SALCEF GROUP

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

ADDITIONAL FINANCIAL INFORMATION AT 30 SEPTEMBER 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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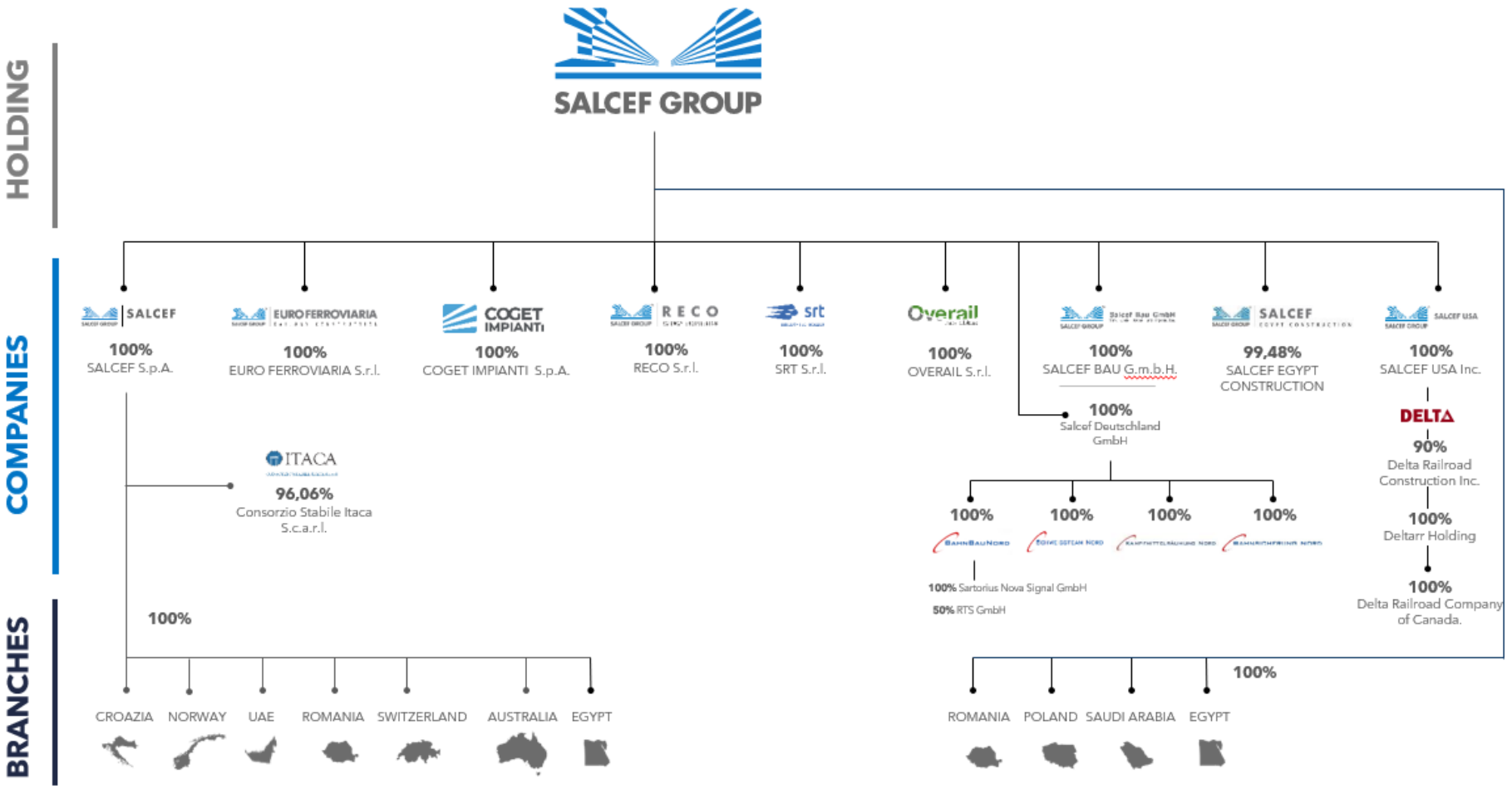
INTRODUCTION

