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

INTERIM FINANCIAL REPORT AT 30 JUNE 2023

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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SALCEF GROUP

Contents

01

INTRODUCTION

02

DIRECTORS' REPORT

03

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2023

04

REPORT OF THE INDEPENDENT AUDITORS

01 INTRODUCTION

Salcef Group

Parent details

Salcef Group S.p.A.

Registered office: Via Salaria 1027 - 00138 Rome – Italy

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

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

Tax code 08061650589 | VAT no. 01951301009

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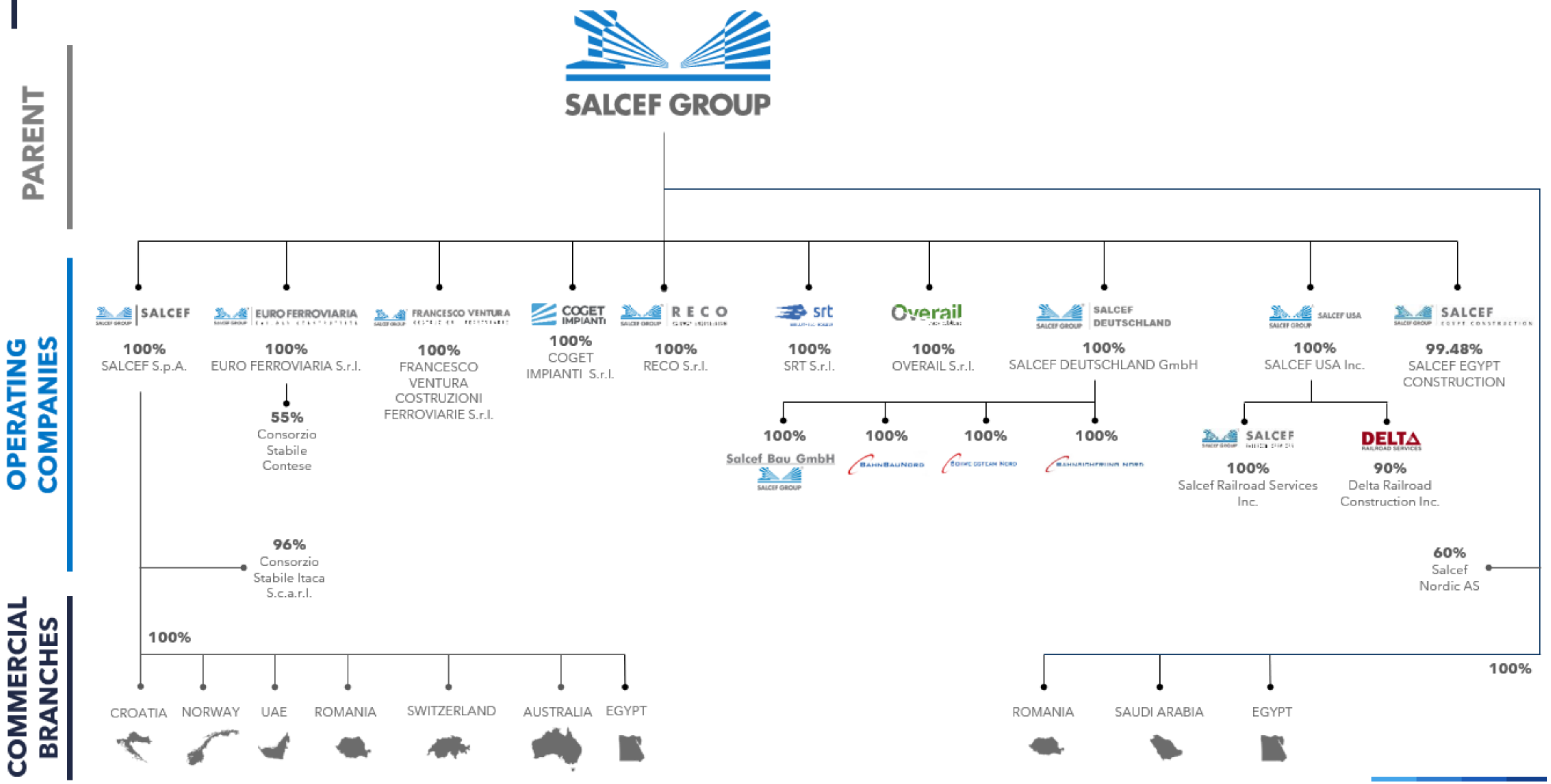
Company officers

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

Group Structure



02 DIRECTORS' REPORT

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.

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

The condensed interim consolidated financial statements at 30 June 2023 include the interim financial statements of the parent and its subsidiaries (together, the "Salcef Group" or the "group"). The parent's board of directors approved this report and authorised its publication during its meeting of 3 August 2023.

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

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

Financial figures and key performance indicators

This interim financial report provides information about the Salcef Group's financial position as at 30 June 2023 and the performance for the six months then ended, as well as significant events of the period.

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

The comparative figures in the following tables have been restated, where applicable, to retrospectively reflect the effects of completion of the purchase price allocation (PPA) procedure for the acquisition of the railway business unit from Gruppo PSC S.p.A., in accordance with the applicable accounting standards, as detailed in note 34.

Reclassified income statement

(€'000)

	1H 2023	1H 2022	Variation
Revenue	361,625	230,470	131,155
Operating costs	(294,835)	(189,861)	(104,974)
Other operating costs	(7,415)	(5,375)	(2,040)
Internal work capitalised	14,431	11,023	3,408
EBITDA (Gross operating profit)	**73,806**	**46,257**	**27,549**
Amortisation, depreciation and impairment losses	(25,344)	(17,036)	(8,308)
EBIT (Operating profit)	**48,462**	**29,221**	**19,241**
Adjusted financial income (expense)*	(4,665)	1,571	(6,236)
Adjusted pre-tax profit	**43,797**	**30,791**	**13,006**
Adjusted income taxes**	(12,824)	(8,578)	(4,246)
Adjusted profit for the period	**30,973**	**22,213**	**8,760**
** Net fair value gains (losses) on financial investments*	2,256	(8,160)	10,416
*** Deferred tax liabilities on net fair value gains (losses) on financial investments, Reversal of deferred tax assets on revaluation and non-recurring tax expense*	(2,115)	(518)	(1,597)
Profit for the period	**31,114**	**13,535**	**17,579**

Key performance indicators

(€'000)

	1H 2023	1H 2022
EBITDA margin	20.41%	20.07%
EBIT margin	13.40%	12.68%

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

Key financial indicators

(€'000)

	30.06.2023	31.12.2022
Adjusted net financial position	3,755	26,006
Adjusted equity	423,963	432,477

Where applicable, the alternative performance measures are presented in accordance with the ESMA's Guidelines on Alternative Performance Measures (ESMA/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 the effects of taxation and non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group, such as fair value gains/losses on short-term investments;
- adjusted profit or loss is calculated by adjusting the profit or loss for the period to exclude the effects of non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group, such as fair value gains/losses on short-term investments and the tax impact of such fair value gains/losses or of 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 as from 2021.

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 six months of the year, the group recognised revenue of €361,625 thousand, up €131,155 thousand (+56.9%) on the €230,470 thousand of the first half of 2022. This improvement is mainly due to the group's robust organic growth in the period, along with the changes in the consolidation scope following the acquisition of the business unit from Gruppo PSC S.p.A., effective 1 May 2022, and the acquisition of

Francesco Ventura Costruzioni Ferroviarie S.r.l. in December 2022. These companies had not contributed (or had only partially contributed) to profit or loss for the comparative period.

EBITDA amounts to €73,806 thousand, a €27,549 thousand (+59.6%) increase over the €46,257 thousand for the first half of 2022. The EBITDA margin is 20.41%, up on the first half of 2022 (20.07%). Despite the rising direct production costs, including prices for fuel and the group's raw materials, as a result of global inflation, the EBITDA margin has remained steady thanks to both the measures that the group has taken to improve efficiency and the revision of contractual consideration following changes in national and international public procurement pricing regulations.

EBIT amounts to €48,462 thousand, up €19,241 thousand on the first half of 2022 as a result of the larger volumes described earlier and the improvement in the operating profit margin, despite the greater depreciation due to the roll-out of new plant and machinery in the half year. Furthermore, in both the first half of 2023 and the comparative period, EBIT includes the amortisation of the intangible assets recognised as a result of the PPA process measured earlier.

The adjusted profit for the period is €30,973 thousand, compared to €22,241 thousand in the same period of 2022. The adjustments in the first half of 2023 (compared to the unadjusted profit for the period of €31,114 thousand) relate to: (i) the net fair value gain on financial investments of €2,256 thousand; (ii) the related deferred tax liabilities of €541 thousand; and (iii) the release of deferred tax assets on revaluations of €1,574 thousand. Financial income of €2,256 thousand relates to the fair value gain on the group's short-term investments, while the tax expense of €1,574 derives from the release of deferred tax assets of €17,550 thousand recognised at 31 December 2020 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 began reversing in 2021 as the subsidiaries that applied the revaluation fully deduct the greater depreciation arising from the revaluation in the calculation of current taxes (IRES and IRAP), while such greater depreciation is reversed in the Salcef Group's condensed interim consolidated financial statements.

The Salcef Group's adjusted net financial position (i.e., with liquidity exceeding indebtedness) amounts to €3,753 thousand at the reporting date, compared to €26,006 thousand at 31 December 2022. The €22,253 thousand decrease is mostly due to the dividend payment of €30,801 thousand and repurchases of treasury shares of €8,555 thousand, net of the liquidity generated in the period.

The table below shows the net financial position (and adjusted net financial position) at 30 June 2023 and 31 December 2022 in accordance with the presentation method established in the ESMA's Guidelines of 4 March 2021.

(€'000)

NET FINANCIAL POSITION	Note	30.06.2023	31.12.2022	Variation
(A) Cash	1	117,183	135,246	(18,063)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	2	145,055	148,643	(3,588)
(D) Liquidity (A + B + C)		**262,238**	**283,889**	**(21,651)**
(E) Current financial debt		(16,856)	(22,140)	5,284
(F) Current portion of non-current financial debt		(77,679)	(76,576)	(1,103)
(G) Current financial indebtedness (E + F)		**(94,535)**	**(98,716)**	**4,181**
(H) Net current financial position (G + D)		**167,703**	**185,173**	**(17,470)**
(I) Non-current financial debt		(151,987)	(129,640)	(22,347)
(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)		**(151,987)**	**(129,640)**	**(22,347)**
(M) Net financial position (H + L)	3	**15,716**	**55,533**	**(39,817)**
(N) Adjustment for events unrelated to the core business and/or related to non-recurring transactions	4	(11,963)	(29,527)	17,564
(O) Adjusted net financial position (M + N)		**3,753**	**26,006**	**(22,253)**

Notes

(1) The balance at 30 June 2023 includes contract advances collected from the customer IRICAV DUE, net of costs already incurred, related to the contracts for the construction of the civil works and tracks of the HS Verona - Padua railway line.

(2) The balance at 30 June 2023 reflects the impact of fair value losses on the group's short-term investments in 2022, partly offset in the first half of 2023 due to the performance of international financial markets.

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

4) The adjustments relate to: (i) the contract advances received for the HS Verona - Padua railway contracts as disclosed in note (1) (-€18,821 thousand); (ii) the definitive amount of net fair value losses on securities calculated in 2022 and partly reversed in the first half of 2023, as disclosed in note (2); and the advance paid for the acquisition of Colmar Technik S.p.A. (€2,000).

Total adjusted equity at 30 June 2023 of €423,963 thousand is down €8,514 thousand on 31 December 2022 due to the distribution of the dividend in the period, as resolved by the shareholders on 27 April 2023, partly offset by the profit for the period, other comprehensive expense for the period (relating to net actuarial losses, net fair value losses on hedging derivatives, net fair value gains on financial assets at FVOCI and net exchange losses), the recognition of the stock grant plan and repurchases of treasury shares during the first half of 2023.

Total equity at the reporting date includes the reserve for treasury shares of €15,630 thousand, corresponding to the 960,057 treasury shares held by the parent at that date (1.539% of share capital).

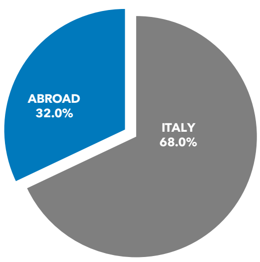
At the reporting date, the Salcef Group's order backlog includes track works (70.7%), energy sector works (19.4%), the production of sleepers and prefabricated products (3%), infrastructure works (6%), machinery construction and maintenance contracts (0.5%) and rail grinding (0.5%), which ensure continuity using the existing operating units already active in the relevant geographical areas.

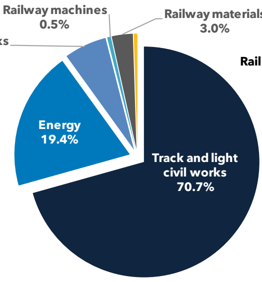
The Salcef Group's order backlog at 30 June 2023 is detailed by business unit and geographical segment below:

SALCEF GROUP - ORDER BACKLOG AT 30 JUNE 2023

Geographical segment	Amount (€'000)	%
Italy	**1,271,018.6**	**68.0**
Abroad	**599,037.5**	**32.0**
Total	1,870,056.1	100.0

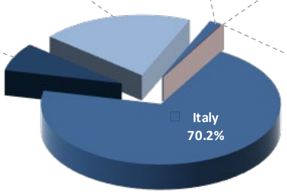
Business unit		Amount (€'000)	%
Track and light civil works		**1,321,292.2**	**70.7**
	of which, Abroad	*581,636.0*	
Energy		**362,753.6**	**19.4**
	of which, Abroad	*3,324.2*	
Rail grinding and diagnostics		**9,391.0**	**0.5**
	of which, Abroad	*0.0*	
Heavy civil works		**111,578.0**	**6.0**
	of which, Abroad	*12,217.6*	
Railway machines		**9,800.7**	**0.5**
	of which, Abroad	*1,859.7*	
Railway materials		**55,240.6**	**3.0**
Total		**1,870,056.1**	**100.0**





SALCEF GROUP - ORDER BACKLOG AT 06.30.2023 BY COUNTRY

Country	Amount (€'000)	%
Italy	**1,271,018.6**	**70.18**
USA	**136,810.2**	**7.55**
Romania	**370,713.4**	**20.47**
Germany	**29,159.7**	**1.61**
United Arab Emirates	**1,641.1**	**0.09**
Austria	**1,783.3**	**0.10**
Total	1,811,126.3	100.00



Human resources

With respect to its workforce, the group carries out its activities in full compliance with the relevant environmental and occupational hygiene regulations as well as applicable foreign legislation. A breakdown of the group's workforce at the reporting date compared to the first half of the previous year is as follows:

Workforce by category

	Italy	Abroad	TOTAL
Managers	34	12	46
White collars	286	148	434
Blue collars	839	237	1,076
30 June 2022	**1,159**	**397**	**1,556**
Managers	37	18	55
White collars	363	93	456
Blue collars	1,080	246	1,326
30 June 2023	**1,480**	**357**	**1,837**

Key events of the period

Relocation of administrative and registered offices

In January 2023, the parent relocated its registered office from Via di Pietralata 140 to Via Salaria 1027, remaining within the municipality of Rome.

The registered offices of the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l., Overail S.r.l., SRT S.r.l., RECO S.r.l. and Consorzio Stabile Itaca S.c.a.r.l. were also relocated to the same address.

The subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. relocated its registered office from Piazza Sant'Andrea della Valle 6 to Via Salaria 1027, remaining within the municipality of Rome.

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 have been immaterial as the amounts are negligible and the aforementioned conversion rate is very similar to the rate used to translate such foreign operation's balances at 31 December 2022.

The group extends its presence in Scandinavian countries

In the first half of 2023, the Salcef Group and the Norwegian-based Nordic Infrastructure Group ("NIG") jointly set up Salcef Nordic AS, based in Olso (Norway). The Salcef Group owns 60% of the new company as a result of the agreements reached with NIG in 2022, whereby the Norwegian owner created the company and subsequently sold 60% of it to the Salcef Group for a nominal amount of roughly €3 thousand. The group undertook this transaction to extend its presence in Scandinavian countries and, for the same reason, it is currently considering a similar transaction in Sweden.

