,665 thousand at 31 December 2021. They are detailed in the table below.

(€'000)

	31.12.2022	31.12.2021	Variation
Raw materials, consumables and supplies	14,105	8,240	5,865
Work in progress and semi-finished products	4,143	3,620	523
Finished goods	11,517	8,804	2,713
Total	**29,765**	**20,665**	**9,101**

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

Work in progress and semi-finished products mainly refer to works by SRT S.r.l. at its facilities on railway machinery not covered by sales contracts signed by the reporting date. The caption also includes the work performed on railway machinery by Delta Railroad Construction Inc..
Finished goods include the railway sleepers produced by Overail S.r.l. and in storage at the Aprilia production facility pending the definition of the contract with the customer.

9 Contract assets and liabilities

Contract assets include the contractual consideration for work in progress certified by progress reports issued by the customer's works manager or internal reports prepared by the group and not yet invoiced. Accordingly, contract assets are mainly comprised of the group's right to receive payment for that portion of work in progress that has been completed but not invoiced at the reporting date as per contracts in place with customers.

(€'000)

	31.12.2022	31.12.2021	Variation
Contract assets	156,202	107,877	48,325
Impairment losses	(168)	(175)	7
Exchange differences	0	0	0
Total	**156,034**	**107,701**	**48,333**

These assets have been impaired by €168 thousand at 31 December 2022 and €175 thousand at 31 December 2021 , due to the impairment model as per IFRS 9.

At 31 December 2022, the contract assets relate to Salcef S.p.A. (€90,269 thousand), Euro Ferroviaria S.r.l. (€28,176 thousand), Overail S.r.l. (€17,034 thousand), Delta Railroad Construction Inc. (€3,211 thousand), Coget Impianti S.r.l. (€3,795 thousand), the German subsidiaries (€5,902 thousand) and the newly-acquired FVCF (€7,165 thousand).

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

(€'000)

	31.12.2022	31.12.2021	Variation
Italy	145,067	93,491	51,576
Europe (excluding Italy)	5,902	4,726	1,176
North America	3,211	5,062	(1,851)
Africa	557	1,293	(736)
Middle East	1,297	3,130	(1,833)
Total	**156,034**	**107,701**	**48,333**

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

(€'000)

	31.12.2022	31.12.2021	Variation
Trade receivables	140,505	89,109	51,396
Assets held for sale	955	-	955
Contract assets	156,034	107,701	48,333
Contract assets included under assets held for sale	94		94
Contract liabilities	(77,764)	(12,917)	(64,847)
TOTAL	**219,824**	**183,893**	**35,931**

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

(€'000)

	31.12.2022	31.12.2021	Variation
Contract liabilities	77,764	12,917	64,847
Total	**77,764**	**12,917**	**64,847**

At 31 December 2022, this caption comprises:

- the advance received from NAT - National Authority for Tunnels for the construction of a new railway hub in Kozzyka (Egypt) (€114 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Frasso Telesino - Telese section) (€3,214 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Telese - San Lorenzo section) (€1,699 thousand);
- the advance received from Consorzio Cancello Frasso Telesino Scarl for the construction of the

permanent way systems for the high speed Naples - Bari railway line (€857 thousand);

- advances relating to the contracts of the business unit that the subsidiary Euro Ferroviaria S.r.l. acquired from the PSC Group (€1,071 thousand);
- the advance received from the customer IRICAV DUE for the "HS Verona - Padua" contract (€45,732 thousand);
- the advance received from the customer ATAC S.p.A. for work to renew the Anagnina - Ottaviano section of the Rome metro line A (€3,896 thousand);
- the advance received from the customer RFI for the executive design and development of the ERTMS (European Rail Transport Management System) - Lot 3 centre under the master agreement (€3,125 thousand);
- the advance received from the customer ARST for the work to lay double tracks on the Gennari - Caracalla section of the Cagliari light metro line (€479 thousand);
- advances received from customers of Delta Railroad Construction Inc. (€4,354 thousand);
- advances received regarding contracts of the subsidiary FVCF acquired in late December 2022 (€13,131 thousand);
- advances for other smaller contracts (€92 thousand).

The contract liabilities at 31 December 2022 will become revenue in 2023, except for the advances received for the "HS Verona - Padua" contract which will be recovered in proportion to the amount invoiced.

At the reporting date, the Salcef Group's order backlog includes work on permanent way systems (71.1%), energy sector works (16.8%), infrastructure works (8.1%), sleepers and prefabricated products production (3.2%) and machinery construction and maintenance contracts (0.9%), which ensure continuity using the existing operating units active in the relevant geographical areas.

10 Trade receivables

The table shows the caption at 31 December 2022 with comparative prior year end figures.

(€'000)

	31.12.2022	31.12.2021	Variation
Third parties	137,768	92,802	44,966
Loss allowance	(7,887)	(3,975)	(3,912)
Total third parties	**129,881**	**88,827**	**41,054**
Associates	10,624	282	10,342
Total associates	10,624	**282**	10,342
Total	**140,505**	**89,109**	**51,396**

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

(€'000)

Carrying amount at 1 January 2022	(3,975)
Changes in the consolidation scope	(3,538)
Utilisations/Releases	363
Accruals	(699)
Exchange differences	(38)
Carrying amount at 31 December 2022	**(7,887)**

The accruals refer to impairment losses recognised in accordance with IFRS 9.

Although the group's exposure to credit risk depends on the specific characteristics of each customer, group management also considers variables typical of the group's entire customer base, including the insolvency risk of the customer's sector and country.

Trade receivables from associates mainly refer to receivables due from Consorzio Armatori Ferroviari S.c.a r.l. to the subsidiary FVCF S.r.l..

Reference should be made to the note 32 on related party transactions for more information about receivables from related parties.

A breakdown of trade receivables at 31 December 2022 and 2021 by geographical segment is provided below.

(€'000)

	31.12.2022	%	31.12.2021	%	Variation
Italy	108,041	76.9%	68,577	77.2%	39,464
Europe (excluding Italy)	12,544	8.9%	9,325	10.5%	3,219
Africa	1,437	1.0%	699	0.8%	738
North America	14,802	10.5%	8,479	9.5%	6,323
Middle East	3,614	2.6%	1,746	2.0%	1,868
Australia	67	0%			67
Total	**140,505**		**88,627**		**51,679**

11 Current tax assets

Current tax assets of €4,167 thousand (31 December 2021: €4,122 thousand) mostly comprise:

- direct income taxes and payments on account paid abroad (€323 thousand);
- IRES and IRAP assets and payments on account (€700 thousand);
- direct income taxes of Delta Railroad Construction Inc. (€1,076 thousand);
- tax assets of FVCF (€2,074 thousand).

12 Current financial assets

Current financial assets amount to €148,643 thousand at 31 December 2022 (31 December 2021: €101,588 thousand) and are detailed in the table below.

(€'000)

	31.12.2022	31.12.2021	Variation
Securities	130,898	97,826	33,072
Loans to associates	90	353	(263)
Hedging derivatives	7,365	13	7,352
Other current financial assets	10,290	3,396	6,894
Total	**148,643**	**101,588**	**47,055**

Securities of €130,898 thousand represent the investments existing at the reporting date in mutual property funds, certificates, policies, Italian treasury notes ("BTPs"), bonds and time deposits made by Salcef Group S.p.A. to invest the liquidity obtained following the capital increases performed in 2021 and previous years. The measurement method applied to such assets depends on both the business model used by the group to manage the assets in order to generate cash flows and the characteristics of the security. Specifically, the group holds such assets to collect contractual cash flows and sell them in favourable economic situations (the hold to collect and sell model). Therefore, they are measured at FVOCI when the expected cash flows are solely payments of principal and interest (SPPI). In all other cases, they are measured at fair value (level 1 according to the IFRS 13 hierarchy) and the related gains and losses are taken to profit or loss.
The following table shows variations in the caption during the year:

(€'000)

	Measured at	01.01.2022	Purchases	Sales	Variations in fair value to profit or loss	Variations in fair value to OCI	Changes in the consolidation scope	31.12.2022
Unicredit mutual funds	FVTPL	7,025	344	(762)	(812)			5,795
Unicredit certificates	FVTPL	1,268			(147)			1,123
Intesa Eurizon SGR	FVTPL	7,330			(534)			6,798
Intesa Eurizon Titolo	FVTPL	7,979			(794)			7,185
BPS	FVTPL	6,567			(910)			5,658
UBI BAP life policy	FVTPL	8,154			(158)			7,996
MPS fiduciary mandate	FVTPL	4,978		(4,978)				0
MPS policy	FVTPL	5,089			(745)			4,344
Servizio Italia Cardiff policy	FVTPL	15,674			(1,044)			14,630
Fineco mutual funds	FVTPL	4,006	820		(319)			4,507
Banca Aletti	FVTPL	7,191	2,500		(904)			8,787
Fineco insurance products	FVTPL	9,546	1,200		(334)			10,413

Kairos Partners securities portfolio	FVTPL	4,968			(399)			4,569
Deutsche Bank portfolio management	FVTPL	3,092		(12)	(346)			2,734
Fondo AZIMUT	FVTPL	4,960	7,000		(367)			11,593
J.P. Morgan	FVTPL	0	15,000		(1,085)			13,915
Mediobanca bonds and certificates	FVOCI	0	13,479			(155)		13,324
Securities held by FVCF	FVTPL	0					7,530	7,530
Total		**97,826**	**40,343**	**(5,752)**	**(8,900)**	**(155)**	**7,530**	**130,898**

Note 16 provides a description of all the group's derivatives, which include the above hedging derivatives of €7,365 thousand at the reporting date.

13 Cash and cash equivalents

This caption may be analysed as follows:

(€'000)

	31.12.2022	31.12.2021	Variation
Bank and postal accounts	135,187	166,151	(30,964)
Cash-in-hand and cash equivalents	59	25	34
Total	**135,246**	**166,176**	**(30,930)**

The balance of bank and postal accounts at 31 December 2022 mainly refers to the parent (€14,176 thousand), Salcef S.p.A. (€89,241 thousand), Euro Ferroviaria S.r.l. (€14,764 thousand), Coget Impianti S.r.l. (€2,869 thousand), SRT S.r.l. (€7,415 thousand), Delta Railroad Construction Inc. (€1,863 thousand), the German subsidiaries (€2,744 thousand) and the newly-acquired FVCF (€266 thousand).

14 Other current assets

Other current assets amount to €35,333 thousand at 31 December 2022 (31 December 2021: €26,807 thousand) and are detailed in the table below:

(€'000)

	31.12.2022	31.12.2021	Variation
Other tax assets	11,287	6,930	4,357
Other assets	12,322	11,582	740
Prepayments and accrued income	11,724	8,294	3,430
Total	**35,333**	**26,807**	**8,527**

Other tax assets refer to indirect taxes (mostly VAT due to the application of the split payment regime) paid in Italy and abroad and tax assets on capital expenditure that Salcef S.p.A., Coget Impianti S.r.l., Euro

Ferroviaria S.r.l., Overail S.r.l. and SRT S.r.l. incurred for high-tech owner-operated assets as per Annex A of Law no. 232 of 11 December 2016 ("Industry 4.0"). This tax asset may be used to offset their tax obligations.

Other assets are detailed below:

(€'000)

	31.12.2022	31.12.2021	Variation
Personnel and work sites	1,870	1,055	815
Advances on trade receivables assigned without recourse	0	4,742	(4,742)
Advances to suppliers	5,885	1,423	4,462
Social security institutions	1,921	133	1,788
Others	2,646	4,229	(1,583)
Total	**12,322**	**11,582**	**740**

"Others" mainly include the participating financial instruments received from Astaldi S.p.A., since Salcef Group S.p.A. is its non-secured creditor (€1,804 thousand).

Prepayments and accrued income consist exclusively of the portion of costs incurred in the year pertaining to subsequent years. They mainly relate to prepaid insurance premiums for the work sites and bank surety commissions.
The caption also includes the down payment for the lease of the building in Rome which will house the parent's administrative offices once it has been restructured. As the relevant conditions about the lease inception date are not met at the reporting date as the parent obtained title to such administrative offices on 9 January 2023, the leased building has not been recognised under right-of-use assets (see note 4).

LIABILITIES

EQUITY

15 Equity

GRI 2-1 Organizational details
GRI 2-2 Entities included in the organization's sustainability reporting
GRI 2-6 Activities, value chain and other business relationships

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

Share capital

The parent's fully paid-up share capital at 31 December 2022 amounts to €141,544,532.20 and is comprised of 62,399,906 ordinary shares without nominal value. The parent holds 538,257 treasury shares at the reporting date, equal to 0.863% of its share capital. Finhold S.r.l. holds 64.77% of the share capital (75.49% of the voting rights) and the remainder is held by shareholders that own less than 5% of the share capital.

In accordance with the by-laws, all of the parent's remaining performance and special shares were converted into ordinary shares in 2022. This did not lead to increases in the share capital.

Reserves

At 31 December 2022, reserves mainly comprise:

- Legal reserve: this reserve of €4,120 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: totalling €13,678 thousand, it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €2,471 thousand;
- Negative goodwill: amounting to €45,000 thousand, this negative goodwill arose on the recognition of the merger of Salcef Group S.p.A. and Indstars 3 that took place on 8 November 2019;
- Actuarial reserve: this reserve contains the actuarial gains and losses on the remeasurement of post-employment benefit liabilities in accordance with IAS 19 and shows a negative balance of €155 thousand;
- Hedging reserve: with a balance of €2,036 thousand, this reserve reflects the fair value gains and losses on the interest rate swaps entered into by Salcef Group S.p.A., Salcef S.p.A. and Euro Ferroviaria S.r.l. to hedge cash flow risks on the payment of interest on borrowings and leases and

the fair value gains and losses on the currency forwards entered into by Salcef Group S.p.A. to hedge currency risk on the loan in US dollars granted to Salcef USA Inc.. The reserve will be taken to the income statement over the years as the cash flows generated by the hedged item affect profit or loss;

- Reserve for repurchase of treasury shares: with a negative balance of €7,179 thousand, this reserve includes the value of the parent's treasury shares purchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meeting;
- Stock grant reserve: with a positive balance of €325 thousand, this is the accrual for the cost of the share-based incentive plans (i.e., 2021-2024 stock grant plan, 2022-2025 stock grant plan and 2022-2023 performance share plan) recognised under personnel expense described in note 31, to which reference should be made;
- Reserve for financial assets measured at FVOCI: with a negative balance of €118 thousand, this reflects changes in the fair value of financial assets measured at FVOCI (see note 12) net of the relative deferred tax assets/liabilities;
- Share premium: recognised in 2021 for €27,200 thousand after the capital increase achieved through the accelerated bookbuild offering and generated by the difference between the subscription price of newly issued shares (€16.00 per share) and the existing accounting par value (€2.40 per share) multiplied by the number of newly issued shares (2,000,000 new ordinary shares);
- Reserve for capital increase costs: this reserve with a negative balance of €653 thousand includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 29 April 2022, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2021, which show a profit for the year of €33,300,893, and were presented with the consolidated financial statements as at and for the year ended 31 December 2021, which show a profit for the year attributable to the owners of the parent of €39,070,532.
The shareholders also resolved to distribute a dividend of €0.46 per eligible ordinary share at the record date (i.e., 17 May 2022). The coupon detachment date is 16 May 2022 and the payment date is 18 May 2022. Considering the number of treasury shares held by the group at 17 May 2022, the total dividend is €28,474,764.98. More information about changes in equity is provided in the statement of changes in equity.

Capital management

The group's capital management policies entail maintaining a high level of capital to keep its stakeholders' trust and also lay the foundation for the group's future.
Additionally, management monitors the return on capital and the amount of dividends to distribute to ordinary shareholders.
The board of directors strives to balance the achievement of higher returns through greater leverage with the advantages and security of a sound financial position.

16 Current and non-current financial liabilities – Lease liabilities

Financial liabilities, bank loans and borrowings and lease liabilities are detailed in the table below:

(€'000)

	31.12.2022	31.12.2021	Variation
Bank loans - non-current portion	115,417	77,719	43,316
Hedging derivatives	3,794	2,130	1,664
Total	**119,211**	**79,849**	**44,980**
Lease liabilities as per IFRS 16	10,429	5,694	4,735
Total	**10,429**	**5,694**	**4,735**
TOTAL NON-CURRENT	**129,640**	**85,544**	**49,715**
Bank loans and borrowings	4,065	0	4,065
Total	**4,065**	**0**	**4,065**
Other loans and borrowings	12,687	114	12,573
Bank loans and borrowings - current portion	76,576	62,431	8,527
Total	**89,263**	**62,545**	**21,100**
Lease liabilities as per IFRS 16	5,388	5,129	259
Total	**5,388**	**5,129**	**259**
TOTAL CURRENT	**98,716**	**67,673**	**25,424**
TOTAL LOANS AND BORROWINGS	**228,356**	**153,217**	**75,139**

The bank loans are non-current loans taken out by the parent, Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l., Coget Impianti S.r.l., Delta Railroad Construction Inc. and Salcef Deutschland GmbH.
Their terms are detailed below:

(€'000)

	Interest rate	Year of maturity	31.12.2022	
			Nominal amount	Carrying amount
Intesa Sanpaolo - unsecured loan	1% + 3-month Euribor	2023	417	416
Deutsche Bank - unsecured loan	1% + 3-month Euribor	2023	833	833
MPS - unsecured loan	0.60% + 6-month Euribor with a floor of 0	2023	833	833
Unicredit - loan	1.54% + 3-month Euribor	2025	13,151	13,149
UBI Banca - unsecured loan	0.80%	2023	1,680	1,680
UBI Banca - unsecured loan	0.80%	2023	1,541	1,540
MPS - unsecured loan	0.60% + 6-month Euribor with a floor of 0	2023	1,667	1,666

Crédit Agricole - unsecured loan	0.55% + 3-month Euribor with a floor of 0	2024	3,342	3,340
MPS - unsecured loan	0.70% + 6-month Euribor with a floor of 0	2025	2,818	2,815
Credem - unsecured loan	0.50%	2024	2,104	2,103
Intesa Sanpaolo - unsecured loan	1.69% + 1-month Euribor with a floor of 0	2023	284	287
MPS - unsecured loan	0.60% + 6-month Euribor	2025	3,068	3,065
Banca Popolare di Sondrio - unsecured loan	0.90% + 3-month Euribor	2025	2,577	2,576
Unicredit - unsecured loan	0.95% + 3-month Euribor	2024	2,083	2,082
Y Finance - BNP Paribas Lease Group S.A.	-	2025	27	27
Intesa Sanpaolo - unsecured loan	1.54% + 3-month Euribor	2026	21,000	21,000
CDP - loan	1% + 6-month Euribor with a floor of 0	2026	19,444	19,444
Credem - unsecured loan	0.45%	2025	2,088	2,087
Crédit Agricole - loan	1% + 3-month Euribor with a floor of 0	2027	20,000	19,921
Intesa - loan	0.90% + 3-month Euribor	2025	25,000	25,000
Banco BPM - loan	1.10% + 3-month Euribor	2026	20,000	19,975
BNL - loan	0.90% + 3-month Euribor	2025	18,333	18,318
BNL - loan	1.8%	2023	171	171
BPER - loan	2.80% + 3-month Euribor	2024	1,683	1,683
Banca Popolare Pugliese - loan	1.50% + 6-month Euribor	2025	1,827	1,827
Deutsche Bank - loan	1.50% + 3-month Euribor	2025	7,500	7,500
Deutsche Bank - loan	1.10% + 3-month Euribor	2026	9,375	9,375
Intesa - loan	5.0% + 1-month Euribor	2023	83	83
Banca Sella - loan	3.7% + 3-month Euribor	2323	56	56
BPER - loan	1.9% + 3-month Euribor	2025	741	741
Comerica - loan	-	-	469	469
Various loans to acquire assets (Salcef Deutschland)	-	-	1,181	1,181
Key Bank Loc - 5MM	-	-	772	772
Key Equipment Finance - schedule 1 PQ-35450	2.591%	2026	449	327
Key Equipment Finance - schedule 2 PQ-35457	2.592%	2026	2,456	1,790
Key Equipment Finance - schedule 3 PQ-35465	2.591%	2026	1,075	671
Key Equipment Finance - schedule 4 PQ-38809	2.592%	2026	2,243	1,671
Key Equipment Finance - schedule 5 PQ-51381	2.940%	2026	337	268
Total			**194,004**	**191,993**

The above bank loans include: (i) the loan from Unicredit S.p.A. to the parent (remaining unpaid amount of €13,151 thousand) which the latter used to acquire the Delta Group (as described earlier), 60% of which is guaranteed by SACE S.p.A.; (ii) the parent's five-year, €30,000 thousand "S-Loan" with Intesa Sanpaolo S.p.A. entered into on 30 June 2021, which is backed by the SACE S.p.A. green guarantee and involves the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate; (iii) the five-year €20,000 thousand loan that Crédit Agricole granted to the parent in February 2022, which also involves the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate.

Some group companies are required to comply with covenants on the loans in place.
Specifically, for Salcef Group S.p.A., the covenants in place at 31 December 2022 relate to: (i) the loan granted by Unicredit S.p.A. in September 2020, maturing in September 2025; (ii) the loan granted by Intesa Sanpaolo on 30 June 2021, maturing in June 2026; (iii) the loan granted by Cassa Depositi e Prestiti (CDP) in two instalments in July 2021 and December 2021, maturing in June 2026; (iv) the loan granted by Crédit Agricole in February 2022, maturing in September 2027; (v) the loan granted by Banco BPM S.p.A. in July

2022, maturing in December 2026, and (vi) the loan granted by BNL S.p.A. in July 2022, maturing in July 2025..

The Unicredit S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of Salcef Group S.p.A.'s separate financial statements.

The Intesa Sanpaolo S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The CDP loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Crédit Agricole S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Banco BPM S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The BNL S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The subsidiary Delta Railroad Construction Inc. is required to comply with the covenant of the loan entered into with Keybank National Association, whereby the ratio of operating cash flows to the sum of financial expense and loan and lease payments falling due must be between 1.5 and 1 for the previous 12 months.

Finally, for the newly-acquired subsidiary FVCF S.r.l., the covenants in place at 31 December 2022 relate to: (i) the loan granted by BNL S.p.A. on 9 August 2019, maturing in February 2023; (ii) the loan granted by BPER Banca S.p.A. on 5 July 2017, maturing in July 2024; (iii) the loan granted by Deutsche Bank S.p.A. on 28 July 2020, maturing in December 2025, and (iv) the loan granted by Banca Sella S.p.A. on 22 June 2017, maturing in January 2023.

