SALCEF GROUP

INTERIM FINANCIAL REPORT AT 30 JUNE 2024

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

Registered office: Via Salaria 1027 - 00138 Rome – Italy

Salcef Group holding company

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

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

Tax code 08061650589| VAT no. 01951301009

www.salcef.com

Contents

01

OVERVIEW

Salcef Group 4

02

DIRECTORS' REPORT

General information 8
Financial figures and key performance indicators 9
Human resources 14
Key events of the period 15
Events after the reporting period 19
2024 stock grant plan 19
2024-2026 performance share plan 19
Outlook 20
Key risks and uncertainties 23
Related party transactions 25

03

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2024

Condensed interim consolidated financial statements 27
Notes to the condensed interim consolidated financial statements 34
Attestation on the condensed interim consolidated financial statements 110

04

INDEPENDENT AUDITORS' REPORT

01 OVERVIEW

Salcef Group

Parent details

Salcef Group S.p.A.

Registered office: Via Salaria 1027 - 00138 Rome – Italy

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

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

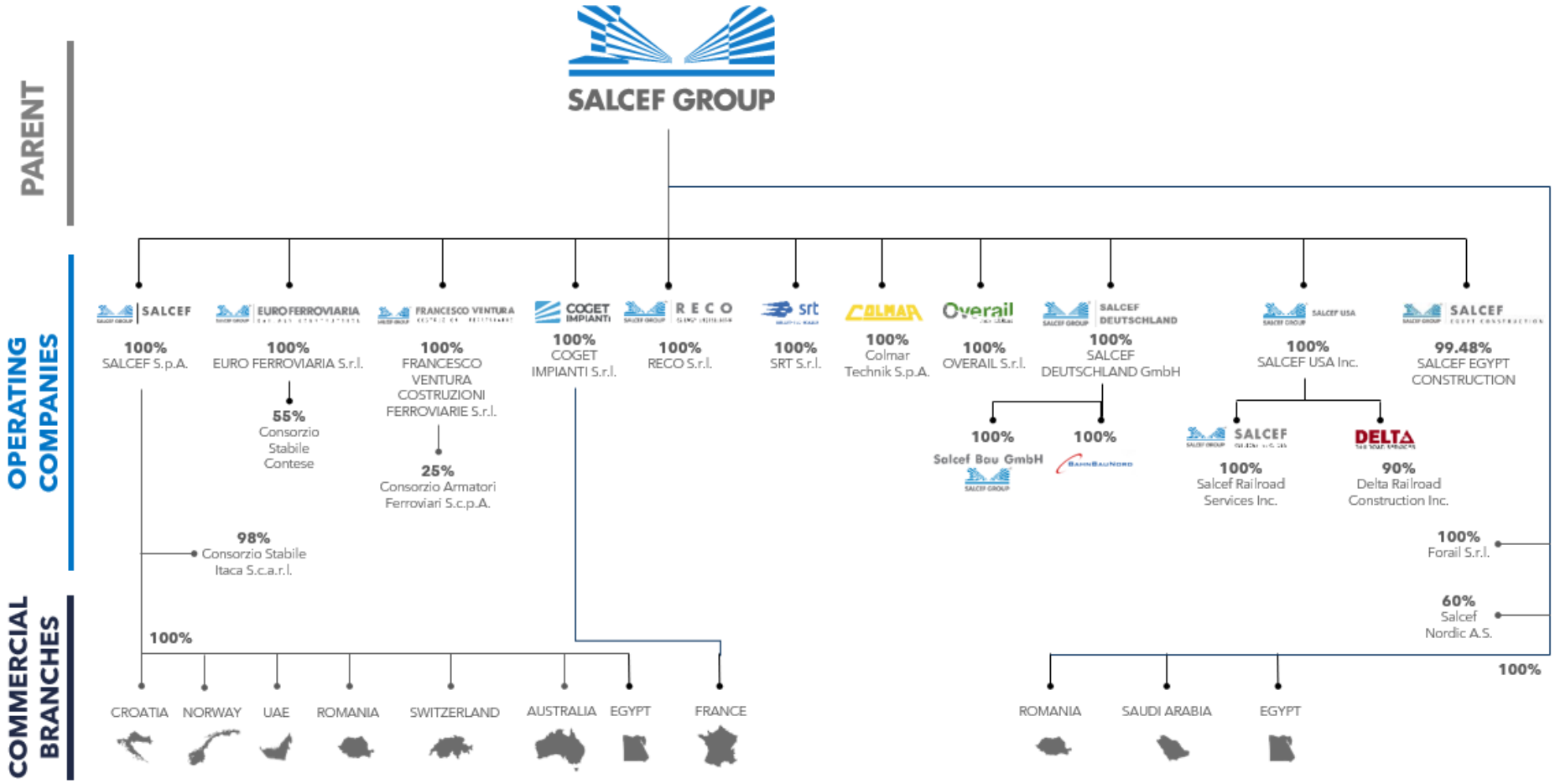
Tax code 08061650589| VAT no. 01951301009

www.salcef.com

Company officers

Board of directors *appointed by the shareholders on 29 April 2022. In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2024.*	Chairperson CEO Director Director (independent) Director (independent) Director (independent) Director (independent)	Gilberto Salciccia Valeriano Salciccia Angelo Di Paolo Veronica Vecchi Bruno Pavesi Valeria Conti Emilia Piselli
Remuneration and appointment committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Emilia Piselli Veronica Vecchi Bruno Pavesi
Audit and risk committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Valeria Conti Veronica Vecchi Bruno Pavesi
Related parties committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Bruno Pavesi Emilia Piselli Valeria Conti
Sustainability committee *In office up until the date of the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2024.*	Chairperson Member Member	Veronica Vecchi Emilia Piselli Valeria Conti
Board of statutory auditors *appointed by the shareholders on 29 April 2022. In office up until the date of the shareholders' meeting called to approve the separate 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 2020.*	KPMG S.p.A.	

Group structure



02 DIRECTORS' REPORT

General information

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

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

The condensed interim consolidated financial statements at 30 June 2024 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 8 August 2024.

At the date of approval of this interim financial report, Salbid S.p.A.. (the "ultimate parent") holds the absolute majority of Salcef Group S.p.A. shares but does not manage or coordinate it. Reference should be made to the "Key events of the period" section for information about the change of the majority shareholder that occurred during the first six months of the year.

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 2024 and its performance for the six months then ended, as well as significant events of the period.

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

Reclassified income statement

(€'000)

	1H 2024	1H 2023	Variation
Revenue	486,635	361,625	125,010
Operating costs	(399,959)	(294,835)	(105,124)
Other operating costs	(10,415)	(7,415)	(3,000)
Internal work capitalised	16,365	14,431	1,934
EBITDA (gross operating profit)	**92,626**	**73,806**	**18,820**
Amortisation, depreciation and impairment losses	(29,819)	(25,344)	(4,475)
EBIT (operating profit)	**62,807**	**48,462**	**14,345**
Adjusted net financial expense*	(6,672)	(4,665)	(2,007)
Adjusted pre-tax profit*	**56,135**	**43,797**	**12,338**
Adjusted income taxes**	(18,210)	(12,824)	(5,386)
Adjusted profit for the period	**37,925**	**30,973**	**6,952**
** Net fair value gains on financial investments*	1,945	2,256	(311)
*** Deferred tax liabilities on net fair value gains on financial investments, reversal of deferred tax assets on revaluation and non-recurring tax expense*	(4,808)	(2,115)	(2,693)
Profit for the period	**35,062**	**31,114**	**3,948**

Key performance indicators

(€'000)

	1H 2024	1H 2023
EBITDA margin	19.03%	20.41%
EBIT margin	12.91%	13.40%

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

Key financial indicators

(€'000)

	30.06.2024	31.12.2023
NFD	(36,170)	(7,209)
Adjusted equity	444,179	441,112

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

- EBITDA is calculated by adjusting the profit or loss for the period to exclude taxation, net financial expense and amortisation, depreciation and impairment losses;
- EBIT is calculated by adjusting the profit or loss for the period to exclude taxation and net financial expense;
- adjusted pre-tax profit or loss is calculated by adjusting the profit or loss for the period to exclude the effects of taxation and non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group, such as fair value gains/losses on short-term investments;
- adjusted profit or loss is calculated by adjusting the profit or loss for the period to exclude the effects of non-recurring events, events unrelated to the core business and/or non-recurring transactions, as identified by the group, such as fair value gains/losses on short-term investments and the tax impact of such fair value gains/losses, the reversal of deferred tax assets recognised on tax 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 as from 2021.

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

In the first six months of the year, the group recognised revenue of €486,635 thousand, up €125,010 thousand (+34.6%) on the €361,625 thousand of the first half of 2023. This improvement is mainly due to the group's continued organic growth and the changes in the consolidation scope following the acquisition of Colmar Technik S.p.A. in August 2023, which, therefore, did not contribute to the income statement for the first half of 2023.

EBITDA amounts to €92,626 thousand, an €18,820 thousand (+25.5%) increase over the €73,806 thousand of the first six months of 2023. The EBITDA margin is 19.03%, down on the 20.41% margin recorded in the same period of 2023. This is consistent with the budget and is attributable to the larger consolidation scope following the recent acquisitions. The increasingly stable effects of global inflationary trends on profit margins were substantially mitigated by both cost efficiency measures adopted by the group and regulatory amendments introducing price adjustment mechanisms for public tenders.

EBIT amounts to €62,807 thousand, up €14,345 thousand on the first half of 2023 as a result of the larger volumes described earlier, despite the greater amortisation and depreciation (€3,231 thousand) of intangible assets and property, plant and equipment recognised as a result of the PPA procedure carried out from June 2023.

The adjusted profit for the period is €37,925 thousand, compared to €30,973 thousand for the same period of 2023. The adjustments to the profit for the period of €35,062 thousand related to: (i) the net fair value gains on financial investments of €1,945 thousand, (ii) the related deferred tax liabilities of €467 thousand, (iii) the release of deferred tax assets on revaluations of €1,152 thousand, and (iv) non-recurring tax expense of €3,190 thousand recognised by the subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. following a tax audit performed during the period. Financial income of €1,945 thousand consists of fair value gains on the group's short-term investments. The tax expense of €1,152 thousand derives fromthe 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 Italian reporting standards (OIC) - revalued their assets in accordance with the "August Decree" in their financial statements at 31 December 2020 and decided to apply the substitute tax scheme, equal to 3% of the net balance of the revaluation, in order to apply the revaluation for tax purposes. This revaluation was reversed for consolidation purposes, but retained full effect for tax purposes.