Repurchases of treasury shares

The parent continued the treasury share repurchase programme up to 13 March 2023, when it reached the maximum amount of repurchasable treasury shares under the terms and methods laid down by the shareholders on 29 April 2022. Then, in execution of the shareholders' resolution of 27 April 2023, during its meeting on 15 May 2023, the board of directors approved the start of the new treasury share repurchase programme (detailed further on). As a result of the repurchases of treasury shares in the period, net of the assignment of treasury shares in the same period for the 2021-2024 stock grant plan, at the reporting date, the parent owns 960,057 treasury shares, corresponding to 1.539% of its share capital. The repurchases of treasury shares continued until 31 July 2023, the end date of the first tranche of the programme started by the board of directors on 15 May 2023, in accordance with the shareholders' resolution of 27 April 2023. Therefore, at the approval date of this report, the parent owns a total of 1,091,734 treasury shares, corresponding to 1.750% of the share capital.

Sale of the subsidiary Kampfmittelräumung Nord GmbH

The sale of the subsidiary Kampfmittelräumung Nord GmbH ("KMR"), whose assets and liabilities had been classified as held for sale in accordance with IFRS 5 in the consolidated financial statements at 31 December 2022, was completed in the first quarter of 2023. Consequently, it was not consolidated at 30 June 2023, as described further on in the accounting policies section. As indicated in the notes to the consolidated financial statements at 31 December 2022, the non-current assets held for sale relating to KMR, net of the directly associated liabilities, amounted to €1,258 thousand, and the agreed consideration was €1,300 thousand (which was collected in full in the first half of 2023).

Approval of separate financial statements and dividend distribution

During their ordinary meeting of 27 April 2023, the shareholders approved the parent's separate financial statements as at and for the year ended 31 December 2022, which show a profit for the year of €36,032,511, and acknowledged the consolidated financial statements as at and for the year ended 31 December 2022, which show a profit for the year attributable to the owners of the parent of €45,333,687, as well as the consolidated non-financial statement prepared in accordance with Legislative decree no. 254/206.

The shareholders 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 shareholders then approved the allocation of the remaining profit for the year, allocating €1,802 thousand to the legal reserve and €3,430 thousand to retained earnings.

During their ordinary meeting, the shareholders:

i) authorised the board of directors, after revoking the authorisation given by the shareholders on 29 April 2022 for the part not exercised, to repurchase, in one or more tranches and even on a revolving basis, the parent's ordinary shares without nominal amount, up to a maximum which, considering its ordinary shares held at any time by the parent and its subsidiaries, shall not cumulatively exceed 10% of the parent's share capital, pursuant to article 2357.3 of the Italian Civil Code. The authorisation is given for 18 months from the date of the resolution;

ii) examined the report on remuneration policy and compensation paid, prepared in accordance with current legal and regulatory requirements, approved the company's remuneration policy for 2023 included in the first section of such report, pursuant to article 123-ter.3-bis/3-ter of Legislative decree no. 58/98 (the "TUF") and resolved in favour of the second section of the report, pursuant to article 123-ter.6 of the TUF;

iii) approved the 2023-2026 stock grant plan, which provides for the free allocation of up to a maximum of 40,000 ordinary shares without nominal amount if set performance conditions are met. The beneficiaries are some employees, including key management personnel, of the parent and group companies and other beneficiaries holding key management positions in the group who can have a significant impact on the group's sustainable success. The plan is a short-term incentive plan (management by objectives, MBO) and has one grant cycle for the allocation of shares for free if the performance objectives are met;

iv) approved the 2023-2024 performance share plan, which provides for the free allocation of up to a maximum of 10,000 ordinary shares without nominal amount if set performance conditions are met. The beneficiaries are some key management personnel of the parent and group companies. The plan consists of one grant cycle for the free-of-charge allocation of shares if the performance objectives are met;

v) approved the text proposed by the board of directors for the shareholders' meeting rules, for the purpose of regulating the ordinary and extraordinary meetings of the parent's shareholders in accordance with the law and the by-laws.

Signing of the preliminary acquisition agreement for Colmar Technik S.p.A.

On 26 June 2023, the parent signed a preliminary agreement to acquire all the shares of Colmar Technik S.p.A. ("Colmar"), a company that designs and manufactures machines for the construction and maintenance of railways, with production facilities in Arquà Polesine (Rovigo) and Costa di Rovigo (Rovigo). Salcef Group has decided to acquire Colmar in order to expand its range of products in the railway machines sector in Italy and abroad, as it stands to benefit from, among other things, synergies and the complementary nature of Colmar's range of products with those offered by the group's subsidiary SRT, which also operates in the railway machines business but with a primary focus on wagons and rail grinders. This acquisition is also expected to lead to sales synergies generated by Colmar's vast international network.

Colmar has approximately 110 employees and an order backlog of over €40 million. Its post-acquisition annual turnover is expected to be around €20 million, with profit margins that are commensurate with the group average.

The agreement provides for an enterprise value of roughly €25 million, €2 million of which was paid on 26 June 2023 when the preliminary agreement was signed.

Events after the reporting period

No events have taken place between the reporting date and the date of preparation of this report that could have a significant impact on the condensed interim consolidated financial statements at 30 June 2023.
The non-adjusting events after the reporting period include those described below.

Repurchases of treasury shares

As described earlier, the parent continued the treasury share repurchase programme up to 31 July 2023, the end date of the first tranche of the programme started by the board of directors on 15 May 2023, in accordance with the shareholders' resolution of 27 April 2023. Therefore, at the approval date of this report, the parent owns a total of 1,091,734 treasury shares, corresponding to 1.750% of the share capital.

Completed acquisition of Colmar Technik S.p.A.

Salcef Group S.p.A. closed the acquisition of 100% of Colmar Technik S.p.A. on 1 August 2023 after the conditions precedent in the preliminary agreement had been met and the due diligence had been successfully completed. The parties agreed on a consideration of €16.5 million without any price adjustment clauses or further conditions precedent.

Treasury share repurchase programme

At their ordinary meeting of 27 April 2023, the parent's shareholders authorised the board of directors to repurchase, including in more than one tranche, its ordinary shares. To execute the resolution, during its meeting on 15 May 2023, the board of directors approved the start of the new treasury share repurchase programme for the following purposes:

- use treasury shares for the 2021-2024 stock grant plan, the 2022-2025 stock grant plan, the 2023-2026 stock grant plan, the 2022-2023 performance share plan and the 2023-2024 performance share plan as well as any future incentive plans to motivate and retain employees, consultants and directors of the parent and subsidiaries and/or other parties that the board of directors may choose at its discretion;
- perform transactions like sales and/or exchanges of treasury shares to acquire direct or indirect equity investments and/or real estate and/or to reach agreements with strategic partners and/or to carry out business projects or corporate finance deals that fall within the parent's and the group's expansion goals;
- carry out transactions following the repurchase or sale of shares, within the limits dictated by market practices;
- perform, directly or via brokers, transactions to stabilise and/or support the liquidity of the parent's shares in accordance with market practices;
- set up an inventory of shares to be used for future one-off financing transactions;
- perform a medium- or long-term investment or in any case seize a good investment opportunity, even considering the risk and expected return of alternative investments, including purchasing and selling shares whenever appropriate;
- use excess liquid funds.

A maximum number of ordinary shares of the parent may be repurchased, in one or more tranches and even on a revolving basis, provided that the ordinary shares of the parent held at any time by the parent and its subsidiaries shall not cumulatively exceed 10% of the parent's share capital. The maximum outlay for the programme, assuming 300,000 treasury shares are repurchased, is €8 million. Pursuant to article 2357.1 of the Italian Civil Code, the repurchases of treasury shares must in case remain within the limits of distributable profits and available reserves as per the most recent set of approved financial statements at each transaction date.

The treasury shares were repurchased from May 2023 through 31 July 2023, in accordance with the terms and methods described above. The programme was completed on 31 July 2023 with the repurchases reaching the maximum limit of treasury shares.

2023-2026 stock grant plan

During their ordinary meeting on 27 April 2023, the shareholders approved the 2023-2026 stock grant plan for certain employees, including key management personnel, of the parent and Salcef Group companies and other beneficiaries in management positions that are considered important within the group context (the "stock grant plan"). The stock grant plan provides for the right to receive up to a maximum of 40,000 ordinary shares for free upon the achievement of previously determined performance objectives and after a certain vesting period.

The board of directors will be called to approve the start of the 2023-2026 stock grant plan, establishing its beneficiaries and the number of shares assigned to each.

2023-2024 performance share plan

During their ordinary meeting on 27 April 2023, the shareholders approved the 2023-2024 performance share plan for certain key management personnel of the parent and Salcef Group companies (the "performance share plan"). The performance share plan provides for the right to receive up to a maximum of 10,000 ordinary shares of the parent for free upon the achievement of previously determined performance objectives and after a certain vesting period.

The board of directors will be called to approve the start of the 2023-2024 stock grant plan, establishing its beneficiaries and the number of shares assigned to each.

Outlook

In the second half of 2023, the group will continue to operate in its sectors of interest (track works, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of prestressed vibrated reinforced concrete sleepers and other concrete products for use in the railway sector) in Italy and abroad in those countries where it already has a strong business footprint and its specialised plant and personnel have ensured efficient service for many years.

Public investment in the railway sector will remain robust in the second half of 2023, particularly in the geographical segments where the group has a base. In Italy, which is the group's main market, the Ferrovie dello Stato Group and most other railway, tram and metro infrastructure operators have all intensified their investment programmes for both new infrastructure and routine and extraordinary maintenance, as well as to upgrade existing infrastructure. In the first half of the year, bidding activities were very intense and the group expects to be awarded new contracts in the second half of 2023, given the operators' intentions to deploy the resources made available to them through investment plans like the National Recovery and Resilience Plan as soon as possible.

In 2023, the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., FVCF S.r.l. and Overail S.r.l. continue to mostly work in the domestic track works sector in line with the national master agreements for the renewal and maintenance of tracks and turnouts for the 2021-2023 three-year period for RFI S.p.A. for the lots in central and north-west Italy, as well as in southern Italy, following the acquisition of FVCF. The group has a multitude of other contracts for the maintenance and renewal of railway and urban lines in the same sector. It has work sites active in Lazio and, specifically, Rome, for projects assigned by Atac (the Rome public transport body) and Astral (Lazio roads authority). The group's largest work sites have been set up for: (i) renewal of the tracks on the Anagnina - Ottaviano section of Line A of the Rome Metro; (ii) extraordinary maintenance of the tram system tracks in Rome; and (iii) maintenance work on the Rome metro network and the urban railway lines in Lazio: Rome - Lido and Rome - Viterbo.

Other work sites carry out both maintenance projects and track renewal and extension projects for other customers in the track work sector in Italy: (i) projects for the maintenance and refurbishment of narrow gauge railway lines in Sardinia on behalf of ARST; (ii) routine and extraordinary maintenance of urban and regional lines managed by EAV, the Volturno independent authority); and (iii) numerous projects for the maintenance and extension of existing lines on behalf of Ferrovie Appulo-Lucane, Ferrovie della Calabria, TUA and Circumetnea.

Moreover, work is being carried out to prepare and kick off projects for new contracts acquired in the first half of the year, worth some €140 million. They include: (i) "revamping" work, extraordinary maintenance on the tracks of the lines owned by the Umbria Region for €70 million; (ii) the rail grinding contract (Lot 1: Central-North Lot) for €8 million, which confirms the growth of the order backlog of the new business unit as well; and (iii) new contracts awarded to the new subsidiary FVCF totalling €34 million.

The group also has foreign work sites active in the track works sector, some of which are managed by Salcef S.p.A.'s branches and others by the North American subsidiary Delta Railroad Construction and Bahnbau Nord GmbH with Salcef Bau GmbH in Germany.

In the United States, Delta Railroad Construction has a sizeable order backlog worth approximately USD136 million in the track works sector. Its largest contract is the construction of the Purple Line for the Maryland Transportation Authority, in addition to many other smaller contracts in other states. Its ongoing projects guarantee work for at least two years. The group has another operating company, Salcef Railroad Services, in the country, to develop other opportunities in the North American market.

Bahnbau Nord GmbH and Salcef Bau GmbH cover the north and central-south of Germany, respectively, and manage smaller work sites, mostly for track works and, to a lesser extent, civil works as part of the Heavy Civil Works business unit (renewal of railway bridges). Investments in the railway sector are expected to increase, driven by Deutsche Bahn's extraordinary ten-year plan.

Having completed projects, Salcef's operating branches in the United Arab Emirates and Saudi Arabia are currently focusing production on the post-completion maintenance provided for by contract.

In the future, Romania and Egypt will play a crucial role in bolstering the group's growth, both as work begins on the contracts already awarded and as additional business opportunities open up. With respect to the former, Salcef S.p.A. has an order backlog in Romania of over €270 million, including projects that it has acquired directly and those it has been awarded jointly with Webuild S.p.A.. All the contracts are with the state railway carrier of Romania for the upgrading of railways in Timișoara and Arad and the modernisation of Lots 3 and 4 of the Caransebeș – Timișoara – Arad line. Work will begin on all these projects in the second half of 2023, although production is expected to be minimal in 2023, especially for the railway line modernisation projects, before ramping up in subsequent years. In Egypt, the first half of 2023 saw Salcef S.p.A. win the contract to build the tracks in the northern section of the Green High-Speed Line, extending for a total of 600 km from Alexandria to Marsa Matruh. This is the first high speed line on the African continent. A joint venture of Orascom Construction S.A.E. and The Arab Contractors awarded the contract, and the initial work is expected to be carried out by the end of the year, while the project will be fully up and running in 2024.

The Energy, Signalling & Telecommunications BU has an order backlog of more than €260 million, on which Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.r.l. are working. This BU will have numerous active work sites in Italy, mostly set up for: (i) the renewal and maintenance of electrical traction systems on RFI's operating lines for various lots during the 2019-2021 three-year period; (ii) the maintenance of signalling systems and substations on RFI's operating lines for various lots during the 2019-2021 three-year period; (iii) work for Lot 3 of the project to develop ERTMS (European Rail Transport Management System) signalling systems in central Italy; and (iv) the renewal and maintenance of high and medium voltage overhead power lines in specific areas on behalf of Terna.

Overail S.r.l., the group company that produces reinforced concrete components, mainly railway sleepers which it customises to Italian customer requirements, commenced production of concrete slabs for ballastless tracks. This new product complements its existing product portfolio, which already included alternatives to ballasted tracks for metro lines. Overail's biggest contract is linked to the master agreement for the renewal of tracks and turnouts for RFI in central Italy in the 2021-2023 two-year period.

After acquiring a large new facility in the Terre Roveresche municipality (Pesaro-Urbino), near its original location in Fano, the subsidiary SRT S.r.l. will continue to mainly construct and maintain rolling stock for group companies as well as to build machinery for third parties. Its order backlog is worth about €8 million. In the second half of 2023, the product portfolio and projects of the Railway Machines business unit will flow into the newly acquired Colmar Technik S.p.A., specialised in the design and construction of railway machines.

This growth is supported by the key contracts in the portfolio of routine and extraordinary maintenance contracts for the Italian railway network, which are carried out by the Track & Light Civil Works and the Energy, Signalling & Telecommunications business units. It is also supported by the projects financed by the National Recovery and Resilience Plan, namely the construction of civil works and track works on the HS Verona - Padua line, the production of the US and German subsidiaries and the start-up of the new projects acquired in late 2022 and in the first half of 2023. Corporate finance deals have also contributed to this growth, with production volumes benefiting from the addition of Francesco Ventura Costruzioni Ferroviarie S.r.l. and the newly acquired Colmar Technik S.p.A..

Profitability is expected to continue in line with the first half of the year, considering the current inflationary trends in Europe.

Overall, in the absence of currently unforeseeable external events, the group does not expect its production capacity and profitability to be affected in the short-term, given the size and make up of the group's order backlog.

Key risks and uncertainties

The Salcef Group applies a risk management system geared towards integrating risk management into processes and the company culture, with the development of methods for the identification, assessment, management and mitigation of risks that could compromise its ability to implement strategies and achieve targets. The main financial risks to which the group is exposed are analysed below along with the related management methods.

Inflation and production cost risk

Like most of the operators in the public works construction and maintenance sector in Europe, the group is exposed to the risk of increases in the direct costs linked to the significant inflationary phenomena affecting Italy and the majority of the countries in the world. Specifically, the cost of labour, raw materials, semi-finished products and finished goods has jumped, as have the costs of subcontractors and other service providers. Furthermore, the effects of the conflict in Ukraine are dire in terms of increases in many production costs, particularly energy. Most of the contracts in the group's backlog do not include price revision clauses, although a series of legislative measures has been enacted in this respect in the past two years, particularly in Italy, the latest being the decree converted into Law no. 91 of 15 July 2022, which introduced price adjustment mechanisms for processing and supplies, not only for new contracts, but above all for contracts that had already been entered into by 2021, along with the 2023 Budget Act no. 197/22 which set out guidelines for adjusting prices for 2023.
The group has therefore partly offset the effects of the widespread increase in prices with the greater revenue from higher consideration, limiting the impact on consolidated profit margins.
The group has not yet experienced any production slowdowns due to shortages of materials, transporters and service providers.

