EMARKET SDIR CERTIFIED

SALCEF GROUP

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

ADDITIONAL FINANCIAL INFORMATION AT 31 MARCH 2023

EMARKET SDIR CERTIFIED

SALCEF GROUP

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

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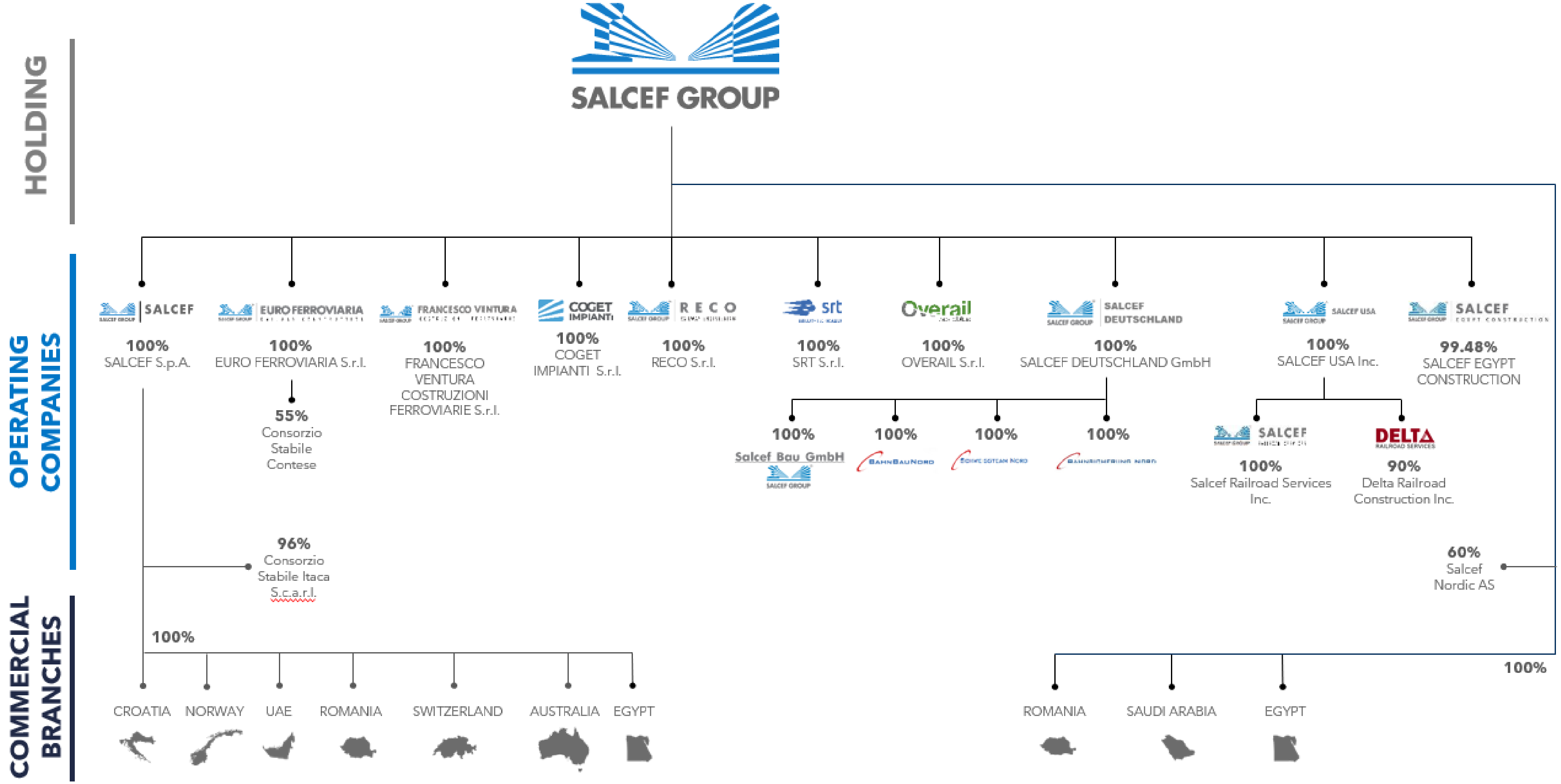
INTRODUCTION

Company officers

Board of directors *appointed by the shareholders' meeting on 29 April 2022. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024.*	Chairperson CEO Director Director (independent) Director (independent) Director (independent) Director (independent)	Gilberto Salciccia Valeriano Salciccia Angelo Di Paolo Veronica Vecchi Bruno Pavesi Valeria Conti Emilia Piselli
Remuneration and appointment committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Emilia Piselli Veronica Vecchi Bruno Pavesi
Audit and risk committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Valeria Conti Veronica Vecchi Bruno Pavesi
Related parties committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Bruno Pavesi Emilia Piselli Valeria Conti
Sustainability committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024*	Chairperson Member Member	Veronica Vecchi Emilia Piselli Valeria Conti
Board of statutory auditors *appointed by the shareholders' meeting on 29 April 2022. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2024.*	Chairperson 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.	

SALCEF GROUP

Group structure



DIRECTORS' REPORT

AT 31 MARCH 2023

General Information

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.

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

This additional financial information at 31 March 2023 includes the interim financial statements of the Salcef Group S.p.A. and its subsidiaries (together, the "Salcef Group" or the "Group"). The parent's board of directors approved this information and authorised its publication during its meeting of 15 May 2023.

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

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

Financial figures and key performance indicators

Salcef Group management assesses the Group's performance using certain indicators 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 document and they are not representative of the group's future performance.

