SALCEF GROUP

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

INTERIM CONSOLIDATED FINANCIAL REPORT

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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01 INTRODUCTION

Salcef Group

Parent details

Salcef Group S.p.A.

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

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

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

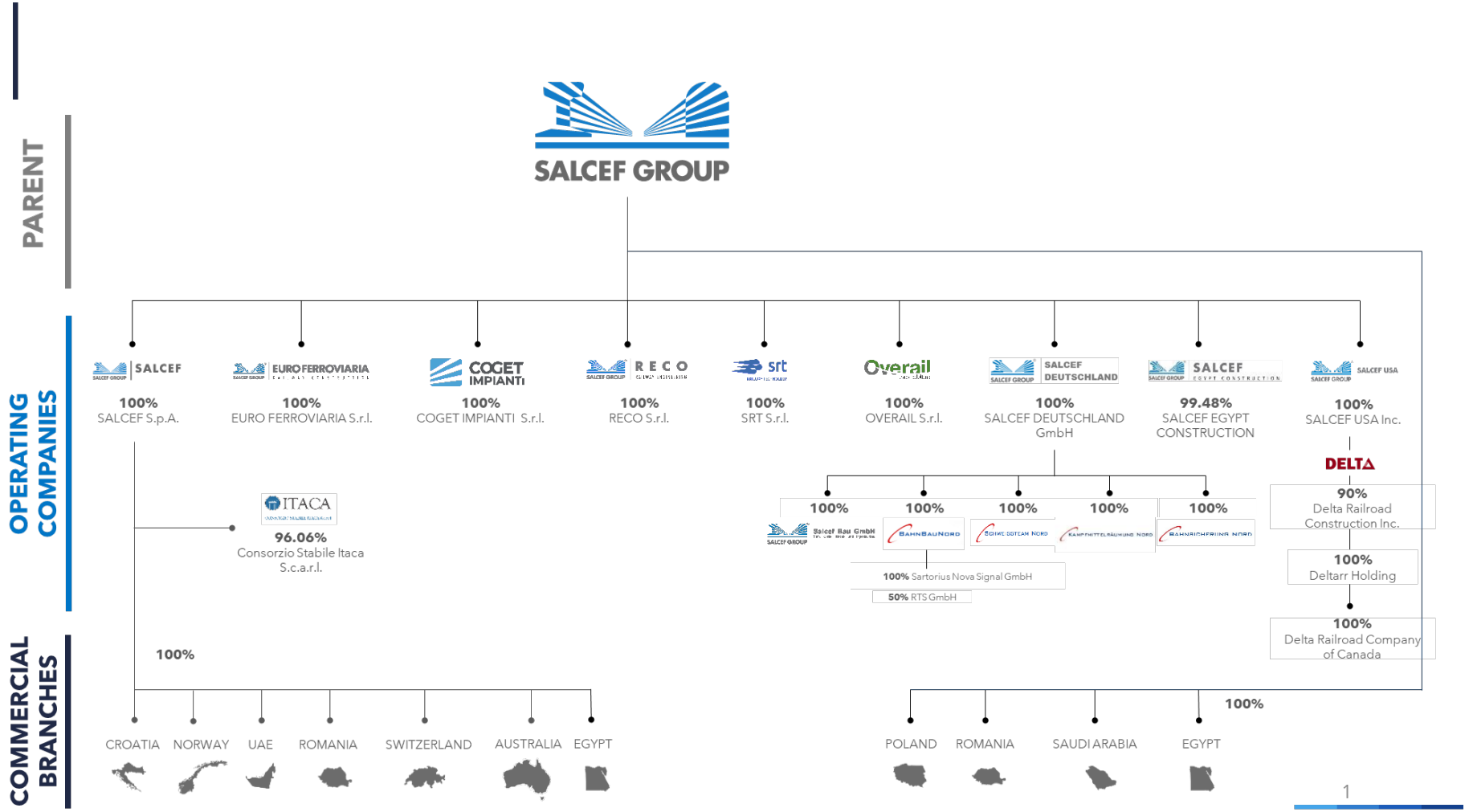
Tax code 08061650589 | VAT no. 01951301009

www.salcef.com

Company officers

Board of directors *appointed by the shareholders on 29 April 2022 and in office until the shareholders' meeting to approve the financial statements as at and for the year ending 31 December 2024.*	Chairperson CEO Director Director (independent) Director (independent) Director (independent) Director (independent)	Gilberto Salciccia Valeriano Salciccia Angelo Di Paolo Veronica Vecchi Bruno Pavesi Valeria Conti Emilia Piselli
Remuneration and appointment committee *In office until the shareholders' meeting to approve the financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Emilia Piselli Veronica Vecchi Bruno Pavesi
Audit and risk committee *In office until the shareholders' meeting to approve the financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Valeria Conti Veronica Vecchi Bruno Pavesi
Related parties committee *In office until the shareholders' meeting to approve the financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Bruno Pavesi Emilia Piselli Valeria Conti
Board of statutory auditors *appointed by the shareholders on 29 April 2022 and in office until the shareholders' meeting to approve the financial statements as at and for the year ending 31 December 2024.*	Chairperson Standing auditor Standing auditor Alternate auditor Alternate auditor	Pier Luigi Pace Giovanni Bacicalupi Maria Assunta Coluccia Carla Maria Melpignano Maria Federica Izzo
Manager in charge of financial reporting	Fabio De Masi	
Independent auditors *appointed for the 2020/2028 nine-year period by the shareholders at their ordinary meeting of 5 October 2019.*	KPMG S.p.A.	

Group structure



02 DIRECTORS' REPORT

General information

Salcef Group S.p.A. (the "parent") is a company whose shares are traded on Euronext STAR Milan, the regulated market organised and managed by Borsa Italiana S.p.A..

Salcef Group S.p.A. is the parent of the Salcef Group, a group of companies specialised in the design, construction and maintenance of systems for railway infrastructure and tram and metro networks in Italy and abroad. The group provides specialist and integrated services deploying its cutting-edge expertise in structural, civil and technological components. Its core business is the maintenance of railway systems, electrical traction, signalling systems and high, medium and low voltage electricity supply networks. With over 70 years of experience, the group is a leading player in the domestic market.

The group is also active in: (i) the production and supply of machinery for the construction and maintenance of railway infrastructure; (ii) the production and supply of railway materials and (iii) construction of multidisciplinary railway works (i.e., contracts covering several areas of specialisation, such as the railway tracks, buildings, platforms, underpasses and other railway infrastructure) and engineering services and rolling stock leases.

These condensed interim consolidated financial statements at 30 June 2022 include the interim financial statements of the parent and its subsidiaries (together, the "Salcef Group" or the "group"). The parent's board of directors approved this report and authorised its publication during its meeting of 4 August 2022.

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

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

Financial figures and key performance indicators

This interim financial report provides information about the Salcef Group's financial position as at 30 June 2022 and the performance for the six months then ended, as well as significant events of the period.

Reclassified income statement

(€'000)

	1H 2022	1H 2021	Variation
Revenue	230,470	213,404	17,066
Production costs	(189,861)	(167,329)	(22,532)
Other operating costs	(5,375)	(4,330)	(1,045)
Internal work capitalised	11,023	6,294	4,729
EBITDA (Gross operating profit)	**46,257**	**48,039**	**(1,782)**
Amortisation, depreciation and impairment losses	(16,739)	(13,572)	(3,167)
EBIT (Operating profit)	**29,518**	**34,467**	**(4,949)**
Adjusted net financial income*	1,571	1,780	(209)
Adjusted pre-tax profit	**31,089**	**36,247**	**(5,158)**
Adjusted income taxes**	(8,660)	(9,805)	1,145
Adjusted profit for the period	**22,429**	**26,442**	**(4,013)**
** Net fair value gains (losses) on short-term investments and warrants*	(8,160)	(9,596)	1,436
*** Reversal of deferred tax assets on revaluation and non-recurring tax expense*	(518)	(1,580)	1,062
Profit for the period	**13,751**	**15,266**	**(1,515)**

Key performance indicators

(€'000)

	1H 2022	1H 2021
EBITDA margin	20.07%	22.51%
EBIT margin	12.81%	16.15%

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

Key financial indicators

(€'000)

	30.06.2022	31.12.2021
NFP	69,088*	114,547
Adjusted equity	398,232	408,798

** Adjusted NFP at the reporting date excluding the effects of net fair value gains (losses) on the group's short-term investments*

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

In accordance with the ESMA Guidelines (ESMA/2015/1415) as endorsed by Consob (the Italian Commission for listed companies and the stock exchange) communication no. 0092543 of 3 December 2015, the criteria used to construct these measures are presented below:

- EBITDA is calculated by adjusting the profit or loss for the year to exclude taxation, net financial expense and amortisation, depreciation and impairment losses;
- EBIT is calculated by adjusting the profit or loss for the year 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 short-term investments and, in the comparative period only, 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 short-term investments and, in the comparative period only, 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, and non-recurring tax expense;
- the EBITDA margin is calculated as the ratio of EBITDA (as identified above) to total revenue;
- the EBIT margin is calculated as the ratio of EBIT (as identified above) to total revenue;
- the net financial position is calculated by deducting cash and cash equivalents and current financial assets from current and non-current financial liabilities. The net financial position is adjusted to exclude the effect of any events unrelated to the core business and/or related to non-recurring transactions with an impact on the net financial position;
- adjusted equity is calculated by deducting from equity the effects of the initial recognition in 2020 of deferred tax assets recognised on tax revaluations, as detailed further on, and the effects of the reversal of such deferred tax assets in 2021 and 2022.

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

In the first six months of the year, the group recognised revenue of €230,470 thousand, up €17,066 thousand (+8%) on the €213,404 thousand of the same period of 2021. This improvement is mainly due to the group's organic growth and the changes in the consolidation scope following the acquisition of the business unit from the PSC Group, effective 1 May 2022, and the acquisition of the Bahnbau Nord Group in May 2021 (which, therefore, only contributed to the income statement for the comparative period in the period after it was acquired).

EBITDA amounts to €46,257 thousand, down €1,782 thousand (-3.7%) on the €48,039 thousand of the first half of 2021. The EBITDA margin is 20.07%, down on the same period of the previous year, mainly due to the higher direct production costs, such as fuel and the raw materials used by the group, as well as the different revenue mix. The impact of the accrual for the management incentive plan bonus in the first half of the year on EBITDA is €767 thousand (€586 thousand in the first half of 2021).

EBIT amounts to €29,518 thousand, down €4,949 thousand on the €34,467 thousand of the first half of 2021 as a result of greater depreciation due to the roll-out of new plant and machinery in which the group had invested in 2021 and in the first six months of 2022.

The adjusted profit for the period is €22.4 million, compared to €26.4 million for the same period of 2021.

The profit for the first half of 2022 was impacted by the tax expense (€1,580 thousand) deriving from the release of the deferred tax assets recognised at 31 December 2020 (€17,550 thousand) to offset the lower taxes recognised by the subsidiaries that revalued assets in their respective financial statements at 31 December 2020.

Specifically, the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. - which prepare their 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 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 condensed interim consolidated financial statements.

The group's adjusted net financial position (i.e., with liquidity exceeding debt) amounts to €69 million at the reporting date, compared to €114.5 million at 31 December 2021. This decrease is mainly due to the dividend payment of roughly €28.5 million and the payment of around €24.6 million to the PSC Group for

the acquisition of a business unit operating in the railway sector, net of the cash that the group generated in the period.

The table below provides a breakdown of the net financial position (and adjusted net financial position) at 30 June 2022 and 31 December 2021, in accordance with the presentation method for net financial position established in the ESMA Guidelines dated 4 March 2021.

(€'000)

NET FINANCIAL POSITION	30.06.2022	31.12.2021	Variation
(A) Cash	129,164	166,176	(37,012)
(B) Cash equivalents	0	0	0
(C) Other current financial assets *	120,421	101,588	18,833
(D) Cash and cash equivalents (A + B + C)	**249,585**	**267,764**	**(18,179)**
(E) Current financial debt	(4,916)	(5,976)	1,060
(F) Current portion of non-current financial debt	(70,954)	(61,697)	(9,257)
(G) Current financial debt (E + F)	**(75,870)**	**(67,673)**	**(8,197)**
(H) Net current financial position (G + D)	**173,715**	**200,091**	**(26,376)**
(I) Non-current financial debt	(110,927)	(85,544)	(25,383)
(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)	**(110,927)**	**(85,544)**	**(25,383)**
(M) Net financial position (H + L) **	**62,788**	**114,547**	**(51,759)**
(N) Adjustment for events unrelated to the core business and/or related to non-recurring transactions *	6,300	0	6,300
(O) Adjusted net financial position (M + N)	**69,088**	**114,547**	**(45,459)**

(*) the balance at 30 June 2022 reflects the impact of fair value losses on the group's short-term investments due to the downturn in international financial markets. The adjustment does not consider the reversal of the positive changes in fair value up to 31 December 2021 (equal to €1,860 thousand).

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

The net financial position shown above includes a five-year loan that Crédit Agricole granted in February 2022 (the "S-Loan"), totalling €20,000 thousand. The loan provides for certain financial covenants based on the identification and monitoring of certain ESG performance indicators. Improvements in these indicators may trigger decreases in the interest rate.

The net financial position at 30 June 2022, determined considering bank loans and borrowings and loans and borrowings from other financial backers, net of cash and cash equivalents and securities, is €81,744 thousand (31 December 2021: €125,370 thousand).

Total adjusted equity at 30 June 2022 of €398,232 thousand is down €10,566 thousand on 31 December 2021 due to the distribution of the dividend in the period, as resolved by the shareholders on 29 April 2022, partly offset by the profit for the period, other comprehensive income (relating to the net actuarial gains, the fair value gains on hedging derivatives and net exchange gains) and the recognition of the stock grant plan.

Total equity at 30 June 2022 includes the reserve for treasury shares of €6,483 thousand, corresponding to the 498,243 treasury shares held by the parent (0.7985% of all share capital). This number of shares had not changed at the date of this report.