Risk of the loss of qualifications and certifications

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

Interest rate risk

The group uses third party funding which mostly bears floating interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates is growing due to the upwards trend in rates which accelerated sharply 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 purpose of such interest rate swaps is solely to hedge interest rate risk; therefore, the group does not hold derivatives for speculative purposes.

Currency risk

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

Liquidity risk

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

Risk of changes in contract consideration

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

Credit risk

The parent and its subsidiaries monitor credit risk arising from the day-to-day performance of their normal activities. The group has not encountered significant cases of counterparty default.

Operational risks

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

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

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).

EMARKET SDIR CERTIFIED

03 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2023

Condensed interim consolidated financial statements at 30 June 2023

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2023	31.12.2022 restated (*)
Non-current assets			
Intangible assets with finite useful lives	1	20,053,094	21,583,417
Goodwill	2	96,825,980	98,484,694
Property, plant and equipment	3	204,627,248	194,829,294
Right-of-use assets	4	15,261,810	17,073,977
- of which, with related parties		*0*	*993,661*
Equity-accounted investments	5	135,643	135,643
Other non-current assets	6	25,393,102	25,112,368
- of which, with related parties		*1,526,853*	*1,526,853*
Deferred tax assets	7	23,540,517	25,452,686
Total non-current assets		**385,837,394**	**382,672,079**
Current assets			
Inventories	8	33,100,933	29,764,667
Contract assets	9	185,811,691	156,033,743
Trade receivables	10	120,834,472	140,505,148
- of which, with related parties		*14,068,496*	*11,609,934*
Current tax assets	11	2,058,524	4,167,579
Current financial assets	12	145,055,158	148,643,040
Cash and cash equivalents	13	117,183,055	135,245,724
Other current assets	14	42,252,671	35,333,090
Assets held for sale		0	2,529,499
Total current assets		**646,296,504**	**652,222,490**
TOTAL ASSETS		**1,032,133,898**	**1,034,894,569**

LIABILITIES	Note	30.06.2023	31.12.2022 restated (*)
Equity attributable to the owners of the parent			
Share capital		141,544,532	141,544,532
Other reserves		256,464,164	252,475,698
Profit for the period/year		31,030,589	45,190,464
Total equity attributable to the owners of the parent		**429,039,285**	**439,210,694**
Share capital and reserves attributable to non-controlling interests		2,650,300	2,348,332
Profit for the period/year attributable to non-controlling interests		83,824	302,068
TOTAL EQUITY	**15**	**431,773,409**	**441,861,094**
Non-current liabilities			
Non-current financial liabilities	16	142,812,361	119,211,190
Lease liabilities	4-16	9,174,202	10,428,864
- of which, with related parties		*0*	*727,379*
Employee benefits	17	3,698,421	6,678,524
Provisions for risks and charges	18	3,867,603	2,357,957
Deferred tax liabilities	7	7,525,673	8,809,255
Other non-current liabilities	21	2,295,412	4,266,809
Total non-current liabilities		**169,373,672**	**151,752,599**
Current liabilities			
Bank loans and borrowings	16	0	4,064,734
Current financial liabilities	16	89,249,718	89,263,299
Current portion of lease liabilities	4-16	5,284,677	5,387,527
- of which, with related parties		*0*	*342,844*
Current employee benefits	17	869,013	1,127,387
Contract liabilities	9	45,618,175	77,763,713
Trade payables	19	228,191,963	218,281,916
- of which, with related parties		*1,129,010*	*460,002*
Current tax liabilities	20	15,511,465	8,085,187
Other current liabilities	21	46,261,806	36,035,410
Liabilities directly associated with assets held for sale		0	1,271,703
Total current liabilities		**430,986,817**	**441,280,876**
TOTAL LIABILITIES		**600,360,489**	**593,033,475**
TOTAL EQUITY AND LIABILITIES		**1,032,133,898**	**1,034,894,569**

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation procedure for the acquisition of the PSC BU. Reference should be made to note 34 for additional details.

INCOME STATEMENT

	Note	1H 2023	1H 2022 restated (*)
Revenue from contracts with customers		356,431,991	226,695,188
- of which, with related parties		*8,513,181*	*842,545*
Other income		5,192,976	3,774,711
Total revenue	**22**	**361,624,967**	**230,469,899**
Raw materials, supplies and goods	23	(90,598,286)	(51,614,940)
- of which, with related parties		(49,843)	0
Services	24	(134,298,496)	(86,485,629)
- of which, with related parties		*(368,186)*	(141,471)
Personnel expense	25	(69,937,810)	(51,760,730)
Amortisation, depreciation and impairment losses	26	(24,377,353)	(16,952,962)
Impairment losses	27	(966,150)	(83,137)
Other operating costs	28	(7,415,333)	(5,375,065)
Internal work capitalised	29	14,430,736	11,023,194
Total costs		**(313,162,692) -**	**201,249,269**
Operating profit		**48,462,275**	**29,220,630**
Financial income	30	4,221,097	3,018,064
Financial expense	30	(6,628,976) -	9,607,452
- of which, with related parties		*(20,259) -*	*29,110*
Pre-tax profit		**46,054,396**	**22,631,242**
Income taxes	7	(14,939,983) -	9,094,899
Profit for the period		**31,114,413**	**13,536,343**
Profit for the period attributable to:			
Non-controlling interests		83,824 -	28,388
Owners of the parent		31,030,589	13,564,731
Earnings per share:			
Basic earnings per share	35	0.50	0
Diluted earnings per share	35	0.50	0

STATEMENT OF COMPREHENSIVE INCOME

	Note	1H 2023	1H 2022 restated (*)
Profit for the period		**31,114,413**	**13,536,343**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	17	(247)	166,628
Net fair value gains/(losses) on securities measured at FVOCI	12	80,512	-
Related tax	7	(19,253) -	47,189
Total		**61,012**	**119,439**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	12	(689,307)	661,162
Related tax	7	165,434 -	158,679
Net exchange gains/(losses)		(1,417,374)	1,877,301
Total		**(1,941,247)**	**2,379,784**
Other comprehensive income (expense), net of tax		**(1,880,235)**	**2,499,223**
Comprehensive income		**29,234,178**	**16,035,566**
Attributable to:			
Non-controlling interests		83,824 -	28,388
Owners of the parent		29,150,354	16,063,954

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation procedure for the acquisition of the PSC BU. Reference should be made to note 34 for additional details.

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Retained earnings	Profit for the period	Equity att. to non-controlling interests	Equity
Balance at 1 January 2022		**141,544,532**	**154,840,919**	**(6,483,130)**	**(261,078)**	**(1,609,247)**	**(2,747,360)**	**94,682,868**	**39,070,532**	**2,334,832**	**421,372,868**
Profit for the period									13,564,731	(28,388)	13,536,343
Other comprehensive income					119,439	502,483	1,877,301				2,499,223
Comprehensive income		**-**	**-**	**-**	**119,439**	**502,483**	**1,877,301**	**-**	**13,564,731**	**(28,388)**	**16,035,566**
Allocation of prior year profit			1,665,045					37,405,487	(39,070,532)		-
Dividend distribution								(28,474,765)			(28,474,765)
Stock grants			80,241								80,241
Other variations/reclassifications											-
Total owner transactions		**-**	**1,745,286**	**-**	**-**	**-**	**-**	**8,930,722**	**(39,070,532)**	**-**	**(28,394,524)**
Balance at 30 June 2022	**15**	**141,544,532**	**156,586,205**	**(6,483,130)**	**(141,639)**	**(1,106,764)**	**(870,059)**	**103,613,590**	**13,564,731**	**2,306,444**	**409,013,910**

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Retained earnings	Profit for the period	Equity att. to non-controlling interests	Equity
Balance at 1 January 2023 restated (*)		**141,544,532**	**156,631,364**	**(7,179,001)**	**(155,089)**	**2,035,982**	**(2,471,148)**	**103,613,590**	**45,190,464**	**2,650,400**	**441,861,094**
Profit for the year									31,030,589	83,824	31,114,413
Other comprehensive expense			61,189		(177)	(523,873)	(1,417,374)				(1,880,235)
Comprehensive income		**-**	**61,189**	**-**	**(177)**	**(523,873)**	**(1,417,374)**	**-**	**31,030,589**	**83,824**	**29,234,178**
Allocation of prior year profit			1,801,626					43,388,838	(45,190,464)		-
Dividend distribution								(30,800,832)			(30,800,832)
Repurchase of treasury shares				(8,555,069)							(8,555,069)
Assignment of instalment 1 of the 2021-2024 stock grant plan			(184,001)	104,485							(79,516)
Provision for stock grant plans			113,653								113,653
Other variations/reclassifications										(100)	(100)
Total owner transactions		**-**	**1,731,279**	**(8,450,584)**	**-**	**-**	**-**	**12,588,007**	**(45,190,464)**	**(100)**	**(39,321,863)**
Balance at 30 June 2023	**15**	**141,544,532**	**158,423,832**	**(15,629,585)**	**(155,266)**	**1,512,109**	**(3,888,522)**	**116,201,597**	**31,030,589**	**2,734,124**	**431,773,409**

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation procedure for the acquisition of the PSC BU. Reference should be made to note 34 for additional details.

STATEMENT OF CASH FLOWS

		Note	1H 2023	1H 2022 restated (**)
	Profit for the period		**31,114,413**	**13,536,345**
	Amortisation and depreciation		24,377,353	16,952,962
	Impairment losses		966,150	83,137
	Net financial expense		2,407,879	6,589,388
	Net gains on the disposal of property, plant and equipment		(112,266)	(1,513,857)
	Other adjustments for non-monetary items		3,032,977	258,706
	Accruals/(Utilisations)		3,021,485	(768,633)
	Income taxes		14,939,982	9,094,898
(A)	**Cash flows from operating activities before changes in working capital**		**79,747,973**	**44,232,944**
	(Increase) / decrease in inventories		(3,336,266)	(2,840,057)
	(Increase) / decrease in contract assets/liabilities		(61,923,485)	(37,460,042)
	(Increase) / decrease in trade receivables		18,234,580	25,682,973
	Increase / (decrease) in trade payables		9,910,047	18,080,909
	(Increase) / decrease in other current and non-current assets		(9,887,543)	(2,541,712)
	Increase / (decrease) in other current and non-current liabilities		3,741,564	3,792,924
(B)	**Changes in working capital**		**(43,261,102)**	**4,714,995**
	Cash flows generated by operating activities (A+B)		**36,486,871**	**48,947,939**
	Interest paid		(5,660,465)	(974,453)
	Income taxes paid		(1,012,303)	(1,913,106)
(C)	**Cash flows generated by operating activities (A+B)**		**29,814,103**	**46,060,380**
	Investing activities			
	Interest collected		272,634	61,426
	Investments in intangible assets		(1,207,512)	(2,027,221)
	Acquisition of property, plant and equipment		(29,660,897)	(37,854,976)
	Investments in securities and other financial assets		(1,818,000)	(25,129,554)
	Proceeds from the sale of property, plant and equipment		2,827,356	7,109,746
	Proceeds from the sale of current securities and other financial assets		10,029,498	0
	Acquisition/sale of subsidiaries net of cash acquired		1,225,014	(24,613,554)
	Exchange differences		(587,948)	(977,124)
(D)	**Cash flows used in investing activities**		**(18,919,855)**	**(83,431,257)**
	Financing activities			
	Disbursement of loans		88,267,072	54,173,852
	Repayment of loans		(70,373,440)	(28,060,296)
	Repayment of lease liabilities		(3,429,915)	(3,675,809)
	Change in other financial liabilities		0	6,396,278
	Repurchase of treasury shares		(8,555,069)	0
	Dividends distributed		(30,800,832)	(28,474,765)
(E)	**Cash flows generated by (used in) financing activities**		**(24,892,183)**	**359,260**
(F)	**Net change in cash and cash equivalents (C+D+E)**		**(13,997,935)**	**(37,011,617)**
(*)	**Opening cash and cash equivalents**		**131,180,990**	**166,175,877**
	Net change in cash and cash equivalents		(13,997,935)	(37,011,617)
(*)	**Closing cash and cash equivalents**	**13-16**	**117,183,055**	**129,164,260**

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

(**) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation procedure for the acquisition of the PSC BU. Reference should be made to note 34 for additional details.

Notes to the condensed interim consolidated financial statements at 30 June 2023

General information on the reporting entity

Salcef Group S.p.A. (the "parent") is a company limited by shares with registered office in Rome (Italy) in Via Salaria 1027. It is the parent of a group of specialist companies active in the design, construction and maintenance of systems for railway infrastructure and tram and metro networks in Italy and abroad.
The parent's ordinary shares are listed on the Euronext STAR Milan segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A..

These condensed interim consolidated financial statements at 30 June 2023 include the interim financial statements of the parent and its subsidiaries (collectively, the "Salcef Group" or the "group") and have been prepared pursuant to article 154-ter.2 of Legislative decree no. 58 of 24 February 1998 (the Consolidated finance act) as amended and supplemented, and in compliance with IAS 34 - Interim financial reporting.
Salcef Group S.p.A.'s board of directors approved the condensed interim consolidated financial statements at 30 June 2023 and authorised them for publication on 3 August 2023.

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

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

Basis of preparation and compliance with the IFRS

The condensed interim consolidated financial statements at 30 June 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.

Specifically, the condensed interim consolidated financial statements have been prepared in compliance with IAS 34 - Interim financial reporting. As they do not include all disclosures required for annual financial statements, they should be read in conjunction with the financial statements as at and for the year ended 31 December 2022 available at the parent's registered office and at www.salcef.com, on the Investor Relations / Financial reports page.

Although they do not include all disclosures required for a full set of financial statements, they include specific notes to explain the events and transactions relevant to understanding the variations in the group's financial position and performance since the last annual financial statements. The layouts of the financial schedules are the same as those used in the annual consolidated financial statements.

Basis of presentation

The condensed interim consolidated financial statements at 30 June 2023 comprise an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows and these notes.

The group opted to present assets and liabilities as current or non-current and to present the income statement items based on their nature. This approach is consistent with the 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 considering the group's business segment.

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.

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

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

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

Note 33 provides information and details of related party transactions.

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

The comparative figures in the financial schedules and certain tables of the notes have been restated, where necessary, to retrospectively reflect the effects of the purchase price allocation (PPA) procedure for the acquisition of the railway business unit from Gruppo PSC S.p.A. ("PSC BU"), in accordance with the applicable reporting standards. The effects of this restatement are detailed in note 34.

Accounting policies

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

The group has prepared the condensed interim consolidated financial statements at 30 June 2023 on a going concern basis and they 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 condensed interim consolidated financial statements at 30 June 2023 have been prepared by consolidating the parent's separate interim financial statements at the same date and those of the Italian and foreign companies that it directly or indirectly controls.

The group exercises control when it 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 condensed interim consolidated financial statements from the date on which control commences until the date on which control ceases. The interim financial statements of the consolidated companies prepared for consolidation purposes have been suitably adjusted and reclassified to comply with group accounting policies, as detailed below.

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

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

Consolidation scope at 30 June 2023

	REGISTERED OFFICE	CURRENCY	Share/quota capital/ consortium fund	Investment percentage		Method
				Indirect	Direct	
Subsidiaries						
Salcef S.p.A.	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	100%		Consolidation
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000		100%	Consolidation
Salcef Railroad Services Inc.	Wilmington (DE) - USA	USD	10,000	100%		Consolidation
Delta Railroad Construction Inc.	Ashtabula (Ohio) - USA	USD	109,640	90%		Consolidation
Deltarr Holding Company, Corp.	Ashtabula (Ohio) - USA	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) - USA	USD	-	50.00%		Proportionate consolidation
Railworks/Delta A Joint Venture	New York (NY) - USA	USD	-	45.00%		Proportionate consolidation
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	Euro	10,000	47.68%		Equity
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	Euro	500,000	25.00%		Equity
A.F.A.I. Armamento per la Ferrovia Alifana Inferiore S.c. a r.l.	Naples - Italy	Euro	20,000	15%		Equity
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity

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 half of 2023, are as follows: (i) the sale of Kampfmittelräumung Nord GmbH (a subsidiary indirectly held through Salcef Deutschland GmbH) whose assets had been classified as held for sale and liabilities as directly associated with assets held for sale at 31 December 2022 in accordance with IFRS 5; and (ii) the establishment of the new subsidiary Salcef Nordic AS in Oslo (Norway).