Reclassified income statement

(€'000)

	03.2023	03.2022	Var
Revenues	160,369	107,650	52,719
Operating costs	(130,175)	(87,831)	(42,344)
Other operating costs	(3,651)	(3,092)	(559)
Internal work capitalised	6,348	5,038	1,310
EBITDA	**32,891**	**21,765**	**11,126**
Amortisation, depreciation and impairment losses	(10,512)	(8,427)	(2,085)
EBIT	**22,379**	**13,338**	**9,041**
Adjusted financial income (expense)*	(2,851)	55	(2,906)
Adjusted pre-tax profit	**19,528**	**13,393**	**6,135**
Adjusted income taxes**	(5,707)	(4,210)	(1,497)
Adjusted profit for the year	**13,821**	**9,183**	**4,638**
*Changes in fair value of financial investments	1,669	(2,992)	4,661
** Deferred taxes on changes in fair value of financial investments and reversal of deferred tax assets on revaluation	(1,188)	(970)	(218)
Profit for the year	**14,302**	**5,221**	**9,081**

Key performance indicators

(€'000)

	03.2023	03.2022
EBITDA Margin	20.51%	20.22%
EBIT Margin	13.95%	12.39%

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

Key financial indicators

(€'000)

	31.03.2023	31.12.2022
Adjusted NFP	35,172	26,006
Adjusted equity	439,143	432,620

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 period to exclude taxation, net financial expense and amortisation, depreciation and impairment losses;
- EBIT is calculated by adjusting the profit or loss for the period to exclude taxation and net financial expense;
- adjusted pre-tax profit or loss is calculated by adjusting the profit or loss for the period to exclude taxation and the effects related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the Group, such as the effect of fair value gains or losses on short-term investments on financial expense;
- adjusted profit or loss is calculated by adjusting the profit or loss for the period to exclude the effects related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the Group, such as the effect of fair value gains or losses on short-term investments on financial expense as well as the tax impact arising from deferred taxes on the above-mentioned changes in fair value and the reversal of deferred tax assets recognised on tax revaluations, as detailed further on;
- 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 from 2021 onwards.

These indicators are shown at consolidated level in order to present the Group's financial performance, net of non-recurring events, events unrelated to the core business and non-recurring transactions, as identified by the Group. They reflect the main financial and operating figures net of non-recurring income and expense not directly related to core business activities and operations, thereby enabling an analysis of the Group's performance more consistent with that of previous periods.
In the first three months of the year, the Group recognises revenue of €160,369 thousand, up €52,719 thousand (+49%) on the €107,650 thousand of the same period of 2022. This improvement is mainly due to the Group's remarkable organic growth as well as to 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

Francesco Ventura Costruzioni Ferroviarie S.r.l. (in December 2022) which, therefore, did not contribute to the income statement for the comparative period

EBITDA amounts to €32,891 thousand, a €11,126 thousand increase (+51%) over the €21,765 thousand of the first three months of 2022. The EBITDA margin stands at 20.51%, slightly up with respect to the same period of the previous year, when the EBITDA margin was 20.22%. Margins continue to be affected by the effects of the increase in direct production costs, such as fuel and raw materials used by the Group, due to the inflationary phenomena taking place internationally, although mitigated by the efficient cost-lowering measures adopted by the Group together with regulatory policies that introduced price adjustment mechanisms. Finally, in this respect, it should be noted that the margins are not significantly impacted by the increase in electricity costs as the companies of the Group do not carry out energy-intensive activities.

EBIT, amounts to €22,379 thousand, up by €9,041 thousand compared to the first three months of 2022 thanks to the increase in volumes described above and the improvement in operating margins.

The adjusted profit for the period is €13,821 thousand (compared to €9,183 thousand for the same period of 2022). The adjustments for the first quarter 2023 (compared to the profit of €14,302 thousand) related to: (i) the fair value gains on financial investments of €1,669 thousand compared to 31 December 2022, (ii) the related deferred taxes of €401 thousand and (iii) the release of deferred tax assets on revaluations of €787 thousand. The financial income of Euro 1,669 million corresponds to the fair value gains on Group's short-term investments. On the other hand, the tax expense, amounting to €787 thousand, derives from the release of the deferred tax assets recognised at 31 December 2020 (equal to €17,550 thousand) to offset the lower taxes recognised by the subsidiaries that revalued assets in their respective financial statements at 31 December 2020.

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

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

In the statement of financial position, the adjusted net financial position at 31 March 2023 is positive (i.e. the liquidity was greater than debts) for €35,172 thousand (positive for €26,006 thousand at year-end 2022). The increase is mainly due to the cash generated by the Group in the quarter net of disbursements incurred in the period for the purchase of treasury shares (€4,717 thousand).

The table below provides a breakdown of the net financial position (and adjusted net financial position) at 31 March 2023 and at 31 December 2022 in accordance with the presentation method established in the ESMA Guidelines dated 4 March 2021.

(€'000)

NET FINANCIAL POSITION	Notes	31.03.2023	31.12.2022	Var
(A) Cash	1	113,331	135,246	(21,915)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	2	151,561	148,643	2,918
(D) Liquidity (A + B + C)		**264,892**	**283,889**	**(18,997)**
(E) Current financial debt		(4,878)	(22,140)	17,262
(F) Current portion of non-current financial debt		(77,791)	(76,576)	(1,215)
(G) Current financial indebtedness (E + F)		**(82,669)**	**(98,716)**	**16,047**
(H) Net current financial position (G + D)		**182,223**	**185,173**	**(2,950)**
(I) Non-current financial debt		(120,181)	(129,640)	9,459
(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)		**(120,181)**	**(129,640)**	**9,459**
(M) Net financial position (H + L)	3	**62,043**	**55,533**	**6,510**
(N) Adjustment for events unrelated to the core business and/or relate	4	(26,871)	(29,527)	2,656
(O) **Adjusted net financial position (M + N)**		**35,172**	**26,006**	**9,166**

Notes

(1) The balance at 31 March 2023 includes contract advances received from the customer IRICAV DUE, net of costs already incurred, related to the contracts for civil works and track works on the HS/HC Verona - Padua railway line.

