SALCEF GROUP

EMARKET SDIR CERTIFIED

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

ADDITIONAL FINANCIAL INFORMATION AT 30 SEPTEMBER 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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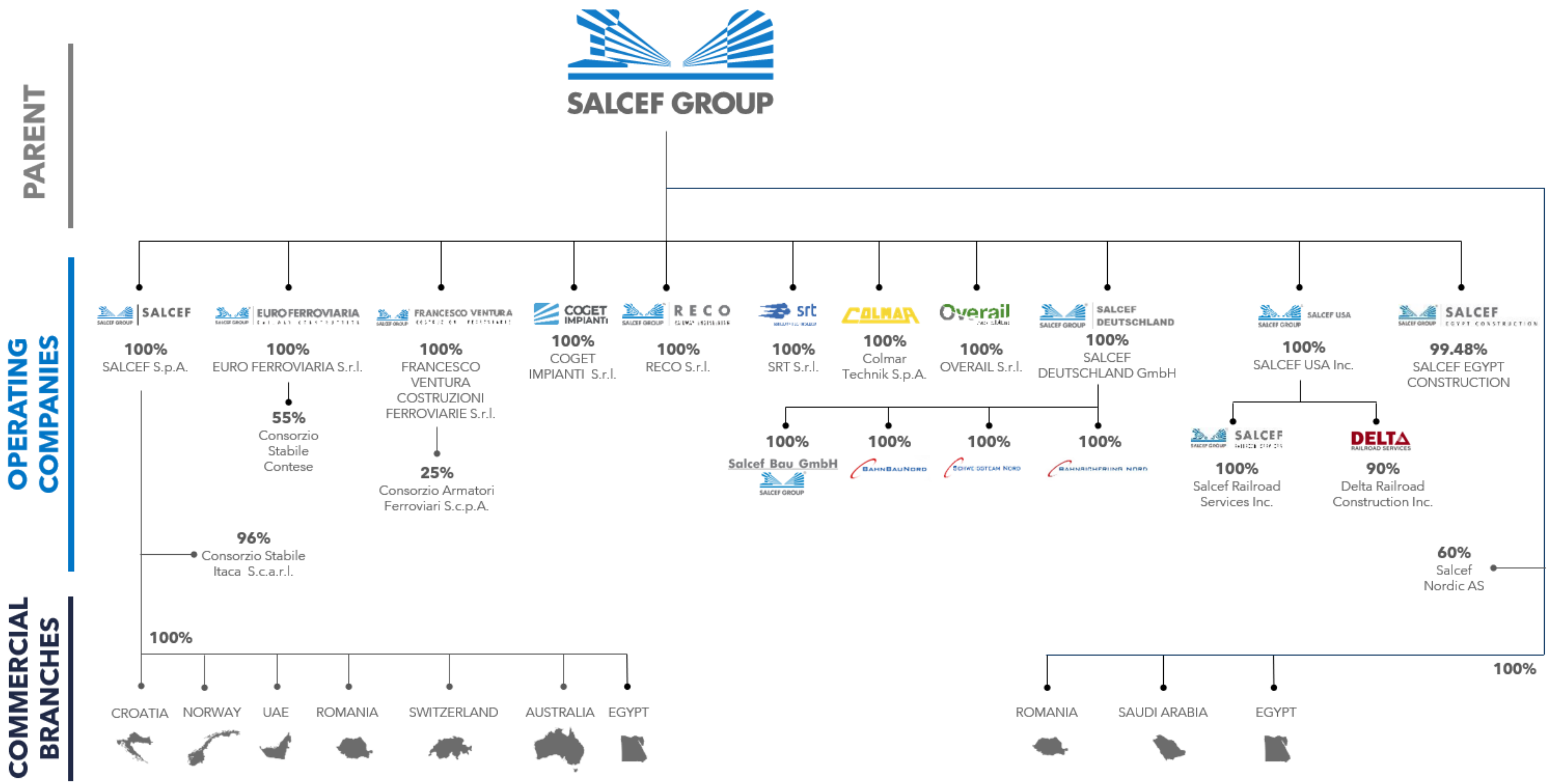
INTRODUCTION

Company officers

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

Group structure



DIRECTORS' REPORT AT 30 SEPTEMBER 2023

General Information

Salcef Group S.p.A. (the “parent”) is a company limited by shares with registered office in Rome (Italy) in Via Salaria 1027. It is the parent of a group of specialist companies active in the design, construction and maintenance of systems for railway infrastructure and tram and metro networks in Italy and abroad.

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

This additional financial information at 30 September 2023 includes the interim financial statements of Salcef Group S.p.A. and its subsidiaries (together, the "Salcef Group" or the "Group"). The parent's board of directors approved this information and authorised its publication during its meeting of 14 November 2023.

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

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

Financial figures and key performance indicators

This additional financial information covers the Salcef Group's financial position as at 30 September 2023 and the performance for the nine months then ended, as well as the significant events of the period.

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

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, in accordance with the applicable accounting standards. Reference should be made to the explanatory notes for additional details.