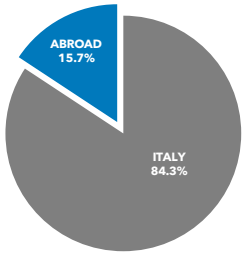
At the reporting date, the Salcef Group's order backlog totals over €1.3 billion and includes work on permanent way systems (62.3%), energy sector works (23.0%), sleepers and prefabricated products production (3.2%), infrastructure works (11.1%) and machinery construction and maintenance contracts (0.4%), which ensure continuity using the existing operating units active in the relevant geographical areas.

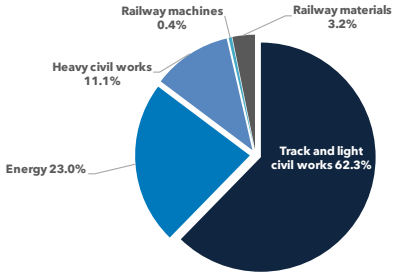
The Salcef Group's order backlog at 30 June 2022 is detailed by business unit and geographical segment below:

SALCEF GROUP - ORDER BACKLOG AT 30 JUNE 2022

Geographical segment	Amount (€'000)	%
Italy	1,134,951.0	84.3
Abroad	211,694.8	15.7
Total [1]	1,346,645.9	100.0

Business unit	Amount (€'000)	%
Track and light civil works	838,916.7	62.3
of which, Abroad	*201,253.3*	
Energy	309,152.6	23.0
of which, Abroad	*3,850.5*	
Heavy civil works	149,996.5	11.1
of which, Abroad	*4,674.2*	
Railway machines	5,896.6	0.4
of which, Abroad	*1,916.8*	
Railway materials	42,683.4	3.2
Total [1]	1,346,645.9	100.0

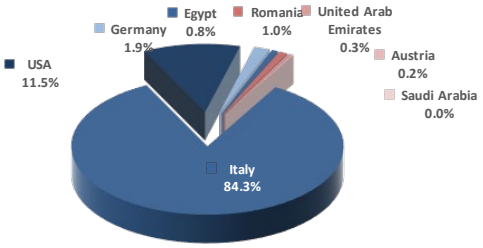




[1] Excluding intragroup contracts

SALCEF GROUP - ORDER BACKLOG AT 30 JUNE BY COUNTRY

Country	Amount (€'000)	%
Italy	1,134,951.0	84.28
USA	155,419.7	11.54
Germany	25,101.2	1.86
Egypt	10,139.0	0.75
Romania	13,491.3	1.00
United Arab Emirates	4,333.6	0.32
Austria	3,057.1	0.23
Saudi Arabia	153.0	0.01
Total [1]	1,346,645.9	100.00



[1] Excluding intragroup contracts

Human resources

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

Workforce by category

	Italy	Abroad	TOTAL
Managers	30	12	42
White collars	232	83	315
Blue collars	789	321	1,110
30 June 2021	**1,051**	**416**	**1,467**
Managers	34	12	46
White collars	286	148	434
Blue collars	839	237	1,076
30 June 2022	**1,159**	**397**	**1,556**

Key events of the period

Conflict between Russia and Ukraine

The group has verified that the recent geopolitical events linked to the Russian/Ukrainian conflict and the restrictions imposed on Russia by the European Union should not impact its financial position or future performance.

The group does not have sales or purchases contracts or other trading relationships with entities resident in Russia, Belarus or Ukraine, nor does it hold assets, liquidity, equity or debt instruments in these countries. Moreover, it does not have receivables due from Russian, Belarusian or Ukrainian entities and is not exposed to currency risk deriving from exposures in Russian rubles or Ukrainian hryvnia as it does not have any positions in these currencies. As a result, it does not expect the conflict to have a significant impact on its commercial activities or supply chain.

Since the prices of raw materials and other operating costs are expected to rise as an indirect consequence of the conflict, given the information currently available and optimistically assuming that inflation will stabilise, future profitability should remain in line with the first half of 2022. This moderately optimistic view compared to previous assessments reflects, on one hand, the increases in the cost chain and, on the other, the positive effect of legislative measures to offer Italian companies relief.

The parent's share price and the group's investments at the reporting date (although they are not located in the countries affected by the conflict) are exposed to the volatility and uncertainty seen on international financial markets in recent months, with a general downturn in major market indices.

Conversion of performance and special shares

Pursuant to article 7.4.c.iii and article 7.5.e.ii of the parent's by-laws and considering the number of new warrants exercised in 2021, on 15 January 2022, all the remaining performance and special shares were converted into ordinary shares. Specifically: (i) 641,044 performance shares were converted using the ratio of five ordinary shares to every one performance share for a total of 3,205,220 ordinary shares and (ii) 153,851 special shares were converted using the ratio of seven ordinary shares to every one special share for a total of 1,076,957 ordinary shares. These conversions did not increase the parent's share capital, which comprised 62,399,906 ordinary shares, without a par value, at the reporting date.

Demerger of Coget Impianti S.p.A. to Salcef S.p.A.

On 27 January 2022, the shareholders of Coget Impianti S.p.A. (now Coget Impianti S.r.l.) and Salcef S.p.A. approved the demerger proposal for the partial proportionate demerger of the former company (the "demerged company") to the latter company (the "beneficiary"), both of which were wholly owned by Salcef Group S.p.A.. As a result, the beneficiary received the business unit that designs, constructs and maintains electrical contact lines for electrical traction (the "ET business unit").

The objective behind the demerger is to streamline the group's operations and make them more efficient. The ET business unit's specific organisation and competitive edge sets it apart from those of the rest of the operations carried out by the demerged company. Therefore, the demerger will facilitate the centralisation of the design, construction and maintenance of electrical contact lines for electrical traction in one company (the beneficiary, which already works in this area) in order to optimise the deployment of resources and costs for both companies.

The demerger was completed on 30 March 2022, after the legal term following the filing of the shareholders' resolutions with the competent company registrars had passed, with the signing of the demerger deed in which it was established that the demerger would take effect for statutory, accounting and tax purposes on 1 April 2022. The accounting effects of the demerger were recognised using the carrying amounts shown in the parent's financial statements as this is a transaction under common control. The equity transferred from the demerged company to the beneficiary amounts to €5,197 thousand.

When the shareholders of Coget Impianti S.p.A. approved the demerger, they also approved the company's transformation into a company limited by quotas (S.r.l.) in accordance with article 2500 of the Italian Civil Code and the transfer of its registered office from Corteno Golgi (Brescia) to Rome.

Acquisition of the railway business unit from the PSC Group

The group company Euro Ferroviaria S.r.l. acquired the railway business unit from PSC S.p.A. Group with the signing and closing of the transaction on 8 March 2022. The acquisition became effective on 1 May 2022.

This transaction is part of the group's mission to strengthen its leadership position in the railway electrical traction sector and to facilitate the development of business segments such as railway signalling, the construction of electricity generating substations and tunnel technological systems. The group expects these segments to grow rapidly and strongly, thanks to the sizeable investments to be made under the Italian National Recovery and Resilience Plan as well as the projects to upgrade the Italian railway network.
The business unit has a workforce of around 100 employees, a good fleet of railway vehicles and an order backlog of more than €100 million. The consideration transferred approximated €26.6 million and is subject to the usual price adjustment mechanisms (upwards or downwards) depending on variations in the business unit's working capital. Payment was made at the closing except for €3.5 million. Of this amount, €1.5 million was paid after the closing and the remainder will be paid when certain conditions defined in the contract are satisfied.
The group self-financed the acquisition in full.

Approval of financial statements and dividend distribution

At their ordinary meeting of 29 April 2022, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2021, which show a profit for the year of €33,300,893, and were presented with the consolidated financial statements as at and for the year ended 31 December 2021, which show a profit for the year attributable to the owners of the parent of €39,070,532.

The shareholders also resolved to distribute a dividend of €0.46 per eligible ordinary share at the record date (i.e., 17 May 2022), with coupon detachment on 16 May 2022 and payment date on 18 May 2022. The shareholders then approved the allocation of the remaining profit for the year, allocating €1,665 thousand to the legal reserve and €3,161 thousand to retained earnings.

During their ordinary meeting, the shareholders:

(i) appointed, by voting for lists, Salcef Group S.p.A.'s new board of directors, deciding that there would be seven members and setting their term of office as three years, therefore expiring with the shareholders' meeting to approve the financial statements at 31 December 2024. The members of the new board of directors are: Gilberto Salciccia (Chairperson), Valeriano Salciccia, Valeria Conti, Emilia Piselli, Bruno Pavesi and Angelo Di Paolo, from list no. 1 presented by the controlling shareholder Finhold S.r.l., and Veronica Vecchi from list no. 2 presented by a group of institutional investors collectively holding 4.95302% of the company's share capital;

(ii) appointed, by voting for lists, Salcef Group S.p.A.'s new board of statutory auditors, setting their term of office for three years, therefore expiring with the shareholders' meeting to approve the financial statements at 31 December 2024. The members of the new board of statutory auditors are: Pier Luigi Pace (Chairperson) from list no. 2 presented by a group of institutional investors collectively holding 4.95302% of the company's share capital and Giovanni Bacicalupi (Standing

auditor) and Maria Assunta Coluccia (Standing auditor) both from list no. 1 presented by the controlling shareholder Finhold S.r.l.. The alternative auditor Carla Maria Melpignano was nominated from the controlling shareholder's list, whereas the alternate auditor Maria Federica Izzo was nominated from the list presented by the group of institutional investors;

(iii) authorised the board of directors to repurchase and use treasury shares, as described in detail further on in the section on the "Treasury share repurchase programme";

(iv) approved the 2022-2025 stock grant plan, which is described in detail further on in the section on the "2022-2025 stock grant plan". These stock grants serve the short-term MBO incentive plan, with one grant cycle in which beneficiaries are granted the right to receive the parent's ordinary shares free of charge based on the achievement of performance objectives;

(v) approved the 2022-2023 performance share plan, which is described in detail further on in the section on the "2022-2023 performance share plan". This plan consists of one grant cycle in which beneficiaries are granted the right to receive the parent's ordinary shares free of charge based on the achievement of performance objectives;

(vi) examined the report on remuneration policy and compensation paid, prepared in accordance with current legal and regulatory requirements, approved the company's remuneration policy for 2022 included in the first section of such report, pursuant to article 123-ter.3-bis/3-ter of Legislative decree no. 58/98 (the "TUF") and resolved in favour of the second section of the report, pursuant to article 123-ter.6 of the TUF;

(vii) resolved, during an extraordinary meeting, to give the board of directors the power to increase the share capital against payment on one or more occasions, even separately (in one or more tranches), with or without warrants and even for the exercise of warrants, for a maximum of five years from the date of the resolution and, therefore, until 28 April 2027, for up to €100 million, including the share premium, in accordance with the right of first refusal under article 2441 of the Italian Civil Code, or even excluding the right of first refusal pursuant to article 2441.4/5 of the Italian Civil Code, provided that the unexercised power given by the shareholders on 5 October 2020 has been revoked;

(viii) resolved, during an extraordinary meeting, to update the by-laws to reflect the new names of the Euronext Milan market and the Corporate Governance Code.

Spread of the Coronavirus (Covid-19)

The Salcef Group continues to maintain all the necessary safeguards to ensure constant monitoring of the effects of the pandemic and to manage health risk, taking all steps to inform employees, suppliers, subcontractors and any other parties involved with the Salcef Group of the necessary and/or useful safeguards to minimise the risks of infection, and to manage any risks or actual infections.

At the reporting date, no Salcef Group operations had been suspended or slowed due to the pandemic. In fact, all sites are fully operational both in Italy and abroad.

Events after the reporting period

There were no significant events after 30 June 2022.

Treasury share repurchase programme

In their ordinary meeting of 29 April 2022, the shareholders of the parent revoked the authorisation given on 29 April 2021 to the board of directors, for the part not exercised, and authorised the board of directors to use and 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. The repurchase may be carried out according to the methods permitted by article 132 of the Consolidated Finance Act and article 144-bis of the Issuers' Regulation.

Authorisation was granted to, inter alia:

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

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 may be made in one or more tranches within 18 months of the date of the meeting at which the shareholders took the relevant resolution. Conversely the authorisation to use the ordinary treasury shares is without any time limits.

The parent holds 498,243 treasury shares at the reporting date, equal to 0.7985% of its share capital. This situation is unchanged at the date of preparation of this report.

2022-2025 stock grant plan

During their ordinary meeting on 29 April 2022, the shareholders approved the 2022-2025 stock grant plan for certain employees, including key management personnel, of the parent and Salcef Group companies and other beneficiaries in management positions that are considered important within the group context (the "stock grant plan"). The stock grant plan provides for the right to receive up to a maximum of 40,000 ordinary shares for free upon the achievement of previously determined performance objectives and after a certain vesting period.

As resolved by the shareholders and following the favourable opinion of the remuneration and appointment committee, the board of directors approved the launch of the stock grant plan, with assignment of the rights on 27 June 2022. The board's resolution identified 39 beneficiaries who were assigned a total of 17,648 rights to receive a maximum of 17,648 shares.

The stock grant plan has one grant cycle and two vesting periods, of which the first (for 50% of the assigned rights) will end with approval of the separate financial statements at 31 December 2023 and the second (for the remaining 50%) will end with approval of the separate financial statements at 31 December 2024. The granting of shares and their delivery are subject to achievement of performance objectives and continued employment with the group. More information is available in the information document drafted as per article 114-bis of the Consolidated Finance Act and article 84-bis of the Issuers' Regulation. This document is available at the parent's registered office and on its website www.salcef.com (Investor Relations/Shareholders' Meeting section).

At the assignment date (27 June 2022, the date of the board of directors' meeting when the beneficiaries were decided), the fair value of each share was €16.74.

2022-2023 performance share plan

During their ordinary meeting on 29 April 2022, the shareholders approved the "2022-2023 performance share plan" for certain key management personnel of the parent and Salcef Group companies (the "performance share plan"). The performance share plan provides for the right to receive up to a maximum of 10,000 ordinary shares for free upon the achievement of previously determined performance objectives and after a certain vesting period.

As resolved by the shareholders and following the favourable opinion of the remuneration and appointment committee, the board of directors approved the launch of the performance share plan, with assignment of the rights on 27 June 2022. The board's resolution identified two beneficiaries who were assigned a total of 5,540 rights to receive a maximum of 5,540 shares.