(2) The balance at 31 March 2023 reflects the impact of fair value losses on the group's short-term investments made in 2022, partially mitigated in the first quarter of 2023, 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.

The adjustments refer to: (i) advances received for the HS/HC Verona - Padua railway line (€32,402 thousand), as mentioned in note (1), and (ii) the fair value losses on securities recorded in the course of 2022 (€5,531 thousand), partially mitigated in 2023, as mentioned in note (2).

The net financial position at 31 March 2023, determined considering solely bank loans and borrowings and loans and borrowings from other financial backers, net of cash and cash equivalents and securities, is €81,575 thousand (31 December 2022: €78,389 thousand).

Total adjusted equity at 31 March 2023 of €439,143 thousand is up €6,523 thousand on 31 December 2022. This change is due to the profit for the period, other comprehensive income (relating to the net actuarial gains/losses on defined benefit liability, changes in fair value of hedging derivatives as well as changes in translation reserve), to the accounting of the stock grant plans and to the Group's purchases of treasury shares during the first quarter of 2023.

Total equity at 31 March 2023 includes a negative reserve for treasury shares equal to €11,896 thousand that corresponds to the 798,243 treasury shares owned by the parent (equal to 1.280% of its share capital) at the reporting date. This situation is unchanged at the date of preparation of this report.

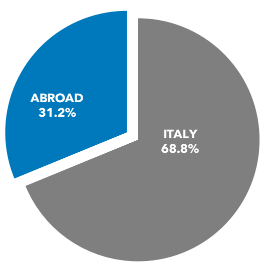
The Salcef Group’s order backlog at 31 March 2023 exceeds €1.75 billion and includes track works (72.8%), energy sector works (16.8%), infrastructure works (7.0%), sleepers and prefabricated products production (2.6%), machinery construction and maintenance contracts (0.7%) and grinding works (0.1%), which ensure continuity using the existing operating units active in the relevant geographical areas.

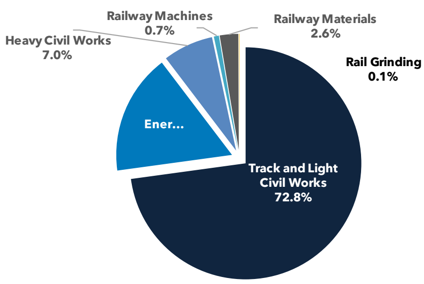
The Salcef Group's order backlog at 31 March 2023 is detailed by business unit below:

SALCEF GROUP - ORDER BACKLOG AT 31.03.2023

Business Unit	Amount (€x1.000)	%
Italy	**1,204,520.5**	**68.8**
Abroad	**546,322.1**	**31.2**
Total [(1)]	**1,750,842.6**	**100.0**

Business Unit		Amount (€x1.000)	%
Track and Light Civil Works		**1,275,382.1**	**72.8**
	of which abroad	*533,340.3*	
Energy		**293,935.0**	**16.8**
	of which abroad	*1,514.6*	
Rail Grinding & Diagnostic		**1,279.9**	**0.1**
	of which abroad	*0.0*	
Heavy Civil Works		**122,876.0**	**7.0**
	of which abroad	*7,622.7*	
Railway Machines		**12,324.8**	**0.7**
	of which abroad	*3,844.5*	
Railway Materials		**45,044.7**	**2.6**
Total [(1)]		**1,750,842.6**	**100.0**





(1) Excluding intragroup contracts

Human Resources

With respect to its workforce in first three months of 2023, the Salcef Group carries out its activities in full compliance with the relevant environmental and occupational hygiene regulations as well as applicable foreign legislation. A breakdown of the Salcef Group's workforce as at 31 March 2023 compared to the previous year is as follows:

Workforce by category

WORKFORCE	Italy	Abroad	TOTAL
Managers	37	16	53
White collars	370	127	497
Blue collars	1136	243	1,379
Total at 31 December 2022	**1,543**	**386**	**1,929**
Managers	37	14	51
White collars	400	95	495
Blue collars	1,128	216	1,344
Total at 31 March 2023	**1,565**	**325**	**1,890**

Key events of the period

Relocation of administrative and registered offices

In January 2023, Salceg Group S.p.A. 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.

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 were immaterial as the amounts were negligible and the aforementioned conversion rate was very similar to the rate used to translate such foreign operation 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. On 31 March 2023 the Company holds 798,243 treasury shares, equal to 1.280% of its share capital. The situation is unchanged up to the date of approval of this document.

Sale of the subsidiary Kampfmittelräumung Nord GmbH

The sale of the subsidiary Kampfmittelräumung Nord GmbH (hereinafter also referred to as 'KMR') was completed in the first quarter of 2023. For the purposes of the Group's consolidated financial statements at 31 December 2022, the subsidiary's assets and liabilities were classified as held for sale in accordance with IFRS 5. Consequently, this company is no longer included in the scope of consolidation as of 31 March 2023, as illustrated in the paragraph on the Accounting Policies below.