Reclassified income statement

(€'000)

	09.2023	restated	Var
Revenue	567,852	385,795	182,057
Operating costs	(464,865)	(315,985)	(148,880)
Other operating costs	(12,155)	(8,761)	(3,394)
Internal work capitalised	24,707	16,437	8,270
EBITDA	**115,540**	**77,486**	**38,054**
Amortisation, depreciation and impairment losses	(38,226)	(26,509)	(11,717)
EBIT	**77,314**	**50,977**	**26,337**
Adjusted financial income (expense)*	(6,809)	2,786	(9,595)
Adjusted pre-tax profit	**70,504**	**53,763**	**16,741**
Adjusted income taxes**	(18,792)	(14,837)	(3,955)
Adjusted profit for the year	**51,712**	**38,926**	**12,786**
*Changes in fair value of financial investments	2,601	(10,079)	12,680
** Deferred tax liabilities on net fair value gains (losses) on financial investments, reversal of deferred tax assets on revaluation and non-recurring tax expense	(2,985)	(843)	(2,142)
Profit for the year	**51,328**	**28,004**	**23,324**

Key performance indicators

(€'000)

	09.2023	restated
EBITDA Margin	20.35%	20.08%
EBIT Margin	13.62%	13.21%

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

Key financial indicators

(€'000)

	30.09.2023	restated
Adjusted NFP	7,067	26,006
Adjusted equity	437,857	432,477

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

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

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

In the first nine months of the year, the Group recognises revenue of €567,852 thousand, up €182,057 thousand (+47%) on the €385,795 thousand of the same period of 2022. This rise is mainly due to Salcef Group's remarkable organic growth in the first nine months of 2023 as well as to the changes in the consolidation scope following the acquisition of Colamar Technik S.p.A. (effective from 1st August 2023), the acquisition of the Francesco Ventura Costruzioni Ferroviarie S.r.l. (in December 2022) and of the business unit from the PSC Group (effective from 1st May 2022). These companies had not contributed (or had only partially contributed) to profit or loss for the comparative period.

EBITDA amounts to €115,540 thousand, a €38,054 thousand (+49%) increase over the €77,486 thousand of the corresponding period of 2022. The EBITDA margin stands at 20.35%, slightly up with respect to the same period of the previous year, when the EBITDA margin was 20.08%. The consolidated margin remains stable in spite of the enlargement of the consolidation scope arising from the recent acquisitions (especially FVCF and Colmar). The effects of the current ongoing international inflationary trends on margins are substantially mitigated both by the cost-efficiency measures implemented by the Group and by legislation which has introduced price adjustment mechanisms for public tenders.

EBIT, of €77,314 thousand, rose by €26,337 thousand (+52%) compared to the first nine months of 2022 thanks to the increase in volumes already referred to and the improvement in operating margins, despite the greater depreciation due to the roll-out of new plant and machinery in the period considered. Furthermore, in both the first nine months 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 €51,712 thousand (compared to €38,926 thousand for the same period of 2022). The adjustments for the first nine months of 2023 (compared to the profit for the year of €51,328 thousand) related to: (i) the fair value gains on financial investments of €2,601 thousand compared to 31 December 2022, (ii) the related deferred taxes liabilities of €624 thousand and (iii) the release of deferred tax assets on revaluations of €2,361 thousand. The financial income of €2,601 thousand corresponds to the fair value gains on Group's short-term investments. On the other hand, the tax expense, amounting to €2,361 thousand, derives from the release of the deferred tax assets recognised at 31 December 2020 (equal to €17,550 thousand) to offset the lower taxes recognised by the subsidiaries that revalued assets in their respective financial statements at 31 December 2020.

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

Accordingly, the tax value of the assets revalued in the subsidiaries' financial statements is higher than their carrying amount in the Salcef Group's consolidated financial statements. This difference led to the recognition of deferred tax assets (IRES - corporate income tax and IRAP - regional productivity tax) in the consolidated financial statements at 31 December 2020 in accordance with IAS 12. The deferred tax assets 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 consolidated financial statements.

In the statement of financial position, the adjusted net financial position at 30 September 2023 is positive (i.e., with liquidity exceeding indebtedness) for €7,068 thousand (positive for €26,006 thousand at year-end 2022). The €18,938 thousand decrease is mostly due to the dividend payment of €30,801 thousand, net of the cash generated by the Group in the year. The net financial position gross of the adjustments made (described in the table below) is negative due to the large short-term investments made by the Group in 2023 arising from non-recurring transactions unrelated to the core business, including, mainly, the investments for the acquisition of new companies (Colmar Technik S.p.A. and the balance of the price for the acquisition of FVCF, which took place at the end of 2022), repurchases of treasury shares and the changes in the fair value of the Group's short-term investments.

The table below provides a breakdown of the net financial position (and adjusted net financial position) at 30 September 2023 and 31 December 2022, according to the presentation method provided by the publication of the ESMA Guidelines dated 4 March 2021.

(€'000)

NET FINANCIAL POSITION	Notes	31.09.2023	31.12.2022	Var
(A) Cash		64,540	135,246	(70,706)
(B) Cash equivalents		0	0	0
(C) Other current financial assets	1	125,320	148,643	(23,323)
(D) Liquidity (A + B + C)		**189,860**	**283,889**	**(94,029)**
(E) Current financial debt		(5,449)	(22,140)	16,691
(F) Current portion of non-current financial debt		(87,039)	(76,576)	(10,463)
(G) Current financial indebtedness (E + F)		**(92,488)**	**(98,716)**	**6,228**
(H) Net current financial position (G + D)		**97,372**	**185,173**	**(87,801)**
(I) Non-current financial debt		(140,481)	(129,640)	(10,841)
(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)		**(140,481)**	**(129,640)**	**(10,841)**
(M) Net financial position (H + L)	2	**(43,109)**	**55,533**	**(98,642)**
(N) Adjustment for events unrelated to the core business and/or relate	3	50,176	(29,527)	79,703
(O) Adjusted net financial position (M + N)		**7,067**	**26,006**	**(18,939)**

Notes

(2) The balance at 31 September 2023 reflects the impact of fair value losses on the group's short-term investments made in 2022, partially mitigate the first nine months of 2023, due to the performance of international financial markets.

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

(3) The adjustments relate to:
(i) the definitive amount of net fair value losses on securities calculated in 2022 and partly reversed in 2023, as disclosed in note (1) (€4,355 thousand);
(ii) the balance price paid in August 2023 in connection with the acquisition of the FVCF (€3,000 thousand);
(iii) the consideration paid for the acquisition of Colmar Technik S.p.A. and the loan provided to the latter to extinguish pre-existing liabilities (€23, thousand);
(iv) cash used in 2023 for the treasury share repurchase programme (€15,510 thousand):
(v) amount subject to preventive seizure as part of the proceedings against some subsidiaries, better described below (€3,484 thousand);.