Company officers

Board of directors *appointed by the shareholders' meeting on 14 October 2019 and subsequently integrated on 5 October 2020. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2021.*	Chairperson	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	Chairperson	Emilia Piselli
	Member	Bruno Pavesi
	Member	Attilio Francesco Arietti
Audit and risk committee	Chairperson	Valeria Conti
	Member	Emilia Piselli
	Member	Bruno Pavesi
Related parties committee	Chairperson	Bruno Pavesi
	Member	Emilia Piselli
	Member	Valeria Conti
Board of statutory auditors *appointed by the shareholders'meeting on 5 April 2019 and subsequently integrated on 14 October 2019 and 5 October 2020. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ended 31 December 2021.*	Chairperson	Daniela Lambardi
	Standing auditor	Giovanni Bacicalupi
	Standing auditor	Roberto Schiesari
	Alternate auditor	Ivano Pelassa
	Alternate auditor	Federico Ragnini
Supervisory body pursuant to Legislative decree no. 231/2001	Chairperson	Stefano Crociata
	Member	Fabrizio De Paolis
	Member	Roberto D'Amico
Manager in charge of financial reporting	Fabio De Masi	
Independent auditors *appointed for the 2020/2028 nine-year period by the shareholders at their ordinary meeting of 5 April 2019.*	KPMG S.p.A.	

Group structure



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 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 STAR segment of the “Euronext Milan” market (formerly Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A..

This additional financial information at 30 September 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 15 November 2021.

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

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

Financial figures and key performance indicators

Reclassified income statement

(€'000)

	First nine months of 2021	First nine months of 2020	Variation
Revenue	319,675	235,285	84,390
Production costs	(257,228)	(185,980)	(71,248)
Other operating costs	(7,411)	(5,810)	(1,601)
Internal work capitalised	16,435	13,572	2,863
EBITDA (Gross operating profit)	**71,471**	**57,067**	**14,404**
Depreciation and amortisation	(19,713)	(15,785)	(3,928)
Impairment losses	(43)	(141)	98
EBIT (Operating profit)	**51,715**	**41,141**	**10,574**
Financial income	2,460	742	1,718
Adjusted financial expense*	(870)	(2,595)	1,725
Adjusted pre-tax profit*	**53,305**	**39,288**	**14,017**
Adjusted income taxes**	(14,326)	(11,806)	(2,520)
Adjusted profit for the period*	**38,979**	**27,482**	**11,497**
* Net fair value losses on warrants	(9,737)	(17,652)	7,916
** Reversal of deferred tax assets on revaluation	(2,367)	-	(2,367)
Profit for the period	**26,875**	**9,830**	**17,045**

Key performance indicators

(€'000)

	First nine months of 2021	First nine months of 2020
EBITDA margin	22.36%	24.25%
EBIT margin	16.18%	17.49%

EBITDA: Operating profit before depreciation, amortisation and impairment losses

EBIT: Pre-tax profit before net financial income (expense)

Key financial indicators

(€'000)

	30.09.2021	31.12.2020
Net financial position	105,281	19,955*
Adjusted equity	423,648	273,420

* Net financial position as at 31 December 2020 is adjusted excluding the financial liability for warrants issued by Salcef Group S.p.A. at period end. Such financial liability is equal to zero as at 30 September 2021 as the warrants are fully converted or expired.

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 additional conversion warrants issued by Salcef Group S.p.A., related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group;
- adjusted profit or loss is calculated by adjusting the profit or loss for the period to exclude other amounts, such as fair value gains and losses on the additional conversion warrants issued by Salcef Group S.p.A., related to non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group, and the tax impact of the reversal of deferred tax assets recognised on revaluations, as detailed further on;
- the EBITDA margin is calculated as the ratio of EBITDA (as identified above) to total revenue;
- the EBIT margin is calculated as the ratio of EBIT (as identified above) to total revenue;
- the net financial position is calculated by deducting cash and cash equivalents and current financial assets from current and non-current financial liabilities;
- Net financial position is calculated by deducting cash and cash equivalents and current financial assets from current and non-current financial liabilities. In the comparative figures, the net financial position is adjusted excluding the financial liability for warrants issued by Salcef Group S.p.A. at period end 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 “new” warrants issued by Salcef Group S.p.A., which are classified as equity instruments. Moreover, both the "new" and "additional conversion" warrants are no longer outstanding at the reporting date since the attached acceleration conditions provided for by their regulations were met, triggering their conversion into the parent's ordinary shares or the expiry of any related rights that remained unexercised within the terms provided for by their respective regulations;
- adjusted equity is calculated by deducting the fair value gains and losses on warrants issued by Salcef Group S.p.A. and reversing the deferred tax assets recognised on 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 nine months of the year came to €319,675 thousand, a €84,390 thousand increase (+35.9%) over the €235,285 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 and, to a lesser extent, the acquisition of the Bahnbau Nord Group at the end of May 2021; (ii) the reduced production in the first six months of 2020 due to the Covid-19 pandemic and (iii) Salcef Group's organic growth.
EBITDA reflects the increase in volumes and came to €71,471 thousand, a €14,404 thousand (+25.2%) increase over the €57,067 thousand of the corresponding period of 2020. The EBITDA margin (EBITDA/revenue) was 22.36%, a 1.89 p.p. decrease over the same period of 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, albeit marginally, by the rise in the cost of certain raw materials used mainly by the subsidiary Overail and the accrual for the management incentive plan bonus (€932 thousand).
EBIT came to €51,715 thousand, a €10,574 thousand increase (+25.7%) over the €41,141 thousand of the first nine months of 2020. It includes both 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 decreased on the corresponding period of 2020 (-1.31 p.p.).