Accordingly, the tax value of the assets revalued in the subsidiaries' financial statements is higher than their carrying amount in the Salcef Group's consolidated financial statements. This difference led to the recognition of deferred tax assets (IRES - corporate income tax and IRAP - regional productivity tax) in the consolidated financial statements at 31 December 2020 in accordance with IAS 12. The deferred tax assets reverse starting from 2021 as the subsidiaries that applied the revaluation fully deduct the greater depreciation arising from the revaluation in the calculation of current taxes (IRES and IRAP), while such greater depreciation is reversed in the Salcef Group's condensed interim consolidated financial statements.

Lastly, the non-recurring tax expense of €3,190 thousand recognised by the subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. is the result of a tax audit carried out by the tax authorities, which mainly focused on the tax credits for R&D activities accrued and used prior to the group's acquisition of the subsidiary. The amount presented in the income statement for the period equals the tax credits challenged by the tax authorities, net of the compensation paid to the group.

The Salcef Group's net financial indebtedness amounts to €36,170 thousand at the reporting date, compared to €7,209 thousand at 31 December 2023. The €28,961 thousand increase is mostly due to the dividend payment of €33,506 thousand, net of the liquidity generated in the period.

The table below shows the net financial indebtedness (and adjusted net financial indebtedness) at 30 June 2024 and 31 December 2023 in accordance with the table set out in the ESMA Guidelines of 4 March 2021:

(€'000)

	30.06.2024	31.12.2023	Variation
(A) Cash	164,030	140,929	23,101
(B) Cash equivalents	0	0	0
(C) Other current financial assets	82,123	88,495	(6,372)
(D) Liquidity (A + B + C)	**246,153**	**229,424**	**16,729**
(E) Current financial debt	(10,472)	(10,828)	356
(F) Current portion of non-current financial debt	(100,946)	(83,506)	(17,440)
(G) Current financial indebtedness (E + F)	**(111,418)**	**(94,334)**	**(17,084)**
(H) Net current financial position (G + D)	**134,735**	**135,090**	**(355)**
(I) Non-current financial debt	(170,905)	(142,299)	(28,606)
(J) Debt instruments	0	0	0
(K) Trade payables and other non-current financial liabilities	0	0	0
(L) Non-current financial indebtedness (I + J + K)	**(170,905)**	**(142,299)**	**(28,606)**
(M) Net financial indebtedness (H + L)	**(36,170)**	**(7,209)**	**(28,961)**

Total adjusted equity of €441,179 thousand at 30 June 2024 is up €3,067 thousand on 31 December 2023 (€441,112 thousand). This increase is due to the distribution of the dividend in the period, as resolved by the shareholders on 22 April 2024, partly offset by the profit for the period, other comprehensive income (relating to net actuarial gains, net fair value losses on hedging derivatives, net fair value gains on financial assets at FVOCI and net exchange gains) and the recognition of the share-based incentive plans during the first half of 2024.

Total equity at the reporting date includes the reserve for treasury shares of €27,608 thousand, corresponding to the 1,473,249 treasury shares held by the parent at that date (2.361% of share capital). That number is unchanged at the date of preparation of this report.

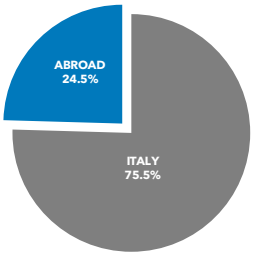
At the reporting date, the Salcef Group's order backlog of €2.4 billion includes track works (62.4%), energy sector works (29.3%), the production of sleepers and prefabricated products (1.9%), infrastructure works (3.9%), machinery construction and maintenance contracts (2.2%) and rail grinding (0.3%), which ensure continuity using the existing operating units already active in the relevant geographical areas.

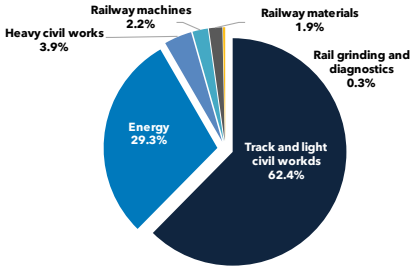
The Salcef Group's order backlog at 30 June 2024 is detailed by business unit and geographical segment below:

SALCEF GROUP - ORDER BACKLOG AT 30 JUNE 2024

Geographical segment	Amount (€'000)	%
Italy	1,813,616.2	75.5
Abroad	**589,951.8**	**24.5**
Total [1]	2,403,568.0	100.0

Business unit	Amount (€'000)	%
Track and light civil works	**1,499,307.3**	**62.4**
of which, Abroad	*549,350.7*	
Energy	**703,596.7**	**29.3**
of which, Abroad	*476.4*	
Rail grinding and diagnostics	**7,692.3**	**0.3**
of which, Abroad	*0.0*	
Heavy civil works	**94,591.3**	**3.9**
of which, Abroad	*16,695.4*	
Railway machines	**52,646.3**	**2.2**
of which, Abroad	*23,429.3*	
Railway materials	**45,734.0**	**1.9**
Total [1]	2,403,568.0	100.0





[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 in accordance with applicable foreign legislation. A breakdown of the group's workforce at the reporting date compared to 30 June 2023 is as follows:

	Italy	Abroad	TOTAL
Managers	37	18	55
White collars	363	93	456
Blue collars	1,080	246	1,326
30 June 2023	**1,480**	**357**	**1,837**
Managers	42	21	63
White collars	504	129	633
Blue collars	1,276	263	1,539
30 June 2024	**1,822**	**413**	**2,235**

Key events of the period

Approval of 2023 integrated annual report and dividend distribution

During their ordinary meeting of 22 April 2024, the shareholders approved the parent's separate financial statements as at and for the year ended 31 December 2023 and acknowledged the consolidated financial statements as at and for the year ended 31 December 2023, which show a profit for the year attributable to the owners of the parent of €61,903,162, as well as the consolidated non-financial statement prepared in accordance with Legislative decree no. 254/206.

The shareholders also resolved to distribute a dividend of €0.55 per eligible ordinary share at the record date (i.e., 14 May 2024), with coupon detachment on 13 May 2024 and payment date on 15 May 2024. The shareholders then approved the allocation of the remaining profit for the year, allocating €1,953 thousand to the legal reserve and €3,615 thousand to retained earnings.

During their ordinary meeting, the shareholders:

i) examined the report on remuneration policy and compensation paid, prepared in accordance with current legal and regulatory requirements, approved the parent's remuneration policy for 2024 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;

ii) approved the 2024 stock grant plan, which provides for the free allocation of up to a maximum of 40,000 ordinary shares without nominal amount if set performance conditions are met. The beneficiaries are some employees, including key management personnel, of the parent and group companies and other beneficiaries holding key management positions in the group who can have a significant impact on the group's sustainable success. The plan is a short-term incentive plan (management by objectives, MBO) and has one grant cycle for the allocation of shares for free if the performance objectives are met;

iii) approved the 2024-2026 performance share plan, which provides for the free allocation of up to a maximum of 40,000 ordinary shares without nominal amount if set performance conditions are met. The beneficiaries are some key management personnel of the parent and group companies. The plan consists of one grant cycle for the free-of-charge allocation of shares if the performance objectives are met.

Agreement between the ultimate parent's shareholder and the funds managed by Morgan Stanley Infrastructure Partners

On 24 April 2024, Salcef Group S.p.A. published a press release announcing that Finhold S.r.l.'s shareholders (the "founding shareholders") and funds managed by Morgan Stanley Infrastructure Partners ("MSIP") had signed a binding sale, purchase and investment agreement aimed at: (i) transferring all the Salcef Group S.p.A. shares held by Finhold S.r.l. to the newco resulting from the demerger of Finhold S.r.l. by the founding shareholders and (ii) transferring about 42% of the newco to funds managed by MSIP, a leading global platform of infrastructure investments, by combining primary and secondary transactions (the "transaction"). Execution of the transaction is subject to the fulfilment of certain conditions precedent, as is standard practice, including antitrust and regulatory approvals in the relevant jurisdictions.

After the closing, the founding shareholders will continue to hold a majority investment in the newco and, indirectly, in Salcef Group S.p.A.. At the same time, the founding shareholders and the funds managed by MSIP will sign shareholder agreements governing the direct and indirect governance of Salcef Group S.p.A.. Accordingly, they will have to launch a mandatory tender offer for all outstanding shares of Salcef Group S.p.A., which currently amount to about 35.23% of its share capital (roughly 33.6%, net of treasury shares).

The tender offer price will be €26.55 per share, cum dividend (the "tender offer price"), which encompasses a 20% premium compared to the shares' official price at 23 April 2024 (last trading day before the publication of the above press release), and a 17% and 15% premium compared to the Salcef Group S.p.A. share's weighted average price of the last three (3) and twelve (12) months, respectively. Moreover, considering that at the date of approval of this report, a €0.55 dividend per share has already been distributed, as resolved by Salcef Group S.p.A.'s shareholders on 22 April 2024, the tender offer price will be reduced by an amount equal to said dividend.

The tender offer aims at delisting Salcef Group S.p.A.'s shares from the Euronext STAR Milan segment of the stock exchange managed by Borsa Italiana S.p.A.. Should the delisting not occur via the tender offer, the founding shareholders and MSIP will achieve it using other means, including Salcef Group S.p.A.'s merger into the vehicle that will launch the tender offer.

Under the above agreements, on 9 May 2024, Finhold S.r.l.'s shareholders resolved to demerge all the Salcef Group S.p.A. shares held (40,414,444 ordinary shares) to Railbid S.r.l. (the newco set up for the demerger). This transaction was completed by signing the demerger deed on 20 June 2024. On 16 July 2024, Railbid S.r.l. set up Salbid S.p.A. contributing all its 40,414,444 Salcef Group S.p.A. ordinary shares thereto.

Accordingly, at the date of approval of this report, Salbid S.p.A. is Salcef Group S.p.A.'s majority shareholder as it holds 64.767% of its share capital and, as a result of the loyalty voting rights granted up to 7 August 2024, 77.928% if its voting rights.

Incorporation of Forail S.r.l.

In May 2024, Forail S.r.l. (wholly-owned by Salcef Group S.p.A.) was incorporated. It will carry out railway machine maintenance activities as part of the Railway Machines business unit, as well as logistics activities. Its registered office is in Via Salaria 1027, Rome and its quota capital amounts to €10,000.