Total adjusted equity at 30 September 2023 of €437,857 thousand, is down €5.380 thousand on 31 December 2022. This change is due to the distribution of the dividend in the period, as resolved by the General Meeting 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 plans and repurchases of treasury shares during the first nine months of 2023.

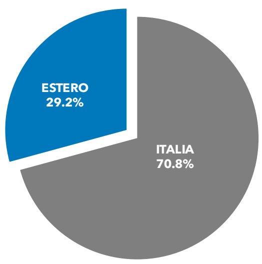
Total equity at 30 September 2023 includes the reserve for treasury shares of €22,584 thousand, corresponding to the 1,258,899 treasury shares held by the parent at that date.

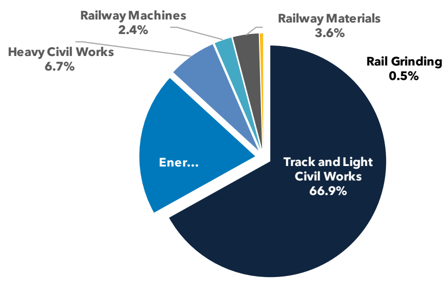
The Salcef Group's order backlog at 30 September 2023 exceeded €2 billion and includes track works (66.9%), energy sector works (19.9%), infrastructure works (6.7%), sleepers and prefabricated products production (3.6%), machinery construction and maintenance contracts (2.4%) and grinding works (0.5%), which ensure continuity using the existing operating units active in the relevant geographical areas.
The Salcef Group's order backlog at 30 September 2023 is detailed by business unit and geographical segment below:

SALCEF GROUP - ORDER BACKLOG AT 30.09.2023

Business Unit	Amount (€x1,000)	%
Italy	**1,431,426.8**	**70.8**
Abroad	**591,290.8**	**29.2**
Total [(1)]	**2,022,717.6**	**100.0**

Business Unit		Amount (€x1,000)	%
Track and Light Civil Works		**1,353,316.1**	**66.9**
	of which abroad	*563,642.7*	
Energy		**402,795.4**	**19.9**
	of which abroad	*2,457.9*	
Rail Grinding & Diagnostic		**9,358.4**	**0.5**
	of which abroad	*0.0*	
Heavy Civil Works		**135,548.3**	**6.7**
	of which abroad	*19,723.2*	
Railway machines		**48,707.2**	**2.4**
	of which abroad	*5,467.0*	
Railway Materials		**72,992.2**	**3.6**
Total [(1)]		**2,022,717.6**	**100.0**



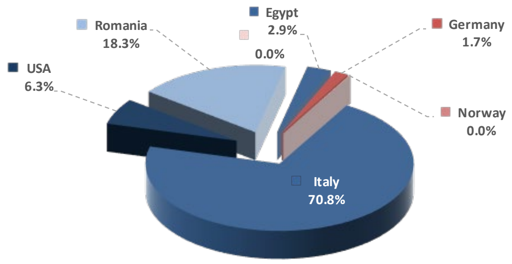


(1) Excluding intragroup contracts

SALCEF GROUP - ORDER BACKLOG AT 31.03.2023 - by Country

Country	Amount (€x1,000)	%
Italy	**1,431,426.8**	**70.77**
USA	**126,463.1**	**6.25**
Romania	**369,476.4**	**18.27**
Egypt	**58,929.9**	**2.91**
Germany	**34,068.6**	**1.68**
Norway	**105.7**	**0.01**
UAE	**758.0**	**0.04**
Austria	**1,489.2**	**0.07**
Total (1)	**2,022,717.6**	**100.00**

(1) Excluding intragroup contracts



Human Resources

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

Workforce by category

WORKFORCE	Italy	Abroad	TOTAL
Managers	37	16	53
White collars	370	127	497
Blue collars	1136	243	1,379
Total at 31 December 2022	**1,543**	**386**	**1,929**
Managers	38	23	61
White collars	457	115	572
Blue collars	1,177	288	1,465
Total at 30 September 2023	**1,672**	**426**	**2,098**

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Key events of the first nine months of 2023

Relocation of administrative and registered offices

In January 2023, Salcef Group S.p.A. relocated its registered office from Via di Pietralata 140 to Via Salaria 1027, remaining in Rome.

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

The subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. relocated its registered office from Piazza Sant'Andrea della Valle 6 to Via Salaria 1027, remaining 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 were immaterial as the amounts were negligible and the aforementioned conversion rate was very similar to the rate used to translate such foreign operation balances at 31 December 2022.

The Group extends its presence in Scandinavian countries

In the first months 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 new 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.

Repurchases of treasury shares

The treasury share repurchase programme approved by the shareholders at their meeting of 29 April 2022 continued in the early months of 2023, until (on 13 March 2023) the maximum number of treasury shares which could be repurchased in accordance with the terms and procedures set by the said resolution of 29 April 2022 was reached.

Then, in execution of the shareholders' resolution of 27 April 2023, two new tranches of the treasury share repurchase programme were launched. In particular:

- the first tranche, approved by the Board of Directors on 15 May 2023, involved the repurchase of a maximum of 300,000 of the Company's shares and was successfully completed on 31 July 2023 when the maximum number of treasury shares which could be purchased in accordance with the terms and procedures set by the said resolution of 15 May 2023 was reached;

- the second tranche approved by the Board of Directors on 3 August 2023, involves the repurchase of a maximum of 400,000 of the Company's shares. The repurchase of treasury shares under this second tranche of the programme is still ongoing.

As a result of the repurchases of treasury shares undertaken during the first nine months of 2023, net of the assignment of treasury shares made during the same period for the 2021-2024 Stock Grant Plan, at the reporting date, the Company owns 1,258,899 treasury shares, corresponding to 2.017% of its share capital. Further to the additional repurchases carried out up to 13 November 2023, (latest available date) the Company owns 1,411,469 treasury shares, corresponding to 2.262% of its share capital.