The BNL S.p.A. loan provides for the following covenants:

- equity/assets ratio higher than or equal to 22% for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- financial expense/revenue ratio lower than or equal to 3% for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The BPER Banca S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3.15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1.25 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Deutsche Bank S.p.A. loan provides for the following covenants:

- net financial position/revenue ratio lower than 50%, monitored on the basis of FVCF S.r.l.'s financial statements.

The Banca Sella S.p.A. loan provides for the following covenants:

equity/assets ratio no lower than 20% for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;

net financial position/gross operating profit (loss) ratio lower than or equal to 4 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statement

Some group companies hold derivatives specifically for hedging interest rate and currency risks.

Specifically, Salcef S.p.A. entered into an interest rate swap with Unicredit S.p.A. in March 2021, maturing in 2024 and with a notional amount of €2,083 thousand at the reporting date. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €2,083 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

Euro Ferroviaria S.r.l. entered into an interest rate swap with Unicredit S.p.A. in October 2022, maturing in 2026 and with a notional amount of €2,034 thousand at the reporting date. This swap hedges cash flow risk on the variable rate interest included in the lease payments as per the contract entered into with the bank on the same date with an outstanding balance of €2,034 thousand at the reporting date. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

FVCF S.r.l. has the following interest rate swaps:

- an interest rate swap with Deutsche Bank S.p.A. entered into in July 2020, maturing in 2025 and with a notional amount of €7,500 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €7,500 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Deutsche Bank S.p.A. entered into in May 2021, maturing in 2026 and with a notional amount of €9,375 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €9,375 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The parent has the following interest rate swaps:

- an interest rate swap with Unicredit S.p.A. entered into in September 2020, maturing in 2025 and with a notional amount of €13,151 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €13,151 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banca Popolare di Sondrio entered into in January 2021, maturing in 2025 and with a notional amount of €2,577 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €2,577 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in June 2021, maturing in 2026 and with a notional amount of €21,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €21,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in August 2021, maturing in 2026 and with a notional amount of €3,889 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the first tranche of the variable-rate loan with an outstanding balance of €3,889 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in January 2022, maturing in 2026 and with a notional amount of €15,556 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the second instalment of the variable-rate loan with an outstanding balance of €15,556 thousand at the reporting date disbursed by CDP on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Crédit Agricole entered into in February 2022, maturing in 2027 and with a notional amount of €20,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in May 2022, maturing in 2025 and with a notional amount of €25,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €25,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banco BPM S.p.A. entered into in July 2022, maturing in 2026 and with a notional amount of €20,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with BNL S.p.A. entered into in July 2022, maturing in 2025 and with a notional amount of €18,333 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €18,333 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The swaps listed above, which have a positive fair value at the reporting date, are not included under current financial liabilities, but are recognised under current financial assets (see note 12).

In December 2020, Salcef Group S.p.A. entered into five currency forwards with Unicredit S.p.A. maturing on 31 December 2025 (of which three are still in place at 31 December 2022) to hedge cash flow risk on the loan in US dollars to the subsidiary Salcef USA Inc.. The cash flows consist of the interest (USD706 thousand) due each year and the repayment of principal on 31 December 2025 (USD28,240 thousand). These derivative contracts have been designated as cash flow hedges, as the underlying notional amount, currencies and maturity dates reflect the loan in place. Accordingly, the fair value gains and losses at each reporting date are taken in full to the hedging reserve.
The hedging reserve for the hedged item will be released to the income statement over the years as the cash flows generated by the hedged item affect profit or loss.
The table below provides a breakdown of the group's net financial position at 31 December 2022 and 31 December 2021, in accordance with the presentation method for net financial position established in the ESMA Guidelines dated 4 March 2021.

(€'000)

	Note	31.12.2022	31.12.2021	Variation
(A) Cash	1	135,246	166,176	(30,930)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	2	148,643	101,588	47,055
(D) Liquidity (A + B + C)		**283,889**	**267,764**	**16,125**
(E) Current financial debt		(22,140)	(5,976)	(16,164)
(F) Current portion of non-current financial debt		(76,576)	(61,697)	(9,261)
(G) Current financial indebtedness (E + F)		**(98,716)**	**(67,673)**	**(25,425)**
(H) Net current financial position (G + D)		**185,173**	**200,091**	**(9,300)**
(I) Non-current financial debt		(129,640)	(85,544)	(49,714)
(J) Debt instruments		0	0	0
(K) Trade payables and other non-current financial liabilities		0	0	0
(L) Non-current financial indebtedness (I + J + K)		**(129,640)**	**(85,544)**	**(49,714)**
(M) Net financial position (H + L)	3	**55,533**	**114,547**	**(59,014)**
(N) Adjustment for events unrelated to the core business and/or related to non-recurring transactions	4	(29,527)	0	(29,527)
(O) Adjusted net financial position (M + N)		**26,006**	**114,547**	**(88,541)**

Note
(1) The balance at 31 December 2022 includes contract advances received from the customer IRICAV DUE, net of costs already incurred, related to the contracts for the construction of the civil works and permanent way systems on the HS/HC Verona - Padua railway line.

(2) The balance at 31 December 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) advances received for the HS/HC Verona - Padua railway line (€36,722 thousand), as mentioned in note (1), and (ii) the fair value losses on securities in 2022 (€7,195 thousand), as mentioned in note (2). This latter adjustment is not offset by the fair value gains recorded up to 31 December 2021 (€1,860 thousand).

The group has an adjusted net financial position (i.e., liquidity greater than financial debt) of €26,006 thousand at year end compared to €114,547 thousand at 31 December 2021.

The following tables show the group's financial liabilities by maturity bracket at 31 December 2022 and 31 December 2021 and changes therein:

(€'000)

	Due within one year	Due after one year and within five years	Due after five years	TOTAL
Bank loans	62,431	77,719	0	140,150
Other loans and borrowings	114	0	0	114
Lease liabilities	5,129	5,602	92	10,823
Hedging derivatives	0	2,130	0	2,130
Carrying amount at 31 December 2021	**67,673**	**85,452**	**92**	**153,217**
Bank loans	70,958	121,035	0	191,993
Other loans and borrowings	12,687	0	0	12,687
Bank loans and borrowings	4,065	0	0	4,065
Lease liabilities	5,388	10,313	116	15,817
Hedging derivatives	0	3,794	0	3,794
Carrying amount at 31 December 2022	**93,098**	**135,142**	**116**	**228,356**

(€'000)

Loans and borrowings at 1 January 2021	127,880
Net fair value gains on derivatives	1,733
Proceeds from new loans	82,000
Repayment of loans	(44,447)
Change in other loans and borrowings - current	6,554
Increase in liabilities following acquisitions	2,707
Recognition of leases as per IFRS 16	2,462
Repayment of lease liabilities	(6,647)
Exchange differences	249
Change in warrants	(19,274)
Total at 31 December 2021	**153,217**
Net fair value gains on derivatives	1,664
Proceeds from new loans	90,469

Repayment of loans	(61,357)
Change in other loans and borrowings - current	(12,831)
Increase in liabilities following acquisitions	54,216
Recognition of leases as per IFRS 16	9,476
Repayment of lease liabilities	(7,024)
Exchange differences	526
Total at 31 December 2022	**228,356**

17 Current and non-current employee benefits

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

	31.12.2022	31.12.2021
Turnover rate	2.30%	2.30%
Annual discount rate	3.77%	0.98%
Annual inflation rate	2.3%	1.8%
Annual post-employment benefits growth rate	3.225%	2.8%

Had there been reasonably possible variations in the actuarial assumptions at the reporting date, they would have had the following impact on defined obligation benefits:

(€'000)

SENSITIVITY ANALYSIS	31.12.2022	
	Increase	Decrease
Turnover rate (+/- 1.00%)	962	951
Annual discount rate (+/- 0.25%)	939	975
Inflation rate (+/- 0.25%)	969	945

The average weighted term of defined obligation benefits is 13.1 years at the reporting date.

This caption also includes the accrual for the portion vested at 31 December 2022 of the management incentive plan (€1,547 thousand), which will be disbursed in 2023 (€1,127 thousand) and the remaining amount in 2024.

Changes in this caption are shown in the following table:

(€'000)

Carrying amount at 1 January 2022	2,126
Accruals	1,513
Changes in the consolidation scope	5,266
Utilisations/Transfers	(971)
Interest cost	20
Net actuarial gains	(148)
Carrying amount at 31 December 2022	**7,806**
of which, non-current	*6,679*
of which, current	*1,127*

The current service cost mostly relates to the management incentive plan (MBO) introduced by the parent to formally and clearly communicate the strategic objectives defined each year to all the beneficiary managers so that they can steer the entire workforce towards achieving them. Should the parent achieve the defined milestones, the plan beneficiaries may receive a variable remuneration pegged to their gross annual remuneration and their achievement of the individual objectives assigned to them.

The MBO plan is the first phase of the performance management model that the group intends to gradually introduce, based on the specific objectives assigned and the degree of compliance of the manager's conduct with the group's values. These values and the conduct indicators will be the basis for the group's leadership model. Assessment of the objectives achieved (What) with the conduct applied (How) will be fundamental to safeguard the group's organisational culture along its growth journey and to provide department heads with a structured tool to provide employees with feedback useful for the ongoing improvement of their performances.

18 Provisions for risks and charges

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

(€'000)

	Provision for litigation
Carrying amount at 1 January 2022	3,819
Accruals	20
Utilisations	(329)
Releases	(1,828)
Changes in the consolidation scope	676
Other variations	0
Carrying amount at 31 December 2022	**2,358**

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

The parent and other group companies are involved in certain civil proceedings related to their normal business operations.

The main civil case against the group was settled in the year with the signing of a settlement agreement. It had involved the subsidiary Salcef S.p.A., which appeared in proceedings concerning a hot lease agreement in which the counterparty claimed payment of roughly €3.7 million. In turn, Salcef S.p.A. claimed compensation for damage of €3 million, plus reputational damage to be quantified on the basis of fairness. Accordingly, the accrual for this case was released in the period, net of the amount paid to the counterparty as per the settlement agreement.

The changes in the consolidation scope refer to the provision for risks recognised in the statement of financial position of FVCF at the acquisition date.

19 Trade payables

(€'000)

	31.12.2022	31.12.2021	Variation
Third parties	217,568	116,321	101,247
Associates	714	1,183	(469)
Total	**218,282**	**117,504**	**100,778**

Trade payables to third parties (€217,568 thousand) mostly refer to Salcef S.p.A. (€115,177 thousand), the newly-acquired FVCF S.r.l. (€35,430 thousand), Euro Ferroviaria S.r.l. (€25,244 thousand), Overail S.r.l. (€14,096 thousand), SRT S.r.l. (€8,808 thousand), the parent (€5,965 thousand), Coget Impianti S.r.l. (€5,758 thousand), Delta Railroad Construction Inc. (€4,994 thousand) and the German subsidiaries (€1,479 thousand).

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

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

(€'000)

	31.12.2022	%	31.12.2021	%	Variation
Italy	204,986	94.2%	110,318	94.8%	93,421
Europe (excluding Italy)	5,166	2.4%	3,045	2.6%	3,267
Africa	75	0.0%	277	0.2%	(59)
North America	5,058	2.3%	2,031	1.7%	2,757
Middle East	2,221	1.0%	629	0.5%	548
Asia	0	0.0%	6	0.0%	1,300
Australia	62	0.0%	15	0.0%	13
Total	**217,568**		**116,321**		**101,247**

20 Current tax liabilities

(€'000)

	31.12.2022	31.12.2021	Variation
Direct taxes	6,361	3,419	2,942
Foreign current taxes	860	683	177
Tax provision	864	919	(55)
Total	**8,085**	**5,020**	**3,064**

The tax provision includes €750 thousand for a prudent estimate of the tax liabilities the Salcef Group may be required to cover in the event of tax audits, inspections or assessments, while €114 thousand has been accrued for a tax assessment underway at Salcef Group S.p.A.'s Egyptian branch.

21 Other current and non-current liabilities

(€'000)

	31.12.2022	31.12.2021	Variation
Other	4,267	4,195	72
Total non-current	**4,267**	**4,195**	**72**
Social security institutions	6,861	5,010	1,851
Employees	10,182	6,149	4,033
Third parties (joint arrangements)	127	1,146	(1,019)
Other	9,679	5,722	3,957
Accrued expenses and deferred income	6,940	2,094	4,846
Other tax liabilities	2,246	824	1,422
Total current	**36,035**	**20,945**	**15,090**
TOTAL OTHER LIABILITIES	**40,302**	**25,140**	**15,162**

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

The amounts due to joint venture partners relate to the collection by Salcef S.p.A. and Euro Ferroviaria S.r.l., as lead contractors, of invoices issued by them to the customers for contract work performed by the companies in the joint venture.

The increase in deferred income is due to the recognition of the portion of the grant for property, plant and equipment relating to the year, as mentioned in the notes to other current assets, with a balancing entry in other income, and the portion of deferred income related to subsequent years, calculated based on the useful life of the assets for which the grant was received.

"Other" (current and non-current) comprise amounts not yet paid by the group on business combinations carried out in 2022 and previous years. Specifically:

(i) €820 thousand (€120 thousand current and €700 thousand non-current) due by Salcef Group S.p.A. for the acquisition of the investment in Salcef Deutschland GmbH, €265 thousand (entirely current) for the investment in Coget Impianti S.p.A. and an estimated €918 thousand (entirely non-current) for the investment in Francesco Ventura Costruzioni Ferroviarie S.r.l.. This latter amount regarding the acquisition carried out on 23 December 2022 is subject to possible variations, as detailed in note 34;

(ii) €3,775 thousand (€1,185 thousand current and €2,590 thousand non-current) due by Salcef USA Inc. for the acquisition of the investment in Delta Railroad Constuction Inc.;

(iii) €58 thousand (entirely non-current) due by Euro Ferroviaria S.r.l. as a contingent consideration (subject to possible variations, as detailed in note 34) for the acquisition of the PSC business unit.

This caption also includes the €1,265 thousand to be refunded following the incorrect allocation of participating financial instruments.

Other tax liabilities mostly consist of withholdings on the December remuneration of consultants and employees and the final tranche due in 2023 of the substitute tax on the revaluation of €634 thousand that Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l. and Coget Impianti S.p.A. must pay following their revaluation of assets pursuant to the "August Decree".

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

Notes to the main income statement captions

22 Revenue – Other income

GRI 201-1 Direct economic value generated and distributed

(€'000)

	2022	2021	Variation
Revenue from contracts with customers	554,709	434,552	120,157
Other income	9,911	5,589	4,322
Total	**564,620**	**440,141**	**124,479**

Revenue from contracts with customers mainly relates to the contract work carried out during the year.

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

(€'000)

	2022	2021	Variation
Timing of revenue recognition			
Products transferred at a point in time	36,203	36,118	85
Products and services transferred over time	518,505	398,434	120,071
Total	**554,709**	**434,552**	**120,157**
Main products/services			
Permanent way systems	346,501	310,086	36,415
Infrastructure	51,448	21,432	30,016
Energy, signalling and telecommunications	87,192	56,499	30,693
Railway materials	41,731	36,118	5,613
Railway machines	12,618	10,418	2,200
Grinding	15,219	0	15,219
Total	**554,709**	**434,552**	**120,157**
Main geographical segments			
Italy	439,004	319,353	119,651
Europe (excluding Italy)	47,446	38,881	8,565
Africa	5,559	4,383	1,176
North America	48,277	43,046	5,231
Middle East	14,423	28,890	(14,467)
Total	**554,709**	**434,552**	**120,157**

Revenue is measured considering the consideration specified in the contract with the customer. The group recognises revenue when it transfers control of the goods or services.

Specifically, revenue is recognised over time on a percentage of completion basis. Costs are recognised in profit or loss when incurred.

Advances are recognised under contract liabilities.

The performance obligation for the sale of railway materials is satisfied at a point in time. Revenue is recognised when the goods leave the warehouse.

Other income comprises:

(€'000)

	2022	2021	Variation
Recharges to third parties	375	244	131
Insurance and other compensation	1,238	339	899
Gains on sale of assets and other income	5,401	4,017	1,384
Other sundry income	2,897	988	1,909
Total	**9,911**	**5,589**	**4,323**

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties.

Gains refer to the sale of group assets as part of their normal replacement process.

23 Raw materials, supplies and goods

This caption amounts to €135,714 thousand net of changes in inventories (2021: €91,809 thousand).

(€'000)

	2022	2021	Variation
Raw materials, supplies and goods	138,997	93,356	45,641
Change in inventories	(3,283)	(1,548)	(1,735)
Total	**135,714**	**91,809**	**43,906**

24 Services

This caption amounts to €217,366 thousand, compared to €171,091 thousand in 2021, and is detailed below.

(€'000)

	2022	2021	Variation
Maintenance	5,568	4,327	1,241
Subcontracting, consultancy and third party services	153,084	119,254	33,830
Insurance and sureties	8,021	5,853	2,168
Costs recharged by third parties	1,967	3,023	(1,056)
Consultants' and temporary workers' fees	3,960	4,735	(775)
Costs of employees on secondment	577	553	24
Utilities	1,217	970	247
Directors' fees	1,434	1,175	259
Statutory auditors' fees	261	257	4
Committee members' fees	67	62	5
Food and accommodation for employees on business trips	14,519	12,598	1,921
Commercial costs	1,674	915	759
General and administrative costs	1,217	992	225
Tender costs	132	12	120
Transport	16,620	13,523	3,097
Motor vehicles and cars	3,039	2,036	1,003
Fines and compensation	185	346	(161)
Other services	3,824	462	3,362
Total	**217,366**	**171,091**	**46,275**

25 Personnel expense

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

(€'000)

	2022	2021	Variation
Wages and salaries	76,940	65,742	11,198
Social security contributions	26,503	21,559	4,944
Post-employment benefits, pensions and other benefits	4,344	3,795	549
Other costs	1,502	2,631	(1,129)
Total	**109,289**	**93,726**	**15,563**

A breakdown of the group's workforce is provided in section III of the directors' report.

26 Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses are detailed in the table below:

(€'000)

	2022	2021	Variation
Amortisation of intangible assets	1,550	996	554
Depreciation of property, plant and equipment	26,588	19,969	6,619
Depreciation of right-of-use assets as per IFRS 16	7,132	6,398	734
Total	**35,270**	**27,363**	**7,907**

For additional information on the amortisation and depreciation methods and impairment losses, reference should be made to the notes to intangible assets (note 1), property, plant and equipment (note 3) and right-of-use assets (note 4).

27 Impairment losses

The table below shows impairment losses determined by applying the expected credit loss model of IFRS 9 to the group's asset categories:

(€'000)

	2022	2021	Variation
Trade receivables	617	1,396	(779)
Contract assets	58	0	58
Other current assets	1	7	(6)
Other non-current assets	15	2	13
Current tax assets	1	0	1
Cash and cash equivalents	(1)	20	(21)
Securities	6	354	(348)
Total	**697**	**1,780**	**(1,082)**

28 Other operating costs

This caption may be analysed as follows:

(€'000)

	2022	2021	Variation
Loss on sale of assets	190	395	(205)
Rent and leases	10,745	7,538	3,207
Indirect taxes and duties	998	1,058	(60)
Fines and penalties	121	204	(83)
Other costs	753	645	108

Total	**12,807**	**9,840**	**2,967**

Rent and leases include leases of less than 12 months or with underlying assets of a low value for which the group availed to the simplifications allowed by IFRS 16. The standard allows the recognition of the lease payments as a cost over the lease term instead of the recognition of a right-of-use asset and lease liability.
The loss on the sale of assets refers to the group's normal operations.

29 Internal work capitalised

(€'000)

	2022	2021	Variation
Internal work capitalised	24,524	23,636	888
Total	**24,524**	**23,636**	**888**

This caption mainly includes the direct cost (materials, labour and other direct costs) of work performed internally on items of property, plant and equipment, principally rolling operating machines, owned by the group companies. This work consists of extraordinary maintenance performed by SRT S.r.l. personnel and subcontractors at the Fano (Pesaro-Urbino) production facility where the warehouse holding the raw materials, consumables and spare parts is also located. The maintenance work increases the value and useful life of the assets and the related cost is capitalised under property, plant and equipment with a balancing entry under this caption adjusting the related costs recognised in profit or loss.
In 2022, this caption also includes the direct costs (materials and other costs) incurred for work to restructure the building that will house the parent's offices, as described earlier.

30 Financial income and expense

Financial income and expense are shown below:

(€'000)

	2022	2021	Variation
Financial income			
From equity investments and securities	58	7	51
Other financial income	123	1,317	(1,194)
Gain on sale of securities	0	238	(238)
Interest income	369	156	213
Exchange gains	2,743	1,658	1,085
Total	**3,293**	**3,375**	**(83)**
Financial expense			
Loss on sale of securities	(110)	(1)	(109)
Interest expense	(2,875)	(1,340)	(1,535)
Fair value losses on warrants	0	(9,737)	9,737

Fair value losses on securities	(8,900)	0	0
Lease costs	(247)	(283)	36
Financial expense	(418)	(342)	(76)
Exchange losses	(1,385)	493	(1,878)
Total	**(13,935)**	**(11,209)**	**6,175**
Net financial expense	**(10,642)**	**(7,834)**	**6,092**

Financial expense includes the net fair value losses on the group's short-term investments due to the widespread downturn in international financial markets. Net fair value losses of €9,737 thousand in 2021 referred to the additional conversion warrants up until their complete extinguishment on 22 July 2021 following their conversion or expiry for not being exercised before the term set in their regulation since the acceleration condition was met.

Other notes

31 Share-based payments

The group has the following share-based payment agreements at the reporting date:

- 2021-2024 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2021 and implemented by resolution of the board of directors of 25 June 2021, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 25,463 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to 31 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
- the first instalment consists of 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2022;
- the second instalment will be for the remaining 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023.

The vesting period starts from the date on which the parent and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 25 June 2021.

The fair value of the assigned shares used for the valuation of the 2021-2024 stock grant plan is €13.90.

- 2022-2025 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors of 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 17,648 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to 39 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
- the first instalment consists of 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2024.

The vesting period starts from the date on which the parent and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 27 June 2022.

The fair value of the assigned shares used for the valuation of the 2022-2025 stock grant plan is €16.74.

- 2022-2023 performance shares plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors of 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 5,540 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to two beneficiaries. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
- the first instalment consists of 60% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 40% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2026.

The vesting period starts from the date on which the parent and the employees agree to the performance shares plan and both have acknowledged its terms and conditions. This date was 27 June 2022.