On 28 June 2024, the quotaholders of Forail S.r.l. and SRT S.r.l., which is also wholly-owned by Salcef Group S.p.A. and operates as part of the same business unit, approved the demerger proposal for the partial proportionate demerger of the latter company (the "demerged company") to the former company (the "beneficiary"). As a result of the demerger, the railway machine maintenance business line will be transferred to the beneficiary. The demerger will be completed during the second half of the year, when the legal terms after the filing of quotaholders' resolutions with the competent company registrar's office have elapsed. The accounting effects of the demerger will be recognised using the carrying amounts shown in the demerged company's financial statements as this is a transaction under common control.

Legal proceedings under Legislative decree no. 231/2001

In addition to the information provided in the 2023 integrated annual report, there are no significant changes to report about the criminal proceedings being handled by the Milan Public Prosecutor's Office, in which Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. are under investigation, together with other companies. Specifically, at the hearing of 23 May 2024, the Public Prosecutor presented their conclusions by generically requesting the committal for trial of all the defendants and all the companies in relation to each of the alleged crimes, reserving the right to file their own brief. At the same hearing, the lawyers representing the group's companies involved in the proceedings requested that a ruling not to prosecute be issued, reserving the right to file further defence briefs after the filing of the Public Prosecutor's brief. At further hearings held on 21 June and 3 July 2024, the defence lawyers of other parties involved in the proceedings delivered their conclusions. In addition, the hearing of 3 July 2024 referred to the filed ruling no. 2210/2024, where the Court of Appeal of Milan judged some co-defendants for the same crimes, concluding that "the results of the preliminary investigations are not sufficient to consider the participation of [omissis] in the criminal organisation as proven". Finally, the judge adjourned the hearing to 17 September 2024 to complete the preliminary hearings and scheduled further hearings.

Therefore, the criminal proceedings are still at the preliminary hearing stage before the competent judge at the Milan Court and none of the group companies has currently been charged for the alleged crimes pursuant to Legislative decree no. 231/2001, as no decision has yet been taken by the judge on whether or not to commit for trial.

Hence, at present, on the basis of the legal opinions acquired by the group (which consider the documents of the proceedings, the charges and the conduct of the suspects), the opinions acquired on the validity of the Organisational, management and control model as per Legislative decree no. 231/2001 adopted by the companies, as well as the opinions acquired on the effectiveness of the services received, while not being

able to exclude any procedural implications, it is still believed that: (i) there is a remote chance that the group companies involved will be charged, (ii) there is a remote chance that any liabilities linked to the proceedings will arise, and (iii) there is a remote risk that the proceedings may, to date, affect the companies' eligibility under the general requirements pursuant to the ineligibility regulations of the new Procurement Code.

Legal proceedings under Legislative decree no. 159/2011

As of the date hereof, the information provided by the subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. in its financial statements as at and for the year ended 31 December 2023 concerning the anti-mafia ban issued by the Prefect of Rome (the "ban") and the judicial control pursuant to article 34-bis of Legislative decree no. 159/2011 that affect this company, is confirmed. Specifically, as already disclosed in the above-mentioned 2023 financial statements, following the positive completion of a self-cleaning process, which saw a significant acceleration as a result of the company's integration into the Salcef Group, in June 2023, it filed a petition with the Prefecture of Rome to revoke the ban.

Taking into account the favourable periodic feedback on performance by the judicial commissioner and the opinions received from the appointed external lawyers, the company considers the risk that the competent authorities will not revoke the ban, or will not adopt measures suspending its effectiveness, by the judicial review's deadline of September 2024 to be remote.

Moreover, a further extension of the 12-month suspension of the anti-mafia ban concerning the consortium in which Francesco Ventura Costruzioni Ferroviarie S.r.l. has a 25% stake has already been granted with the adoption of the measure provided for by article 34 of Legislative decree no. 159/2011.

Events after the reporting period

No events have taken place from the reporting date to the date of preparation of this report that could have a significant impact on the group's financial position at 30 June 202 or its financial performance and cash flows for the six months then ended.

2024 stock grant plan

As mentioned earlier, at their ordinary meeting of 27 April 2023, the shareholders approved the 2024 stock grant plan for certain employees, including key management personnel, of the parent and Salcef group companies, along with other beneficiaries holding managerial positions deemed key within the group (the "stock grant plan"). The stock grant plan provides for the right to receive up to a maximum of 40,000 ordinary shares of the parent for free upon the achievement of previously determined performance objectives and after a certain vesting period. The plan consists of just one grant cycle. The rights granted to each beneficiary will be divided into two equal instalments subject to different vesting periods, as follows:

- the first instalment will consist of 50% of the rights granted, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2025;
- the second instalment will consist of the remaining 50% of the rights granted, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2026.

Subsequently, based on the powers granted to him by the board of directors at the meetings held on 14 March and 26 June 2024, the CEO enacted the 2024 stock grant plan, defining the beneficiaries and the respective scorecards.

2024-2026 performance share plan

As discussed earlier, during their ordinary meeting on 22 April 2024, the shareholders approved the 2024-2026 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 40,000 ordinary shares of the parent for free upon the achievement of previously determined performance objectives and after a certain vesting period. The plan consists of just one grant cycle. The rights granted to each beneficiary will be divided into two instalments subject to different vesting periods, as follows:

- the first instalment will consist of 60% of the rights granted, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2026;

- the second instalment will consist of the remaining 40% of the rights granted, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2028.

Subsequently, based on the powers granted to him by the board of directors at the meetings held on 14 March and 26 June 2024, the CEO enacted the 2024-2026 performance share plan, defining the beneficiaries and the respective scorecards.

Outlook

In the second half of 2024, the group will continue to operate in its sectors of interest (track works, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of prestressed vibrated reinforced concrete sleepers and other concrete products for use in the railway sector) in Italy and abroad in those countries where it already has a strong business footprint and its specialised plant and personnel have ensured efficient service for many years.

Public investment in the railway sector will remain robust, particularly in the geographical segments where the group has a base. In Italy, which is the group's main market, the Ferrovie dello Stato Group and most other railway, tram and metro infrastructure operators have continued to increase the level of their investment programmes for both new infrastructure and routine and extraordinary maintenance, as well as to upgrade existing infrastructure. Therefore, new acquisition opportunities are expected in the second half of 2024.

In the second half of 2024, the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., FVCF S.r.l. and Overail S.r.l. continue to mostly work in the domestic track works sector in line with the national master agreements for the renewal and maintenance of tracks and turnouts for the 2021-2023 three-year period for RFI S.p.A. for the lots in central and north-west Italy, as well as in southern Italy, following the acquisition of FVCF. In the track works sector, the group has a multitude of other contracts for the maintenance and renewal of railway and urban lines in the same sector. It has work sites active in Lazio and, specifically, Rome, for projects assigned by Atac (the Rome public transport body) and Astral (Lazio roads authority). The group's largest work sites have been set up for: (i) restructuring of the rail system in the area related to the Civitavecchia Port Authority, (ii) renewal of the tracks on the Anagnina- Ottaviano section of Line A of the Rome metro, (iii) extraordinary maintenance on the tracks of the tram system in Rome and (iv) maintenance work on the Rome metro network and the Rome-Lido and Rome-Viterbo urban railway lines in Lazio.

Other work sites carry out both maintenance projects and track renewal and extension projects for other customers in the track works sector in Italy: (i) "renewal" and extraordinary maintenance works on the tracks, on lines owned by the Umbria Region, (ii) projects for the maintenance and refurbishment of narrow gauge railway lines in Sardinia on behalf of ARST and RFI, (iii) routine and extraordinary maintenance of urban and regional lines managed by EAV, the Volturno independent authority) and (iv) numerous projects for the

maintenance and extension of existing lines on behalf of Ferrovie Appulo-Lucane, Ferrovie della Calabria, TUA and Circumetnea.

Moreover, work is being carried out to prepare and kick off projects for new contracts acquired towards the end of 2023 and in the first half of 2024, worth some €210 million.

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

In the United States, Delta Railroad Construction has an order backlog of about USD106 million in the track works sector. Its largest contract is the construction of the Purple Line for the Maryland Transportation Authority, in addition to many other smaller contracts in other US states. Its ongoing projects guarantee work for at least two years. The group has another US-based operating company, Salcef Railroad Services, set up to develop other opportunities in the North American market, especially for the Rail Grinding business unit.

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

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

Romania and Egypt will play a crucial role in bolstering the group's growth from the second half of 2024, both as work begins on the contracts already awarded and as additional business opportunities open up. Salcef S.p.A. has an order backlog in Romania of over €270 million, including projects that it has acquired directly and those it has been awarded jointly with leading sector operators. All the contracts are with the state railway carrier of Romania for the upgrading of railways in Timișoara and Arad and the modernisation of Lots 3 and 4 of the Caransebeș – Timișoara – Arad line. Work will begin on all these projects in the second half of 2024, although production is expected to be minimal in 2024, especially for the railway line modernisation projects, before ramping up in subsequent years. In Egypt, the first half of 2023 saw Salcef S.p.A. win the contract to build the tracks in the northern section of the Green High-Speed Line, extending for a total of 600 km from Alexandria to Marsa Matruh. This is the first high speed line on the African continent. A joint venture of Orascom Construction S.A.E. and The Arab Contractors awarded the contract. After the first design and mobilisation stage, the initial work is expected to be carried out in the second half of the year, while the project will be fully up and running in 2025.

The Energy, Signalling & Telecommunications business unit has an order backlog of more than €700 million (a new record for this business unit), on which Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.r.l. are working. This business unit has numerous active work sites in Italy, mostly set up for: (i) the renewal and maintenance of electrical traction systems, (ii) the maintenance of signalling systems and substations on lines

operated by RFI, (iii) work for Lot 3 of the project to develop ERMTS (European Rail Transport Management System) signalling systems in central Italy and (iv) the renewal and maintenance of high and medium voltage overhead power lines in specific areas on behalf of Terna.

Moreover, work is being carried out to prepare and kick off projects for new contracts acquired towards the end of 2023 and in the first half of 2024, worth some €285 million.

Overail S.r.l., the group company that produces reinforced concrete components, mainly railway sleepers which it customises to Italian customer requirements, commenced production of concrete slabs for ballastless tracks. This product complements its existing product portfolio, which already included alternatives to ballasted tracks for metro lines. In the first half of 2024, production became fully operational and is expected to further increase in the second half of the year.

After having acquired a large new facility in the Terre Roveresche municipality (Pesaro-Urbino), for which a major development investment is planned for 2024, the subsidiary SRT S.r.l. will continue to mainly construct and maintain rolling stock for group companies, as well as to build machinery for third parties. Its order backlog is worth about €14 million. In the first half of 2024, the Italian product portfolio and projects of the Railway Machines business unit rose thanks to the newly acquired Colmar Technik S.p.A., specialised in the design and construction of railway machines. Specifically, this acquisition led to an increase of about €32 million in the order backlog and of €11 million in production in the first half of the year.

