SALCEF GROUP

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

INTERIM FINANCIAL REPORT AT 30 JUNE 2021

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

Salcef Group holding company

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

Tax code 08061650589 | VAT no. 01951301009

www.salcef.com

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Company officers

Board of directors for the 2019/2021 three-year period

Chairman	Gilberto Salciccia
CEO	Valeriano Salciccia
Director	Alessandro Di Paolo
Director	Giovanni Cavallini
Director	Attilio Francesco Arietti
Director	Germano Maiolini
Director (independent)	Bruno Pavesi
Director (independent)	Valeria Conti
Director (independent)	Emilia Piselli

Remuneration and appointment committee

Chairwoman	Emilia Piselli
Member	Bruno Pavesi
Member	Attilio Francesco Arietti

Audit and risk committee

Chairwoman	Valeria Conti
Member	Emilia Piselli
Member	Alessandro Di Paolo

Related parties committee

Chairman	Bruno Pavesi
Member	Emilia Piselli
Member	Valeria Conti

Board of statutory auditors for the 2019/2021 three-year period

Chairwoman	Daniela Lambardi
Standing auditor	Giovanni Bacicalupi
Standing auditor	Roberto Schiesari

Supervisory body pursuant to Legislative decree no. 231/2001

Chairman	Stefano Crociata
Member	Fabrizio De Paolis
Member	Roberto D'Amico

Independent auditors for the 2020/2028 nine-year period

KPMG S.p.A.

DIRECTORS' REPORT

General information

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

The parent's ordinary shares are listed on the Italian Stock Exchange (MTA) organised and managed by Borsa Italiana S.p.A..

This interim financial report at 30 June 2021 includes the interim financial statements of the parent and its subsidiaries (together, the "Salcef Group" or the "group"). The parent's board of directors approved this information and authorised its publication during its meeting of 5 August 2021.

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

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

Financial figures and key financial indicators

This interim financial report provides information about the Salcef Group's financial position as at 30 June 2021 and the performance for the six months then ended, as well as significant events of the period.

Reclassified income statement

(€'000)

	H1 2021	H2 2020	Variation
Revenue	213,404	150,242	63,162
Production costs	(167,329)	(116,197)	(51,132)
Other operating costs	(4,330)	(3,501)	(829)
Internal work capitalised	6,294	5,936	358
EBITDA (Gross operating profit)	**48,039**	**36,480**	**11,559**
Amortisation, depreciation and impairment losses	(12,983)	(10,426)	(2,557)
Impairment losses	(589)	(141)	(448)
EBIT (Operating profit)	**34,467**	**25,913**	**8,554**
Financial income	2,987	148	2,839
Adjusted financial expense*	(1,207)	(2,423)	1,216
Adjusted pre-tax profit*	**36,247**	**23,638**	**12,609**
Adjusted income taxes**	(9,805)	(7,241)	(2,564)
Adjusted profit for the period *	**26,442**	**16,397**	**10,045**
* Fair value losses on warrants	(9,596)	(17,675)	8,079
** Reversal of deferred tax assets on revaluation	(1,580)	-	(1,580)
Profit (loss) for the period	**15,266**	**(1,278)**	**16,544**

Key performance indicators for the group

(€'000)

	H1 2021	H2 2020
EBITDA margin	22.51%	24.28%
EBIT margin	16.15%	17.25%

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

Key statement of financial position indicators

(€'000)

	30.06.2021	31.12.2020
Adjusted net financial position	71,227	19,955
Adjusted equity	353,356	273,420

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

The basis used to determine these indicators is described below, in accordance with CONSOB (Italian commission for listed companies and the stock exchange) communication no. 0092543 of 3 December 2015.

- EBITDA is calculated by adjusting the profit or loss for the period to exclude taxation, net financial expense and amortisation, depreciation and impairment losses.
- EBIT is calculated by adjusting the profit or loss for the period to exclude taxation and net financial expense.
- Adjusted pre-tax profit or loss is calculated by adjusting the profit or loss for the period to exclude taxation and other amounts, such as fair value gains and losses on the warrants issued by Salcef Group S.p.A., related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group.
- Adjusted profit or loss is calculated by adjusting the profit or loss for the period to exclude other amounts, such as fair value gains and losses on the so-called "additional conversion" warrants issued by Salcef Group S.p.A., related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group, and the tax impact of the reversal of deferred tax assets recognised on 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 calculated 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 adjusted net financial position is calculated by deducting cash and cash equivalents and current financial assets from current and non-current financial liabilities, excluding the warrants issued by Salcef Group S.p.A at 30 June 2021 recognised at fair value in compliance with the IFRS, as described later on in this report. The fair value measurement relates only to the additional conversion warrants classified as financial liabilities in accordance with the IFRS; it does not relate to the so-called "new" warrants issued by Salcef Group S.p.A., which are classified as equity instruments.
- Adjusted equity is calculated by deducting the fair value gains and losses on "additional conversion" warrants issued by Salcef Group S.p.A. and the tax impact of the reversal of deferred tax assets recognised on tax revaluations, as detailed further on, from equity.

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.

Revenue for the first half of the year came to €213,404 thousand, a €63,162 thousand increase (+42.0%) over the €150,242 thousand of the corresponding period of the previous year. This rise was due to various factors: (i) the changes in the consolidation scope, chiefly, the acquisition of Delta Railroad Construction Inc. in September 2020, as well as the acquisition of the Bahnbau Nord Group at the end of May 2021; (ii) the reduced production in the first half of 2020 due to the Covid-19 pandemic and (iii) Salcef Group's organic growth.

EBITDA reflects the increase in volumes and came to €48,039 thousand, an €11,559 thousand (+31.7%) increase over the €36,480 thousand of the corresponding period of 2020. The EBIT margin (EBITDA/revenue) was 22.5%, a 1.77% decrease over the previous year, mainly due to the different revenue mix as a result of the change in the consolidation scope. The EBITDA for the period was also impacted by the accrual for the management incentive plan bonus (€586 thousand).

EBIT came to €34,467 thousand, an €8,554 thousand increase (+33%) over the €25,913 thousand of the first half of 2020, a result both of higher depreciation following the roll-out of new plant and machinery which the group had invested in previously and impairment losses on specific assets recognised in the period and not attributable to recurring events. Consequently, the EBIT margin also decreased on the first half of 2020 (-1.10%.

The adjusted profit for the period was €26.4 million, compared to €16.4 million for the same period of 2020. The profit for the period reflects the fair value losses on additional conversion warrants of €9,596 thousand, which include the fair value losses recognised in the first half of 2021 on the additional conversion warrants exercised in the period and fair value losses on the aforementioned warrants that had been issued and not yet exercised at 30 June 2021.

The additional conversion warrants are classified as financial liabilities in accordance with IAS 32.

They are considered equity solely for tax purposes. On this basis, the liability recognised as a balancing entry in the equity reserve and the fair value gains and losses on the additional conversion warrants with an impact on profit or loss cannot be recognised for tax purposes. Therefore, not even the settlement of the liability when the warrants are converted generates a tax impact for the parent.

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

The profit for the first half of 2021 was also impacted by the tax expense (€1,580 thousand) deriving from the release of the deferred tax assets recognised at 31 December 2020 (€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 separate 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 in the Salcef Group's consolidated financial statements, 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 in the financial statements at 31 December 2020, in accordance with IAS 12, of deferred tax assets (IRES - corporate income tax and IRAP - regional productivity tax). The deferred tax assets will reverse starting from 2021 and in subsequent years when the subsidiaries that applied the revaluation fully deduct the greater depreciation arising from the revaluation in the calculation of current taxes (IRES and IRAP), while such greater depreciation will be reversed in the Salcef Group's condensed interim consolidated financial statements.

In the statement of financial position as at 30 June 2021, both financial position, positive at 30 June 2021 for €71,227 thousands, and equity reflect the treasury share purchases totalling €3,333 thousand and the warrants exercised which led to a share capital increase of €74,613 thousand, and the distribution of dividends of €21,314 thousand.
The share capital at 30 June 2021 amounts to €136,719,295.50 and is fully paid up.

The conversion of 7,087,216 new warrants in the reporting period, including 2,833,384 by the controlling shareholder, Finhold S.r.l., and of 6,951,316 additional conversion warrants, further increased Salcef Group S.p.A.'s equity, as it received additional capital of €74,613,131, which it can earmark for growth and development plans in the railway industry in Italy and abroad.
Considering the aforesaid conversions of the new warrants and the additional conversion warrants and of the fact that:

- on 3 May 2021, in accordance with article 7.4.c.i of the by-laws, the condition has been met for the automatic conversion of 416,667 performance shares into 2,083,335 ordinary shares (as explained later on in the section on key events of the period);
- on 17 May 2021, in accordance with article 7.4.c.ii of the by-laws, the term for the automatic conversion of 416,667 performance shares into 2,083,335 ordinary shares was met (detailed in the section on key events of the period);
- on 17 May 2021, in accordance with article 7.5.e.ii of the by-laws, the term for the automatic conversion of 100,000 special shares into 700,000 ordinary shares was met (detailed in the section on key events of the period);

the share capital amounts to €136,744,532.20 at the date of preparation of this interim financial report and is fully paid up. It consists of 56,912,624 shares without nominal value, divided into the following categories:

a) 56,117,729 ordinary shares;

b) 641,044 performance shares, all held by Finhold S.r.l.;

c) 153,851 special shares, all held by the promoters of Industrials Stars of Italy 3.

As a result of the aforementioned share capital increase and automatic conversion of the performance shares, Finhold S.r.l.'s investment in Salcef Group S.p.A. decreased from 71.95% to 66.51%, with voting rights of 66.69%.

The table below sets out the net financial position/debt (and adjusted net financial position/debt) at 30 June 2021 and 31 December 2020. The Group has taken into account the new presentation method for net financial position following the publication of the ESMA Guidelines dated 4 March 2021 and Consob's Communication no. 5/21 of 29 April 2021, in which it acknowledges the ESMA Guidelines and states that references to the CESR Recommendations on prospectus contained in previous communications shall be replaced with the ESMA Guidelines, including the references contained in Communication no. DEM/6064293 of 28 July 2006 on net financial position.

(€'000)

NET FINANCIAL POSITION	30.06.2021	31.12.2020	Variation
(A) Cash	118,727	63,199	55,528
(B) Cash equivalents	0	0	0
(C) Other current financial assets	89,164	65,362	23,802
(D) Liquidity (A + B + C)	**207,891**	**128,561**	**79,330**
(E) Current financial debt *	(13,855)	(25,618)	11,763
(F) Current portion of non-current financial debt	(55,532)	(54,922)	(610)
(G) Current financial debt (E + F)	**(69,387)**	**(80,540)**	**11,153**
(H) Net current financial position (G + D)	**138,504**	**48,021**	**90,483**
(I) Non-current financial debt	(70,849)	(47,340)	(23,509)
(J) Debt instruments	0	0	0
(K) Trade payables and other non-current debt	0	0	0
(L) Non-current financial debt (I + J + K)	**(70,849)**	**(47,340)**	**(23,509)**
(M) Total net financial position (H + L) **	**67,655**	**681**	**66,974**
(N) Adjustment for other financial liabilities - warrants	3,572	19,274	(15,702)
(O) Total adjusted net financial position (M + N)	**71,227**	**19,955**	**51,272**

(*) includes the financial liability for the warrants referred to in letter N

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

Specifically, on 30 June 2021, Salcef Group S.p.A. took out a five-year, €30,000 thousand "S-Loan" with Intesa Sanpaolo S.p.A.. The loan is backed by the SACE S.p.A. green guarantee and involves the identification and monitoring of certain ESG performance indicators, improvements in which may be linked to a decrease in the interest rate.

Current financial debt includes the additional conversion warrants amounting to €3,572 thousand (€19,274 thousand at 31 December 2020), calculated on the basis of their fair value at initial recognition at their date of issue (8 November 2019), subsequently adjusted to their fair value at 31 December 2020, considering the conversions and fair value gains and losses in 2020, and then adjusted for conversions and fair value gains and losses in the first half of 2021.

The additional conversion warrants are settled through the issue of ordinary shares of Salcef Group S.p.A. upon conversion, restating the financial liability as an increase in equity. Accordingly, this liability does not generate an outflow of cash for the group.

Fair value gains and losses on additional conversion warrants recognised in the income statement as a financial expense came to €9,596 thousand in the first half of 2021. As stated earlier, they were not included in the calculation of the adjusted pre-tax profit or the adjusted profit for the period.

As the subscription period for the additional conversion warrants lapsed on 22 July 2021, the related financial liability was settled in full.

The net financial position at 30 June 2021, determined considering bank loans and borrowings and loans and borrowings from other financial backers, net of cash and cash equivalents and securities, is €85,297 thousand (31 December 2020: €34,453 thousand).

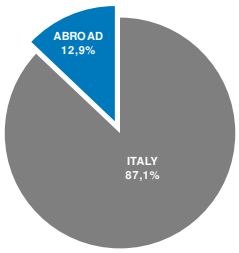
At the reporting date, the Salcef Group's order backlog includes work on permanent way systems (76.81%), energy sector works (15.64%), sleepers and prefabricated products production (6.09%), infrastructure works (1.22%) and machinery construction and maintenance contracts (0.24%), which ensure continuity using the existing operating units active in the relevant geographical areas.

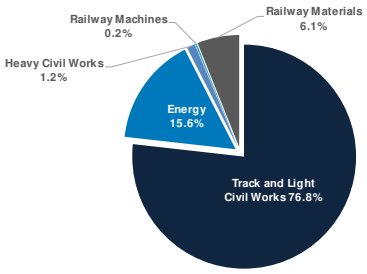
The Salcef Group's order backlog at 30 June 2021 is detailed by business unit and geographical segment below:

SALCEF GROUP - BACKLOG AT 01.07.2021

Geographical segment	*Amount (€'000)*	*%*
Italy	993.258,4	87,08
Abroad	**147.393,2**	**12,92**
Total [1]	**1.140.651,6**	**100,00**

Business unit	*Amount (€'000)*	*%*
Track and light civil works	**876.089,6**	**76,81**
of which Abroad	*130.470,1*	
Energy	**178.453,2**	**15,64**
of which Abroad	*4.087,0*	
Heavy civil works	**13.891,5**	**1,22**
of which Abroad	*11.234,7*	
Railway machines	**2.771,4**	**0,24**
of which Abroad	*1.601,4*	
Railway materials	**69.445,9**	**6,09**
Total [1]	**1.140.651,6**	**100,00**

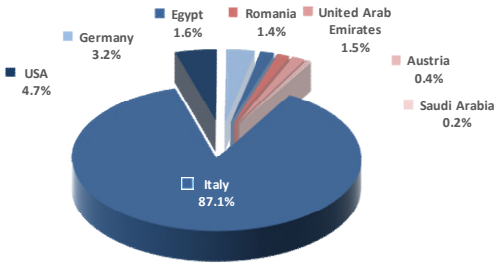




[1] Excluding infragroup contracts

SALCEF GROUP - ORDER BACKLOG AT 01.07.2021 BY COUNTRY

Country	*Amount (€'000)*	*%*
Italy	**993,258.4**	**87.08**
USA	**54,104.2**	**4.74**
Germany	**36,595.3**	**3.21**
Egypt	**17,788.8**	**1.56**
Romania	**16,063.7**	**1.41**
United Arab Emirates	**16,639.4**	**1.46**
Austria	**4,087.0**	**0.36**
Saudi Arabia	**2,114.7**	**0.19**
India	**0.0**	**0.00**
Total [1]	**1,140,651.6**	**100.00**



[1] Excluding infragroup contracts

Human resources

With respect to its workforce, the group carries out its activities in full compliance with the relevant environmental and occupational hygiene regulations as well as applicable foreign legislation. A breakdown follows of the group's workforce at 30 June 2021 compared to 31 December 2020:

Workforce by category

	Italy	Abroad	TOTAL
Managers	28	3	31
White collars	201	49	250
Blue collars	683	87	770
Total at 30 June 2020	**912**	**139**	**1,051**
Managers	30	12	42
White collars	232	83	315
Blue collars	789	321	1,110
Total at 30 June 2021	**1,051**	**416**	**1,467**

Key events of the period

Spread of the Coronavirus (Covid-19)

The Salcef Group continues to implement a series of projects and safeguards to constantly monitor the evolution of the impact of the pandemic, searching for the best solutions to manage the related issues. In particular, the parent set up a special task force to manage health risks and took all steps to inform employees, suppliers, sub-contractors and others, whatever their relationship with the Salcef Group, of the necessary and/or useful safeguards to limit the risk of infection as much as possible and handle any risk situations or cases of Covid-19.