The fair value of the assigned shares used for the valuation of the 2022-2023 performance shares plan is €16.74.

For a detailed description of the incentive plans described, reference should be made to the respective information memorandums prepared pursuant to article 84-bis of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999 as amended and supplemented, published on the parent's website www.salcef.com in the Governance/Shareholders' Meeting section.

The cost of these plans in 2022, amounting to €243 thousand (€82 thousand in 2021), is recognised in personnel expense.

32 Commitments and risks

These amount to €152,551thousand at 31 December 022, compared to €71,819 thousand at 31 December 2021. They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€151,614 thousand at 31 December 2022 and €70,937 thousand at 31 December 2021) and the surety given to banks for the group companies' loans (€937 thousand at 31 December 2022 and €882 thousand at 31 December 2021).

33 Related party transactions

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

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

The Salcef Group's corporate governance rules, which have been published on the company's website (www.salcef.com, in the Governance/Procedures and regulations section), establish conditions ensuring that related party transactions are carried out transparently and properly in terms of procedure and substance.

During the year, the group provided and received services to/from related parties and recharged costs for mutually-shared services and other services. These transactions took place at normal market conditions and/or on the basis of the effectively incurred costs and are described in the notes to the individual captions. Other than that described herein, there were no other transactions with related parties not included in the consolidation scope during the year.

(€'000)

ASSETS AND LIABILITIES	Right-of-use assets	Other non-current assets	Trade receivables	Current financial assets	Lease liabilities	Trade payables
Associates						
Sesto Fiorentino S.c.a.r.l.						89
Consorzio Armatori Ferroviari S.c.p.a.		1,527	11,356			371
Other related parties						
Railworks/Delta A Joint Venture Minnesota			137			
Delta / Railroad JV - Purple Line Maryland			117			
Talia Gestioni S.r.l.	994				1,070	
31 December 2022	**994**	**1,527**	**11,610**	**0**	**1,070**	**460**

(€'000)

REVENUE AND COSTS	Revenue	Services	Other operating costs	Financial income	Financial expense
Associates					
Sesto Fiorentino S.c.a.r.l.		182			
Frejus S.c.ar.l.					
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità		9			
Other related parties					
Railworks/Delta A Joint Venture Minnesota	7,062	4,318	640		
Delta / Railroad JV - Purple Line Maryland	2,148	1,652	154		
Talia Gestioni S.r.l.					50
2022	**9,210**	**6,161**	**794**	**0**	**50**

34 Acquisition of subsidiaries

Francesco Ventura Costruzioni Ferroviarie S.r.l. acquisition

In 23 December 2022, Salcef Group S.p.A. completed the acquisition of the entire quota capital of Francesco Ventura Costruzioni Ferroviarie S.r.l.. The closing took place when the final conditions precedent set out in the agreement reached with the Ventura family were met. These included the completion of the segregation of assets not directly related to the permanent way systems business, which remained with the sellers. Therefore, the above date is the acquisition date as per IFRS 3 since it was when the group gained control of the acquired company.

The agreed consideration for the acquisition of the interest in FVCF was €24,520 thousand, of which €13,720 thousand was paid at the closing. The remaining amount will be paid in instalments as per the acquisition contract. However, the consideration is subject to the usual price adjustment mechanisms (upwards or downwards) depending on variations in the investee's working capital.

The group self-financed this acquisition in full.

The table below summarises the acquisition-date fair value of the main components of the consideration transferred, which was determined considering the adjusted price provisionally calculated based on information available up to the preparation date of these consolidated financial statements. The amount could change if any additional information arises before the purchase price allocation process is completed.

(€'000)

Cash and cash equivalents	13,720
Contingent consideration	918
Total	**14,638**

Acquired assets and assumed liabilities at the acquisition date are summarised below. The data are based on the statement of financial position of FVCF at 31 December 2022, adjusted to comply with the IFRS endorsed by the European Commission and the basis of presentation adopted by the Salcef Group.

(€'000)

Intangible assets with finite useful lives	6,829
Property, plant and equipment	33,251
Equity-accounted investments	128
Other non-current assets	2,749
Right-of-use assets	980
Current tax assets	2,074
Deferred tax assets	5,265

Contract assets	7,165
Inventories	4,317
Trade receivables	25,311
Current financial assets	8,513
Other current assets	5,399
Cash and cash equivalents	266
Bank loans and borrowings	(4,065)
Financial liabilities	(48,064)
Lease liabilities	(980)
Employee benefits	(5,092)
Contract liabilities	(13,131)
Current tax liabilities	(6,002)
Deferred tax liabilities	(1,838)
Provisions for risks	(676)
Trade payables	(36,109)
Other liabilities	(5,784)
Total net identifiable assets	**(19,494)**

Goodwill arising on the acquisition was recognised as follows:

(€'000)

Total fair value of transferred consideration	14,638
Total net identifiable assets	19,494
Total	**34,132**

For the preparation of these consolidated financial statements at 31 December 2022, the acquisition of FVCF was recognised, in accordance with IFRS 3, by allocating the provisional amounts of the transaction pursuant to paragraph 45 and following paragraphs of this standard. To this end, pending the group's definition of the long-term post-acquisition plan and the consequent purchase price allocation, the carrying amounts of the business unit's assets and liabilities were maintained, allocating the entire difference with respect to the consideration transferred to goodwill.

PSC business unit acquisition

The Salcef Group, with the subsidiary Euro Ferroviaria S.r.l., signed the contract for the acquisition of a business unit operating in the railway sector and, particular, in the design, construction and maintenance of electrical contact lines for electrical traction from the PSC Group.

The signing and closing took place on 8 March 2022, whereas the acquisition was recognised on 1 May 2022, which was the acquisition date, since it was when the group gained control of the acquired business as contractually agreed.

The agreed consideration for the acquisition of the business unit was approximately €26,614 thousand ("base price"), subject to the usual price adjustment mechanisms (upwards or downwards) depending on variations in the business unit's working capital. €23.1 million of the base price was paid at the closing and another €1.5 million was paid on 31 May 2022. If positive, the total of the residual price and the price adjustment determined on the basis of working capital at 30 April 2022 less any additional liabilities that could arise in connection with the business unit referring to the period before 8 March 2022, will be paid when certain contractual conditions are satisfied.

The group self-financed the acquisition in full.

The table below summarises the acquisition-date fair value of the main components of the consideration transferred, which was determined considering the liabilities of the acquired business unit that had arisen up to the preparation date of these consolidated financial statements. The amount could change if any additional liabilities arise before the purchase price allocation is completed.

(€'000)

Cash and cash equivalents	24,614
Contingent consideration	58
Total	**24,672**

Acquired assets and assumed liabilities at the acquisition date are summarised below. The data are based on the statement of financial position of the PSC business unit at 1 May 2022, adjusted to comply with the IFRS endorsed by the European Commission and the basis of presentation adopted by the Salcef Group.

(€'000)

Property, plant and equipment	2,035
Right-of-use assets	1,107
Equity investments	17
Contract assets	8,237
Trade receivables	45
Other assets	128
Contract liabilities	(5,047)
Employee benefits	(174)
Lease liabilities	(1,107)
Trade payables	(3,856)
Other liabilities	(678)
Total net identifiable assets	**706**

Goodwill arising on the acquisition was recognised as follows:

(€'000)

Total fair value of transferred consideration	24,672
Total net identifiable assets	(706)

Total	**23,966**

For the preparation of these consolidated financial statements at 31 June 2022, the acquisition of the PSC business unit was recognised, in accordance with IFRS 3, by allocating the provisional amounts of the transaction pursuant to paragraph 45 and following paragraphs of this standard. To this end, pending the group's definition of the long-term post-acquisition plan and the consequent purchase price allocation, the carrying amounts of the PSC business unit's assets and liabilities were maintained, allocating the entire difference with respect to the consideration transferred to goodwill.

35 Assets held for sale and liabilities directly associated with assets held for sale

Non-current assets held for sale, net of directly associated liabilities, amount to €1,258 thousand at 31 December 2022 and refer to the assets and liabilities of Kampfmittelräumung Nord GmbH (indirectly controlled through Salcef Deutschland GmbH). The group finalised an agreement in 2022 with KMR Verwaltung und Beteiligung GmbH (as the acquirer) to sell such investment. Under the terms of the agreement, the sale took place on 16 January 2023 upon the payment of the agreed price of €1.3 million by the acquirer.

Based on the above, for the purposes of preparing the consolidated financial statements at 31 December 2022, the carrying amount of the net assets of Kampfmittelräumung Nord GmbH will be recovered through their sale rather than continuing use and the sale can be considered highly probable within a year. As a result, the assets and directly associated liabilities of the subsidiary are classified in the specific statement of financial position items, detailed as follows:

(€'000)

	31.12.2022
Property, plant and equipment	936
Intangible assets with finite useful lives	6
Contract assets	94
Inventories	86
Trade receivables	955
Cash and cash equivalents	275
Other current assets	168
Other non-current assets	10
Assets held for sale	**2,530**
Trade payables	(494)
Other current liabilities	(310)
Crrent financial liabilities	(468)
Liabilities directly associated with assets held for sale	**(1,272)**

Net assets held for sale	1,258

In accordance with IFRS 5, the fair value less costs to sell was calculated to test for impairment on the carrying amounts. Such fair value less costs to sell was determined on the basis of the sales agreement and no impairment was detected.

36 Earnings per share

Basic earnings per share

Earnings per share are calculated by dividing the group's profit for the year by the weighted average number of ordinary shares outstanding in the same year, considering the repurchases of treasury shares.

Basic earnings per share in 2022 are shown in the table below:

	2022	2021
Numerator (€)		
Profit attributable to the ordinary shareholders of the parent (A)	*45,333,687*	*39,070,532*
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,235,658	51,789,865
(-) Weighted average of the ordinary treasury shares	(498,872)	(437,790)
(=) Weighted average of the ordinary shares outstanding in the year (B)	*61,736,786*	*51,352,075*
Basic earnings per share (€) (A/B)	**0.73**	**0.76**

Diluted earnings per share

Diluted earnings per share are calculated considering the profit or loss for the year attributable to the shareholders of the parent and the weighted average number of ordinary shares outstanding in the year, adjusted to reflect the effects of all potential ordinary shares with a dilutive effect.

Diluted earnings (loss) per share in 2022 are shown in the table below:

	2022	2021
Numerator (€)		
(+) Profit attributable to the ordinary shareholders of the parent	*45,333,687*	*39,070,532*
(+/-) Changes in income/expense arising from the conversion of potential ordinary shares with a dilutive effect	*0*	*-*
= Adjusted profit attributable to the ordinary shareholders of the parent (A)	*45,333,687*	*39,070,532*
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,235,658	51,789,865
(-) Weighted average of the ordinary treasury shares	(498,872)	(437,790)
(+) Weighted average of potential ordinary shares with a dilutive effect	*0*	6,027,875
(=) Weighted average of the ordinary shares outstanding in the year (B)	*61,736,786*	*57,379,951*
Diluted earnings per share (€) (A/B)	**0.73**	**0.68**

There are no outstanding instruments at the reporting date that could potentially dilute the basic earnings per share because there were no special shares, performance shares or additional conversion warrants outstanding at that date, since all such instruments issued by Salcef Group S.p.A. had been fully converted and/or extinguished.

In 2021, the dilutive instruments considered were special shares and performance shares, whereas the additional conversion warrants had already been fully converted or settled at 31 December 2021. The comparative figure in the table above therefore considers the weighted average of only those ordinary shares that could be issued when the performance shares and special shares are converted into ordinary shares.

37 Contingent liabilities

Certain group companies are involved in civil, criminal, labour law and tax proceedings in connection with the ordinary course of business.

Management does not believe that any of these proceedings present a probable risk of financial expenditure or that they could give rise to significant liabilities in addition to that considered in the provision for risks and charges (see note 18). Consequently, no additional specific provisions are recognised in the consolidated financial statements at 31 December 2022.

Any adverse developments will be adequately assessed for the purposes of calculating any accruals.

With regard to the rumours that appeared in the press in February 2022 making explicit reference to certain group companies, we hereby state that no group companies were involved in the mentioned proceedings.

38 Independent auditors' fees

Pursuant to article 149-duodecies of the Issuers' Regulation, the table below sets out the fees for audit, attestation and other services provided by the independent auditors and members of its network in 2022. The fees are governed by contracts and include any indexing, out-of-pocket expenses and supervisory contributions.

(€'000)

Type of service	Service provider	Beneficiary	2022 fee
A) Audit services	KPMG S.p.A.	Parent Salcef Group S.p.A.	214
		Subsidiaries	232
B) Attestation services	KPMG S.p.A.	Parent Salcef Group S.p.A.	14
		Subsidiaries	3
C) Other services	KPMG network	Parent Salcef Group S.p.A.	130
Total			**593**

Significant non-recurring events and transactions

The group's financial position, financial performance and cash flows were not affected by significant non-recurring events and transactions during the year. Moreover, the group did not undertake atypical or unusual transactions during the year.

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 31 December 2022 or its financial performance and cash flows for the year then ended.

Below are details of the events after the reporting date that did not have any impact on the group's financial position at 31 December 2022.

Relocation of administrative and registered offices

In January 2023, the parent relocated its registered office from Via di Pietralata 140 to Via Salaria 1027, remaining in Rome.

The registered offices of the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l., Overail S.r.l., SRT S.r.l., RECO S.r.l. and Consorzio Stabile Itaca S.c.a.r.l. were also relocated to the same address.

The subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. relocated its registered office from Piazza Sant'Andrea della Valle 6 to Via Salaria 1027, remaining in Rome.

The group's new headquarters at the Via Salaria building became ready for use following a large-scale restructuring project, with over 8,000 square metres now available to meet the group's need for larger work spaces to match its expansion in recent years. The space is fit for new work methods: current, future and always evolving.

Croatia's adoption of the Euro

Croatia joined the Eurozone on 1 January 2023, with the Kuna conversion rate set at 7.53450 Kuna per Euro. The effects of translating the foreign currency balances of Salcef S.p.A.'s Croatian branch will be immaterial as the amounts are negligible and the aforementioned conversion rate is very similar to the rate used to translate such foreign operation's balances at 31 December 2022.

Group extends its presence in Scandinavian countries

In 2022, the Salcef Group signed agreements with the Norway-based Nordic Infrastructure Group to acquire a 60% interest in two companies, Salcef Nordic AS based in Olso (Norway) and Salcef Nordic AB based in

Stockholm (Sweden) with a view to expanding the group's presence in Scandinavia. The acquisition of the Norwegian company's shares was finalised in 2023, while the Swedish transaction will be completed over the coming months.

Repurchases of treasury shares

The parent continued its treasury share repurchase programme up to 13 March 2023, when it reached the maximum number of treasury shares that can be repurchased as per the terms and methods set by the shareholders at their meeting of 29 April 2022, as described in the "Treasury share repurchase programme" section of the directors' report to which reference should be made.

CEO

(Valeriano Salciccia)

Attestation on the consolidated financial statements

Attestation on the consolidated financial statements pursuant to article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended and supplemented

1. In accordance with the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, the undersigned Valeriano Salciccia, CEO, and Fabio de Masi, the manager in charge of financial reporting of Salcef Group S.p.A. attest to:

- the adequacy with respect to the group's characteristics (taking into account any changes in the year) and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2022.

2. The activities were carried out considering the organisational structure and execution, control and monitoring processes of company activities necessary for the preparation of the consolidated financial statements.

No material aspects arose in this respect.

3. Furthermore:

3.1 the consolidated financial statements:

a) have been prepared in accordance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) match the accounting ledgers and entries;
c) give a true and fair view of the financial position, financial performance and cash flows of the issuer and the companies in the consolidation scope.

3.2 The directors' report comprises a reliable analysis of the performance and results of operations, as well as the financial position of the issuer and the companies in the consolidation scope, along with a description of the key risks and uncertainties to which they are exposed.

Rome, 16 March 2023

CEO	Manager in charge of financial reporting
Valeriano Salciccia	Fabio De Masi

4

SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

4.1

Separate financial statements as at and for the year ended 31 December 2022

EMARKET SDIR CERTIFIED

SALCEF GROUP

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31.12.2022	31.12.2021
Non-current assets			
Intangible assets with finite useful lives	1	45,182	140,060
Property, plant and equipment	2	11,787,175	6,610,213
Right-of-use assets	3	1,004,085	1,369,883
- of which, with related parties	*31*	*993,661*	*1,324,881*
Equity investments measured at cost	4	138,105,578	123,467,102
Equity-accounted investments	5	0	7,900
Non-current financial assets	11	40,453,644	0
- of which, with related parties	*31*	*40,453,644*	*0*
Other non-current assets	6	10,097,505	11,600,753
Deferred tax assets	7	5,250,854	2,085,952
Total non-current assets		**206,744,023**	**145,281,864**
Current assets			
Inventories	8	3,365,296	3,169,192
Contract assets	8	653,126	0
Trade receivables	9	10,940,559	9,178,511
- of which, with related parties	*31*	*7,229,117*	*4,917,963*
Current tax assets	10	256,848	2,228,095
Current financial assets	11	252,320,514	191,505,975
- of which, with related parties	*31*	*122,600,439*	*93,714,654*
Cash and cash equivalents	12	14,176,545	87,575,046
Other current assets	13	24,837,234	23,809,838
- of which, with related parties	*31*	*14,038,780*	*14,304,105*
Total current assets		**306,550,122**	**317,466,657**
TOTAL ASSETS		**513,294,145**	**462,748,521**

LIABILITIES	Note	31.12.2022	31.12.2021
Equity			
Share capital		141,544,532	141,544,532
Other reserves		139,851,423	134,161,763
Retained earnings		18,796,560	16,882,720
Profit for the year		36,032,511	33,300,893
TOTAL EQUITY	**14**	**336,225,026**	**325,889,909**
Non-current liabilities			
Non-current financial liabilities	15	101,170,619	65,789,721
Lease liabilities	3-15	727,379	1,084,882
- of which, with related parties	*31*	*727,379*	*1,070,223*
Employee benefits	16	657,627	242,350
Provisions for risks and charges	17	515,386	515,386
Deferred tax liabilities	7	2,357,216	798,125
Other non-current liabilities		1,618,476	1,120,264
Total non-current liabilities		**107,046,703**	**69,550,729**
Current liabilities			
Current financial liabilities	15	53,038,385	45,810,123
- of which, with related parties	*31*	*723,328*	*256,640*
Current portion of lease liabilities	3-15	354,052	361,881
- of which, with related parties	*31*	*342,844*	*329,658*
Current employee benefits	16	1,127,387	971,286
Contract liabilities	8	118,231	214,614
Trade payables	18	9,846,111	11,927,026
- of which, with related parties	*31*	*3,880,744*	*7,064,685*
Current tax liabilities	19	1,141,062	3,449,354
Other current liabilities	20	4,397,188	4,573,598
- of which, with related parties	*31*	*937,598*	*0*
Total current liabilities		**70,022,416**	**67,307,883**
TOTAL LIABILITIES		**177,069,119**	**136,858,612**
TOTAL EQUITY AND LIABILITIES		**513,294,145**	**462,748,521**

INCOME STATEMENT

	Note	2022	2021
Revenue from contracts with customers		16,436,633	17,680,883
- of which, with related parties	*31*	*10,570,375*	*11,297,289*
Other income		547,672	550,160
- of which, with related parties	*31*	*443,855*	*259,828*
Total	**21**	**16,984,305**	**18,231,043**
Raw materials, supplies and goods	22	(636,586)	(4,510,350)
- of which, with related parties	*31*	*93,043*	*(10,183)*
Services	23	(9,480,014)	(9,706,482)
- of which, with related parties	*31*	*(163,234)*	*(3,220,208)*
Personnel expense	24	(8,485,116)	(8,127,291)
Amortisation, depreciation and impairment losses	25	(632,310)	(837,481)
Impairment losses	26	(379,730)	(1,310,525)
Other operating costs	27	(781,859)	(1,331,278)
Total costs		**(20,395,615)**	**(25,823,406)**
Operating loss		**(3,411,310)**	**(7,592,363)**
Financial income	28	50,236,770	51,514,473
- of which, with related parties	*31*	*47,212,190*	*47,165,026*
Financial expense	28	(12,353,351)	(10,455,453)
- of which, with related parties	*31*	*50,342*	*(341,736)*
Pre-tax profit		**34,472,109**	**33,466,657**
Income taxes	7	1,560,402	(165,764)
Profit for the year		**36,032,511**	**33,300,893**

STATEMENT OF COMPREHENSIVE INCOME

	Note	2022	2021
Profit for the year		**36,032,511**	**33,300,893**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	16	5,133	(4,035)
Net fair value gains/(losses) on securities measured at FVOCI	11	(154,880)	0
Related tax	7	35,718	1,143
Total		**(114,029)**	**(2,893)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	11-16	4,726,868	(1,715,899)
Related tax	7	(1,134,448)	411,816
Net exchange gains/(losses)		(248,259)	1,602,912
Total		**3,344,161**	**298,829**
Other comprehensive income, net of tax		**3,230,132**	**295,936**
Comprehensive income		**39,262,643**	**33,596,829**

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit for the year	Equity
Balance at 1 January 2021		**62,106,165**	**93,508,244**	**(3,612,456)**	**(11,386)**	**(299,987)**	**(4,335,677)**	**(4,675,218)**	**13,957,947**	**24,545,124**	**181,182,756**
Profit for the year										33,300,893	33,300,893
Other comprehensive expense					(2,893)	(1,304,084)	1,602,912				(639,259)
Comprehensive income		**-**	**-**	**-**	**(2,893)**	**(1,304,084)**	**1,602,912**	**-**	**-**	**33,300,893**	**33,596,829**
Allocation of prior year profit			1,227,256						23,317,868	(24,545,124)	-
Exercise of warrants		74,638,367	24,416,473					4,675,218			103,730,058
Repurchase of treasury shares				(4,752,702)							(4,752,702)
Use of treasury shares			217,997	1,882,028							2,100,025
Dividend distribution									(21,314,116)		(21,314,116)
Share capital increase		4,800,000	26,547,059								31,347,059
Other variations/reclassifications			308,657						(308,657)		-
Total owner transactions		**79,438,367**	**52,717,442**	**(2,870,674)**	**-**	**-**	**-**	**4,675,218**	**1,695,095**	**(24,545,124)**	**111,110,324**
Balance at 31 December 2021	**14**	**141,544,532**	**146,225,686**	**(6,483,131)**	**(14,278)**	**(1,604,071)**	**(2,732,764)**	**-**	**15,653,042**	**33,300,893**	**325,889,909**
Profit for the year										36,032,511	36,032,511
Other comprehensive income			(117,709)		3,680	3,592,420	(248,259)				3,230,132
Comprehensive income		**-**	**(117,709)**	**-**	**3,680**	**3,592,420**	**(248,259)**	**-**	**-**	**36,032,511**	**39,262,643**
Allocation of prior year profit			1,665,045						31,635,848	(33,300,893)	-
Dividend distribution									(28,474,765)		(28,474,765)
Repurchase of treasury shares				(695,871)							(695,871)
Stock grants	29		243,109								243,109
Other variations/reclassifications											-
Total owner transactions		**-**	**1,908,154**	**(695,871)**	**-**	**-**	**-**	**-**	**3,161,083**	**(33,300,893)**	**(28,927,526)**
Balance at 31 December 2022	**14**	**141,544,532**	**148,016,131**	**(7,179,002)**	**(10,598)**	**1,988,349**	**(2,981,023)**	**-**	**18,814,125**	**36,032,511**	**336,225,026**