The performance share plan has one grant cycle and two vesting periods, of which the first (for 60% of the assigned rights) will end with approval of the separate financial statements at 31 December 2023 and the second (for the remaining 40%) will end with approval of the separate financial statements at 31 December 2026. The granting of shares and their delivery are subject to achievement of performance objectives and continued employment with the group. More information is available in the information document drafted as per article 114-bis of the Consolidated Finance Act and article 84-bis of the Issuers' Regulation. This document is available at the parent's registered office and on its website www.salcef.com (Investor Relations/Shareholders' Meeting section).

At the assignment date (27 June 2022, the date of the board of directors' meeting when the beneficiaries were decided), the fair value of each share was €16.74.

Outlook

In the second half of 2022, the group will continue to operate in its sectors of interest (permanent way systems, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of prestressed vibrated reinforced concrete sleepers) in Italy and abroad in those countries where it already has a strong business footprint and its specialised plant and personnel have ensured efficient service for many years.

Production is expected to increase in the second half of 2022 compared to the first half of the year, due to (i) the acquisition of the business unit operating in the railway sector from the PSC Group, which closed on 8 March 2022 but took effect for operational purposes on 1 May 2022; (ii) the start of work for the construction of the civil works and permanent way systems on the HS/HC line between Verona and Vicenza, and (iii) the upswing in production forecast by the US-based related company, Delta Railroad Construction. In the first half of the year, this company expanded its backlog when it was awarded two major contracts: the first worth USD44 million for the track and turnout renewal in the New York area and the second acquired in June 2022 and worth USD140 million by the joint venture involving the subsidiary Delta RRC (50%), for the construction of a 16-mile long double track with 21 stations from Bethesda in Montgomery Country, Maryland to New Carrollton in Prince George County, Maryland, just a few kilometres from Washington D.C..

Profitability should be in line with the first half of 2022 but, unlike in the previous periods, will reflect the higher prices of the group's most important production inputs (mainly personnel expense, raw materials, services, particularly subcontracting, and the cost of energy, especially the fuel needed to power rolling

operating machines) in the wake of the Russia-Ukraine conflict, which has exacerbated the inflationary trend that began in 2021.

The group's order backlog amounts to a record amount in excess of €1.3 billion, guaranteeing work for its workforce for at least the next two years with increasing production levels compared to those of the past year.

In the second half of 2022, Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. will continue to operate in line with the national master agreements covering the renewal and maintenance of Rete Ferroviaria Italiana S.p.A.'s tracks and turnouts for the 2021-2023 three-year period, specifically the lots in central and north-west Italy awarded in 2021, which is part of the group's core railway permanent way systems business.

The subsidiary Salcef S.p.A. won, through a joint venture in which Salcef S.p.A. is principal, Central lot no. 3 of the multi-technology contract following Rete Ferroviaria Italiana's invitation to tender for the design and development of the ERTMS (European Rail Transport Management System) throughout the country. The ERTMS is the most sophisticated system for the supervision and control of train distancing and the related systems. The contract for the "Central" lot entails work on lines stretching for around 530 km and is worth a total of €323 million, with the group's share coming to about 28% for the performance of multi-disciplinary works.

In addition, construction will continue on the civil works connected to the Italian railway network and the contract for the extraordinary maintenance of the Rome Metro's A line for ATAC will kick off.

In addition to the operations for the supply of railway sleepers to renew the railway network, the subsidiary Overail S.r.l. has started production on the new ballastless permanent way system named FAST (FAst Slab-Track) System which guarantees top performance and overcomes some of the limits of other ballastless tracks, thanks to various patented solutions.

The subsidiary SRT S.r.l. moves forward with its continuous production of the new grinding trains. In the second half of the year, it will complete its third grinding train with 46 grinders, confirming its ongoing investments in the design and construction of railway network maintenance, renewal and construction machines.

There is nothing to report regarding the other subsidiaries (Coget Impianti S.r.l. and the German investees) with respect to the first half of the year, as their production and profitability remain the same.

As for the branches' operations abroad, in 2022, work continued in Egypt to renew 46 km and 229 turnouts on the Cairo - Alexandria railway line, as did production in Romania for contracts concerning the rehabilitation of two adjacent railway lots on the Frontiera-Curtici-Simeria railway line, part of the Pan-European Corridor IV, lots 2A and 2B.

Salcef S.p.A.'s branch in Abu Dhabi completed the construction of tracks of the new railway line that will link the cities of Ruwais and Ghuweifat at the border with Saudi Arabia and is continuing construction on the railway infrastructure to complete five new railway depots for approximately €6.5 million on behalf of the joint venture between Larsen, Toubro Limited and Power Construction Corporation of China LTD.

In 2022, the investments needed to develop the individual group companies' activities will entail continuing the renovation of certain areas and buildings in Overail S.r.l.'s industrial complex in Aprilia, with the installation of new systems to upgrade production capacity for further products.

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, as well as operational risk and management risk.

Inflation and production cost risk

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

Risk of the loss of qualifications and certifications

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

Interest rate risk

The group uses third party funding which mostly bears floating interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates, which was previously very low, is beginning to become more significant due to the rise in rates that has already been seen and that is expected to continue in the year. The group's interest rate risk hedging policy is to neutralise the effect of increases in interest rates by agreeing interest rate swaps for its main loans in place.

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 partial reductions in production capacity of its business lines, which could be caused by several factors, the main ones being: accidents or extraordinary events at work sites and facilities involving the destruction of machinery and/or injuries to employees; customer's application of early termination clauses included in contracts with customers; measures issued by domestic, foreign and supranational bodies curbing the parent's bargaining and operating capacity; the cancellation, suspension or

downgrading of the operating companies from state-owned or private customers' supplier databases and/or of authorisations to participate in calls for tender and the performance of public works.

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

03 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2022

Condensed interim consolidated financial statements at 30 June 2022

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2022	31.12.2021
Non-current assets			
Intangible assets with finite useful lives	1	9,690,398	7,584,146
Goodwill	2	68,115,193	41,795,326
Property, plant and equipment	3	145,021,434	123,798,390
Right-of-use assets	4	16,313,549	14,197,300
- of which, from related parties		*1,159,271*	*1,324,881*
Equity-accounted investments	5	32,643	40,543
Other non-current assets	6	20,421,110	20,806,786
Deferred tax assets	7	19,340,315	19,984,980
Total non-current assets		**278,934,642**	**228,207,471**
Current assets			
Inventories	8	23,504,649	20,664,592
Contract assets	9	159,625,828	107,701,357
Trade receivables	10	63,529,845	89,108,678
- of which, from related parties		*507,577*	*282,145*
Current tax assets	11	6,305,430	4,121,517
Current financial assets	12	120,421,280	101,588,336
- of which, from related parties		*353,465*	*353,465*
Cash and cash equivalents	13	129,164,260	166,175,877
Other current assets	14	26,861,963	26,806,619
Total current assets		**529,413,255**	**516,166,976**
TOTAL ASSETS		**808,347,897**	**744,374,447**

LIABILITIES	Note	30.06.2022	31.12.2021
Equity attributable to the owners of the parent			
Share capital		141,544,532	141,544,532
Other reserves		251,598,203	238,422,972
Profit for the year/period		13,779,287	39,070,532
Total equity attributable to the owners of the parent		**406,922,022**	**419,038,036**
Share capital and reserves attributable to non-controlling interests		2,334,832	2,062,943
Profit/(loss) for the year/period attributable to non-controlling interests		(28,388)	271,889
TOTAL EQUITY	**15**	**409,228,466**	**421,372,868**
Non-current liabilities			
Non-current financial liabilities	16	103,187,535	79,849,385
Lease liabilities	4-16	7,739,138	5,694,159
- of which, from related parties		*900,482*	*1,070,223*
Employee benefits	17	1,393,738	1,154,868
Provisions for risks and charges	18	1,831,540	3,818,911
Deferred tax liabilities	7	3,520,157	3,259,382
Other non-current liabilities	21	4,080,523	4,194,843
Total non-current liabilities		**121,752,631**	**97,971,548**
Current liabilities			
Non-current financial liabilities	16	70,953,621	62,544,658
- of which, from related parties		*481,371*	*0*
Current portion of lease liabilities	4-16	4,915,878	5,128,669
- of which, from related parties		*336,187*	*329,658*
Current employee benefits	17	559,061	971,286
Contract liabilities	9	24,224,563	12,916,604
Trade payables	19	139,284,116	117,503,520
- of which, from related parties		*761,263*	*1,182,922*
Current tax liabilities	20	11,443,094	5,019,927
Other current liabilities	21	25,986,467	20,945,367
Total current liabilities		**277,848,171**	**225,030,031**
TOTAL LIABILITIES		**399,600,802**	**323,001,579**
TOTAL EQUITY AND LIABILITIES		**808,829,268**	**744,374,447**

INCOME STATEMENT

	Note	1H 2022	1H 2021
Revenue from contracts with customers		226,695,188	211,244,638
- of which, from related parties		*842,545*	*791,805*
Other income		3,774,711	2,159,071
Total	**22**	**230,469,899**	**213,403,709**
Raw materials, supplies and goods	23	(51,614,940)	(45,605,248)
Services	24	(86,485,629)	(77,126,785)
- of which, from related parties		*141,471*	*0*
Personnel expense	25	(51,760,730)	(44,597,207)
Amortisation, depreciation and impairment losses	26	(16,655,383)	(12,983,480)
Impairment losses	27	(83,137)	(589,313)
Other operating costs	28	(5,375,065)	(4,329,719)
Internal work capitalised	29	11,023,194	6,294,418
Total costs		**(200,951,690)**	**(178,937,334)**
Operating profit		**29,518,209**	**34,466,375**
Financial income	30	3,018,064	2,987,090
Financial expense	30	(9,607,452)	(10,802,716)
- of which, from related parties		*(2,323)*	*(39,881)*
Pre-tax profit		**22,928,821**	**26,650,749**
Income taxes	7	(9,177,922)	(11,385,141)
Profit for the period		**13,750,899**	**15,265,608**
Profit for the year attributable to:			
Non-controlling interests		(28,388)	185,007
Owners of the parent		13,779,287	15,080,601
Earnings per share:			
Basic earnings per share	35	0.22	0.33
Diluted earnings per share	35	n.a.	0.28

STATEMENT OF COMPREHENSIVE INCOME

	Note	1H 2022	1H 2021
Profit for the period		**13,750,899**	**15,265,608**
Other comprehensive income that will not be subsequently reclassifiec to profit or loss			
Net actuarial gains	17	166,628	36,676
Related tax		(47,189)	(10,387)
Total		**119,439**	**26,289**
Other comprehensive income that will be subsequently reclassified to profit or loss			
Net hedging losses gains/(losses)		661,162	(667,785)
Related tax		(158,679)	160,267
Net exchange gains		1,877,301	1,939,940
Total		**2,379,784**	**1,432,422**
Other comprehensive income, net of tax		**2,499,223**	**1,458,711**
Comprehensive income		**16,250,122**	**16,724,319**
Attributable to:			
Non-controlling interests		(28,388)	185,007
Owners of the parent		16,278,510	16,539,312

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit for the year	Equity att. to non controlling interests	Equity
Balance at 1 January 2022		**141,544,532**	**154,840,919**	**(6,483,130)**	**(261,078)**	**(1,609,247)**	**(2,747,360)**	**-**	**94,682,868**	**39,070,532**	**2,334,832**	**421,372,868**
Profit for the year										13,779,287	(28,388)	13,750,899
Other comprehensive expense					119,439	502,483	1,877,301					2,499,223
Comprehensive income		**-**	**-**	**-**	**119,439**	**502,483**	**1,877,301**	**-**	**-**	**13,779,287**	**(28,388)**	**16,250,122**
Allocation of prior year profit			1,665,045						37,405,487	(39,070,532)		-
Dividend distribution									(28,474,765)			(28,474,765)
Stock grants			80,241									80,241
Other variations/reclassifications												-
Total owner transactions		**-**	**1,745,286**	**-**	**-**	**-**	**-**	**-**	**8,930,722**	**(39,070,532)**	**-**	**(28,394,524)**
Balance at 30 June 2022	**15**	**141,544,532**	**156,586,205**	**(6,483,130)**	**(141,639)**	**(1,106,764)**	**(870,059)**	**-**	**103,613,590**	**13,779,287**	**2,306,444**	**409,228,466**

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Reserve for warrants	Retained earnings	Profit for the year	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 year										15,080,601	185,007	15,265,608
Other comprehensive expense					26,289	(507,518)	1,939,940					1,458,711
Comprehensive income		**-**	**-**	**-**	**26,289**	**(507,518)**	**1,939,940**	**-**	**-**	**15,080,601**	**185,007**	**16,724,319**
Allocation of prior year profit			1,227,256						39,922,053	(41,149,309)		-
Exercise of warrants		74,613,131	21,153,994					4,142,984				99,910,109
Repurchase of treasury shares				(3,333,402)								(3,333,402)
Use of treasury shares			217,997	1,882,028								2,100,025
Dividend distribution									(21,314,116)			(21,314,116)
Other variations/reclassifications			(79,284)						83,341		(33,098)	(29,041)
Total owner transactions		**74,613,131**	**22,519,963**	**(1,451,374)**	**-**	**-**	**-**	**4,142,984**	**18,691,278**	**(41,149,309)**	**(33,098)**	**77,333,575**
Balance at 30 June 2021	**15**	**136,719,296**	**125,003,032**	**(5,063,830)**	**(210,741)**	**(809,552)**	**(3,023,949)**	**(532,234)**	**94,732,839**	**15,080,601**	**2,031,540**	**363,927,002**