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 March 2023 or its financial performance for the three months then ended.

Provided below is information on the events occurred after the reporting date that did not have any impact on the company's financial position at 31 March 2023.

Approval of financial statements and dividend distribution

On 27 April 2023 the Shareholder's Meeting approved the financial statements for the year ended 31 December 2022, which reported a net profit of €36,032,511, and took note of the consolidated financial statements for the year ended 2022, which reported a net income attributable to the parent company of €45,333,687 as well as of the Non-Financial Statement drawn up pursuant to Legislative Decree 254/206.

The Shareholders' Meeting also resolved to distribute a dividend of €0.50 per eligible Ordinary Share at the record date (i.e. 16 May 2023), with coupon detachment on 15 May 2023 and payment date on 17 May 2023. The Shareholder's Meeting has then approved the allocation of the residual portion of the profit for the year to the Legal Reserve for €1,802 thousands and to the Reserve for Retained Earnings for €3,430 thousands.

The Shareholder's Meeting has also:

i) authorised the Board of Directors, after revoking the authorisation resolved by the shareholders on 29 April 2022 for the part not exercised, to purchase ordinary shares without nominal value, including in more than one tranche, and on a revolving basis, up to a maximum which, considering the ordinary shares of the Company held at any time by the Company and its subsidiaries, shall not cumulatively exceed 10% of the Company's share capital, pursuant to article 2357.3 of the Italian Civil Code. The authorization will last 18 months from the date of the resolution of the Shareholders' Meeting;

ii) examined the Report on the remuneration policy and on the compensation paid prepared in accordance with the current legal and regulatory provisions, approved the Company's remuneration policy for the financial year 2023 included in the first section of such report, pursuant art. 123-ter, paragraph 3-bis and 3-ter of the TUF (Consolidated Law on Finance) and resolved in favour of the second section of the report, pursuant art. 123-ter, paragraph 6 of the TUF;

iii) approved the 2023-2026 Stock Grant Plan, that provides certain employees, including executives with strategic responsibilities, of the Company and of the companies of the Salcef Group and other beneficiaries who hold key managerial positions within the Group and with significant impact on the Company's sustainable success, with the right to receive free of charge up to a maximum of no. 40,000 ordinary shares of the Company without nominal value, based on the achievement of pre-established performance targets. The Plan is functional to the short-term incentive plan (Management by Objectives, MBO) and provides for a single cycle for assigning the rights to receive the Shares free of charge based on the achievement of the performance objectives;

iv) approved the 2023-2024 Performance Shares Plan, that provides certain executives with strategic responsibilities of the Company and of the companies of the Salcef Group with the right to receive free of charge up to a maximum of no. 10,000 ordinary shares of the Company without nominal value, based on the achievement of pre-established performance targets. The Plan provides for a single cycle for assigning the rights to receive the Shares free of charge based on the achievement of the performance objectives;

v) approved the Regulations for Shareholders' Meetings in the text proposed by the Board of Directors, whose purpose is to govern the conduct of the Shareholders' Meetings (ordinary and extraordinary), in compliance with the provisions set out by the law and the Company's By-Laws.

Outlook

In light of the results achieved during the first three months and of the solidity of the Group's order backlog, 2023 revenue growth expectations reported in the Group's guidance are confirmed.
Without any additional and unforeseeable deteriorations of the geopolitical scenario and of the inflationary tensions, the Group profitability for 2023 is expected to remain broadly in line with the one recorded in the first three months of the year.

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 Salcef 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 and finished products 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 sources. Most of the contracts in the Salcef 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 "*Decreto Aiuti*" 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. 197/2022 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 experiences any production slowdowns due to a shortage of materials, transporters and service providers.

Risk of the loss of qualifications and certifications

Similarly to all the other operators in the public sector construction industry, the Salcef 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 considerably accelerated compared to previous years 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 sole purpose of these derivatives contracts is hedging against the interest rate risk. Therefore the Group has no speculative derivatives.

Currency risk

The Group carries out nearly all its main transactions, except for those in North America, using the Euro and only a minimal part using other currencies. Therefore, it does not hedge future cash flows on specific contracts to neutralise or mitigate the effect of fluctuations in exchange rates on foreign currency revenue or costs, which is limited to just a few contracts.
All the revenue and costs that Delta Railroad Construction Inc. invoices and incurs are in local currency (USD) and, accordingly, there is no currency risk on contract management.
Should this situation change in the future and make the use of hedges necessary given the size of the amounts subject to currency risk, the Group will decide whether to change its currency risk hedging policy.
In this regard, the Group decided to neutralise fluctuations in exchange rates on a specific transaction, i.e., it entered into currency forwards to hedge the cash flows on the loan in US dollars that Salcef Group S.p.A. granted to its subsidiary Salcef USA Inc.. The sole purpose of these derivatives contracts is hedging against the currency risk. Therefore the Group has no speculative derivatives.

Liquidity risk

In the short and medium term, 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 and management risks

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

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

Related party transactions

Related party transactions do not qualify as either atypical or unusual, as they form part of the Group's normal operations. They are carried out in the Group's interest on an arm's length basis.