STATEMENT OF CASH FLOWS

	Description	Note	2022	2021
	Profit for the year		**36,032,511**	**33,300,893**
	Amortisation and depreciation		632,310	837,481
	Impairment losses		379,730	1,310,525
	Net financial income		(37,883,419)	(41,059,020)
	Other adjustments for non-monetary items		(1,005,366)	(165,321)
	Accruals		570,777	1,370,271
	Income taxes		(1,560,402)	166,179
(A)	**Cash flows used in operating activities before changes in working capital**		**(2,833,859)**	**(4,238,992)**
	(Increase) / decrease in contract assets/liabilities		(945,788)	(2,519,878)
	(Increase) / decrease in trade receivables		585,619	(1,141,333)
	Increase / (decrease) in trade payables		(3,202,237)	2,370,771
	(Increase) / decrease in other current and non-current assets		15,792,564	20,144,639
	Increase / (decrease) in other current and non-current liabilities		321,801	(2,643,493)
(B)	**Changes in working capital**		**12,551,959**	**16,210,708**
	Cash flows generated by operating activities (A+B)		**9,718,100**	**11,971,716**
	Interest paid		(2,105,115)	(771,160)
	Income taxes paid		(15,698,276)	(8,849,674)
(C)	**Net cash flows generated by (used in) operating activities**		**(8,085,291)**	**2,350,881**
	Investing activities			
	Interest collected		2,373,666	154,214
	Investments in intangible assets		(13,700)	(78,065)
	Acquisition of property, plant and equipment		(6,231,414)	(5,003,532)
	Acquisition of equity investments and non-current securities		(14,638,476)	4,400,000)
	Investments in securities and other financial assets		(64,416,563)	(41,506,474)
	Proceeds from the sale of property, plant and equipment		602,872	179,058
	Proceeds from the sale of equity investments and securities		5,628,585	0
	Exchange differences		45,299	(26,470)
(D)	**Cash flows used in investing activities**		**(76,649,731)**	**(54,681,269)**
	Financing activities			
	Change in other financial liabilities		0	6,112,565
	Disbursement of loans		90,000,000	69,000,000
	Repayment of loans		(49,075,912)	(30,651,694)
	Repayment of lease liabilities		(416,931)	(413,277)
	Proceeds from the issue of company shares		0	105,867,947
	Repurchase of treasury shares		(695,871)	(4,752,702)
	Dividends distributed		(28,474,765)	(21,314,116)
(E)	**Cash flows generated by financing activities**		**11,336,521**	**123,848,722**
(F)	**Net change in cash and cash equivalents (C+D+E)**		**(73,398,501)**	**75,518,334**
(*)	**Opening cash and cash equivalents**		**87,575,046**	**12,056,712**
	Net change in cash and cash equivalents		(73,398,505)	75,518,334
(*)	**Closing cash and cash equivalents**	**12**	**14,176,545**	**87,575,046**

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

4.2

Notes to the separate financial statements

General information on the reporting entity

Basis of preparation and compliance with the IFRS

Basis of presentation

Accounting policies

Key risks and uncertainties

Notes to the main statement of financial position captions

Notes to the main income statement captions

Other notes

Significant non-recurring events and transactions

Events after the reporting date

General information on the reporting entity

Salcef Group S.p.A. (the "company") is a company limited by shares with registered office in Rome (Italy) in Via Salaria 1027. 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.

The company's ordinary shares are listed on the Euronext STAR Milan segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A..

At the preparation date of these separate financial statements, Finhold S.r.l. holds the absolute majority of Salcef Group S.p.A. shares but does not manage or coordinate it.

As the company holds significant controlling investments in other companies, it also prepares the group's consolidated financial statements, which are published together with these separate financial statements.

Salcef Group S.p.A.'s board of directors approved these separate financial statements as at and for the year ended 31 December 2022 and authorised them for publication on 16 March 2023.

On 6 October 2020, in accordance with articles 70.8 and 71.1-bis of the Issuers' 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 contributions in kind, acquisitions and sales.

EMARKET SDIR CERTIFIED

Basis of preparation and compliance with the IFRS

In accordance with Regulation (EC) no. 106/2002 of 19 July 2002, the separate financial statements at 31 December 2022 have been prepared in accordance with 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), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.

Basis of presentation

These separate financial statements at 31 December 2022 consist of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes.

Among the various options for the presentation of the statement of financial position, Salcef Group S.p.A. has opted to classify assets and liabilities as current or non-current.

The income statement is presented with the classification of the individual captions by nature, which is consistent with the company'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 company has prepared a statement that presents the profit or loss components (the income statement) and another statement that starts with the profit or loss for the year and adds the other items of other comprehensive income thereto (the statement of comprehensive income). The latter shows changes in equity generated by transactions other than owner transactions.

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

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

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 separate financial statements. Note 31 provides information and details of related party transactions.

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

Accounting policies

The general principle adopted to prepare these separate financial statements is that of historical cost, except for those captions that the IFRS require be measured at fair value.

The company has prepared the separate financial statements as at and for the year ended 31 December 2022 on a going concern basis and to give a true and fair view of its financial position, financial performance and cash flows for the year. Management has made use of estimates as described later.

The accounting standards and accounting policies are the same, where applicable, as those adopted in preparing the consolidated financial statements, to which reference should be made, except for the recognition and measurement of investments in subsidiaries, joint ventures and associates. The accounting policies applied to such items are described below.

Equity investments measured at cost

Investments in subsidiaries are classified as equity investments and measured at cost.

Subsidiaries are companies that Salcef Group S.p.A. controls, i.e., when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

If there is objective evidence of impairment, recoverability is tested by comparing the carrying amount of the investment with its recoverable amount, which is the higher of fair value less costs to sell and value in use.

Contingent consideration for the acquisition of equity investments is recognised at the acquisition-date fair value of contingent consideration as an increase in the equity investment. The obligation to pay contingent consideration is classified as other current or non-current financial liabilities. Subsequent changes in the fair value of contingent consideration due to changes in estimates or the capitalisation of present value are recognised as increases or decreases in the equity investment.

Dividends received from the company's investees are recognised under financial income in the year in which the company has the right to receive payment.

Equity-accounted investments

Investments in associates are measured using the equity method.

Associates are entities for which the company has significant influence over the financial and operating policy decisions but does not have control.

Under the equity method, associates are initially recognised at cost, allocating the fair value of acquired assets and assumed liabilities to their carrying amount. Cost is adjusted thereafter for the post-acquisition change in the investor's share of net assets of the associate. Dividends received from associates are recognised as adjustments to the carrying amount of the equity investment.

Use of estimates

Preparation of these separate financial statements 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 and disclosures. Estimates are based on the most recent information available to management when preparing these separate financial statements.

The accounting policies and the financial statements captions that required a higher degree of judgement in making estimates are as follows:

- Equity investments measured at cost: if their carrying amount is greater than the company's share of equity, they are tested annually for impairment, and any impairment losses are taken to profit or loss. Specifically, impairment testing involves determining the recoverable amount of the equity investments by estimating their value in use or fair value less costs to sell. If their recoverable amount is lower than their carrying amount, they are impaired. Calculating the recoverable amount of equity investments 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 company 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.
- 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 company 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 company 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 of the notes to the consolidated financial statements, to which reference should be made.
- 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 company 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 these separate financial statements 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.

Standards and interpretations effective from 1 January 2022

The standards, amendments and interpretations effective from 1 January 2022 and endorsed by the European Commission are detailed below:

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework without changing the requirements of the standard. Following such amendments, to determine what constitutes an asset or a liability, an acquirer shall refer to the new definitions of assets and liabilities contained in the new Conceptual Framework published in March 2018, with the sole exception of liabilities assumed in a business combination, which shall be recognised in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets or IFRIC 21 - Levies. This exception was added to avoid the acquirer recognising a liability or contingent liability on the basis of the new definition in the Conceptual Framework and then derecognising them in accordance with the criteria set out in IAS 37 and IFRIC 21.

Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)

The IASB has clarified that proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management shall be taken to profit or loss. Following such amendments, it is no longer allowed to directly deduct from the cost of the asset proceeds from selling items produced while the company is preparing the asset for its intended use, e.g., the sale of samples produced when testing whether the assets is functioning properly.

The items produced awaiting sale shall be recognised as inventories in accordance with IAS 2 - Inventories. The production cost of items produced would not include depreciation of the item of property, plant and equipment as the latter is not yet subject to depreciation.

The amounts of proceeds and cost that relate to items produced that are not an output of the entity's ordinary activities, and which line items in the statement of comprehensive income include such proceeds and cost, shall be disclosed in the notes (if not presented separately in the statement of comprehensive income).

Onerous contracts - Cost of fulfilling a contract (Amendments to IAS 37)

The IASB has clarified that the cost of fulfilling a contract comprises all the costs that relate directly to the contract and thus include: (i) incremental costs of fulfilling that contract (e.g., raw materials, direct labour, etc.), (ii) an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Furthermore, the IASB confirmed that, before establishing a provision for an onerous contract, the entity recognises any impairment loss that has occurred on non-current assets and clarified that the impairment losses shall be determined not only on assets used solely on the contract, but also other assets partially used to fulfil the contract.

Annual Improvements to IFRS – 2018-2020 cycle (Amendments to IFRS 1, IFRS 9 and IAS 41)

Annual Improvements to IFRS are the result of the annual improvement process aimed at resolving non-urgent issues related to inconsistencies or unclear terminology identified in the standards. The Annual Improvements to IFRS – 2018-2020 cycle also includes an amendment to IFRS 16 that is not subject to endorsement by the EU as it refers to an illustrative example which is not an integral part of IFRS 16.

The adoption of the new standards starting from 1 January 2022 did not have any impact.

Standards and interpretations published but not yet adopted

At the date of approval of these separate financial statements, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the company will adopt in subsequent years, if applicable. 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): published in 2020, these amendments clarify the requirements for determining whether a liability is current or non-current and they are effective for annual reporting periods beginning on or after 1 January 2023. The IASB subsequently proposed further amendments to IAS 1 and deferred the effective date of the 2020 amendments to 1 January 2024. As a result, the company cannot ascertain the impact that these amendments will have on the consolidated financial statements in the year of first application and is carefully monitoring developments;
- 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 separate financial statements, the company does not expect the new amendments or standards will have a significant impact on it.

Notes to the main statement of financial position captions

ASSETS

NON-CURRENT ASSETS

1 Intangible assets with finite useful lives

Intangible assets with finite useful lives amount to €45 thousand and €140 thousand at 31 December 2022 and 2021, respectively. This caption and changes in both years are analysed in the table below.

(€'000)

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development	Other	TOTAL
Balance at 31 December 2021:					
Cost	985	56		3,125	4,166
Accumulated amortisation	(933)	(8)		(3,085)	(4,026)
Carrying amount at 31 December 2021	**52**	**48**	**0**	**40**	**140**
Investments - Historical cost				14	14
Disposals - Historical cost					
Other variations - Historical cost					
Reclassifications - Historical cost					
Exchange differences - Historical cost					
Amortisation	(52)	(3)		(54)	(109)
Disposals - Acc. amortisation					
Other variations - Acc. amortisation					
Reclassifications - Acc. amortisation					
Exchange differences - Acc. amortisation					
Balance at 31 December 2022:					
Cost	985	56		3,139	4,180
Accumulated amortisation	(985)	(11)		(3,139)	(4,135)
Carrying amount at 31 December 2022	**0**	**45**	**0**	**0**	**45**

At 31 December 2022, concessions, licences and trademarks refer to costs incurred to register the Salcef Group trademark.

2 Property, plant and equipment

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

(€'000)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2021:						
Cost	983	1,431	221	846	4,500	7,979
Accumulated depreciation	0	(500)	(190)	(680)	-	(1,369)
Carrying amount at 31 December 2021	**983**	**931**	**31**	**166**	**4,500**	**6,610**
Investments - Historical cost		8	4	15	6,205	6,232
Disposals - Historical cost		(690)	(85)	(42)		(817)
Reclassifications - Historical cost						-
Impairment losses - Historical cost						-
Other variations - Historical cost	(1)					(1)
Exchange differences - Historical cost		(330)	(38)	(15)		(383)
Depreciation		(79)	(3)	(83)		(165)
Disposals - Acc. depreciation		122	64	29		215
Reclassifications - Acc. depreciation						-
Impairment losses - Acc. depreciation						-
Other variations - Acc. depreciation						-
Exchange differences - Acc. depreciation		54	28	13		95
Balance at 31 December 2022:						
Cost	982	419	102	804	10,705	13,012
Accumulated depreciation	0	(403)	(102)	(721)	-	(1,225)
Carrying amount at 31 December 2022	**982**	**16**	**0**	**83**	**10,705**	**11,787**

The increases of €6,205 thousand in assets under construction refer to costs incurred by Salcef Group S.p.A. to restructure the building in Via Saleria, Rome where the registered and administrative offices of the company and other group companies will be located in 2023.

The decreases of €817 thousand relate to assets that are no longer used in production or relevant to the company's activities.

3 Right-of-use assets

(€'000)

	31.12.2022	31.12.2021
Carrying amount	1,004	1,370
Total	**1,004**	**1,370**

These refer to the buildings used as offices that Salcef Group S.p.A. occupies under operating leases. The company discounts the total amount of lease payments due and recognises it in this caption in accordance with IFRS 16. The assistance of an independent expert was used for the discounting.

Changes in the year in right-of-use assets and lease liabilities are summarised below.

(€'000)

RIGHT-OF-USE ASSETS	Land and buildings	TOTAL
Carrying amount at 1 January 2022	**1,370**	**1,370**
Depreciation	(359)	(359)
Increases	-	-
Derecognition	-	-
Exchange differences	(7)	(7)
Carrying amount at 31 December 2022	**1,004**	**1,004**

(€'000)

LEASE LIABILITIES	TOTAL
Carrying amount at 1 January 2022	**1,447**
Payments	(409)
Increases	0
Interest expense	52
Exchange differences	(9)
Carrying amount at 31 December 2022	**1,081**
of which, current	*354*
of which, non-current	*727*

At the reporting date, the company has signed a finance lease with a major leasing company but the underlying asset (the building to which it will relocate its administrative offices) is not yet available as it is still being restructured. Therefore, such lease was not included in the calculation of right-of-use assets and lease liabilities. The restructuring of a portion of the building was completed in 2023 and, as a result, the administrative offices and registered office of the company and the subsidiaries Salcef S.p.A, Euro Ferroviaria S.r.l., Coget Impianti S.r.l., Overail S.r.l., SRT S.r.l., RECO S.r.l., Consorzio Stabile Itaca S.c.a r.l. e Francesco Ventura Costruzioni Ferroviarie S.r.l. were relocated there. The company is also currently holding talks with the lessor to terminate the lease early through redemption of the building. This option will be considered in the recognition of right-of-use assets and lease liabilities in 2023.

4 Equity investments measured at cost

At 31 December 2022, equity investments measured at cost amount to €138,104 thousand compared to €123,467 thousand at 31 December 2021 as follows:

(€'000)

	REGISTERED OFFICE	31.12.2022	31.12.2021	Variation
Subsidiaries				
Salcef S.p.A. single-member company	Rome - Italy	81,733	76,536	5,197
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	457	457	0
SRT S.r.l. single-member company	Rome - Italy	5,044	5,044	0
Overail S.r.l. single-member company	Rome - Italy	8,839	8,839	(0)
Coget Impianti S.r.l.	Rome - Italy	10,429	15,626	(5,197)
RECO S.r.l. single-member company	Rome - Italy	659	659	0
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	14,638	0	14,638
Salcef USA Inc.	Wilmington (DE) - USA	8,485	8,485	(0)
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	7,820	7,820	(0)
Total		**138,104**	**123,467**	14,637

Changes in the year are summarised below:

(€'000)

	% of investment 31.12.2021	Carrying amount 31.12.2021	Increases	Decreases	Carrying amount 31.12.2022	% of investment 31.12.2022
Salcef S.p.A.	100%	76,536	5,197		81,733	100%
Euro Ferroviaria S.r.l.	100%	457			457	100%
SRT S.r.l.	100%	5,044			5,044	100%
Overail S.r.l.	100%	8,839			8,839	100%
Coget Impianti S.r.l.	100%	15,626		(5,197)	10,429	100%
RECO S.r.l.	100%	659			659	100%
Francesco Ventura Costruzioni Ferroviarie S.r.l.	0%	0	14,638		14,638	100%
Salcef USA Inc.	100%	8,485			8,485	100%
Salcef Deutschland GmbH	100%	7,820			7,820	100%
Carrying amount		**123,467**	**19,835**	**(5,197)**	**138,104**	

On 23 December 2022, Salcef Group S.p.A. completed the acquisition of the entire quota capital of Francesco Ventura Costruzioni Ferroviarie S.r.l.. The closing took place when the final conditions precedent set out in the agreement reached with the Ventura family were met. These included the completion of the segregation of assets not directly related to the permanent way systems business, which remained with the sellers.

€13,720 thousand of the agreed consideration for the acquisition of the interest in FVCF was paid at the closing. The remaining amount will be paid in instalments. The consideration is subject to the usual price adjustment mechanisms (upwards or downwards) which, in order to determine the carrying amount of the equity investment at 31 December 2022, were calculated depending on variations in the net working capital items. The company self-financed this acquisition in full.

The other variations in the investments in Salcef S.p.A. and Coget Impianti S.r.l. refer to the demerger of the business unit during the year. The carrying amount of the demerged business unit was reflected as a decrease in the carrying amount of the investment in the transferor (Coget Impianti S.r.l.) and an equal increase in the carrying amount of the investment in the transferee (Salcef S.p.A.).

The table below summarises key information on investees at 31 December 2022:

(€'000)

EQUITY INVESTMENTS MEASURED AT COST	REGISTERED OFFICE	Currency	Share/quota capital	% of investment	Carrying amount 31.12.2022	Equity	Profit/(loss) for the year	Equity-accounted investments
Salcef S.p.A. single-member company	Rome - Italy	Euro	60,000,000	100%	81,733	153,183	32,365	153,183
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	457	25,849	3,126	25,849
SRT S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	5,044	13,762	2,253	6,988
Overail S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	8,839	34,165	8,048	34,686
Coget Impianti S.r.l.	Rome - Italy	Euro	1,000,000	100%	10,429	8,838	1,412	15,919
RECO S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	659	1,102	39	1,344
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	Euro	420,000	100%	14,638	(19,493)	(18,342)	14,639
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000	100%	8,485	12,605	(562)	12,605
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	Euro	162,750	100%	7,820	1,389	310	7,342
Total					**138,104**			**272,555**

At 31 December 2022, the company performed an impairment test on the equity investments whose carrying amount at that date was higher than the company's share of equity. This involved calculating the equity investments' value in use applying the discounted cash flow (DCF) method to the estimated cash flows for the current three-year period (2023-2025), based on the equity investments' forward-looking financial figures, to which a WACC of 8.92% was applied for investees operating on the Italian market, 6.79% for investees operating on the German market and 8.42% for investees operating in North America.

The operating cash flows considered for the impairment test were taken from the forward-looking financial figures in the 2022-2024 plan approved by Salcef Group S.p.A.'s board of directors. In addition, estimated cash flows for the third year of the explicit forecast period (2025) were determined on the basis of the performance that can be inferred from the 2022-2024 plan.

The discount rate was estimated as follows:

- the risk free rate was determined to be equal to the average yield over the past six months on ten-year government securities: 3.9% for Italy, 1.7% for Germany and 3.5% for North America;
- the equity risk premium was 5.5%;
- levered beta of 0.84 for Italy, 0.82 for Germany and 0.83 for the US was determined considering a sample of listed companies operating in the same sector as the subsidiaries;
- the additional risk premium was 3.1%.

The terminal value was calculated using the perpetuity formula in which an average nominal growth rate of cash flows available after the explicit period and in perpetuity (g-rate) of 1.5% was used to determine the terminal value.
The acquisition fair value was used in testing the investment in FVCF acquired in late December 2022 for impairment.
The recoverable amounts were compared with the equity investments' carrying amounts at 31 December 2022.
The recoverable amounts resulting from the impairment test were higher than the equity investments' carrying amounts.

5 Equity-accounted investments

The following table details the company's equity-accounted investments in associates and joint ventures at the reporting date.

(€'000)

	31.12.2022	31.12.2021	Variation
Associates	0	8	(8)
Total	**0**	**8**	**(8)**

The breakdown and details of the changes in the year are reported below:

(€'000)

	REGISTERED OFFICE	31.12.2022	31.12.2021	Variation
Associates and other companies				
Frejus S.c.a.r.l.	Bologna - Italy	0	8	(8)
Total		**0**	**8**	**(8)**

(€'000)

	Associates	Total
Carrying amount at 31 December 2021	**8**	**8**
Increases/Capital increases	0	0
Investees wound up	(8)	(8)
Impairment losses	0	0
Carrying amount at 31 December 2022	**0**	**0**

The decrease is due to the winding up of Frejus S.c.a.r.l. in June 2022.

6 Other non-current assets

The table below shows other non-current assets at 31 December 2022 and 2021:

(€'000)

	31.12.2022	31.12.2021	Variation
Guarantee deposits	228	226	2
Performance bonds	9,813	11,203	(1,390)
Other assets	57	172	(115)
Total	**10,098**	**11,601**	**(1,503)**

The guarantee deposits include amounts paid by group companies to guarantee the supply of goods and services to be received and for property leases. The performance bonds are amounts invoiced and/or to be invoiced to customers and will be collected once the inspection of the related assets has been carried out.