STATEMENT OF CASH FLOWS

		Note	1H 2022	1H 2021
	Profit for the year		**13,750,899**	**15,265,608**
	Amortisation and depreciation		16,655,383	12,983,480
	Impairment losses		83,137	589,313
	Net financial expense		6,589,388	7,815,626
	Net gains on the disposal of property, plant and equipment		(1,513,857)	(1,289,147)
	Other adjustments for non-monetary items		258,706	0
	Accruals/(Utilisations)		(768,633)	2,503,082
	Income taxes		9,177,921	11,385,141
(A)	**Cash flows from operating activities before changes in working capital**		**44,232,944**	**49,253,103**
	Increase in inventories		(2,840,057)	(8,955,052)
	Increase in contract assets/liabilities		(37,460,042)	(38,996,937)
	Decrease in trade receivables		25,682,973	16,153,590
	Increase in trade payables		18,080,909	14,163,540
	(Increase) / decrease in other current and non-current assets		(2,541,712)	3,847,444
	Increase / (decrease) in other current and non-current liabilities		3,792,924	(5,238,032)
(B)	**Changes in working capital**		**4,714,995**	**(19,025,447)**
	Cash flows generated by operating activities (A+B)		**48,947,939**	**30,227,656**
	Interest paid		(974,453)	(656,424)
	Income taxes paid		(1,913,106)	(3,746,513)
(C)	**Cash flows generated by operating activities (A+B)**		**46,060,380**	**25,824,719**
	Investing activities			
	Interest collected		61,426	119,302
	Investments in intangible assets		(2,027,221)	(1,040,228)
	Acquisition of property, plant and equipment		(37,854,976)	(17,310,700)
	Acquisition of equity investments and non-current securities		0	(193,334)
	Investments in securities and other financial assets		(25,129,554)	(17,632,600)
	Proceeds from the sale of property, plant and equipment		7,109,746	2,491,656
	Proceeds from the sale of current securities		0	14,227,032
	Acquisition/sale of subsidiaries net of cash acquired		(24,613,554)	(5,392,002)
	Exchange differences		(977,124)	854,054
(D)	**Cash flows used in investing activities**		**(83,431,257)**	**(23,876,820)**
	Financing activities			
	Disbursement of loans		54,173,852	44,113,993
	Repayment of loans		(28,060,296)	(20,955,315)
	Repayment of lease liabilities		(3,675,809)	(3,170,339)
	Change in other financial liabilities		6,396,278	552,582
	Proceeds from the issue of company shares		0	55,093,209
	Repurchase of treasury shares		0	(3,333,402)
	Dividends distributed		(28,474,765)	(21,314,116)
(E)	**Cash flows generated by financing activities**		**359,260**	**50,986,612**
(F)	**Net change in cash and cash equivalents (C+D+E)**		**(37,011,617)**	**52,934,511**
(*)	**Opening cash and cash equivalents**		**166,175,877**	**63,198,962**
	Net change in cash and cash equivalents		(37,011,617)	52,934,511
(*)	**Closing cash and cash equivalents**	**13-16**	**129,164,260**	**116,133,473**

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

Notes to the condensed interim consolidated financial statements at 30 June 2022

General information on the reporting entity

Salcef Group S.p.A. (the "parent") is a company limited by shares with registered office in Rome (Italy) in Via 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 Euronext STAR Milan, the regulated market organised and managed by Borsa Italiana S.p.A..

These condensed interim consolidated financial statements at 30 June 2022 include the interim financial statements of the parent and those of its subsidiaries (collectively, the "Salcef Group" or the "group"). They have been prepared in accordance with article 154-ter.2 of Legislative decree no. 58 of 24 February 1998 (the consolidated finance act - "TUF"), as amended and supplemented, and in accordance with IAS 34 – Interim financial reporting.
Salcef Group S.p.A.'s board of directors approved the condensed interim consolidated financial statements at 30 June 2022 and authorised them for publication on 4 August 2022.

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

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

Basis of preparation and compliance with the IFRS

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

Specifically, the condensed interim consolidated financial statements have been prepared in compliance with IAS 34 - Interim financial reporting. As they do not include all disclosures required for annual financial statements, they should be read in conjunction with the financial statements as at and for the year ended 31 December 2021 available at the company's registered office and at https://www.salcef.com in Investor-Relations section.

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

Basis of preparation

The condensed interim consolidated financial statements at 30 June 2022 comprise an income statement, a statement of comprehensive income, a statement of financial position, a statement of changes in equity, a statement of cash flows and these notes.

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

The income statement and the statement of comprehensive income are presented as two separate statements and, therefore, the group has prepared a statement that presents the profit or loss components (the income statement) and another statement that starts with the profit or loss for the period and adds the other items of other comprehensive income thereto (the statement of comprehensive income). The latter shows changes in equity generated by transactions other than owner transactions.

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

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

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

Note 33 provides information and details of related party transactions.

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

Accounting policies

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

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

Consolidation scope and basis of consolidation

The condensed interim consolidated financial statements at 30 June 2022 have been prepared by consolidating the interim financial statements at the same date of the parent and of the Italian and foreign companies that it directly or indirectly controls.

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

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

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

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

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

Consolidation scope at 30 June 2022

	REGISTERED OFFICE	CURRENCY	Share/quota capital/ consortium fund	Investment percentage		Method
				Indirect	Direct	
Subsidiaries						
Salcef S.p.A. single-member company	Rome - Italy	Euro	60,000,000		100%	Consolidation
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
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
Coget Impianti S.r.l.	Rome - Italy	Euro	1,000,000		100%	Consolidation
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	Euro	162,750		100%	Consolidation
Salcef Bau GmbH	Landsberg Am Lech - Germany	Euro	25,000	100%		Consolidation
Bahnsicherung Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
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
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000		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 and joint arrangements						
Railworks/Delta A Joint Venture	New York (NY) - USA	USD	-	45.00%		Proportionate consolidation
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	Euro	10,000	47.68%		Equity
Consorzio I.C.A.V.	Rome - Italy	Euro	50,000	50%		Equity
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity

There have been no changes in the consolidation scope since 31 December 2021 in terms of companies in which the group has acquired or lost control in the half year, except for the liquidation of the associate Frejus S.c.a.r.l. in June 2022. However, in the first six months of 2022, the group acquired a business unit operating in the railway sector from the PSC Group. This transaction was accounted for as a business combination in Euro Ferroviaria S.r.l.'s interim financial statements at 30 June 2022, as described further on in the section on "Business combinations" and in accordance with IFRS 3.

The signing and closing took place on 8 March 2022, and the transaction became effective on 1 May 2022.

The agreed consideration for the acquisition of the business unit was approximately €26.6 million, subject to the usual price adjustment mechanisms (upwards or downwards) depending on variations in the business unit's working capital. €23.1 million was paid at the closing and another €1.5 million was paid on 31 May 2022. If positive, the sum total of the residual price, the price adjustment and additional liabilities that should arise in connection with the business unit will be paid when certain contractual conditions are satisfied.

The group self-financed this acquisition.

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

The consolidation process is as follows:

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

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

- the effects of transactions among the companies consolidated on a proportionate basis, including dividends distributed among the group companies, are eliminated;

- investments in associates and joint arrangements are measured using the equity method, whereby their carrying amount is adjusted to consider the following:

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

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

Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group.
The consideration transferred in the business combination is measured at fair value, which is the sum of the fair values of the assets acquired and the liabilities assumed at the acquisition date.
Contingent consideration, considered part of the 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 instruments.

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

Loss of control

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

Translation of foreign currency items and financial statements

Transactions in foreign currencies

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

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

Foreign operations

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on acquisition, are translated into Euros at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euros at the average exchange rates of the period which approximate the exchange rates ruling at the dates of the transactions. Exchange differences are recognised

in other comprehensive income and accumulated in the translation reserve, except for any exchange difference to be allocated to non-controlling interests.

Exchange rates used

CURRENCY	Code	30.06.2022	
		Spot closing rate	Average rate
Polish zloty	PLN	4.6904	4.6329
Egyptian lira	EGP	19.5332	18.8794
Romanian leu	RON	4.9464	4.9457
Croatian kuna	HRK	7.5307	7.5414
UAE dirham	AED	3.8146	4.0176
US dollar	USD	1.0387	1.0940
Saudi riyal	SAR	3.8951	4.1024
Norwegian krone	NOK	10.3485	9.9766
Swiss franc	CHF	0.9960	1.0320
Australian dollar	AUD	1.5099	1.5207

Intangible assets with finite useful lives and goodwill

An intangible asset is an identifiable non-monetary asset without physical substance that generates future benefits for the group.
Intangible assets acquired or developed internally are recognised when it is probable that the use of the asset will generate future economic benefits and the cost of the asset can be determined reliably.
They are recognised at acquisition and/or development cost including costs incurred to ready the asset for its intended use less accumulated amortisation and any accumulated impairment losses.
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation begins when the asset that the group has acquired is available for use and is allocated on a systematic basis over its useful life based on its residual use. The group reviews the amortisation criteria, useful lives and residual use of the assets at least at every reporting date to consider any significant variations. Specifically, patents, intellectual property rights, concessions, licences and trademarks are amortised over the shorter between the legal or contractual term and their residual use (from 3 to 5 years).

Intangible assets with finite useful lives include the costs to fulfil a contract, i.e., costs that (i) directly refer to a contract into which the group has entered, (ii) generate and/or enhance the resources that will be used to satisfy the contractual obligations and (iii) are recoverable through the future economic benefits of the contract. Considering the contractual obligations in the Salcef Group's contracts with customers, these costs are usually pre-operating costs for contracts that do not explicitly provide for their compensation (through

specific items underlying the same contract) and they are recovered through the overall contract profit margin.
The costs to fulfil a contract are recognised as intangible assets when incurred. They are amortised systematically according to the progress of the contract to which they refer.

When recognised as part of a business combination, goodwill is calculated as the positive difference between the consideration transferred in the acquisition, the share of the acquiree's equity attributable to non-controlling interests and the acquisition-date fair value of the acquirer's previously held equity interest in the net assets acquired and liabilities assumed. After initial recognition, goodwill is not amortised but is tested for impairment at least annually or more frequently if specific events or changes in circumstances indicate that it may be impaired. Reference should be made to the Impairment of non-financial assets section for information on impairment testing.
There were no impairment indicators at 30 June 2022.

Property, plant and equipment

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

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

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

Right-of-use assets and lease liabilities

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16. At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.
The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for any remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

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

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

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

- it applied the same discount rate to leases with similar characteristics in terms of residual term for classes of similar underlying assets in similar locations;
- it excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- it determined the contractual variables (especially the lease term) using hindsight;
- upon initial application of IFRS 16, for contracts previously classified as operating leases, the group 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 group deemed the carrying amount of the right-of-use asset and the lease liability to be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

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

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

Impairment of non-financial assets

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

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

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

Inventories

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

Revenue from contracts with customers and contract assets/liabilities

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

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

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

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

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

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

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

Financial assets and liabilities

Measurement and recognition

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets - classification and subsequent measurement

Upon initial recognition, financial assets are classified into the following three categories, depending on their characteristics and the business model used to manage them: (i) at amortised cost; (ii) at fair value through other comprehensive income ("FVOCI"); (iii) at fair value through profit or loss ("FVTPL").
Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Under the amortised cost method, after initial recognition, the financial asset's carrying amount is adjusted for principal repayments, any loss allowance and the cumulative amortisation of any difference between the maturity amount and the initial carrying amount. Amortisation is calculated using the effective interest rate, which is the rate that discounts the estimated cash flows associated with the financial asset to its carrying amount at initial recognition. Loans, receivables and other financial assets measured at amortised cost are presented net of the related loss allowance in the statement of financial position.
A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

Financial liabilities – classification and subsequent measurement

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

Financial assets – derecognition

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

Financial liabilities – derecognition

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

Offsetting

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

Financial instruments, derivatives and hedge accounting

The group holds derivatives specifically for hedging interest rate and currency risks. At the inception of designated hedging relationships, the group documents the 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 to 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 consolidated company at the rates enacted at the reporting date. They are shown net of payments on account, withholdings and tax assets as current tax liabilities if the balance is negative, or as current tax assets if the balance is positive.

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

Earnings per share

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

Fair value measurement

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

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

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

Share-based payments

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

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

Operating segments

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

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

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

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

Changes in accounting policies, errors and changes in accounting estimates

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

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

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

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

Use of estimates

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

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

onerous contracts may arise.

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

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

New standards and interpretations

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

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): the amendments narrow the scope of application of the initial recognition exemption of deferred tax to exclude transactions in which equal amounts of deductible and taxable temporary differences arise on initial application. The amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- Classification of liabilities as current or non-current (Amendments to IAS 1): these amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- IFRS 17 - Insurance contracts (and subsequent amendments) which replaces IFRS 4 and is effective for annual reporting periods beginning on or after 1 January 2023;
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2): these amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- Definition of accounting estimates (Amendments to IAS 8): these amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

Notes to the main statement of financial position captions

ASSETS

NON-CURRENT ASSETS

1 Intangible assets with finite useful lives

Intangible assets with finite useful lives amount to €9,690 thousand, compared to €7,584 thousand at 31 December 2021. This caption and changes in the period are analysed in the table below:

(€'000)

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development	Costs to fulfil contracts	Other	TOTAL
Balance at 31 December 2021:						
Cost	2,016	628	5,249	-	7,865	15,758
Accumulated amortisation	(1,374)	(576)	-	-	(6,224)	(8,174)
Carrying amount at 31 December 2021	**642**	**52**	**5,249**	**-**	**1,641**	**7,584**
Investments - Historical cost	66	9	1,119	1,543	35	2,772
Disposals - Historical cost					(2)	(2)
Other variations - Historical cost					27	27
Reclassifications - Historical cost			(2,311)		2,311	
Exchange differences - Historical cost						
Amortisation	(102)	(6)			(581)	(689)
Disposals - Acc. amortisation						
Other variations - Acc. amortisation					(1)	(1)
Reclassifications - Acc. amortisation						
Exchange differences - Acc. amortisation	(1)					(1)
Balance at 30 June 2022:						
Cost	2,082	637	4,057	1,543	10,236	18,556
Accumulated amortisation	(1,477)	(582)	-	-	(6,806)	(8,865)
Carrying amount at 30 June 2022	**605**	**55**	**4,057**	**1,543**	**3,431**	**9,690**

Industrial patents and intellectual property rights of €606 thousand mainly consist of the industrial patents acquired by SRT S.r.l. for railway technologies (€293 thousand), the patents and intellectual property rights acquired by Overail S.r.l. (€49 thousand), the software user licences acquired mostly by Salcef Group S.p.A., Salcef S.p.A., SRT S.r.l., Salcef Bau GmbH and RECO S.r.l. (€228 thousand).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€47 thousand).

Assets under development and payments on account include costs incurred internally by SRT S.r.l. to design new railway machinery (€3,015 thousand) and by Overail S.r.l. to develop railway materials and acquire the related patents (€1,041 thousand). The decreases in the period refer to projects that were completed.
Costs to fulfil contracts of €1,543 thousand refer to the pre-operating costs incurred by the subsidiary Salcef S.p.A. to build the tracks and other works for the work site of the "HS Verona-Padua (lot 1)" contract in order to begin the contract work.