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2023

SALCEF GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	31.03.2023	31.12.2022
Non-current assets		
Intangible assets with finite useful lives	17,719,040	17,724,878
Goodwill	100,763,726	101,409,924
Property, plant and equipment	197,936,426	194,829,294
Right-of-use assets	15,191,305	17,073,977
- of which, with related parties	*910,855*	*993,661*
Equity-accounted investments	135,643	135,643
Other non-current assets	25,313,669	25,112,368
- of which, with related parties	1,526,853	1,526,853
Deferred tax assets	24,326,109	25,452,686
Total non-current assets	**381,385,918**	**381,738,770**
Current assets		
Inventories	29,727,554	29,764,667
Contract assets	179,459,029	156,033,743
Trade receivables	111,701,599	140,505,148
- of which, with related parties	*7,395,162*	*11,609,934*
Current tax assets	1,717,394	4,167,579
Current financial assets	151,561,040	148,643,040
Cash and cash equivalents	113,330,984	135,245,724
Other current assets	47,836,022	35,333,090
Assets held for sale	0	2,529,499
Total current assets	**635,333,622**	**652,222,490**
TOTAL ASSETS	**1,016,719,540**	**1,033,961,260**

LIABILITIES	31.03.2023	31.12.2022
Equity attributable to the owners of the parent		
Share capital	141,544,532	141,544,532
Other reserves	292,433,171	252,475,698
Profit for the year	14,266,414	45,333,687
Total equity attributable to the owners of the parent	**448,244,117**	**439,353,917**
Share capital and reserves attributable to non-controlling interests	2,650,400	2,348,332
Profit for the year attributable to non-controlling interests	36,663	302,068
TOTAL EQUITY	**450,931,180**	**442,004,317**
Non-current liabilities		
Non-current financial liabilities	110,896,500	119,211,190
Lease liabilities	9,284,046	10,428,864
- of which, with related parties	*639,546*	*727,379*
Employee benefits	5,039,362	6,678,524
Provisions for risks and charges	3,036,185	2,357,957
Deferred tax liabilities	7,701,696	7,732,723
Other non-current liabilities	4,277,393	4,266,809
Total non-current liabilities	**140,235,182**	**150,676,067**
Current liabilities		
Bank loans and borrowings	0	4,064,734
Current financial liabilities	77,790,822	89,263,299
Current portion of lease liabilities	4,877,768	5,387,527
- of which, with related parties	*346,223*	*342,844*
Current employee benefits	1,146,924	1,127,387
Contract liabilities	68,324,309	77,763,713
Trade payables	215,212,243	218,281,916
- of which, with related parties	*816,699*	*460,002*
Current tax liabilities	11,377,744	8,085,187
Other current liabilities	46,823,368	36,035,410
Liabilities directly associated with assets held for sale	0	1,271,703
Total current liabilities	**425,553,178**	**441,280,876**
TOTAL LIABILITIES	**565,788,360**	**591,956,943**
TOTAL EQUITY AND LIABILITIES	**1,016,719,540**	**1,033,961,260**

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SALCEF GROUP

CONSOLIDATED INCOME STATEMENT

	03.2023	03.2022
Revenue from contracts with customers	156,859,897	106,118,188
- of which, with related parties	*707,043*	*0*
Other income	3,508,674	1,531,480
Total revenue	**160,368,571**	**107,649,668**
Raw materials, supplies and goods	(37,921,677)	(23,288,082)
Services	(60,914,204)	(39,468,201)
- of which, with related parties	*210,579*	*369,208*
Personnel expense	(31,339,521)	(25,074,523)
Amortisation, depreciation and impairment losses	(10,511,837)	(8,427,370)
Other operating costs	(3,650,613)	(3,091,703)
- of which, with related parties	*60,829*	*0*
Internal work capitalised	6,347,813	5,038,377
Total costs	**(137,990,039)**	**(94,311,502)**
Operating profit	**22,378,532**	**13,338,166**
Financial income/(expense)	(1,181,145)	(2,936,737)
- of which, with related parties	*(12,475)*	*(13,794)*
Pre-tax profit (loss)	**21,197,387**	**10,401,429**
Income taxes	(6,894,310)	(5,180,117)
Profit (loss) for the year	**14,303,077**	**5,221,312**
Profit for the year attributable to:		
Non-controlling interests	36,663	(195,178)
Owners of the parent	14,266,414	5,416,490

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	03.2023	03.2022
Profit (loss) for the year	**14,303,077**	**5,221,312**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss		
Net actuarial gains/(losses)	36,966	(8,387)
Net fair value gains/(losses) on securities measured at FVOCI	(5,563)	0
Related tax	(9,134)	2,375
Total	**22,269**	**(6,012)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss		
Net hedging gains/(losses)	(362,026)	1,038,920
Related tax	86,886	(249,341)
Net exchange gains/(losses)	(486,369)	411,351
Total	**(761,509)**	**1,200,930**
Other comprehensive income, net of tax	**(739,240)**	**1,194,918**
Comprehensive income	**13,563,837**	**6,416,230**
Attributable to:		
Non-controlling interests	36,663	(195,178)
Owners of the parent	13,527,174	6,611,408

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Retained earnings	Profit (loss) for the year	Equity att. to non-controlling interests	Equity
Balance at 1 January 2023	**141,544,532**	**156,631,364**	**(7,179,001)**	**(155,089)**	**2,035,982**	**(2,471,148)**	**103,613,590**	**45,333,687**	**2,650,400**	**442,004,317**
Profit for the year								14,266,414	36,663	14,303,077
Other comprehensive income		(4,228)		26,497	(275,140)	(486,369)				(739,240)
Comprehensive income	**-**	**(4,228)**	**-**	**26,497**	**(275,140)**	**(486,369)**	**-**	**14,266,414**	**36,663**	**13,563,837**
Allocation of prior year profit		1,801,626					43,532,061	(45,333,687)		-
Repurchase of treasury shares			(4,717,169)							(4,717,169)
Stock grants		80,195								80,195
Other variations/reclassifications										-
Total owner transactions	**-**	**1,881,821**	**(4,717,169)**	**-**	**-**	**-**	**43,532,061**	**(45,333,687)**	**-**	**(4,636,974)**
Balance at 31 March 2023	**141,544,532**	**158,508,957**	**(11,896,170)**	**(128,592)**	**1,760,842**	**(2,957,517)**	**147,145,651**	**14,266,414**	**2,687,063**	**450,931,180**

EXPLANATORY NOTES
AT 31 MARCH 2023

General Information

This additional financial information at 31 March 2023 has been prepared in accordance with article 154-ter.5 of the Consolidated Act on Finance (TUF) introduced by Legislative decree no. 195/2007 implementing Directive 2004/109/EC. The parent's board of directors approved this information and authorised its publication during its meeting of 14 November 2022.