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

Considering the extensive reach of the Salcef Group's production activities, the risk of infection at sites could slow work, with potential impacts going forward in 2021 in the event of fresh outbreaks. However, the directors believe that, because of the safety measures taken and the organisation that the group has set up, and taking into account the progress of the vaccination roll-out domestically and internationally, the objectives and targets set for the medium term remain valid and feasible.
In this regard, it should also be noted that the relief measures that the Italian government and the governments of other European and non-European countries where the group operates are considering in response to the economic effects of the public health emergency are based on economic stimulus mainly through extraordinary infrastructure investment plans, which could potentially benefit the group's business in the future.

Approval of financial statements, dividend distribution and stock grant plan

At their ordinary meeting of 29 April 2021, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2020, which showed a profit for the year of €24,545,124, and were presented with the consolidated financial statements as at and for the year ended 31 December 2020, both prepared in accordance with the IFRS. The latter show a profit for the year attributable to the owners of the parent of €41,149,309.

The shareholders also approved the distribution of a dividend of €0.42 for each ordinary and performance share. The ex-dividend, record and payment dates were 24, 25 and 26 May 2021, respectively.
The dividend distributed totalled €21,314,116.32, considering the automatic conversion of the performance shares and special shares following as the conditions as per article 7.4.c.i/ii and article 7.5.e.i of the by-laws were met, as detailed in the following paragraph, and considering the purchase transaction which will be discussed further on, involving the use of treasury shares.

The shareholders then approved the so-called "2021-2024 stock grant plan" for certain executive directors and employees, including key management personnel, of the parent and Salcef group companies - other than the CEO and the chairman of the board of directors of the parent - along with other beneficiaries holding managerial positions deemed key within the group. Under the plan, a maximum total of 40,000 shares are assigned and then delivered to those beneficiaries who meet set performance targets upon expiry of the vesting period, as described in detail in the information memorandum drafted as per article 114-bis of the Consolidated Finance Act and article 84-bis of the Issuers Regulation made available to the public at the parent's registered office and on its website www.salcef.com (Investor Relations/Shareholders' Meeting section).
Implementing the resolution of the shareholders, the board of directors resolved to implement the 2021-2024 stock grant plan, with assignment of the rights on 25 June 2021. The board's resolution identifies 31 beneficiaries from among the executive directors (other than the CEO and the chairman of the board of directors of the parent), employees, including key management personnel, of the parent and the group companies, as well as other beneficiaries holding managerial positions deemed key within the group. The beneficiaries were assigned a total of 25,463 rights to receive a maximum of 25,463 shares.
The list of beneficiaries could change as a result of new hires and changes to the group's personnel in 2021. Accordingly, the board of directors has conferred powers on the CEO for the definition and amendment of the list of beneficiaries, and the approval of the targets for each MBO beneficiary.
Further details are provided in the notes to the condensed interim consolidated financial statements at 30 June 2021.

Finally, the shareholders approved the parent's 2021 remuneration policy for the directors, CEOs, key management personnel and members of supervisory bodies as set out in the first section of the

Remuneration report. They also approved the second section of such report which provides, inter alia, an account of all types of remuneration paid out for any purpose during the year ended 31 December 2020.

Changes in the share capital

The acceleration terms of the additional conversion warrants and the new warrants were respectively met with the closing of the stock market on Friday 30 April 2021 and the closing on Monday 3 May 2021.
In the first case, the average monthly price of April 2021 was higher than the threshold price of €13.00, while, in the second case, the average monthly price was at least equal to the threshold price of €13.00 for at least 15 out of 30 consecutive trading days (the "period of stability").

Pursuant to the regulations of the new warrants and the additional conversion warrants, neither type can be exercised during the "restricted periods" (i.e., the period from, and including, the date the parent's board of directors resolves to call the shareholders' meeting to approve (i) the separate financial statements and the proposal to distribute dividends or (ii) the proposal to distribute extraordinary dividends, up to (and including) the date of such shareholders' meeting and, in any case, up to (not including) the ex-dividend date, including extraordinary dividends, resolved by the shareholders).
Accordingly, the bearers of the new warrants could ask to subscribe conversion shares at the share subscription price (€10.50) by and not after 30 June 2021, otherwise they will expire. Meanwhile, the bearers of the additional conversion warrants could ask to subscribe conversion shares at the share subscription price (€0.10) by and not after 22 July 2021, otherwise they will expire.

At the date of preparation of this interim financial report, no investor holds any additional conversion warrants or new warrants, as the term for their subscription has lapsed, as stated above. Accordingly, any unexercised additional conversion warrants and new warrants have ceased to be valid for all purposes.

Moreover, in accordance with article 7.4.c.i of the by-laws, the condition for the automatic conversion of 416,667 performance shares into 2,083,335 ordinary shares was met on 3 May 2021 as the official market price of the parent's ordinary shares was higher than €13.00 for a period of stability.
Lastly, the condition was met on 17 May 2021 established in article 7.4.c.ii and article 7.5.e.i of the by-laws, providing for the respective automatic conversion of 416,667 performance shares into 2,083,335 ordinary shares and of 100,000 special shares into 700,000 ordinary shares, as the official market price of Salcef Group S.p.A.'s ordinary shares was at least equal to the threshold price of €13.50 for at least 15 out of 30 consecutive trading days.

Bahnbau Nord Group acquisition

On 25 May 2021, Salcef Group S.p.A. acquired the entire share capital of Verwaltung und Beteiligung Nord GmbH ("Verwaltung"), the parent of the German group that includes Bahnbau Nord GmbH, based in

Henstedt-Ulzburg and active in the construction and maintenance of railway equipment, as well as a group of companies operating in various businesses within the railway sector.

The transaction allows the parent to keep pursuing its strategy of growth through external lines, boosting the Salcef Group's presence on the German market, which is characterised by impressive development projects as confirmed by the Deutsche Bahn plan approved by the German government, with investments of €86 billion over the next 10 years.

The group, which has around 100 employees, recorded average consolidated turnover of approximately €17 million in the 2018-2020 period. For 2021, the sellers have issued specific commitments for the group to reach an EBITDA of at least €2 million.

The total consideration paid to acquire Verwaltung's entire share capital was approximately €8.5 million and the contract includes an earn-out clause in favour of the sellers, based on the Verwaltung Group's EBITDA and revenue until the end of 2022.

The consideration will be paid in several tranches:

- €6.4 million on signing the contract, of which approximately €4.4 million in cash and the remainder in Salcef Group S.p.A. treasury shares (153,848);
- €2.1 million in three annual instalments, the last of which is due in 2024.

There are also mechanisms for adjusting the price downwards if certain conditions are met.

Ancillary contracts were also signed for the purpose of the acquisition, including service contracts with the sellers, deeds of amendment to leases on the property housing Verwaltung's registered and operating office, as well as deeds of transfer of assets used in the operations of the operating companies.
The acquisition was financed by the parent's own funds, including treasury shares.

On 21 June 2021, Verwaltung und Beteiligung Nord GmbH changed its name to Salcef Deutschland GmbH and its registered office was transferred to Landsberg Am Lech.

Treasury share repurchase programme

In their ordinary meeting of 29 April 2021, the shareholders of the parent revoked the authorisation given on 24 April 2020 to the board of directors, for the part not exercised, and authorised the board of directors to repurchase, including in more than one tranche, ordinary shares of the parent up to a maximum which, considering the ordinary shares of the parent held at any time by the parent and its subsidiaries, shall not cumulatively exceed 10% of the parent's share capital, pursuant to article 2357.3 of the Italian Civil Code, article 132 of the Consolidated Finance Act and article 144-bis of Consob's (the Italian Commission for Listed Companies and the Stock Exchange) Issuers' Regulation.

The authorisation was granted for the purpose, inter alia, of repurchasing treasury shares to:

- incentivise and retain employees, consultants and directors of the parent and its subsidiaries and/or other categories of individuals chosen at the discretion of the board of directors;
- carry out transactions to sell and/or repurchase treasury shares for direct or indirect acquisitions of equity investments and/or property and/or finalise agreements with strategic partners;
- carry out transactions following the purchase or sale of shares, within the limits set by the relevant market practice;
- perform, directly or via brokers, transactions to stabilise and/or support the liquidity of the parent's shares in accordance with the relevant market practice;
- set up an inventory of shares to be used for future one-off financing transactions;
- seize any investment opportunities, also bearing in mind the risk and forecast return on alternative investments;
- use excess liquid funds.

Pursuant to article 2357-ter of the Italian Civil Code, the shareholders also authorised the board of directors to use, in whole or in part and in one or more transactions, the ordinary shares repurchased as part of the above resolution or otherwise held by the parent.
The repurchase can be made in one or more tranches within 18 months of the date of the meeting at which the shareholders took the relevant resolution. Conversely the authorisation to use the ordinary treasury shares is without any time limits.

The parent holds 409,243 treasury shares at the reporting date, equal to 0.7223% of its share capital.

Outlook

In the second half of 2021, the group will continue to operate in its sectors of interest (permanent way systems, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of reinforced, vibrated and prestressed concrete sleepers) in Italy and abroad in those countries where it already has a strong business footprint and its specialised plant and personnel have ensured efficient service for many years.

For 2021, production and profitability values are expected to continue the trends highlighted in recent periods. Backlog acquired guarantees work continuity for the human resources employed for at least the next three years.

In the second half of 2021, Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. will continue to operate in line with the national master agreements covering the updating and maintenance of RFI S.p.A.'s tracks and turnouts for the 2018-2020 three-year period, specifically the lots in central and north-west Italy which expire in 2021.

These companies have submitted bids in the new tenders called by Rete Ferroviaria Italiana S.p.A. to upgrade and maintain its tracks and turnouts, including the supply of reinforced concrete sleepers, for the 2021-2023 three-year period.

In this regard, as the final award measures have already been issued and notified for both contracts, on 6 July 2021, Rete Ferroviaria Italiana S.p.A. urgently delivered the works for the upgrade and extraordinary maintenance of the permanent way systems as part of the Rome, Ancona, Naples and Cagliari local production units to the joint arrangement formed by Salcef S.p.A. (lead contractor), Euro Ferroviaria S.r.l., Overail S.r.l., Armafer S.r.l. and I.C.E.P. S.p.A., as well as the routine maintenance for the permanent way systems as part of the Rome, Ancona, Naples and Cagliari local production units to the joint arrangement formed by Salcef S.p.A. (lead contractor), Euro Ferroviaria S.r.l. and Armafer S.r.l., pending the finalisation of the preliminary activities for the awarding of the works in question.

Moreover, as part of a joint arrangement, the Salcef Group was awarded the tender called by RFI S.p.A. to double the railway lines on the Telese – San Lorenzo Maggiore – Vitulano section. This relates to around 20 km on the new HS/HC Naples - Bari railway line, reducing travelling times between two of southern Italy's major urban and industrial hubs and increasing both passenger and freight traffic capacity. In 2019, as part of another joint arrangement, Salcef had already won the tender to carry out track work to increase the speed of the Frasso Telesino - Telesse section. Together these two works are worth €58.5 million for the Salcef Group.

Both works fall under the group's core business, i.e., permanent way systems, electrical traction, substations, signalling and systems for electricity transmission. The group's contribution to the joint arrangement harnesses the expertise of two of its companies, Salcef S.p.A. and Coget Impianti S.p.A..

In addition to this contract, in the first half of 2020, Salcef S.p.A. was awarded domestic contracts totalling roughly €39 million also relating to the group's core business. These contracts ensure the continuity and coverage of the order backlog for the permanent way systems and energy business units.

In the second half of 2021, Overail S.r.l. will complete the supply of reinforced, vibrated and prestressed concrete sleepers with under sleeper pads (initial amount of approximately €7 million) to RFI S.p.A..

Business abroad saw the completion of construction on the new railway hub in Kozzyka on Line 1 in Cairo (Egypt) on behalf of the National Authority for Tunnels and in 2021, also in Egypt, the work will continue to update 46 km of tracks and 229 turnouts on the Cairo – Alexandria railway line, as will work in Romania on the contracts for the rehabilitation of two adjacent railway lots on the Frontiera-Curtici-Simeria line, European IV Corridor, Sub-sections 2A and 2B. Considering the complexity of this work in Romania, it is expected to take around three years.
The Abu Dhabi branch will continue works for the construction of the track for the new railway line that will link the cities of Ruwais and Ghuweifat, on the border with Saudi Arabia on behalf of the joint arrangement comprising China State Construction Engineering Corporation and SK Engineering and Construction. Specifically, the Salcef Group is building the track along the main and secondary line for €27.3 million. It will also handle the installation of turnouts and the production of long welded rails through the construction of a welding plant.
In the second quarter of 2021, this branch was also awarded the construction of the railway infrastructure to be used for five new railway depots for an amount of some €6.5 million, on behalf of the joint arrangement comprising Larsen & Toubro Limited and Power Construction Corporation of China LTD.
Both works are part of the project approved by Etihad Rail, the operator of the United Arab Emirates' national railway network, for the construction of an infrastructure that will extend to the United Arab Emirates' border with Saudi Arabia. Once completed, the railway will stretch for 605 km, from Ghuweifat to the port of Fujairah. Once all the planning stages are complete, a 1,200 km network will be built connecting the main industrial, manufacturing, production, urban and commercial hubs of the United Arab Emirates. It is therefore an important strategic work which will form an integral part of the proposed Gulf Railway system covering 2,177 km to connect all Gulf Cooperation Council-member states in the Persian Gulf.

As well as benefiting from the activities carried out in the North American market (US and Canada) by Delta Railroad Construction Inc., production abroad in the second half of 2021 will also benefit from the operations of the group's most recent acquisition, Bahnbau Nord.
Specifically, in the second half of 2021, Delta Railroad Construction Inc. will continue the construction works for the permanent way systems in the Boston metropolitan area at full capacity, under the contract awarded at the end of 2020 worth USD41.1 million, as well as many other smaller contracts in the US.

The latest companies to join the Salcef Group brought new acquisitions of €18.8 million.

Lastly, Salcef S.p.A.'s Australian branch was established on 12 July 2021, thereby opening up a new foreign market.

With respect to the investments necessary to develop the business of the individual group companies, in 2021, extraordinary maintenance and other work to upgrade some areas and buildings in Overail S.r.l.'s Aprilia production facility will be completed.