The consolidation process is as follows:

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

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

- investments in associates and joint arrangements are measured using the equity method, whereby their carrying amount is adjusted to consider the following:
    - consistency with group accounting policies, where necessary;
    - the investor's share of the investee's profit or loss realised after its acquisition;
    - changes in the investee's equity that are not recognised in profit or loss under the IFRS;
    - dividends distributed by the investee;
    - any differences identified upon acquisition (measured using the criteria set out in the Business combinations section) and recognised in accordance with the IFRS;
    - the group's share of equity-accounted investees' profit or loss is recognised in the income statement.

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

Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group.
The consideration transferred in the business combination is measured at fair value, which is the sum of the fair values of the assets acquired and the liabilities assumed at the acquisition date.
Contingent consideration, considered part of the transaction price, is measured at its acquisition-date fair value and the obligation to pay contingent consideration is classified as other current or non-current financial liabilities.

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships, which are generally recognised in profit or loss.
If the fair value of the assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised on the basis of such provisional amounts. Any adjustments arising from the completion of the measurement process are recognised within 12 months of the acquisition date.

Loss of control

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

Translation of foreign currency items and financial statements

Transactions in foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are generally recognised in profit or loss and presented within net financial income/(expense).
However, exchange differences arising from the translation of the following items are recognised in other comprehensive income:

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

Foreign operations

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on acquisition, are translated into Euros at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euros at the average exchange rates of the 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 at 30 June 2023

CURRENCY	Code	30.06.2023	
		Spot closing rate	Average rate
Egyptian lira	EGP	33.5743	32.8841
Romanian leu	RON	4.9635	4.9342
UAE dirham	AED	3.9905	3.9687
US dollar	USD	1.0866	1.0807
Saudi riyal	SAR	4.0748	4.0525
Norwegian krone	NOK	11.7040	11.3195
Swiss franc	CHF	0.9788	0.9856
Australian dollar	AUD	1.6398	1.5989

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 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 30 June 2023.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and any costs of dismantling and removing the asset and restoring the site on which it was located.
Subsequent expenditure is recognised in the carrying amount of property, plant and equipment only if it is probable that the future economic benefits associated with the expenditure will flow to the group. Costs incurred for regular maintenance are expensed when incurred.
Items of property, plant and equipment are depreciated systematically over their useful life. When the depreciable asset comprises separately identifiable parts, with different useful lives, they are depreciated separately using the component approach.
Land, including appurtenance land, is not depreciated.
The group reviews the depreciation criteria and useful lives at least at each annual reporting date to incorporate any significant changes.
Depreciation starts when the asset is available for use. The following table shows the estimated useful lives of the various asset categories, shown as annual depreciation rates:

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

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

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

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

Right-of-use assets and lease liabilities

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

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested at least annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised.

Inventories

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

Revenue from contracts with customers and contract assets/liabilities

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

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

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

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

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

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

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

Financial assets and liabilities

Measurement and recognition

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

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

Financial assets - classification and subsequent measurement

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

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

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

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

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

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

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

and interest on the principal amount outstanding.

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

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

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

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

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

Financial liabilities – classification and subsequent measurement

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

Financial assets – derecognition

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

Financial liabilities – derecognition

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

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

Offsetting

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

Financial instruments, derivatives and hedge accounting

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

Hedging policies are considered on the basis of risk management objectives. The derivatives that do not meet the IFRS 9 requirements for hedge accounting are classified as at FVTPL.

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

Cash and cash equivalents

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

Impairment losses on financial assets

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

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

This is based on a forward-looking expected credit losses (ECL) model. Indeed, irrespective of an identified or latent specific trigger event, the expected losses determined under the ECL model shall be recognised for all financial assets (except for those measured at FVTPL). An impairment model based on the simplified approach permitted by IFRS 9 has been implemented for trade receivables. Specifically, they are divided into similar clusters based on the type of receivable, the customer's credit rating and the related geographical segment. To calculate the lifetime expected credit losses, the reference parameters (probability of default - PD, loss given default - LGD and exposure at default - EAD) were subsequently determined for each grouping based on the information obtained. For receivables due from customers with a high credit risk (speculative grade, non-investment grade or high yield) and/or with significant delays in payment, individual impairment losses are recognised in line with the parameters identified from time to time. For the other assets to be impaired, analyses were performed based on the general approach provided for by the standard, whereby a stage allocation was performed for the impaired items estimating the expected losses with the PD, LGD and EAD risk parameters. In this regard, the parent uses the low credit risk exemption provided for in the standard whereby low-risk receivables (investment grade) are allocated directly to stage 1.

Equity

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

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

Employee benefits

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The group determines the net interest cost (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 cost 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 the 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 consolidated company at the rates enacted at the reporting date. They are shown net of payments on account, withholdings and tax assets as current tax liabilities if the balance is negative, or as current tax assets if the balance is positive.

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (corporate income tax).

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

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

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

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

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

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

Earnings per share

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

Fair value measurement

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

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

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

Share-based payments

In share-based payment transactions settled with equity instruments of the group companies, 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 cost 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 company and the employee accept the share-based payment agreement, acknowledging its terms and conditions.

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

Non-current assets held for sale and discontinued operations

Non-current assets, disposal groups and discontinued operations, whose carrying amount will be recovered mainly through their sale rather than continuing use, are classified as held for sale and are recognised separately from other assets and liabilities in two specific statement of financial position items (i.e., assets held for sale and liabilities directly associated with assets held for sale).

A disposal group is a group of assets and directly associated liabilities to be disposed of together as a group in a single transaction. A discontinued operation is a component of the group (e.g., a major line of business or geographical area of operation) that is part of a single co-ordinated plan to dispose of such line of business or area of operation or is a subsidiary acquired exclusively with a view to resale. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable within one year. If these criteria are met after the reporting period, the non-current asset (or disposal group) is not classified as held for sale. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, disclosure shall be provided in the notes.

Non-current assets, disposal groups and discontinued operations are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. The prior year corresponding figures are not reclassified. Any difference is recognised as an impairment loss in profit or loss.

The group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Those assets and liabilities are not offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale are disclosed in the notes. The group presents separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

The group does not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior years presented for comparative purposes.

The post-tax profits or losses of discontinued operations and any post-tax gains/losses realised on disposal are presented separately in a specific caption of the statement of profit or loss (profit (loss) from discontinued operations). The prior year corresponding figures are reclassified accordingly.

Operating segments

The Salcef Group has a single operating segment identified in accordance with IFRS 8 - Operating segments, which requires that segment information be reported consistently with the management approach used to make operating decisions. Consequently, the operating segment was identified based on the internal reporting system used by management to make resource-allocation decisions and to assess performance. Specifically, the Salcef Group's operations comprise the supply of specialist integrated products and services in the construction, upgrade and maintenance of railway infrastructure with all-round expertise in the infrastructure and technology aspects.

From a strategic and organisational point of view, the group's chief operating decision maker plans the medium/long-term strategic objectives for the railway sector consistently, takes resource-allocation decisions and monitors the results. In this respect, the group has a single chief operation officer (reporting directly to the CEO) who is responsible for defining the strategic lines, including new investments, the operating activities for the entire production chain and managing the business units. The group also has a single chief commercial officer who is responsible for the commercial management of all group companies and business units and for overseeing the entire commercial and development process both in Italy and abroad.

The group's business units represent the operating divisions which manage the main stages of the production process, which consist of the operational design, production and supply of railway materials (e.g., sleepers and prefabricated systems), the construction of machinery (e.g., track-laying trains and rolling stock) and the construction and maintenance of tracks, the related infrastructure works and electrical traction systems. These operating divisions all contribute to the provision of integrated services for the construction and maintenance of railway infrastructure and, therefore, have similar economic characteristics in terms of customer type (mainly national and foreign railway infrastructure operators), the nature of their products and services (integrated solutions for the renewal, maintenance and construction of railway infrastructure), the related production processes, the reference regulatory context and the methods used to develop these products/services. Although the revenue and profit margins of each operating division are calculated and periodically reviewed by group management, these actions are carried out to monitor the performance of the common strategy defined by the entity's chief operating decision maker.

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

Changes in accounting policies, errors and changes in accounting estimates

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

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

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

Application of a new or amended IFRS is recognised as required by the standard. If the standard does not include specific transitional provisions, the change is recognised retrospectively or, if impracticable, prospectively. The group treats material errors in the same manner as changes in accounting policies described above. Immaterial errors are corrected in profit or loss in the year in which the error is identified. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in the period of the change if the change affects that period only, or the period of the change and future periods, if the change affects both.

Use of estimates

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

- Goodwill: goodwill is tested for impairment annually (or more frequently if there are impairment indicators) in order to determine whether an impairment loss is to be recognised in profit or loss. Specifically, impairment testing involves determining the recoverable amount of the CGUs to which goodwill is allocated by estimating their value in use or fair value less costs to sell. Calculating the recoverable amount of the CGUs involves the use of estimates that depend on factors that may change over time, with potentially significant effects on the valuations made by management.
- Contract assets and contract liabilities: in measuring contract assets and liabilities, the group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the actual progress of the work performed. Furthermore, any additional consideration for variations, price revisions, incentives and claims above those contractually agreed are estimated, as well as the 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 condensed interim consolidated financial statements at the acquisition-date

fair value, based on a purchase price allocation procedure. During the measurement period, management calculates these fair values based on estimates according to the information available on all facts and circumstances that existed as of the acquisition date that would have affected the measurement of the amounts recognised as of that date.

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

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

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

The standards, amendments and interpretations endorsed by the European Commission and effective from 1 January 2023 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 Amendments to IFRS 17): the new standard became effective and replaced 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 starting from 1 January 2023 did not have any material impacts on these condensed interim consolidated financial statements.

Furthermore, at the date of approval of these condensed interim consolidated financial statements, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the group will adopt in subsequent years, if applicable. In addition, other standards and amendments to existing standards issued by the IASB or new interpretations issued by the IFRIC are currently undergoing the EU endorsement process. These new standards, amendments and interpretations are summarised below:

- Classification of liabilities as current or non-current (Amendments to IAS 1), published in 2020 and clarifying the requirements for the classification of liabilities as current or non-current. The IASB subsequently proposed additional amendments to IAS 1 and postponed the effective date of the amendments published in 2020 to 1 January 2024.

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

Notes to the main statement of financial position captions

ASSETS

NON-CURRENT ASSETS

1 Intangible assets with finite useful lives

Intangible assets with finite useful lives amount to €20,054 thousand, compared to €21,583 thousand at 31 December 2022. This caption and changes in the period are analysed in the table below:

(€'000)

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Costs to fulfil contracts	Other intangible assets from business combinations	Assets under development	TOTAL
Balance at 31 December 2022:							
Cost	2,444	637	16,898	2,210	5,049	5,269	32,507
Accumulated amortisation	(1,567)	(586)	(7,328)	(253)	(1,190)		(10,923)
Carrying amount at 31 December 2022	**877**	**51**	**9,571**	**1,957**	**3,859**	**5,269**	**21,583**
Investments - Historical cost	118	6	69			1,015	1,208
Disposals - Historical cost		(3)					(3)
Other variations - Historical cost			(24)				(24)
Reclassifications - Historical cost	1	0	1,403			(1,404)	0
Exchange differences - Historical cost	(4)	1	1			1	(1)
Amortisation	(183)	(6)	(1,430)	(335)	(1,051)		(3,004)
Disposals - Acc. amortisation							0
Other variations - Acc. amortisation	44		251				295
Reclassifications - Acc. amortisation							0
Exchange differences - Acc. amortisation							0
Balance at 30 June 2023:							
Cost	2,559	642	18,347	2,210	5,049	4,881	33,687
Accumulated amortisation	(1,705)	(592)	(8,507)	(588)	(2,241)		(13,633)
Carrying amount at 30 June 2023	**853**	**50**	**9,840**	**1,622**	**2,808**	**4,881**	**20,054**

Industrial patents and intellectual property rights of €853 thousand mainly consist of the industrial patents acquired by SRT S.r.l. for railway technologies (€325 thousand), intellectual property rights and patents held by Overail S.r.l. (€31 thousand), the software user licences acquired mainly by Salcef S.p.A., Euro Ferroviaria S.r.l., SRT S.r.l. and RECO S.r.l. (€258 thousand) and intellectual property rights of Delta Railway Construction Inc. and Salcef Deutschland GmbH (€6 thousand).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€44 thousand).

Other mainly consists of costs incurred internally by SRT S.r.l. to design new railway machinery (€3,572 thousand), the development costs of the subsidiary FVCF as a result of its acquisition in December 2022 (€5,548 thousand) and costs incurred to obtain the certifications and attestations for the group to perform its activities, such as the SOA and occupational safety certifications (€19 thousand), which are amortised over the term of such certifications and attestations.

Assets under development and payments on account include costs incurred internally by SRT S.r.l. to design new railway machinery (€3,455 thousand) and by Overail S.r.l. to develop railway materials and acquire the related patents (€1,425 thousand). The decreases in the period refer to projects that were completed.
Costs to fulfil contracts of €1,622 thousand refer to the pre-operating costs incurred by the subsidiary Salcef S.p.A. to build the tracks and other works for the work site of the "HS Verona-Padua (lot 1)" contract in order to begin the contract work.
Other intangible assets from business combinations consist of amounts recognised during the PPA procedure which cannot be classified in any other category of intangible assets indicated above. In particular, the balance at 30 June 2023 and the restated balance at 31 December 2022 include the amount of the order backlog (net of subsequent amortisation and depreciation) recognised when the acquired assets and assumed liabilities of the PSC BU were recognised. Reference should be made to note 34 for information on the accounting treatment of this business combination.

2 Goodwill

(€'000)

	30.06.2023	31.12.2022	Variation
Carrying amount	96,826	98,484	(1,658)
Total	**96,826**	**98,484**	**(1,658)**

At the reporting date, this caption amounts to €96,826 thousand (31 December 2022: €98,485 thousand) and includes goodwill recognised on the acquisition of businesses or business units.
With respect to the acquisition of business units, the following goodwill exists (by acquisition period):

- €423 thousand on the acquisition of the track works business unit in 2002;
- €682 thousand on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand on the acquisition of the electrical traction business unit in 2008;
- €242 thousand on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand for the 2015 acquisition of a business unit from Tuzi Costruzioni Generali S.p.A., active in the track works, construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. (now named Overail S.r.l.) in 2017 (€392 thousand) and on the difference between the cost incurred by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the consolidation date (€521 thousand);
- €6,630 thousand arising on the acquisition of the investments in Salcef Bau GmbH (in 2018) and the

Salcef Deutschland Group (in 2021);

- €7,082 thousand arising in 2019 on the acquisition of the investment in Coget Impianti S.p.A. (now Coget Impianti S.r.l.) following the PPA procedure which the group completed in 2020;
- €25,547 thousand arising on the 2020 acquisition of the investment in Delta Railroad Construction Inc. by the subsidiary Salcef USA Inc. following the purchase price allocation procedure which the group completed in 2021;
- €21,041 thousand arising on the 2022 acquisition of the PSC BU. The goodwill recognised at 30 June 2023 relates to the purchase price allocation procedure which the group completed in the first half of 2023 and which is detailed in note 34.
- €32,951 thousand arising on the acquisition in late 2022 of Francesco Ventura Costruzioni Ferroviarie S.r.l., which operates in the track works sector mostly in southern Italy. The goodwill was determined by comparing the consideration paid by the group (through Salcef Group S.p.A.) to acquire the entire quota capital of FVCF with the carrying amount of the net assets acquired. The entire difference was allocated to goodwill in accordance with IFRS 3, recognising the provisional amounts of the transaction as permitted by paragraph 45 and subsequent paragraphs of IFRS 3.

At 31 December 2022, the group conducted impairment testing on the CGUs to which the goodwill was allocated, and no impairment was found. Specifically, all the aforementioned goodwill was allocated to the CGUs reported in the table below. To better appreciate the effects of the purchase price allocation procedure described above, the comparative figures at 31 December 2022 are presented before the restatement, indicating the effects of the restatement in the footnotes.

(€'000)

	30.06.2023	31.12.2022	Variation
Track works	34,540	35,720	(1,180)
Salcef Deutschland	6,630	6,630	0
Delta Railroad Construction Inc.	25,546	26,025	(479)
Energy, signalling and telecommunications	28,955	31,880	(2,925)
Design	242	242	0
Railway materials	913	913	0
Total	**96,826**	**101,410**	**(4,584)**
Restatement		(2,925)	
Restated amount		**98,485**	

The variation of -€4,584 thousand from the pre-restatement balance at 31 December 2022 is due to: the effects of the purchase price allocation procedure (-€2,925 thousand), as detailed in note 34; exchange differences of -€479 thousand; and goodwill arising from the acquisition of FVCF of -€1,180 thousand, which reflects the adjustments in the reporting period to the consideration transferred and the net acquired assets.