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

Income taxes, recognised in the income statement and statement of comprehensive income, may be analysed as follows:

(€'000)

INCOME TAXES	2022	2021
IRES	*149*	*384*
IRAP	*(7)*	-
Foreign income taxes	*(461)*	-
Total current taxes	**(319)**	**384**
Change in deferred tax assets	2,726	81
Change in deferred tax liabilities	*(21)*	*(610)*
Total deferred taxes	**2,705**	**(529)**
Prior year taxes	**(826)**	**(21)**
Total income taxes	**1,560**	**(166)**

(€'000)

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME/(EXPENSE)	Pre-tax	Tax benefit (expense)	Post-tax
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	5	(1)	4
Net fair value gains/(losses) on securities measured at FVOCI	(155)	37	(118)
Total	**(150)**	**36**	**(114)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	4,727	(1,134)	3,593
Total	**4,727**	**(1,134)**	**3,593**

2022	4,577	(1,098)	3,479

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (corporate income tax) with the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., RECO S.r.l., SRT S.r.l., Overail S.r.l. and Coget Impianti S.r.l.. Consequently, in these separate financial statements, the company has presented the amount due from/to the tax authorities for IRES under the tax consolidation scheme as current tax assets/liabilities and the amounts due from/to the companies participating in the tax consolidation scheme in respect of the tax assets/liabilities that they have transferred to such scheme as other current assets/liabilities.

At 31 December 2022, deferred tax assets and liabilities amount to €5,251 thousand (31 December 2021: €2,086 thousand) and €2,357 thousand (31 December 2021: €798 thousand), respectively. Changes in these two captions are analysed below.

(€'000)

DEFERRED TAX ASSETS	01.01.2022	Accruals	Utilisations	Other variations	31.12.2022
Unrealised exchange differences	3	71	(3)		71
Tax loss	244				244
Stock grants	20	58			78
MBO	283	371	(233)		421
Loss allowance	1				1
Provision for litigation	124				124
Derivative financial instruments	507			405	912
Actuarial gains/losses on employee benefits	5	18		(1)	22
Impairment losses as per IFRS 9	319	57			376
Fair value of securities	0	1,689		37	1,726
ACE (aid to economic growth) excess	0	987			987
Listing costs	580		(289)		291
Total	**2,086**	3,251	(525)	441	5,251

(€'000)

DEFERRED TAX LIABILITIES	01.01.2022	Accruals	Utilisations	Other variations	31.12.2022
Unrealised exchange differences	352	819	(352)		819
Derivative financial instruments	0			1,538	1,538
Fair value of securities	446		(446)		0
Total	**798**	**819**	**(798)**	**1,538**	**2,357**

The temporary differences that generated deferred taxes are detailed below with indication of the rates used:

(€'000)

DEFERRED TAX ASSETS	Temporary differences	Rate	31.12.2022
Unrealised exchange differences	294	24%	71
Tax loss	1,019	24%	244
Stock grants	325	24%	78

MBO	1,757	24%	422
Loss allowance	4	24%	1
Provision for litigation	515	24%	124
Derivative financial instruments	3,800	24%	912
Actuarial gains/losses on employee benefits	92	24%	22
Impairment losses as per IFRS 9	1,567	24%	376
Fair value of securities	7,194	24%	1,726
ACE excess	4,114	24%	987
Listing costs	1,212	24%	291
Total			**5,251**

(€'000)

DEFERRED TAX LIABILITIES	Temporary differences	Rate	31.12.2022
Unrealised exchange differences	3,412	24%	819
Derivative financial instruments	6,410	24%	1,538
Fair value of securities	0	24%	0
Total			**2,357**

Deferred tax assets are recognised since it is deemed probable, on the basis of business plans, that the company will generate future taxable income sufficient for their recovery.

Furthermore, there are no tax loss carryforwards on which deferred tax assets could be recognised.

A reconciliation of the theoretical tax rate, calculated in line with the ruling tax laws, and the effective rate is as follows:

(€'000)

Reconciliation of actual tax rate		
Pre-tax profit	34,472	
Theoretical IRES	(8,273)	(24%)
Lower taxes:		
- Non-taxable income	10,281	29.83%
- Other	62	0.18%
Greater taxes:		
- Other	(1,922)	(5.57%)
Total current income taxes (IRES)	**149**	**0.43%**
IRAP	(7)	(0.02%)
Foreign taxes	(461)	(1.34%)
Prior year taxes	**(826)**	**(2.40%)**
Deferred taxes	**2,705**	**7.85%**
Total income taxes	**1,560**	**4.52%**

CURRENT ASSETS

8 Inventories and contract assets and liabilities

Inventories, of €3,365 thousand (31 December 2021: €3,169 thousand), mainly comprise a rail grinder acquired by the Saudi Arabian branch for its subsequent resale to third-party customers in the same country.

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

(€'000)

	31.12.2022	31.12.2021	Variation
Contract assets	653	0	653
Impairment losses	0	0	0
Total	**653**	**0**	**653**

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

(€'000)

	31.12.2022	31.12.2021	Variation
Africa	653	0	653
Total	**653**	**0**	**653**

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

(€'000)

	31.12.2022	31.12.2021	Variation
Trade receivables	10,941	9,179	1,762
Contract assets	653	0	653
Contract liabilities	(118)	(215)	97
TOTAL	**11,476**	**8,964**	**2,513**

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

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

(€'000)

	31.12.2022	31.12.2021	Variation
Contract liabilities	118	215	(97)
Total	**118**	**215**	**(97)**

At 31 December 2022, this caption mainly relates to the advance from NAT – National Authority for Tunnel for the construction of a railway hub in Kozzyka (Egypt).

Contract liabilities at 31 December 2022 will become revenue in 2023.

9 Trade receivables

The table shows the caption at 31 December 2022 with comparative prior year end figures:

(€'000)

	31.12.2022	31.12.2021	Variation
Third parties	5,426	5,598	(172)
Loss allowance	(1,714)	(1,338)	(376)
Total third parties	**3,712**	**4,261**	**(549)**
Subsidiaries	7,229	4,637	2,592
Associates	-	281	(281)
Total related parties	**7,229**	**4,918**	**2,311**
Total	**10,941**	**9,179**	**1,762**

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

(€'000)

Carrying amount at 1 January 2022	**(1,338)**
Utilisations/Releases	-
Accruals	(376)
Other variations	-

Carrying amount at 31 December 2022	**(1,714)**

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

The increase in the loss allowance is mostly due to the impairment of a specific receivable considered to be in level 3 of the fair value hierarchy established by IFRS 9.

Trade receivables from subsidiaries of €7,229 thousand (31 December 2021: €4,637 thousand) mainly refer to the amounts due from Salcef S.p.A., Euro Ferroviaria S.r.l., SRT S.r.l., RECO S.r.l., Overail S.r.l. and Coget Impianti S.p.A. for the balance of services not yet invoiced that Salcef Group S.p.A. provided to group companies in 2021 under a master agreement.

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

(€'000)

	31.12.2022	%	31.12.2021	%
Italy	1,432	39%	1,749	41%
Europe (excluding Italy)	0	0%	67	2%
Egypt	210	6%	699	16%
Saudi Arabia	2,070	55%	1,746	41%
Total third parties	**3,712**		**4,261**	

10 Current tax assets

Current tax assets amount to €257 thousand compared to €2,228 thousand at 31 December 2021.

The year-end balance mostly consists of the asset for direct income taxes paid in advance abroad as well as IRES payments on account during the year.

11 Current and non-current financial assets

Non-current financial assets, amounting to €40,454 thousand at 31 December 2022 (nil balance at 31 December 2021), refer to interest-bearing medium/long-term loans granted to the subsidiaries Euro

Ferroviaria S.r.l. (€27,448) to provide the subsidiary with the funds to acquire the business unit from the PSC Group), FVCF S.r.l. (€12,000 thousand) and SRT S.r.l. (€1,006 thousand).

A breakdown of current financial assets at 31 December 2022 and 2021 is as follows:

(€'000)

	31.12.2022	31.12.2021	Variation
Securities	123,368	97,826	25,542
Loans to subsidiaries	122,600	93,715	28,885
Hedging derivatives	6,410	13	6,397
Impairment loss	(58)	(47)	(11)
Total	**252,320**	**191,506**	**60,814**

The 31 December 2022 balance refers to loans that Salcef Group S.p.A. granted to subsidiaries, specifically: €22,798 thousand to SRT S.r.l., €18,354 thousand to Overail S.r.l., €30,600 thousand to Salcef Deutschland GmbH, €14,263 thousand to Salcef S.p.A., €2,915 thousand to Euro Ferroviaria S.r.l., €30,258 thousand to Salcef USA Inc., €1,643 thousand to Coget Impianti S.r.l., €1,018 thousand to RECO S.r.l. and, finally, €750 thousand to Francesco Ventura Costruzioni Ferroviarie S.r.l..

Securities of €123,368 thousand represent the investments existing at the reporting date in mutual property funds, certificates, policies, Italian treasury notes ("BTPs"), bonds and time deposits made by Salcef Group S.p.A. to invest the liquidity obtained following the capital increases performed in 2021 and previous years. The measurement method applied to such assets depends on both the business model used by the company to manage the assets in order to generate cash flows and the characteristics of the security. Specifically, the company holds such assets to collect contractual cash flows and sell them in favourable economic situations (the hold to collect and sell model). Therefore, they are measured at FVOCI when the expected cash flows are solely payments of principal and interest (SPPI). In all other cases, they are measured at fair value (level 1 according to the IFRS 13 hierarchy) and the related gains and losses are taken to profit or loss.

The following table shows variations in the caption during the year:

(€'000)

	Measured at	01.01.2022	Purchases	Sales	Variations in fair value to profit or loss	Variations in fair value to OCI	31.12.2022
Unicredit mutual funds	FVTPL	7,025	344	(762)	(812)		5,795
Unicredit certificates	FVTPL	1,268			(147)		1,123
Intesa Eurizon SGR	FVTPL	7,330			(534)		6,798
Intesa Eurizon Titolo	FVTPL	7,979			(794)		7,185
BPS	FVTPL	6,567			(910)		5,658
UBI BAP life policy	FVTPL	8,154			(158)		7,996
MPS fiduciary mandate	FVTPL	4,978		(4,978)			0
MPS policy	FVTPL	5,089			(745)		4,344
Servizio Italia Cardiff policy	FVTPL	15,674			(1,044)		14,630
Fineco mutual funds	FVTPL	4,006	820		(319)		4,507
Banca Aletti	FVTPL	7,191	2,500		(904)		8,787
Fineco insurance products	FVTPL	9,546	1,200		(334)		10,413
Kairos Partners securities portfolio	FVTPL	4,968			(399)		4,569
Deutsche Bank portfolio management	FVTPL	3,092		(12)	(346)		2,734

Fondo AZIMUT	FVTPL	4,960	7,000		(367)		11,593
J.P. Morgan	FVTPL	0	15,000		(1,085)		13,915
Mediobanca bonds and certificates	FVOCI	0	13,479			(155)	13,324
Total		**97,826**	**40,343**	**(5,752)**	**(8,900)**	**(155)**	**123,368**

Note 15 provides a description of all the company's derivatives, which include the above hedging derivatives of €6,410 thousand at the reporting date (€13 thousand at 31 December 2021).

12 Cash and cash equivalents

(€'000)

	31.12.2022	31.12.2021	Variation
Bank and postal accounts	14,173	87,571	(73,398)
Cash-in-hand and cash equivalents	4	5	(1)
Total	**14,177**	**87,575**	**(73,398)**

These amount to €14,177 thousand, compared to €87,575 thousand at the previous year end, and include bank deposits of €14,173 thousand and cash and cash equivalents of €4 thousand at 31 December 2022.

13 Other current assets

The table below shows other current assets at 31 December 2022 and 2021:

(€'000)

	31.12.2022	31.12.2021	Variation
Other tax assets	5,646	4,389	1,257
Other assets with subsidiaries	13,934	14,304	(370)
Other assets	2,525	2,463	62
Prepayments and accrued income	2,733	2,654	79
Total	**24,838**	**23,810**	**1,028**

Other tax assets consist of the amounts due from the tax authorities for indirect taxes (VAT) paid in Italy and abroad.

Other assets with subsidiaries refer to the IRES liability that they respectively transferred to Salcef Group S.p.A. under the domestic tax consolidation scheme, specifically Salcef S.p.A. (€11,101 thousand), Overail S.r.l. (€2,095 thousand), SRT S.r.l. (€677 thousand) and Coget Impianti S.r.l. (€60 thousand).

Prepayments amount to €2,733 thousand (31 December 2021: €2,654 thousand) and refer to the portion of costs incurred in the year pertaining to subsequent years.

They are mostly insurance premiums for the headquarters and work sites and bank surety commissions. The increase on the previous year end is due to the down payment for the lease signed by Salcef Group S.p.A. for a building in Rome which will house the company's administrative offices once it has been restructured. As the relevant conditions about the lease inception date are not met at the reporting date, the leased building has not been recognised under right-of-use assets (see note 4).

Other assets mainly consist of advances paid to suppliers and employees, including cash advances for the work sites in order to begin day-to-day operations and the value of the participating financial instruments received from Astaldi S.p.A., as Salcef Group S.p.A. is its unsecured creditor (€1,804 thousand).

EMARKET SDIR CERTIFIED

LIABILITIES

TOTAL EQUITY AND LIABILITIES

14 Equity

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

Share capital

The company's fully paid-up share capital at 31 December 2022 amounts to €141,544,532.20 and is comprised of 62,399,906 shares without nominal value.

In accordance with the by-laws, all of the company's remaining performance and special shares were converted into ordinary shares in 2022. This did not lead to increases in the share capital.

Reserves

At 31 December 2022, reserves mainly comprise:

- Legal reserve: this reserve of €4,120 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: totalling €13,310 thousand, it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €2,981 thousand;
- Negative goodwill: amounting to €45,000 thousand, this negative goodwill arose on the recognition of the merger of Salcef Group S.p.A. and Indstars 3 that took place on 8 November 2019;
- Actuarial reserve: this reserve contains the actuarial gains and losses on the remeasurement of post-employment benefit liabilities in accordance with IAS 19 and shows a negative balance of €11 thousand;
- Hedging reserve: amounting to €1,988 thousand, this reserve reflects the fair value gains and losses on the interest rate swap hedging cash flow risk on the payment of interest on loans and the fair value gains and losses on the currency forwards hedging currency risk on the loan in US dollars granted to the subsidiary Salcef USA Inc.. The reserve will be taken to the income statement over the years as the cash flows generated by the hedged item affect profit or loss;
- Reserve for financial assets measured at FVOCI: with a negative balance of €118 thousand, this reflects changes in the fair value of financial assets measured at FVOCI (see note 12) net of the relative deferred tax assets/liabilities;
- Reserve for repurchase of treasury shares: with a negative balance of €7,179 thousand, this reserve includes the value of the company's treasury shares repurchased on the market and held in

accordance with the resolutions passed during the ordinary shareholders' meeting;

- Share premium: recognised in 2021 for €27,200 thousand after the capital increase achieved through the accelerated bookbuild offering and generated by the difference between the subscription price of newly issued shares (€16.00 per share) and the existing accounting par value (€2.40 per share) multiplied by the number of newly issued shares (2,000,000 new ordinary shares);
- Reserve for capital increase costs: this reserve with a negative balance of €653 thousand includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 29 April 2022, the company's shareholders approved the separate financial statements as at and for the year ended 31 December 2021, which show a profit for the year of €33,300,893, and were presented with the consolidated financial statements as at and for the year ended 31 December 2021, which show a profit for the year attributable to the owners of the parent of €39,070,532.
The shareholders also resolved to distribute a dividend of €0.46 per eligible ordinary share at the record date (i.e., 17 May 2022). The coupon detachment date is 16 May 2022 and the payment date is 18 May 2022. Considering the number of treasury shares held by the company at 17 May 2022, the total dividend is €28,474,764.98. More information about changes in equity is provided in the statement of changes in equity.

Capital management

The company's capital management policies entail maintaining a high level of capital to keep its stakeholders' trust and also lay the foundation for the company's future. Additionally, management monitors return on capital and the amount of dividends to distribute to ordinary shareholders. The board of directors strives to balance the achievement of higher returns through greater leverage with the advantages and security of a sound financial position.

NON-CURRENT LIABILITIES

15 Current and non-current financial liabilities – Lease liabilities

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

(€'000)

	31.12.2022	31.12.2021	Variation
Bank loans - non-current portion	97,377	63,667	33,710
Hedging derivatives	3,794	2,123	1,671
Total	**101,171**	**65,790**	**35,381**
Lease liabilities	727	1,085	(358)
Total	**727**	**1,085**	**(358)**
TOTAL NON-CURRENT	**101,898**	**66,875**	**35,023**
Loans from related parties	723	257	**466**
Bank loans and borrowings - current portion	52,315	45,553	**6,762**
Total	**53,038**	**45,810**	**7,228**
Lease liabilities	354	362	(8)
Total	**354**	**362**	**(8)**
TOTAL CURRENT	**53,392**	**46,172**	**7,220**
TOTAL LOANS AND BORROWINGS	**155,290**	**113,047**	**42,243**

Loans from related parties of €723 thousand refer to the interest-bearing borrowings granted to the Romanian branch.

The bank loans are medium/long-term loans from banks to Salcef Group S.p.A., the terms of which are detailed below at 31 December 2022.

(€'000)

	Interest rate	Year of maturity	31.12.2022	
			Nominal amount	Carrying amount
Intesa Sanpaolo - unsecured loan	1% + 3-month Euribor	2023	417	416
Deutsche Bank - unsecured loan	1% + 3-month Euribor	2023	833	833
MPS - unsecured loan	0.60% + 6-month Euribor with a floor of 0	2023	833	833
Unicredit - loan	1.54% + 3-month Euribor	2025	13,151	13,149
UBI Banca - unsecured loan	0.80%	2023	1,680	1,680
UBI Banca - unsecured loan	0.80%	2023	1,541	1,540
MPS - unsecured loan	0.60% + 6-month Euribor with a floor of 0	2023	1,667	1,666
Crédit Agricole - unsecured loan	0.55% + 3-month Euribor with a floor of 0	2024	3,342	3,340
Banca Popolare di Sondrio - unsecured loan	0.90% + 3-month Euribor	2025	2,577	2,576
Intesa Sanpaolo - unsecured loan	1.54% + 3-month Euribor	2026	21,000	21,000
CDP - loan	1% + 6-month Euribor with a floor of 0	2026	19,444	19,444
Crédit Agricole - loan	1% + 3-month Euribor with a floor of 0	2027	20,000	19,921
Intesa - loan	0.90% + 3-month Euribor	2025	25,000	25,000
Banco BPM - loan	1.10% + 3-month Euribor	2026	20,000	19,975

BNL - loan	0.90% + 3-month Euribor	2025	18,333	18,318
Total			**149,818**	**149,691**

The above bank loans include: (i) the loan from Unicredit S.p.A. (remaining unpaid amount of €13,151 thousand) which the latter used to acquire the Delta Group (as described earlier), 60% of which is guaranteed by SACE S.p.A.; (ii) the five-year €30,000 thousand "S-Loan" with Intesa Sanpaolo S.p.A. entered into on 30 June 2021, which is backed by the SACE S.p.A. green guarantee and involves the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate; (iii) the five-year €20,000 thousand loan that Crédit Agricole granted in February 2022, which also involves the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate.

The company is required to comply with covenants on the loans in place at the reporting date. Specifically, the covenants relate to: (i) the loan granted by Unicredit S.p.A. in September 2020, maturing in September 2025; (ii) the loan granted by Intesa Sanpaolo on 30 June 2021, maturing in June 2026; (iii) the loan granted by Cassa Depositi e Prestiti (CDP) in two instalments in July 2021 and December 2021, maturing in June 2026; (iv) the loan granted by Banco BPM S.p.A. in July 2022, maturing in December 2026, and (v) the loan granted by BNL S.p.A. in July 2022, maturing in July 2025.

The Unicredit S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of Salcef Group S.p.A.'s separate financial statements.

The Intesa Sanpaolo S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The CDP loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Banco BPM S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The BNL S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

Furthermore, the company holds derivatives specifically for hedging interest rate and currency risks. Specifically, the company has the following interest rate swaps at 31 December 2022:

- an interest rate swap with Unicredit S.p.A. entered into in September 2020, maturing in 2025 and with a notional amount of €13,151 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €13,151 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banca Popolare di Sondrio entered into in January 2021, maturing in 2025 and with a notional amount of €2,577 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €2,577 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in June 2021, maturing in 2026 and with a notional amount of €21,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €21,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in August 2021, maturing in 2026 and with a notional amount of €3,889 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the first tranche of the variable-rate loan with an outstanding balance of €3,889 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in January 2022, maturing in 2026 and with a notional amount of €15,556 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the second instalment of the variable-rate loan with an outstanding balance of €15,556 thousand at the reporting date disbursed by CDP on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Crédit Agricole entered into in February 2022, maturing in 2027 and with a notional amount of €20,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in May 2022, maturing in 2025 and with a notional amount of €25,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €25,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banco BPM S.p.A. entered into in July 2022, maturing in 2026 and with a notional amount of €20,000 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with BNL S.p.A. entered into in July 2022, maturing in 2025 and with a notional amount of €18,333 thousand at 31 December 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €18,333 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The swaps listed above, which have a positive fair value at the reporting date, are not included under current financial liabilities, but are recognised under current financial assets (see note 12).

In December 2020, Salcef Group S.p.A. entered into five currency forwards with Unicredit S.p.A. maturing on 31 December 2025 (of which three are still in place at 31 December 2022) to hedge cash flow risk on the loan in US dollars to the subsidiary Salcef USA Inc.. The cash flows consist of the interest (USD706 thousand) due each year and the repayment of principal on 31 December 2025 (USD28,240 thousand). These derivative contracts have been designated as cash flow hedges, as the underlying notional amount, currencies and maturity dates reflect the loan in place. Accordingly, the fair value gains and losses at each reporting date are taken in full to the hedging reserve.
The hedging reserve for the hedged item will be released to the income statement over the years as the cash flows generated by the hedged item affect profit or loss.

The table below provides a breakdown of the company's net financial position at 31 December 2022 and 31 December 2021, in accordance with the presentation method for net financial position established in the ESMA Guidelines dated 4 March 2021.