Other mainly consists of costs incurred internally by SRT S.r.l. to design new railway machinery (€3,224 thousand) and costs incurred to obtain the certifications and attestations to perform its activities, such as the SOA and occupational safety certifications (€9 thousand), which are amortised over the term of such certifications and attestations.

2 Goodwill

(€'000)

GOODWILL	30.06.2022	31.12.2021	Variation
Carrying amount	68,115	41,795	26,320
Total	**68,115**	**41,795**	**26,320**

At the reporting date, this caption amounts to €68,115 thousand (31 December 2021: €41,795 thousand) and includes goodwill recognised on the acquisition of businesses or business units.
With respect to the acquisition of business units, the following goodwill exists (by acquisition period):

- €423 thousand on the acquisition of the permanent way systems business unit in 2002;
- €682 thousand on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand on the acquisition of the electrical traction business unit in 2008;
- €242 thousand on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand for the 2015 acquisition of a business unit from Costruzioni Generali S.p.A., active in the permanent way systems, construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. (now named Overail S.r.l.) in 2017 (€392 thousand) and on the difference between the cost incurred by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the consolidation date (€521 thousand);
- €6,630 thousand arising on the acquisition of the investments in Salcef Bau GmbH (in 2018) and the Salcef Deutschland Group (in 2021);
- €7,082 thousand arising in 2019 on the acquisition of the investment in Coget Impianti S.p.A. (now Coget Impianti S.r.l.) following the purchase price allocation which the group completed in 2020;
- €26,724 thousand arising on the 2020 acquisition of the investment in Delta Railroad Construction Inc. by the subsidiary Salcef USA Inc. following the purchase price allocation which the group completed in 2021.

Furthermore, goodwill also includes €24,104 thousand on the acquisition of the business unit operating in the railway sector from the PSC Group (mentioned earlier in the section on the Accounting policies). This

amount was determined by comparing the cost incurred by the group (through its subsidiary Euro Ferroviaria S.r.l.) to acquire the business unit with the carrying amount of the net assets acquired. The entire difference was allocated to goodwill, in accordance with IFRS 3, recognising the provisional amounts of the transaction as permitted by paragraph 45 and subsequent paragraphs of IFRS 3. In particular, the acquired business unit designs, constructs and maintains electrical contact lines for electrical traction and the acquired business will be integrated with the group operations in this sector. Accordingly, the goodwill generated by this acquisition was allocated to the "Energy, signalling and telecommunications" CGU. Reference should be made to note 34 for additional details, including the disclosures required by IFRS 3 on business combinations.
The €26,320 increase on 31 December 2021 is due to the €2,216 thousand exchange difference and the aforementioned change in the consolidation scope totalling €24,104 thousand.

At 31 December 2021, the group tested the cash-generating units (CGUs) to which goodwill had been allocated for impairment. Specifically, the goodwill was allocated to the following CGUs:

(€'000)

CGUs	30.06.2022	31.12.2021	Variation
Permanent way systems	1,589	1,589	0
Salcef Deutschland	6,630	6,630	0
Delta Railroad Construction Inc.	26,724	24,508	2,216
Energy, signalling and telecommunications	32,017	7,913	24,104
Design	242	242	0
Railway materials	913	913	0
Total	**68,115**	**41,795**	**26,320**

At 31 December 2021, this goodwill was tested for impairment testing by determining the value in use of the aforementioned CGUs applying the discounted cash flow (DCF) method to the estimated cash flows for the current three-year period (2022-2024), based on the CGUs' forward-looking financial figures, to which a WACC of 6.97% was applied for the permanent way systems, energy and signalling, railway materials and design CGUs, a WACC of 5.93% was applied for the Salcef Deutschland CGU and a WACC of 7.32% was applied for the Delta Railroad Construction Inc. CGU.

The operating cash flows considered for the impairment test were taken from the forward-looking financial figures in the 2021-2023 plan approved by Salcef Group S.p.A.'s board of directors.
In addition, estimated cash flows for the third year of the explicit forecast period (2024) were determined on the basis of the performance that can be inferred from the 2021-2023 plan.

The discount rate was estimated as follows:

- the risk free rate was determined to be equal to the average yield on ten-year government securities:

1.0% for Italy (the country where the permanent way systems, energy, signalling and telecommunications, design and railway materials CGUs operate), 0% for Germany (the country where the Salcef Deutschland CGU operates) and 1.5% for the United States (the country where the Delta Railroad Construction Inc. CGU operates);

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

The cost of debt was estimated to be 2.3% for Italy, 1.4% for Germany and 2.5% for the United States, plus a specific spread (2%) based on an analysis of the credit spreads of a sample of comparable companies.
The terminal value was calculated using the perpetuity formula.
An average nominal growth rate of cash flows available after the explicit period and perpetually (g-rate) of 1.5% was used to determine the terminal value. The value in use thus calculated was compared with the carrying amount of the net invested operating capital of the same CGUs, including goodwill. The results of the impairment test were higher than the CGUs' carrying amount. A sensitivity analysis, with different parameters than those used for the impairment test, was performed considering a reduction in profitability (gross operating profit) in 2022 and 2023. Once again in this case, the analysis showed that impairment losses would not be generated.

At 30 June 2022, considering the actual results, the cash-generating units were not tested for impairment as there were no impairment indicators.

3 Property, plant and equipment

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

(€'000)

PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2021:							
Historical cost	4,418	14,475	232,373	17,356	14,388	25,323	308,333
Accumulated depreciation	(143)	(2,335)	(160,570)	(15,289)	(6,200)	-	(184,537)
Carrying amount at 31 December 2021	**4,275**	**12,140**	**71,803**	**2,067**	**8,188**	**25,323**	**123,796**
Investments - Historical cost		846	25,841	513	1,470	9,184	37,855
Disposals - Historical cost			(3,117)	(785)	(1,038)	(4,581)	(9,521)
Reclassifications - Historical cost		600	2,152		47	(2,799)	0
Impairment losses - Historical cost							0
Consolidation scope			1,845	82	108		2,035
Other variations		9	415	122	250	(12)	784
Exchange differences - Historical cost	19	56	2,057	273	407		2,813
Depreciation		(242)	(10,530)	(619)	(778)		(12,170)
Disposals - Acc. depreciation			1,203	741	249		2,192
Reclassifications - Acc. depreciation							0
Impairment losses - Acc. depreciation							0
Consolidation scope							0
Other variations - Acc. depreciation		(9)	(496)	(104)	(245)		(854)
Exchange differences - Acc. depreciation	(13)	(23)	(1,609)	(235)	(29)		(1,910)
Balance at 30 June 2022:							
Historical cost	4,437	15,987	261,566	17,562	15,633	27,115	342,300
Accumulated depreciation	(156)	(2,609)	(172,003)	(15,506)	(7,004)		(197,279)
Carrying amount at 30 June 2022	**4,281**	**13,378**	**89,563**	**2,056**	**8,628**	**27,115**	**145,021**

The increases in the half year should be considered in light of the Salcef Group's substantial investment plan for property, plant and equipment, most of which are eligible for the tax benefits included in the Industry 4.0 legislation. These investments include the acquisition of the railway business unit from the PSC Group, which joined the Salcef Group on 1 May 2022, entailing an increase in property, plant and equipment at 30 June 2022 for a carrying amount of €2,035 thousand (see *Changes in the consolidation scope* in the table above). The decreases of €7,329 thousand relate to assets that are no longer used in production or are irrelevant to the group's activities.

Land and buildings mainly include SRT S.r.l.'s operating offices (€6,853 thousand), and related land (€938 thousand), the industrial site housing Overail S.r.l.'s railway sleeper production facility in Aprilia (€7,957 thousand), the plot of land acquired by the parent in 2021 as part of its project to transfer and expand its administrative offices (€982 thousand) and the land and buildings contributed by Delta Railroad Construction Inc. (€518 thousand).
The Aprilia production facility is divided into land of €2,284 thousand and the building of €5,674 thousand.

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

The other assets (€8,628 thousand) mainly consist of motor vehicles and cars (€3,519 thousand) and office furniture, fittings and equipment (€461 thousand).

Assets under construction and payments on account (€27,115 thousand) include costs incurred for the construction and extraordinary maintenance of machinery and equipment not yet in use, mainly performed by the subsidiary SRT S.r.l. on behalf of Salcef S.p.A. and Euro Ferroviaria S.r.l. (€3,357 thousand). They also include costs incurred by Overail S.r.l. (€9,544 thousand) to expand the Aprilia production facility, related to activities not yet completed and/or pending inspection at the reporting date, and costs incurred by Salcef Group S.p.A. to refurbish the property in Rome where the administrative offices will be located (€7,847 thousand).

4 Right-of-use assets

(€'000)

RIGHT-OF-USE ASSETS	30.06.2022	31.12.2021	Variation
Carrying amount	16,314	14,197	2,117
Total	**16,314**	**14,197**	**2,117**

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

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

(€'000)

RIGHT-OF-USE ASSETS	Land and buildings	Plant and machinery	Other assets	TOTAL
Carrying amount at 31 December 2021	4,510	9,092	596	14,197
Increases	1,513	2,763	305	4,581
Change in scope	174	790	144	1,107
Depreciation	(994)	(2,524)	(277)	(3,796)
Exchange difference	221	(20)	23	224
Derecognition				
Carrying amount at 30 June 2022	**5,423**	**10,100**	**790**	**16,314**

(€'000)

LEASE LIABILITIES	
Carrying amount at 31 December 2021	10,823
Change in scope	1,107
Payments	(3,676)
Increases	4,019
Exchange difference	248
Interest expense	134
Carrying amount at 30 June 2022	**12,655**
of which, non-current	*7,739*
of which, current	*4,916*

At the reporting date, the parent has signed a finance lease with a major leasing company but the underlying asset (the building in Rome to which it will relocate the group's administrative offices) is not yet available as it is still being restructured. Therefore, the condensed interim consolidated financial statements do not include the right-of-use asset or lease liability which will not be recognised until the restructuring has been completed (at the date of preparation of these condensed interim consolidated financial statements, no information about the completion date is available.

5 Equity-accounted investments

Equity-accounted investments amount to €33 thousand at 30 June 2022, compared to €41 thousand at 31 December 2021, as detailed in the table below.

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	30.06.2022	31.12.2021	Variation
Associates	30	38	(8)
Joint arrangements	0	0	0
Other companies	3	3	0
Total	**33**	**41**	**(8)**

The breakdown and details of the changes in the period are reported below. The decrease in investments in associates is due to the liquidation of Frejus S.c.a.r.l. in the period.

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	REGISTERED OFFICE	30.06.2022	31.12.2021	Variation
Associates and joint arrangements				
Frejus S.c.a.r.l.	Bologna - Italy	0	8	(8)
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità	Rome - Italy	25	25	0
Sesto Fiorentino S.c.a.r.l.	Rome - Italy	5	5	0
Other companies				
Sassariolbia S.c. a r.l.	Rome - Italy	1	1	0
Concise Consorzio Stabile S.c.a r.l.	Pordenone - Italy	1	1	0
Consorzio Telese S.c.a.r.l.	Rome - Italy	1	1	0
Total		**33**	**41**	**(8)**

(€'000)

EQUITY-ACCOUNTED INVESTMENTS	Associates	Joint arrangements	Other companies	Total
Carrying amount at 31 December 2021	38		3	41
Change in scope	-	-	-	0
Increases/Capital increases	-	-	-	0
Decreases	(8)	-	-	(8)
Exchange difference	-	-	-	0
Impairment losses	-	-	-	0
Carrying amount at 30 June 2022	**30**		**3**	**33**

6 Other non-current assets

Other non-current assets amount to €20,421 thousand at 30 June 2022, compared to €20,807 thousand at 31 December 2021. This caption is detailed in the table below:

(€'000)

OTHER NON-CURRENT ASSETS	30.06.2022	31.12.2021	Variation
Guarantee deposits	1,088	1,050	37
Performance bonds	18,611	18,986	(375)
Other assets	722	770	(48)
Total	**20,421**	**20,807**	**(386)**

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

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

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

Income taxes may be analysed as follows:

(€'000)

INCOME TAXES	1H 2022
IRES	(5,995)
IRAP	(2,060)
Foreign income taxes	(70)
Total current taxes	**(8,125)**
Change in deferred tax assets	(486)
Change in deferred tax liabilities	(107)
Total deferred taxes	**(593)**
Prior year taxes	**(461)**
Total income taxes	**(9,178)**

(€'000)

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME	Pre-tax	Tax benefit (expense)	Post-tax
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Net actuarial gains	167	(47)	120
Total	**167**	**(47)**	**120**
Other comprehensive income that will be subsequently reclassified to profit or loss			
Net hedging gains	661	(159)	502
Total	**661**	**(159)**	**502**
TOTAL at 30 June 2021	**828**	**(206)**	**622**

Deferred tax assets and liabilities amount to €19,340 thousand and €3,520 thousand, respectively. Changes in these two captions compared to the previous year end are analysed below:

(€'000)

DEFERRED TAX ASSETS	31.12.2021	Accruals	Utilisations	Other variations	30.06.2022
Depreciation of revalued buildings	93				93
Provisions for risks	1,185		(558)		627
Exchange differences	4	19	(4)		19
IAS 19	42	18			60
Fair value of derivatives	508			(159)	349
Elimination of intragroup profits and losses	2,039	336	(214)		2,161
IFRS 15	16	3	(16)		3
IFRS 9	677	389	(359)		707
Tax loss	244				244
Revaluation of assets	14,320		(1,579)		12,741
Other	856	1,913	(434)		2,335
Total	**19,985**	**2,678**	**(3,164)**	**(159)**	**19,340**

(€'000)

DEFERRED TAX LIABILITIES	31.12.2021	Accruals	Utilisations	Other variations	30.06.2022
Exchange differences	367	691	(367)	155	846
Other	2,892	1,081	(1,299)		2,674
Total	**3,259**	**1,772**	**(1,666)**	**155**	**3,520**

Deferred tax assets at 31 December 2020 included €17,550 thousand due to the difference between the carrying amount of certain assets and their tax values at such date. These assets had been revalued in 2020 by certain subsidiaries that prepare their financial statements in accordance with the OIC and that applied the tax benefit offered by the "August Decree". Specifically, Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. are the group companies that benefited from this revaluation law, and they also decided to pay substitute tax of 3% in order to align the revalued assets' tax value with their carrying amount.