Key risks and uncertainties

The main market risks to which the group is exposed are interest rate risk, currency risk, liquidity risk, credit risk and operational risk.

Interest rate risk

The group uses third party funding which bears floating interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates is very low as the group works solely with Italian banks and its high credit standing means that it has been able to negotiate cheap market rates for some years. It neutralises the effect of increases in interest rates by agreeing interest rate swaps for its main loans.

Currency risk

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

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

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

In 2020, 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..

Liquidity risk

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

Risk of changes in contract consideration

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

Credit risk

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

Operational risks

The production and industrial nature of the group's Italian and foreign operations means that the group is exposed to the risk of decreased production capacity in more than one business line, which could be caused by several factors, the main ones being: accidents or extraordinary events at work sites and facilities involving the destruction of machinery and/or injuries to employees, customer's application of early termination clauses included in contracts with customers; measures issued by domestic, foreign and supranational bodies curbing the company's bargaining and operating capacity; the cancellation, suspension or downgrading of the operating companies from state-owned or private customer' supplier databases and/or of authorisations to participate in calls for tender and the performance of public works.
To the extent technically possible, the group applies a risk management policy aimed at minimising operational risks, including the agreement of relevant insurance policies.

Related party transactions

Related party transactions do not qualify as either atypical or unusual, as they form part of the group's normal operations. They are carried out in the group's interest on an arm's length basis.
The "Related party transaction procedure" is available on the parent's website (www.salcef.com).

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021

Condensed interim consolidated financial statements at 30 June 2021

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2021	31.12.2020
Non-current assets			
Intangible assets with finite useful lives	1	6,198,689	5,659,564
Goodwill	2	42,657,895	33,319,752
Property, plant and equipment	3	107,833,842	97,581,826
Right-of-use assets	4	16,768,167	17,911,806
- of which, with related parties		*1,490,491*	*1,596,427*
Equity-accounted investments	5	2,164,666	2,009,985
Other assets	6	13,833,968	12,854,811
Deferred tax assets	7	19,990,341	21,502,154
Total non-current assets		**209,447,568**	**190,839,898**
Current assets			
Inventories	8	23,453,833	14,167,625
Contract assets	9	134,424,746	94,006,763
Trade receivables	10	67,159,155	80,070,149
- of which, with related parties		*428,747*	*517,078*
Tax assets	11	4,147,003	4,366,106
Financial assets	12	89,163,774	65,362,201
- of which, with related parties		*353,465*	*353,465*
Cash and cash equivalents	13	118,727,440	63,198,962
Other assets	14	26,174,555	30,948,993
Total current assets		**463,250,506**	**352,120,799**
TOTAL ASSETS		**672,698,074**	**542,960,697**

STATEMENT OF FINANCIAL POSITION

LIABILITIES	Note	30.06.2021	31.12.2020
Equity attributable to the owners of the parent			
Share capital		136,719,296	62,106,165
Other reserves		210,095,565	164,734,003
Profit for the year/period		15,080,601	41,149,309
Total equity attributable to the owners of the parent		**361,895,462**	**267,989,477**
Share capital and reserves attributable to non-controlling interests		1,846,533	1,753,716
Profit for the year/period attributable to non-controlling interests		185,007	125,915
TOTAL EQUITY	**15**	**363,927,002**	**269,869,108**
Non-current liabilities			
Financial liabilities	16	63,400,906	38,702,298
Lease liabilities	4-16	7,448,057	8,637,552
- of which, with related parties		*1,236,669*	*1,326,204*
Employee benefits	17	1,061,971	871,149
Provisions for risks and charges	18	3,954,601	3,855,356
Deferred tax liabilities	7	2,433,402	1,304,394
Other non-current liabilities	21	4,051,114	2,928,160
Total non-current liabilities		**82,350,051**	**56,298,909**
Current liabilities			
Bank loans and borrowings	16	2,597,883	0
Financial liabilities	16	60,859,283	74,705,065
Current portion of lease liabilities	4-16	5,930,364	5,834,881
- of which, with related parties		*323,256*	*30,296*
Current employee benefits	17	481,651	0
Contract liabilities	9	6,308,788	6,418,761
Trade payables	19	113,954,825	96,430,836
- of which, with related parties		*1,019,754*	*2,130,593*
Tax liabilities	20	6,969,588	2,469,306
Other liabilities	21	29,318,639	30,933,831
Total current liabilities		**226,421,021**	**216,792,680**
TOTAL LIABILITIES		**308,771,072**	**273,091,589**
TOTAL EQUITY AND LIABILITIES		**672,698,074**	**542,960,697**

INCOME STATEMENT

	Note	H1 2021	H1 2020
Revenue from contracts with customers		211,244,638	149,836,499
- of which, with related parties		*791,805*	*0*
Other income		2,159,071	405,897
Total revenue	**22**	**213,403,709**	**150,242,396**
Raw materials, supplies and goods	23	(45,605,248)	(25,450,109)
Services	24	(77,126,785)	(58,238,494)
Personnel expense	25	(44,597,207)	(32,508,267)
Amortisation, depreciation and impairment losses	26	(12,983,480)	(10,425,740)
Impairment losses	27	(589,313)	(141,427)
Other operating costs	28	(4,329,719)	(3,500,984)
Internal work capitalised	29	6,294,418	5,935,645
Total costs		**(178,937,334)**	**(124,329,376)**
Operating profit		**34,466,375**	**25,913,020**
Financial income	30	2,987,090	148,183
Financial expense	30	(10,802,716)	(20,098,223)
- of which, with related parties		*(39,881)*	*(39,134)*
Pre-tax profit		**26,650,749**	**5,962,980**
Income taxes	7	(11,385,141)	(7,241,023)
Profit/(loss) for the period		**15,265,608**	**(1,278,043)**
Profit/(loss) for the period attributable to:			
Non-controlling interests		185,007	0
Owners of the parent		15,080,601	(1,278,043)
Earnings (loss) per share:			
Basic earnings (loss) per share	35	0.33	(0.03)
Diluted earnings per share	35	0.28	n.a

STATEMENT OF COMPREHENSIVE INCOME

	Note	H1 2021	H1 2020
Profit (loss) for the period		**15,265,608**	**(1,278,043)**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	17	36,676	(14,603)
Related tax		(10,387)	4,136
Total		**26,289**	**(10,467)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Hedging gains/(losses)		(667,785)	7,494
Income taxes		160,267	(1,799)
Translation gains/(losses)		1,939,940	(213,654)
Total		**1,432,422**	**(207,959)**
Other comprehensive income/(expense), net of the tax effect		**1,458,711**	**(218,426)**
Comprehensive income/(expense) for the period		**16,724,319**	**(1,496,469)**
attributable to:			
Non-controlling interests		185,007	0
Owners of the parent		16,539,312	(1,496,469)

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit/(loss) for the period	Equity att. to non-controlling interests	Equity
Balance at 1 January 2021	**15**	**62,106,165**	**102,483,069**	**(3,612,456)**	**(237,030)**	**(302,034)**	**(4,963,889)**	**(4,675,218)**	**76,041,561**	**41,149,309**	**1,879,631**	**269,869,108**
Profit for the period										15,080,601	185,007	15,265,608
Other comprehensive income					26,289	(507,518)	1,939,940					1,458,711
Comprehensive income for the period		**-**	**-**	**-**	**26,289**	**(507,518)**	**1,939,940**	**-**	**-**	**15,080,601**	**185,007**	**16,724,319**
Allocation of prior year profit			1,227,256						39,922,053	(41,149,309)		-
Exercise of warrants		74,613,131	21,153,994					4,142,984				99,910,109
Repurchase of treasury shares				(3,333,402)								(3,333,402)
Use of treasury shares			217,997	1,882,028								2,100,025
Dividend distribution									(21,314,116)			(21,314,116)
Other variations/reclassifications			(79,284)						83,341		(33,098)	(29,041)
Total owner transactions		**74,613,131**	**22,519,963**	**(1,451,374)**	**-**	**-**	**-**	**4,142,984**	**18,691,278**	**(41,149,309)**	**(33,098)**	**77,333,575**
Balance at 30 June 2021	**15**	**136,719,296**	**125,003,032**	**(5,063,830)**	**(210,741)**	**(809,552)**	**(3,023,949)**	**(532,234)**	**94,732,839**	**15,080,601**	**2,031,540**	**363,927,002**
Balance at 1 January 2020		**60,000,000**	**94,852,284**	**-**	**(228,573)**	**(11,799)**	**(3,707,641)**	**(7,610,105)**	**66,522,878**	**27,660,235**	**1,744**	**237,479,023**
Loss for the period										(1,278,043)	-	(1,278,043)
Other comprehensive expense					(10,467)	5,695	(213,654)					(218,426)
Comprehensive expense for the period		**-**	**-**	**-**	**(10,467)**	**5,695**	**(213,654)**	**-**	**-**	**(1,278,043)**	**-**	**(1,496,469)**
Allocation of 2019 profit			1,246,036						26,414,199	(27,660,235)		-
Exercise of warrants		1,771,490	4,321,501					2,308,110				8,401,101
Repurchase of treasury shares				(1,816,145)								(1,816,145)
Dividend distribution									(16,904,404)			(16,904,404)
Other variations/reclassifications									8,888			8,888
Total owner transactions		**1,771,490**	**5,567,537**	**(1,816,145)**	**-**	**-**	**-**	**2,308,110**	**9,518,683**	**(27,660,235)**	**-**	**(10,310,560)**
Balance at 30 June 2020	**15**	**61,771,490**	**100,419,821**	**(1,816,145)**	**(239,040)**	**(6,104)**	**(3,921,295)**	**(5,301,995)**	**76,041,561**	**(1,278,043)**	**1,744**	**225,671,994**

STATEMENT OF CASH FLOWS

		Note	H1 2021	H1 2020
	Profit/(loss) for the period		**15,265,608**	**(1,278,043)**
	Amortisation and depreciation		12,983,480	10,425,740
	Impairment losses		589,313	141,427
	Net financial expense		7,815,626	19,950,040
	Net losses on the disposal of property, plant and equipment		(1,289,147)	(34,742)
	Other adjustments for non-monetary items		0	4,774
	Accruals		2,503,082	3,045,094
	Income taxes		11,385,141	7,241,023
(A)	**Cash flows from operating activities before changes in working capital**		**49,253,103**	**39,495,313**
	Increase in inventories		(8,955,052)	(359,384)
	Increase in contract assets/liabilities		(38,996,937)	(27,531,240)
	Decrease in trade receivables		16,153,590	26,263,893
	Increase / (decrease) in trade payables		14,163,540	(14,287,705)
	Decrease in other current and non-current assets		3,847,444	6,172,059
	Decrease in other current and non-current liabilities		(5,238,032)	(5,494,346)
(B)	**Changes in working capital**		**(19,025,447)**	**(15,236,723)**
	Cash flows generated by operating activities (A+B)		**30,227,656**	**24,258,590**
	Interest paid		(656,424)	(483,946)
	Income taxes paid		(3,746,513)	(1,051,684)
(C)	**Cash flows generated by operating activities (A+B)**		**25,824,719**	**22,722,960**
	Investing activities			
	Interest collected		119,302	10,781
	Investments in intangible assets		(1,040,228)	(1,418,073)
	Acquisition of property, plant and equipment		(17,310,700)	(10,371,732)
	Investments in right-of-use assets		0	(1,160,000)
	Acquisition of equity investments and non-current securities		(193,334)	(755)
	Investments in securities and other financial assets		(17,632,600)	(38,267,907)
	Proceeds from the sale of property, plant and equipment		2,491,656	2,843,543
	Proceeds from the sale of current securities		14,227,032	750,000
	Acquisition/sale of subsidiaries net of cash acquired		(5,392,002)	0
	Exchange differences		854,054	252,888
(D)	**Cash flows used in investing activities**		**(23,876,820)**	**(47,361,255)**
	Financing activities			
	Disbursement of loans		44,113,993	24,941,500
	Repayment of loans		(20,955,315)	(14,968,206)
	Repayment of lease liabilities		(3,170,339)	(2,537,876)
	Change in other financial liabilities		552,582	4,062,138
	Proceeds from the issue of company shares		55,093,209	1,771,490
	Repurchase of treasury shares		(3,333,402)	(1,816,145)
	Dividends distributed		(21,314,116)	(16,904,404)
(E)	**Cash flows generated by (used in) financing activities**		**50,986,612**	**(5,451,503)**
(F)	**Net change in cash and cash equivalents (C+D+E)**		**52,934,511**	**(30,089,798)**
(*)	**Opening cash and cash equivalents**		**63,198,962**	**82,206,578**
	Net change in cash and cash equivalents		52,934,511	(30,089,798)
(*)	**Closing cash and cash equivalents**	**13-16**	**116,133,473**	**52,116,780**

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

Notes to the condensed interim consolidated financial statements at 30 June 2021

The financial statements preparer

Salcef Group S.p.A. (the "parent") is a company limited by shares with registered office in Rome (Italy) in Via di Pietralata 140. These condensed interim consolidated financial statements at 30 June 2021 include the interim financial statements of the parent and its subsidiaries (collectively, the "Salcef Group" or the "group"). The Salcef group is active in the design, construction and maintenance of systems for railway infrastructure and tram and metro networks in Italy and abroad.
The parent's ordinary shares are listed on the Italian Stock Exchange (MTA) organised and managed by Borsa Italiana S.p.A..

General information

The condensed interim consolidated financial statements at 30 June 2021 have been prepared pursuant to article 154-ter.2 of Legislative decree no. 58 of 24 February 1998 (the Consolidated finance act) as amended and supplemented, and in compliance with IAS 34 - Interim financial reporting.
Salcef Group S.p.A.'s board of directors approved the condensed interim consolidated financial statements at 30 June 2021 and authorised them for publication on 5 August 2021.

Reporting standards and compliance with the IFRS

The condensed interim consolidated financial statements at 30 June 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.

Specifically, the condensed interim consolidated financial statements have been prepared in compliance with IAS 34 Interim Financial Reporting. As they do not include all disclosures required for annual financial statements, they should be read in conjunction with the financial statements as at and for the year ended 31 December 2020 available from the company's registered office and at www.salcef.com.
Although they do not include all disclosures required for a full set of financial statements, they include specific notes to explain the events and transactions relevant to understanding the variations in the group's financial position and performance since the last annual financial statements. The financial schedules are the same as those used in the annual consolidated financial statements.

Basis of preparation

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

The group opted to present assets and liabilities as current or non-current and to present the income statement items based on their nature. This approach is consistent with the group's internal management reporting model and is therefore deemed more indicative than presenting the captions by use, as it provides more reliable and meaningful information 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.

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

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

Pursuant to Consob resolution no. 15519 of 28 July 2006, any income and expense on non-recurring transactions are recognised separately in profit or loss. Similarly, the balances of related party transactions are presented separately in the financial statements.
Note 33 provides information and details of related party transactions.

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

Accounting policies

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

The group has prepared the condensed interim consolidated financial statements on a going concern basis and it gives a true and fair view of the group's financial position and financial performance. Management has made use of estimates as described later.

Consolidation scope and basis of consolidation

The condensed interim consolidated financial statements at 30 June 2021 have been prepared by consolidating the parent's separate interim financial statements at the same date and those of the Italian and foreign companies that it directly or indirectly controls.