Reporting standards

This additional financial information at 31 March 2023 has been prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC), in force at the reporting date.

The provisions of IAS 34 (Interim financial reporting) were not applied in the preparation of the additional financial information at 31 March 2023. Indeed, the Group applies this standard to its half-year financial reports and not to quarterly reports. Moreover, although this additional financial information does not include all disclosures required for a full set of financial statements, it includes notes to explain the events and transactions relevant to understanding the variations in the Group's financial position and performance since the last annual financial statements.

The accounting policies applied are described below.

Basis of presentation

The additional financial information at 31 March 2023 comprises an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity and these notes.

With reference to the statement of financial position, the Group opted to present assets and liabilities as current or non-current and to present the income statement items based on their nature. This approach is consistent with the Group's internal management reporting model and is therefore deemed more indicative than presenting the captions by use, as it provides more reliable and meaningful information according to the segment to which each caption belongs.
The income statement and the statement of comprehensive income are presented as two separate statements and, therefore, the Group has prepared a statement that presents the profit or loss components (the income statement) and another statement that starts with the profit or loss for the period and adds the other items of other comprehensive income thereto (the statement of comprehensive income). The latter shows changes in equity generated by transactions other than owner transactions.

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

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

Accounting policies

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

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

Consolidation scope and basis of consolidation

The additional financial information at 31 March 2023 has been prepared by consolidating the parent's separate interim financial statements at the same date and the interim financial statements of the Italian and foreign companies that it directly or indirectly controls.

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

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

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

The reporting date of the subsidiaries' interim financial statements is the same as the parent's.

The following table shows the companies included in the consolidation scope and the parent's related direct and indirect investment percentages:

Consolidation scope at 31 March 2023

COMPANY NAME	REGISTERED OFFICE	CURRENCY	Share/Quota Capital	Investment percentage		Method
				Indirect	Direct	
Subsidiaries						
	Rome - Italy	Euro	60,000,000		100%	Consolidation
Euro Ferroviaria S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
RECO S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
SRT S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
Overail S.r.l.	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
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	1		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	90%		Consolidation
Delta Railroad Company of Canada, ULC	Toronto - Canada	CAD	1	90%		Consolidation
Salcef Nordic A.S.	Oslo (Norway)	NOK	30,000		60%	Consolidation
Consorzio Stabile Itaca S.c.a r.l.	Rome - Italy	Euro	40,000	96%		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	-	0		Proportionate consolidation
Sesto Fiorentino S.c.a r.l.	Rome - Italy	Euro	10,000	47.68%		Equity accounting
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	Euro	500,000	25.00%		Equity accounting
A.F.A.I. Armamento per la ferrovia Alifana inferiore Società	Naples - Italy	Euro	20,000	15%		Equity accounting
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity accounting

Changes in the consolidation scope since 31 December 2022 in terms of companies in which the group has acquired or lost control in the first three months of 2023 are as follows: (i) the sale of Kampfmittelräumung Nord GmbH (indirectly controlled through Salcef Deutschland GmbH) for which, as at 31 December 2022, the assets and liabilities attributable to it were classified as held for sale in accordance with IFRS 5, and (ii) the incorporation of the subsidiary Salcef Nordic AS, based in Oslo (Norway), 60% owned by Salcef Group S.p.A..

The consolidation process is as follows:

- subsidiaries are consolidated on a line-by-line basis, whereby:
  - the carrying amounts of their assets, liabilities, costs and revenue are included in full, regardless of the investment percentage held;
  - the carrying amount of the investment is eliminated against the group's share of the investee's equity;
  - the effects of intragroup transactions, including dividends distributed among the Group companies, are eliminated;
  - non-controlling interests are classified in the specific equity caption. Likewise, the profit or loss for the period attributable to non-controlling interests is presented separately in the income statement.

- Investments in joint operations are consolidated using the proportionate method whereby:
    - the carrying amounts of their assets, liabilities, costs and revenue are included in full in proportion to the investment percentage held;
    - the carrying amount of the investment is eliminated against the group's share of the investee's equity;
    - the effects of transactions among the companies consolidated on a proportionate basis, including dividends distributed among the group companies, are eliminated;

- investments in associates and joint 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 transfer price, is measured at its acquisition-date fair value and the obligation to pay contingent consideration is classified as other current or non-current financial liabilities.