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

Since 2021, the companies that applied the revaluation and the related payment of substitute tax in their OIC financial statements can fully deduct the depreciation on the revalued assets from their current tax bases (IRES and IRAP), whereas the greater depreciation recognised in the condensed interim consolidated financial statements at 31 December 2020 is reversed and the deferred tax assets recognised are progressively reversed alongside the reversal of the greater depreciation resulting from the revaluations.

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

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

(€'000)

Reconciliation of actual tax rate	1H 2022	1H 2022
Pre-tax profit	22,929	
Theoretical IRES	(5,503)	24%
Lower taxes:		
- Other	2,498	10.89%
Greater taxes:		
- Other	(2,990)	-13.04%
Total current income taxes (IRES)	**(5,995)**	**21.85%**
IRAP	**(2,060)**	**-8.98%**
Foreign income taxes	**(70)**	**-0.30%**
Prior year taxes	**(461)**	**-2.01%**
Deferred taxes	**(592)**	**-2.58%**
Total income taxes	**(9,178)**	**-40.04%**

CURRENT ASSETS

8 Inventories

Inventories amount to €23,505 thousand at the reporting date, compared to €20,665 thousand at 31 December 2021. They are detailed in the table below.

(€'000)

INVENTORIES	30.06.2022	31.12.2021	Variation
Raw materials, consumables and supplies	9,197	8,240	957
Work in progress and semi-finished products	3,647	3,620	26
Finished goods	10,661	8,804	1,857
Total	**23,505**	**20,665**	**2,840**

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

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

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

9 Contract assets and liabilities

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

(€'000)

CONTRACT ASSETS	30.06.2022	31.12.2021	Variation
Contract assets	159,780	107,877	51,904
Impairment losses	(155)	(175)	21
Total	**159,626**	**107,701**	**51,925**

At 30 June 2022, the contract assets relate to Salcef S.p.A. (€103,760 thousand; 31 December 2021: €51,763 thousand), Euro Ferroviaria S.r.l. (€31,325 thousand; 31 December 2021: €30,750 thousand), Overail S.r.l. (€9,644 thousand; 31 December 2021: €9,978 thousand), Coget Impianti S.r.l. (€4,027 thousand; 31 December 2021: €5,809 thousand), the parent (€224 thousand; 31 December 2021: €0), Salcef Deutschland and its subsidiaries (€6,259 thousand; 31 December 2021: €4,339 thousand) and Delta Railroad Construction Inc. and its subsidiaries (€4,530 thousand; 31 December 2021: €5,062 thousand).

Contract assets show impairment losses of €143 thousand at 30 June 2022 and €175 thousand at 31 December 2021.

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

(€'000)

GEOGRAPHICAL SEGMENT	30.06.2022	31.12.2021	Variation
Italy	143,742	93,491	50,252
Europe (excluding Italy)	6,259	4,726	1,533
North America	4,530	5,062	(532)
Africa	3,173	1,293	1,880
Middle East	1,922	3,130	(1,208)
Total	**159,626**	**107,701**	**51,925**

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

(€'000)

CONTRACT-RELATED CAPTIONS	30.06.2021	31.12.2021	Variation
Trade receivables	63,530	89,109	(25,579)
Assets held for sale	0	0	-
Contract assets	159,626	107,701	51,925
Contract liabilities	(24,225)	(12,917)	(11,308)
TOTAL	**198,931**	**183,893**	**15,038**

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

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

(€'000)

CONTRACT LIABILITIES	30.06.2022	31.12.2021	Variation
Contract liabilities	24,225	12,917	11,308
Total	**24,225**	**12,917**	**11,308**

At 30 June 2022, this caption is comprised as follows:

- the advance received from RME - Rowad Modern Engineering for the project to update and maintain the Cairo - Alexandria railway line in Egypt (€1,198 thousand);
- the advance received from NAT - National Authority for Tunnels for the construction of a new railway hub in Kozzyka (Egypt) (€159 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Frasso Telesino - Telese section) (€3,400 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Telese - San Lorenzo section) (€1,699 thousand);
- the advance received from Consorzio Cancello Frasso Telesino Scarl for the construction of the permanent way systems for the high speed Naples - Bari railway line (€972 thousand);
- the advance received from the Abu Dhabi branch of Salcef S.p.A. (€449 thousand) for the contract to construct the track for the new Ruwais - Ghuweifat railway line, signed with the joint venture between China State Construction Engineering Corporation and the South Korean SK Engineering and Construction;
- advances relating to the contracts of the business unit that the subsidiary Euro Ferroviaria S.r.l. acquired from the PSC Group (€4,763 thousand);

- the advance received from the customer IRICAV DUE for the "HS Verona-Padua (lot 1)" contract (€3,475 thousand);
- the advance received from the customer ATAC S.p.A. for work to renew the Anagnina – Ottaviano section of the Rome metro line A (€5,389 thousand);
- advances received from customers of Delta Railroad Construction Inc. (€2,072 thousand);
- advances for other smaller contracts (€479 thousand).

Contract liabilities at 30 June 2022 will become revenue within 12 months, except for the advance received by Salcef S.p.A.'s Abu Dhabi branch and the advance for the "HS Verona-Padua (lot 1)" contract, which will be recovered in proportion to the amount invoiced.

At the reporting date, the Salcef Group's order backlog includes work on permanent way systems (62.3%), energy sector works (23.0%), the production of sleepers and prefabricated products (3.2%), infrastructure works (11.1%) and machinery construction and maintenance contracts (0.4%), which ensure continuity using the existing operating units active in the relevant geographical areas.

10 Trade receivables

Trade receivables amount to €63,530 thousand at the reporting date, compared to €89,109 thousand at 31 December 2021. They are detailed in the table below.

(€'000)

TRADE RECEIVABLES	30.06.2022	31.12.2021	Variation
Third parties	66,848	92,802	(25,954)
Loss allowance	(3,825)	(3,975)	150
Total third parties	**63,022**	**88,827**	**(25,805)**
Associates	508	282	226
Total associates	**508**	**282**	**226**
Total	**63,530**	**89,109**	**(25,579)**

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

(€'000)

LOSS ALLOWANCE	
Carrying amount at 1 January 2022	(3,975)
Change in scope	
Utilisations/Releases	253
Accruals	(68)
Exchange difference	(35)
Carrying amount at 30 June 2022	**(3,825)**

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

Trade receivables from associates include €1 thousand due from Consorzio I.C.A.V., mainly relating to the recharging of costs by Salcef S.p.A., and €507 thousand due to Delta Railroad Construction Inc. from its joint ventures. Reference should be made to the note to related party transactions for more information about receivables from related parties.

(€'000)

GEOGRAPHICAL SEGMENT	30.06.2022	%	31.12.2021	%	Variation
Italy	40,649	64.5%	68,577	77.2%	(27,928)
Europe (excluding Italy)	8,440	13.4%	9,325	10.5%	(886)
Africa	1,540	2.4%	699	0.8%	841
North America	10,455	16.6%	8,479	9.5%	1,976
Middle East	1,938	3.1%	1,746	2.0%	192
Total	**63,022**		**88,827**		**(25,805)**

11 Current tax assets

Current tax assets of €6,305 thousand (31 December 2021: €4,122 thousand) mainly include:

- direct income taxes paid abroad (€2,455 thousand);
- IRES (corporate income tax) and IRAP (regional productivity tax) paid in advance (€2,203 thousand);
- direct income taxes of the subsidiary Delta Railroad Construction Inc. (€1,613 thousand).

12 Current financial assets

Current financial assets amount to €120,421 thousand at 30 June 2022 (31 December 2021: €101,588 thousand) and are detailed in the table below:

(€'000)

CURRENT FINANCIAL ASSETS	30.06.2022	31.12.2021	Variation
Securities	107,693	97,826	9,867
Loans to associates	353	353	0
Hedging derivatives	2,643	13	2,630
Other current financial assets	9,731	3,396	6,335
Total	**120,421**	**101,588**	**18,833**

Securities of €107,693 thousand represent the investments existing at the reporting date in mutual property funds, Italian treasury notes ("BTPs"), certificates and policies taken out by Salcef Group S.p.A. to invest the liquidity obtained following the capital increases performed in 2022 and previous years. They are measured

at fair value (level 1 according to the IFRS 13 hierarchy) and the related gains and losses are taken to profit or loss.

The following table shows variations in the caption during the first half of 2022:

(€'000)

SECURITIES	31.12.2021	Purchases	Sales	Fair value gains (losses)	30.06.2022
Unicredit mutual funds	7,025			(791)	6,234
Unicredit certificates	1,268			(93)	1,174
Intesa Eurizon SGR	7,330			(404)	6,926
Intesa Eurizon Titolo	7,979			(648)	7,331
BPS	6,567			(784)	5,783
UBI BAP life policy	8,154			(227)	7,927
MPS fiduciary mandate	4,978			0	4,978
MPS policy	5,089			(635)	4,454
Servizio Italia Cardiff policy	15,674			(1,332)	14,342
Fineco mutual funds	4,006	334		(100)	4,240
Banca Aletti	7,191	2,000		(817)	8,374
Fineco insurance products	9,546	700		(359)	9,887
Kairos Partners securities portfolio	4,968			(371)	4,597
Deutsche Bank portfolio management	3,092		(19)	(246)	2,827
Fondo AZIMUT	4,960			(443)	4,517
J.P. Morgan	0	15,000		(898)	14,103
Total	**97,826**	**18,034**	**(19)**	**(8,149)**	**107,693**

The loans to associates refer to the non-interest bearing loan granted to Consorzio I.C.A.V..

Note 16 provides a description of all the group's derivatives, which include the above hedging derivatives of €2,643 thousand at the reporting date.

13 Cash and cash equivalents

Cash and cash equivalents at 30 June 2022 and 2021 are detailed in the table below:

(€'000)

CASH AND CASH EQUIVALENTS	30.06.2022	31.12.2021	Variation
Bank and postal accounts	129,131	166,151	(37,020)
Cash-in-hand and cash equivalents	33	25	8
Total	**129,164**	**166,176**	**(37,012)**

The balance of bank and postal accounts at 30 June 2022 mainly refer to the parent (€41,038 thousand), Salcef S.p.A. (€54,959 thousand), Euro Ferroviaria S.r.l. (€15,091 thousand), Overail S.r.l. (€9,177 thousand),

Coget Impianti S.p.A. (€1,799 thousand), SRT S.r.l. (€4,452 thousand) and Delta Railroad Construction Inc. (€1,648 thousand).

14 Other current assets

(€'000)

OTHER CURRENT ASSETS	30.06.2022	31.12.2021	Variation
Other tax assets	7,877	6,930	947
Other assets	10,938	11,582	(645)
Prepayments and accrued income	8,047	8,294	(248)
Total	**26,862**	**26,807**	**55**

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

Other assets are detailed below:

(€'000)

OTHER ASSETS	30.06.2022	31.12.2021	Variation
Personnel and work sites	1,065	1,055	10
Advances on trade receivables assigned without recourse	0	4,742	(4,742)
Advances to suppliers	1,507	1,423	84
Social security institutions	658	133	525
Others	7,709	4,229	3,480
Total	**10,938**	**11,582**	**(644)**

"Others" mainly include amounts due from joint venture partners relating to future invoices that they will issue (as lead contractors) to customers for work performed by the participants in the joint contract (€4,912 thousand) and the value of the participating financial instruments received from Astaldi S.p.A., since Salcef Group S.p.A. is its unsecured creditor (€1,803 thousand).

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

The caption also includes the down payment for the lease of the building in Rome which will house the parent's administrative offices once it has been restructured. As the relevant conditions about the lease

inception date are not met at the reporting date, the leased building has not been recognised under right-of-use assets (see note 4).

LIABILITIES

TOTAL EQUITY AND LIABILITIES

15 Equity

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

Share capital

The parent's share capital at 30 June 2022 amounts to €141,544,532.20. It is fully paid up and consists of 62,399,906 ordinary shares.

In accordance with the by-laws, in the first half of 2022, all remaining performance shares and special shares were converted into ordinary shares. This conversion did not generate an increase in share capital.

Reserves

At 30 June 2022, reserves mainly comprise:

- Legal reserve: this reserve of €4,120 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: totalling €13,678 thousand, it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €870 thousand;
- Goodwill arising on merger: amounting to €45,000 thousand, this reserve arose on the recognition of the merger of Salcef Group S.p.A. and Indstars 3 that took place on 8 November 2019;
- Actuarial reserve: this reserve contains the actuarial gains and losses on the remeasurement of post-employment benefit liabilities in accordance with IAS 19 and shows a negative balance of €142 thousand;
- Hedging reserve: with a negative balance of €1,107 thousand, this reserve reflects the fair value gains and losses on the interest rate swaps entered into by Salcef S.p.A. and Salcef Group S.p.A. to hedge cash flow risks on the payment of interest on borrowings and the fair value gains and losses on the currency forwards entered into by Salcef Group S.p.A. to hedge currency risk on the loan in US dollars granted to Salcef USA Inc.. The reserve will be taken to the income statement over the years as the cash flows generated by the hedged item affect profit or loss;
- Reserve for repurchase of treasury shares: with a negative balance of €6,483 thousand, this reserve

includes the value of the parent's treasury shares purchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meeting;

- Stock grant reserve: with a positive balance of €162 thousand, this is the accrual for the cost of the share-based incentive plans (2021-2024 stock grant plan, 2022-2025 stock grant plan and 2023-2024 performance share plan) recognised under personnel expense described in note 31, to which reference should be made:
- Share premium: recognised in 2021 for €27,200 thousand after the capital increase achieved through the accelerated bookbuild offering and generated by the difference between the subscription price of newly issued shares (€16.00 per share) and the existing accounting par value (€2.40 per share) multiplied by the number of newly issued shares (2,000,000 new ordinary shares).
- Reserve for capital increase costs: this reserve with a negative balance of €653 thousand includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 29 April 2022, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2021, which show a profit for the year of €33,300,893, and were presented with the consolidated financial statements as at and for the year ended 31 December 2021, which show a profit for the year attributable to the owners of the parent of €39,070,532.
The shareholders also resolved to distribute a dividend of €0.46 per eligible ordinary share at the record date (i.e. 17 May 2022). The coupon detachment date is 16 May 2022 and the payment date is 18 May 2022. Considering the number of treasury shares held by the group at 17 May 2022, the total dividend is €28,474,764.98.