With reference to the Heavy Civil Works business unit, construction of the civil works and track works on the HS Verona - Padua railway line is now up and running and is expected to be completed by the end of 2025. In view of the 2025 Jubilee to take place in Rome, production increased in this city compared to previous years due to the construction of an underpass for the redevelopment and pedestrianisation of Piazza Pia, a project that will be completed in early 2025.

Overall, all the group's main business units saw an upturn in their production output. This growth is driven by the key routine and extraordinary maintenance contracts for the Italian railway network, which are carried out by the Track & Light Civil Works and the Energy, Signalling & Telecommunications business units. It is also supported by the projects financed by the National Recovery and Resilience Plan, namely the construction of civil works and track works on the HS/HC Verona - Padua line, the production of the US and German subsidiaries and the start-up of the new projects acquired in late 2023 and in the first half of 2024. Corporate finance deals involving Francesco Ventura Costruzioni Ferroviarie S.r.l. and the newly acquired Colmar Technik S.p.A. have also contributed to this growth.

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

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

Key risks and uncertainties

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

Inflation and production cost risk

Like most of the operators in the public works construction and maintenance sector in Europe, the group is exposed to the risk of increases in the direct costs linked to the significant inflationary phenomena affecting Italy and the majority of the countries in the world. Specifically, the cost of labour, raw materials, semi-finished products and finished goods has jumped, as have the costs of subcontractors and other service providers. Furthermore, the effects of the conflict in Ukraine are dire in terms of increases in many production costs, particularly energy. Most of the contracts in the group's backlog do not include price revision clauses, although a series of legislative measures has been enacted in this respect in the past two years, particularly in Italy, the latest being the decree converted into Law no. 91 of 15 July 2022, which introduced price adjustment mechanisms for processing and supplies, not only for new contracts, but above all for contracts that had already been entered into by 2021, along with the 2023 Budget Act (Law no. 197/22) which set out guidelines for adjusting prices for 2023. In 2024, Law no. 18/2024 (converting Decree law no. 215/2023) extended the price adjustment mechanism applied in 2023. As a result, no negative changes are expected for the group's operations in Italy.

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 or 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 variable interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates is growing due to the upwards trend in rates which accelerated compared to previous years. The group's interest rate risk hedging policy by effectively neutralising most of the effect of increases in interest rates by agreeing interest rate swaps for its main loans in place. The purpose of such interest rate swaps is solely to hedge interest rate risk; therefore, the group does not hold derivatives for speculative purposes.

Currency risk

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

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

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

The group decided to neutralise fluctuations in exchange rates on a specific transaction, i.e., it entered into currency forwards to hedge the cash flows on the loan in US dollars that Salcef Group S.p.A. granted to its subsidiary Salcef USA Inc.. The purpose of such currency forwards is solely to hedge currency risk; therefore, as mentioned above, the group does not hold derivatives for speculative purposes.

Liquidity risk

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

Risk of changes in contract consideration

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

Credit risk

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

Operational risks

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

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

3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2024

Condensed interim consolidated financial statements

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	30.06.2024	31.12.2023
Non-current assets			
Intangible assets with finite useful lives	1	30,393,637	35,447,767
Goodwill	2	99,501,951	98,692,353
Property, plant and equipment	3	243,453,049	228,729,417
Right-of-use assets	4	14,904,932	13,332,762
Equity-accounted investments	5	132,643	132,643
Other non-current assets	6	38,120,074	33,285,777
- of which, with related parties	*33*	1,321,453	1,321,453
Deferred tax assets	7	21,842,332	23,542,489
Total non-current assets		**448,348,618**	**433,163,208**
Current assets			
Inventories	8	73,543,807	58,569,987
Contract assets	9	253,091,032	185,786,026
Trade receivables	10	160,707,999	177,201,127
- of which, with related parties	*33*	16,870,846	12,611,091
Current tax assets	11	1,294,364	1,286,657
Current financial assets	12	82,123,436	88,494,879
Cash and cash equivalents	13	164,030,008	140,929,019
Other current assets	14	64,286,756	46,382,739
Total current assets		**799,077,402**	**698,650,434**
TOTAL ASSETS		**1,247,426,020**	**1,131,813,642**

LIABILITIES	Note	30.06.2024	31.12.2023
Equity attributable to the owners of the parent			
Share capital		141,544,532	141,544,532
Other reserves		270,064,083	241,307,225
Profit for the period/year		34,984,820	61,903,162
Total equity attributable to the owners of the parent		**446,593,435**	**444,754,919**
Share capital and reserves attributable to non-controlling interests		2,864,966	2,650,300
Profit for the period/year attributable to non-controlling interests		76,822	214,666
TOTAL EQUITY	**15**	**449,535,223**	**447,619,885**
Non-current liabilities			
Non-current financial liabilities	16	163,685,430	135,236,953
Lease liabilities	4-16	7,219,861	7,061,792
Employee benefits	17	4,592,668	4,569,178
- of which, with related parties	*33*	277,595	642,128
Provisions for risks and charges	18	4,114,758	4,444,266
Deferred tax liabilities	7	13,008,653	13,439,741
Other non-current liabilities	21	3,907,502	4,286,112
Total non-current liabilities		**196,528,872**	**169,038,042**
Current liabilities			
Current financial liabilities	16	105,505,543	89,160,192
Current portion of lease liabilities	4-16	5,912,981	5,173,500
Current employee benefits	17	822,587	2,517,389
- of which, with related parties	*33*	524,626	1,208,653
Contract liabilities	9	110,472,624	104,136,021
Trade payables	19	294,226,876	254,695,363
- of which, with related parties	*33*	432,686	977,613
Current tax liabilities	20	40,601,376	16,794,490
Other current liabilities	21	43,819,938	42,678,760
- of which, with related parties	*33*	166,870	657,475
Total current liabilities		**601,361,925**	**515,155,715**
TOTAL LIABILITIES		**797,890,797**	**684,193,757**
TOTAL EQUITY AND LIABILITIES		**1,247,426,020**	**1,131,813,642**

INCOME STATEMENT

	Note	1H 2024	1H 2023
Revenue from contracts with customers		483,113,777	356,431,991
- of which, with related parties	*33*	21,321,230	8,513,181
Other income		3,520,964	5,192,976
Total revenue	**22**	**486,634,741**	**361,624,967**
Raw materials, supplies and goods	23	(123,447,731)	(90,598,286)
- of which, with related parties	*33*	(3,824)	(49,843)
Services	24	(193,186,052)	(134,298,496)
- of which, with related parties	*33*	(192,806)	(368,186)
Personnel expense	25	(83,324,863)	(69,937,810)
- of which, with related parties	*33*	(806,813)	(592,201)
Amortisation, depreciation and impairment losses	26	(29,356,528)	(24,377,353)
Impairment losses	27	(462,262)	(966,150)
Other operating costs	28	(10,414,907)	(7,415,333)
Internal work capitalised	29	16,365,129	14,430,736
Total costs		**(423,827,214)**	**(313,162,692)**
Operating profit		**62,807,527**	**48,462,275**
Financial income	30	6,320,161	4,221,097
Financial expense	30	(11,047,483)	(6,628,976)
- of which, with related parties		0	(20,259)
Pre-tax profit		**58,080,205**	**46,054,396**
Income taxes	7	(23,018,563)	(14,939,983)
Profit for the period		**35,061,642**	**31,114,413**
Profit for the year attributable to:			
Non-controlling interests		76,822	83,824
Owners of the parent		34,984,820	31,030,589
Earnings per share:			
Basic earnings per share	34	0.57	0.50
Diluted earnings per share	34	0.57	0.50

STATEMENT OF COMPREHENSIVE INCOME

	Note	1H 2024	1H 2023
Profit for the period		**35,061,642**	**31,114,413**
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	17	187,076	(247)
Net fair value gains on securities measured at FVOCI	12	93,106	80,512
Related tax	7	(75,325)	(19,253)
Total		**204,857**	**61,012**
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging losses	12-16	(1,891,140)	(689,307)
Related tax	7	453,874	165,434
Net exchange gains/(losses)		1,555,387	(1,417,374)
Total		**118,121**	**(1,941,247)**
Other comprehensive income (expense), net of tax		**322,978**	**(1,880,235)**
Comprehensive income		**35,384,620**	**29,234,178**
Attributable to:			
Non-controlling interests		76,822	83,824
Owners of the parent		35,307,798	29,150,354

STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Other reserves	Reserve for treasury shares	Actuarial reserve	Hedging reserve	Translation reserve	Retained earnings	Profit for the period/year	Equity att. to non-controlling interests	Equity
Balance at 1 January 2024		**141,544,532**	**158,827,083**	**(27,976,928)**	**(280,296)**	**(1,160,354)**	**(4,303,877)**	**116,201,597**	**61,903,162**	**2,864,966**	**447,619,885**
Profit for the period									34,984,820	76,822	35,061,642
Other comprehensive income			70,761		134,096	(1,437,266)	1,555,387				322,978
Comprehensive income		**-**	**70,761**	**-**	**134,096**	**(1,437,266)**	**1,555,387**	**-**	**34,984,820**	**76,822**	**35,384,620**
Allocation of prior year profit			1,953,413					59,949,749	(61,903,162)		-
Dividend distribution								(33,506,361)			(33,506,361)
Assignment of treasury shares (share-based incentive plans)	31		(429,861)	369,166							(60,695)
Share grants	31		97,774								97,774
Total owner transactions		**-**	**1,621,326**	**369,166**	**-**	**-**	**-**	**26,443,388**	**(61,903,162)**	**-**	**(33,469,282)**
Balance at 30 June 2024	**15**	**141,544,532**	**160,519,170**	**(27,607,762)**	**(146,200)**	**(2,597,620)**	**(2,748,490)**	**142,644,985**	**34,984,820**	**2,941,788**	**449,535,223**