Any subsequent fair value gains or loss are recognised immediately in profit or loss. The identifiable net assets acquired are generally measured at fair value at the acquisition date. Any goodwill that arises, calculated as the difference between the consideration transferred and the fair value of the net assets acquired, is tested annually for impairment. Any gain on a bargain purchase is immediately recognised in profit or loss while transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships, which are generally recognised in profit or loss.
If the fair value of the assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised on the basis of such provisional amounts. Any adjustments arising from the completion of the measurement process are recognised within 12 months of the acquisition date, increasing (decreasing) the provisional amount recognised for an identifiable asset (liability) with a corresponding increase (decrease) 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 foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss;

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective;
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on acquisition, are translated into Euros at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euros at the average exchange rates of the period which approximate the exchange rates ruling at the dates of the transactions. Exchange differences are recognised in other comprehensive income and accumulated in the translation reserve, except for any exchange difference to be allocated to non-controlling interests.

Exchange rates used by the Group at 31 March 2023

CURRENCY	Code	31.03.2023	
		Spot closing rate	Average rate
Egyptian lira (Egypt)	EGP	33.5530	32.1589
Romanian leu (Romania)	RON	4.9490	4.9202
UAE dirham (Abu Dhabi)	AED	3.9938	3.9406
US dollar (USA)	USD	1.0875	1.0730
Saudi riyal (Saudi Arabia)	SAR	4.0781	4.0238
Norwegian krone (Norway)	NOK	11.3940	10.9901
Swiss franc (Switzerland)	CHF	0.9968	0.9925
Australian dollar (Australia)	AUD	1.6268	1.5701

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.
There were no impairment indicators at 31 March 2023, consequently no impairment test were necessary.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses. Cost includes costs incurred directly to move the asset and prepare it for its intended use in its final location and any costs of dismantling and removing the asset and restoring the site on which it was located.
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Costs incurred for regular maintenance are expensed when incurred.

Items of property, plant and equipment are depreciated systematically over their useful life. When the depreciable asset comprises separately identifiable parts, with different useful lives, they are depreciated separately using the component approach.
Land, including appurtenance land, is not depreciated.
The Group reviews the depreciation criteria and useful lives at least at each annual reporting date to incorporate any significant changes.

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

Average amortisation rate	
Buildings	3%
Plant and machinery	15%
Industrial and commercial equipment	30%
Other assets	20%

The Group tests the carrying amount of items of property, plant and equipment for impairment when events or changes in circumstances indicate that the asset may be impaired. Reference should be made to the Impairment of non-financial assets section for information on impairment testing.

Gains and losses on the sale of assets or Groups of assets are calculated by comparing the net disposal proceeds to the assets' carrying amount.

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

Right-of-use assets and lease liabilities

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and adjusts it to reflect the terms of the lease and type of the asset leased.

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

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

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

- it applied the same discount rate to leases with similar characteristics in terms of residual term for classes of similar underlying assets in similar locations;
- it excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- it determined the contractual variables (especially the lease term) using hindsight;
- upon initial application of IFRS 16, for contracts previously classified as operating leases, the parent recognised a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position before the date of initial application;
- upon initial application of IFRS 16, for contracts previously classified as finance leases, the parent deemed the carrying amount of the right-of-use asset and the lease liability to be the carrying

amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

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

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

Impairment of non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

Inventories

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

Revenue from contracts with customers and contract assets/liabilities

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

For contracts that meet the requirements for recognition over time, revenue is recognised on the basis of the stage of completion (or percentage of completion) of the contract whereby the costs, revenue and contract profit or loss are recognised by reference to the stage of completion of the contract activities. The percentage of completion is measured using the output method. The contract output is measured at the reporting date and reflects the best estimate of the work performed at the reporting date. The underlying assumptions are updated periodically. Any revenue or costs are recognised in the period in which the updates are made.
Conversely, when the requirements for revenue recognition over time are not met, revenue is recognised at a point in time.

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

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

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

a. variable consideration;
b. the existence of a significant financing component in contracts;
c. non-monetary consideration;
d. consideration payable to the customer.

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

Financial assets and liabilities

Measurement and recognition

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets - classification and subsequent measurement

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

Financial assets are not reclassified after 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 is recognised in the equity reserve that includes other comprehensive income. Any interest income measured using the effective interest rate, exchange differences and impairment losses are recognised in profit or loss.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.
On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

Financial liabilities – classification and subsequent measurement

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

Financial assets – derecognition

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

Financial liabilities – derecognition

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

Offsetting

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

Financial instruments, derivatives and hedge accounting

The Group holds derivatives specifically for hedging interest rate risks. At the inception of designated hedging relationships, the Group documents the economic relationship between the hedged item and the hedging instrument, the risk management objective and strategy for undertaking the hedge, the identification of the hedging instruments, the hedged item or transaction and the nature of the hedged risk. At the inception of the transaction and subsequently on an ongoing basis, the Group also documents whether the hedging instrument meets the effectiveness requirements, i.e., whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging policies are considered on the basis of risk management objectives. The derivatives that do not meet the IFRS 9 requirements for hedge accounting are classified as at FVTPL.
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand and demand bank deposits. They are recognised at their fair value which is usually their nominal amount. Bank deposits with a negative balance at the reporting date, if any, are classified under "bank loans and borrowings".

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.

Shareholders' equity

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.
The costs incurred for issuing equity instruments are recognised as a decrease in equity to the extent they are marginal costs directly attributable to the performance of the transaction, which would have otherwise been avoided.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.
Contributions to be paid to defined contribution plans are recognised as costs in profit or loss over the period of employee service. Contributions paid in advance are recognised under assets to the extent that the advance payment will decrease the future payments or generate a repayment.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.
The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then-net defined benefit liability (asset),

taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.
When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

Provisions for risks and charges

The Group recognises provisions for risks and charges in the following circumstances:

- it has a present obligation (legal or constructive) at the reporting date which will require an outflow of financial resources to settle past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation (best possible estimate of the future expenditure).