At 31 December 2022, the above goodwill was tested for impairment by determining the value in use of the aforementioned CGUs applying the discounted cash flow (DCF) method to the estimated cash flows for the current three-year period (2023-2025), based on the CGUs' forward-looking financial figures, to which a WACC of 8.92% was applied for the track works, energy and signalling, railway materials and design CGUs, a WACC of 6.79% was applied for the Salcef Deutschland CGU and a WACC of 8.43% was applied for the Delta Railroad Construction Inc. CGU.

The operating cash flows considered for the impairment test were taken from the forward-looking financial figures in the 2022-2024 plan approved by Salcef Group S.p.A.'s board of directors. In addition, estimated cash flows for the third year of the explicit forecast period (2025) were determined on the basis of the performance that can be inferred from the 2022-2024 plan.

The discount rate was estimated as follows:

- the risk free rate was determined to be equal to the average yield over the past six months on ten-year government securities: 3.9% for Italy (the country where the track works, energy, signalling and telecommunications, design and railway materials CGUs operate), 1.7% for Germany (the country where the Salcef Deutschland CGU operates) and 3.5% for the United States (the country where the Delta Railroad Construction Inc. CGU operates);
- the equity risk premium was 5.5%;
- levered beta of 0.84 for Italy, 0.82 for Germany and 0.83 for the US was determined considering a sample of listed companies operating in the same sector as the group;
- the additional risk premium was 3.1%.

The cost of debt was estimated to be 4.5% for Italy, 2.6% for Germany and 4.0% for the United States, plus a specific spread (2%) based on an analysis of the credit spreads of a sample of comparable companies.
The terminal value was calculated using the perpetuity formula.
An average nominal growth rate of cash flows available after the explicit period and perpetually (g-rate) of 1.5% was used to determine the terminal value. The value in use thus calculated was compared with the carrying amount of the net invested operating capital of the same CGUs, including goodwill. The results of the impairment test were higher than the CGUs' carrying amount. A sensitivity analysis, with different parameters than those used for the impairment test, was performed considering a reduction in the g-rate and an increase in the WACC. Once again in this case, the analysis showed that impairment losses would not be generated.

At 30 June 2023, considering the actual results, the cash-generating units were not tested for impairment as there were no impairment indicators.

3 Property, plant and equipment

This caption mainly consists of plant and machinery used in production.

The following table shows a breakdown of the caption and changes of the period:

(€'000)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2022:						
Historical cost	24,955	308,030	18,752	13,867	40,117	405,722
Accumulated depreciation	(3,010)	(184,138)	(16,108)	(7,638)	-	(210,893)
Carrying amount at 31 December 2022	**21,945**	**123,892**	**2,644**	**6,230**	**40,117**	**194,829**
Investments - Historical cost	6,925	13,132	582	825	8,197	29,661
Disposals - Historical cost		(3,830)	(83)	(629)	(12)	(4,554)
Reclassifications - Historical cost	6,730	6,502	4	697	(13,934)	0
Impairment losses - Historical cost						0
Changes in the consolidation scope						0
Exchange differences - Historical cost	(74)	(200)	(15)	(124)		(414)
Other variations - Historical cost	(706)		(293)	325	286	(389)
Depreciation	(413)	(15,531)	(776)	(843)		(17,563)
Disposals - Acc. depreciation		1,367	81	391		1,839
Reclassifications - Acc. depreciation						0
Impairment losses - Acc. depreciation						0
Changes in the consolidation scope						0
Exchange differences - Acc. depreciation	8	675	6	63		753
Other variations - Acc. depreciation	300	166				466
Balance at 30 June 2023:						
Historical cost	37,829	323,634	18,946	14,961	34,655	430,025
Accumulated depreciation	(3,113)	(197,461)	(16,797)	(8,027)	-	(225,398)
Carrying amount at 30 June 2023	**34,716**	**126,174**	**2,149**	**6,934**	**34,655**	**204,627**

The increases in property, plant and equipment in the half year include the purchase of the property in Rome, where the group has had its administrative offices since January 2023. They also include the costs incurred to renovate the building (classified as assets under construction until 31 December 2022), which were reclassified to their respective asset captions and depreciated following their placement in service. The other increases in the first half of 2023, particularly for plant and machinery, are part of the major investment plan in property, plant and equipment implemented by the Salcef Group. Most of the investments are eligible for the tax benefits introduced by the Industry 4.0 legislation. On the other hand, the decreases at 30 June 2023, relate to assets that are no longer used in production or relevant to the group's activities.

Land and buildings mainly include: (i) the new building purchased by the Salcef Group, used as the group's headquarters (€14,448 thousand, including renovation costs; of which €2,358 thousand refers to the related land and the area used for parking); (ii) SRT S.r.l.'s operating offices in Fano and Terre Roveresche (€2,358 thousand), and related land (€11,737 thousand; of which €2,638 thousand refers to the related land); and

(iii) the industrial site housing the subsidiary Overail S.r.l.'s railway sleeper production facility in Aprilia (€8,090 thousand; of which €2,284 thousand refers to the related land).

The increases in plant and machinery mainly refer to the purchase of assets with technical features and performance suitable for the group's operations and significant parts of these assets, including for extraordinary maintenance to improve their efficiency and output.

The other assets (€6,934 thousand) mainly consist of motor vehicles and cars (€3,233 thousand) and office furniture, fittings and equipment (€944 thousand).

Assets under construction and payments on account (€34,655 thousand) include costs incurred for the construction and extraordinary maintenance of machinery and equipment not yet in use, mainly performed by the subsidiary SRT S.r.l. on behalf of Salcef S.p.A. and Euro Ferroviaria S.r.l. (€15,767 thousand). They also include costs incurred by Overail S.r.l. (€13,301 thousand) to expand the Aprilia production facility, related to activities not yet completed and/or pending inspection at the reporting date. The decrease in the period is mostly due to the completion of the renovation of the building in Rome where the administrative offices were moved, and the consequent reclassification of the costs incurred by Salcef Group S.p.A. to the appropriate captions.

4 Right-of-use assets

(€'000)

RIGHT-OF-USE ASSETS	30.06.2023	31.12.2022	Variation
Carrying amount	15,262	17,074	(1,812)
Total	**15,262**	**17,074**	**(1,812)**

These mainly refer to the owner-operated assets (production machinery, vehicles) and buildings used as offices that the group holds under operating leases. The total value of lease payments due was discounted and recognised in accordance with IFRS 16. The assistance of an independent expert was used for the discounting.

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

(€'000)

RIGHT-OF-USE ASSETS	Land and buildings	Plant and machinery	Other assets	TOTAL
Carrying amount at 1 January 2023	5,136	11,276	662	17,074
Increases	911	595	540	2,046
Depreciation	(1,108)	(2,425)	(276)	(3,810)
Exchange differences	(41)		(7)	(48)
Carrying amount at 30 June 2023	**4,897**	**9,446**	**919**	**15,262**

(€'000)

LEASE LIABILITIES	
Carrying amount at 1 January 2023	15,816
Change in consolidation scope	0
Payments	(3,468)
Increases	2,046
Exchange differences	231
Interest expense	(166)
Carrying amount at 30 June 2023	**14,459**
of which, non-current	*9,174*
of which, current	*5,285*

During the period, the parent extinguished in advance the contract in place with a leading lease company for the building in Rome to which the group's administrative offices were moved in 2023. Salcef Group S.p.A. exercised the purchase option on the building and it has been classified under property, plant and equipment (as described in note 3).

5 Equity-accounted investments

Equity-accounted investments amount to €136 thousand at 30 June 2023, unchanged with respect to 31 December 2022, as detailed in the table below.

(€'000)

	30.06.2023	31.12.2022	Variation
Associates	133	133	0
Joint arrangements	0	0	0
Other companies	3	3	0
Total	**136**	**136**	**0**

The breakdown and details of these investments are reported below:

(€'000)

	REGISTERED OFFICE	30.06.2022	31.12.2022	Variation
Associates and joint arrangements				
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	5	5	0
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	125	125	0
A.F.A.I. Armamento per la Ferrovia Alifana Inferiore S.c. a r.l.	Naples - Italy	3	3	0
Other companies				
Sassariolbia S.c. a r.l.	Rome - Italy	1	1	0
Concise Consorzio Stabile S.c.a r.l.	Pordenone - Italy	1	1	0
Consorzio Telese S.c.a.r.l.	Rome - Italy	1	1	0
Total		**136**	**136**	**0**

6 Other non-current assets

Other non-current assets amount to €25,393 thousand at 30 June 2023, compared to €25,112 thousand at 31 December 2022. This caption is detailed in the table below:

(€'000)

	30.06.2023	31.12.2022	Variation
Guarantee deposits	1,011	1,102	(91)
Performance bonds	23,741	20,414	3,327
Other assets	641	3,596	(2,955)
Total	**25,393**	**25,112**	**281**

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

The performance bonds are amounts invoiced and/or to be invoiced to customers and will be collected once the inspection of the related assets has been carried out.

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

Income taxes may be analysed as follows:

(€'000)

INCOME TAXES	1H 2023	1H 2022
IRES	(10,740)	(5,995)
IRAP	(2,781)	(2,060)
Foreign income taxes	(829)	(70)
Total current taxes	**(14,350)**	**(8,125)**
Change in deferred tax assets	(1,844)	(486)
Change in deferred tax liabilities	1,031	(107)
Total deferred taxes	**(813)**	**(593)**
Prior year taxes	**223**	**(461)**
Total income taxes	**(14,940)**	**(9,178)**

(€'000)

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME/(EXPENSE)	Pre-tax	Tax benefit (expense)	Post-tax
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	0	0	0
Net fair value gains/(losses) on securities measured at FVOCI	81	(19)	62
Total	**81**	**(19)**	**62**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	(689)	165	(524)
Total	**(689)**	**165**	**(524)**
TOTAL at 30 June 2023	**(608)**	**146**	**(462)**

Deferred tax assets and liabilities amount to €23,540 thousand and €7,525 thousand, respectively. Changes in these two captions in the period are analysed below:

(€'000)

DEFERRED TAX ASSETS	01.01.2023	Accruals through profit or loss	Utilisations through profit or loss	Variations through OCI	Exchange differences	30.06.2023
Revaluation of assets	11,129	0	(1,574)	0	0	9,555
Differences in amortisation and depreciation	368	0	0	0	0	368
Provisions for risks	425	234	0	0	0	659
Elimination of intragroup profits and losses	2,203	336	(264)	0	0	2,275
Fair value of derivatives	912	0	0	(40)	0	872
Fair value of securities	1,727	0	(541)	(19)	0	1,166
Impairment of assets as per IFRS 9	753	59	0	0	0	812
Actuarial gains/losses on employee benefits	26	0	(26)	0	0	0
Stock grant/MBO	500	77	(313)	0	0	264
Tax loss	5,509	0	0	0	0	5,509
ACE (aid to economic growth) excess	987	0	0	0	0	987
Exchange differences	121	39	0	0	0	160
Foreign taxes	502	212	0	0	(9)	705
Other	291	0	(83)	0	0	208
Total	**25,453**	**957**	**(2,801)**	**(59)**	**(9)**	**23,540**

(€'000)

DEFERRED TAX LIABILITIES	01.01.2023	Accruals through profit or loss	Utilisations through profit or loss	Variations through OCI	Exchange differences	30.06.2023
Fair value of derivatives	1,768	0	0	(206)	0	1,562
Fair value of securities	0	0	0	0	0	0
Non-deductible interest income	1,624	0	0	0	0	1,624
Differences in amortisation and depreciation	983	2	(164)	0	0	820
Exchange differences	838	0	(125)	0	0	713
Intangible assets - PSC BU	1,076	0	(293)	0	0	783
Foreign taxes	2,520	0	(451)	0	(46)	2,023
Total	**8,809**	**2**	**(1,033)**	**(206)**	**(46)**	**7,525**

The decrease of €1,574 thousand in deferred tax assets is mostly due to the reversal of such assets recognised at 31 December 2020 to offset the lower foreign income taxes recognised by subsidiaries due to their revaluation of company assets in their financial statements prepared in accordance with the OIC. Such revaluation is not permitted under IFRS.
Deferred tax liabilities include those arising on the fair value of the intangible assets recognised following the purchase price allocation procedure for the acquisition of the PSC BU, as detailed in note 34.

Deferred tax assets are recognised since it is deemed probable, on the basis of business plans, that the group will generate future taxable profits sufficient for their recovery.
Furthermore, there are no tax loss carryforwards on which deferred tax assets could be recognised.

A reconciliation of the theoretical tax rate, calculated in line with the ruling tax laws, and the effective rate is as follows:

(€'000)

Reconciliation of actual tax rate	1H 2023	1H 2023
Pre-tax profit	46,054	
Theoretical IRES	(11,053)	24%
Lower taxes:		
- Other	2,814	6.11%
Greater taxes:		
- Other	(2,501)	-5.43%
Total current income taxes (IRES)	**(10,740)**	**24.68%**
IRAP	**(2,781)**	**-6.04%**
Foreign income taxes	**(829)**	**-1.80%**
Prior year taxes	**223**	**0.48%**
Deferred taxes	**(813)**	**-1.77%**
Total income taxes	**(14,940)**	**-32.45%**

CURRENT ASSETS

8 Inventories

Inventories amount to €33,101 thousand at the reporting date, compared to €29,765 thousand at 31 December 2022. They are detailed in the table below.

(€'000)

	30.06.2023	31.12.2022	Variation
Raw materials, consumables and supplies	15,241	14,105	1,136
Work in progress and semi-finished products	6,011	4,143	1,868
Finished goods	11,849	11,517	332
Total	**33,101**	**29,765**	**3,336**

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

Work in progress and semi-finished products mainly refer to processing at the Fano facility on railway machinery not covered by sales contracts signed by the reporting date by SRT S.r.l.. The caption also includes the work performed on railway machinery by Delta Railroad Construction Inc..

Finished goods include the railway sleepers produced by Overail S.r.l. and in storage at the Aprilia production facility pending the definition of the contract with the customer.

9 Contract assets and liabilities

Contract assets include the contractual consideration for work in progress certified by progress reports issued by the customer's works manager or internal reports prepared by the group and not yet invoiced. Accordingly, contract assets are mainly comprised of the group's right to receive payment for that portion of work in progress that has been completed but not invoiced at the reporting date as per contracts in place with customers.

(€'000)

	30.06.2023	31.12.2022	Variation
Contract assets	185,989	156,202	29,787
Impairment losses	(177)	(168)	(9)
Total	**185,812**	**156,034**	**29,778**

The impairment losses reported in the table above exclusively relate to the application of the impairment model under IFRS 9.

At 30 June 2023, the contract assets relate to Salcef S.p.A. (€105,537 thousand; 31 December 2022: €90,269 thousand), Euro Ferroviaria S.r.l. (€29,510 thousand; 31 December 2022: €28,176 thousand), FVCF (€22,084 thousand; 31 December 2022: €7,165 thousand), Overail S.r.l. (€16,450 thousand; 31 December 2022: €17,034 thousand), Coget Impianti S.r.l. (€2,146 thousand; 31 December 2022: €3,375 thousand), the parent (€210 thousand; 31 December 2022: €0), Salcef Deutschland and its subsidiaries (€6,691 thousand; 31 December 2022: €5,902 thousand) and Delta Railroad Construction Inc. and its subsidiaries (€3,183 thousand; 31 December 2022: €3,211 thousand).