Sale of the subsidiary Kampfmittelräumung Nord GmbH

The sale of the subsidiary Kampfmittelräumung Nord GmbH (hereinafter also referred to as 'KMR') was completed in the first quarter of 2023. For the purposes of the Group's consolidated financial statements at 31 December 2022, the subsidiary's assets and liabilities were classified as held for sale in accordance with IFRS 5. Consequently, this company was not consolidated at 30 September 2023, as illustrated in the paragraph on the Accounting Policies below. 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 months of 2023).

Approval of financial statements and dividend distribution

On 27 April 2023 the Shareholder's Meeting 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' Meeting also resolved to distribute a dividend of €0.50 per eligible ordinary share at the record date (i.e. 16 May 2023), with coupon detachment on 15 May 2023 and payment date on 17 May 2023. The Shareholders' Meeting 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.

The Shareholder's Meeting has also:

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 Company’s ordinary shares without nominal amount, up to a maximum which, considering its ordinary shares held at any time by the Company and its subsidiaries, shall not cumulatively exceed 10% of the Company’s share capital, pursuant to article 2357.3 of the Italian Civil Code. The authorization will last 18 months from the date of the resolution of the Shareholders' Meeting;

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

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

iv) approved the 2023-2024 Performance Shares Plan, which provides for the free allocation of up to a maximum of 10,000 ordinary shares without nominal amount if set performance objectives are met. The beneficiaries are some executives with strategic responsibilities of the Company and of the Salcef 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 Regulations for Shareholders' Meetings in the text proposed by the Board of Directors, whose purpose is to govern the conduct of the Shareholders' Meetings (ordinary and extraordinary), in compliance with the provisions set out by the law and the Company's By-Laws.

Acquisition of Colmar Technik S.p.A

On 1 August 2023 Salcef Group S.p.A. closed the acquisition of 100% of Colmar Technik S.p.A. (hereinafter also “Colmar”), a company which designs and builds railway track construction and maintenance machinery, with production facilities in Arquà Polesine and Costa di Rovigo (Rovigo, Italy). The closing followed on from the preliminary agreement signed by the parties on 26 June 2023 and took place on the fulfilment of the conditions precedent envisaged by the said preliminary agreemenrt and the successful completion of the due diligence process.

The parties agreed on a consideration of €16.5 million, fully paid although partially deposited in an escrow account, without any price adjustment clauses or further conditions precedent.

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 outfittings. The acquisition will also generate benefits from the commercial synergies deriving from Colmar's international network.

Colmar has approximately 110 employees and an order backlog of over €27 million. Its annual turnover at full capacity is expected to be around €20 million.

Legal proceedings under Italian Legislative Decree 231/2001

During August and September 2023, Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. were notified that they were under investigation and informed of the completion of the preliminary investigations (in accordance with article 415 para 2 of the Criminal Procedural Code) in relation to criminal proceedings being handled by Milan Public Prosecutor's Office, in which the aforesaid Group companies are under investigation, together with other companies, for suspected offences under Legislative Decree 231/2001 (the "Proceedings"). These Proceedings derive from another case in which those under investigation include, amongst others, former directors and legal representatives of Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l., who are no longer in post or in any case no longer hold the right to legally represent Salcef Group companies. News that the individuals concerned were under investigation was leaked to the press as early as February 2022 and the circumstances were reported in the explanatory notes to the Consolidated Financial Statements as at and for the year ended 31 December 2022 and the Condensed Interim Consolidated Financial Statements at 30 June 2023 of Salcef Group, underlining the fact that the Group companies were in no way implicated in the potential offences reported in the press.

The offences under Legislative Decree 231/2001 for which the Salcef Group companies have been informed that they are under investigation concern: (i) their possible involvement in the offence of conspiracy to favour the business of supplier companies owned by people with alleged links to organised crime and; (ii) only for possible offences committed after 24 December 2019[1], claimed fiscal offences relating to the entry in the companies' books of invoices issued by the said suppliers for the hire of assets and secondment of staff, and the inclusion of the said invoices in income tax and VAT returns. With regard to the possible fiscal offences, it should be noted that, while confirming that the suppliers in question had genuinely supplied the services in financial years 2017 and 2018 (as confirmed by experts' opinions), Salcef

[1] Date of entry into force of the legislative amendment that included tax offences among the predicate offences for the purposes of Legislative Decree 231/2001

S.p.A. and Euro Ferroviaria S.r.l. still considered it appropriate, in order to safeguard themselves and protect their reputation and business, to submit supplementary IRES and IRAP tax and VAT returns in the first quarter of 2022, simultaneously making voluntary additional payments of all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with the suppliers concerned. Therefore, the companies have not received any illegal profits from the claimed tax offences but have in fact only suffered the financial harm generated by the recalculation of their tax bill and the payment of the additional taxes, fines and interest.

Francesco Ventura Costruzioni Ferroviarie S.r.l., has not yet submitted supplementary tax returns or paid the additional amounts since it joined the Salcef Group on 23 December 2022.

In September 2023, after receipt of the notice that they were under investigation, the Group companies involved were served Preventive Seizure Orders (under article 321 of the Criminal Procedural Code) for the amounts of the claimed illegal gains from the tax offences referred to above, calculated by the Investigating Judge on the request of the Public Prosecutor. As of the date of this document, the total seized amount on these grounds from the three Group companies involved in the Proceedings amounts to Euro 3,483,636.75, which breaks down into Euro 2,919,953.18 for Francesco Ventura Costruzioni Ferroviarie S.r.l., Euro 561,085.04 for Salcef S.p.A. and Euro 2,598.53 for Euro Ferroviaria S.r.l..