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

The interim financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date on which control commences until the date on which control ceases.
The interim financial statements of the consolidated companies prepared for consolidation purposes have been suitably adjusted and reclassified to comply with group accounting policies, as detailed below.
The reporting date of the subsidiaries' interim financial statements is the same as the parent's.
The following table shows the companies included in the consolidation scope and the parent's related direct and indirect investment percentages:

Consolidation scope at 30 June 2021

	REGISTERED OFFICE	CURRENCY	Share/quota capital	Investment percentage		Method
				Indirect	Direct	
Subsidiaries						
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
RECO S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
Salcef S.p.A. single-member company	Rome - Italy	Euro	60,000,000		100%	Consolidation
SRT S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
Overail S.r.l. single-member company	Rome - Italy	Euro	100,000		100%	Consolidation
Salcef Bau GmbH	Landsberg Am Lech - Germany	Euro	25,000		100%	Consolidation
Coget Impianti S.p.A. single-member company	Corteno Golgi (Brescia) - Italy	Euro	1,000,000		100%	Consolidation
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000		100%	Consolidation
Salcef Deutschland GmbH (*)	Landsberg Am Lech - Germany	Euro	162,750		100%	Consolidation
Bahnsicherung Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Kampfmittelräumung Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Schweißteam Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Bahnbau Nord GmbH	Henstedt-Ulzburg - Germany	Euro	75,000	100%		Consolidation
"SARTORIUS" NOVA-SIGNAL GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Delta Railroad Construction Inc.	Ashtabula - Ohio	USD	109,640	90%		Consolidation
Deltarr Holding Company, Corp.	Ashtabula - Ohio	USD	500	100%		Consolidation
Delta Railroad Company of Canada, ULC	Toronto - Canada	CAD	1	100%		Consolidation
Consorzio Stabile Itaca S.c.a.r.l.	Rome - Italy	Euro	40,000	96.06%		Consolidation
Associates						
Frejus S.c.a.r.l.	Bologna - Italy	Euro	20,000		42.93%	Equity
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	Euro	10,000	47.68%		Equity
Consorzio I.C.A.V.	Rome - Italy	Euro	50,000	50%		Equity
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity
Herzog / Delta A Joint Venture Toronto	Toronto - Canada	CAD	-	49%		Equity
Herzog/Delta A Joint Venture California	St Joseph (MO) USA	USD	-	49%		Equity
Railworks/ Delta A Joint Venture	New York (NY) - USA	USD	-	45%		Equity

(*) formerly Verwaltung und Beteiligung Nord GmbH

As regards the changes in the consolidation scope since 31 December 2021, on 5 May 2021, Salcef Group S.p.A. signed a contract to acquire the entire share capital of Verwaltung und Beteiligung Nord GmbH ("Verwaltung"), the parent of the German group that includes Bahnbau Nord GmbH, based in Henstedt-Ulzburg and active in the construction and maintenance of railway equipment, as well as a group of companies operating in various businesses within the railway sector.

The signing was completed on 5 May 2021 and the closing took place on 25 May 2021.

The total consideration paid to acquire Verwaltung's entire share capital was approximately €8.5 million and the contract includes an earn-out clause in favour of the sellers, based on the Verwaltung Group's EBITDA and revenue until the end of 2022.

The consideration will be paid in several tranches: €6.4 million before the closing, of which approximately €4.4 million in cash and the remainder in Salcef Group S.p.A. treasury shares (153,848); and €2.1 million in three annual instalments, the last of which is due in 2024.

There are also mechanisms for adjusting the price downwards if certain conditions are met.

The acquisition was financed by the parent's own funds, including treasury shares.

On 21 June 2021, Verwaltung changed its name to Salcef Deutschland GmbH.

Reference should be made to note 34 for additional details on the acquisition, where the information required by IFRS 3 on business combinations is provided.

The consolidation process is as follows:

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

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

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

Business combinations

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

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

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

Loss of control

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

Translation of foreign currency items and financial statements

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

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

that the hedge is effective;

- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

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

Exchange rates used by the group at 30 June 2021

CURRENCY	Code	H1 2021	
		Spot closing rate	Average rate
Polish zloty	PLN	4.5201	4.5374
Egyptian lira	EGP	18.6281	18.9108
Romanian leu	RON	4.9280	4.9016
Croatian kuna	HRK	7.4913	7.5504
UAE dirham	AED	4.3644	4.4266
US dollar	USD	1.1884	1.2053
Canadian dollar (Canada)	CAD	1.4722	1.4713
Saudi riyal	SAR	4.4565	4.5201
Norwegian krone	NOK	10.1717	10.1759
Swiss franc	CHF	1.0980	1.0946

Intangible assets with finite useful lives and goodwill

An intangible asset is an identifiable non-monetary asset without physical substance that generates future benefits for the group.

Intangible assets acquired or developed internally are recognised when it is probable that the use of the asset will generate future economic benefits and the cost of the asset can be determined reliably.

They are recognised at acquisition and/or development cost including costs incurred to ready the asset for its intended use less accumulated amortisation and any accumulated impairment losses.

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

Amortisation begins when the asset that the group has acquired is available for use and is allocated on a systematic basis over its useful life based on its residual use. The group reviews the amortisation criteria, useful lives and residual use of the assets at least at every annual reporting date to consider any significant

variations. Specifically, patents, intellectual property rights, concessions, licences and trademarks are amortised over the shorter between the legal or contractual term and their residual use (from 3 to 5 years).
When recognised as part of a business combination, goodwill is calculated as the positive difference between the consideration transferred in the acquisition, the share of the acquiree's equity attributable to non-controlling interests and the acquisition-date fair value of the acquirer's previously held equity interest in the net assets acquired and liabilities assumed. After initial recognition, goodwill is not amortised but is tested for impairment at least annually or more frequently if specific events or changes in circumstances indicate that it may be impaired. Reference should be made to the Impairment of non-financial assets section for information on impairment testing.
There were no impairment indicators at 30 June 2021.

Property, plant and equipment

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

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

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

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

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

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

Right-of-use assets and lease liabilities

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

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

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured, the group adjusts the right-of-use asset accordingly.
The group has opted to use the following practical expedients permitted by IFRS 16:

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

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

Impairment of non-financial assets

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

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

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

Inventories

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

Revenue from contracts with customers and contract assets/liabilities

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

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

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

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

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

a. variable consideration;
b. the existence of a significant financing component in contracts;

c. non-monetary consideration;
d. consideration payable to the customer.

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

Financial assets and liabilities

Measurement and recognition

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

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

Financial assets - classification and subsequent measurement

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

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

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

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

Under the amortised cost method, after initial recognition, the financial asset's carrying amount is adjusted for principal repayments, any loss allowance and the cumulative amortisation of any difference between the maturity amount and the initial carrying amount. Amortisation is calculated using the effective interest rate, which is the rate that discounts the estimated cash flows associated with the financial asset to its carrying

amount at initial recognition. Loans, receivables and other financial assets measured at amortised cost are presented net of the related loss allowance in the statement of financial position.
A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity instrument that is not held for trading, the group may irrevocably elect to present subsequent changes in the instrument's fair value in OCI. This election is made on a case-by-case basis. Fair value gains or losses on a financial instrument measured at FVOCI are recognised in equity, under other comprehensive income. Any fair value gain or loss accumulated in the equity reserve that includes other comprehensive income is taken to profit or loss when the financial instrument is derecognised. Any interest income measured using the effective interest rate, exchange differences and impairment losses are recognised in profit or loss.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.
This includes all derivative financial assets. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

Financial liabilities – classification and subsequent measurement

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

Financial assets – derecognition

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

Financial liabilities – derecognition

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

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

Offsetting

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

Financial instruments, derivatives and hedge accounting

Warrants

The group classifies financial instruments as financial liabilities, financial assets or equity instruments based on the substance of the contractual agreements and their terms. Specifically, the key element for the classification of instruments that will or may be settled through an entity's equity instruments (such as the warrants issued by the parent, Salcef Group S.p.A.), is whether there is a conversion ratio setting the

exchange of a fixed or variable number of shares against a fixed or variable amount of cash or cash equivalents (fixed for fixed or fixed for variable). Fixed for fixed instruments (when there is a fixed conversion ratio and exercise price) are classified as equity instruments; otherwise they are classified as financial assets or liabilities. The additional conversion warrants issued by Salcef Group S.p.A. are financial instruments that will be settled with a variable number of shares of the issuer (reference should be made to note 15 Equity for further details) as the conversion ratio is not fixed for the term of the instrument. Indeed, although the number of shares that could be issued is limited to within a range, their number may vary depending on the conversion date and, specifically, the share price at that date.

As the additional conversion warrants do not meet the condition to be classified as equity instruments, they are classified as financial liabilities. Their accounting treatment provides for their initial recognition at fair value as a direct decrease in equity, while subsequent fair value gains and losses are recognised in profit or loss as financial expense/income.

In accordance with IFRIC 19, when the additional conversion warrants are exercised, the group recognises the settlement of the financial liability remeasured at fair value and recognises the fair value of the equity instruments issued to settle such liability. Conversely, the new warrants issued by Salcef Group S.p.A. are fixed for fixed financial instruments as they provide for a fixed conversion ratio and exercise price and they are, therefore, classified as equity instruments. When the new warrants are exercised, the group recognises an increase in equity equal to the exercise price.

Derivatives, including hedge accounting

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

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

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

Cash and cash equivalents

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

Impairment losses on financial assets

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

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

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

Equity

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

Employee benefits

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

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

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

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

Provisions for risks and charges

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

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

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

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

Financial income and expense

The group's financial income and expense include:

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

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

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

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

Income taxes

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

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

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

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

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

Any unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.
Deferred tax liabilities are calculated on all temporary differences between the tax base of an asset and its carrying amount (the 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 condensed interim consolidated financial statements are measured and classified based on the fair value hierarchy established by IFRS 13:

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

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

Share-based payments

In share-based payment transactions settled with equity instruments of the 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 period in which the achievement of the performance targets is measured and the beneficiary must continue to satisfy the service condition in order to have the right to the incentives. This expense is allocated over the period over which 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 and have both understood its terms and conditions.

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

Earnings per share

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

Operating segments

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

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

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

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

Changes in accounting policies, errors and changes in accounting estimates

The group only changes an accounting policy if the change is required by an IFRS or it results in the financial statements providing more reliable and more relevant information about the effects of transactions on the group's financial position, financial performance and cash flows.
Changes in accounting policies are applied retrospectively and the group adjusts the opening balance of the affected component of equity for the earliest prior period presented. The other comparative amounts disclosed for each prior period presented are adjusted as if the new accounting policy had always been applied.

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

Use of estimates

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

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

- Contract assets and contract liabilities: in measuring contract assets and liabilities, the group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the actual progress of the work performed. Furthermore, any additional consideration for variations, price revisions, incentives and claims above those contractually agreed are estimated, as well as the plans of contracts from which provisions for onerous contracts may arise.
- Purchase price allocation: as part of business combinations, in exchange for the consideration transferred to obtain control of a company, the identifiable assets acquired and liabilities assumed are recognised in the condensed interim consolidated financial statements at the acquisition-date fair value, based on a purchase price allocation 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 these condensed interim consolidated financial statements due to the uncertainty that characterises the assumptions on which the estimates are based. Estimates and assumptions are periodically reviewed and the effects of any changes are reflected in the period of change.

New standards and interpretations

At the date of approval of these condensed interim consolidated financial statements, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the parent will adopt in subsequent years, if applicable. These amendments to existing standards or interpretations are not expected to have a significant impact on the group's condensed interim consolidated financial statements. 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:

- The IASB published the new IFRS 17 Insurance Contracts on 18 May 2017, which replaces the current IFRS 4. The aim of this new standard is to increase transparency on the sources of income and on the quality of the profits realised and to ensure results are highly comparable, introducing a single revenue recognition principle which reflects the services provided. Moreover, on 25 June 2020, the IASB published "Amendments to IFRS 17", which includes some amendments to IFRS 17 and the postponement of the standard's enactment until 1 January 2023.
- On 23 January 2020, the IASB published some amendments to IAS 1. Presentation of Financial Statements: Classification of Liabilities as Current or non-current provides that a liability is classified as current or non current based on rights existing at the reporting date. It also establishes that the classification is not impacted by an entity's expectation of whether it will exercise its rights to postpone settlement of the liability. It also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments apply to financial statements for annual periods beginning on or after 1 January 2022.

On 14 May 2020, the IASB published Amendments to IFRS 3 Business Combinations (Reference to the Conceptual Framework); Amendments to IAS 16 Property, Plant and Equipment (Proceeds before Intended Use); Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract - Cost of Fulfilling a Contract) and Annual Improvements to IFRS Standards 2018–2020 with the aim of making specific narrow-scope amendments to these standards. The amendments apply to financial statements for annual periods beginning on or after 1 January 2022.

Notes to the main statement of financial position captions

ASSETS

NON-CURRENT ASSETS

1 Intangible assets with finite useful lives

Intangible assets with finite useful lives amount to €6,199 thousand, compared to €5,659 thousand at 31 December 2020. This caption and changes in the period are analysed in the table below:

(€'000)

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development	Other	TOTAL
Balance at 31 December 2020:					
Cost	1,658	623	3,793	6,728	12,802
Accumulated amortisation	(1,060)	(569)	-	(5,514)	(7,143)
Carrying amount at 31 December 2020	**598**	**54**	**3,793**	**1,214**	**5,659**
Investments - Historical cost	160	6	807	68	1,041
Disposals - Historical cost			(79)		(79)
Other variations - Historical cost	41				41
Reclassifications - Historical cost			(995)	995	
Exchange differences - Historical cost					
Amortisation	(122)	(3)		(338)	(463)
Disposals - Acc. amortisation					
Other variations - Acc. amortisation					
Reclassifications - Acc. amortisation					
Exchange differences - Acc. amortisation					
Balance at 30 June 2020:					
Cost	1,859	629	3,526	7,791	13,805
Accumulated amortisation	(1,182)	(572)	-	(5,852)	(7,606)
Carrying amount at 30 June 2021	**677**	**57**	**3,526**	**1,939**	**6,199**

Industrial patents and intellectual property rights of €677 thousand mainly consist of the industrial patents acquired by SRT S.r.l. for railway technologies (€278 thousand), intellectual property rights acquired by Overail S.r.l. (€25 thousand), the software user licences acquired by Salcef Group S.p.A., Salcef S.p.A., SRT S.r.l., Salcef Bau GmbH and RECO S.r.l. (€285 thousand) and patents contributed by Vianini S.p.A. with the business unit in 2017 (€41 thousand). Other variations in the table relate to the acquisition of Verwaltung und Beteiligung Nord GmbH, now Salcef Deutschland GmbH (*) (reference should be made to note 34 for further details).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€49 thousand).

Assets under development and payments on account include costs incurred internally by SRT S.r.l. to design new railway machinery (€3,447 thousand) and Overail S.r.l.'s payments on account to acquire production management software (€36 thousand).
Other mainly consist of costs incurred internally by SRT S.r.l. to design new railway machinery (€1,605 thousand) and costs incurred to obtain the certifications and attestations to perform its activities, such as the SOA (certification required in Italy to submit tenders for public works contracts) and occupational safety certifications (€33 thousand), which are amortised over the term of such certifications and attestations.