Capital management

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

16 Current and non-current financial liabilities and Lease liabilities

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

(€'000)

LOANS AND BORROWINGS	30.06.2022	31.12.2021	Variation
Bank loans - non-current portion	99,088	77,719	21,369
Hedging derivatives	4,100	2,130	1,970
Total	**103,188**	**79,849**	**23,338**
Lease liabilities as per IFRS 16	7,739	5,694	2,045
Total	**7,739**	**5,694**	**2,045**
TOTAL NON-CURRENT	**110,927**	**85,544**	**25,383**
Other loans and borrowings	1,481	114	1,367
Bank loans and borrowings - current portion	69,472	62,431	7,042
Total	**70,954**	**62,545**	**8,409**
Lease liabilities as per IFRS 16	4,916	5,129	(213)
Total	**4,916**	**5,129**	**(213)**
TOTAL CURRENT	**75,869**	**67,673**	**8,196**
TOTAL LOANS AND BORROWINGS	**186,796**	**153,217**	**33,579**

The bank loans are non-current loans from banks to the parent, Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l., Coget Impianti S.r.l., Delta Railroad Construction Inc. and Salcef Deutschland GmbH. The bank loans in place at 30 June 2022 include: (i) the loan from Unicredit S.p.A. to the parent (remaining unpaid amount of €15,542 thousand) which the latter used to acquire the Delta Group (as described earlier), 60% of which is guaranteed by SACE S.p.A.; (ii) the parent's five-year, €30,000 thousand "S-Loan" with Intesa Sanpaolo S.p.A. entered into on 30 June 2021, which 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 trigger decreases in the interest rate; (iii) the five-year €20,000 thousand loan that Crédit Agricole granted to the parent in February 2022, which also involves the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate.

Furthermore, Salcef Group S.p.A. is required to comply with certain covenants.
The covenants in place at 30 June 2022 relate to the loan granted by Unicredit S.p.A. in September 2020, maturing in September 2025, a loan granted by Intesa Sanpaolo on 30 June 2021 (described above), maturing in June 2026, and the loan granted by Cassa Depositi e Prestiti (CDP) in two instalments in July 2021 and December 2021, maturing in June 2026.

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

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

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

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

The CDP loan provides for the following covenants:

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

The subsidiary Delta Railroad Construction Inc. is required to comply with the covenant of the loan entered into with Keybank National Association, whereby the ratio of operating cash flow to the sum of financial expense and loan and lease payments falling due must be between 1.5 and 1 for the previous 12 months.
For hedging purposes, Salcef S.p.A. entered into an interest rate swap with Unicredit S.p.A. in March 2021, maturing in 2024 and with a notional amount of €2,917 thousand at the reporting date. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €2,917 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The parent has the following interest rate swaps:

- an interest rate swap with Unicredit S.p.A. entered into in September 2020, maturing in 2025 and with a notional amount of €15,542 thousand at 30 June 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €15,542 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term.

Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Banca Popolare di Sondrio entered into in January 2021, maturing in 2025 and with a notional amount of €3,147 thousand at 30 June 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €3,147 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in June 2021, maturing in 2026 and with a notional amount of €24,000 thousand at 30 June 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €24,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in August 2021, maturing in 2026 and with a notional amount of €4,444 thousand at 30 June 2022. This swap hedges cash flow risk on interest paid on the first tranche of the loan with an outstanding balance of €4,444 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in December 2021, maturing in 2026 and with a notional amount of €17,778 thousand at 30 June 2022. This swap hedges cash flow risk on interest paid on the second tranche of the loan with an outstanding balance of €17,778 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Crédit Agricole entered into in February 2022, maturing in 2027 and with a notional amount of €20,000 thousand. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €20,000 thousand, disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A., entered into in May 2022, maturing in 2025 and with a notional amount of €30,000 thousand at 30 June 2022. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €30,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term.

Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

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

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

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

(€'000)

NET FINANCIAL POSITION	30.06.2022	31.12.2021	Variation
(A) Cash	129,164	166,176	(37,012)
(B) Cash equivalents	0	0	0
(C) Other current financial assets *	120,421	101,588	18,833
(D) Cash and cash equivalents (A + B + C)	**249,585**	**267,764**	**(18,179)**
(E) Current financial debt	(4,916)	(5,976)	1,060
(F) Current portion of non-current financial debt	(70,954)	(61,697)	(9,257)
(G) Current financial debt (E + F)	**(75,870)**	**(67,673)**	**(8,197)**
(H) Net current financial position (G + D)	**173,715**	**200,091**	**(26,376)**
(I) Non-current financial debt	(110,927)	(85,544)	(25,383)
(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)	**(110,927)**	**(85,544)**	**(25,383)**
(M) Net financial position (H + L) **	**62,788**	**114,547**	**(51,759)**
(N) Adjustment for events unrelated to the core business and/or related to non-recurring transactions *	6,300	0	6,300
(O) Adjusted net financial position (M + N)	**69,088**	**114,547**	**(45,459)**

(*) the balance at 30 June 2022 reflects the impact of fair value losses on the group's short-term investments due to the downturn in international financial markets. The adjustment does not consider the reversal of the positive changes in fair value up to 31 December 2021 (equal to €1,860 thousand).

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

The following table shows the group's financial debt by maturity bracket at 31 December 2021 and 30 June 2022 and changes therein:

(€'000)

LOANS AND BORROWINGS BY MATURITY DATE	Due within one year	Due after one year and within five years	Due after five years	TOTAL
Bank loans	62,431	77,719	-	140,150
Other loans and borrowings	114	-	-	114
Lease liabilities	5,129	5,602	92	10,823
Hedging derivatives	-	2,130	-	2,130
Carrying amount at 31 December 2021	**67,673**	**85,452**	**92**	**153,217**
Bank loans	69,472	97,888	1,200	168,560
Other loans and borrowings	1,481	-	-	1,481
Lease liabilities	4,916	7,734	5	12,655
Hedging derivatives	-	4,100	-	4,100
Carrying amount at 30 June 2022	**75,869**	**109,721**	**1,205**	**186,796**

(€'000)

LOANS AND BORROWINGS - CHANGES	
Loans and borrowings at 1 January 2021	127,880
Change in advances	0
Net fair value gains/(losses) on warrants	1,733
Proceeds from new loans	82,000
Repayment of loans	(44,447)
Change in other loans and borrowings - current	6,554
Increase in liabilities following acquisitions	2,707
Recognition of leases as per IFRS 16	2,462
Repayment of lease liabilities	(6,647)
Exchange differences	249
Change in warrants	(19,274)
Total at 31 December 2021	**153,217**
Change in advances	0
Net fair value gains/(losses) on warrants	1,970
Proceeds from new loans	54,174
Repayment of loans	(28,060)
Change in other loans and borrowings - current	3,798
Increase in liabilities following acquisitions	1,107
Recognition of leases as per IFRS 16	4,019
Repayment of lease liabilities	(3,676)
Exchange differences	248
Total at 30 June 2022	**186,796**

17 Current and non-current employee benefits

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

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

ACTUARIAL ASSUMPTIONS	30.06.2022	31.12.2021
Annual discount rate	3.22%	0.98%
Annual inflation rate	2.1%	1.8%
Annual post-employment benefits growth rate	3.1%	2.8%

This caption also includes the accrual for the portion vested at 30 June 2022 of the management incentive plan (€767 thousand), which will be disbursed in 2023 (€559 thousand) and 2024 (€208 thousand).

Changes in this caption are shown in the following table:

(€'000)

EMPLOYEE BENEFITS	
Carrying amount at 1 January 2022	2,126
Accruals	908
Utilisations/Transfers	(1,243)
Interest cost	(5)
Net actuarial gains	167
Carrying amount at 30 June 2022	**1,953**
of which, non-current	*1,394*
of which, current	*559*

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

The MBO plan is the first phase of the performance management model that the group intends to gradually introduce, based on the specific objectives assigned and the degree of compliance of the manager's conduct with the group's values. These values and the conduct indicators will be the basis for the group's leadership model. Assessment of the objectives achieved (What) with the conduct applied (How) will be fundamental to safeguard the group's organisational culture along its growth journey and to provide department heads with a structured tool to provide employees with feedback useful for the ongoing improvement of their performances.

18 Provisions for risks and charges

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

(€'000)

PROVISIONS FOR RISKS AND CHARGES	Provision for litigation
Carrying amount at 1 January 2022	3,819
Accruals	15
Utilisations	(262)
Releases	(1,740)
Other variations	0
Carrying amount at 30 June 2022	**1,832**

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

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

The main civil case against the group was settled in the period with the signing of a settlement agreement. It had involved the subsidiary Salcef S.p.A., which appeared in proceedings concerning an operated equipment rental agreement in which the counterparty claimed payment of roughly €3.7 million. In turn, Salcef S.p.A. claimed compensation for damage of €3 million, plus reputational damage to be quantified on the basis of fairness. Accordingly, the accrual for this case was released in the period, net of the amount paid to the counterparty as per the settlement agreement.

CURRENT LIABILITIES

19 Trade payables

(€'000)

TRADE PAYABLES	30.06.2022	31.12.2021	Variation
Third parties	138,523	116,321	22,202
Associates	761	1,183	(422)
Total	**139,284**	**117,504**	**21,780**

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

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

(€'000)

GEOGRAPHICAL SEGMENT	30.06.2022	%	31.12.2021	%	Variation
Italy	129,089	92.7%	110,318	94.8%	18,771
Europe (excluding Italy)	4,332	3.1%	3,045	2.6%	1,287
Africa	937	0.7%	277	0.2%	660
North America	2,813	2.0%	2,031	1.7%	782
Middle East	2,070	1.5%	629	0.5%	1,441
Asia	6	0.0%	6	0.0%	0
Australia	37	0.0%	15	0.0%	22
Total	**139,284**		**116,321**		**22,941**

20 Current tax liabilities

(€'000)

CURRENT TAX LIABILITIES	30.06.2022	31.12.2021	Variation
Direct taxes	10,519	3,419	7,101
Foreign current taxes	20	683	(663)
Tax provision	904	919	(15)
Total	**11,443**	**5,020**	**6,423**

The tax provision includes €750 thousand for a prudent estimate of the tax liabilities the Salcef Group may be required to cover in the event of tax audits, inspections or assessments, while €154 thousand has been accrued for a tax assessment underway at Salcef Group S.p.A.'s Egyptian branch.

21 Other current and non-current liabilities

(€'000)

OTHER LIABILITIES	30.06.2022	31.12.2021	Variation
Other	4,081	4,195	(114)
Total	**4,081**	**4,195**	**(114)**
Social security institutions	4,281	5,010	(729)
Employees	8,893	6,149	2,744
Third parties (joint venture partners)	804	1,146	(342)
Other	6,179	5,722	457
Accrued expenses and deferred income	4,464	2,094	2,370
Other tax liabilities	1,366	824	542
Total	**25,986**	**20,945**	**5,041**
TOTAL OTHER LIABILITIES	**30,067**	**25,140**	**4,927**

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

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

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

Other includes the €820 thousand not yet paid by Salcef Group S.p.A. for the acquisition of the investment in Salcef Deutschland GmbH (of which €700 thousand due after one year) and the €530 thousand for the investment in Coget Impianti S.p.A. (of which €265 thousand due after one year). It also includes the €4,137 thousand not yet paid by Salcef USA Inc. for the acquisition of the investment in Delta Railroad Construction Inc. (€2,660 thousand of which is due after one year) and the contingent consideration (subject to change, as detailed in note 34) not yet paid by Euro Ferroviaria for the acquisition of the business unit from the PSC Group (€456 thousand due after one year). In addition, this caption includes €1,265 thousand to be refunded following the incorrect assignment of the participating financial instruments of Astaldi S.p.A..
Other tax liabilities mostly consist of withholdings on the June remuneration of consultants and employees and the last tranche of the substitute tax on the revaluation of €634 thousand that Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l. and Coget Impianti S.p.A. must pay following their revaluation of assets pursuant to the "August Decree" described earlier.

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

Notes to the main income statement captions

22 Revenue

(€'000)

REVENUE	1H 2022	1H 2021	Variation
Revenue from contracts with customers	226,695	211,245	15,450
Other income	3,775	2,159	1,616
Total	**230,470**	**213,404**	**17,066**

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

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

(€'000)

BREAKDOWN OF REVENUE FROM CONTRACTS WITH CUSTOMERS	1H 2022	1H 2021	Variation
Timing of revenue recognition			
Products transferred at a point in time	17,318	13,610	3,709
Products and services transferred over time	213,151	199,794	13,357
Total	**230,470**	**213,404**	**17,066**
Main products/services			
Permanent way systems	162,827	144,604	18,223
Infrastructure	9,814	12,123	(2,309)
Energy, signalling and telecommunications	33,323	28,207	5,116
Railway materials	17,816	19,271	(1,455)
Railway machines	6,690	9,199	(2,509)
Total	**230,470**	**213,404**	**17,066**
Main geographical segments			
Italy	185,900	162,431	23,469
Europe (excluding Italy)	19,969	14,922	5,047
Africa	4,084	1,536	2,548
North America	17,026	21,331	(4,305)
Middle East	3,491	13,184	(9,693)
Total	**230,470**	**213,404**	**17,066**

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

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

Other income comprises:

Breakdown of other income

(€'000)

OTHER INCOME	1H 2022	1H 2021	Variation
Recharges to third parties	47	17	30
Insurance and other compensation	1,102	184	918
Gains on sale of assets and other income	1,725	1,088	637
Other sundry income	901	870	31
Total	**3,775**	**2,159**	**1,616**

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties. The gains refer to the sale of company assets as part of their normal replacement process.

23 Raw materials, supplies and goods

This caption amounts to €51,615 thousand net of changes in inventories (first half of 2021: €45,605 thousand).