As things now stand, on the basis of the legal opinions obtained by the Group (issued after examination of the paperwork for the Proceedings, the claimed offences and the conduct of the people and organisations under investigation), the experts' opinions regarding the Organisation, Management and Control Model (Governance Model) under Legislative Decree no. 231/2001 adopted by the companies and the experts' opinions completed and ongoing regarding the genuine nature of the services received, although nothing can be ruled out, it is considered that: (i) the Group companies involved are highly unlikely to be found guilty in the Proceeding; (ii) they are very unlikely to suffer any other financial losses over and above the sums already seized and; (iii) it is not believed that the Proceedings currently adversely affect the companies' general compliance with the requirements of the new Italian Law on disqualification from participation in public tenders. The sums temporarily seized were classified as non-current assets for the purposes of the preparation of this additional financial information as of 30 September 2023, and were therefore not included in the consolidated Net Financial Position as of that date.

Events after the reporting date

At the date of approval of this additional financial information, no events have taken place that would have had a significant impact on the Group's financial position at 30 September 2023 or its financial performance for the nine months then ended.

Outlook

In light of the results achieved during the first nine months and of the solidity of the Group's order backlog, 2023 revenue growth expectations reported in the Group's guidance are confirmed.

Without any additional and unforeseeable deteriorations of the geopolitical scenario and of the inflationary tensions, the Group profitability for 2023 is expected to remain broadly in line with the one recorded in the first nine months of the year.

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 operational and financial risks to which the Salcef Group is exposed are analysed below along with the related management methods.

Inflation and production cost risk

Like most of the operators in the public works construction and maintenance sector in Europe, the Salcef Group is exposed to the risk of increases in the direct costs linked to the significant inflationary phenomena affecting Italy and the majority of the countries in the world. Specifically, the cost of labour, raw materials, semi-finished and finished products has jumped, as have the costs of subcontractors and other service providers. Most of the contracts in the Salcef Group's backlog do not include automatic price revision clauses, although a series of legislative measures has been enacted in this respect in the past two years, particularly in Italy, the latest being the decree "*Decreto Aiuti*" converted into Law no. 91 of 15 July 2022, which introduced price adjustment mechanisms for processing and supplies, not only for new contracts, but above all for contracts that had already been entered into by 2021, along with the 2023 Budget Act no. 197/2022 which set out guidelines for adjusting prices for 2023.
The Group has therefore partly offset the effects of the widespread increase in prices with the greater revenue from higher consideration, limiting the impact on consolidated profit margins.
The Group has not yet 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 Salcef Group is exposed to the risk that its production activities could be restricted should its qualifications and inclusion in supplier lists, SOA (certification required in Italy to submit tenders for public works contracts) certification and other authorisations necessary for it to carry out its business be lost or limited, including as a result of measures taken by authorities and/or customers following disciplinary proceedings, if it is found guilty of offences under criminal and/or administrative law, or if it no longer meets subjective requirements as a result of breaches of laws or regulations, or codes of ethics or legal compliance rules enforced by public or private sector customers. These events would limit its operations and possible participation in calls for tenders, or possibly imply its disqualification from the performance of contracts included in the backlog.

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

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

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

In this regard, the Group decided to neutralise fluctuations in exchange rates on a specific transaction, i.e., it entered into currency forwards to hedge the cash flows on the loan in US dollars that Salcef Group S.p.A. granted to its subsidiary Salcef USA Inc. 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

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

Risk of changes in contract consideration

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

Credit risk

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

Operational and management risks

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

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

Related party transactions

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

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	30.09.2023	restated (*)
Non-current assets		
Intangible assets with finite useful lives	19,539,504	21,583,417
Goodwill	123,072,822	98,484,694
Property, plant and equipment	212,404,204	194,829,294
Right-of-use assets	14,616,210	17,073,977
- of which, with related parties	*0*	*993,661*
Equity-accounted investments	135,643	135,643
Other non-current assets	29,800,447	25,112,368
- of which, with related parties	*1,321,453*	*1,526,853*
Deferred tax assets	23,625,446	25,452,686
Total non-current assets	**423,194,276**	**382,672,079**
Current assets		
Inventories	47,157,936	29,764,667
Contract assets	219,457,123	156,033,743
Trade receivables	133,682,572	140,505,148
- of which, with related parties	*21,724,819*	*11,609,934*
Current tax assets	3,534,659	4,167,579
Current financial assets	125,320,464	148,643,040
Cash and cash equivalents	64,540,191	135,245,724
Other current assets	48,863,486	35,333,090
Assets held for sale	0	2,529,499
Total current assets	**642,556,431**	**652,222,490**
TOTAL ASSETS	**1,065,750,707**	**1,034,894,569**

LIABILITIES	30.09.2023	restated (*)
Equity attributable to the owners of the parent		
Share capital	141,544,532	141,544,532
Other reserves	249,357,662	252,475,698
Profit for the year	51,051,359	45,190,464
Total equity attributable to the owners of the parent	**441,953,553**	**439,210,694**
Share capital and reserves attributable to non-controlling interests	2,650,300	2,348,332
Profit for the year attributable to non-controlling interests	276,305	302,068
Total Equity	**444,880,158**	**441,861,094**
Non-current liabilities		
Non-current financial liabilities	132,013,871	119,211,190
Lease liabilities	8,466,664	10,428,864
- of which, with related parties	*0*	*727,379*
Employee benefits	4,147,147	6,678,524
Provisions for risks and charges	6,187,340	2,357,957
Deferred tax liabilities	7,273,869	8,809,255
Other non-current liabilities	4,681,757	4,266,809
Total non-current liabilities	**162,770,648**	**151,752,599**
Current liabilities		
Bank loans and borrowings	0	4,064,734
Current financial liabilities	87,039,134	89,263,299
Current portion of lease liabilities	5,449,399	5,387,527
- of which, with related parties	*0*	*342,844*
Current employee benefits	1,259,926	1,127,387
Contract liabilities	39,831,314	77,763,713
Trade payables	243,091,042	218,281,916
- of which, with related parties	*753,392*	*460,002*
Current tax liabilities	21,860,175	8,085,187
Other current liabilities	59,568,911	36,035,410
Liabilities directly associated with assets held for sale	0	1,271,703
Total current liabilities	**458,099,901**	**441,280,876**
TOTAL LIABILITIES	**620,870,549**	**593,033,475**
TOTAL EQUITY AND LIABILITIES	**1,065,750,707**	**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 the explanatory notes for additional details.