2 Goodwill

(€'000)

GOODWILL	30.06.2021	31.12.2020	Variation
Carrying amount	42,658	33,320	9,338
Total	**42,658**	**33,320**	**9,338**

At the reporting date, this caption amounts to €42,658 thousand (31 December 2020: €33,320 thousand) and includes goodwill recognised on the acquisition of businesses or business units.
With respect to the acquisition of business units, the following goodwill exists (by acquisition period):

- €423 thousand on the acquisition of the permanent way systems business unit in 2002;
- €682 thousand on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand on the acquisition of the electrical traction business unit in 2008;
- €242 thousand on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand for the 2015 acquisition of a business unit from Tuzi Costruzioni Generali S.p.A., active in the permanent way systems, construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. (now named Overail S.r.l.) in 2017 (€392 thousand) and on the difference between the cost incurred by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the first consolidation date (€521 thousand);
- €677 thousand arising in 2018 on the acquisition of the equity investment in Salcef Bau GmbH;
- €7,082 thousand arising in 2019 on the acquisition of the investment in Coget Impianti S.p.A. and the consequent purchase price allocation the group completed in 2020.

Goodwill also includes the difference between the cost incurred by Salcef USA Inc. to acquire the investment in Delta Railroad Construction Inc. and its share of the subsidiary's equity at the consolidation date (€24,591 thousand). The entire difference with respect to the carrying amount of the equity investment recognised by

Salcef USA Inc. was allocated to goodwill in accordance with IFRS 3, by recognising the provisional amounts of the transaction pursuant to paragraph 45 and following paragraphs of this standard. The €2,605 thousand increase over 31 December 2020 is comprised of exchange gains of €716 thousand and a €1,889 thousand fair value gain on the variable consideration still to be paid.

Goodwill also includes the difference between the cost incurred by Salcef Group S.p.A. to acquire the investment in Salcef Deutschland GmbH (formerly Verwaltung) and its share of the subsidiary's equity at the consolidation date (€6,733 thousand). Reference should be made to note 34 for additional details.

At 31 December 2020, the group tested the cash-generating units (CGUs) to which goodwill had been allocated for impairment. Specifically, the goodwill was allocated to the following CGUs:

(€'000)

CGU	30.06.2021	31.12.2020	Variation
Permanent way systems	1,589	1,589	0
Salcef Deutschland	7,410	677	6,733
Energy, signalling and telecommunications	7,913	7,913	0
Design	242	242	0
Railway materials	913	913	0
Delta Railroad Construction Inc.	24,591	21,986	2,605
Total	**42,658**	**33,320**	**9,338**

At 31 December 2020, this goodwill was tested for impairment testing by determining the value in use of the aforementioned CGUs applying the discounted cash flow (DCF) method to the estimated cash flows for the current three-year period (2021-2023), based on the CGUs' forward-looking financial figures, to which a WACC of 6.88% was applied for the permanent way systems, energy and signalling, railway materials and design CGUs, a WACC of 5.78% was applied for the Salcef Bau GmbH CGU and a WACC of 6.58% was applied for the Delta Railroad Construction Inc. CGU.

The operating cash flows considered for the impairment test were taken from the forward-looking financial figures in the 2020-2022 plan approved by Salcef Group S.p.A.'s board of directors.
In addition, estimated cash flows for the third year of the explicit forecast period (2023) were determined on the basis of the performance that can be inferred from the 2020-2022 plan.

The discount rate was estimated as follows:

- the risk free rate was determined to be equal to the average yield on ten-year government securities (1.1% for Italy, which is the main country for the permanent way systems, energy, signalling and telecommunications, design and railway materials CGUs), 0.1% for Germany (which is the main country for the Salcef Bau GmbH CGU) and 0.9% for the United States (which is the main country for the Delta Railroad Construction Inc. CGU);

- the equity risk premium was 5.5%;
- levered beta of 0.9 was determined considering a sample of listed companies operating in the same sector as the group;
- the additional risk premium was 3%.

The cost of debt was estimated to be 2.4% for Italy, 1.5% for Germany and 2.1% for the United States, plus a specific spread (2%) based on an analysis of the credit spreads of a sample of comparable companies.

The terminal value was calculated using the perpetuity formula.
An average nominal growth rate of cash flows available after the explicit period and perpetually (g-rate) of 1% was used to determine the terminal value. The value in use thus calculated was compared with the carrying amount of the net invested operating capital of the same CGUs, including goodwill. The results of the impairment test were higher than the CGUs' carrying amount. The sensitivity analysis showed that, considering the parameters used for the impairment tests, impairment losses would not be generated even if the growth rate decreased by 50% (g rate of 0.5%) and the discount rate concurrently increased by 10%.

Given the persistent uncertainties created by the Covid-19 pandemic, the group prudently performed a sensitivity analysis at 31 December 2020 which considered the various potential scenarios related to the risks of developments in the pandemic.
The scenarios developed for 2022 and 2023 envisaged another wave of the pandemic, along with the consequent public health emergency, reducing profitability (EBITDA). Even in this scenario, the tests showed no indication of impairment losses.

At 30 June 2021, considering the actual results, the cash-generating units were not tested for impairment as there were no impairment indicators.

3 Property, plant and equipment

This caption mainly consists of plant and machinery used in production.
The following table shows a breakdown of the caption and changes of the period:

(€'000)

PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2020:							
Historical cost	3,419	14,475	201,441	16,917	12,584	13,445	262,281
Acc. depreciation	(123)	(1,890)	(142,191)	(15,146)	(5,350)		(164,699)
Carrying amount at 31 December 2020	**3,296**	**12,585**	**59,250**	**1,772**	**7,234**	**13,445**	**97,582**
Investments - Historical cost		12	6,910	598	3,592	6,199	17,311
Disposals - Historical cost		(198)	(2,771)	(23)	(296)	(95)	(3,383)
Reclassifications - Historical cost			4,239		(2,051)	(2,188)	
Impairment losses - Historical cost							
Other variations			3,291				3,291
Exchange differences - Historical cost	6	16	640	92	124	41	919
Depreciation	(6)	(220)	(7,988)	(498)	(735)		(9,447)
Disposals - Acc. depreciation		16	1,878	21	262		2,177
Reclassifications - Acc. depreciation							
Impairment losses - Acc. depreciation							
Other variations - Acc. depreciation							
Exchange differences - Acc. depreciation		(11)	(511)	(80)	(14)		(616)
Balance at 30 June 2021:							
Historical cost	3,425	14,305	213,750	17,584	13,953	17,402	280,419
Acc. depreciation	(129)	(2,105)	(148,812)	(15,703)	(5,837)		(172,585)
Carrying amount at 30 June 2021	**3,296**	**12,200**	**64,938**	**1,882**	**8,116**	**17,402**	**107,834**

The increases are part of the major investment plan in property, plant and equipment implemented by the Salcef Group. Most of the investments are eligible for the tax benefits introduced by the Industria 4.0 legislation.

These investments include the acquisition of Salcef Deutschland GmbH, which joined the Salcef Group on 25 May 2021, bringing property, plant and equipment with a net carrying amount of €3,291 thousand at 30 June 2021 (as shown in Other variations in the table above).

The decreases of €1,206 thousand relate to assets that are no longer used in production or relevant to the group's activities.

Land and buildings mainly include SRT S.r.l.'s operating offices (€8,467 thousand), and related land (€938 thousand), the industrial site housing Overail S.r.l.'s railway sleeper production plant in Aprilia (€6,712 thousand), and the land and buildings related to the subsidiary Delta Railroad Construction Inc. (€309 thousand).

The Aprilia production plant is divided into land of €2,284 thousand and the building of €4,428 thousand.

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

The other assets (€8,116 thousand) mainly consist of motor vehicles and cars (€3,684 thousand) and office furniture, fittings and equipment (€409 thousand).

Assets under construction and payments on account (€17,402 thousand) include costs incurred for the construction and extraordinary maintenance of machinery and equipment not yet in use, mainly performed by the subsidiary SRT S.r.l. on behalf of Salcef S.p.A. and Euro Ferroviaria S.r.l. (€4,321 thousand). They also include costs incurred by Overail S.r.l. (€9,166 thousand) to expand the Aprilia production plant, related to activities not yet completed and/or pending inspection at the reporting date, and costs incurred by Salcef Group S.p.A. to refurbish the property in Rome where the administrative offices will be located (€2,601 thousand).

4 Right-of-use assets

(€'000)

RIGHT-OF-USE ASSETS	30.06.2021	31.12.2020	Variation
Carrying amount	16,768	17,912	(1,144)
Total	**16,768**	**17,912**	**(1,144)**

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

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

(€'000)

RIGHT-OF-USE ASSETS	Land and buildings	Plant and machinery	Other assets	TOTAL
Carrying amount at 31 December 2020	4,085	13,280	547	17,912
Increase in right-of-use assets	1,667		170	1,837
Change in scope				0
Depreciation	(786)	(2,094)	(193)	(3,073)
Exchange difference	85		7	92
Derecognition				0
Carrying amount at 30 June 2021	**5,051**	**11,186**	**531**	**16,768**

(€'000)

LEASE LIABILITIES	
Carrying amount at 31 December 2020	14,472
Change in scope	-
Payments	(3,170)
Increases	1,837
Exchange difference	97
Interest expense	142
Carrying amount at 30 June 2021	**13,378**
of which, non-current	*7,448*
of which, current	*5,930*

5 Equity-accounted investments

Equity-accounted investments amount to €2,165 thousand at 30 June 2021, compared to €2,010 thousand at 31 December 2020.

EQUITY-ACCOUNTED INVESTMENTS	30.06.2021	31.12.2020	Variation
Associates	138	38	100
Joint arrangements	2,024	1,969	55
Other companies	3	3	0
Total	**2,165**	**2,010**	**155**

The breakdown and details of the changes in the period are reported below:

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	REGISTERED OFFICE	30.06.2021	31.12.2020	Variation
Associates and joint arrangements				
Frejus S.c.a.r.l.	Bologna - Italy	8	8	0
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità	Rome - Italy	25	25	0
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	5	5	0
RTS GmbH	Seevetal - Germany	100	0	100
Herzog/Delta A Joint Venture Toronto	Toronto - Canada	0	159	(159)
Herzog/Delta A Joint Venture California	St Joseph - USA	0	35	(35)
Railworks/Delta A Joint Venture Minnesota	New York - USA	2,024	1,775	249
Other companies				
Sassariolbia S.c. a r.l.	Rome - Italy	1	1	0
Concise Consorzio Stabile S.c.a r.l.	Pordenone - Italy	1	1	0
Consorzio Telese S.c.a.r.l.	Rome - Italy	1	1	0
Total		**2,165**	**2,010**	**155**

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	Associates	Joint arrangements	Other companies	Total
Carrying amount at 31 December 2020	38	1,969	3	2,010
Change in scope	100	-	-	100
Increases/Capital increases	-	193	-	193
Decreases	-	(203)	-	(203)
Exchange difference	-	65	-	65
Impairment losses	-	-	-	0
Carrying amount at 30 June 2021	**138**	**2,024**	**3**	**2,165**

6 Other non-current assets

(€'000)

OTHER NON-CURRENT ASSETS	30.06.2021	31.12.2020	Variation
Guarantee deposits	915	918	(3)
Performance bonds	12,140	11,834	306
Other assets	779	103	676
Total	**13,834**	**12,855**	**979**

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

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

Other assets mainly include the equity instruments received from Atac S.p.A., since Salcef Group S.p.A. and Salcef S.p.A. are its non-secured creditors (€474 thousand), and the amount due from the liquidator of the subsidiary Ferrovie Sarde S.c.ar.l. due to its winding-up (€54 thousand).

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

Income taxes may be analysed as follows:

(€'000)

INCOME TAXES	H1 2021
IRES	6,742
IRAP	1,899
Foreign income taxes	301
Total current taxes	**8,942**
Change in deferred tax assets	1,663
Change in deferred tax liabilities	1,101
Total deferred taxes	**2,764**
Prior year taxes	**(321)**
Total income taxes	**11,385**

(€'000)

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME	pre-tax	tax benefit (charge)	net of taxes
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	37	(10)	27
Total	**37**	**(10)**	**27**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Hedging gains/(losses)	(668)	160	(508)
Total	**(668)**	**160**	**(508)**
TOTAL at 30 June 2021	**(631)**	**150**	**(481)**

Deferred tax assets and liabilities amount to €19,990 thousand and €2,433 thousand, respectively. Changes in these two captions compared to 31 December 2020 are analysed below:

(€'000)

DEFERRED TAX ASSETS	31.12.2020	Accruals	Utilisations	Other variations	30.06.2021
Depreciation of revalued buildings	93				93
Provisions for risks	1,199	39	(3)		1,235
Exchange differences	263	8	(263)		8
Effect of IAS 19 application	25	24		(10)	39
Fair value losses on derivatives	95			160	255
Elimination of intragroup profits and losses	919	228	(117)		1,030
Effect of IFRS 15 application	139		(126)		13
Effect of IFRS 9 application	44	15			59
Stock grant and MBO	0	141			141
ACE excess	244				244
Revaluation of assets	17,550		(1,580)		15,970
Other	930	115	(144)	1	902
Total	**21,502**	**570**	**(2,233)**	**151**	**19,990**

(€'000)

DEFERRED TAX LIABILITIES	31.12.2020	Accruals	Utilisations	Other variations	30.06.2021
Exchange differences	65	76	(65)		76
Leases pursuant to IFRS 16	576	130	(25)		681
Fair value gains on securities	152	176			328
Other	512	809		27	1,348
Total	**1,305**	**1,191**	**(90)**	**27**	**2,433**

Deferred tax assets at 31 December 2020 includes €17,550 thousand due to the difference between the carrying amount of certain assets and their tax values at such date. These are assets that were revalued in 2020 by certain subsidiaries that prepare their separate financial statements in accordance with the OIC and that applied the tax benefit offered by the "August Decree". Specifically, Salcef S.p.A., Euro Ferroviaria S.r.l.

and Overail S.r.l. are the group companies that benefited from this revaluation law, and they also decided to pay substitute tax of 3% in order to align the revalued assets' tax value with their carrying amount.

Since IAS 16 does not permit companies that use the cost model to revalue assets, the assets have been recognised in the Salcef Group's consolidated financial statements with a carrying amount lower than their tax base, and the difference has generated these deferred tax assets.

Starting from 2021, the companies recognise the revaluation and the related payment of substitute tax in their separate financial statements prepared in accordance with the OIC, can fully deduct the greater depreciation on the revalued assets from their current tax bases (IRES and IRAP), whereas the greater depreciation recognised in the consolidated financial statements at 31 December 2020 is reversed and the deferred tax assets recognised in these consolidated financial statements is progressively reversed alongside the greater depreciation generated by the revaluations.

Deferred tax assets are recognised since it is deemed probable, on the basis of business plans, that the group will generate future taxable income sufficient for their recovery.
Furthermore, there are no tax loss carryforwards not recognised under deferred tax assets.

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

(€'000)

Reconciliation of actual tax rate	H1 2021	H1 2021
Pre-tax profit	26,651	
Theoretical IRES	6,396	24%
Lower taxes:		
- Other	(2,969)	-11.14%
Greater taxes:		
- Other	3,315	12.44%
Total current income taxes (IRES)	**6,742**	**25.30%**
IRAP	**1,899**	**7.13%**
Foreign income taxes	**301**	**1.13%**
Prior year taxes	**(321)**	**-1.20%**
Total deferred taxes	**2,764**	**10.37%**
Total income taxes	**11,385**	**42.71%**

CURRENT ASSETS

8 Inventories

(€'000)

INVENTORIES	30.06.2021	31.12.2020	Variation
Raw materials, consumables and supplies	7,107	6,167	940
Work in progress and semi-finished products	9,403	6,660	2,743
Finished goods	6,944	1,341	5,603
Total	**23,454**	**14,168**	**9,286**

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

Work in progress and semi-finished products mainly refer to processing at the Fano workshop on railway machinery not covered by sales contracts signed by the reporting date.