The adjusted profit for the period was €38,979 thousand, compared to €27,482 thousand for the same period of 2020.
The profit for the period reflects the fair value losses on additional conversion warrants of €9,737 thousand recognised from 1 January 2021 to the warrants' extinguishment. Indeed, as better detailed in the "Key events of the period" section, since the acceleration condition was met, these warrants were either converted or expired for not being exercised before the term provided for by their regulation.
The additional conversion warrants were classified as a financial liability in accordance with IAS 32. They were 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 were converted generated a tax impact for the parent.

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

The profit for the nine months of 2021 was also impacted by the tax expense (€2,367 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 financial statements in accordance with OIC - revalued their assets in accordance with the "August Decree" in their financial statements at 31 December 2020 and decided to apply the substitute tax scheme, equal to 3% of the net balance of the revaluation, in order to apply the revaluation for tax purposes. This revaluation was reversed for consolidation purposes, but retained full effect for tax purposes.
Accordingly, the tax value of the assets revalued in the subsidiaries' financial statements is higher than their carrying amount in the Salcef Group's consolidated financial statements. This difference led to the recognition of deferred tax assets (IRES - corporate income tax and IRAP - regional productivity tax) in the consolidated financial statements at 31 December 2020 in accordance with IAS 12. The deferred tax assets will reverse starting from 2021 and in subsequent years when the subsidiaries that applied the revaluation fully deduct the greater depreciation arising from the revaluation in the calculation of current taxes (IRES and IRAP), while such greater depreciation is reversed in the Salcef Group's interim consolidated financial statements.

In the statement of financial position as at 30 September 2021, both net financial position and equity reflect the following transactions carried out during the period: (i) the treasury share purchases totalling €4,753 thousand, (ii) the warrants exercised which led to a capital increase of €74,638 thousand, (iii) the distribution of dividends of €21,314 thousand and (iv) the capital increase of €32,000 thousand (less transaction costs of €651 thousand recognised in an equity reserve) reserved for qualified investors and approved by the board of directors on 30 September 2021, in accordance with the powers given thereto by the shareholders during their extraordinary meeting of 5 October 2020.

The share capital at 30 September 2021 amounts to €141,544,532.20 and is fully paid up at the date of approval of this document.
The parent's share capital increased during the first nine months of 2021, as a result of (i) the capital increase approved on 30 September 2021, carried out through an accelerated bookbuild offering, leading to the issue of 2,000,000 ordinary shares with a unit price of €16.00; (ii) the conversion of 7,087,216 "new" warrants, including 2,833,384 by the majority shareholder, Finhold S.r.l., and (iii) the conversion of 7,831,288 additional conversion warrants. This further increased Salcef Group S.p.A.'s equity, as it received additional

capital of €79,438,367.70, which it can earmark for growth and development plans in the railway industry in Italy and abroad.

Considering the aforesaid capital increase and conversions of warrants and that:

- on 3 May 2021, 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 (detailed 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 condition 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.i of the by-laws, the condition 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 parent's share capital amounts to €141,544,532.20 at the date of preparation of this additional financial information and is fully paid up. It consists of 58,912,624 shares without a nominal amount, divided into the following categories:

a) 58,117,729 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 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 64.25%, with voting rights at 64.42%. Moreover, at the date of preparation of this additional financial information, the condition provided for by the by-laws for the conversion of the remaining 641,044 performance shares held Finhold S.r.l. into ordinary shares had already been met. The conversion, which will be carried out on 15 January 2022, will bring the ultimate parent's investment in Salcef Group S.p.A. to 64.77%, with the same percentage of voting rights.

The table below provides a breakdown of the net financial position (and adjusted net financial position) at 30 September 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 communication no. 5/21 of 29 April 2021, in which it acknowledges the ESMA Guidelines and states that references to the CESR Recommendations on prospectuses 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	30.09.2021	31.12.2020	Variation
(A) Cash	132,324	63,199	69,125
(B) Cash equivalents	32,000	0	32,000
(C) Other current financial assets	89,623	65,362	24,261
(D) Liquidity (A + B + C)	**253,947**	**128,561**	**125,386**
(E) Current financial debt *	(5,813)	(25,618)	19,805
(F) Current portion of non-current financial debt	(62,565)	(54,922)	(7,643)
(G) Current financial debt (E + F)	**(68,378)**	**(80,540)**	**12,162**
(H) Net current financial position (G + D)	**185,569**	**48,021**	**137,548**
(I) Non-current financial debt	(80,286)	(47,340)	(32,946)
(J) Debt instruments	0	0	0
(K) Trade payables and other non-current financial liabilities	0	0	0
(L) Non-current financial debt (I + J + K)	**(80,286)**	**(47,340)**	**(32,946)**
(M) Net financial position (H + L) **	**105,281**	**681**	**104,602**
(N) Adjustment for other financial liabilities - warrants		19,274	(19,274)
(O) Adjusted net financial position (M + N)	**105,281**	**19,955**	**85,328**