(€'000)

	Note	31.12.2022	31.12.2021	Variation
(A) Cash		14,177	87,575	(73,398)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	1	252,321	191,506	60,815
(D) Liquidity (A + B + C)		**266,498**	**279,081**	**(12,583)**
(E) Current financial debt		(1,077)	(362)	(715)
(F) Current portion of non-current financial debt		(52,315)	(45,810)	(6,505)
(G) Current financial indebtedness (E + F)		**(53,392)**	**(46,172)**	**(7,220)**
(H) Net current financial position (G + D)		**213,106**	**232,909**	**(19,803)**
(I) Non-current financial debt		(101,898)	(66,875)	(35,023)
(J) Debt instruments		0	0	0
(K) Trade payables and other non-current financial liabilities		0	0	0
(L) Non-current financial indebtedness (I + J + K)		**(101,898)**	**(66,875)**	**(35,023)**
(M) Net financial position (H + L)	2	**111,208**	**166,034**	**(54,826)**
(N) Adjustment for events unrelated to the core business and/or related to non-recurring transactions	3	7,194	0	7,194
(O) Adjusted net financial position (M + N)		**118,402**	**166,034**	**(47,632)**

Note

(1) The balance at 31 December 2022 reflects the impact of fair value losses on the company's short-term investments due to the downturn in international financial markets.

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

(3) The adjustments refer to the fair value losses on securities in 2022, as mentioned in note (1). This latter adjustment is not offset by the fair value gains recorded up to 31 December 2021 (€1,860 thousand).

The following tables show the company's financial liabilities by maturity bracket at 31 December 2022 and 31 December 2021 and changes therein:

(€'000)

	Due within one year	Due after one year and within five years	Due after five years	TOTAL
Bank loans	45,553	63,667	-	109,220
Current loans from related parties	257	-	-	257

Lease liabilities	362	1,085	-	1,447
Hedging derivatives	-	2,123	-	2,123
Carrying amount at 31 December 2021	**46,172**	**66,875**	**-**	**113,047**
Bank loans	52,315	97,377	-	149,692
Current loans from related parties	723	-	-	723
Lease liabilities	354	727	-	1,081
Hedging derivatives	-	3,794	-	3,794
Carrying amount at 31 December 2022	**53,392**	**101,898**	**-**	**155,290**

(€'000)

Loans and borrowings at 1 January 2021	114,498
Net fair value gains on derivatives	1,728
Proceeds from new loans	69,000
Repayment of loans	(36,277)
Change in other loans and borrowings - current	(16,323)
New lease liabilities	107
Repayment of lease liabilities	(413)
Other changes in lease liabilities	0
Change in warrants	(19,274)
Total at 31 December 2021	**113,047**
Net fair value gains on derivatives	1,671
Proceeds from new loans	90,000
Repayment of loans	(49,076)
Change in other loans and borrowings - current	14
Interest expense on lease liabilities	51
Repayment of lease liabilities	(417)
Total at 31 December 2022	**155,290**

16 Employee benefits

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

The liability is calculated by an independent expert using the following actuarial assumptions:

	31.12.2022	31.12.2021
Turnover rate	2.30%	2.30%
Annual discount rate	3.77%	0.98%
Annual inflation rate	2.3%	1.8%
Annual post-employment benefits growth rate	3.225%	2.8%

Had there been reasonably possible variations in the actuarial assumptions at the reporting date, they would have had the following impact on defined obligation benefits:

(€'000)

SENSITIVITY ANALYSIS	31.12.2022	
	Increase	Decrease
Turnover rate (+/- 1.00%)	28,140	27,800
Annual discount rate (+/- 0.25%)	27,381	28,588
Inflation rate (+/- 0.25%)	28,360	27,598

The average weighted term of defined obligation benefits is 9.5 years at the reporting date.

This caption also includes the accrual for the portion vested at 31 December 2022 of the management incentive plan (€1,547 thousand), which will be disbursed in 2023 (€658 thousand) and the remaining amount in 2024.

Changes in this caption are shown in the following table:

(€'000)

Carrying amount at 31 December 2021	**1,214**
Accruals	1,485
Utilisations/Transfers	(971)
Other variations	61
Interest cost	1
Net actuarial gains	(5)
Carrying amount at 31 December 2022	**1,785**
of which, non-current	*658*
of which, current	*1,127*

The current service cost mostly relates to the management incentive plan (MBO) introduced by the company to formally and clearly communicate the strategic objectives defined each year to all the beneficiary managers so that they can steer the entire workforce towards achieving them. Should the company achieve the defined milestones, the plan beneficiaries may receive a variable remuneration pegged to their gross annual remuneration and their achievement of the individual objectives assigned to them.

The MBO plan is the first phase of the performance management model that the group intends to gradually introduce, based on the specific objectives assigned and the degree of compliance of the manager's conduct with the group's values. These values and the conduct indicators will be the basis for the group's leadership model. Assessment of the objectives achieved (What) with the conduct applied (How) will be fundamental to safeguard the group's organisational culture along its growth journey and to provide department heads with a structured tool to provide employees with feedback useful for the ongoing improvement of their performances.

17 Provisions for risks and charges

This caption of €515 thousand is unchanged from 31 December 2022.

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

CURRENT LIABILITIES

18 Trade payables

(€'000)

	31.12.2022	31.12.2021	Variation
Third parties	5,965	4,862	1,103
Subsidiaries	3,881	6,949	(3,068)
Associates	0	115	(115)
Total	**9,846**	**11,927**	**(2,080)**

Trade payables to third parties of €5,965 thousand (31 December 2021: €4,862 thousand) include trade payables to Italian and foreign suppliers for invoices received and to be received.

Trade payables to subsidiaries amount to €3,881 thousand (€6,949 thousand at 31 December 2021) and refer to Salcef S.p.A. (including its branches) for the secondment of personnel and cost recharges (€3,559 thousand).

Trade payables to associates show s nil balance following the winding up of the consortium Frejus S.c.a.r.l.

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

(€'000)

	31.12.2022	%	31.12.2021	%
Italy	4,612	47%	3,301	28%
Europe (excluding Italy)	3,934	40%	3,941	33%
Egypt	11	0%	617	5%
Middle East	1,264	13%	4,067	34%
North America	21	0%	0	0%
Australia	4	0%	0	0%
Total	**9,846**		**11,927**	

19 Current tax liabilities

The table below shows current tax liabilities at 31 December 2022 and 2021:

(€'000)

	31.12.2022	31.12.2021	Variation
Direct taxes	477	2,731	(2,254)
Tax provision	664	719	(55)
Total	**1,141**	**3,449**	**(2,308)**

The accrual of €664 thousand to the tax provision at 31 December 2022 refers to a prudent estimate of potential tax liabilities that the company could be required to cover in the event of access, inspections or assessments by the tax authorities (€550 thousand) and a tax assessment in progress at its Egyptian branch (€114 thousand).

The direct taxes include the IRES liability for the domestic tax consolidation scheme.

20 Other current and non current liabilities

The table below shows other current liabilities at 31 December 2022 and 2021:

(€'000)

	31.12.2022	31.12.2021	Variation
Other non current liabilities	1,618	1,120	498
Total Other non current liabilities	**1,618**	**1,120**	**498**
Social security institutions	714	289	425
Employees	849	727	122
Other liabilities with subsidiaries	938	0	938
Other	1,678	3,111	(1,433)
Accrued expenses and deferred income	136	11	125
Other tax liabilities	83	435	(352)
Total Other current liabilities	**4,398**	**4,574**	**(175)**

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

"Other" at 31 December 2022 mainly includes amounts due within one year for the acquisition of the investment in Coget Impianti S.r.l. (€265 thousand) and Salcef Deutschland (€120 thousand). The remaining amounts that, based on the agreements with the sellers, are due after one year (including the balance due for the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l.) are classified under other non-current liabilities.

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

Notes to the main income statement captions

21 Revenue – Other income

(€'000)

	2022	2021	Variation
Revenue from contracts with customers	16,437	17,681	(1,244)
Other income	548	550	(2)
Total	**16,985**	**18,231**	**(1,246)**

Revenue amounts to €16,437 thousand, compared to €17,681 thousand in 2021, and mainly consists of consideration invoiced for permanent way systems (2022: €6,883 thousand; 2021: €9,598 thousand) and services provided to the group companies (2022: €9,554 thousand; 2021: €8,083 thousand).

(€'000)

BREAKDOWN OF REVENUE FROM CONTRACTS WITH CUSTOMERS	2022	2021	Variation
Timing of revenue recognition			
Products transferred at a point in time	9,554	8,083	1,471
Products and services transferred over time	6,883	9,598	2,715
Total	**16,437**	**17,681**	**1,244**
Main products/services			
Services	9,554	8,083	1,471
Permanent way systems	6,883	9,598	(2,715)
Total	**16,437**	**17,681**	**1,244**
Main geographical segments			
Italy	9,554	8,083	1,471
Europe (excluding Italy)	2,043	2,488	(445)
North America	32	0	32
Africa	0	2,290	(2,290)
Middle East	4,808	4,820	(12)
Total	**16,437**	**17,681**	**1,244**

A breakdown of other income in 2022 and 2021 is as follows:

(€'000)

	2022	2021	Variation
Recharges to third parties	444	269	175
Insurance and other compensation	0	53	(53)
Gains on sale of assets	0	92	(92)
Other sundry income	104	136	(32)
Total	**548**	**550**	**(2)**

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties.

22 Raw materials, supplies and goods

Raw materials, supplies and goods of €637 thousand (2021: €4,510 thousand) include raw materials for railway construction (€414 thousand), consumables (€213 thousand) and spare parts for company assets used in production and other residual production costs (€1 thousand).

(€'000)

	2022	2021	Variation
Raw materials for railway construction	414	817	(403)
Consumables	213	3,384	(3,171)
Spare parts	1	267	(266)
Other residual production costs	9	42	(33)
Total	**637**	**4,510**	**(3,873)**

23 Services

This caption of €9,479 thousand may be analysed as follows:

(€'000)

	2022	2021	Variation
Outsourcing work, technical consultancy	4,748	960	3,788
Insurance and sureties	437	741	(304)
Advisory, legal and notary services	0	708	(708)
Consultants' and temporary workers' fees	73	233	(160)
Costs of employees on secondment	122	93	29
Other external services	0	3,059	(3,059)
Utilities	283	243	40
Directors' fees	1,167	891	276
Statutory auditors' fees	75	49	26
Committee members' fees	67	62	5
Travel, food and accommodation for employees on business trips	865	666	199
Commercial costs	623	394	229
General and administrative costs	293	231	62

Transport	169	337	(168)
Motor vehicles and cars	51	86	(35)
Other services	506	954	(448)
Total	**9,479**	**9,706**	**(227)**

24 Personnel expense

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

(€'000)

	2022	2021	Variation
Wages and salaries	5,789	5,174	615
Social security contributions	1,587	1,361	226
Post-employment benefits, pensions and other benefits	282	276	6
Other costs	827	1,317	(490)
Total	**8,485**	**8,127**	**358**

The next table shows the company's workforce by category:

	2022	2021
Managers	17	16
White collars	42	40
Blue collars	32	36
Total	**91**	**92**

25 Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses are detailed in the table below:

(€'000)

	2022	2021	Variation
Amortisation of intangible assets	109	222	(113)
Depreciation of property, plant and equipment	165	229	(64)
Depreciation of right-of-use assets as per IFRS 16	359	386	(27)
Total	**633**	**837**	**(204)**

For additional information on the amortisation and depreciation methods and impairment losses, reference should be made to the notes to intangible assets (note 1), property, plant and equipment (note 2) and right-of-use assets (note 3).

26 Impairment losses

The table below shows impairment losses determined by applying the expected credit loss model of IFRS 9 to the company's asset categories:

(€'000)

	2022	2021	Variation
Trade receivables	376	1,241	(865)
Contract assets	0	0	0
Cash and cash equivalents	(7)	8	(15)
Other non-current assets	2	0	2
Other current assets	6	0	6
Current tax assets	(9)	13	(22)
Current financial assets	11	26	(15)
Securities	0	22	(22)
Total	**379**	**1,310**	**(931)**

27 Other operating costs

A breakdown of other operating costs in 2022 and 2021 is as follows:

(€'000)

	2022	2021	Variation
Rent and leases	302	689	(387)
Indirect taxes and duties	254	358	(104)
Fines and penalties	6	8	(2)
Other costs	220	277	(57)
Total	**782**	**1,331**	**(549)**

Rent and leases include leases of less than 12 months or with underlying assets of a low value for which the company availed of the simplifications allowed by IFRS 16. The standard allows the recognition of the lease payments as a cost over the lease term instead of the recognition of a right-of-use asset and lease liability.

28 Financial income and expense

Financial income and expense are shown below:

(€'000)

	2022	2021	Variation
Financial income			
From equity investments	45,094	46,000	(906)
From securities	58	1,234	(1,176)
Other financial income	82	1,238	(1,156)
Gain on sale of securities	0	238	(238)
Interest income	2,317	1,320	997
Exchange gains	2,686	1,486	1,200
Total	**50,237**	**51,514**	**(1,277)**
Financial expense			
Losses on sale of securities	(110)	(1)	(109)
Credit losses	0	0	0
Interest expense	(1,801)	(983)	(818)
Fair value losses on warrants	0	(9,737)	9,737

Fair value losses on securities	(8,900)	0	(8,900)
Lease costs	(52)	(72)	20
Financial expense	(369)	(202)	(167)
Exchange losses	(1,121)	539	(1,660)
Total	**(12,353)**	**(10,455)**	**(1,898)**

Financial expense includes the net fair value losses on the company's short-term investments due to the widespread downturn in international financial markets. Net fair value losses of €9,737 thousand in 2021 referred to the additional conversion warrants up until their complete extinguishment on 22 July 2021 following their conversion or expiry for not being exercised before the term set in their regulation since the acceleration condition was met.

Other notes

29 Share-based payments

The company has the following share-based payment agreements at the reporting date:

- 2021-2024 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2021 and implemented by resolution of the board of directors of 25 June 2021, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 25,463 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to 31 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
  - the first instalment consists of 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2022;
  - the second instalment will be for the remaining 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023.

The vesting period starts from the date on which the company and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 25 June 2021.
The fair value of the assigned shares used for the valuation of the 2021-2024 stock grant plan is €13.90.

- 2022-2025 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors of 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 17,648 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to 39 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
  - the first instalment consists of 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023;
  - the second instalment will be for the remaining 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2024.

The vesting period starts from the date on which the company and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 27 June 2022.

The fair value of the assigned shares used for the valuation of the 2022-2025 stock grant plan is €16.74.

- 2022-2023 performance shares plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors of 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 5,540 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to two beneficiaries. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
  - the first instalment consists of 60% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023;
  - the second instalment will be for the remaining 40% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2026.

The vesting period starts from the date on which the company and the employees agree to the performance shares plan and both have acknowledged its terms and conditions. This date was 27 June 2022.

The fair value of the assigned shares used for the valuation of the 2022-2023 performance shares plan is €16.74.

For a detailed description of the incentive plans described, reference should be made to the respective information memorandums prepared pursuant to article 84-bis of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999 as amended and supplemented, published on the company's website www.salcef.com in the Governance/Shareholders' Meeting section.

The cost of these plans in 2022, amounting to €243 thousand (€82 thousand in 2021), is recognised in personnel expense.

30 Commitments and risks

These amount to €30,064 thousand at 31 December 2022, compared to €33,189 thousand at 31 December 2021.

They include sureties given by banks to Salcef Group S.p.A. on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€29,127 thousand at 31 December 2022 and €32,306 thousand at 31 December 2021) and sureties given to banks for the group companies' loans (€937thousand at 31 December 2022 and €883 thousand at 31 December 2021).

31 Related party transactions

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

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

During the year, the company provided and received services to/from related parties and recharged costs for mutually-shared services and other services. These transactions took place at normal market conditions and/or on the basis of the effectively incurred costs and are described in the notes to the individual captions.

Other than that described herein, no other transactions with related parties took place during the year.

(€'000)

ASSETS AND LIABILITIES	Right-of-use assets	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Trade payables	Lease liabilities	Loans and borrowings	Other current liabilities
Subsidiaries									
Salcef S.p.A.		5,727		14,263	11,206	3,566		723	
Euro Ferroviaria S.r.l.		735	27,448	2,915		45			931
Overail S.r.l.		337		18,354	2,095				
SRT S.r.l.		125	1,006	22,798	678	228			
RECO S.r.l.		27		1,018		42			6
Coget Impianti S.r.l.		276		1,643	60				
Salcef USA Inc.				30,258					
Salcef Deutschland GmbH				30,600					
FVCF S.r.l.		1	12,000	750					
Associates									
Frejus S.c.ar.l.									
Other related parties									
Consorzio Contese		2							
Talia Gestioni S.r.l.	994						1,070		
31 December 2022	994	7,229	40,454	122,600	14,039	3,881	1,070	723	938

(€'000)

REVENUE AND COSTS	Revenue	Other income	Raw materials	Services	Financial income	Financial expense
Subsidiaries						
Salcef S.p.A.	7,069	365	5	(126)	35,370	
Euro Ferroviaria S.r.l.	1,548	29			5,320	

Overail S.r.l.	834	2			3,111	
SRT S.r.l.	479		88		2,510	
RECO S.r.l.	108			(37)	7	
Coget Impianti S.r.l.	530	48			9	
Salcef Bau GmbH						
Salcef USA Inc.					576	
Salcef Deutschland GmbH					310	
Associates						
Frejus S.c.ar.l.						
Other related parties						
Consorzio Contese	2					
Talia Gestioni S.r.l.						50
2022	**10,570**	**444**	**93**	**(163)**	**47,212**	**50**

Revenue and trade receivables from SRT S.r.l., RECO S.r.l., Euro Ferroviaria S.r.l., Salcef S.p.A., Overail S.r.l. and Coget Impianti S.p.A. mainly relate to the services that Salcef Group S.p.A. provided in 2022 to the group companies under the master agreement.

Other income refers to the recharging of costs incurred by Salcef Group S.p.A. on behalf of the subsidiaries. Services provided to Salcef S.p.A. include the secondment of personnel and the restructuring of the new property.

Financial income refers to dividends distributed to the company by Salcef S.p.A. (€35,090 thousand), Euro Ferroviaria S.r.l. (€4,800 thousand), SRT S.r.l. (€2,300 thousand) and Overail S.r.l. (€2,900 thousand). Other financial income and expense include interest accrued on loans granted within the group.

Reference should be made to the respective notes for additional information on trade receivables and payables.

32 Contingent liabilities

Certain subsidiaries are involved in civil, labour law and tax proceedings in connection with the ordinary course of business.

Management does not believe that any of these proceedings present a probable risk of financial expenditure or that they could give rise to significant liabilities in addition to that considered in the provision for risks and charges (see note 17). Consequently, no additional specific provisions are recognised in the separate financial statements at 31 December 2022.

Any adverse developments will be adequately assessed for the purposes of calculating any accruals.

With regard to the rumours that appeared in the press in February 2022 making explicit reference to certain group companies, we hereby state that no group companies were involved in the mentioned proceedings.

33 Independent auditors' fees

Pursuant to article 149-duodecies of the Issuers' Regulation, the table below sets out the fees for audit, attestation and other services provided by the independent auditors and members of its network in 2022. The fees are governed by contracts and include any indexing, out-of-pocket expenses and supervisory contributions.

(€'000)

Type of service	Service provider	Beneficiary	2022 fee
A) Audit services	KPMG S.p.A.	Salcef Group S.p.A.	214
B) Attestation services	KPMG S.p.A.	Salcef Group S.p.A.	14
C) Other services	KPMG S.p.A.	Salcef Group S.p.A.	130
Total			**358**

Significant non-recurring events and transactions

Salcef Group S.p.A.'s financial position, financial performance and cash flows were not affected by significant non-recurring events or transactions during the year. Moreover, the company did not undertake atypical or unusual transactions in 2022.

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 company's financial position at 31 December 2022 or its financial performance and cash flows for the year then ended.

Below are details of the events after the reporting date that did not have any impact on the company's financial position at 31 December 2022.

Relocation of administrative and registered offices

In January 2023, the company relocated its registered office from Via di Pietralata 140 to Via Salaria 1027, remaining in Rome.

Croatia's adoption of the Euro

Croatia joined the Eurozone on 1 January 2023, with the Kuna conversion rate set at 7.53450 Kuna per Euro. The effects of translating the foreign currency balances of the subsidiary Salcef S.p.A.'s Croatian branch will be immaterial as the amounts are negligible and the aforementioned conversion rate is very similar to the rate used to translate such foreign operation's balances at 31 December 2022.

Group extends its presence in Scandinavian countries

In 2022, the company signed agreements with the Norway-based Nordic Infrastructure Group to acquire a 60% interest in two companies, Salcef Nordic AS based in Olso (Norway) and Salcef Nordic AB based in Stockholm (Sweden) with a view to expanding the group's presence in Scandinavia. The acquisition of the Norwegian company's shares was finalised in 2023, while the Swedish transaction will be completed over the coming months.

EMARKET SDIR CERTIFIED

Repurchases of treasury shares

The company continued its treasury share repurchase programme up to 13 March 2023, when it reached the maximum number of treasury shares that can be repurchased as per the terms and methods set by the shareholders at their meeting of 29 April 2022, as described in the "Treasury share repurchase programme" section of the directors' report to which reference should be made.

CEO

(Valeriano Salciccia)

Attestation on the separate financial statements

Attestation on the separate financial statements pursuant to article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended and supplemented

1. In accordance with the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, the undersigned Valeriano Salciccia, CEO, and Fabio de Masi, the manager in charge of financial reporting of Salcef Group S.p.A. attest to:

- the adequacy with respect to the company's characteristics (taking into account any changes in the year) and
- the effective application of the administrative and accounting procedures for the preparation of the separate financial statements in 2022.

2. The activities were carried out considering the organisational structure and execution, control and monitoring processes of company activities for the preparation of the separate financial statements.

No material aspects arose in this respect.

3. Furthermore:

3.1 the separate financial statements:

a) have been prepared in accordance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) match the accounting ledgers and entries;
c) give a true and fair view of the financial position, financial performance and cash flows of the issuer and the companies in the consolidation scope.

3.2 The directors' report comprises a reliable analysis of the performance and results of operations, as well as the financial position of the issuer and the companies in the consolidation scope, along with a description of the key risks and uncertainties to which they are exposed.