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

9 Contract assets and liabilities

Contract assets include the contractual consideration for work in progress certified by progress reports issued by the customer's works manager or internal reports prepared by the group and not yet invoiced.

(€'000)

CONTRACT ASSETS	30.06.2021	31.12.2020	Variation
Contract assets	134,622	94,220	40,402
Impairment losses	(197)	(225)	28
Exchange difference	0	12	(12)
Total	**134,425**	**94,007**	**40,418**

At 30 June 2021, the contract assets relate to the parent (€752 thousand), Euro Ferroviaria S.r.l. (€29,171 thousand), Salcef S.p.A. (€77,304 thousand), Overail S.r.l. (€11,533 thousand), Salcef Bau GmbH (€4,438 thousand), Coget Impianti S.p.A. (€4,641 thousand), Delta Railroad Construction (€5,090 thousand) and Verwaltung (€1,693 thousand).

Contract assets show impairment losses of €197 thousand at 30 June 2021 and €225 thousand at 31 December 2020.

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

(€'000)

GEOGRAPHICAL SEGMENT	30.06.2021	31.12.2020	Variation
Italy	118,387	83,941	34,446
Europe (excluding Italy)	6,449	4,034	2,415
North America	5,090	1,887	3,203
Africa	1,650	716	934
Middle East	2,849	3,429	(580)
Total	**134,425**	**94,007**	**40,418**

s

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

(€'000)

FINANCIAL STATEMENTS BALANCES RELATED TO CONTRACTS	30.06.2021	31.12.2020	Variation
Amounts included under trade receivables	67,159	80,070	(12,911)
Amounts included under assets held for sale	-	-	-
Contract assets	134,425	94,007	40,418
Contract liabilities	(6,309)	(6,419)	110
TOTAL	**195,275**	**167,658**	**27,617**

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

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

(€'000)

CONTRACT LIABILITIES	30.06.2021	31.12.2020	Variation
Contract liabilities	6,309	6,419	(110)
Total	**6,309**	**6,419**	**(110)**

At 30 June 2021, this caption is comprised as follows:

- the advance received from NAT - National Authority for Tunnels (€205 thousand) for the construction of a new railway station in Kozzyka (Egypt);
- the contractual advance received from ATAC S.p.A. (€115 thousand) for the maintenance works on

the permanent way systems on the Rome – Civita Castellana – Viterbo section;

- the advance received from ATAC S.p.A. (€88 thousand) for the maintenance works on the permanent way systems on the Rome Metro Line C;
- advances of €1,960 thousand for the construction of machinery;
- the advance received from the Abu Dhabi branch of Salcef S.p.A. (€1,421 thousand) for the commencement of works for the construction of the track for the new Ruwais - Ghuweifat railway line, subscribed with the joint arrangement between China State Construction Engineering Corporation and the South Korean SK Engineering and Construction;
- the advance that Delta Railroad Construction Inc. received from customers (€2,520 thousand).

The liability on the contract at 30 June 2021 will become revenue in the next year, except for the advance received from Salcef S.p.A.'s Abu Dhabi branch, which will be recovered in proportion to the amount invoiced on a percentage of completion basis.

At the reporting date, the Salcef Group's order backlog includes work on permanent way systems (76.81%), energy sector works (15.64%), sleepers and prefabricated products production (6.09%), infrastructure works (1.22%) and machinery construction and maintenance contracts (0.24%), which ensure continuity using the existing operating units active in the relevant geographical areas.

10 Trade receivables

(€'000)

TRADE RECEIVABLES	30.06.2021	31.12.2020	Variation
Customers	69,356	82,148	(12,792)
Loss allowance	(2,626)	(2,595)	(31)
Total receivables from third parties	**66,730**	**79,553**	**(12,823)**
Associates	429	517	(88)
Total receivables from related parties	**429**	**517**	**(88)**
Total	**67,159**	**80,070**	**(12,911)**

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

(€'000)

LOSS ALLOWANCE	
Carrying amount at 1 January 2021	(2,595)
Change in scope	-
Utilisations/Releases	106
Accruals	(130)
Exchange difference	(7)
Carrying amount at 30 June 2021	**(2,626)**

Although the group's exposure to credit risk is mainly related to the specific characteristics of each customer, group management also considers variables typical of the group's backlog, including the insolvency risk of the customer's sector and country.

Trade receivables from associates include €282 thousand due from Frejus S.c.a r.l. and Consorzio I.C.A.V., mostly relating to costs recharged to them by Salcef Group S.p.A., Salcef S.p.A. and Euro Ferroviaria S.r.l., and €147 thousand due to Delta Railroad Construction Inc. from Railworks/Delta A Joint Venture Minnesota. Reference should be made to the note to related party transactions for more information about receivables from related parties.

Receivables from third parties by geographical segment

(€'000)

GEOGRAPHICAL SEGMENT	30.06.2021	%	31.12.2020	%	Variation
Italy	39,352	58.6%	68,776	86.5%	(29,424)
Europe (excluding Italy)	9,036	13.5%	6,191	7.8%	2,845
Africa	317	0.5%	450	0.6%	(133)
North America	11,928	17.8%	3,690	4.6%	8,238
Middle East	6,526	9.7%	446	0.6%	6,080
Total	**67,159**		**79,553**		**(12,394)**

11 Current tax assets

Current tax assets of €4,147 thousand (31 December 2020: €4,366 thousand) include:

- direct income taxes paid abroad (€4,084 thousand);
- Itaca S.c.a r.l.'s positive 2019 IRES balance of €37 thousand;
- the positive 2020 IRAP balance of €26 thousand, relating to Coget Impianti S.p.A. (€20 thousand) and Itaca S.c.a.r.l. (€6 thousand).

12 Current financial assets

(€'000)

CURRENT FINANCIAL ASSETS	30.06.2021	31.12.2020	Variation
Securities	69,259	64,990	4,269
Loan assets with associates	385	353	32
Other current financial assets	19,520	19	19,501
Total current financial assets	**89,164**	**65,362**	**23,802**

The 30 June 2021 balance refers to the non-interest bearing loan granted to Consorzio I.C.A.V..

Securities of €69,259 thousand represent the investments existing at the reporting date in mutual property funds, Italian treasury notes ("BTPs"), certificates and policies taken out by Salcef Group S.p.A. to invest the cash and cash equivalents obtained following the merger of Indstars 3 in November 2019. They are measured at fair value (level 1 according to the IFRS 13 hierarchy) and the related gains and losses are taken to profit or loss.

(€'000)

SECURITIES	31.12.2020	Purchases	Sales	Fair value gains (losses)	30.06.2021
Unicredit mutual funds	6,867	2,250	(2,235)	149	7,031
Unicredit certificates	1,227			23	1,250
Intesa Eurizon SGR	10,150			109	10,259
BPS Arca Bond Corporate	3,043		(504)	(18)	2,521
BPS Fondo Etica	3,060	1,000		4	4,064
UBI Polizza BAP Vita	8,040		(1)	34	8,073
BTP BPS	450		(450)		-
Mandato Fiduciario Mps	15,000		(10,000)		5,000
BTP Deutsche Bank	1,028		(1,028)		-
Servizio Italia Polizza Cardiff	15,119			417	15,536
Fineco mutual funds	1,006	570		12	1,588
MPS Polizza	0	5,000		13	5,013
Fineco_insurance products	0	3,800		60	3,860
Kairos Partners SGR S.p.A.	0	2,000		14	2,014
Deutsche Bank_Portfolio management	0	3,000		50	3,050
Total securities	**64,990**	**17,620**	**(14,218)**	**867**	**69,259**

Other current financial assets of €19,520 thousand relate to the capital increase of 2 July 2021 following the exercise of the warrants at 30 June 2021.

13 Cash and cash equivalents

(€'000)

CASH AND CASH EQUIVALENTS	30.06.2021	31.12.2020	Variation
Bank and postal accounts	118,225	63,161	55,064
Cash-in-hand and cash equivalents	502	38	464
Total	**118,727**	**63,199**	**55,528**

The balance of bank and postal accounts at 30 June 2020 mainly refer to the parent (€58,858 thousand), Salcef S.p.A. (€41,225 thousand), Euro Ferroviaria S.r.l. (€6,064 thousand), Overail S.r.l. (€7,378 thousand), Coget Impianti S.p.A. (€2,276 thousand) and SRT S.r.l. (€1,560 thousand).

14 Other current assets

(€'000)

OTHER CURRENT ASSETS	30.06.2021	31.12.2020	Variation
Other tax assets	12,239	17,390	(5,151)
Other assets	8,212	7,865	347
Prepayments and accrued income	5,724	5,694	30
Total	**26,175**	**30,949**	**(4,774)**

Other tax assets mainly refer to indirect taxes (mainly credit VAT deriving from the application of "split payment" in active transactions) paid in Italy and abroad (€9,853 thousand) and tax assets on capital expenditure that Salcef S.p.A., Coget Impianti S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l. and SRT S.r.l. incurred in 2020 for high-tech owner-operated assets as per Annex A of Law no. 232 of 11 December 2016 ("Industry 4.0") (€2,386 thousand). This tax asset may be used to offset their tax obligations.

Other assets are detailed below:

(€'000)

OTHER ASSETS	30.06.2021	31.12.2020	Variation
Personnel and work sites	1,057	906	151
Advances on trade receivables assigned without recourse	2,285	2,635	(350)
Advances to suppliers	2,140	952	1,188
Social security institutions	174	119	55
Suspended amounts with third parties (joint arrangements)	-	-	-
Others	2,556	3,253	(697)
Total	**8,212**	**7,865**	**347**

Other assets mainly include the value of the equity instruments received from Astaldi S.p.A., since Salcef Group S.p.A. is its non-secured creditor (€1,804 thousand).

Prepayments and accrued income consist exclusively of cost prepayments incurred during the period but pertaining to future periods. They mainly relate to prepaid insurance premiums for the work sites and bank surety commissions.

LIABILITIES

TOTAL EQUITY AND LIABILITIES

15 Equity

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

Share capital

The fully paid-up share capital at 30 June 2021 amounts to €136,719,295.50 and is comprised of 56,660,257 shares without nominal value, as follows:

a) 55,865,362 ordinary shares;
b) 641,044 performance shares;
c) 153,851 special shares.

In accordance with the by-laws, performance shares have the following characteristics: (i) they are freely transferable by law, (ii) they give their holders the right to vote at the company's ordinary and extraordinary shareholders' meetings, (iii) they carry the right to participate in profits approved for distribution and (iv) they automatically convert into ordinary shares at a ratio of five ordinary shares for every performance share according to the terms and conditions of the by-laws. Special shares have the following characteristics: (i) they are freely transferable by law, (ii) they do not give their holders the right to vote at the company's ordinary and extraordinary shareholders' meetings, (iii) they do not carry the right to participate in profits if the company approves distribution until the 36th month after the effective date of the Merger, (iv) if the company undergoes winding up they give their holders the right to receive their respective share subordinated to the rights of the ordinary shareholders and (v) they automatically convert into ordinary shares at a ratio of seven ordinary shares for every special share according to the terms and conditions of the by-laws.

Furthermore, at 30 June 2021, 893,010 additional conversion warrants were outstanding:
The terms and procedures set out in the regulation give the bearers the right to subscribe conversion shares at a ratio that will be notified and at a subscription price of €0.10 per share.
Pursuant to the terms and procedures set out in the regulation, the new warrants give the bearers the right to subscribe conversion shares at the ratio of one conversion share for each new warrant exercised at a subscription price of €10.50 per share.

As discussed in the directors' report, the acceleration terms were met during the first half of 2021 for both warrant classes issued by Salcef Group S.p.A.. These require the bearers of the warrants to exercise their conversion into ordinary shares by 30 June 2021 for the new warrants and by 22 July 2021 for the additional conversion warrants. Unexercised warrants cease to be valid for all purposes after such dates.

Accordingly, at the date of preparation of these condensed interim consolidated financial statements, no new or additional conversion warrants were outstanding.

Reserves

At 30 June 2021, reserves mainly comprise:

- Legal reserve: this reserve of €2,455 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €3,024 thousand;
- Goodwill arising on merger: amounting to €45,000 thousand, this reserve arose on the recognition of the merger of Salcef Group S.p.A. and Indstars 3 that took place on 8 November 2019;
- Actuarial reserve: this reserve contains the actuarial gains and losses on the remeasurement of post-employment benefit liabilities in accordance with IAS 19 and shows a negative balance of €211 thousand;
- Hedging reserve: with a negative balance of €810 thousand, this reserve reflects the fair value gains and losses on the interest rate swaps entered into by Salcef S.p.A. and Salcef Group S.p.A. to hedge cash flow risk on the payment of interest on borrowings and the fair value gains and losses on the currency forwards entered into by Salcef Group S.p.A. to hedge currency risk on the loan in US dollars granted to Salcef USA Inc.. The reserve will be taken to the income statement over the years as the cash flows generated by the hedged item affect profit or loss;
- Reserve for warrants: with a negative balance of €532 thousand, this reserve was set up when the additional conversion warrants were issued (8 November 2019) based on their market value and was then adjusted for the exercise of warrants, as such exercise entails the settlement of the related financial liability through the issue of ordinary shares of Salcef Group S.p.A. reclassified as an increase in the other equity reserves;
- Reserve for repurchase of treasury shares: with a negative balance of €5,064 thousand, this reserve includes the value of the parent's treasury shares purchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meeting;
- The stock grant reserve: with a positive balance of €2.6 thousand, this is the accrual for personnel expense for the 2021-2024 stock grant plan described in note 31, to which reference should be made.

At their ordinary meeting of 29 April 2021, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2020, which showed a profit for the year of €24,545,124, and were presented with the consolidated financial statements as at and for the year ended 31 December 2020, both prepared in accordance with the IFRS. The latter show a profit for the year attributable to the owners of the parent of €41,149,309.

The shareholders also approved the distribution of a dividend of €0.42 for each ordinary and performance share. The ex-dividend, "record" and payment dates are 24, 25 and 26 May 2021, respectively. The dividend distributed totalled €21,314,116.32

Capital management

The group's capital management policies entail maintaining a high level of capital to keep its stakeholders' trust and also lay the foundation for the company's future.

Additionally, management monitors return on capital and the amount of dividends to distribute to ordinary shareholders.

The board of directors strives to balance the achievement of higher returns through greater leverage with the advantages and security of a sound financial position.