(*) the comparative figure 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 at 31 December 2020 included the additional conversion warrants amounting to €19,274 thousand, 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 carried out in 2020. The financial liability for additional conversion warrants changed during the first nine months of 2021, as a result of their conversion and fair value gains and losses. Since the acceleration condition, as better specified later on, was met during the period, they were subsequently fully extinguished or expired. Accordingly, the financial liability for additional conversion warrant is nil at the reporting date.

The additional conversion warrants were settled through the issue of ordinary shares of Salcef Group S.p.A. upon conversion, derecognising the financial liability as an increase in equity, without generating an outflow of cash for the group.

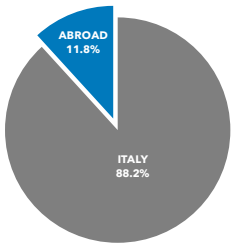
The net fair value losses on warrants recognised in the income statement as a financial expense came to €9,737 thousand in the first nine months of 2021. As stated earlier, they were not included in the calculation of the adjusted pre-tax profit or the adjusted profit for the period.

The net financial position at 30 September 2021, determined considering solely bank loans and borrowings and loans and borrowings from other financial backers, net of cash and cash equivalents and securities, is €118,995 thousand (31 December 2020: €34,453 thousand). It includes a financial asset of €32,000 thousand related to the subscription of the capital increase which was collected on 5 October 2021.

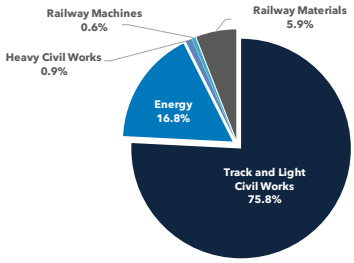
At the reporting date, the Salcef Group's order backlog includes track and light civil works (75.80%), energy sector works (16.79%), sleepers and prefabricated products production (5.93%), heavy civil works (0.93%) and machinery construction and maintenance contracts (0.55%), which ensure continuity using the existing operating units active in the relevant geographical areas.
The Salcef Group's order backlog at 30 September 2021 is detailed by business unit and geographical segment below:

SALCEF GROUP - BACKLOG

Business Unit	*Amount (€'000)*	*%*
Italy	991,795.9	88.23
Abroad	132,304.2	11.77
Total	1,124,100.1	100.00

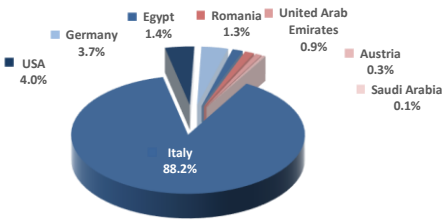


Business Unit		*Amount (€'000)*	*%*
Track and Light Civil Works		852,090.3	75.80
	of which Abroad	*117,917.5*	
Energy		188,731.4	16.79
	of which Abroad	*3,815.4*	
Heavy Civil Works		10,428.0	0.93
	of which Abroad	*9,839.7*	
Railway Machines		6,227.9	0.55
	of which Abroad	*731.6*	
Railway Materials		66,622.6	5.93
Total		1,124,100.1	100.00



SALCEF GROUP - BACKLOG by country

Country	*Amount (€'000)*	*%*
Italy	991,795.9	88.23
USA	45,460.5	4.04
Germany	41,524.9	3.69
Egypt	16,162.2	1.44
Romania	14,863.6	1.32
United Arab Emirates	9,839.1	0.88
Austria	3,441.0	0.31
Saudi Arabia	1,012.9	0.09
Total	1,124,100.1	100.00



Human resources

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

Workforce by category

	Italy	Abroad	TOTAL
Managers	27	10	37
White collars	205	97	302
Blue collars	675	242	917
31 December 2020	**907**	**349**	**1,256**
Managers	30	11	41
White collars	235	95	330
Blue collars	767	239	1,006
30 September 2021	**1,032**	**345**	**1,377**

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 additional financial information, no Salcef Group activity was suspended or slowed as a result of issues due to the continuing pandemic and/or the introduction of a mandatory green pass for access to workplaces, 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 a pandemic upsurge. 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 and dividend distribution