Rome, 16 March 2023

CEO	Manager in charge of financial reporting
Valeriano Salciccia	Fabio De Masi

5

Independent auditors' reports

Independent auditors' report on the consolidated financial statements as at and for the year ended 31 December 2022

Independent auditors' report on the separate financial statements as at and for the year ended 31 December 2022

Independent auditors' report on the 2022 consolidated non-financial statement

KPMG S.p.A.
Revisione e organizzazione contabile
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(The accompanying translated consolidated financial statements of the Salcef Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salcef Group S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salcef Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salcef Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Salcef Group S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: section on "Accounting policies" - paragraphs "Intangible assets with finite useful lives and goodwill", "Impairment of non-financial assets" and "Use of estimates", note 2 "Goodwill" and note 34 "Acquisition of subsidiaries"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include goodwill of €101,410 thousand. The directors tested goodwill for impairment in order to identify any impairment losses on the cash-generating units (CGUs), to which goodwill is allocated, compared to their recoverable amount. The recoverable amount is based on value in use, calculated using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: • the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted for impairment testing approved by the parent's board of directors; • analysing the criteria used to identify the CGUs and trace their carrying amounts to the consolidated financial statements; • updating our understanding of the process adopted to prepare the 2022-2024 business plan approved by the parent's board of directors (the "plan") from which the expected cash flows used for impairment testing have been derived, as well as analysing the reasonableness of the main assumptions used; • analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; • comparing the cash flows used for impairment testing to the cash flows forecast in the plan and analysing any discrepancies; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; • assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests.

Measurement of contract assets and liabilities and recognition of contract revenue

Notes to the consolidated financial statements: section on "Accounting policies" - paragraphs "Revenue from contracts with customers and contract assets/liabilities", "Use of estimates", note 9 "Contract assets and liabilities" and note 22 "Revenue – Other income"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include contract assets of €156,034 thousand, contract liabilities of €77,764 thousand and contract revenue of €554,709 thousand recognised using the percentage of completion method based on the output method. Measuring contract assets and liabilities and recognising contract revenue are based on the actual progress of the work performed at the reporting date measured on the basis of the contract consideration. These estimates are affected by many factors, including: • any claims for additional consideration for contract variations, price adjustments, incentives and claims compared to that contractually agreed; • any disputes with customers for fines and damages; • the contract activities' long timeframe, size and engineering and operating complexity. Therefore, we believe that the measurement of contract assets and liabilities and the recognition of contract revenue are a key audit matter.	Our audit procedures included: • updating our understanding of the process for the measurement of contract assets and liabilities and recognition of contract revenue; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; • For a sample of contracts: - analysing contracts with customers in order to check that the significant factors have been appropriately considered by the group; - visiting work sites; - analysing the reasonableness of the assumptions underlying the measurement of the actual progress of the work performed through discussions with the contracts' project controllers and project managers, examining the correspondence with customers; - analysing the most significant discrepancies between past years' estimates and actual figures, in order to check the accuracy of the estimation process; - discussing any claims for additional consideration, fines and damages relating to contracts with customers with the internal legal experts and contracts' project managers and sending requests for information to the external legal advisors possibly involved; - analysing the events after the reporting date to gather useful information for the measurement of contract assets and liabilities and recognition of contract revenue; - assessing the appropriateness of the disclosures provided in the notes about contract assets, liabilities and revenue.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 5 October 2020, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salcef Group S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Rome, 31 March 2023

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit

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(The accompanying translated separate financial statements of Salcef Group S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salcef Group S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salcef Group S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salcef Group S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of equity investments measured at cost

Notes to the separate financial statements: section on "Accounting policies" – paragraphs "Equity investments measured at cost", "Impairment of non-financial assets" and "Use of estimates" and note 4 "Equity investments measured at cost"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2022 include investments measured at cost of €138,106 thousand. When there are indicators of impairment, they are tested for impairment, by discounting the cash flows that are expected to be generated by the investees using the discounted cash flow model to calculate their recoverable amount. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: • the expected cash flows, calculated by taking into account the general economic performance and that of the investees' sector, the cash flows generated in recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the equity investments measured at cost is a key audit matter.	Our audit procedures included: • updating our understanding of the process adopted for impairment testing approved by the company's board of directors; • updating our understanding of the process adopted to prepare the 2022-2024 business plan approved by the company's board of directors (the "plan") from which the expected cash flows used for impairment testing have been derived, as well as analysing the reasonableness of the main assumptions used; • analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; • comparing the cash flows used for impairment testing to the cash flows forecast in the plan and analysing any discrepancies; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; • assessing the appropriateness of the disclosures provided in the notes about equity investments measured at cost and related impairment tests.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 5 October 2020, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2022 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2022 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 31 March 2023

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Salcef Group S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5.1.g) of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2022 consolidated non-financial statement of the Salcef Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 16 March 2023 (the "NFS").

Our procedures did not cover the information set out in the "EU taxonomy reporting" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salcef Group S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we performed the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
   - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
   - the group's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
   - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

   Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we held interviews and discussions with the management personnel of the parent, Salcef S.p.A., Delta Railroad Construction Inc., Overail S.r.l. and Coget Impianti S.r.l.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

   Furthermore, with respect to significant information, considering the group's business and characteristics:

   - at group level:
     a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
     b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
   - we respect to Salcef Group S.p.A., Salcef S.p.A., Delta Railroad Construction Inc., Overail S.r.l. and Coget Impianti S.r.l., which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, we obtained documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators. We visited the parent and Salcef S.p.A. to meet their management.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2022 consolidated non-financial statement of the Salcef Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in the "EU taxonomy reporting" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Rome, 31 March 2023

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit

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Report of the board of statutory auditors

SALCEF GROUP S.p.A

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REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING
DRAWN UP PURSUANT TO ART. 153 OF THE LEGISLATIVE DECREE 58/1998
AND ART. 2429 OF THE CIVIL CODE

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Dear Shareholders,

in compliance with the art. 153 Legislative Decree no. 58 of 24 February 1998, we present this Report to report to you on the supervisory and control activity carried out during the year, also in our role as Internal Control and Audit Committee, concluded with the financial statements as at 31 December 2022, financial statements which are presented to you accompanied by the report on management performance and the information documents in which the performance of Salcef Group S.p.A. is adequately illustrated. (hereinafter also the "Company") and its subsidiaries, with equity, economic and financial data and the results achieved.
This report has been drafted in compliance with current legislation on companies listed on the stock exchange, since the Company's shares are traded on Euronext Milan organized and managed by Borsa Italiana S.p.A. Salcef Group S.p.A. is the holding company of the Group and therefore also draws up the consolidated financial statements; it is not subject to the direction and coordination of others.
Appointment and activities of the Board of Statutory Auditors
The Board of Statutory Auditors in office at the date of this Report was appointed, for the three-year period 2022-2024, by the Shareholders' Meeting of 29 April 2022.
Upon taking office, the Board verified the existence of the independence requirements of its members and the absence of hypotheses of ineligibility or forfeiture of the same pursuant to articles 2399 of the civil code and 148, paragraph 3, T.U.F. and of the Corporate Governance Code (formerly the Code of Conduct for listed companies), and verified their compliance with the limits on the accumulation of offices set out in art. 144-terdecies of the Issuers' Regulation, in compliance with the Regulation adopted by the Board itself. The Board also carried out the self-assessment of its members, also verifying the adequacy of its composition; the results of this self-assessment process were communicated to the Board of Directors.

As regards the control of the accounts and the financial statements, this was carried out by the Independent Auditors KPMG S.p.A., a task conferred by the Shareholders' Meeting of 5 October

2020 for the period 2020-2028.

During the financial year ended 31 December 2022, the Board of Statutory Auditors carried out the supervisory activity required by law, in particular pursuant to the combined provisions of article 149, paragraph 1 of Legislative Decree 24 February 1998 n. 58 and of the art. 19, paragraph 1 of Legislative Decree 27 January 2010, n. 39 as amended by Legislative Decree 17 July 2016, n. 135 also taking into account the rules of conduct of the board of statutory auditors of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts, the CONSOB provisions on corporate controls and the indications contained in the Corporate Governance Code of Borsa Italiana to which the Company has joined.

During the year, n. 13 meetings of the Board of Statutory Auditors (of which 6 in its current composition and 7 in its previous composition) the results of which were duly reported in the appropriate minutes.

The Board of Statutory Auditors participated in the meetings of the corporate bodies, carried out periodic checks and met the heads of the Independent Auditors, the members of the Control and Risk Committee and the Manager in charge of preparing the corporate accounting documents, for an exchange of information on the activity carried out and on the control programmes. Also through participation in the aforementioned meetings, as well as on the occasion of meetings with the top management of the Company, and in exchanges with the control bodies of the subsidiaries, the Board received information on the activity carried out and on the management acts performed.

Among the significant events of the year, which the Board of Statutory Auditors deems it appropriate to recall in consideration of their relevance and consistency with the strategic lines of the Salcef Group, we highlight:

- the proportional partial demerger of Coget Impianti S.p.A. in favor of Salcef S.p.A., an operation aimed at rationalizing and making the activities of the Salcef Group more efficient through the transfer to the Beneficiary company of the business unit destined for the design, construction and maintenance of electric contact lines for electric traction (the " TE Branch");
- the acquisition, through the subsidiary Euro Ferroviaria S.r.l., of the company branch operating in the railway sector owned by the PSC S.p.A. Group, functional to the Group's objective of consolidating its leadership in the electric railway traction sector, as well as preparatory to the development of new business segments;
- the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l., a company active in the railway infrastructure sector, for the design, construction, maintenance and renewal of railway lines, completed on 23 December 2022 upon fulfillment of the last conditions precedent envisaged in the preliminary agreements. For detailed information and, for the other significant transactions carried

out, please refer to the Report on Operations, noting that, on the basis of the information acquired and the supervision carried out, the Board can reasonably affirm that the management choices were made having adequate information flows are available.

Pursuant to art. 153 of Legislative Decree 58/1998 (hereinafter also "TUF"), also taking into account the indications provided by Consob Communication n. 1025564 of 6 April 2001 and subsequent updates, we report the following:

• we have supervised compliance with the law and the articles of association;

• we obtained from the Directors, with due periodicity, information on the general management performance and its foreseeable evolution as well as on the activity carried out and on the operations of greater economic, financial and equity significance carried out during the year, also through subsidiaries , verifying that they were compliant with the law and the deed of incorporation and that they were not manifestly imprudent or risky, in potential conflict of interest, in contrast with the resolutions passed by the shareholders' meeting, or such as to compromise the integrity of the corporate assets and the business continuity;

• we have not found or received indications from the Board of Directors, from the Independent Auditors or from the Control and Risk Committee regarding the existence of atypical and/or unusual transactions carried out with third parties, related parties or infragroup companies;

• if the conditions do not exist, no information has been given in the directors' management report on atypical and/or unusual transactions;

• the directors have provided explanations in the report on management performance, in the explanatory notes to the consolidated financial statements of the Salcef Group and in the explanatory notes to the separate financial statements of Salcef Group S.p.A., of the transactions of an ordinary nature carried out during the year with related parties or intragroup company. We refer to these documents as far as we are concerned and in particular as regards the description of their characteristics and the related economic and equity effects.

In relation to these transactions, as well as the Board of Directors and the Control and Risk Committee, we have verified the existence and compliance with procedures suitable for guaranteeing that the same are concluded under congruous conditions and that respond to the interests of the Company and that they can reasonably considered to be compliant with the principles of good administration, compatible with the Company's articles of association and consistent with the spirit of current legislation;

• we supervised the compliance of the Procedure relating to transactions with related parties, established pursuant to Consob Regulation 17221 of 12 March 2010 and subsequent amendments and additions, to the principles contained in the Regulation itself, as well as the effective observance of the same Procedure by the Company .;

• we have ascertained that the information flows provided by the subsidiaries are adequate to carry out the control activity of the annual and interim accounts pursuant to art. 114, paragraph 2 of the T:U.F.

• the Independent Auditors sent the Board of Statutory Auditors its Reports on the separate and consolidated financial statements of the Group closed on 31 December 2022, issued on 31 March 2023 pursuant to art. 14 of the Legislative Decree n. 39 of 27 January 2010 and of the art. 10 of EU Regulation 537/2014, in which an opinion on the financial statements is expressed without exceptions, findings or disclosures, thereby certifying that the same complies with the rules that govern it, including the provisions of the ESEF regulation. The reports also include the judgment of conformity and consistency required by art. 14, paragraph 2, lett. e), of the same Legislative Decree and a section in which four key aspects of the audit were illustrated (Key Audit Matters);

• during the year, or subsequently, up to the drafting date of this report, no complaints pursuant to art. 2408 of the Civil Code, nor were any complaints received;

• to the auditing firm KPMG S.p.A., the Company has not conferred any assignments not permitted by law, as envisaged by the law, the further assignments have been previously authorized by the Board of Statutory Auditors. Details of the fees for the year paid to the independent auditors KPMG S.p.A. is reported in the Annex to the notes of the 2022 consolidated financial statements, as required by article 149-duodecies, second paragraph, of Legislative Decree no. 58/1998 and by CONSOB Resolution no. 11571 of 05/14/1999. During the year, the Independent Auditors did not issue opinions pursuant to the law in the absence of the occurrence of the conditions for their release. From the supervision of the Board of Statutory Auditors on the independence of the Independent Auditors, carried out pursuant to art. 19 of Legislative Decree 39/2010, no critical aspects to report emerged;

• we verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members. We also verified compliance with the independence criteria of the members of the Board of Statutory Auditors itself;

• during the year, the Board (in its previous composition) attended the Shareholders' Meeting held on 29 April 2022;

• during the year, the Board of Statutory Auditors, or its Chairman and/or other Statutory Auditor, participated in no. 9 meetings of the Board of Directors, to n. 5 meetings of the Related Parties Committee, to n. 10 meetings of the Control and Risk Committee and no. 6 meetings of the Appointments and Remuneration Committee;

• we have acquired knowledge and supervised, to the extent of our competence, compliance with the principles of correct administration and the adequacy of the organizational structure and the instructions given by the Company to the subsidiaries pursuant to art. 114, paragraph 2, of Legislative Decree 58/1998, through direct observations, acquisition of information from the heads of the competent corporate functions, meetings with the Independent Auditors, with the Manager in charge of preparing the corporate accounting documents as well as with the boards of statutory auditors of the subsidiaries for the purpose of mutual exchange of relevant data and information with the Supervisory Body referred to in Legislative Decree no. 231/01 which informed about the activity carried out during the year 2022;

• we have acquired knowledge and supervised, to the extent of our competence pursuant to art. 19 of Legislative Decree 39/2010, on the adequacy and effectiveness of the internal control and risk management system, on the activity carried out by the internal auditor, on the adequacy and effectiveness of the administrative-accounting system, on the reliability of the latter in correctly representing management events, by obtaining information from the heads of the respective functions, examining the company documents and the work performed by the Independent Auditors, participating in the meetings of the Control Committee and Risks and through meetings with the directors in charge of the internal control and risk management system and with the Manager in charge of preparing the corporate accounting documents;

• we supervised the financial reporting process pursuant to art. 19 of Legislative Decree 39/2010;

• on 30 March 2023, the Independent Auditors released the report required by art. 19 of Legislative Decree 39/2010 and by art. 11 of EU Regulation 537/2014 from which there is no evidence of significant deficiencies in the internal control and risk management system. Attached to this Report, the Independent Auditors presented the declaration of independence to the Board of Statutory Auditors, as required by art. 6 of Regulation (EU) no. 537/2014 from which no situations emerge that could compromise their independence. The Board also took note of the 2022 Transparency Report prepared by the independent auditors, published on its website pursuant to art. 13 of the EU Regulation. 537/2014;

• following the contacts with the corresponding bodies of the subsidiaries, no significant aspects or aspects worthy of mention emerged;

• during the meetings held with the Independent Auditors pursuant to art. 150, paragraph 3, of Legislative Decree 58/1998, no significant or worthy of mentioning aspects emerged, nor were significant deficiencies found in the internal control system in relation to the financial reporting process;

• we have ascertained, through direct checks and information obtained from the Independent Auditors and the Manager in charge of preparing the corporate accounting documents, compliance with the provisions of the law relating to the formation and setting up of the consolidated financial statements of the Salcef Group, the separate branch of Salcef Group S.p.A. and the respective explanatory notes. The Board also ascertained that in the financial statements file, in the explanatory and supplementary notes to the consolidated and statutory financial statements, information pertaining to pending disputes and potential liabilities learned in the context of the supervisory activity carried out was reported. The Board has carefully monitored and continues to follow the procedural events referred to therein, maintaining constant dialogue with the top management and with the lawyers concerned. To date we have no evidence to report;

• we monitored compliance with the law regarding the preparation of the consolidated non-financial statement of the Salcef Group for the year 2022 drawn up pursuant to articles 3 and 4 of Legislative Decree 30 December 2016, n. 254 and compliant with the GRI Sustainability Reporting Standards and the "Guidelines on the disclosure of non-financial information" issued by the European Commission on 26 June 2017, the "Public statement on European common enforcement priorities for 2020 annual financial reports" published by ESMA dated 28 October 2020. The document also responds to the requests of EU Regulation 852/2020 and of the Delegated Act relating to article 8 of the same Regulation regarding activities, capital expenditure and operating expenses associated with eco-sustainable activities.

The non-financial statement, included in the Management Report, was approved by the Company's Board of Directors on 16 March 2023 and, in accordance with the provisions of Legislative Decree 254/2016, subjected to a compliance opinion by the independent auditors KPMG S.p.A.. The Board of Statutory Auditors received periodic updates on the preparatory activities and support processes for the preparation of the non-financial statement during meetings with the responsible functions.

Salcef Group S.p.A. granted KPMG S.p.A. the assignment provided for by article 3, paragraph 10 of Legislative Decree 254/2016 and by art. 5 of the Consob Regulation implementing the Decree (adopted with Resolution no. 20267 of 18 January 2018). KPMG has issued a report expressing a judgment of conformity (limited assurance engagement) pursuant to articles 3 and 4 of Legislative Decree 254/2016 on the basis of a verification activity conducted in compliance with the ISAE3000 "International Standard on Assurance Engagements 3000 - Revised". The Board of Statutory Auditors has no remarks to formulate regarding the non-financial declaration of the Salcef Group;

• we acknowledge that the Report on Corporate Governance and the ownership structure relating to the 2022 financial year, pursuant to art. 123-bis, paragraph 2, lett. d-bis) of the TUF, illustrates in detail the application principles and criteria adopted by the Company, in order to explain which recommendations of the aforementioned Code have been adopted and in force for the 2022 financial year, and with which methods and behaviors have actually been applied, recalling also the information provided on remuneration in the Remuneration Report approved by the Board of

Directors pursuant to art. 123-ter of Legislative Decree no. 58/1998, reports the information requested about the diversity policies applied by Salcef Group in relation to the composition of the administrative body and the board of statutory auditors in relation to aspects such as age, gender composition and training and professional background, as well as a description of the objectives, methods of implementation and results of these policies. As far as its specific competence is concerned, the Board of Statutory Auditors supervised the methods of concrete implementation of the corporate governance rules which the Company, through disclosure to the public, declared to comply with, taking care, among other things, that in the Corporate Governance Report of Salcef Group S.p.A. the results of the verification by the Board of Statutory Auditors regarding the existence of the independence requirements for the Statutory Auditors, determined on the basis of the same criteria established with reference to the Independent Directors referred to in the current Corporate Governance Code as adopted by the Company, were presented;

• the Board issued the opinions or formulated the observations requested by the legislation in force, in particular regarding the remuneration due to directors vested with particular offices;

• we have supervised, pursuant to art. 19 of Legislative Decree 39/2010, on the statutory audit of the annual and consolidated accounts;

Taking all of the foregoing into account, we have not identified, in our areas of responsibility, any impediments to the approval of the financial statements as at 31 December 2022, nor any observations on the proposal for the allocation of the operating result contained in the report on operations as at separate financial statements of Salcef Group S.p.A., prepared by the Board of Directors.

Rome, 31 March 2023

For the Board of Statutory Auditors

Pierluigi Pace – Chairman

Maria Assunta Coluccia

Giovanni Bacicalupi

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Annexes

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GRI Content Index

GRI 1-3

GRI Content Index – In accordance with the GRI Standards

Statement of use	Salcef Group's consolidated non-financial statement for the period from 1 January to 31 December 2022 has been prepared in accordance with the GRI standards.
GRI 1 adopted	GRI 1 Foundation 2021
GRI Sector Standards applicable	Not applicable/not available

GRI Standards – General disclosures

Disclosure		Location	Omission			GRI sector standard
No.	Description		Omitted requirements	Reason	Explanation	Reference no.
GRI 2: General Disclosures 2021						
	The organization and its reporting practices					
2-1	Organizational details	Annual report				
2-2	Entities included in the organization's sustainability reporting	Methodological note Annual report				
2-3	Reporting period, frequency and contact point	Methodological note				
2-4	Restatements of information	Methodological note				
2-5	External assurance	Independent auditors' report				
	Activities and workers					
2-6	Activities, value chain and other business relationships	2.1 Business model and strategy / Value chain and business relationships 2.1 Business model and strategy / Salcef's sustainable development strategy and commitment				
2-7	Employees	2.5 Sustainability performance / Human resources				
2-8	Workers who are not employees	2.5 Sustainability performance / Human resources				
	Governance					
2-9	Governance structure and composition	2.2 Governance and responsible business conduct / Company bodies and committees 2.2 Governance and responsible business conduct / Corporate governance				

2-10	Nomination and selection of the highest governance body	2.2 Governance and responsible business conduct / Company bodies and committees				
2-11	Chair of the highest governance body	2.2 Governance and responsible business conduct / Company bodies and committees				
2-12	Role of the highest governance body in overseeing the management of impacts	2.2 Governance and responsible business conduct / Company bodies and committees				
2-13	Delegation of responsibility for managing impacts	2.2 Governance and responsible business conduct / Corporate governance				
2-14	Role of the highest governance body in sustainability reporting	2.2 Governance and responsible business conduct / Corporate governance				
2-15	Conflicts of interest	2.2 Governance and responsible business conduct / Company bodies and committees				
2-16	Communication of critical concerns	2.2 Governance and responsible business conduct / Corporate governance				
2-17	Collective knowledge of the highest governance body	2.2 Governance and responsible business conduct / Company bodies and committees				
2-18	Evaluation of the performance of the highest governance body	2.2 Governance and responsible business conduct / Corporate governance				
2-19	Remuneration policies	2.2 Governance and responsible business conduct / Corporate governance				
2-20	Process to determine remuneration	2.2 Governance and responsible business conduct / Corporate governance				
2-21	Annual total compensation ratio			Confidentiality constraints	Not included in the 2022 NFS	
	Strategy, policies and practice					
2-22	Statement on sustainable development strategy	Letter to the stakeholders				
2-23	Policy commitments	2.1 Business model and strategy / Salcef's sustainable development strategy and commitment 2.2 Governance and responsible business conduct / Responsible business conduct 2.2 Governance and responsible business conduct / Management systems				
2-24	Embedding policy commitments	2.1 Business model and strategy / Salcef's sustainable development strategy and commitment 2.2 Governance and responsible business conduct / Responsible business conduct 2.2 Governance and responsible business conduct / Management systems				
2-25	Processes to remediate negative impacts	2.2 Governance and responsible business conduct / Responsible business conduct				
2-26	Mechanisms for seeking advice and raising concerns	2.2 Governance and responsible business conduct / Responsible business conduct				

2-27	Compliance with laws and regulations	2.2 Governance and responsible business conduct / Legislative compliance	
2-28	Membership associations	2.2 Governance and responsible business conduct / Participation in external initiatives and memberships	
	Stakeholder engagement		
2-29	Approach to stakeholder engagement	2.1 Business model and strategy / Stakeholders: role and engagement	
2-30	Collective bargaining agreements	2.5 Sustainability performance / Human resources	

GRI Standards – Disclosures on material topics / Topic-specific disclosures

The tables provide the GRI Topic Standards reference used to report on the material topics. The following information is provided for a clearer understanding:

- The standards reported in the table relate to the reporting of the material topics identified.
- Any disclosure requirements in the standards referring to the material topics which are not relevant to the business model and impacts of operations are shown in the list but flagged as omitted as they do not apply.
- Any omissions of the disclosure recommendations / requirements in the standards referring to the material topics which are not reported, in whole or in part, and the reasons for such omission, in relation to the unavailability of the information and quantitative data, are reported.
- Unless specified otherwise, the GRI Standards published in 2016 were used. For disclosures on water withdrawals and occupational health and safety, GRI 303 Water and effluents 2018 and GRI 403 Occupational health and safety 2018, respectively, were used. For the disclosures on waste, GRI 306 Waste 2020 was used. For disclosures on taxation, GRI 207 Tax 2019 was applied.
- Sector standard not published / available (not applicable).