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

(€'000)

	30.06.2023	31.12.2022	Variation
Italy	177,521	145,067	32,454
Europe (excluding Italy)	4,605	5,902	(1,297)
North America	3,183	3,211	(28)
Africa	237	557	(320)
Middle East	266	1,297	(1,031)
Total	**185,812**	**156,034**	**29,778**

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

(€'000)

	30.06.2023	31.12.2022	Variation
Trade receivables	120,834	140,505	(19,671)
Assets held for sale	0	955	(955)
Contract assets	185,812	156,034	29,778
Contract assets included under assets held for sale	0	94	(94)
Contract liabilities	(45,618)	(77,764)	32,146
TOTAL	**261,028**	**219,824**	**41,204**

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

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

(€'000)

	30.06.2023	31.12.2022	Variation
Contract liabilities	45,618	77,764	(32,146)
Total	**45,618**	**77,764**	**(32,146)**

At 30 June 2023, this caption comprises:

- the advance received from the customer IRICAV DUE for the "HS Verona - Padua" contracts (€19,808 thousand);
- advances on contracts that the Salcef Group entered into in Romania with the customer, the state railway carrier of Romania, for work to update and lay double tracks on the line between Timisoara Est and Ronat (€6,159 thousand),
- advances received for contracts of the subsidiary FVCF acquired in late December 2022 (€6,136 thousand);
- advances received from customers of Delta Railroad Construction Inc. (€3,822 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Frasso Telesino - Telese section) (€3,017 thousand);
- the advance received from the customer ATAC S.p.A. for work to renew the Anagnina - Ottaviano section of the Rome metro line A (€1,790 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Telese - San Lorenzo section) (€1,699 thousand);
- the advance received from the customer RFI for the executive design and development of the ERTMS (European Rail Transport Management System) - Lot 3 centre under the master agreement (€1,357 thousand);
- the advance received for electrical traction works on the Monserrato - Isili and Macomer - Nuoro sections (€682 thousand);
- the advance received from Consorzio Cancello Frasso Telesino Scarl for the construction of the tracks of the HS Naples - Bari railway line (€604 thousand);
- the advance received from the customer ARST for the work to lay double tracks on the Gennari - Caracalla section of the Cagliari light metro line (€288 thousand);
- the advance received from NAT - National Authority for Tunnels for the construction of a new railway hub in Kozzyka (Egypt) (€90 thousand);
- advances for other smaller contracts (€166 thousand).

Contract liabilities at 30 June 2023 will become revenue in the subsequent year, except for the advance received for the "HS Verona-Padua" contract, which will be recovered in proportion to the amount invoiced.

At the reporting date, the Salcef Group's order backlog includes track works (70.7%), energy sector works (19.4%), the production of sleepers and prefabricated products (3.0%), infrastructure works (6.0%), machinery construction and maintenance contracts (0.5%) and rail grinding (0.5%), which ensure continuity using the existing operating units already active in the relevant geographical areas.

10 Trade receivables

Trade receivables amount to €120,834 thousand at the reporting date, compared to €140,505 thousand at 31 December 2022. They are detailed in the table below.

(€'000)

	30.06.2023	31.12.2022	Variation
Third parties	115,252	137,768	(22,516)
Loss allowance	(8,486)	(7,887)	(599)
Total third parties	**106,766**	**129,881**	**(23,115)**
Associates	14,068	10,624	3,444
Total associates	**14,068**	**10,624**	**3,444**
Total	**120,834**	**140,505**	**(19,671)**

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

(€'000)

Carrying amount at 1 January 2023	(7,887)
Change in consolidation scope	0
Utilisations/Releases	376
Accruals	(971)
Exchange differences	(4)
Carrying amount at 30 June 2023	**(8,486)**

Although the group's exposure to credit risk depends on the specific characteristics of each customer, group management also considers variables typical of the group's entire customer base, including the insolvency risk of the customer's sector and country.

Trade receivables from associates mostly refer to amounts due from Consorzio Armatori Ferroviari S.c.a r.l. to the subsidiary FVCF. Reference should be made to the note 33 for more information about receivables from related parties.

Breakdown of receivables from third parties by geographical segment

(€'000)

	30.06.2023	%	31.12.2022	%	Variation
Italy	78,574	73.6%	97,671	75.2%	(19,097)
Europe (excluding Italy)	11,426	10.7%	12,544	9.7%	(1,118)
Africa	1,000	0.9%	1,437	1.1%	(437)
North America	15,085	14.1%	14,548	11.2%	537
Middle East	681	0.6%	3,614	2.8%	(2,933)
Australia	0	0.0%	67	0.1%	(67)
Total	**106,766**		**129,881**		**(23,115)**

11 Current tax assets

Current tax assets of €2,059 thousand (31 December 2022: €4,167 thousand) mainly include:

- direct income taxes paid abroad (€196 thousand);
- IRES and IRAP assets and payments on account (€1,074 thousand);
- direct income taxes of the subsidiary Delta Railroad Construction Inc. (€789 thousand).

12 Current financial assets

Current financial assets amount to €145,055 thousand at the reporting date (31 December 2022: €148,643 thousand) and are detailed in the table below:

(€'000)

	30.06.2023	31.12.2022	Variation
Securities	131,108	130,898	210
Loans to associates	90	90	0
Hedging derivatives	6,510	7,365	(856)
Other current financial assets	7,347	10,290	(2,943)
Total	**145,055**	**148,643**	**(3,588)**

Securities of €131,108 thousand represent the investments existing at the reporting date in mutual property funds, Italian treasury notes ("BTPs"), certificates and policies made by the Salcef Group to invest the liquidity obtained following the capital increases performed in 2021 and previous years. The measurement method applied to such assets depends on both the business model used by the group to manage the assets in order to generate cash flows and the characteristics of the security. Specifically, the group holds such assets to collect contractual cash flows and sell them in favourable economic situations (the hold to collect and sell model). Therefore, they are measured at FVOCI when the expected cash flows are solely payments of principal and interest (SPPI). In all other cases, they are measured at fair value (level 1 according to the IFRS 13 hierarchy) and the related gains and losses are taken to profit or loss.

The following table shows variations in the caption during the first half of 2023:

(€'000)

	Measured at	31.12.2022	Purchases	Sales	Fair value through profit or loss	Fair value through OCI	30.06.2023
Unicredit mutual funds	FVTPL	5,795			128		5,923
Unicredit certificates	FVTPL	1,123			(2)		1,121
Intesa Eurizon SGR	FVTPL	6,798			123		6,921
Intesa Eurizon Titolo	FVTPL	7,185			194		7,379
BPS	FVTPL	5,658			156		5,814
UBI BAP life policy	FVTPL	7,996			73		8,069
MPS policy	FVTPL	4,344			143		4,487
Servizio Italia Cardiff policy	FVTPL	14,630			586		15,216
Fineco mutual funds	FVTPL	4,507	218		100		4,825
Banca Aletti	FVTPL	8,787			243		9,030
Fineco insurance products	FVTPL	10,413			209		10,622
Kairos Partners securities portfolio	FVTPL	4,569			73		4,642
Deutsche Bank portfolio management	FVTPL	2,734			74		2,808
Fondo AZIMUT	FVTPL	11,593	3		107		11,703
J.P. Morgan	FVTPL	13,915	1,000		449		15,364
Mediobanca bonds and certificates	FVOCI	13,324	600			80	14,004
Securities held by FVCF	FVTPL	7,530		(3,948)	(400)		3,182
Total		**130,901**	**1,821**	**(3,948)**	**2,256**	**80**	**131,108**

Note 16 provides a description of all the group's derivatives, which include the above hedging derivatives of €6,510 thousand at the reporting date.

13 Cash and cash equivalents

This caption may be analysed as follows:

(€'000)

	30.06.2023	31.12.2022	Variation
Bank and postal accounts	117,136	135,187	(18,051)
Cash-in-hand and cash equivalents	47	59	(12)
Total	**117,183**	**135,246**	**(18,063)**

The balance of bank and postal accounts at 30 June 2023 mainly refers to Salcef S.p.A. (€45,428 thousand), the parent (€37,472 thousand), Euro Ferroviaria S.r.l. (€12,543 thousand), Overail S.r.l. (€8,170 thousand), Coget Impianti S.r.l. (€3,608 thousand), Delta Railroad Construction Inc. (€2,784 thousand), Salcef Deutschland (€2,678 thousand), FVCF (€1,672 thousand) and SRT S.r.l. (€1,530 thousand).

14 Other current assets

Other current assets amount to €42,253 thousand at the reporting date (31 December 2022: €35,333 thousand) and are detailed in the table below:

(€'000)

	30.06.2023	31.12.2022	Variation
Other tax assets	13,330	11,287	2,043
Other assets	23,785	12,322	11,463
Prepayments and accrued income	5,138	11,724	(6,586)
Total	**42,253**	**35,333**	**6,920**

Other tax assets refer to indirect taxes (mostly VAT due to the application of the split payment regime) paid in Italy and abroad and tax assets on capital expenditure that Salcef S.p.A., Coget Impianti S.r.l., Euro Ferroviaria S.r.l., Overail S.r.l. and SRT S.r.l. incurred for high-tech owner-operated assets as per Annex A of Law no. 232 of 11 December 2016 ("Industry 4.0"). This tax asset may be used to offset their tax obligations.

Other assets are detailed below:

(€'000)

	30.06.2023	31.12.2022	Variation
Personnel and work sites	1,594	1,870	(276)
Advances to suppliers	13,919	5,885	8,034
Social security institutions	1,822	1,921	(99)
Others	6,450	2,646	3,804
Total	**23,785**	**12,322**	**11,463**

Others mostly refer to the advance paid to acquire Colmar Technik S.p.A. when the preliminary agreement was signed (€2,000 thousand) and the participating financial instruments received from Astaldi S.p.A., as Salcef Group S.p.A. is its unsecured creditor (€1,803 thousand).

Prepayments and accrued income consist exclusively of the portion of costs incurred in the year pertaining to subsequent years. They mainly relate to prepaid insurance premiums for the work sites and bank surety commissions.

LIABILITIES

TOTAL EQUITY AND LIABILITIES

15 Equity

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

Share capital

The parent's fully paid-up share capital amounts to €141,544,532.20 at the reporting date and is comprised of 62,399,906 ordinary shares without nominal amount. The parent holds 960,057 treasury shares at the same date, equal to 1.539% of its share capital. Finhold S.r.l. holds 64.77% of the share capital (75.49% of the voting rights as a result of the shares that, at such date, meet the requirements for additional voting rights) and the remainder is held by shareholders that individually own less than 5% of the share capital.

There were no changes in the share capital and/or the number of shares issued by the parent during the period.

Reserves

At 30 June 2023, reserves mainly comprise:

- Legal reserve: this reserve of €5,921 thousand was set up for the allocation of prior year profits in accordance with Italian law;
- Extraordinary reserve: totalling €13,678 thousand, it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €3,889 thousand;
- Negative goodwill: amounting to €45,000 thousand, this negative goodwill arose on the recognition of the merger of Salcef Group S.p.A. and Indstars 3 that took place on 8 November 2019;
- Actuarial reserve: this reserve contains the actuarial gains and losses on the remeasurement of post-employment benefit liabilities in accordance with IAS 19 and shows a negative balance of €155 thousand;
- Hedging reserve: it shows a balance of €1,512 thousand and reflects the fair value gains and losses on the interest rate swaps entered into by Salcef Group S.p.A., Salcef S.p.A., FVCF S.r.l. and Euro Ferroviaria S.r.l. to hedge cash flow risks on the payment of interest on borrowings and the fair value gains and losses on the currency forwards entered into by Salcef Group S.p.A. to hedge currency risk on the loan in US dollars granted to Salcef USA Inc.. The reserve will be taken to the income

statement over the years as the cash flows generated by the hedged item affect profit or loss;

- Reserve for repurchase of treasury shares: with a negative balance of €15,630 thousand, this reserve includes the value of the parent's treasury shares purchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meeting;
- Stock grant reserve: with a positive balance of €261 thousand, this is the accrual for the cost of the share-based incentive plans (i.e., 2021-2024 stock grant plan, 2022-2025 stock grant plan and 2022-2023 performance share plan) recognised under personnel expense described in note 31, to which reference should be made. The reserve is shown net of assignments in the period;
- Reserve for financial assets measured at FVOCI: with a negative balance of €56 thousand, this reflects changes in the fair value of financial assets measured at FVOCI (see note 12) net of the relative deferred tax assets/liabilities;
- Share premium: recognised in 2021 for €27,200 thousand after the capital increase achieved through the accelerated bookbuild offering and generated by the difference between the subscription price of newly issued shares (€16.00 per share) and the existing accounting par value (€2.40 per share) multiplied by the number of newly issued shares (2,000,000 new ordinary shares).
- Reserve for capital increase costs: this reserve with a negative balance of €653 thousand includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 27 April 2023, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2022, which show a profit for the year of €36,032,511 and acknowledged the consolidated financial statements as at and for the year ended 31 December 2022, which show a profit for the year attributable to the owners of the parent of €45,333,687.
The shareholders also resolved to distribute a dividend of €0.50 per eligible ordinary share at the record date (i.e., 16 May 2023). The coupon detachment date is 15 May 2023 and the payment date is 17 May 2023. Considering the number of treasury shares held by the group at 16 May 2023, the total dividend is €30,800,831.50. More information about changes in equity is provided in the statement of changes in equity.

<u>Capital management</u>

The group's capital management policies entail maintaining a high level of capital to keep its stakeholders' trust and also lay the foundation for the group's future.
Additionally, management monitors the return on capital and the amount of dividends to distribute to ordinary shareholders.
The board of directors strives to balance the achievement of higher returns through greater leverage with the advantages and security of a sound financial position.

16 Current and non-current financial liabilities and Lease liabilities

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

(€'000)

	30.06.2023	31.12.2022	Variation
Bank loans - non-current portion	139,186	115,417	23,769
Hedging derivatives	3,627	3,794	(167)
Total	**142,813**	**119,211**	**23,602**
Lease liabilities as per IFRS 16	9,174	10,429	(1,255)
Total	**9,174**	**10,429**	**(1,255)**
TOTAL NON-CURRENT	**151,987**	**129,640**	**22,347**
Bank loans and borrowings	0	4,065	(4,065)
Total	**0**	**4,065**	**(4,065)**
Other loans and borrowings	11,571	12,687	(1,116)
Bank loans and borrowings - current portion	77,679	76,576	1,103
Total	**89,250**	**89,263**	**(13)**
Lease liabilities as per IFRS 16	5,285	5,388	(103)
Total	**5,285**	**5,388**	**(103)**
TOTAL CURRENT	**94,535**	**98,716**	**(4,181)**
TOTAL LOANS AND BORROWINGS	**246,522**	**228,356**	**18,166**

The bank loans are non-current loans from banks to the parent, Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l., Coget Impianti S.r.l., Delta Railroad Construction Inc. and Salcef Deutschland GmbH. The main variations in bank loans and borrowings compared to 31 December 2022 include: (i) the parent's loan from Cassa Depositi e Prestiti ("CDP") of €50 million, broken down into two facilities (facility A of €30 million and facility B of €20 million), both of which were disbursed in late May 2023. Facility A and facility B have final payment dates on 31 December 2027 and 30 June 2026, respectively, and accrue interest at variable rates equal to the 6-month Euribor plus a spread of 50 basis points and a spread of 30 basis points, respectively. The loan also provides for the covenants described further on; (ii) early repayment of the previous loan with CDP with an outstanding balance of €19,444 thousand at 31 December 2022; (iii) the 36-month loan agreed with Unicredit S.p.A. of €5 million disbursed in May 2023, accruing interest at a variable rate equal to the 3-month Euribor plus a spread of 45 basis points; and (iv) two 48-month loans agreed with Intesa Sanpaolo S.p.A., one of which amounting to €10 million and the other €20 million, both disbursed in late June 2023 and accruing interest at a variable rate equal to the 3-month Euribor plus a spread of 70 basis points and a spread of 80 basis points, respectively. Furthermore, the two loans provide for the covenants described further on. The group also has derivatives hedging the interest rate risk on these loans.

Some group companies are required to comply with covenants on the loans in place.
In particular, the covenants applicable to Salcef Group S.p.A. at 30 June 2023 relate to: (i) the loan agreed with Unicredit S.p.A. in September 2020, due in September 2025; (ii) the loan granted by Intesa Sanpaolo at 30 June 2021 with final payment date in June 2026; (iii) the loan disbursed by Crédit Agricole in February 2022 with final payment date in September 2027; (iv) the loan disbursed by Banco BPM S.p.A. in July 2022 with final payment date in December 2026; (v) the loan disbursed by BNL S.p.A. in July 2022 with final payment date in July 2025; (vi) the loan disbursed by CDP in May 2023 described above; and (vii) the two loans disbursed by Intesa Sanpaolo in June 2023 described above.

The Unicredit S.p.A. loan disbursed in 2020 provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of Salcef Group S.p.A.'s separate financial statements.

The Intesa Sanpaolo S.p.A. loan disbursed in 2021 provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Crédit Agricole S.p.A. loan disbursed in 2022 provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Banco BPM S.p.A. loan disbursed in 2022 provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The BNL S.p.A. loan disbursed in 2022 provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The CDP loan disbursed in 2023 provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;

- net financial position/equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The €10 million Intesa Sanpaolo S.p.A. loan disbursed in 2023 provides for the following covenants:

- gross operating profit (loss)/financial expense ratio greater than or equal to 15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The €20 million Intesa Sanpaolo S.p.A. loan disbursed in 2023 provides for the following covenants:

- gross operating profit (loss)/financial expense ratio greater than or equal to 15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/gross operating profit (loss) ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The subsidiary Delta Railroad Construction Inc. is required to comply with the covenants provided for by the loan entered into with Keybank National Association, whereby: (i) the ratio of operating cash flows to the sum of financial expense and loan and lease payments falling due must be between 1.5 and 1; and (ii) the financial liabilities/property, plant and equipment ratio must be between 1 and 2.75.