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 show 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, which 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 as the conditions under 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 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 chairperson of the parent's board of directors - along with other beneficiaries holding managerial positions deemed key within the group. Under the plan, a maximum total of 40,000 shares are allocated and then delivered to those beneficiaries who meet set performance conditions at the end of the vesting period, as detailed in the information document drafted as per article 114-bis of the Consolidated Finance Act and article 84-bis of the Issuer Regulation. This document is available at the parent's registered office and on its website www.salcef.com (Investor Relations/Shareholders' Meeting section).
As resolved by the shareholders, the board of directors approved the launch of 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 chairperson of the parent's board of directors), employees, including key management personnel, of the parent and group companies, as well as other beneficiaries holding managerial positions deemed key within the group. The beneficiaries were assigned a total of 25,463 grants 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.

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 parent's share capital increased during the first nine months of 2021 from €62,106,164.50 at 31 December 2020 to €141,544,532.20, as a result of the capital increase approved on 30 September 2021 and the conversion of warrants detailed below.

Share capital increase
In accordance with the powers given to it by the shareholders pursuant to article 2443 of the Italian Civil Code during their extraordinary meeting of 5 October 2020, on 30 September 2021, the parent's board of directors resolved to increase the share capital against payment, in one or more tranches, by a maximum amount of €50,000,000.00 and by issuing a maximum of 2,000,000 new ordinary shares, without a nominal amount and excluding the right of first refusal pursuant to article 2441.4, second sentence of the Italian Civil Code. The increase was carried out through an accelerated bookbuild offering reserved for qualified

investors (as defined by regulation (EU) 2017/1129) in the European Economic Area and institutional investors abroad (with the exclusion of the United States of America, Canada, Japan, South Africa and any other country or jurisdiction in which the offer of shares is prohibited by law or in the absence of exemptions). No public offering and listing prospectus was published pursuant to the exemptions provided for by applicable legislation. The newly issued shares were priced upon completion of the accelerated book build offering, on the basis of the criteria established by the board of directors. The independent auditors, KPMG S.p.A., expressed their opinion on the pricing criteria pursuant to article 2441.4, second sentence of the Italian Civil Code.

Through the accelerate book build offering, the parent placed 2,000,000 new ordinary shares without a nominal amount at a unit price of €16.00 for a total of €32,000,000, including the share premium. It recognised the capital increase based on the existing accounting par value by allocating €2.40 per share to the share capital (for a total increase of €4,800,000) and the remainder to the share premium (for a total increase of €27,200,000). As provided for by IAS 32.37, it recognised the transaction costs as a decrease in equity.

The purpose of the transaction is to quickly and efficiently raise risk capital to be used to continue the group's development and expansion plan, including through acquisitions, in accordance with its strategic guidelines. In addition, the transaction aims to widen the shareholding base, thereby boosting Salcef share's float and marketability.

The transaction, together with the additional actions put in place, was also designed to meet the requirements for listing the Salcef share on the STAR segment of the Euronext Milan market. Admission was obtained on 13 October 2021 and trading began on 21 October 2021. Thanks to this, the parent will have the opportunity to become more visible to Italian and foreign investors, given the specific characteristics of this stock exchange segment and the stringent liquidity, transparency and corporate governance requirements for accessing it.

Conversion of the "new" and "additional conversion" warrants

The acceleration conditions of the “Salcef Group S.p.A. additional conversion warrants” and the “Salcef Group S.p.A. new warrants” were met with the closing of the stock market on Friday 30 April 2021 and Monday 3 May 2021, respectively.

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 would 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 would expire.
The conversions of the new warrants and the additional conversion warrants carried out in the first nine months of 2021 led to a capital increase of €74,638,367.70.
At the date of preparation of this additional financial information, there are no longer holders of 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 conditions established in article 7.4.c.ii and article 7.5.e.i of the by-laws were met on 17 May 2021, 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. These conversions do not entail an increase in the parent's share capital.

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 permanent way systems, 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) Issuer 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.

At the date of preparation of this additional financial information, the parent holds 498,243 treasury shares, equal to 0.8778% of its share capital.

Key risks and uncertainties

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

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 parent'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).