Disclosure		**Location**	**Omission**			**GRI sector standard Reference no.**
No.	**Description**		**Omitted requirements**	**Reason**	**Explanation**	
GRI 3: Material Topics 2021						
3-1	Process to determine material topics	2.1 Business model and strategy / Stakeholders: role and engagement Risk management 2.4 Material topics / Impacts and material topics				
3-2	List of material topics	2.4 Material topics / Material topics for Salcef Group				
Material topic	**Financial performance**					
3-3	Management of material topics	Annual report				
	Topic-specific GRI standards **[Economic topics]**					
201-1	Direct economic value generated and distributed	Annual report				
201-4	Financial assistance received from government	Annual report				

Material topic	**Investments - innovation and digitisation**			
3-3	Management of material topics			
	Topic-specific GRI standards **[Economic topics]**			
203-1	Infrastructure investments and services supported	Annual report		
203-2	Significant indirect economic impacts	2.1 Business model and strategy / Salcef's sustainable development strategy and commitment	n.a.	Disclosure not relevant to the business model and impacts of operations
Material topic	**Business ethics and integrity and compliance**			
3-3	Management of material topics	2.5 Sustainability performance / Compliance and integrity in business		
	Topic-specific GRI standards **[Economic topics]**			
205-1	Operations assessed for risks related to corruption	2.5 Sustainability performance / Compliance and integrity in business		
205-2	Communication and training about anti-corruption policies and procedures	2.5 Sustainability performance / Compliance and integrity in business		
205-3	Confirmed incidents of corruption and actions taken	2.5 Sustainability performance / Compliance and integrity in business		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.5 Sustainability performance / Compliance and integrity in business		
207-1	Approach to tax	2.5 Sustainability performance / Compliance and integrity in business		
207-2	Tax governance, control, and risk management	2.5 Sustainability performance / Compliance and integrity in business		
207-3	Stakeholder engagement and management of concerns related to tax	2.5 Sustainability performance / Compliance and integrity in business		
207-4	Country-by-country reporting	2.5 Sustainability performance / Compliance and integrity in business		
Material topic	**Materials and use of natural resources**			
3-3	Management of material topics	2.5 Sustainability performance / Materials		
	Topic-specific GRI standards **[Environmental topics]**			
301-1	Materials used by weight or volume	2.5 Sustainability performance / Materials		
301-2	Recycled input materials used	2.5 Sustainability performance / Materials		
301-3	Reclaimed products and their packaging materials		n.a.	Disclosure not relevant to the business model and impacts of operations
Material topic	**Energy consumption and efficiency**			
3-3	Management of material topics	2.5 Sustainability performance / Energy, emissions and climate change		
	Topic-specific GRI standards **[Environmental topics]**			
302-1	Energy consumption within the organization	2.5 Sustainability performance / Energy, emissions and climate change		
302-2	Energy consumed outside of the organization		Information not available / incomplete	See 305-3. Mapping and analysis underway focussed primarily on the other indirect (Scope 3) GHG emissions

302-3	Energy intensity	2.5 Sustainability performance / Energy, emissions and climate change				
302-4	Reduction of energy consumption	2.5 Sustainability performance / Energy, emissions and climate change				
302-5	Reductions in energy requirements of products and services			n.a.		Disclosure not relevant to the business model and impacts of operations
Material topic	**Water withdrawal and consumption**					
3-3	Management of material topics	2.5 Sustainability performance / Water				
	Topic-specific GRI standards **[Environmental topics]**					
303-1	Interactions with water as a shared resource	2.5 Sustainability performance / Water				
303-2	Management of water discharge-related impacts	2.5 Sustainability performance / Water				
303-3	Water withdrawal	2.5 Sustainability performance / Water				
303-4	Water discharge	2.5 Sustainability performance / Water				
303-5	Water consumption	2.5 Sustainability performance / Water				
Material topic	CO emissions and climate change					
3-3	Management of material topics	2.5 Sustainability performance / Energy, emissions and climate change				
	Topic-specific GRI standards **[Environmental topics]**					
305-1	Direct (Scope 1) GHG emissions	2.5 Sustainability performance / Energy, emissions and climate change				
305-2	Energy indirect (Scope 2) GHG emissions	2.5 Sustainability performance / Energy, emissions and climate change				
305-3	Other indirect (Scope 3) GHG emissions	2.5 Sustainability performance / Energy, emissions and climate change	Gross other indirect (Scope 3) GHG emissions in tCO2 and consequent other specific requirements	Information not available / incomplete	Mapping of the perimeter of the Scope 3 GHG emissions to be completed	
305-4	GHG emissions intensity	2.5 Sustainability performance / Energy, emissions and climate change				
305-5	Reduction of GHG emissions		GHG emissions reduction directly related to specific initiatives, in tCO2 or CO2e and consequent other specific requirements	Information not available / incomplete	Salcef has not yet defined specific targets for the detailed reporting of the reduction of its GHG emissions pursuant to 305-5.	
305-6	Emissions of ozone-depleting substances (ODS)			n.a.	Emissions of ozone-depleting substances are immaterial to Salcef Group's operations.	

305-7	Nitrogen oxide (NOx), sulfur oxides (SOx) and other significant air emissions	2.5 Sustainability performance / Energy, emissions and climate change		
Material topic	**Waste management and the circular economy**			
3-3	Management of material topics	2.5 Sustainability performance / Waste generation and management		
	Topic-specific GRI standards **[Environmental topics]**			
306-1	Waste generation and significant waste-related impacts	2.5 Sustainability performance / Waste generation and management		
306-2	Management of significant waste-related impacts	2.5 Sustainability performance / Waste generation and management		
306-3	Waste generated	2.5 Sustainability performance / Waste generation and management		
306-4	Waste diverted from disposal	2.5 Sustainability performance / Waste generation and management		
306-5	Waste directed to disposal	2.5 Sustainability performance / Waste generation and management		
Material topic	**Supply chain management**			
3-3	Management of material topics	2.5 Sustainability performance / Supply chain management		
	Topic-specific GRI standards			
204-1	Proportion of spending on local suppliers	2.5 Sustainability performance / Supply chain management		
308-1	New suppliers that were screened using environmental criteria	2.5 Sustainability performance / Supply chain management		
308-2	Negative environmental impacts in the supply chain and actions taken		n.a.	Disclosure not relevant to the business model and impacts of operations
414-1	New suppliers that were screened using social criteria	2.5 Sustainability performance / Supply chain management		
414-2	Negative social impacts in the supply chain and actions taken		n.a.	Disclosure not relevant to the business model and impacts of operations
Material topic	**Attraction and enhancement of human resources**			
3-3	Management of material topics	2.5 Sustainability performance / Human resources		
	Topic-specific GRI standards **[Social topics]**			
401-1	New employee hires and employee turnover	2.5 Sustainability performance / Human resources		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	2.5 Sustainability performance / Human resources		
401-3	Parental leave	2.5 Sustainability performance / Human resources		
404-1	Average hours of training per year per employee	2.5 Sustainability performance / Human resources		
404-2	Programs for upgrading employee skills and transition assistance programs	2.5 Sustainability performance / Human resources		
404-3	Percentage of employees receiving regular performance and career development reviews	2.5 Sustainability performance / Human resources		

Material topic	**Occupational health and safety**			
3-3	Management of material topics	2.5 Sustainability performance / Occupational health and safety		
	Topic-specific GRI standards **[Social topics]**			
403-1	Occupational health and safety management system	2.5 Sustainability performance / Occupational health and safety		
403-2	Hazard identification, risk assessment, and incident investigation	2.5 Sustainability performance / Occupational health and safety		
403-3	Occupational health services	2.5 Sustainability performance / Occupational health and safety		
403-4	Worker participation, consultation, and communication on occupational health and safety	2.5 Sustainability performance / Occupational health and safety		
403-5	Worker training on occupational health and safety	2.5 Sustainability performance / Occupational health and safety		
403-6	Promotion of worker health	2.5 Sustainability performance / Occupational health and safety		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2.5 Sustainability performance / Occupational health and safety		
403-8	Workers covered by an occupational health and safety management system	2.5 Sustainability performance / Occupational health and safety		
403-9	Work-related injuries	2.5 Sustainability performance / Occupational health and safety		
403-10	Work-related ill health	2.5 Sustainability performance / Occupational health and safety		
Material topic	**Working environment - Diversity and equal opportunities**			
3-3	Management of material topics	2.5 Sustainability performance / Human resources		
	Topic-specific GRI standards **[Social topics]**			
405-1	Diversity of governance bodies and employees	2.2 Governance and responsible business conduct / Company bodies and committees 2.5 Sustainability performance / Human resources		
405-2	Ratio of basic salary and remuneration of women to men	2.5 Sustainability performance / Human resources		
406-1	Incidents of discrimination and corrective actions taken	2.5 Sustainability performance / Human resources		
Material topic	**Engagement with and development of the local area/suppliers and local communities**			
3-3	Management of material topics	2.5 Sustainability performance / Development of the local area and communities		
	Topic-specific GRI standards **[Social topics]**			
413-1	Operations with local community engagement, impact assessments, and development programs	2.5 Sustainability performance / Development of the local area and communities		
413-2	Operations with significant actual and potential negative impacts on local communities		n.a.	Disclosure not relevant to the business model and impacts of operations

Material topic	**Product and service quality and safety**	
3-3	Management of material topics	2.5 Sustainability performance / Product and service quality and safety
	Topic-specific GRI standards **[Social topics]**	
416-1	Assessment of the health and safety impacts of product and service categories.	2.5 Sustainability performance / Product and service quality and safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	2.5 Sustainability performance / Product and service quality and safety

Material topic	**Cybersecurity and privacy**	
3-3	Management of material topics	2.5 Sustainability performance / Compliance and integrity in business
	Topic-specific GRI standards **[Social topics]**	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.5 Sustainability performance / Compliance and integrity in business

SASB – GRI Matrix

Sectors:		INFRASTRUCTURE - ENGINEERING & CONSTRUCTION SERVICES		Material topic	SALCEF GROUP'S NFS		
Dimension	**General Issue Category**	**Disclosure Topic / Code**	**Description**		**GRI Standard**	**Disclosure**	**Chapter/Paragraph**
Environment	Ecological impacts	Environmental Impacts of Project Development / IF-EN-160a.1	Number of incidents of non-compliance with environmental permits, standards, and regulations	Ethics and integrity in business operations and compliance	2-27	Compliance with laws and regulations	
		Environmental Impacts of Project Development / IF-EN-160a.2	Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	Supply chain management	308-1	New suppliers that were screened using environmental criteria	
					308-2	Negative environmental impacts in the supply chain and actions taken	
Social Capital	Product quality and safety	Structural Integrity & Safety / IF-EN-250a.1	Amount of defect- and safety-related rework costs	Product and service quality and safety	416-1	Assessment of the health and safety impacts of product and service categories.	
		Structural Integrity & Safety / IF-EN-250a.2	Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Human Capital	Employee Health & Safety	Workforce Health & Safety / IF-EN-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Occupational health and safety	403-9	Work-related injuries	
Business Model & Innovation	Product Design & Lifecycle Management	Lifecycle Impacts of Buildings & Infrastructure / IF-EN-410a.1	Number of (1) commissioned projects certified to a third-party multiattribute sustainability standard and (2) active projects seeking such certification				
		Lifecycle Impacts of Buildings & Infrastructure / IF-EN-410a.2	Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design				

		Climate Impacts of Business Mix / IF-EN-410b.1	Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects	Energy consumption and efficiency	302-5	Reductions in energy requirements of products and services	
		Climate Impacts of Business Mix / IF-EN-410b.2	Amount of backlog cancellations associated with hydrocarbon related projects	Investments - innovation and digitisation	203-1	Infrastructure investments and services supported	
		Climate Impacts of Business Mix / IF-EN-410b.3	Amount of backlog for non-energy projects associated with climate change mitigation				
Leadership & Governance	Business Ethics	Business Ethics / IF-EN-510a.1	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Ethics and integrity in business operations and compliance	205-1	Operations assessed for risks related to corruption	
		Business Ethics / IF-EN-510a.2	Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices		205-3	Confirmed incidents of corruption and actions taken	
					206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	
		Business Ethics / IF-EN-510a.3	Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behavior in the project bidding processes		2-23	Policy commitments	
					205-2	Communication and training about anti-corruption policies and procedures	

Sectors:		**RESOURCE TRANSFORMATION - Industrial Machinery & Goods**		**Material topic**		**Salcef Group's NFS**	
Dimension	**General Issue Category**	**Topic**	**Accounting metric**		**GRI Standard**	**Disclosure**	**Chapter/Paragraph**
Environment	Energy Management	Energy Management / RT-IG-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Energy consumption and efficiency	302-1	Energy consumption within the organization	
					302-2	Energy consumed outside of the organization	
Human Capital	Employee Health & Safety	Employee Health & Safety / RT-IG-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss	Occupational health and safety	403-9	Work-related injuries	

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			frequency rate (NMFR)			

Business Model & Innovation	Product Design & Lifecycle Management	Fuel Economy & Emissions in Use-phase / RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Energy consumption and efficiency	302-3	Energy intensity
		Fuel Economy & Emissions in Use-phase / RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment			
		Fuel Economy & Emissions in Use-phase / RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators			
		Fuel Economy & Emissions in Use-phase / RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines		305-4	GHG emissions intensity
	Materials Sourcing & Efficiency	Materials Sourcing / RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	Supply chain management	2-6	Activities, value chain and other business relationships
					308-1	New suppliers that were screened using environmental criteria
					308-2	Negative environmental impacts in the supply chain and actions taken
					414-1	New suppliers that were screened using social criteria
					414-2	Negative social impacts in the supply chain and actions taken
				Materials and use of natural resources	301-1	Materials used by weight or volume

	Remanufacturing Design & Services / RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	Materials and use of natural resources	301-2 301-3	Recycled input materials used Reclaimed products and their packaging materials

EU Taxonomy tables

Portion of turnover from products or services associated with taxonomy-aligned economic activities in 2022																						
Economic activities			NACE code	Turnover (€ million)	% of turnover	Substantial contribution (%)						Do no significant harm (YES/NO)						Minimum safeguards (YES/NO)	Taxonomy-aligned turnover (%)	Eligible activities (A)	Transition activities (T)
	Business unit					Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ ecosystems				
A		**Taxonomy-eligible activities**																			
A.1		Environmentally sustainable activities Taxonomy-aligned activities																			
	Track & Light Civil Works	6.14 Railway transport infrastructures	F.42.12	291,247,401	58.73%	100%			-			N/A	YES	YES	YES	YES	YES	YES	**58.7%**	A	
	Energy, Signalling & Telecommunication	6.14 Railway transport infrastructures	F.42.12	62,410,864	12.59%	100%							YES	YES	YES	YES	YES	YES	**12.6%**	A	
	Heavy Civil Works	6.14 Railway transport infrastructures	F.42.12	52,487,357	10.58%	100%							YES	YES	YES	YES	YES	YES	**10.6%**	A	
	Rail Grinding & Diagnostics	6.14 Railway transport infrastructures	F.42.12	15,158,004	3.06%	100%							YES	YES	YES	YES	YES	YES	**3.1%**	A	
		Turnover from environmentally sustainable activities (taxonomy-aligned) (A.1)		421,303,626	84.96%														**84.96%**	84.96%	0%
A.2		Eligible activities under the EU Taxonomy but not																			
	Track & Light Civil Works	6.14 Railway transport infrastructures	F.42.12	1,169,668	0.24%																
	Energy, Signalling & Telecommunication	6.14 Railway transport infrastructures	F.42.12	250,646	0.05%																
	Heavy Civil Works	6.14 Railway transport infrastructures	F.42.12	210,793	0.04%																
	Rail Grinding & Diagnostics	6.14 Railway transport infrastructures	F.42.12	60,876	0.01%																
	Railway machines	3.3 Manufacture of low-carbon technologies for transport	C.33.17	6,502,721	1.31%																
		Turnover from taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		8,194,703	1.65%																
		Total turnover from eligible activities (A.1 + A.2)		429,498,329	86.61%																
B		**Taxonomy-non-eligible**																			
		Turnover from taxonomy-non-eligible activities (B)		66,376,659	13.39%																
		Total (A) + (B)		495,874,988	100.0%																

Portion of CapEx associated with taxonomy-aligned economic activities in 2022

Economic activities			NACE code	CapEx (€ million)	CapEx %	Substantial contribution(%)						Do no significant harm (YES/NO)						Minimum safeguards (YES/NO)	Taxonomy-aligned CapEx (%)	Eligible activities (A)	Transition activities (T)
Business unit						Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ ecosystems				
A	**Taxonomy-eligible activities**																				
A.1	Environmentally sustainable activities Taxonomy-aligned activities																				
Track & Light Civil Work	6.14	Railway transport infrastructures	F.42.12	17,018,425	44.41%	100%	-					N/A	YES	YES	YES	YES	YES	YES	**44.41%**	A	
Energy, Signalling & Tel	6.14	Railway transport infrastructures	F.42.12	1,748,616	4.56%	100%							YES	YES	YES	YES	YES	YES	**4.56%**	A	
Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	1,291,310	3.37%	100%							YES	YES	YES	YES	YES	YES	**3.37%**	A	
Rail Grinding & Diagnost	6.14	Railway transport infrastructures	F.42.12	4,980,000	13.00%														**13.00%**	A	
	CapEx for environmentally sustainable activities			25,038,351	65.34%														**65.34%**	65.34%	0%
A.2	Eligible activities under the EU Taxonomy but not environmentally sustainable (not taxonomy-aligned)																				
Track & Light Civil Works	6.14	Railway transport infrastructures	F.42.12	68,347	0.18%																
Energy, Signalling & Telecommunication	6.14	Railway transport infrastructures	F.42.12	7,023	0.02%																
Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	5,186	0.01%																
Rail Grinding & Diagnostics	6.14	Railway transport infrastructures	F.42.12	20,000	0.05%																
Railway machines	3.3	Manufacture of low-carbon technologies for transport	C.33.17	4,792,085	12.51%																
	CapEx for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)			4,892,640	12.77%																
	Total CapEx for eligible activities (A.1 + A.2)			29,930,992	78.11%																
B	**Taxonomy-non-eligible**																				
	CapEx for taxonomy-non-eligible activities (B)			8,386,885	21.89%																
	Total (A) + (B)			38,317,877	100.00%																

Portion of OpEx for products or services associated with taxonomy-aligned economic activities in 2022

Economic activities				NACE code	OpEx (€ million)	OpEx %	Substantial contribution(%)						Do no significant harm (YES/NO)						Minimum safeguards (YES/NO)	Taxonomy-aligned OpEx (%)	Eligible activities (A)	Transition activities (T)
	Business unit						Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity/ ecosystems				
A		**Taxonomy-eligible activities**																				
A.1		Environmentally sustainable activities Taxonomy-aligned activities																				
	Track & Light Civil Works	6.14	Railway transport infrastructures	F.42.12	10,103,692	69.57%	100%							YES	YES	YES	YES	YES	YES	**69.57%**	A	
	Energy, Signalling & Telecommu	6.14	Railway transport infrastructures	F.42.12	1,251,659	8.62%	100%	-					N/A	YES	YES	YES	YES	YES	YES	**8.62%**	A	
	Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	1,183,054	8.15%	100%							YES	YES	YES	YES	YES	YES	**8.15%**	A	
	Rail Grinding & Diagnostics	6.14	Railway transport infrastructures	F.42.12	238,087	1.64%														**1.64%**	A	
		OpEx for environmentally sustainable activities (taxonomy-aligned) (A.1)			12,776,492	87.98%														**87.98%**	87.98%	0%
A.2		Eligible activities under the EU Taxonomy but not environmentally sustainable (not taxonomy-aligned)																				
	Track & Light Civil Works	6.14	Railway transport infrastructures	F.42.12	40,577	0.28%																
	Energy, Signalling & Telecommu	6.14	Railway transport infrastructures	F.42.12	5,027	0.03%																
	Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	4,751	0.03%																
	Rail Grinding & Diagnostics	6.14	Railway transport infrastructures	F.42.12	956	0.01%																
	Railway machines	3.3	Manufacture of low-carbon technologies for transport	C.33.17	360,096	2.48%																
		OpEx for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)			411,407	2.83%																
		Total OpEx for taxonomy-eligible activities (not taxonc			13,187,900	90.81%																
B		**Taxonomy-non-eligible**																				
		OpEx for taxonomy-ineligible activities (B)			1,334,156	9.19%																
		Total (A) + (B)			14,522,056	100.0%																

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