16 Current and non-current financial liabilities – Lease liabilities – Bank loans and borrowings

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

(€'000)

LOANS AND BORROWINGS	30.06.2021	31.12.2020	Variation
Bank loans - non-current portion	62,336	38,305	24,031
Hedging instruments	1,065	397	668
Total	**63,401**	**38,702**	**24,699**
Lease liabilities as per IFRS 16	7,448	8,638	(1,190)
Total	**7,448**	**8,638**	**(1,190)**
TOTAL NON-CURRENT LOANS AND BORROWINGS	**70,849**	**47,340**	**23,509**
Bank loans and borrowings	2,598	0	2,598
Total	**2,598**	**0**	**2,598**
Loans and borrowings from other financial backers	1,755	491	1,264
Bank advances	0	18	(18)
Bank loans and borrowings - current portion	55,532	54,922	610
Financial liabilities for warrants	3,572	19,274	(15,702)
Total	**60,859**	**74,705**	**(13,846)**
Lease liabilities as per IFRS 16	5,930	5,835	95
Total	**5,930**	**5,835**	**95**
TOTAL CURRENT LOANS AND BORROWINGS	**69,387**	**80,540**	**(11,153)**
TOTAL LOANS AND BORROWINGS	**140,236**	**127,880**	**12,356**

The bank loans are medium/long-term loans from banks to the parent, Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l., Coget Impianti S.p.A. and Salcef Deutschland GmbH.

Specifically, on 30 June 2021, Salcef Group S.p.A. took out a five-year, €30,000 thousand "S-Loan" with Intesa Sanpaolo S.p.A.. The loan is backed by the SACE S.p.A. green guarantee and involves the identification and monitoring of certain ESG performance indicators, improvements in which may be linked to a decrease in the interest rate.

Furthermore, Salcef Group S.p.A. is required to comply with certain covenants.

The covenants in place at 30 June 2021 relate to the loan granted by Unicredit S.p.A. in September 2020, maturing in September 2025, and the above-mentioned loan granted by Intesa Sanpaolo on 30 June 2021, maturing in June 2026.

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

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

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

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

Warrants reflect the fair value of the additional conversion warrants issued by Salcef Group S.p.A. which are recognised as financial liabilities since they provide for the exchange of a variable number of shares for a fixed exercise price (i.e. fixed for variable).
Specifically, at 30 June 2021, warrants amount to €3,572 thousand due to the initial recognition of the fair value of the warrants at their issue date (8 November 2019), subsequently adjusted to their fair value at 31 December 2019 and then adjusted further due to conversions of 2020 and the first half of 2021 and fair value gains and losses of 2020 and the first half of 2021.
At the date of preparation of these condensed interim consolidated financial statements, the financial liability for warrants has been settled in full, as the subscription period for the additional conversion warrants lapsed on 22 July 2021. As the financial liability for warrants was settled through the issue of ordinary shares of Salcef Group S.p.A. upon conversion, it did not generate a future outflow of cash for the group but did generate a balancing entry as an increase in equity.
Fair value gains and losses on the warrants are recognised in profit or loss as financial income or expense and the financial expenses amount to €9,596 thousand in 2021.

For hedging purposes, Salcef S.p.A. entered into an interest rate swap with Unicredit S.p.A. in March 2021, maturing in 2024 and with a notional amount of €4,583,333.33. This swap hedges cash flow risk on interest paid on the variable-rate loan of €5,000,000 disbursed by Unicredit S.p.A. on the same date with a 36-month term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.
The above interest rate swap between Salcef S.p.A. and Unicredit S.p.A. expired in June 2021.
Salcef Group S.p.A. has an interest rate swap with Unicredit S.p.A. maturing in 2025 and with a notional amount of €20,323,500 at 30 June 2021. This swap was agreed in September 2020 and hedges cash flow risk on interest paid on the variable-rate loan of €23,910,000 disbursed by Unicredit S.p.A. in the same month

as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.
In the first half of 2021, Salcef Group S.p.A. entered into another interest rate swap with Banca Popolare di Sondrio maturing in 2025 and with a notional amount of €4,000,000. This swap hedges cash flow risk on interest paid on the variable-rate loan of €4,000,000 disbursed by Unicredit S.p.A. on the same date with a 48-month term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

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

The table below provides a breakdown of the net financial position/debt (and adjusted net financial position/debt) at 30 June 2021 and 31 December 2020. The group has taken into account the new presentation method for net financial position following the publication of the ESMA Guidelines dated 4 March 2021 and Consob's Communication no. 5/21 of 29 April 2021, in which it acknowledges the ESMA Guidelines and states that references to the CESR Recommendations on prospectus contained in previous communications shall be replaced with the ESMA Guidelines, including the references contained in Communication no. DEM/6064293 of 28 July 2006 on net financial position.

(€'000)

NET FINANCIAL POSITION	30.06.2021	31.12.2020	Variation
(A) Cash	118,727	63,199	55,528
(B) Cash equivalents	0	0	0
(C) Other current financial assets	89,164	65,362	23,802
(D) Liquidity (A + B + C)	**207,891**	**128,561**	**79,330**
(E) Current financial debt *	(13,855)	(25,618)	11,763
(F) Current portion of non-current financial debt	(55,532)	(54,922)	(610)
(G) Current financial debt (E + F)	**(69,387)**	**(80,540)**	**11,153**
(H) Net current financial position (G + D)	**138,504**	**48,021**	**90,483**
(I) Non-current financial debt	(70,849)	(47,340)	(23,509)
(J) Debt instruments	0	0	0
(K) Trade payables and other non-current debt	0	0	0
(L) Non-current financial debt (I + J + K)	**(70,849)**	**(47,340)**	**(23,509)**
(M) Total net financial position (H + L) **	**67,655**	**681**	**66,974**
(N) Adjustment for other financial liabilities - warrants	3,572	19,274	(15,702)
(O) Total adjusted net financial position (M + N)	**71,227**	**19,955**	**51,272**

(*) includes the financial liability for the warrants referred to in letter N

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

The following table shows the financial debt by maturity bracket at 31 December 2020 and 30 June 2021:

(€'000)

LOANS AND BORROWINGS BY MATURITY DATE	Due within one year	Due after one year and within five years	Due after five years	TOTAL
Bank loans	54,922	38,305	-	93,227
Bank advances	18	-	-	18
Loans and borrowings from other financial backers	491	-	-	491
Lease liabilities	5,835	8,232	406	14,473
Warrants	19,274	-	-	19,274
Hedging instruments	-	397	-	397
Carrying amount at 31 December 2020	**80,540**	**46,934**	**406**	**127,880**
Bank loans	55,532	62,336		117,868
Loans and borrowings from other financial backers	1,755			1,755
Bank loans and borrowings	2,598			2,598
Lease liabilities	5,930	7,250	198	13,378
Warrants	3,572			3,572
Hedging instruments		1,065		1,065
Carrying amount at 30 June 2021	**69,387**	**70,651**	**198**	**140,236**

(€'000)

LOANS AND BORROWINGS - CHANGES	
Loans and borrowings at 1 January 2019	72,258
Change in advances	(2)
Fair value gains (losses) on derivatives	382
Proceeds from new loans	77,814
Repayment of loans	(33,622)
Change in other loans and borrowings - current	(573)
Increase in liabilities following acquisitions	3,227
Recognition of leases as per IFRS 16	6,770
Repayment of lease liabilities	(5,019)
Exchange differences	(101)
Fair value gains (losses) on warrants	6,746
Total at 31 December 2020	**127,880**
Change in advances	(18)
Fair value gains (losses) on derivatives	668
Proceeds from new loans	44,114
Repayment of loans	(20,955)
Change in other loans and borrowings - current	2,636
Increase in liabilities following acquisitions	2,707
Recognition of leases as per IFRS 16	1,979
Repayment of lease liabilities	(3,170)
Exchange differences	97
Fair value gains (losses) on warrants	(15,702)
Total at 30 June 2021	**140,236**

17 Current and non-current employee benefits

This caption includes the company's estimated liability for the post-employment benefits due to employees when their employment relationship ends, as the benefits are defined benefit plans under IAS 19.
The liability is calculated by an independent expert using the following actuarial assumptions:

SUMMARY OF THE ACTUARIAL ASSUMPTIONS	30.06.2021	31.12.2020
Annual discount rate	0.79%	0.34%
Annual inflation rate	0.8%	0.8%
Annual rate of increase in employee benefits	2.1%	2.1%

Changes in this caption are shown in the following table:

(€'000)

EMPLOYEE BENEFITS	
Carrying amount at 1 January 2021	871
Accruals	2,289
Utilisations/Transfers	(2,230)
Interest cost	2
Net actuarial gains	26
Carrying amount at 30 June 2021	**958**

This caption includes the accrual for the portion vested at 30 June 2021 of the management incentive plan (€586 thousand), which will be disbursed in 2022 (€482 thousand) and 2024 (€104 thousand).

18 Provisions for risks and charges (non-current portion)

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

(€'000)

PROVISIONS FOR RISKS AND CHARGES	Provision for litigation
Carrying amount at 1 January 2021	3,855
Accruals	214
Utilisations/Releases	(114)
Other variations	-
Carrying amount at 30 June 2021	**3,955**

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

The parent and other group companies are involved in certain civil proceedings related to their normal business operations.

The main civil case against the group involves the subsidiary Salcef S.p.A., which appeared in proceedings concerning an operated equipment rental agreement in which the counterparty claimed payment of roughly €3.7 million. In turn, Salcef S.p.A. claimed compensation for damage of €3 million, plus reputational damage to be quantified on the basis of fairness. Accordingly, the group has accrued, with sufficient reasonableness, a fair amount considering the probability that it will lose the case.

CURRENT LIABILITIES

19 Trade payables

(€'000)

TRADE PAYABLES	30.06.2021	31.12.2020	Variation
Suppliers	112,935	94,300	18,635
Associates	1,020	2,131	(1,111)
Total	**113,955**	**96,431**	**17,524**

Amounts due to suppliers (€112,935 thousand) mostly refer to Salcef S.p.A. (€60,697 thousand), the parent (€5,077 thousand), Euro Ferroviaria S.r.l. (€11,980 thousand), Overail S.r.l. (€14,249 thousand) and SRT S.r.l. (€7,819 thousand).

Amounts due to associates mainly include costs recharged by the consortium companies and consortia to the parent, Salcef S.p.A. and Euro Ferroviaria S.r.l..

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

(€'000)

GEOGRAPHICAL SEGMENT	30.06.2021	%	31.12.2020	%	Variation
Italy	100,215	87.9%	90,070	93.4%	10,145
Europe (excluding Italy)	7,502	6.6%	3,972	4.1%	3,530
Africa	961	0.8%	142	0.1%	819
North America	3,892	3.4%	898	0.9%	2,994
Middle East	1,385	1.2%	1,349	1.4%	36
Total	**113,955**		**96,431**		**17,524**

20 Current tax liabilities

(€'000)

CURRENT TAX LIABILITIES	30.06.2021	31.12.2020	Variation
Direct taxes	5,094	452	4,642
Foreign current taxes	964	1,112	(148)
Tax provision	911	905	6
Total	**6,969**	**2,469**	**4,500**

Tax provision includes €750 thousand for a prudent estimate of the tax charges the Salcef Group may incur in the event of tax audits, inspections or assessments, while €161 thousand has been accrued for a tax assessment underway at Salcef Group S.p.A.'s Egyptian branch.

21 Other current and non-current liabilities

(€'000)

OTHER LIABILITIES	30.06.2021	31.12.2020	Variation
Other	4,051	2,928	1,123
Total	**4,051**	**2,928**	**1,123**
Social security institutions	3,183	2,493	690
Employees	7,960	4,629	3,331
Third parties (joint arrangements)	192	2,770	(2,578)
Other	13,470	12,857	613
Accrued expenses and deferred income	3,154	3,444	(290)
Other tax liabilities	1,360	4,741	(3,381)
Total	**29,319**	**30,934**	**(1,615)**
TOTAL OTHER LIABILITIES	**33,370**	**33,862**	**(492)**

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

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

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

Other includes the €1,890 thousand not yet paid by Salcef Group S.p.A. for the acquisition of the investment in Coget Impianti S.p.A. and the €6,055 thousand not yet paid by Salcef USA Inc. for the acquisition of the investment in Delta Railroad Construction Inc., €2,016 thousand of which is due after one year. It also includes the variable consideration still to be paid by Salcef Group S.p.A. for the acquisition of the equity investment in Verwaltung (€2,100 thousand, of which €1,400 thousand due after one year).
The variable consideration for the equity investment in Coget Impianti S.p.A. was adjusted at the reporting date to take into account the company's actual performance in the first half of 2021, with the recognition of financial income of €1,238 thousand.

This caption also includes the €1,265 thousand to be refunded following the incorrect allocation of the equity instruments by Astaldi S.p.A..

Other tax liabilities mostly consist of withholdings on the June remuneration of consultants and employees and the substitute tax on the revaluation of €1,271 thousand (of which, €635 thousand due after one year) that Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l. and Coget Impianti S.p.A. must pay following their revaluation of assets pursuant to the "August Decree" described earlier.

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

Notes to the main income statement captions

22 Revenue

(€'000)

REVENUE	H1 2021	H2 2020	Variation
Revenue from contracts with customers	211,245	149,836	61,409
Other income	2,159	406	1,753
Total	**213,404**	**150,242**	**63,162**

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

Breakdown of other income

(€'000)

OTHER INCOME	H1 2021	H2 2020	Variation
Recharges to third parties	17	71	(54)
Insurance and other compensation	184	156	28
Gains on sale of assets and other income	1,088	73	1,015
Other sundry income	870	106	764
Total	**2,159**	**406**	**1,753**

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties.

Gains refer to the sale of group assets as part of their normal replacement process.

Other includes the grant for investments mentioned earlier, totalling €317 thousand.

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

(€'000)

BREAKDOWN OF REVENUE	H1 2021	H2 2020	Variation
Timing of revenue recognition			
Products transferred at a point in time	13,610	6,757	6,853
Products and services transferred over time	199,794	143,485	56,309
Total	**213,404**	**150,242**	**63,162**
Main products/services			
Permanent way systems	144,604	106,523	38,081
Infrastructure	12,123	9,972	2,151
Energy, signalling and telecommunications	28,207	15,513	12,694
Railway materials	19,271	14,966	4,305
Railway machinery	9,199	3,268	5,931
Total	**213,404**	**150,242**	**63,162**
Main geographical segments			
Italy	162,431	121,938	40,493
Europe (excluding Italy)	14,922	24,151	(9,229)
Africa	1,536	938	598
North America	21,331	0	21,331
Middle East	13,184	3,215	9,969
Total	**213,404**	**150,242**	**63,162**

Revenue is measured considering the consideration specified in the contract with the customer. The group recognises revenue when it transfers control of the goods or services.

Specifically, revenue is recognised over time on a percentage of completion basis. Costs are recognised in profit or loss when incurred.

Advances are recognised under contract liabilities.

Fulfilment of the performance obligation for the sale of railway materials is recognised at a point in time. Revenue is recognised when the goods leave the warehouse.

23 Raw materials, supplies and goods

This caption amounts to €45,605 thousand net of changes in inventories (First half of 2020: €25,450 thousand.