(€'000)

RAW MATERIALS, SUPPLIES AND GOODS	1H 2022	1H 2021	Variation
Raw materials, supplies and goods	51,537	45,872	5,665
Change in inventories	78	(267)	345
Total	**51,615**	**45,605**	**6,010**

24 Services

Services total €86,486 thousand in the first half of 2022 (first half of 2021: €77,127 thousand) and are detailed in the table below.

(€'000)

SERVICES	1H 2022	1H 2021	Variation
Maintenance	2,615	2,285	330
Subcontracting, consultancy and third party services	55,237	52,111	3,126
Insurance and sureties	3,806	2,378	1,428
Costs recharged by third parties	609	342	267
Consultants' and temporary workers' fees	2,043	2,182	(139)
Costs of employees on secondment	193	371	(178)
Utilities	554	491	63
Directors' fees	900	621	279
Statutory auditors' fees	110	100	10
Food and accommodation for employees on business trips	6,785	5,595	1,190
Commercial costs	610	144	466
General and administrative costs	572	433	139
Tender costs	57	1	56
Transport	8,506	7,127	1,379
Motor vehicles and cars	1,332	1,034	298
Fines and compensation	89	94	(5)
Other services	2,465	1,818	647
Total	**86,486**	**77,127**	**9,359**

25 Personnel expense

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

(€'000)

PERSONNEL EXPENSE	1H 2022	1H 2021	Variation
Wages and salaries	37,539	31,549	5,990
Social security contributions	11,939	10,139	1,800
Post-employment benefits, pensions and other benefits	1,991	2,289	(298)
Other costs	291	620	(329)
Total	**51,761**	**44,597**	**7,164**

In the first half of 2022, other personnel expense includes the portion of costs incurred in the period for the management incentive plan (€847 thousand), which comprises both the cash payments (see note 17) and the share-based payments (see note 31), net of the reversal of the prior-year accrual for the MBO paid in the period.

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

	Italy	Abroad	TOTAL
Managers	30	12	42
White collars	232	83	315
Blue collars	789	321	1,110
30 June 2021	**1,051**	**416**	**1,467**
Managers	34	12	46
White collars	286	148	434
Blue collars	839	237	1,076
30 June 2022	**1,159**	**397**	**1,556**

26 Amortisation, depreciation and impairment losses

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

(€'000)

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	1H 2022	1H 2021	Variation
Amortisation of intangible assets	689	463	226
Depreciation of property, plant and equipment	12,170	9,447	2,723
Depreciation of right-of-use assets as per IFRS 16	3,796	3,073	723
Total	**16,655**	**12,983**	**3,672**

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

27 Impairment losses

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

(€'000)

IMPAIRMENT LOSSES	1H 2022	1H 2021	Variation
Trade receivables	68	25	43
Contract assets	33	86	(53)
Other current assets	2	5	(3)
Other non-current assets	(2)	472	(474)
Current tax assets	5	(3)	8
Cash and cash equivalents	(20)	4	(24)
Securities	(3)	0	(3)
Total	**83**	**589**	**(506)**

28 Other operating costs

This caption may be analysed as follows:

(€'000)

OTHER OPERATING COSTS	1H 2022	1H 2021	Variation
Loss on sale of assets	151	101	50
Rent and leases	5,168	3,124	2,044
Donations	20	0	20
Indirect taxes and duties	482	649	(167)
Fines and penalties	62	123	(61)
Net other costs (income)	(508)	333	(841)
Total	**5,375**	**4,330**	**1,045**

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

29 Internal work capitalised

(€'000)

INTERNAL WORK CAPITALISED	1H 2022	1H 2021	Variation
Internal work capitalised	11,023	6,294	4,729
Total	**11,023**	**6,294**	**4,729**

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

In the first half of 2022, this caption also includes the direct costs (materials and other costs) incurred for work to restructure the building that will house the parent's offices, as described earlier.

30 Net financial expense

Net financial expense is shown below:

(€'000)

FINANCIAL INCOME AND EXPENSE	1H 2022	1H 2021	Variation
Financial income			
From equity investments and securities	0	986	(986)
Other financial income	43	1,238	(1,195)
Gain on sale of securities	0	141	(141)
Interest income	77	123	(46)
Exchange gains	2,898	499	2,399
Total	**3,018**	**2,987**	**31**
Financial expense			
Impairment losses on securities	(8,160)	0	(8,160)
Loss on sale of securities	0	(1)	1
Interest expense	(964)	(646)	(318)
Fair value losses on warrants	0	(9,596)	9,596
Lease costs	(134)	(22)	(112)
Financial expense	(220)	(141)	(79)
Exchange losses	(129)	(397)	268
Total	**(9,607)**	**(10,803)**	**1,196**
Net financial expense	**(6,589)**	**(7,816)**	**1,227**

Financial expense in the first half of 2022 includes the net fair value losses on the group's short-term investments due to the widespread downturn in international financial markets. In the comparative period, net fair value losses of €9,596 thousand on warrants are those recognised in the first half of 2021 in relation to the additional conversion warrants exercised in the period and the fair value losses on such warrants issued and not yet exercised at 30 June 2021. In the first half of 2022, this caption shows a nil balance since the warrants issued by the parent were completely extinguished on 22 July 2021 following their conversion or expiry for not being exercised before the term set in their regulation since the acceleration condition was met.

31 Share-based payments

At the reporting date, the group has share-based payment agreements for the following incentive plans:

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

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

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

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

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

- the first instalment consists of 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 50% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2024.

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

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

- 2022-2023 performance share plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors on 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 5,540 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This plan is reserved to two beneficiaries. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

- the first instalment consists of 60% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 40% of the rights assigned, which will have a vesting period that will end with the approval of the consolidated financial statements at 31 December 2024.

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

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

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

The cost of these plans in the period, amounting to €80 thousand, is recognised in personnel expense.

32 Commitments and risks

These amount to €117,691 thousand at 30 June 2022, compared to €71,819 thousand at 31 December 2021. They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€116,728 thousand at 30 June 2022 and €70,937 thousand at 31 December 2021) and the surety given to banks for the group companies' loans (€963 thousand at 30 June 2022 and €882 thousand at 31 December 2021).

33 Related party transactions

As required by IAS 24, details of financial and trading transactions with related parties are presented at the end of the notes.

In accordance with article 2427.22-bis of the Italian Civil Code, the group did not carry out significant transactions at other than market conditions during the period, either in terms of the prices applied or the reasons underlying them.

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

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

(€'000)

ASSETS AND LIABILITIES AT 30 JUNE 2022	Right-of-use assets	Trade receivables	Current financial assets	Lease liabilities	Non-current financial liabilities	Trade payables
Associates						
Frejus S.c.a.r.l.						
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità		1	353,465			168
Sesto Fiorentino S.c.a.r.l.						593
Railworks/Delta A Joint Venture Minnesota		194				
Delta - Railroad Joint Venture, LLC		313				
Other related parties						
Talia Gestioni S.r.l.	1,159			1,237		
Dforce Holdings LLC					481	
TOTAL	**1,159**	**508**	**353,465**	**1,237**	**481**	**761**

(€'000)

REVENUE AND COSTS FOR 1H 2022	Revenue	Services	Other operating costs	Financial income	Financial expense
Associates					
Frejus S.c.a.r.l.					
Consorzio I.C.A.V. Imprese Consorziate Alta Velocità		9			
Sesto Fiorentino S.c.a.r.l.					
Railworks/Delta A Joint Venture Minnesota	680				
Delta - Railroad Joint Venture, LLC	162	133			
Other related parties					
Talia Gestioni S.r.l.					27
Dforce Holdings LLC					2
TOTAL	**843**	**141**	**0**	**0**	**29**

34 Acquisition of subsidiaries

On 8 March 2022, the Salcef Group, with the subsidiary Euro Ferroviaria S.r.l., signed the contract for the acquisition of a business unit operating in the railway sector and, particular, in the design, construction and maintenance of electrical contact lines for electrical traction (the "PSC business unit") from the PSC Group.

The signing and closing took place on 8 March 2022, whereas the acquisition was recognised on 1 May 2022, which was the acquisition date, since it was when the group gained control of the acquired business as contractually agreed.

The agreed consideration for the acquisition of the business unit was approximately €26,614 million ("base price"), subject to the usual price adjustment mechanisms (upwards or downwards) depending on variations in the business unit's working capital. €23.1 million of the base price was paid at the closing and another €1.5 million was paid on 31 May 2022. If positive, the sum total of the residual price, the price adjustment determined on the basis of working capital at 30 April 2022, less any additional liabilities that should arise in connection with the business unit referring to the period before 8 March 2022, will be paid when certain contractual conditions are satisfied.

The table below summarises the acquisition-date fair value of the main components of the consideration transferred, which was determined considering the liabilities of the acquired business unit that had arisen up to the preparation date of these condensed interim consolidated financial statements. The amount could change if any additional liabilities arise before the purchase price allocation is completed.

(€'000)

TRANSFERRED CONSIDERATION	
Cash and cash equivalents	24,614
Contingent consideration	456
Total	**25,070**

Acquired assets and assumed liabilities at the acquisition date are summarised below. The data are based on the statement of financial position of the PSC business unit at 1 May 2022, adjusted for consistency with the IFRS endorsed by the European Commission and the basis of presentation adopted by the Salcef Group.

(€'000)

ACQUIRED ASSETS AND ASSUMED LIABILITIES	
Property, plant and equipment	2,035
Right-of-use assets	1,107
Equity investments	17
Contract assets	8,237
Trade receivables	173
Other assets	103
Contract liabilities	(5,047)
Employee benefits	(174)
Lease liabilities	(1,107)
Trade payables	(3,700)
Other liabilities	(678)
Total net identifiable assets	**965**

Goodwill arising on the acquisition was recognised as follows:

(€'000)

GOODWILL	
Total fair value of transferred consideration	25,070
Total net identifiable assets	(965)
Total	**24,104**

For the preparation of these condensed interim consolidated financial statements at 30 June 2022, the acquisition of the PSC business unit was recognised, in accordance with IFRS 3, by allocating the provisional amounts of the transaction pursuant to paragraph 45 and following paragraphs of this standard. To this end, pending the group's definition of the long-term post-acquisition plan and the consequent purchase price allocation, the carrying amounts of the PSC business unit's assets and liabilities were maintained, allocating the entire difference with respect to the consideration transferred.

35 Earnings per share

Basic earnings per share

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

Basic earnings (loss) per share in the first half of 2022 are shown in the table below:

EARNINGS PER SHARE	1H 2022	1H 2021
Numerator (€)		
Profit attributable to the ordinary shareholders of the parent (A)	*13,779,288*	*15,080,601*
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,068,688	46,391,924
(-) Weighted average of the ordinary treasury shares	(498,243)	(387,526)
(=) Weighted average of the ordinary shares outstanding in the year (B)	*61,570,445*	*46,004,398*
Basic earnings per share (€) (A/B)	**0.22**	**0.33**

Diluted earnings per share

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

The table below illustrates the calculation of diluted earnings per share:

DILUTED EARNINGS PER SHARE	1H 2022	1H 2021
Numerator (€)		
(+) Profit attributable to the ordinary shareholders of the parent	n.a.	15,080,601
(+/-) Changes in income/expense arising from the conversion of potential ordinary shares with a dilution effect	n.a.	-
= Adjusted profit attributable to the ordinary shareholders of the parent (A)	*n.a.*	*15,080,601*
Denominator (unit)		
(+) Weighted average of the ordinary shares	n.a.	46,391,924
(-) Weighted average of the ordinary treasury shares	n.a.	(387,526)
(+) Weighted average of potential ordinary shares with a dilution effect	n.a.	7,802,508
(=) Weighted average of the ordinary shares outstanding in the year (B)	*n.a.*	*53,806,906*
Diluted earnings per share (€) (A/B)	**n.a**	**0.28**

There are no outstanding instruments at the reporting date that could potentially dilute the basic earnings per share because, neither special shares, nor performance shares, nor the additional conversion warrants were outstanding at that date, since all such instruments issued by Salcef Group S.p.A. had been fully converted and/or extinguished.

In the comparative period, the dilutive instruments considered were special shares and performance shares, whereas the additional conversion warrants did not have a dilution effect at 30 June 2021 because, in accordance with paragraph 41 of IAS 33, their conversion into ordinary shares would have increased earnings per share. Indeed, the adjustment increasing the numerator to reflect the lack of the fair value loss on the additional conversion warrants (described in note 30) would have had an anti-dilution effect not cancelled out by the increase to be made to the denominator to reflect the weighted average of the ordinary shares that could be issued when such additional conversion warrants are converted into ordinary shares. The comparative figure in the table above therefore considers the weighted average of only those ordinary

shares that could be issued when the performance shares and special shares are converted into ordinary shares.

36 Contingent liabilities

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

Management does not believe that any of these proceedings present a probable risk of financial expenditure or that they could give rise to significant liabilities. Consequently, no specific provisions are recognised in the condensed interim consolidated financial statements at 30 June 2022. Any adverse developments, which are not currently foreseeable or determinable based on internal analyses or judicial investigations in progress, will be adequately assessed for the purposes of calculating any accruals.

Significant non-recurring events and transactions

The group's financial position, financial performance and cash flows were not affected by significant non-recurring events and transactions in the first half of 2022. Moreover, the group did not carry out any atypical or unusual transactions during the period.

Events after the reporting period

No events have taken place from the reporting date to the date of preparation of this report that would have had a significant impact on the group's financial position at 30 June 2022 or its financial performance for the six months then ended.

CEO

(Valeriano Salciccia)

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

1. In accordance with the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, the undersigned Valeriano Salciccia and Fabio de Masi, respectively CEO and manager in charge of financial reporting of Salcef Group S.p.A. attest to:
   - the adequacy with respect to the group's characteristics (taking into account any changes in the period) and
   - the effective application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements in the first half of 2022.

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

3. Furthermore:

3.1 the condensed interim consolidated financial statements:

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

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

Rome, 4 August 2022

CEO
Valeriano Salciccia

Manager in charge of financial reporting
Fabio De Masi

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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Salcef Group, comprising the statement of financial position as at 30 June 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

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

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Salcef Group as at and for the six months ended 30 June 2022 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Rome, 5 August 2022

KPMG S.p.A.

(signed on the original)

Marco Giordano
Director of Audit

SALCEF GROUP