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

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

Financial income and expense

The Group's financial income and expense include:

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

Interest income and expense are recognised using the effective interest method.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

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

Income taxes

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

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

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (corporate income tax). The tax consolidation agreement governs the income/expense and financial transactions and the mutual responsibilities and obligations between the parent and the consolidated companies. It has a three-year term and was signed with the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., RECO S.r.l.,and SRT S.r.l., Overail S.r.l. and Coget Impianti S.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.

Fair value measurement

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

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

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

Share-based payments

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

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

Changes in accounting policies, errors and changes in accounting estimates

The Group only changes an accounting policy if the change is required by an IFRS or it results in the financial statements providing more reliable and more relevant information about the effects of transactions on the Group's financial position, financial performance and cash flows.
Changes in accounting policies are applied retrospectively and the Group adjusts the opening balance of the affected component of equity for the earliest prior period presented. The other comparative amounts disclosed for each prior period presented are adjusted as if the new accounting policy had always been applied.
The prospective approach is only applied when it is impracticable to reconstruct the comparative information.
Application of a new or amended IFRS is recognised as required by the standard. If the standard does not include specific transitional provisions, the change is recognised retrospectively or, if impracticable, prospectively. The Group treats material errors in the same manner as changes in accounting policies described above. Immaterial errors are corrected in profit or loss in the year in which the error is identified.
The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in the period of the change if the change affects that period only, or the period of the change and future periods, if the change affects both.

Use of estimates

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

- Goodwill: goodwill is tested for impairment annually (or more frequently if there are impairment indicators) in order to determine whether an impairment loss is to be recognised in profit or loss. Specifically, impairment testing involves determining the recoverable amount of the CGUs to which goodwill is allocated by estimating their value in use or fair value less costs to sell. Calculating the recoverable amount of the CGUs involves the use of estimates that depend on factors that may change over time, with potentially significant effects on the valuations made by management.

- Contract assets and contract liabilities: in measuring contract assets and liabilities, the Group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the actual progress of the work performed. Furthermore, any additional consideration for variations, price revisions, incentives and claims above those contractually agreed are estimated, as well as the plans of contracts from which provisions for onerous contracts may arise.
- Purchase price allocation: as part of business combinations, in exchange for the consideration transferred to obtain control of a company, the identifiable assets acquired and liabilities assumed are recognised in the interim consolidated financial statements at the acquisition-date fair value, based on a purchase price allocation process. During the measurement period, management calculates these fair values based on estimates according to the information available on all facts and circumstances that existed as of the acquisition date that would have affected the measurement of the amounts recognised as of that date.
- Impairment of non-current assets: property, plant and equipment and intangible assets with a finite useful life are tested for impairment. Any impairment losses are to be recognised when there are elements indicating that there may be difficulties in recovering the assets' carrying amount through use. Impairment testing requires management to make subjective assessments based on information available within the Group and the market and on historical experience. In addition, a potential impairment loss is determined using appropriate valuation techniques. The correct identification of the elements indicating potential impairment and the estimates to calculate it depend on factors that may vary over time influencing management valuations and estimates.
- Fair value measurement: when measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as described in the Fair value measurement section.
- Measurement of lease liabilities: this is affected by the lease term, being the non-cancellable contract period, to which both of the following periods should be added: (a) periods covered by extension options, if the lessee is reasonably certain to exercise the options; and (b) periods covered by the option to terminate the lease early, if the lessee is reasonably certain that it will not exercise the option. Assessing the lease term involves the use of estimates that depend on factors that may change over time with potentially significant effects compared to the assessments made by management.
- Measurement of the loss allowances for expected credit losses: in the event of impaired positions (customers with high credit risk or significant past due amounts), the Group tests them individually using historical experience in order to estimate the expected losses on these positions. Estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit or

loss.

- Measurement of defined benefit plans: actuarial valuations require the development of various scenarios that may differ from actual future developments. The results depend on the technical parameters adopted including, *inter alia*, the discount rate, the inflation rate, the rate of wage increases and expected turnover. All assumptions are reviewed annually.

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

Standards and interpretations effective from 1 January 2023 and new standards and interpretations

The standards, amendments and interpretations effective from 1 January 2023 and endorsed by the European Commission are detailed 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.
- IFRS 17 - Insurance contracts (and subsequent amendments) which replaces IFRS 4;
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of accounting estimates (Amendments to IAS 8).

The adoption of the new standards as of 1 January 2023 did not have a significant impact on this additional financial information.

Moreover, at the date of approval of this additional financial information, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the Group will adopt in subsequent years, if applicable. 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:

- Classification of liabilities as current or non-current (Amendments to IAS 1). These amendments - published in 2020 -, clarify the requirements for determining whether a liability is current or non-current. The IASB subsequently proposed further amendments to IAS 1 and deferred the effective date of the 2020 amendments to 1 January 2024.

At the date of preparation of this additional information, the Group does not expect the new amendments or standards will have a significant impact on it.

Significant non-recurring events and transactions

The Group's additional financial information was not affected by significant non-recurring events and transactions in the first three months of 2023. Moreover, the Group did not carry out any atypical or unusual transactions during the period.

CEO
(Valeriano Salciccia)

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

Pursuant to article 154-bis.2 of the Consolidated Act on Finance, the manager in charge of financial reporting of Salcef Group S.p.A. states that the disclosure included in this additional financial information at 31 March 2023 is consistent with the supporting documentation, ledgers and accounting records.

Rome, 15 May 2023

Manager in charge of financial reporting
Fabio De Masi

SALCEF GROUP