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2021

STATEMENT OF FINANCIAL POSITION

ASSETS	30.09.2021	31.12.2020
Non-current assets		
Intangible assets with finite useful lives	6,366,760	5,659,564
Goodwill	42,917,682	33,319,752
Property, plant and equipment	117,001,460	97,581,826
Right-of-use assets	15,557,377	17,911,806
- of which, with related parties	*1,407,686*	*1,596,427*
Equity-accounted investments	1,875,260	2,009,985
Other non-current assets	14,103,987	12,854,811
Deferred tax assets	19,892,981	21,502,154
Total non-current assets	**217,715,507**	**190,839,898**
Current assets		
Inventories	18,869,946	14,167,625
Contract assets	150,945,819	94,006,763
Trade receivables	73,025,038	80,070,149
- of which, from related parties	*459,203*	*517,078*
Tax assets	3,219,377	4,366,106
Financial assets	121,652,999	65,362,201
- of which, with related parties	*353,465*	*353,465*
Cash and cash equivalents	132,323,522	63,198,962
Other assets	27,292,863	30,948,993
Total current assets	**527,329,564**	**352,120,799**
TOTAL ASSETS	**745,045,071**	**542,960,697**

LIABILITIES	30.09.2021	31.12.2020
Equity attributable to the owners of the parent		
Share capital	141,544,532	62,106,165
Other reserves	240,296,044	164,734,003
Profit for the year/period	26,624,493	41,149,309
Total equity attributable to the owners of the parent	**408,465,069**	**267,989,477**
Share capital and reserves attributable to non-controlling interests	1,895,126	1,753,716
Profit for the year/period attributable to non-controlling interests	250,185	125,915
TOTAL EQUITY	**410,610,380**	**269,869,108**
Non-current liabilities		
Financial liabilities	72,775,013	38,702,298
Lease liabilities	7,510,897	8,637,552
- of which, with related parties	*1,236,669*	*1,326,204*
Employee benefits	1,090,752	871,149
Provisions for risks and charges	4,127,337	3,855,356
Deferred tax liabilities	2,613,636	1,304,394
Other non-current liabilities	4,104,208	2,928,160
Total non-current liabilities	**92,221,843**	**56,298,909**
Current liabilities		
Bank loans and borrowings	1,146,830	0
Financial liabilities	62,564,661	74,705,065
Current portion of lease liabilities	4,668,109	5,834,881
- of which, with related parties	*243,627*	*30,296*
Current employee benefits	729,130	0
Contract liabilities	8,257,232	6,418,761
Trade payables	116,418,674	96,430,836
- of which, to related parties	*1,926,245*	*2,130,593*
Tax liabilities	10,056,277	2,469,306
Other liabilities	38,371,935	30,933,831
Total current liabilities	**242,212,848**	**216,792,680**
TOTAL LIABILITIES	**334,434,691**	**273,091,589**
TOTAL EQUITY AND LIABILITIES	**745,045,071**	**542,960,697**

INCOME STATEMENT

	First nine months of	
	2021	2020
Revenues from contracts with customers	314,947,712	234,359,421
- of which, with related parties	*1,407,686*	*1,236,669*
Other income	4,726,811	925,369
Total revenues	**319,674,523**	**235,284,790**
Raw materials, supplies and goods	(68,442,722)	(40,476,258)
Services	(119,789,089)	(96,230,290)
- of which, with related parties	*(1,585,571)*	*(398,537)*
Personnel expense	(68,996,326)	(49,273,832)
Depreciation and amortisation	(19,712,653)	(15,784,948)
Impairment losses	(43,031)	(141,427)
Other operating costs	(7,410,635)	(5,809,440)
Internal work capitalised	16,434,853	13,571,933
Total costs	**(267,959,603)**	**(194,144,262)**
Operating profit	**51,714,920**	**41,140,528**
Financial income	2,459,908	741,699
Financial expenses	(10,606,546)	(20,246,440)
- of which, with related parties	*(55,252)*	*(6,470)*
Pre-tax profit	**43,568,282**	**21,635,787**
Income taxes	(16,693,604)	(11,805,501)
Profit for the period	**26,874,678**	**9,830,286**
Profit for the period attributable to:		
Non-controlling interests	250,185	(23,037)
Owners of the parent	26,624,493	9,853,323

STATEMENT OF COMPREHENSIVE INCOME

	First nine months of	
	2021	2020
Profit for the period	**26,874,678**	**9,830,286**
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss		
Net actuarial gains/(losses)	55,014	(28,202)
Related tax	(15,580)	7,987
Total	**39,434**	**(20,215)**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss		
Net hedging losses	(1,492,554)	(185,001)
Related tax	358,213	44,400
Net translation gains/(losses)	2,484,166	(1,080,038)
Total	**1,349,825**	**(1,220,639)**
Other comprehensive income, net of tax	**1,389,259**	**(1,240,854)**
Comprehensive income	**28,263,937**	**8,589,432**
attributable to:		
Non-controlling interests	250,185	(23,037)
Owners of the parent	28,013,752	8,612,469