STATEMENT OF CASH FLOWS

		Note	1H 2024	1H 2023
	Profit for the period		**35,061,642**	**31,114,413**
	Amortisation and depreciation		29,356,528	24,377,353
	Impairment losses		462,262	966,150
	Net financial expense		4,727,321	2,407,879
	Net (gains)/losses on the disposal of property, plant and equipment		422,353	(112,266)
	Other adjustments for non-monetary items		(80,433)	3,032,977
	Net accruals to/(utilisations of) provisions		(1,626,872)	3,021,485
	Income taxes		23,018,563	14,939,982
(A)	**Cash flows from operating activities before changes in working capital**		**91,341,364**	**79,747,973**
	(Increase) / decrease in inventories		(14,973,820)	(3,336,266)
	(Increase) / decrease in contract assets/liabilities		(60,968,403)	(61,923,485)
	(Increase) / decrease in trade receivables		19,488,884	18,234,580
	Increase / (decrease) in trade payables		39,531,513	9,910,047
	(Increase) / decrease in other current and non-current assets		(20,688,630)	(9,887,543)
	Increase / (decrease) in other current and non-current liabilities		762,569	3,741,564
(B)	**Changes in working capital**		**(36,847,887)**	**(43,261,102)**
	Cash flows generated by operating activities (A+B)		**54,493,477**	**36,486,871**
	Interest paid		(8,726,068)	(5,660,465)
	Income taxes paid		0	(1,012,303)
(C)	**Net cash flows generated by operating activities (A+B)**		**45,767,409**	**29,814,103**
	Investing activities			
	Interest collected		169,103	272,634
	Investments in intangible assets		(650,885)	(1,207,512)
	Acquisition of property, plant and equipment		(37,645,706)	(29,660,897)
	Investments in securities and other financial assets		(1,088,220)	(1,818,000)
	Proceeds from the sale of property, plant and equipment		2,778,351	2,827,356
	Proceeds from the sale of current securities and other financial assets		7,877,038	10,029,498
	Acquisition/sale of subsidiaries net of cash acquired		0	1,225,014
	Exchange differences		(1,291,880)	(587,948)
(D)	**Cash flows used in investing activities**		**(29,852,199)**	**(18,919,855)**
	Financing activities			
	Disbursement of loans		90,810,000	88,267,072
	Repayment of loans		(45,666,622)	(70,373,440)
	Payment of lease liabilities		(4,451,238)	(3,429,915)
	Repurchase of treasury shares		0	(8,555,069)
	Dividends distributed		(33,506,361)	(30,800,832)
(E)	**Cash flows from (used in) financing activities**		**7,185,779**	**(24,892,183)**
(F)	**Net change in cash and cash equivalents (C+D+E)**		**23,100,989**	**(13,997,935)**
(*)	**Opening cash and cash equivalents**		**140,929,019**	**131,180,990**
	Net change in cash and cash equivalents		23,100,989	(13,997,935)
(*)	**Closing cash and cash equivalents**	13	**164,030,008**	**117,183,055**

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

Notes to the condensed interim consolidated financial statements at 30 June 2024

General information on the reporting entity

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

These condensed interim consolidated financial statements at 30 June 2024 include the interim separate financial statements of the parent and the interim financial statements of its subsidiaries (collectively, the "Salcef Group" or the "group") and have been prepared pursuant to article 154-ter.2 of Legislative decree no. 58 of 24 February 1998 (the Consolidated finance act) as amended and supplemented, and in compliance with IAS 34 - Interim financial reporting.

Salcef Group S.p.A.'s board of directors approved the condensed interim consolidated financial statements at 30 June 2024 and authorised them for publication on 8 August 2024.

At the date of approval of these condensed interim consolidated financial statements, Salbid S.p.A. (the "ultimate parent") holds the absolute majority of Salcef Group S.p.A. shares but does not manage or coordinate it. Reference should be made to note 15 for information about the change of majority shareholder that occurred during the first six months of the year.

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

Basis of preparation and compliance with the IFRS

The condensed interim consolidated financial statements at 30 June 2024 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 consolidated financial statements as at and for the year ended 31 December 2023 available at the parent's registered office and at www.salcef.com, on the Investor Relations / Financial reports page.

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

Basis of presentation

The condensed interim consolidated financial statements at 30 June 2024 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 year 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 condensed interim consolidated financial statements.

Note 33 provides information and details of related party transactions.

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

Accounting policies

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

The group has prepared the condensed interim consolidated financial statements at 30 June 2024 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 2024 have been prepared by consolidating the parent's separate interim financial statements at the same date and the interim financial statements of the Italian and foreign companies that it directly or indirectly controls.

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

The interim financial statements of subsidiaries are included in the 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 by their competent bodies 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 2024

	REGISTERED OFFICE	CURRENCY	Share/quota capital/ consortium fund	Investment percentage		Method
				Indirect	Direct	
Subsidiaries						
Salcef S.p.A.	Rome - Italy	Euro	60,000,000		100%	Line-by-line consolidation
Euro Ferroviaria S.r.l.	Rome - Italy	Euro	100,000		100%	Line-by-line consolidation
RECO S.r.l.	Rome - Italy	Euro	100,000		100%	Line-by-line consolidation
SRT S.r.l.	Rome - Italy	Euro	100,000		100%	Line-by-line consolidation
Overail S.r.l.	Rome - Italy	Euro	100,000		100%	Line-by-line consolidation
Coget Impianti S.r.l.	Rome - Italy	Euro	1,000,000		100%	Line-by-line consolidation
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	Euro	420,000		100%	Line-by-line consolidation
Overail S.r.l.	Rome - Italy	Euro	10,000		100%	Line-by-line consolidation
Colmar Technik S.p.A.	Rovigo - Italy	Euro	1,000,000		100%	Line-by-line consolidation
Colmar USA Inc.	Niagara Falls (NY) - USA	USD	60,000	100%		Line-by-line consolidation
Technik (UK) Limited	Richmond - Surrey - Great Britain	GBP	2	100%		Line-by-line consolidation
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	Euro	162,750		100%	Line-by-line consolidation
Salcef Bau GmbH	Landsberg Am Lech - Germany	Euro	25,000	100%		Line-by-line consolidation
Bahnbau Nord GmbH	Henstedt-Ulzburg - Germany	Euro	75,000	100%		Line-by-line consolidation
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000		100%	Line-by-line consolidation
Salcef Railroad Services Inc.	Wilmington (DE) - USA	USD	10,000	100%		Line-by-line consolidation
Delta Railroad Construction Inc.	Ashtabula - Ohio - USA	USD	109,640	90%		Line-by-line consolidation
Deltarr Holding Company, Corp.	Ashtabula - Ohio - USA	USD	500	90%		Line-by-line consolidation
Delta Railroad Company of Canada, ULC	Toronto - Canada	CAD	1	90%		Line-by-line consolidation
Salcef Nordic A.S.	Oslo (Norway)	NOK	30,000		60%	Line-by-line consolidation
Consorzio Stabile Itaca S.c.a.r.l.	Rome - Italy	Euro	40,000	98.03%		Line-by-line consolidation
Consorzio Stabile Contese	Rome - Italy	Euro	30,000	55%		Line-by-line consolidation
Associates and joint arrangements						
Delta Railroad JV, LLC	Ashtabula - Ohio - USA	USD	-	50%		Proportionate consolidation
Railworks/Delta A Joint Venture	New York (NY) - USA	USD	-	45%		Proportionate consolidation
Sesto Fiorentino S.c.a.r.l.	Imola - Italy	Euro	10,000	47.68%		Equity
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	Euro	500,000	25%		Equity
RTS GmbH	Seevetal - Germany	Euro	12,500	50%		Equity

Changes in the consolidation scope since 31 December 2023 in terms of companies in which the group has acquired or lost control in the first half of 2024 are as follows: (i) the sale of Colmar SK S.r.o. (previously indirectly wholly owned through Colmar Technik S.p.A.) on 30 May 2024 and (ii) the incorporation of Forail S.r.l., wholly owned by the parent, on 3 May 2024. Its reported equity (€10,000.00) is equal to the carrying amount of the parent's equity investment in its separate financial statements. Moreover, the subsidiaries Bahnsicherung Nord GmbH, Schweißteam Nord GmbH and Sartorius Nova Signal GmbH were merged into Bahnbau Nord GmbH.

The consolidation process is as follows:

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

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

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

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

Business combinations

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

Any subsequent fair value gains or loss on the contingent consideration are recognised in profit or loss as financial income or expense. The identifiable net assets acquired are generally measured at fair value. 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 recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Loss of control

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

Translation of foreign currency items and financial statements

Transactions in foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on 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 for the period which approximate those ruling at the dates of the transactions. Exchange differences are recognised in other comprehensive income and accumulated in the translation reserve, except for any exchange difference to be allocated to non-controlling interests.

Exchange rates used by the group at 30 June 2024

CURRENCY	Code	30.06.2024	
		Closing rate	Average rate
Egyptian lira	EGP	51.4080	44.8310
Romanian leu	RON	4.9773	4.9743
UAE dirham	AED	3.9314	3.9709
US dollar	USD	1.0705	1.0813
Saudi riyal	SAR	3.9314	4.0547
Norwegian krone	NOK	11.3965	11.4926
Swiss franc	CHF	0.9634	0.9615
British pound	GBP	0.8464	0.8545
Canadian dollar	CAD	1.3704	1.3704
Australian dollar	AUD	1.6079	1.6422

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 2024.

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 significantly different useful lives, they are depreciated separately using the component approach.
Land, including appurtenance land, is not depreciated.
The group reviews the depreciation criteria and useful lives at least at each annual reporting date to incorporate any significant changes.

Depreciation starts when the asset is available for use. The following table shows the estimated useful lives of the various asset categories, shown as annual depreciation rates:

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

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

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

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

Right-of-use assets and lease liabilities

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

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

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

right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.
The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and making certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

- it applied the same discount rate to leases with similar characteristics in terms of residual term for classes of similar underlying assets in similar locations;
- it excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- it determined the contractual variables (especially the lease term) using hindsight;
- upon initial application of IFRS 16, for contracts previously classified as operating leases, the parent recognised a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position before the date of initial application;
- upon initial application of IFRS 16, for contracts previously classified as finance leases, the 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 annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

Inventories

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

Revenue from contracts with customers and contract assets/liabilities

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

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

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

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

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

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

When, during the progress of contracts, the 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. This includes all derivative financial assets.
On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

Financial liabilities – classification and subsequent measurement

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

Equity

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. 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 under 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 the benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

Provisions for risks and charges

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

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

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

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

Financial income and expense

The group's financial income and expense include:

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

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

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

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is

calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross base.

Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current taxes are calculated on the taxable profit for the period in accordance with the tax laws applicable to each consolidated company at the rates enacted at the reporting date. They are shown net of payments on account, withholdings and tax assets as current tax liabilities if the balance is negative, or as current tax assets if the balance is positive.