CONSOLIDATED INCOME STATEMENT

	09.2023	restated (*)
Revenue from contracts with customers	560,832,041	377,926,413
- of which, with related parties	*23,152,338*	*1,627,260*
Other income	7,019,872	7,868,685
Total revenue	**567,851,913**	**385,795,098**
Raw materials, supplies and goods	(146,424,855)	(91,296,234)
- of which, with related parties	(70,524)	*0*
Costs for services	(212,628,244)	(144,567,186)
- of which, with related parties	*(823,434)*	*(8,573)*
Personnel expense	(105,811,614)	(80,121,223)
Amortisation and depreciation	(36,510,230)	(26,439,178)
Impairment losses	(1,716,005)	(69,870)
Other operating costs	(12,154,615)	(8,760,773)
Internal work capitalised	24,707,418	16,437,125
Total costs	**(490,538,145)**	**(334,817,339)**
Operating profit	**77,313,768**	**50,977,759**
Financial income	6,139,493	3,468,409
Financial expense	(10,348,046)	(10,762,012)
- of which, with related parties	*(42,109)*	*(45,192)*
Pre-tax profit (loss)	**73,105,215**	**43,684,156**
Income taxes	(21,777,551)	(15,680,602)
Profit (loss) for the year	**51,327,664**	**28,003,555**
Profit for the year attributable to:		
Non-controlling interests	276,305	(75,900)
Owners of the parent	51,051,359	28,079,455

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	09.2023	restated (*)
Profit (loss) for the year	**51,327,664**	**28,003,555**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss		
Net actuarial gains/(losses)	(247)	166,628
Net fair value gains/(losses) on securities measured at FVOCI	238,468	0
Related tax	(57,162)	(47,189)
Total	**181,059**	**119,439**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss		
Net hedging gains/(losses)	(2,161,594)	2,069,011
Related tax	518,783	(496,563)
Net exchange gains/(losses)	(627,649)	4,471,203
Total	**(2,270,460)**	**6,043,651**
Other comprehensive income (expense), net of tax	**(2,089,401)**	**6,163,090**
Comprehensive income	**49,238,263**	**34,166,645**
Attributable to:		
Non-controlling interests	276,305	(75,900)
Owners of the parent	48,961,958	34,242,545

(*) 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 the explanatory notes for additional details.

	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Retained earnings	Profiy (Loss)	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 period								51,051,359	276,305	51,327,664
Other comprehensive income		181,236		(177)	(1,642,811)	(627,649)				(2,089,401)
Comprehensive income	**-**	**181,236**	**-**	**(177)**	**(1,642,811)**	**(627,649)**	**-**	**51,051,359**	**276,305**	**49,238,263**
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			(15,509,916)							(15,509,916)
Assignment of instalment 1 of the 2021-2024 stock grant plan		(184,001)	104,485							(79,516)
Provision for Stock Grant Plans		171,164								171,164
Other variations/reclassifications									(100)	(100)
Total owner transactions	**-**	**1,788,789**	**(15,405,431)**	**-**	**-**	**-**	**12,588,007**	**(45,190,464)**	**(100)**	**(46,219,200)**
Balance at 30 September 2023	**141,544,532**	**158,601,389**	**(22,584,432)**	**(155,266)**	**393,171**	**(3,098,797)**	**116,201,597**	**51,051,359**	**2,926,605**	**444,880,158**

(*) 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 the explanatory notes for additional details.

EXPLANATORY NOTES

AT 30 SEPTEMBER 2023

General Information

This additional financial information at 30 September 2023 has been prepared in accordance with article 154-ter.5 of the Consolidated Finance Act introduced by Legislative decree no. 195/2007 implementing Directive 2004/109/EC. The Board of Directors of Salcef Group S.p.A. approved this information and authorised its publication during its meeting of 14 November 2023.

Reporting standards

This additional financial information at 30 September 2023 has been prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.

The provisions of IAS 34 (Interim financial reporting) were not applied in the preparation of the additional financial information at 30 September 2023. Indeed, the Group applies this standard to its half-year financial reports and not to quarterly reports. Therefore, this document must be read together with the condensed interim consolidated financial statements at 30 June 2023 and the consolidated financial statements as at and for the year ended 31 December 2022, both lodged at the Company's registered office and available from the Investor Relations / Financial Reports section of the website www.salcef.com. Anyway, although this additional financial information does not include all disclosures required for a full set of financial statements, it includes notes to explain the events and transactions relevant to understanding the variations in the Group's financial position and performance compared to the last annual financial statements.

The accounting policies applied in the preparation of the additional financial information at 30 September 2023 are described below.

Basis of presentation

The additional financial information at 30 September 2023 comprises an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity and these notes.

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

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

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

The comparative figures in the following financial schedules 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. (hereinafter also referred to as "PSC BU"), in accordance with the applicable accounting standards. The restatement of comparative values is detailed in the following table:

(€'000)

RESTATEMENT OF COMPARATIVE FIGURES	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	**30/09/2022**		**30/09/2022**
Amortisation, depreciation and impairment losses	(25,695)	(744)	(26,439)
Income taxes	(15,888)	208	(15,681)
Profit for the period	28,540	(536)	28,004

For further details regarding the purchase price allocation of the PSC BU, please refer to the description provided in the Interim Financial Report at 30 June 2023 (Note no. 34).