Finally, for the newly-acquired subsidiary FVCF S.r.l., the covenants in place at 30 June 2023 relate to: (i) the loan granted by BNL S.p.A. on 9 August 2019, with final payment date in February 2023; (ii) the loan granted by BPER Banca S.p.A. on 5 July 2017, with final payment date in July 2024; (iii) the loan granted by Banca Sella S.p.A. on 22 June 2017 with final payment date in January 2023.

The BNL S.p.A. loan provides for the following covenants:

- equity/assets ratio higher than or equal to 22% for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- financial expense/revenue ratio lower than or equal to 3% for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The BPER Banca S.p.A. loan provides for the following covenants:

- net financial position/gross operating profit (loss) ratio lower than or equal to 3.15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;

- net financial position/equity ratio lower than or equal to 1.25 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The Banca Sella S.p.A. loan provides for the following covenants:

- equity/assets ratio no lower than 20% for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- net financial position/gross operating profit (loss) ratio lower than or equal to 4 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

Compliance with these covenants is monitored annually on the basis of the consolidated financial statements/the parent's separate financial statements at 31 December.

Some group companies hold derivatives specifically for hedging interest rate and currency risks.
Specifically, Salcef S.p.A. entered into an interest rate swap with Unicredit S.p.A. in March 2021, with final payment date in 2024 and with a notional amount of €1,250 thousand at the reporting date. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €1,250 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

Euro Ferroviaria S.r.l. entered into an interest rate swap with Unicredit S.p.A. in October 2022, maturing in 2026 and with a notional amount of €1,712 thousand at the reporting date. This swap hedges cash flow risk on the variable rate interest included in the lease payments as per the contract entered into with the bank on the same date with an outstanding balance of €1,712 thousand at the reporting date. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

FVCF S.r.l. has the following interest rate swaps:

- an interest rate swap with Deutsche Bank S.p.A. entered into in July 2020, maturing in 2025 and with a notional amount of €6,250 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €6,250 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Deutsche Bank S.p.A. entered into in May 2021, maturing in 2026 and with a notional amount of €8,125 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €8,750 thousand at the reporting date

disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve. The payment of the second instalment of the loan on 3 July 2023 reduced the loan's outstanding balance to €8,125 thousand;

- an interest rate swap with BPER Banca S.p.A. entered into in October 2017, maturing in 2023 and with a notional amount of €246 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €1,211 thousand at the reporting date disbursed by the bank on the same date as the swap. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with BPER Banca S.p.A. entered into in January 2021, maturing in 2025 and with a notional amount of €620 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €620 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The parent has the following interest rate swaps:

- an interest rate swap with Unicredit S.p.A. entered into in September 2020, maturing in 2025 and with a notional amount of €10,760 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €10,760 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banca Popolare di Sondrio entered into in January 2021, maturing in 2025 and with a notional amount of €2,006 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €2,006 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in June 2021, maturing in 2026 and with a notional amount of €18,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €18,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Unicredit S.p.A. entered into in May 2023, maturing in 2027 and with a notional amount of €27,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on facility A of the loan with an outstanding balance of €27,000 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- two interest rate swaps with Unicredit S.p.A., maturing on 30 June 2026 and with a total notional amount of €16,667 thousand at 30 June 2023. These swaps hedge cash flow risk on interest paid on facility B of the loan with an outstanding balance of €17,143 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Crédit Agricole entered into in February 2022, maturing in 2027 and with a notional amount of €19,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €19,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in May 2022, maturing in 2025 and with a notional amount of €20,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banco BPM S.p.A. entered into in July 2022, maturing in 2026 and with a notional amount of €17,556 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €17,556 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with BNL S.p.A. entered into in July 2022, maturing in 2025 and with a notional amount of €15,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €15,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Unicredit S.p.A. entered into in May 2023, maturing in 2026 and with a notional amount of €5,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €5,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in June 2023, maturing in 2027 and with a notional amount of €10,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €10,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in June 2023, maturing in 2027 and with a notional amount of €20,000 thousand at 30 June 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The swaps listed above, which have a positive fair value at the reporting date, are not included under current financial liabilities, but are recognised under current financial assets (see note 12).

In December 2020, Salcef Group S.p.A. entered into five currency forwards with Unicredit S.p.A. maturing on 31 December 2025 (of which three are still in place at 30 June 2023) to hedge cash flow risk on the loan in US dollars to the subsidiary Salcef USA Inc.. The cash flows consist of the interest (USD706 thousand) due each year and the repayment of principal on 31 December 2025 (USD28,240 thousand). These derivative contracts have been designated as cash flow hedges, as the underlying notional amount, currencies and maturity dates reflect the loan in place. Accordingly, the fair value gains and losses at each reporting date are taken in full to the hedging reserve.
The hedging reserve for the hedged item will be released to the income statement over the years as the cash flows generated by the hedged item affect profit or loss.

The table below provides a breakdown of the net financial position at 30 June 2023 and 31 December 2022, in accordance with the presentation method for indebtedness established in the ESMA Guidelines of 4 March 2021 and the Consob warning notice no. 5/21 of 29 April 2021.

(€'000)

NET FINANCIAL POSITION	Note	30.06.2023	31.12.2022	Variation
(A) Cash	1	117,183	135,246	(18,063)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	2	145,055	148,643	(3,588)
(D) Liquidity (A + B + C)		**262,238**	**283,889**	**(21,651)**
(E) Current financial debt		(16,856)	(22,140)	5,284
(F) Current portion of non-current financial debt		(77,679)	(76,576)	(1,103)
(G) Current financial indebtedness (E + F)		**(94,535)**	**(98,716)**	**4,181**
(H) Net current financial position (G + D)		**167,703**	**185,173**	**(17,470)**
(I) Non-current financial debt		(151,987)	(129,640)	(22,347)
(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)		**(151,987)**	**(129,640)**	**(22,347)**
(M) Net financial position (H + L)	3	**15,716**	**55,533**	**(39,817)**
(N) Adjustment for events unrelated to the core business and/or related to non-recurring transactions	4	(11,963)	(29,527)	17,564
(O) Adjusted net financial position (M + N)		**3,753**	**26,006**	**(22,253)**

Notes

(1) The balance at 30 June 2023 includes contract advances collected from the customer IRICAV DUE, net of costs already incurred, related to the contracts for the construction of the civil works and tracks of the HS Verona - Padua railway line.

(2) The balance at 30 June 2023 reflects the impact of fair value losses on the group's short-term investments in 2022, partly offset in the first half of 2023 due to the performance of international financial markets.

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

4) The adjustments relate to: (i) the contract advances received for the HS Verona - Padua railway contracts as disclosed in note (1) (-€18,821 thousand); (ii) the definitive amount of net fair value losses on securities calculated in 2022 and partly reversed in the first half of 2023, as disclosed in note (2); and the advance paid for the acquisition of Colmar Technik S.p.A. (€2,000).

The following table shows the group's financial liabilities by maturity bracket at 31 December 2022 and 30 June 2023 and changes therein:

(€'000)

	Due within one year	Due after one year and within five years	Due after five years	TOTAL
Bank loans	70,958	121,035	0	191,993
Other loans and borrowings	12,687	0	0	12,687
Bank loans and borrowings	4,065	0	0	4,065
Lease liabilities	5,388	10,313	116	15,817
Hedging derivatives	0	3,794	0	3,794
Carrying amount at 31 December 2022	**93,098**	**135,142**	**116**	**228,356**
Bank loans	77,679	139,186	0	216,865
Other loans and borrowings	11,571	0	0	11,571
Lease liabilities	5,285	7,850	1,324	14,459
Hedging derivatives	0	3,627	0	3,627
Carrying amount at 30 June 2023	**94,535**	**150,663**	**1,324**	**246,522**

(€'000)

Loans and borrowings at 1 January 2022	153,217
Net fair value gains on derivatives	1,664
Proceeds from new loans	90,469
Repayment of loans	(61,357)
Change in other loans and borrowings - current	(12,831)
Increase in liabilities following acquisitions	54,216
Recognition of leases as per IFRS 16	9,476
Repayment of lease liabilities	(7,024)
Exchange differences	526
Total at 31 December 2022	**228,356**
Net fair value gains on derivatives	(167)
Proceeds from new loans	88,267
Repayment of loans	(70,373)
Recognition of leases as per IFRS 16	2,046
Repayment of lease liabilities	(1,384)
Exchange differences	(224)
Total at 30 June 2023	**246,522**

17 Current and non-current employee benefits

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

The liability is calculated by an independent expert using the following actuarial assumptions:

	30.06.2023	31.12.2022
Annual discount rate	3.60%	3.77%
Annual inflation rate	2.3%	2.3%
Annual post-employment benefits growth rate	3.2%	3.2%

This caption also includes the accrual for the portion of the management incentive plan vested at 30 June 2023 (€837 thousand), which will be disbursed in the next 12 months.

Changes in this caption are shown in the following table:

(€'000)

Carrying amount at 1 January 2023	7,086
Accruals	208
Utilisations/Transfers	(1,127)
Other variations	(2,338)
Interest cost	18
Net actuarial gains	1
Carrying amount at 30 June 2023	**3,848**
of which, non-current	*3,699*
of which, current	*869*

The current service cost mostly relates to the management incentive plan (MBO) introduced by the parent to formally and clearly communicate the strategic objectives defined each year to all the beneficiary managers so that they can steer the entire workforce towards achieving them. Should the parent achieve the defined milestones, the plan beneficiaries may receive a variable remuneration pegged to their gross annual remuneration and their achievement of the individual objectives assigned to them.

18 Provisions for risks and charges

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

(€'000)

Carrying amount at 1 January 2023	2,358
Accruals	1,667
Utilisations	(135)
Releases	0
Other variations	(22)
Carrying amount at 30 June 2023	**3,868**

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

The parent and other group companies are involved in certain civil proceedings related to their normal business operations. The group accrued €1,667 thousand in the reporting period to reflect changes in the degree of risk of pending litigation, mostly involving the subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l..

CURRENT LIABILITIES

19 Trade payables

(€'000)

	30.06.2023	31.12.2022	Variation
Third parties	227,063	217,568	9,495
Associates	1,129	714	415
Total	**228,192**	**218,282**	**9,910**

Trade payables to associates mainly include costs recharged by the consortium companies and consortia to Salcef S.p.A. and Francesco Ventura Costruzioni Ferroviaria S.r.l..

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

(€'000)

	30.06.2023	%	31.12.2022	%	Variation
Italy	213,358	94.0%	204,986	94.2%	8,372
Europe (excluding Italy)	6,446	2.8%	5,166	2.4%	1,280
Africa	88	0.0%	75	0.0%	13
North America	6,685	2.9%	5,058	2.3%	1,627
Middle East	471	0.2%	2,221	1.0%	(1,750)
Australia	16	0.0%	62	0.0%	(46)
Total	**227,063**		**217,568**		**9,541**

20 Current tax liabilities

(€'000)

	30.06.2023	31.12.2022	Variation
Direct taxes	14,415	6,361	8,054
Foreign current taxes	235	860	(625)
Tax provision	861	864	(3)
Total	**15,511**	**8,085**	**7,426**

The tax provision includes €750 thousand for a prudent estimate of the tax liabilities the Salcef Group may be required to cover in the event of tax audits, inspections or assessments, while €111 thousand has been accrued for a tax assessment underway at Salcef Group S.p.A.'s Egyptian branch.

21 Other current and non-current liabilities

(€'000)

	30.06.2023	31.12.2022	Variation
Other	2,295	4,267	(1,972)
Total	**2,295**	**4,267**	**(1,972)**
Social security institutions	10,041	6,861	3,180
Employees	14,393	10,182	4,211
Third parties (joint arrangements)	130	127	3
Other	13,462	9,679	3,783
Accrued expenses and deferred income	6,538	6,940	(402)
Other tax liabilities	1,698	2,246	(548)
Total	**46,262**	**36,035**	**10,227**
TOTAL OTHER LIABILITIES	**48,557**	**40,302**	**8,255**

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

The amounts due to joint venture partners relate to the collection by Salcef S.p.A. and Euro Ferroviaria S.r.l., as lead contractors, of invoices issued by them to the customers for contract work performed by the companies in the joint venture.

Deferred income includes the portion of the grant for property, plant and equipment relating to the period, as mentioned in the note to other current assets, with a balancing entry in other income, and the portion of deferred income related to subsequent periods, calculated based on the useful life of the assets for which the grant was received.

"Other" (current and non-current) comprise amounts not yet paid by the group on business combinations carried out in previous years. Specifically:

(i) €120 thousand (entirely non-current) due by Salcef Group S.p.A. for the acquisition of the investments in Salcef Deutschland GmbH, €265 thousand (entirely current) for the investment in Coget Impianti S.p.A. and an estimated €918 thousand (entirely non-current) for the investment in Francesco Ventura Costruzioni Ferroviarie S.r.l.. This latter amount regarding the acquisition carried out on 23 December 2022 is subject to possible variations, as the purchase price adjustment (based on variations in the acquiree's net working capital captions) is being negotiated with the sellers;

(ii) €3,705 thousand (€2,454 thousand current and €1,251 thousand non-current) due by Salcef USA Inc. for the acquisition of the investment in Delta Railroad Construction Inc.;

(iii) €58 thousand (entirely non-current) due by Euro Ferroviaria as deferred consideration for the PSC BU.

This caption also includes the €1,265 thousand to be refunded following the incorrect allocation of participating financial instruments of Astaldi S.p.A..
The other current tax liabilities mostly consist of withholdings on the June remuneration of consultants and employees.

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

Notes to the main income statement captions

22 Revenue

(€'000)

	1H 2023	1H 2022	Variation
Revenue from contracts with customers	356,432	226,695	129,737
Other income	5,193	3,775	1,418
Total	**361,625**	**230,470**	**131,155**

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

Revenue is broken down by the timing of revenue recognition, the main product/services lines and by the main geographical segments:

(€'000)

	1H 2023	1H 2022	Variation
Timing of revenue recognition			
Products transferred at a point in time	16,861	17,318	(457)
Products and services transferred over time	344,764	213,151	131,613
Total	**361,625**	**230,470**	**131,155**
Main products/services			
Track works	219,041	158,227	60,814
Infrastructure	47,926	9,814	38,112
Energy, signalling and telecommunications	51,602	33,323	18,279
Grinding	11,263	4,600	6,663
Railway materials	23,774	17,816	5,958
Railway machines	8,019	6,690	1,329
Total	**361,625**	**230,470**	**131,155**
Main geographical segments			
Italy	308,062	185,900	122,162
Europe (excluding Italy)	19,127	19,969	(842)
Africa	0	4,084	(4,084)
North America	29,833	17,026	12,807
Middle East	4,603	3,491	1,112
Total	**361,625**	**230,470**	**131,155**

Revenue is measured considering the consideration specified in the contract with the customer. The group recognises revenue when it transfers control of the goods or services. Specifically, revenue is recognised over time on a percentage of completion basis. Costs are recognised in profit or loss when incurred.

Advances are recognised under contract liabilities. The performance obligation for the sale of railway materials is satisfied at a point in time. Revenue is recognised when the goods leave the warehouse.

Other income comprises:

Breakdown of other income

(€'000)

	1H 2023	1H 2022	Variation
Recharges to third parties	15	47	(32)
Insurance and other compensation	68	1,102	(1,034)
Gains on sale of assets and other income	2,759	1,725	1,034
Other sundry income	2,352	901	1,451
Total	**5,193**	**3,775**	**1,418**

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties. The gains refer to the sale of company assets as part of their normal replacement process. The increase on the first half of 2022 is mainly due to the income recognised in the reporting period on the sale of the rail grinder by Salcef Group S.p.A.'s Saudi Arabian branch to third parties.

23 Raw materials, supplies and goods

This caption amounts to €90,598 thousand net of changes in inventories (first half of 2022: €51,615 thousand).

(€'000)

	1H 2023	1H 2022	Variation
Raw materials, supplies and goods	92,738	51,537	41,202
Change in inventories	(2,140)	78	(2,218)
Total	**90,598**	**51,615**	**38,983**

24 Services

Services total €134,298 thousand in the first half of 2023 (first half of 2022: €86,486 thousand) and are detailed in the table below.