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint ventures 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 credits 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 parent, the grant-date fair value of the incentives granted to employees (rights to receive shares) is recognised under personnel expense, with a corresponding increase in equity. The expense is allocated over the vesting period, during which the satisfaction of the performance conditions is assessed and the beneficiary must continue to satisfy the service condition in order to have the right to the incentives. The vesting period commences at the grant date, i.e., the date on which the group 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 that manage the main stages of the production process, which consist of the operational design, production and supply of railway materials (e.g., sleepers and prefabricated systems), the construction of machinery (e.g., track-laying trains and rolling stock) and the construction and maintenance of tracks, 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 consolidated 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 through profit or loss in the period 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 procedure. During the measurement period, management calculates these fair values based on estimates according to the information available on all facts and circumstances that existed as of the acquisition date that would have affected the measurement of the amounts recognised as of that date.

- Impairment of non-current assets: property, plant and equipment and intangible assets with a finite useful life are tested for impairment. Any impairment losses are recognised when there are elements indicating that there may be difficulties in recovering the assets' carrying amount through use. Impairment testing requires management to make subjective assessments based on information available within the group and the market and on historical experience. In addition, a potential impairment loss is determined using appropriate valuation techniques. The correct identification of the elements indicating potential impairment and the estimates to calculate it depend on factors that may vary over time influencing management 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.

Standards and interpretations effective from 1 January 2024 and new standards and interpretations

The standards, amendments and interpretations endorsed by the European Commission and effective from 1 January 2024 are detailed below:

- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7): the amendments introduce new disclosure requirements for an entity to provide information about its reverse factoring arrangements that would enable users of financial statements to assess the effects of these arrangements on the entity's liabilities and cash flows and its exposure to liquidity risk;
- Classification of liabilities as current or non-current (Amendments to IAS 1 - Presentation of financial statements): these amendments relate to (i) the classification of liabilities as current or non-current and (ii) the disclosures about non-current Liabilities with covenants;
- Lease liability in a sale and leaseback (Amendments to IFRS 16).

The adoption of the above amendments starting from 1 January 2024 did not have any material impacts on these condensed interim consolidated financial statements.

In addition, at the date of approval of these condensed interim consolidated financial statements, other new standards and amendments to existing standards issued by the IASB are currently undergoing or are beginning the EU endorsement process. The new standards and amendments are summarised below:

- Lack of exchangeability (Amendments to IAS 21 - The effects of changes in foreign exchange rates), which require an entity to apply a consistent methodology to determine whether a currency is exchangeable into another and, when this is not possible, how to determine the exchange rate to be used and the related disclosures. The IASB published the amendments on 15 August 2023 which will become effective from 1 January 2025;
- amendments to IFRS 9 - Financial instruments and IFRS 7 - Financial instruments: Disclosures, which amended the classification and measurement of financial instruments with reference to: (i) the settlement of financial liabilities using an electronic payment system and (ii) the assessment of the contractual cash flow characteristics of financial assets, including those with ESG-linked features. The IASB published the amendments on 30 May 2024 which will become effective from 1 January 2026;
- IFRS 18 - Presentation and disclosure in financial statements, which will replace IAS 1 and will introduce three new requirements, aiming to improve financial disclosures by: (i) enhancing comparability of financial performance between companies (requiring the classification of all income and expenses into three categories: operating, investing and financing activities), (ii) improving transparency about management performance measures and (iii) requiring a more useful aggregation of information to be presented in the financial statements. The effective date of IFRS 18 is 1 January 2027;

- IFRS 19 (Subsidiaries without public accountability), which specifies reduced disclosure requirements that a subsidiary of an entity reporting under the IFRS is permitted to apply instead of the disclosure requirements in other standards in order to reduce the costs of preparing the financial statements of these subsidiaries, while maintaining the usefulness of the information for the users of their financial statements. The effective date of IFRS 19 is 1 January 2027.

The group is currently assessing the potential impacts of the first-time adoption of the above amendments or new standards.

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 €30,394 thousand, compared to €35,448 thousand at 31 December 2023. This caption and changes in the period are analysed in the table below:

(€'000)

	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Costs to fulfil contracts	Other intangible assets from business combinations	Assets under development	TOTAL
Balance at 31 December 2023:							
Cost	2,838	647	20,500	2,210	25,838	4,483	56,516
Accumulated amortisation	(1,987)	(597)	(10,810)	(544)	(7,129)	0	(21,068)
Carrying amount at 31 December 2023	**851**	**50**	**9,690**	**1,666**	**18,709**	**4,483**	**35,448**
Investments - Historical cost	295	5	21	0	0	331	651
Disposals - Historical cost	0	0	0	0	0	0	0
Other variations - Historical cost	0	0	0	0	0	0	0
Reclassifications - Historical cost	0	0	1,446	0	0	(1,446)	0
Exchange differences - Historical cost	0	0	23	0	0	51	74
Amortisation	(185)	(6)	(2,470)	(398)	(2,647)	0	(5,705)
Disposals - Acc. amortisation	0	0	0	0	0	0	0
Other variations - Acc. amortisation	0	0	0	0	0	0	0
Reclassifications - Acc. amortisation	0	0	0	0	0	0	0
Exchange differences - Acc. amortisation	0	0	(75)	0	0	0	(75)
Balance at 30 June 2024:							
Cost	3,133	652	21,990	2,210	25,838	3,419	57,242
Accumulated amortisation	(2,172)	(603)	(13,355)	(942)	(9,776)	0	(26,848)
Carrying amount at 30 June 2024	**961**	**49**	**8,635**	**1,268**	**16,062**	**3,419**	**30,394**

Industrial patents and intellectual property rights of €961 thousand mainly consist of the industrial patents acquired by SRT S.r.l. for railway technologies (€335 thousand), intellectual property rights and patents held by Overail S.r.l. (€29 thousand), the software user licences acquired mainly by Salcef S.p.A., Euro Ferroviaria S.r.l., SRT S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. (€449 thousand) and intellectual property rights of Delta Railway Construction Inc. and Salcef Deutschland GmbH (€26 thousand).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€41 thousand).

Costs to fulfil contracts of €1,268 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/HC Verona - Padua" project in order to begin the scheduled work, net of the portion already taken to profit or loss as amortisation based on the percentage of completion of the contract, as well as the Romanian branch's contracts for transporting materials and equipment.

Other mainly consists of costs incurred by SRT S.r.l. to design new railway machines (€2,905 thousand), the development costs of the subsidiary FVCF as a result of its acquisition in December 2022 (€3,670 thousand) and development costs incurred by Overail to design new railway materials and acquire the relevant patents (€1,039 thousand).

Assets under development chiefly include costs incurred by SRT S.r.l. to design new railway machinery that has not yet been rolled out (€3,393 thousand). The decrease is due to the reclassification of capitalised costs related to projects completed in the first half of 2024 to other non-current assets.

Intangible assets arising from business combinations consist of the assets recognised under the purchase price allocation procedure for the acquisitions of the PSC business unit, FVCF and Colmar Technik S.p.A.. They include: (i) the PSC business unit's, FVCF's and Colmar's order backlog, net of subsequent amortisation; (ii) the Colmar trademark, net of subsequent amortisation; and (iii) Colmar's customer relationships, net of subsequent amortisation.

2 Goodwill

(€'000)

	30.06.2024	31.12.2023	Variation
Carrying amount	99,502	98,692	810
Total	**99,502**	**98,692**	**810**

At the reporting date, this caption amounts to €99,502 thousand (31 December 2023: €98,692 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 arising on the acquisition of the track works business unit in 2002;
- €682 thousand arising on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand arising on the acquisition of the electrical traction business unit in 2008;
- €242 thousand arising on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand arising on the 2015 acquisition of a business unit from Tuzi Costruzioni Generali S.p.A., active in the track works , construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. (now named Overail S.r.l.) in 2017 (€392 thousand) and on the difference between the cost incurred

by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the consolidation date (€521 thousand);

- €6,630 thousand arising on the acquisition of the investments in Salcef Bau GmbH (in 2018) and the Salcef Deutschland Group (in 2021);
- €7,082 thousand arising in 2019 on the acquisition of the investment in Coget Impianti S.p.A. (now Coget Impianti S.r.l.) following the PPA procedure which the group completed in 2020;
- €25,930 thousand arising on the 2020 acquisition of the investment in Delta Railroad Construction Inc. by the subsidiary Salcef USA Inc. following the purchase price allocation procedure which the group completed in 2021;
- €21,041 thousand arising on the 2022 acquisition of the PSC business unit following the purchase price allocation procedure which the group completed in 2023;
- €21,943 thousand arising on the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. at the end of 2022 following the purchase price allocation procedure which the group completed in 2023;
- €13,099 thousand arising on the acquisition of Colmar Technik S.p.A. in August 2023 following the purchase price allocation procedure which the group completed in 2023.

At 31 December 2023, the group tested the cash-generating units (CGUs), to which goodwill had been allocated for impairment, and no impairment was found. Specifically, all the aforementioned goodwill was allocated to the CGUs reported in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Track works	23,734	23,734	0
Salcef Deutschland	6,630	6,630	0
Delta Railroad Construction Inc.	25,930	25,121	809
Energy, Signalling and Telecommunications	28,954	28,954	0
Design	242	242	0
Railway Materials	913	913	0
Railway Machines	13,099	13,099	0
Total	**99,502**	**98,692**	**809**

The €809 thousand increase in goodwill from 31 December 2023 is solely attributable to the "Delta Railroad Construction Inc." CGU, due to fluctuations in the EUR-USD exchange rate.

At 31 December 2023, the above goodwill was tested for impairment by determining the value in use of the aforementioned CGUs applying the discounted cash flow (DCF) method to the estimated cash flows for the 2024-2026 three-year period, based on the CGUs' forward-looking financial figures, to which a WACC of 8.3% was applied for the Track Works and Energy, Signalling and Telecommunications CGUs, a WACC of 9.4% was applied for the Railway Materials, Design and Railway Machines CGUs, a WACC of 7.6% for the Salcef Deutschland CGU and a WACC of 8.2% 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 2023-2025 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 (2026) were determined on the basis of the performance that can be inferred from the 2023-2025 plan.

The discount rate was estimated as follows:

- the risk free rate was determined to be equal to the average yield over the past six months on ten-year government securities: 4.3% for Italy (the country where the Track Works, Energy, Signalling and Telecommunications, Design, Railway Materials and Railway Machines CGUs operate), 2.6% for Germany (the country where the Salcef Deutschland CGU operates) and 4.3% for the United States (the country where the Delta Railroad Construction Inc. CGU operates);
- the equity risk premium was 5.5%;
- the levered beta of 0.75 for Italy, 0.73 for Germany and 0.74 for the US was determined considering a sample of listed companies operating in the same sector as the group;
- the additional risk premium was 1.6% for the Track Works, Energy, Signalling and Telecommunications and Delta Railroad Construction CGUs and 3.1% for the Railway Materials, Design, Railway Machines and Salcef Deutschland CGUs.