Accounting policies

The general principle adopted to prepare this additional financial information at 30 September 2023 is that of historical cost, except for those captions that the IFRS require be measured at fair value. The most significant accounting policies applied are described below

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

Consolidation scope and basis of consolidation

The additional financial information at 30 September 2023 has been prepared by consolidating the Parent's separate interim financial statements at the same date and the interim financial statements of the Italian and foreign companies that it directly or indirectly controls.

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

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

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

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

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

Consolidation scope at 30 September 2023

COMPANY NAME	REGISTERED OFFICE	CURRENCY	Share/Quota capital/ Consortium	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
Colmar Technik S.p.A.	Rovigo - Italy	Euro	1,000,000		100%	Consolidation
Colmar SK S.R.O.	Šahy - Slovak Republic	Euro	5,000	100%		Consolidation
Colmar USA Inc.	Niagara Falls (NY) - USA	USD	60,000	100%		Consolidation
Technik (UK) Limited	Richmond - Surrey - Great Britain	GBP	2	100%		Consolidation
Colmar Vandhana India Pvt. Ltd.	Delhi - India	INR	1,000,000	80%		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	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 nine months of 2023 are as follows: (i) the sale of Kampfmittelräumung Nord GmbH (indirectly controlled through Salcef Deutschland GmbH) for which, as at 31 December 2022, the assets and liabilities attributable to it were classified as held for sale in accordance with IFRS 5, (ii) the incorporation of the subsidiary Salcef Nordic AS, based in Oslo (Norway), 60% owned by Salcef Group S.p.A. and (iii) the acquisition of Colmar Technik S.p.A, which, together with its subsidiaries, was included in the Group's consolidation scope as of August 1, 2023. This latter was accounted for as a business combination by allocating the provisional amount of the transaction pursuant to paragraph 45 and following paragraph of IFRS 3. Therefore, pending receipt of full information regarding the circumstances current as of the acquisition date, necessary for definition of the purchase price allocation, the carrying amounts of the assets and liabilities acquired are temporarily maintained, with the entire difference compared to the consideration transferred allocated to goodwill.

The consolidation process applied in the preparation of the additional financial information at 30 September 2023 is as follows:

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

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

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

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the business combination is measured at fair value, which is the sum of the fair values of the assets acquired and the liabilities assumed at the acquisition date.

Contingent consideration, considered part of the transfer price, is measured at its acquisition-date fair value and the obligation to pay contingent consideration is classified as other current or non-current financial liabilities.

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

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

If the fair value of the assets, liabilities and contingent liabilities can only be determined provisionally, the business combination is recognised on the basis of such provisional amounts. Any adjustments arising from the completion of the measurement process are recognised within 12 months of the acquisition date, increasing (decreasing) the provisional amount recognised for an identifiable asset (liability) with a corresponding increase (decrease) in goodwill. These adjustments are recognised as if the business combination had been completed at the acquisition date.

Loss of control

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

Translation of foreign currency items and financial statements

Transactions in foreign currencies

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

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

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

Foreign operations

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

Exchange rates used by the Group at 30 September 2023

CURRENCY	Code	30.09.2023	
		Spot closing rate	Average rate
Egyptian lira (Egypt)	EGP	32.7298	33.1383
Romanian leu (Romania)	RON	4.9735	4.9392
UAE dirham (Abu Dhabi)	AED	3.8906	3.9784
US dollar (USA)	USD	1.0594	1.0833
Saudi riyal (Saudi Arabia)	SAR	3.9728	4.0624
Norwegian krone (Norway)	NOK	11.2535	11.3483
Swiss franc (Switzerland)	CHF	0.9669	0.9774
Australian dollar (Australia)	AUD	1.6339	1.6205
British Pound (Great Britain)	GBP	0.86458	0.87072
Indian Rupee (India)	INR	88.0165	89.2314

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 company.
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 amortisation criteria, useful lives and residual use of the assets are reviewed at least at every annual reporting date to consider any significant variations. Specifically, patents, intellectual property rights, concessions, licences and trademarks are amortised over the shorter between the legal or contractual term and their residual use (from 3 to 5 years).
Intangible assets with finite useful lives include the costs to fulfil a contract, i.e., costs that (i) directly refer to a contract into which the Group has entered, (ii) generate and/or enhance the resources that will be used to satisfy the contractual obligations and (iii) are recoverable through the future economic benefits of the contract. Considering the contractual obligations in the Salcef Group's contracts with customers, these costs are usually pre-operating costs for contracts that do 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 September 2023, consequently no impairment test were necessary.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, less accumulated depreciation and any accumulated impairment losses. Cost includes costs incurred directly to move the

asset and prepare it for its intended use in its final location and any costs of dismantling and removing the asset and restoring the site on which it was located.
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Costs incurred for regular maintenance are expensed when incurred.

Items of property, plant and equipment are depreciated systematically over their useful life. When the depreciable asset comprises separately identifiable parts, with different useful lives, they are depreciated separately using the component approach.
Land, including appurtenance land, is not depreciated.
The Group reviews the depreciation criteria and useful lives at least at each annual reporting date to incorporate any significant changes.
Depreciation starts when the asset is available for use. The following table shows the estimated useful lives of the various asset categories, shown as annual depreciation rates:

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

The Group tests the carrying amount of items of property, plant and equipment for impairment when events or changes in circumstances indicate that the asset may be impaired. Reference should be made to the Impairment of non-financial assets section for information on impairment testing.
Gains and losses on the sale of assets or groups of assets are calculated by comparing the net disposal proceeds to the assets' carrying amount.
The cost of internally-produced assets is calculated using the same criteria as those applied to purchased assets. If the Group regularly produces similar assets for sale, the cost is generally the production cost of the asset produced for sale. Accordingly, any internal profits are deducted from the cost. Similarly, the cost of unusual waste of materials, work or other resources incurred in the internal production of an asset is not included in its cost.