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit for the year/period	Equity att. to non-controlling interests	EQUITY
Balance at 1 January 2021	**62,106,165**	**102,483,069**	**(3,612,456)**	**(237,030)**	**(302,034)**	**(4,963,889)**	**(4,675,218)**	**76,041,561**	**41,149,309**	**1,879,631**	**269,869,108**
Profit for the period									26,624,493	250,185	26,874,678
Other comprehensive income				39,434	(1,134,341)	2,484,166					1,389,259
Comprehensive income	**-**	**-**	**-**	**39,434**	**(1,134,341)**	**2,484,166**	**-**	**-**	**26,624,493**	**250,185**	**28,263,937**
Allocation of prior year profit		1,227,256						39,922,053	(41,149,309)		-
Exercise of warrants	74,638,367	24,334,793					4,675,218				103,648,378
Repurchase of treasury shares			(4,752,702)								(4,752,702)
Use of treasury shares		217,997	1,882,028								2,100,025
Dividend distribution								(21,314,116)			(21,314,116)
Share capital increase	4,800,000	26,548,899									31,348,899
Other variations/reclassifications		(5,990)						1,437,347		15,495	1,446,852
Total owner transactions	**79,438,367**	**52,322,955**	**(2,870,674)**	**-**	**-**	**-**	**4,675,218**	**20,045,284**	**(41,149,309)**	**15,495**	**112,477,335**
Balance at 30 September 2021	**141,544,532**	**154,806,024**	**(6,483,130)**	**(197,596)**	**(1,436,375)**	**(2,479,723)**	**-**	**96,086,845**	**26,624,493**	**2,145,311**	**410,610,380**
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**
Profit for the period									9,853,323	(23,037)	9,830,286
Other comprehensive income				(20,215)	(140,601)	(1,080,038)					(1,240,854)
Comprehensive income	**-**	**-**	**-**	**(20,215)**	**(140,601)**	**(1,080,038)**	**-**	**-**	**9,853,323**	**(23,037)**	**8,589,432**
Allocation of 2019 profit		1,246,036						26,414,199	(27,660,235)		-
Exercise of warrants	2,047,426	5,434,796					2,637,959				10,120,181
Repurchase of treasury shares			(3,449,676)								(3,449,676)
Dividend distribution								(16,904,404)			(16,904,404)
Other variations/reclassifications		(109,229)						8,888		2,397,764	2,297,423
Variation in translation reserve											-
Total owner transactions	**2,047,426**	**6,571,603**	**(3,449,676)**	**-**	**-**	**-**	**2,637,959**	**9,518,683**	**(27,660,235)**	**2,397,764**	**(7,936,476)**
Balance at 30 September 2020	**62,047,426**	**101,423,887**	**(3,449,676)**	**(248,788)**	**(152,400)**	**(4,787,679)**	**(4,972,146)**	**76,041,561**	**9,853,323**	**2,376,471**	**238,131,979**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2021

General information

This additional financial information at 30 September 2021 has been prepared in accordance with article 154-ter.5 of the Consolidated Finance Act introduced by Legislative decree no. 195/2007 implementing Directive 2004/109/EC. The parent's board of directors approved this information and authorised its publication during its meeting of 15 November 2021.

Reporting standards

This additional financial information at 30 September 2021 has been prepared pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC), in force at the reporting date.

The provisions of IAS 34 (Interim financial reporting) were not applied in the preparation of the additional financial information at 30 September 2021. Indeed, the group applies this standard to its half-year financial reports and not to quarterly reports. Moreover, although this additional financial information does not include all disclosures required for a full set of financial statements, it includes notes to explain the events and transactions relevant to understanding the variations in the group's financial position and performance since the last annual financial statements.

The accounting policies applied are described below.

Basis of preparation

The additional financial information at 30 September 2021 comprises an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity 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.

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.

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

Accounting policies

The general principle adopted to prepare this additional financial information is that of historical cost, except for those captions that the IFRS require be measured at fair value. The most significant accounting policies applied are described below.
The group has prepared this additional financial information on a going concern basis and to give a true and fair view of the group's financial position and financial performance. Management has made use of estimates as described later.

Consolidation scope and basis of consolidation

The additional financial information at 30 September 2021 has been prepared by consolidating the parent's separate interim financial statements at the same date and the interim financial statements of the Italian and foreign companies that it directly or indirectly controls.
The group exercises control when it is exposed, or has rights, to variable returns from involvement with the investee or it has the power to directly or indirectly direct an investee's operating, management and administrative decisions and obtain benefits therefrom. Control is generally presumed to exist when the group directly or indirectly holds more than half of an investee's voting rights.