The net cost of debt was estimated to be 4.4% for Italy, 2.8% for Germany and 4.2% for the United States, increased by a specific spread (1.5%) 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 in perpetuity (g-rate) of 2% 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 was performed on the parameters used for the impairment test, considering a reduction in the g-rate of up to half a percentage point and an increase in the WACC of up to half a percentage point. Even in this scenario, the tests showed no indication of impairment losses.

At 30 June 2024, considering the actual results, the cash-generating units were not tested for impairment as there were no impairment indicators.

3 Property, plant and equipment

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

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

(€'000)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	TOTAL
Balance at 31 December 2023:						
Historical cost	42,157	359,428	20,599	16,513	34,318	473,015
Accumulated depreciation	(3,856)	(213,040)	(18,064)	(9,325)	0	(244,285)
Carrying amount at 31 December 2023	**38,301**	**146,388**	**2,535**	**7,188**	**34,318**	**228,730**
Investments - Historical cost	579	20,327	1,076	2,295	13,369	37,646
Disposals - Historical cost	0	(2,168)	(86)	(687)	(1,917)	(4,859)
Reclassifications - Historical cost	2,391	5,333	15	161	(7,900)	0
Impairment losses - Historical cost	0	(105)	0	0	0	(105)
Changes in the consolidation scope	0	0	0	0	0	0
Exchange differences - Historical cost	7	533	265	154	36	995
Other variations - Historical cost	0	0	0	0	0	0
Depreciation	(486)	(17,552)	(963)	(1,022)	0	(20,023)
Disposals - Acc. depreciation	0	1,089	82	486	-	1,658
Reclassifications - Acc. depreciation	0	0	0	0	0	0
Impairment losses - Acc. depreciation	0	24	0	0	0	24
Changes in the consolidation scope	0	0	0	0	0	0
Exchange differences - Acc. depreciation	(6)	(513)	6	(100)	0	(612)
Other variations - Acc. depreciation	0	0	0	0	0	0
Balance at 30 June 2024:						
Historical cost	45,134	383,348	21,869	18,436	37,906	506,693
Accumulated depreciation	(4,348)	(229,992)	(18,938)	(9,961)	-	(263,239)
Carrying amount at 30 June 2024	**40,786**	**153,356**	**2,931**	**8,475**	**37,906**	**243,453**

The increases in the first half of the year, particularly for plant and machinery, are part of the group's substantial plan to invest in property, plant and equipment. Most of the investments are eligible for the tax benefits introduced by the Industry 4.0 legislation. The decreases for the period relate to assets that are no longer used in production or are irrelevant to the group's activities.

Land and buildings mainly include: (i) the new building purchased by the group, used as its headquarters (€15,401 thousand, including renovation costs; of which €5,062 thousand refers to the land on which the building stands and the area used for parking); (ii) SRT S.r.l.'s operating offices in Fano (Pesaro and Urbino) and Terre Roveresche (Pesaro and Urbino) (€13,116 thousand; of which €2,638 thousand refers to the related land); (iii) the industrial site housing the subsidiary Overail S.r.l.'s railway sleeper production facility in Aprilia (€8,995 thousand; of which €2,284 thousand refers to the related land) and (iv) the production facilities in Arquà Polesine (Rovigo) and Costa di Rovigo (Rovigo) owned by the subsidiary Colmar Technik S.p.A. (€5,123 thousand, including the gains arising on the purchase price allocation process, which was completed in 2023).

The increases in plant and machinery mainly refer to the purchase of assets with technical features and performances 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 (€8,475 thousand) mainly consist of motor vehicles and cars (€4,692 thousand) and office furniture, fittings and equipment (€1,253 thousand).

Assets under construction and payments on account (€37,906 thousand) include costs incurred for the construction and extraordinary maintenance of machinery and equipment not yet in use, mainly performed by SRT S.r.l. on behalf of Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. (€16,820 thousand). They also include costs incurred by Overail S.r.l. (€8,105 thousand) to expand the Aprilia production facility and by SRT S.r.l. (€1,446 thousand) to expand the Terre Roveresche production facility. In both cases, these costs relate to activities not yet completed and/or pending inspection at the reporting date. The decrease in the period is attributable to the completion of the assets and their consequent reclassification to the relevant captions.

4 Right-of-use assets

(€'000)

	30.06.2024	31.12.2023	Variation
Carrying amount	14,905	13,332	1,573
Total	**14,905**	**13,332**	**1,573**

These mainly refer to the owner-operated assets (production machinery and vehicles) and buildings used as offices that the group occupies under operating leases. The group discounts the total amount of lease payments due and recognises it in this caption 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)

	Land and buildings	Plant and machinery	Other assets	TOTAL
Carrying amount at 1 January 2024	4,088	7,513	1,731	13,332
Increases	1,753	3,067	115	4,935
Change in the consolidation scope	-	0	0	0
Depreciation	(1,085)	(2,377)	(167)	(3,628)
Exchange differences	146	0	133	279
Derecognition	(12)	0	0	(12)
Carrying amount at 30 June 2024	**4,891**	**8,203**	**1,812**	**14,905**

(€'000)

LEASE LIABILITIES	
Carrying amount at 1 January 2024	12,235
Change in the consolidation scope	0
Payments	(3,961)
Increases	4,631
Exchange differences	165
Interest expense	63
Carrying amount at 30 June 2024	**13,133**
of which, non-current	*7,220*
of which, current	*5,913*

5 Equity-accounted investments

Equity-accounted investments amount to €136 thousand at 30 June 2024, unchanged with respect to 31 December 2023, as detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Associates	130	130	0
Joint ventures	0	0	0
Other companies	3	3	0
Total	**133**	**133**	**0**

The breakdown and details of these investments are reported below:

(€'000)

	REGISTERED OFFICE	30.06.2024	31.12.2023	Variation
Associates and joint ventures				
Sesto Fiorentino S.c.a r.l.	Rome - Italy	5	5	0
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	125	125	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		**133**	**133**	**0**

6 Other non-current assets

Other non-current assets amount to €38,120 thousand at 30 June 2024, compared to €33,286 thousand at 31 December 2023. This caption is detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Guarantee deposits	1,300	923	377
Performance bonds	34,193	31,722	2,471
Other assets	2,627	640	1,987
Total	**38,120**	**33,286**	**4,834**

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. The change in the period is mainly due to the larger amounts invoiced in the first half of 2024, net of collections made.

Other assets include the non-current portion (€1,827 thousand) of the compensation due to the subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. in connection with the tax audit carried out by the tax authorities, as detailed in note 7.

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

Income taxes, recognised through profit or loss or other comprehensive income, may be analysed as follows:

(€'000)

THROUGH PROFIT OR LOSS	1H 2024	1H 2023
IRES	(14,882)	(10,740)
IRAP	(3,427)	(2,781)
Foreign income taxes	(137)	(829)
Total current taxes	**(18,446)**	**(14,350)**
Change in deferred tax assets	(1,697)	(1,844)
Change in deferred tax liabilities	330	1,031
Total deferred taxes	**(1,367)**	**(813)**
Prior year taxes	**(3,206)**	**223**
Total income taxes	**(23,019)**	**(14,940)**

(€'000)

THROUGH OCI	Pre-tax	Tax benefit (expense)	Post-tax
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Net actuarial gains	187	(53)	134
Net fair value gains on securities measured at FVOCI	93	(22)	71
Total	**280**	**(75)**	**205**
Other comprehensive expense that will be subsequently reclassified to profit or loss			
Net hedging losses	(1,891)	454	(1,437)
Total	**(1,891)**	**454**	**(1,437)**
First half of 2024	**(1,611)**	**379**	**(1,232)**

Prior year taxes include those recognised by Francesco Ventura Costruzioni Ferroviarie S.r.l. (€3,190 thousand) as a result of a tax audit carried out by the tax authorities, which mainly focused on the tax credits for R&D activities accrued from 2016 to 2020 and used from 2017 to January 2022, hence prior to the group's acquisition of the subsidiary. The amount presented in the income statement for the period equals the tax credits challenged by the tax authorities, net of the compensation paid to the group. Specifically, the subsidiary has recognised: (i) a tax liability of €5,422 thousand, equal to the voluntary repayment and self-imposed sanction that it will pay on the basis of the preliminary assessment report received, including in relation to the findings included therein, (ii) an impairment loss of €261 thousand on the tax credits for R&D activities and (iii) a separate asset for the compensation it is entitled to based on the contractual terms (which is deemed virtually certain due to the existence of a written agreement between the parties) amounting to €2,493 thousand (€666 thousand of which will be paid within one year and €1,827 thousand after one year).

At 30 June 2024, deferred tax assets and liabilities amount to €21,842 thousand and €13,009 thousand, respectively. Changes in these two captions are analysed below:

(€'000)

DEFERRED TAX ASSETS	01.01.2024	Accruals through profit or loss	Utilisations through profit or loss	Variations through OCI	Exchange differences	30.06.2024
Revaluation of assets	8,253	0	(1,152)	0	0	7,101
Differences in amortisation and depreciation	491	0	0	0	0	491
Provisions for risks	405	0	0	0	0	405
Elimination of intragroup profits and losses	2,240	212	(308)	0	0	2,144
Change in fair value of securities and derivatives	1,153	0	(467)	264	0	950
Impairment losses on assets	4,027	100	0	0	0	4,127
Actuarial gains/losses on employee benefits	42	41	0	(53)	0	30
Stock grant/MBO	775	62	(600)	0	0	237
Tax loss	3,848	0	0	0	0	3,848
ACE (aid to economic growth) excess	987	0	0	0	0	987
Exchange differences	196	335	0	0	0	531
Foreign taxes	915	81	0	0	(214)	782
Other	210	0	(1)	0	0	209
Total	**23,542**	**831**	**(2,528)**	**211**	**(214)**	**21,842**

(€'000)

DEFERRED TAX LIABILITIES	01.01.2024	Accruals through profit or loss	Utilisations through profit or loss	Variations through OCI	Exchange differences	30.06.2024
Change in fair value of derivatives	854	0	0	(190)	0	664
Chaing in fair value of securities	48	0	0	22	0	70
Non-deductible interest income	1,624	0	0	0	0	1,624
Differences in amortisation and depreciation	658	2	(164)	0	0	496
Exchange differences	636	302	0	0	0	938
PPA for PSC business unit	442	0	(130)	0	0	312
PPA for FVCF	3,364	0	(540)	0	0	2,824
PPA for Colmar	3,895	0	(232)	0	0	3,663
Foreign taxes	1,916	432	0	0	67	2,415
Other	3	0	0	0	0	3
Total	**13,440**	**736**	**(1,066)**	**(168)**	**67**	**13,009**

The decrease of €1,152 thousand in deferred tax assets is mostly due to the reversal of such assets recognised at 31 December 2020 to offset the lower foreign income taxes recognised by subsidiaries due to their revaluation of company assets in their financial statements prepared in accordance with the OIC. Such revaluation is not permitted under IFRS.