Right-of-use assets and lease liabilities

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

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

Inventories

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

Revenue from contracts with customers and contract assets/liabilities

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

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

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

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

- net contract assets are the right to consideration for goods or services already transferred to the customer;
- contract liabilities are the Group's obligation to transfer goods or services to the customer for

which consideration has already been received (or for which the right to consideration has already arisen).

Contract assets are shown net of any allowances.

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

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

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

Financial assets and liabilities

Measurement and recognition

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

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

Financial assets - classification and subsequent measurement

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

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

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

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

Financial liabilities – classification and subsequent measurement

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

Financial assets – derecognition

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

Financial liabilities – derecognition

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

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

Offsetting

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

Financial instruments, derivatives and hedge accounting

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

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

Cash and cash equivalents

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

Impairment losses on financial assets

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

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

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

Equity

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

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

Employee benefits

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

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

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

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

Provisions for risks and charges

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

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

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

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

Financial revenue and charges

The Group's financial income and expense include:

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

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

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

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

Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.
Current taxes are calculated on the taxable profit for the period in accordance with the tax laws applicable to each in-scope company at the rates enacted at the reporting date. They are shown net of payments on account, withholdings and tax assets as current tax liabilities if the balance is negative, or as current tax assets if the balance is positive.

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (corporate income tax). The tax consolidation agreement governs the income/expense and financial transactions and the mutual responsibilities and obligations between the parent and the consolidated companies. It has a three-year term and was signed with the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., RECO S.r.l.,and SRT S.r.l., Overail S.r.l. and Coget Impianti S.r.l..
Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for:

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

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

Any unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.
Deferred tax liabilities are calculated on all temporary differences between the tax base of an asset and its carrying amount (liability method). Deferred taxes are calculated using the tax rates expected to be enacted in the years in which the temporary differences will be recovered or settled.
Current and deferred taxes are recognised in profit or loss, except for those related to items recognised directly in equity which are also accounted for directly in equity. Deferred tax assets and liabilities are not discounted.

Fair value measurement

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

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

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

Share-based payments

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

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

Changes in accounting policies, errors and changes in accounting estimates

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

Use of estimates

Preparation of this additional financial information st 30 September 2023 in accordance with the IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, costs and revenue. Estimates are based on the most recent information available to management when preparing this additional financial information.
The accounting policies and the financial statements captions that required a higher degree of judgement in making estimates are as follows:

- Goodwill: goodwill is tested for impairment annually (or more frequently if there are impairment indicators) in order to determine whether an impairment loss is to be recognised in profit or loss. Specifically, impairment testing involves determining the recoverable amount of the CGUs to which goodwill is allocated by estimating their value in use or fair value less costs to sell. Calculating the recoverable amount of the CGUs involves the use of estimates that depend on factors that may change over time, with potentially significant effects on the valuations made by management.
- Contract assets and contract liabilities: in measuring contract assets and liabilities, the Group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the actual progress of the work performed. Furthermore, any additional consideration for variations, price revisions, incentives and claims above those contractually agreed are estimated, as well as the plans of contracts from which provisions for onerous contracts may arise.
- Purchase price allocation: as part of business combinations, in exchange for the consideration transferred to obtain control of a company, the identifiable assets acquired and liabilities assumed are recognised in the interim consolidated financial statements at the acquisition-date fair value, based on a purchase price allocation process. During the measurement period, management calculates these fair values based on estimates according to the information available on all facts and circumstances that existed as of the acquisition date that would have affected the measurement of the amounts recognised as of that date.
- Impairment of non-current assets: property, plant and equipment and intangible assets with a finite useful life are tested for impairment. Any impairment losses are to be recognised when there are elements indicating that there may be difficulties in recovering the assets' carrying amount through use. Impairment testing requires management to make subjective assessments based on information available within the Group and the market and on historical experience. In addition, a potential impairment loss is determined using appropriate valuation techniques. The correct identification of the elements indicating potential impairment and the estimates to calculate it depend on factors that may vary over time influencing management valuations and estimates.
- Fair value measurement: when measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair

value hierarchy based on the inputs used in the valuation techniques as described in the Fair value measurement section.

- Measurement of lease liabilities: this is affected by the lease term, being the non-cancellable contract period, to which both of the following periods should be added: (a) periods covered by extension options, if the lessee is reasonably certain to exercise the options; and (b) periods covered by the option to terminate the lease early, if the lessee is reasonably certain that it will not exercise the option. Assessing the lease term involves the use of estimates that depend on factors that may change over time with potentially significant effects compared to the assessments made by management.
- Measurement of the loss allowances for expected credit losses: in the event of impaired positions (customers with high credit risk or significant past due amounts), the Group tests them individually using historical experience in order to estimate the expected losses on these positions. Estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit or loss.
- Measurement of defined benefit plans: actuarial valuations require the development of various scenarios that may differ from actual future developments. The results depend on the technical parameters adopted including, *inter alia*, the discount rate, the inflation rate, the rate of wage increases and expected turnover. All assumptions are reviewed annually.

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

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

The standards, amendments and interpretations effective from 1 January 2023 and endorsed by the European Commission are detailed below:

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): the amendments narrow the scope of application of the initial recognition exemption of deferred tax to exclude transactions in which equal amounts of deductible and taxable temporary differences arise on initial application.
- IFRS 17 - Insurance contracts (and subsequent amendments) which replaces IFRS 4;
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of accounting estimates (Amendments to IAS 8).

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

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

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

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

Significant non-recurring events and transactions

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

CEO

(Valeriano Salciccia)

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

Pursuant to article 154-bis.2 of the Consolidated Act on Finance, the manager in charge of financial reporting states that the disclosure included in this additional financial information at 30 September 2023 is consistent with the supporting documentation, ledgers and accounting records.

Roma, 14 November 2023

Manager in charge of financial reporting
Fabio De Masi

SALCEF GROUP