(€'000)

	1H 2023	1H 2022	Variation
Maintenance	5,186	2,615	2,571
Subcontracting, consultancy and third party services	92,762	55,237	37,524
Insurance and sureties	4,944	3,806	1,138
Costs recharged by third parties	493	609	(116)
Consultants' and temporary workers' fees	2,658	2,043	615
Costs of employees on secondment	90	193	(103)
Utilities	700	554	146
Directors' fees	1,266	900	366
Statutory auditors' fees	170	110	59
Food and accommodation for employees on business trips	8,520	6,785	1,735
Commercial costs	527	610	(83)
General and administrative costs	772	572	200
Tender costs	6	57	(52)
Transport	11,535	8,506	3,029
Motor vehicles and cars	1,607	1,332	275
Fines and compensation	113	89	24
Other services	2,948	2,465	483
Total	**134,298**	**86,486**	**47,813**

25 Personnel expense

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

(€'000)

	1H 2023	1H 2022	Variation
Wages and salaries	51,096	37,539	13,557
Social security contributions	16,313	11,939	4,374
Post-employment benefits, pensions and other benefits	1,674	1,991	(317)
Other costs	854	291	563
Total	**69,938**	**51,761**	**18,177**

In the first half of 2023, other personnel expense includes the portion of costs incurred in the period for the management incentive plan (€322 thousand), which comprises both the cash payments (see note 17) and the share-based payments (see note 31), net of the reversal of the prior-year accrual for the MBO paid in the period.

The next table shows the group's workforce by category:

Workforce by category

	Italy	Abroad	TOTAL
Managers	34	12	46
White collars	286	148	434
Blue collars	839	237	1,076
30 June 2022	**1,159**	**397**	**1,556**
Managers	37	18	55
White collars	363	93	456
Blue collars	1,080	246	1,326
30 June 2023	**1,480**	**357**	**1,837**

26 Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses are detailed in the table below:

(€'000)

	1H 2023	1H 2022	Variation
Amortisation of intangible assets	3,004	987	2,017
Depreciation of property, plant and equipment	17,563	12,170	5,393
Depreciation of right-of-use assets as per IFRS 16	3,810	3,796	14
Total	**24,377**	**16,953**	**7,424**

For additional information on the amortisation and depreciation methods and impairment losses, reference should be made to the notes to intangible assets with finite useful lives (note 1), property, plant and equipment (note 3) and right-of-use assets (note 4).

The comparative figures for the first half of 2022 have been restated following the completion of the PPA procedure for the acquisition of the PSC BU. Additional information is given in note 34.

27 Impairment losses

The table below shows impairment losses determined by applying the expected credit loss model of IFRS 9 to the group's asset categories:

(€'000)

	1H 2023	1H 2022	Variation
Trade receivables	972	68	903
Contract assets	9	33	(24)
Other current assets	5	2	3
Other non-current assets	(10)	(2)	(8)
Current tax assets	(2)	5	(7)
Cash and cash equivalents	(8)	(20)	12
Securities	0	(3)	3
Total	**966**	**83**	**883**

28 Other operating costs

This caption may be analysed and compared with the same period of the previous year as follows:

(€'000)

	1H 2023	1H 2022	Variation
Loss on sale of assets	272	151	121
Rent and leases	4,898	5,168	(270)
Donations	34	20	14
Indirect taxes and duties	717	482	236
Fines and penalties	100	62	37
Net other costs (income)	1,393	(508)	1,901
Total	**7,415**	**5,375**	**2,040**

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

29 Internal work capitalised

(€'000)

	1H 2023	1H 2022	Variation
Internal work capitalised	14,431	11,023	3,408
Total	**14,431**	**11,023**	**3,408**

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

In the first half of 2022, this caption also included the direct costs (materials and other costs) incurred for work to renovate the building where the parent's headquarters were relocated in 2023, as described earlier.

30 Net financial expense

Financial income and expense are shown below:

(€'000)

	1H 2023	1H 2022	Variation
Financial income			
From equity investments and securities	2,521	0	2,521
Other financial income	1,592	43	1,550
Interest income	100	77	23
Exchange gains	8	2,898	(2,890)
Total	**4,221**	**3,018**	**1,203**
Financial expense			
Impairment losses on securities	(48)	(8,160)	8,112
Interest expense	(5,579)	(964)	(4,616)
Lease costs	(134)	(134)	(0)
Financial expense	(142)	(220)	78
Exchange losses	(725)	(129)	(596)
Total	**(6,629)**	**(9,607)**	**2,978**
Net financial expense	**(2,408)**	**(6,589)**	**4,182**

Net financial expense in the first half of 2023 includes the fair value gains on the group's short-term investments, which recovered part of the losses suffered in 2022 due to the widespread downturn in international financial markets. Indeed, in the comparative period, net financial expense included fair value losses of €8,160 thousand on such investments.

Other notes

31 Share-based payments

The group has the following share-based payment agreements at the reporting date:

- 2021-2024 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2021 and implemented by resolution of the board of directors of 25 June 2021, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 25,463 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to 31 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
  - the first instalment consisted of 50% of the rights assigned, whose vesting period ended with the approval of the consolidated financial statements at 31 December 2022;
  - the second instalment consists of the remaining 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2023.

  The vesting period starts from the date on which the parent and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 25 June 2021.

  The fair value of the assigned shares used for the valuation of the 2021-2024 stock grant plan is €13.90.

- 2022-2025 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors of 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 17,648 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to 39 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
  - the first instalment consists of 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2023;
  - the second instalment consists of the remaining 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2024.

The vesting period starts from the date on which the parent and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 27 June 2022.

The fair value of the assigned shares used for the valuation of the 2021-2024 stock grant plan is €16.74.

- 2022-2023 performance share plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors of 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 5,540 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to two beneficiaries. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:
  - the first instalment consists of 60% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2023;
  - the second instalment consists of the remaining 40% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2026.

  The vesting period starts from the date on which the parent and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date was 27 June 2022.

  The fair value of the assigned shares used for the valuation of the 2021-2024 stock grant plan is €16.74.

- 2023-2026 stock grant plan approved by the shareholders during their ordinary meeting of 27 April 2023 for certain employees, including key management personnel, of the parent and/or its subsidiaries or other beneficiaries in management positions that are considered important within the group context. The 2023-2026 stock grant plan provides for the right to receive up to a maximum of 40,000 ordinary shares of the parent for free upon the achievement of previously determined performance objectives and after a certain vesting period. The conditions for the start of the vesting period had not yet been met at 30 June 2023, and the board of directors will determine them when it identifies the beneficiaries and the number of rights assigned under this plan.
- 2023-2024 performance share plan approved by the shareholders during their ordinary meeting of 27 April 2023 for certain key management personnel of the parent and/or its subsidiaries. The plan provides for the right to receive up to a maximum of 10,000 ordinary shares of the parent for free upon the achievement of previously determined performance objectives and after a certain vesting period. The conditions for the start of the vesting period had not yet been met at 30 June 2023, and

the board of directors will determine them when it identifies the beneficiaries and the number of rights assigned under this plan.

For a detailed description of the incentive plans described above, reference should be made to the respective information memorandums prepared pursuant to article 84-bis of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999 as amended and supplemented, published on the parent's website www.salcef.com in the Corporate Governance/Shareholders' Meeting section.

The cost of these plans in the period, amounting to €114 thousand, is recognised in personnel expense.

32 Commitments and risks

These amount to €149,643 thousand at 30 June 2023, compared to €152,551 thousand at 31 December 2022.
They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€148,723 thousand at 30 June 2023 and €151,614 thousand at 31 December 2022) and the surety given to banks for the group companies' loans (€920 thousand at 30 June 2023 and €937 thousand at 31 December 2022).

33 Related party transactions

As required by IAS 24, details of financial and trading transactions with related parties are presented at the end of the notes.
In accordance with article 2427.22-bis of the Italian Civil Code, the group did not carry out significant transactions at other than market conditions during the period, either in terms of the prices applied or the reasons underlying them.

The Salcef Group's corporate governance rules, which have been published on the parent's website (www.salcef.com), establish conditions ensuring that related party transactions are carried out transparently and properly in terms of procedure and substance.

During the year, the group provided and received services to/from related parties and recharged costs for mutually-shared services and other services. These transactions took place at normal market conditions and/or on the basis of the effectively incurred costs and are described in the notes to the individual captions. Other than that described herein, there were no other transactions with related parties not included in the consolidation scope during the year.

(€'000)

ASSETS AND LIABILITIES AT 30 JUNE 2023	Other non-current assets	Trade receivables	Trade payables
Associates			
Sesto Fiorentino S.c.a.r.l.			89
Consorzio Armatori Ferroviari S.c.p.a.	1,527	13,850	1,040
A.F.A.I Armamento per la Ferrovia Alifana Inferiore S.c.ar.l.		3	
Other related parties			
Railworks/Delta A Joint Venture Minnesota		176	
Delta/Railroad JV - Purple Line Maryland		39	
Talia Gestioni S.r.l.			
TOTAL	**1,527**	**14,068**	**1,129**

(€'000)

REVENUE AND COSTS	Revenue	Services	Purchases of raw materials	Financial expense
Associates				
Consorzio Armatori Ferroviari S.c.p.a.	7,641	368	50	
Other related parties				
Railworks/Delta A Joint Venture Minnesota	175			
Delta/Railroad JV - Purple Line Maryland	697			
Talia Gestioni S.r.l.				20
TOTAL	**8,513**	**368**	**50**	**20**

34 Business combinations which have been definitively accounted for

On 1 May 2022, through the subsidiary Euro Ferroviaria S.r.l., Salcef Group closed the acquisition of a railway business unit from Gruppo PSC S.p.A.. The business is specifically active in the design, construction and maintenance of electric contact lines for electrical traction. For the purposes of the consolidated financial statements as at and for the year ended 31 December 2022, the acquisition of the PSC BU was accounted for provisionally, as permitted by paragraph 45 and subsequent paragraphs of IFRS 3, which gave rise to goodwill of €23,966 thousand.

The acquisition-date fair value of the consideration transferred is €24,672 thousand.

The fair value of the assets acquired and liabilities assumed was determined in accordance with IFRS 3 and the excess of the acquisition price over the fair value of the net assets acquired was recognised as goodwill. The acquisition-date amounts of the assets acquired and liabilities assumed are detailed below.

(€'000)

	Carrying amounts	Measurement at fair value	Fair value
Intangible assets with finite useful lives	0	5,049	5,049
Property, plant and equipment	2,035		2,035
Right-of-use assets	1,107		1,107
Equity investments	17		17
Deferred tax assets	0	277	277
Contract assets	8,237		8,237
Trade receivables	45		45
Other assets	128		128
Contract liabilities	(5,047)		(5,047)
Employee benefits	(174)		(174)
Lease liabilities	(1,107)		(1,107)
Trade payables	(3,856)		(3,856)
Provisions for risks and charges	0	(992)	(992)
Other liabilities	(678)		(678)
Deferred tax liabilities	0	(1,409)	(1,409)
Total net acquired assets	**706**	**2,925**	**3,631**

The recognition of the assets acquired and liabilities assumed of the PSC BU at fair value entailed: (i) the recognition of the order backlog under intangible assets (€5,049 thousand, pre-tax); and (ii) the recognition of a provision for losses to completion (€992 thousand, pre-tax) for two contracts in the PSC BU's backlog that were still in progress but completed in 2022 (with the utilisation of the provision recognised during the purchase price allocation procedure). These intangible assets are amortised according to the percentage of completion of the contracts in the order backlog, with completion expected within five years of the acquisition date.

As a result of the above, goodwill arising on the acquisition was calculated as shown in the table below.

(€'000)

Fair value of transferred consideration	24,672
Fair value of net acquired assets	(3,631)
Total	**21,041**

All goodwill arising on the acquisition of the PSC BU was allocated to the Energy, Signalling and Telecommunications CGU, which benefits from the synergies arising from the business combination.

As required by IFRS 3, the amounts shown above, which have been determined on a definitive basis, were retrospectively reflected at the acquisition date with the consequent restatement of the comparative figures in the consolidated financial statements as at and for the year ended 31 December 2022 (for amounts in the statement of financial position) and in the condensed interim consolidated financial statements at 30 June

2022 (for amounts in the income statement). The restatement of comparative figures is detailed in the table below:

(€'000)

	Reported	Effects of PPA procedure	Restated
Statement of financial position	**31/12/2022**		**31/12/2022**
Intangible assets with finite useful lives	17,725	3,858	21,583
Goodwill	101,410	(2,925)	98,485
Deferred tax liabilities	7,733	1,076	8,809
Profit for the period included in equity attributable to the owners of the parent	45,334	(144)	45,190
Income statement	**30/06/2022**		**30/06/2022**
Amortisation, depreciation and impairment losses	(16,655)	(298)	(16,953)
Income taxes	(9,178)	83	(9,095)
Profit for the period	13,751	(215)	13,536

35 Earnings per share

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

Basic earnings (loss) per share in the first half of 2023 are shown in the table below:

	1H 2023	1H 2022
Numerator (€)		
Profit attributable to the ordinary shareholders of the parent (A)	*31,030,589*	*13,564,731*
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,399,906	62,068,688
(-) Weighted average of the ordinary treasury shares	(763,006)	(498,243)
(=) Weighted average of the ordinary shares outstanding in the year (B)	*61,636,900*	*61,570,445*
Basic earnings per share (€) (A/B)	**0.50**	**0.22**

There are no outstanding instruments at the reporting date that could potentially dilute the basic earnings per share because there were no special shares, performance shares or additional conversion warrants outstanding at that date, since all such instruments issued by Salcef Group S.p.A. had been fully converted and/or extinguished. Consequently, basic and diluted earnings per share are the same.

36 Contingent liabilities

Certain group companies are involved in civil, criminal, labour law and tax proceedings in connection with the ordinary course of business.

Management does not believe that any of these proceedings present a probable risk of financial expenditure or that they could give rise to significant liabilities in addition to that considered in the provision for risks and charges (see note 18). Consequently, no additional specific provisions are recognised in the condensed interim consolidated financial statements at 30 June 2023. Any adverse developments will be adequately assessed for the purposes of calculating any additional accruals.

With regard to the rumours that appeared in the press in February 2022 making explicit reference to certain group companies, we hereby state that no group companies were involved in the mentioned proceedings.

Significant non-recurring events and transactions

The group's financial position, financial performance and cash flows were not affected by significant non-recurring events and transactions in the first half of 2023. Moreover, the group did not carry out any atypical or unusual transactions during the period.

Events after the reporting period

No events have taken place from the reporting date to the date of preparation of this report that could have a significant impact on the group's financial position at 30 June 2023 or its financial performance for the six months then ended.

The non-adjusting events after the reporting period include those described below.

Repurchases of treasury shares

As described earlier, the parent continued the treasury share repurchase programme up to 31 July 2023, the end date of the first tranche of the programme started by the board of directors on 15 May 2023, in accordance with the shareholders' resolution of 27 April 2023. Therefore, at the approval date of this report, the parent owns a total of 1,091,734 treasury shares, corresponding to 1.750% of the share capital.

Completed acquisition of Colmar Technik S.p.A.

Salcef Group S.p.A. closed the acquisition of 100% of Colmar Technik S.p.A. on 1 August 2023 after the conditions precedent in the preliminary agreement had been met and the due diligence had been successfully completed.

CEO

(Valeriano Salciccia)

Attestation on the condensed interim consolidated financial statements pursuant to article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended and supplemented

1. In accordance with the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, the undersigned Valeriano Salciccia and Fabio de Masi, respectively CEO and manager in charge of financial reporting of Salcef Group S.p.A., attest to:
   - the adequacy with respect to the group's characteristics (taking into account any changes in the period) and
   - the effective application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements in the first half of 2023.

2. No significant issues arose from the application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements.

3. Furthermore:

3.1 the condensed interim consolidated financial statements:

a) have been prepared in accordance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) match the accounting ledgers and entries;

c) give a true and fair view of the financial position, financial performance and cash flows of the issuer and the companies in the consolidation scope.

3.2 The directors' report comprises a reliable analysis of the key events of the reporting period and their impact on the condensed interim consolidated financial statements, along with a description of the key risks and uncertainties for the remaining six months of the year. It also includes a reliable analysis of the information of related party transactions.

Rome, 3 August 2023

CEO	Manager in charge of financial reporting
Valeriano Salciccia	Fabio De Masi

04 INDEPENDENT AUDITORS’ REPORT

EMARKET SDIR CERTIFIED

SALCEF GROUP