(€'000)

RAW MATERIALS, SUPPLIES AND GOODS	H1 2021	H2 2020	Variation
Raw materials, supplies and goods	45,872	24,967	20,905
Change in inventories	(267)	483	(750)
Total	**45,605**	**25,450**	**20,155**

24 Services

This caption of €77,127 thousand may be analysed as follows:

(€'000)

SERVICES	H1 2021	H2 2020	Variation
Maintenance	2,285	1,477	808
Subcontracting, consultancy and third party services	52,111	36,343	15,768
Insurance and sureties	2,378	2,187	191
Costs recharged by third parties	342	0	342
Consultants' and temporary workers' fees	2,182	2,207	(25)
Costs of employees on secondment	371	286	85
Utilities	491	375	116
Directors' fees	621	557	64
Statutory auditors' fees	100	70	30
Bed and board for employees on business trips	5,595	4,222	1,373
Commercial costs	144	108	36
General and administrative costs	433	411	22
Tender costs	1	10	(9)
Transport	7,127	4,797	2,330
Motor vehicles and cars	1,034	749	285
Accruals for risks	0	2,000	(2,000)
Fines and compensation	94	47	47
Other services	1,818	2,392	(574)
Total	**77,127**	**58,238**	**18,889**

25 Personnel expense

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

(€'000)

PERSONNEL EXPENSE	H1 2021	H2 2020	Variation
Wages and salaries	31,549	23,511	8,038
Social security contributions	10,139	7,654	2,485
Post-employment benefits, pensions and other benefits	2,289	1,037	1,252
Other costs	620	306	314
Total	**44,597**	**32,508**	**12,089**

In the first half of 2021 other personnel costs include €589 thousands relating to the portion of costs accrued during the period for the incentive program in favor of management, both for the portion that will be paid in cash (see note 17) and for the portion consisting of stock grant (see note 31).

Workforce by category

	Italy	Abroad	TOTAL
Managers	28	3	31
White collars	201	49	250
Blue collars	683	87	770
Total at 30 June 2020	**912**	**139**	**1,051**
Managers	30	12	42
White collars	232	83	315
Blue collars	789	321	1,110
Total at 30 June 2021	**1,051**	**416**	**1,467**

26 Amortisation, depreciation and impairment losses

(€'000)

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	H1 2021	H2 2020	Variation
Amortisation of intangible assets	463	269	194
Depreciation of property, plant and equipment	9,447	6,896	2,551
Depreciation of right-of-use assets as per IFRS 16	3,073	3,261	(188)
Total	**12,983**	**10,426**	**2,557**

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

27 Impairment losses

(€'000)

IMPAIRMENT LOSSES	H1 2021	H2 2020	Variation
Trade receivables	25	(3)	28
Contract assets	86	105	(19)
Other assets	5	18	(13)
Other non-current assets	472	4	468
Tax assets	(3)	4	(7)
Cash and cash equivalents	4	19	(15)
Securities	0	(6)	6
Total	**589**	**141**	**448**

28 Other operating costs

(€'000)

OTHER OPERATING COSTS	H1 2021	H2 2020	Variation
Loss on sale of assets	101	39	62
Rent and leases	3,124	2,493	631
Donations	0	294	(294)
Indirect taxes and duties	649	282	367
Fines and penalties	123	41	82
Other costs	333	352	(19)
Total	**4,330**	**3,501**	**829**

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

29 Internal work capitalised

(€'000)

INTERNAL WORK CAPITALISED	H1 2021	H2 2020	Variation
Internal work capitalised	6,294	5,936	358
Total	**6,294**	**5,936**	**358**

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

30 Financial income and expense

Net financial expense is shown below:

(€'000)

FINANCIAL INCOME AND EXPENSE	H1 2021	H2 2020	Variation
Financial income			
Income on equity investments and securities	986	0	986
Other financial income	1,238	1	1,237
Gain on sale of securities	141	0	141
Interest income	123	11	112
Exchange gains	499	136	363
Total financial income	**2,987**	**148**	**2,839**
Financial expense			
Impairment losses on securities	0	(1,139)	1,139
Loss on sale of securities	(1)	(65)	64
Interest expense	(646)	(514)	(132)
Fair value losses on warrants	(9,596)	(17,675)	8,079
Lease costs	(22)	(93)	71
Financial expense	(141)	(411)	270
Exchange losses	(397)	(201)	(196)
Total financial expense	**(10,803)**	**(20,098)**	**9,295**
Net financial expense	**(7,816)**	**(19,950)**	**12,134**

Net fair value losses of €9,596 thousand on warrants are those recognised in the first half of 2021 in relation to the additional conversion warrants exercised in the period and the fair value losses since 31 December 2020 on such warrants issued and not yet exercised at 30 June 2021.

The additional conversion warrants are classified as financial liabilities in accordance with IAS 32.

They are considered equity solely for tax purposes. On this basis, the liability recognised as a balancing entry in the equity reserve and the fair value gains and losses on the additional conversion warrants with an impact on profit or loss cannot be recognised for tax purposes. Therefore, not even the settlement of the liability when the warrants are converted generates a tax impact for the parent.

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

Other financial income includes the fair value gain on the contingent consideration related to the acquisition of Coget Impianti S.p.A,. for which the recognition of the business combination was completed in 2020.

31 Share-based payments

At 30 June 2021, the group has the following share-based payment agreement: the 2021-2024 stock grant plan.

On 24 March 2021, following the favourable opinion of the remuneration and appointment committee, the board of directors of Salcef Group S.p.A. resolved to propose the shareholders adopt the 2021-2024 stock grant plan pursuant to article 114-bis of Legislative decree no. 58 of 24 February 1998 as amended (the "Consolidated finance act") in their meeting called for 29 April 2021.

In their meeting of 29 April 2021, having heard and approved the information provided by the board of directors and seen the information memorandum made available to the public, the shareholders approved the 2021-2024 stock grant plan, assigning all necessary powers for its implementation to the board of directors.

On 25 June 2021, the board of directors resolved to implement the 2021-2024 stock grant plant for the allocation of the right to freely receive a maximum of 25,463 ordinary Salcef Group S.p.A. shares at the end of the vesting period and subject to the achievement of the performance targets.
This right is reserved to executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998.
The rights assigned to each beneficiary will be divided into two equal instalments subject to different vesting periods:

- the first instalment regards 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2022;
- the second instalment will regard the remaining 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023.

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

The allocation of the shares and their delivery is subject to:

- the achievement of the performance targets for 2021;
- the commencement of the vesting period for each instalment;
- the beneficiary having an employment relationship with the group at the respective vesting date of each instalment.

For a detailed description of the 2021-2024 stock grant plan, reference should be made to the information memorandum on Salcef Group S.p.A.'s stock grant plan, prepared pursuant to article 84-bis of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999 as amended, published on the parent's website www.salcef.com (Investor Relations/Shareholders' Meeting section).

The measurement of the plan takes into account the fair value of the shares assigned at the grant date. The cost for the reporting period recognised under personnel expense was €2.6 thousand.
The service conditions and the non-market results, both linked to the agreements, are not considered in the fair value measurement.

32 Commitments and risks

These amount to €70,138 thousand at 30 June 2021, compared to €75,120 thousand at 31 December 2020. They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€67,950 thousand at 30 June 2021 and €72,057 thousand at 31 December 2020) and the surety given to banks for the group companies' loans (€2,188 thousand at 30 June 2021 and €3,062 thousand at 31 December 2020).

33 Related party transactions

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

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

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

(€'000)

	Right-of-use assets	Trade receivables	Current financial assets	Lease liabilities	Trade payables
Associates					
Frejus S.c.ar.l.	-	281	-	-	(79)
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità	-	1	353	-	(59)
Sesto Fiorentino S.c.ar.l.	-	-	-	-	(882)
Herzog / Delta A Joint Venture Toronto	-	-	-	-	-
Railworks/ Delta A Joint Venture Minnesota	-	147	-	-	-
Other related parties					
Talia Gestioni S.r.l.	1,490	-	-	(1,560)	-
TOTAL at 30 June 2021	**1,490**	**429**	**353**	**(1,560)**	**(1,020)**

(€'000)

	Revenue	Services	Other operating costs	Financial income	Financial expense
Associates					
Frejus S.c.ar.l.	-	-	-	-	-
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità	-	-	-	-	-
Sesto Fiorentino S.c.ar.l.	-	-	-	-	-
Railworks/ Delta A Joint Venture Minnesota	792	-	-	-	-
Other related parties					
Talia Gestioni S.r.l.	-	-	-	-	(40)
TOTAL in H1 2021	**792**	**-**	**-**	**-**	**(40)**

34 Acquisition of subsidiaries

On 5 May 2021, Salcef Group S.p.A. signed a contract to acquire the entire share capital of Verwaltung und Beteiligung Nord GmbH (now "Salcef Deutschland GmbH").

The signing was completed on 5 May 2021 and the closing took place on 25 May 2021.

The total consideration paid to acquire Salcef Deutschland GmbH's entire share capital was approximately €8.5 million and the payment was made in several instalments:

- €6.4 million before the closing, of which approximately €4.4 million in cash and the remainder in Salcef Group S.p.A. treasury shares (153,848);
- €2.1 million in three annual instalments, the last of which is due in 2024.

There are also mechanisms for adjusting the price downwards if certain conditions are met.

The table below summarises the acquisition-date fair value of the components of the transferred consideration:

(€'000)

TRANSFERRED CONSIDERATION	
Cash and cash equivalents	4,400
Treasury shares	2,100
Contingent consideration	2,100
Total	**8,600**

The contingent consideration is commensurate the gross operating profit or loss and revenue of Salcef Deutschland GmbH to the end of 2022.

Acquired assets and assumed liabilities at the acquisition date are summarised below. The data are based on the statement of financial position prepared by the acquired company, adjusted for consistency with the IFRS endorsed by the European Commission and the presentation format adopted by the Salcef Group.

(€'000)

ACQUIRED ASSETS AND ASSUMED LIABILITIES	
Property, plant and equipment	3,291
Intangible assets	41
Equity investments	100
Inventories	417
Contract assets	1,531
Trade receivables	3,268
Other assets	399
Bank loans and borrowings	(1,225)
Financial liabilities	(1,482)
Tax liabilities	(72)
Trade payables	(3,361)
Other liabilities	(1,273)
Total net identifiable assets	**1,867**

Goodwill arising on the acquisition was recognised as follows:

(€'000)

GOODWILL	
Total fair value of transferred consideration	8,600
Total net identifiable assets	(1,867)
Total	**6,733**

For the preparation of these condensed interim consolidated financial statements as at and for the period ended 30 June 2021, the acquisition of Salcef Deutschland GmbH was recognised, in accordance with IFRS

3, by recognising the provisional amounts of the transaction pursuant to paragraph 45 and following paragraphs of this standard. To this end, pending the group's definition of the long-term post-acquisition plan and the consequent purchase price allocation, the carrying amounts of Salcef Deutschland GmbH's assets and liabilities were maintained, allocating the entire difference with respect to the carrying amount of the equity investment recognised by Salcef Group S.p.A. to goodwill.

35 Earnings (loss) per share

Basic earnings (loss) per share

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

Basic earnings (loss) per share in the first half of 2021 are shown in the table below:

EARNINGS (LOSS) PER SHARE	H1 2021	H2 2020
Numerator (€)		
Profit attributable to the ordinary shareholders of the parent (A)	*15,080,601*	*(1,278,043)*
Denominator (unit)		
(+) Weighted average of the ordinary shares	46,391,924	40,193,651
(-) Weighted average of the ordinary treasury shares	(387,526)	(16,552)
(=) Weighted average of the ordinary shares outstanding in the period (B)	*46,004,398*	*40,177,099*
Basic earnings (loss) per share (€) (A/B)	**0.33**	**(0.03)**

Diluted earnings per share

Diluted earnings per share are calculated considering the profit or loss for the period attributable to the shareholders of the parent and the weighted average number of ordinary shares outstanding in the period, adjusted to reflect the effects of all potential ordinary shares with a dilution effect.

Diluted earnings (loss) per share in the first half of 2021 are shown in the table below:

DILUTED EARNINGS PER SHARE	H1 2021	H2 2020
Numerator (€)		
(+) Profit/(loss) attributable to the ordinary shareholders of the parent	15,080,601	n.a
(+/-) Changes in income/expense arising from the conversion of potential ordinary shares with a dilution effect	-	n.a
= Adjusted profit/(loss) attributable to the ordinary shareholders of the parent (A)	*15,080,601*	*n.a*
Denominator (unit)		
(+) Weighted average of the ordinary shares	46,391,924	n.a
(-) Weighted average of the ordinary treasury shares	(387,526)	n.a
(+) Weighted average of potential ordinary shares with a dilution effect	7,802,508	n.a
(=) Weighted average of the ordinary shares outstanding in the period (B)	*53,806,906*	*n.a*
Diluted earnings (loss) per share (€) (A/B)	**0.28**	**n.a**

At 30 June 2021, there are outstanding instruments that could dilute basic earnings per share, such as additional conversion warrants, special shares and performance shares, as described in note 15 to which reference should be made. There are no new warrants outstanding at 30 June 2021, as the acceleration condition provided for in the regulation was met.
In this respect, the additional conversion warrants do not have a dilution effect at 30 June 2021 because, in accordance with paragraph 41 of IAS 33, their conversion into ordinary shares would increase earnings per share. Indeed, the adjustment increasing the numerator to reflect the lack of the fair value loss on the additional conversion warrants (described in note 30) would have an anti-dilution effect not cancelled out by the increase to be made to the denominator to reflect the weighted average of the ordinary shares that could be issued when such additional conversion warrants are converted into ordinary shares. The calculation in the table above therefore considers the weighted average of only those ordinary shares that could be issued when the performance shares and special shares are converted into ordinary shares.

The diluted earnings per share for the first half of 2020 were not calculated because they would have had an "anti-dilutive" effect as the group recognised a loss for the six months ended 30 June 2020. The effect of including the potential ordinary shares that would be issued at the time of these instruments' conversion would have been to reduce the loss per share shown in the table above.

36 Contingent liabilities

Certain group companies are involved in civil, criminal, labour law and tax proceedings in connection with the ordinary course of business.
Management does not believe that any of these proceedings present a probable risk of financial expenditure or that they could give rise to significant liabilities. Consequently, no specific provisions are recognised in the condensed interim consolidated financial statements at 30 June 2021. Any adverse developments, which are not currently foreseeable or determinable based on internal analyses or judicial investigations in progress, will be adequately assessed for the purposes of calculating any accruals.

Significant non-recurring events and transactions

The group's financial position, financial performance and cash flows were not affected by significant non-recurring events and transactions in the first half of 2021. Moreover, the group did not carry out any atypical or unusual transactions during the period.

Events after the reporting date

No events have taken place since the date of preparation of this report that would have a significant impact on the group's financial position at 30 June 2021 or its financial performance and cash flows for the six months then ended.

Treasury share repurchase programme

At the date of preparation of these condensed interim consolidated financial statements, Salcef Group S.p.A. holds 479,743 treasury shares, equal to 0.8429% of the share capital.

Exercise of the additional conversion warrants

In July 2021, 879,972 additional conversion warrants were exercised, with the consequent subscription of 252,367 ordinary shares of the parent for €0.10 per share, for a total of €25 thousand.

CEO

Valeriano Salciccia

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

1. In accordance with the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, the undersigned Valeriano Salciccia and Fabio de Masi, respectively CEO and manager in charge of financial reporting of Salcef Group S.p.A. attest to:
   - the adequacy with respect to the company's characteristics (taking into account any changes in the period) and
   - the effective application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements in the first half of 2021.

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

3. Furthermore:

3.1 the condensed interim consolidated financial statements:

a) have been prepared in accordance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) match the accounting ledgers and entries;
c) give a true and fair view of the financial position, results and cash flows of the issuer and the companies in the consolidation scope.

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

Rome, 5 August 2021

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

SALCEF GROUP

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Salcef Group S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Salcef Group, comprising the statement of financial position as at 30 June 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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Conclusion

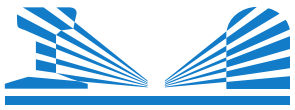
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Salcef Group as at and for the six months ended 30 June 2021 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Rome, 6 August 2021

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit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