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

Consolidation scope at 30 September 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 compar	Corteno Golgi (BS) - 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-accounting
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	Euro	10,000	47.68%		Equity-accounting
Consorzio I.C.A.V.	Rome - Italy	Euro	50,000	50%		Equity-accounting
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity-accounting
Herzog / Delta A Joint Venture Toronto	Toronto - Canada	CAD	-	49%		Equity-accounting
Herzog/Delta A Joint Venture California	St Joseph (MO) USA	USD	-	49%		Equity-accounting
Railworks/ Delta A Joint Venture	New York (NY) - USA	USD	-	45%		Equity-accounting

(*) formerly Verwaltung und Beteiligung Nord GmbH

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

CURRENCY	Code	Spot closing rate at 30.09.2021	Average rate for the period
Polish zloty	PLN	4.62	4.55
Egyptian lira	EGP	18.19	18.77
Romanian leu	RON	4.95	4.91
Croatian kuna	HRK	7.49	7.53
UAE dirham	AED	4.25	4.39
US dollar	USD	1.16	1.20
Saudi riyal	SAR	4.34	4.49
Norwegian krone	NOK	10.17	10.23
Swiss franc	CHF	1.08	1.09

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

Employee benefits

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

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

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

Provisions for risks and charges

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

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

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

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

Financial income and expense

The group's financial income and expense include:

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

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

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

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

Income taxes

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

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (corporate income tax). The tax consolidation agreement governs the income/expense and financial transactions and the mutual responsibilities and obligations between the parent and the consolidated companies. It has a three-year term 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 scheme 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 (liability method). Deferred taxes are calculated using the tax rates expected to be enacted in the years in which the temporary differences will be recovered or settled.
Current and deferred taxes are recognised in profit or loss, except for those related to items recognised directly in equity which are also accounted for directly in equity. Deferred tax assets and liabilities are not discounted.

Fair value measurement

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

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

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

Share-based payments

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

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

Changes in accounting policies, errors and changes in accounting estimates

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

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

Application of a new or amended IFRS is recognised as required by the standard. If the standard does not include specific transitional provisions, the change is recognised retrospectively or, if impracticable, prospectively. The group treats material errors in the same manner as changes in accounting policies described above. Immaterial errors are corrected in profit or loss in the year in which the error is identified.

The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in the period of the change if the change affects that period only, or the period of the change and future periods, if the change affects both.

Use of estimates

Preparation of this additional financial information in accordance with the IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, costs and revenue. Estimates are based on the most recent information available to management when preparing this additional financial information.

The accounting policies and the financial statements captions that required a higher degree of judgement in making estimates are as follows:

- Goodwill: goodwill is tested for impairment annually (or more frequently if there are impairment indicators) in order to determine whether an impairment loss is to be recognised in profit or loss. Specifically, impairment testing involves determining the recoverable amount of the CGUs to which goodwill is allocated by estimating their value in use or fair value less costs to sell. Calculating the recoverable amount of the CGUs involves the use of estimates that depend on factors that may change over time, with potentially significant effects on the valuations made by management.
- Contract assets and contract liabilities: in measuring contract assets and liabilities, the group determines whether revenue is to be recognised over time or at a point in time and estimates the percentage of completion based on the actual progress of the work performed. Furthermore, any additional consideration for variations, price revisions, incentives and claims above those contractually agreed are estimated, as well as the plans of contracts from which provisions for onerous contracts may arise.
- Purchase price allocation: as part of business combinations, in exchange for the consideration transferred to obtain control of a company, the identifiable assets acquired and liabilities assumed are recognised in the interim consolidated financial statements at the acquisition-date fair value, based on a purchase price allocation process. During the measurement period, management calculates these fair values based on estimates according to the information available on all facts and circumstances that existed as of the acquisition date that would have affected the measurement of

the amounts recognised as of that date.

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

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

New standards and interpretations

At the date of approval of this additional financial information, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the 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 additional financial information. 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.

Significant non-recurring events and transactions

The group's additional financial information was not affected by significant non-recurring events and transactions in the first nine months of 2021. Moreover, the group did not carry out any atypical or unusual transactions during the period.

Events after the reporting period

No events have taken place from the reporting date to the date of preparation of this additional financial information that would have had a significant impact on the group's financial position at 30 September 2021 or its financial performance for the nine months then ended.

For more details on events after the reporting period, reference should be made to the section of the directors' report on significant events of the period.

(signed on the Italian original)

CEO

Valeriano Salciccia

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

Pursuant to article 154-bis.2 of the Consolidated Finance Act, the manager in charge of financial reporting states that the disclosure included in this additional financial information at 30 September 2021 is consistent with the supporting documentation, ledgers and accounting records.

Roma, 15 November 2021

(signed on the Italian original)
Manager in charge of financial reporting
Fabio De Masi

SALCEF GROUP