Deferred tax liabilities mainly include those arising on the fair value of the intangible assets recognised following the purchase price allocation procedure completed in 2023.

Deferred tax assets are recognised since it is deemed probable, on the basis of business plans, that the group will generate future taxable profits sufficient for their recovery.

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

(€'000)

Pre-tax profit	58,080	
Theoretical IRES	(13,939)	24%
Lower taxes:		
- Other	1,418	2.44%
Greater taxes:		
- Other	(2,361)	-4.07%
Total IRES	**(14,882)**	**22.38%**
IRAP	**(3,427)**	**-5.90%**
Foreign income taxes	**(137)**	**-0.24%**
Prior year taxes	**(3,206)**	**-5.52%**
Deferred taxes	**(1,367)**	**-2.35%**
Total income taxes	**(23,019)**	**-39.64%**

CURRENT ASSETS

8 Inventories

These amount to €73,544 thousand at 30 June 2024, compared to €58,570 thousand at 31 December 2023. They are detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Raw materials, consumables and supplies	46,272	43,377	2,895
Work in progress and semi-finished products	9,424	5,679	3,745
Finished goods	17,848	9,514	8,334
Total	**73,544**	**58,570**	**14,974**

Raw materials, consumables and supplies include consumables and other materials purchased for construction and track works and not yet used at the reporting date, materials for the construction and maintenance of rolling stock and railway machines by SRT S.r.l., Colmar Technik S.p.A. 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 works by SRT S.r.l. at its Fano facility on railway machines not covered by sales contracts signed by the reporting date. The caption also includes the work performed on railway machines by Delta Railroad Construction Inc..

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

9 Contract assets and liabilities

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

(€'000)

	30.06.2024	31.12.2023	Variation
Contract assets	253,331	186,026	67,305
Impairment losses	(240)	(240)	0
Total	**253,091**	**185,786**	**67,305**

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

At 30 June 2024, the contract assets relate to Salcef S.p.A. (€171,282 thousand; 31 December 2023: €112,446 thousand), Euro Ferroviaria S.r.l. (€25,448 thousand; 31 December 2023: €27,490 thousand), FVCF (€27,122 thousand; 31 December 2023: €20,122 thousand), Overail S.r.l. (€7,858 thousand; 31 December 2023: €12,715 thousand), Colmar Technik S.p.A. (€4,287 thousand; 31 December 2023: €2,421 thousand), Salcef Deutschland and its subsidiaries (€9,162 thousand; 31 December 2023: €5,762 thousand) and Delta Railroad Construction Inc. and its subsidiaries (€5,822 thousand; 31 December 2023: €3,072 thousand).

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

(€'000)

	30.06.2024	31.12.2023	Variation
Italy	239,647	175,875	63,772
Europe (excluding Italy)	5,673	5,778	(105)
North America	5,822	3,072	2,750
Africa	1,673	173	1,500
Middle East	276	888	(612)
Total	**253,091**	**185,786**	**67,305**

The following table provides information on trade receivables and contract assets and liabilities:

(€'000)

	30.06.2024	31.12.2023	Variation
Trade receivables	160,708	177,201	(16,493)
Contract assets	253,091	185,786	67,305
Contract liabilities	(110,473)	(104,136)	(6,337)
TOTAL	**303,326**	**258,851**	**44,475**

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

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

(€'000)

	30.06.2024	31.12.2023	Variation
Contract liabilities	110,473	104,136	6,337
Total	**110,473**	**104,136**	**6,337**

At 30 June 2024, this caption comprises:

- advances on contracts that the Salcef Group entered into in Romania with the customer, the state railway carrier of Romania, for work to upgrade and double the tracks on the line between Timisoara Est and Ronat (€28,418 thousand);
- the advance received from the customer RFI for the executive design and development of the ERTMS (European Rail Transport Management System) - Lot 3 centre under the master agreement (€19,263 thousand);
- the advance received from the customer RFI S.p.A. for the executive design and construction of the Catania bypass on the Messina–Catania–Palermo railway line (€8,673 thousand);
- advances on contracts that the Salcef Group entered into with the customer RFI S.p.A. for the electrification of the Cagliari-Oristano railway line (€8,235 thousand);
- advances received from customers of Delta Railroad Construction Inc. (€6,330 thousand);
- advances received from customers as part of contracts for the construction of railway machines (€6,034 thousand);
- advances received for contracts of the subsidiary FVCF (€5,784 thousand);
- the advance received from the customer RFI S.p.A. to double the tracks on the Orte-Falconara railway line (Genga - Serra San Quirico section) (€5,120 thousand);
- the advance received from the customer ATAC S.p.A. for track renewal work on the Rome metro line A (€4,597 thousand);
- the advance for the construction of the new Padua tram line (€3,165 thousand);
- the advance received from the customer RFI S.p.A. to double the tracks on the Codogno – Cremona – Mantua railway line (Piadena – Mantua section) (€2,917 thousand);
- the advance received from the customer IRICAV DUE for the "HS/HC Verona - Padua" contract (€2,714 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Frasso Telesino - Telese section) (€2,681 thousand);
- the advance received from the customer RFI S.p.A. for the development of the ERTMS of the Siracusa-Canicattì railway line (€2,095 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 tracks of the HS Naples - Bari railway line (€654 thousand);
- the advance received under the master agreement for electrical traction works (lot 10) contracted by RFI S.p.A.'s DTP Rome (€483 thousand);
- advances for other smaller contracts (€1,611 thousand).

Contract liabilities at 30 June 2024 will become revenue in the subsequent year, except for the advance received for the "HS Verona-Padua" contract, which will be settled in proportion to the amount invoiced.

At the reporting date, the Salcef Group's order backlog includes track works (62.4%), energy sector works (29.3%), the production of sleepers and prefabricated products (1.9%), infrastructure works (3.9%), railway machine construction and maintenance contracts (2.2%) and rail grinding (0.3%), which ensure its continuity using the existing operating units already active in the relevant geographical areas.

10 Trade receivables

Trade receivables amount to €160,708 thousand at the reporting date, compared to €177,201 thousand at 31 December 2023. They are detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Third parties	154,069	174,372	(20,303)
Loss allowance	(10,232)	(9,782)	(450)
Total third parties	**143,837**	**164,590**	**(20,753)**
Associates	16,871	12,611	4,260
Total related parties	**16,871**	**12,611**	**4,260**
Total	**160,708**	**177,201**	**(16,493)**

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

(€'000)

Carrying amount at 1 January 2024	9,782
Change in the consolidation scope	0
Utilisations/Releases	(18)
Impairment losses	456
Exchange differences	12
Carrying amount at 30 June 2024	**10,232**

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

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

Breakdown of receivables from third parties by geographical segment

(€'000)

	30.06.2024	%	31.12.2023	%	Variation
Italy	88,192	61.3%	136,998	83.2%	(48,806)
Europe (excluding Italy)	33,232	23.1%	13,700	8.3%	19,532
Africa	12	0.0%	819	0.5%	(807)
North America	14,696	10.2%	12,611	7.7%	2,085
Middle East	994	0.7%	462	0.3%	532
Australia	33	0.0%	0	0.0%	33
Asia	6,510	4.5%	0	0.0%	6,510
South America	167	0.1%	0	0.0%	167
Total	**143,837**		**164,590**		**(20,753)**

11 Current tax assets

Current tax assets of €1,294 thousand (31 December 2023: €1,287 thousand) mainly include:

- direct income taxes and payments on account paid abroad (€119 thousand);
- IRES and IRAP assets and payments on account (€264 thousand);
- direct income taxes of Delta Railroad Construction Inc. (€911 thousand).

12 Current financial assets

Current financial assets amount to €82,123 thousand at 30 June 2024 (31 December 2023: €88,495 thousand) and are detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Securities	77,187	79,753	(2,566)
Hedging derivatives	2,764	3,555	(791)
Other current financial assets	2,172	5,188	(3,016)
Total	**82,123**	**88,495**	**(6,373)**

Securities of €77,187 thousand represent the investments existing at the reporting date in mutual property funds, certificates, policies, Italian treasury notes ("BTPs"), bonds and time deposits made by the group to temporarily invest liquidity. The measurement method applied to such assets depends on both the business model used by the group to manage the assets in order to generate cash flows and the characteristics of the security. Specifically, the group holds such assets to collect contractual cash flows and sell them in favourable economic situations (the hold to collect and sell model). Therefore, they are measured at FVOCI when the expected cash flows are solely payments of principal and interest (SPPI). In all other cases, they are measured

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

The following table shows variations in the caption during the first half of 2024:

(€'000)

	Measured at	31.12.2023	Purchases	Sales	Fair value gains	Gains (losses)	30.06.2024
Unicredit mutual funds	FVTPL	3,015	2,100	(1,139)	42	(17)	4,001
Unicredit certificates	FVTPL	868	200		11		1,079
Intesa Eurizon SGR	FVTPL	12,233			201		12,434
Intesa Eurizon Titolo	FVTPL	7,672			191		7,863
Servizio Italia Cardiff policy	FVTPL	12,491			109		12,600
Fineco mutual funds	FVTPL	3,093	970		199		4,262
Banca Aletti	FVTPL	4,185			366		4,551
Fineco insurance products	FVTPL	5,761			203		5,964
Deutsche Bank portfolio management	FVTPL	7				(7)	0
AZIMUT fund	FVTPL	6,950			91		7,041
J.P. Morgan	FVTPL	11,738			551		12,289
Mediobanca bonds and certificates	FVOCI	10,645		(5,846)	52	60	4,907
Securities held by FVCF	FVTPL	392		(202)	3		193
Anima Fondo imprese	FVTPL	703		(691)		(12)	(0)
Total		**79,753**	**3,270**	**(7,877)**	**2,019**	**23**	**77,185**

As shown in the table, the measurement of securities at fair value through profit or loss led to a gain of €1,945 thousand, while the measurement at fair value through other comprehensive income led to a gain of €93 thousand.

Note 16 provides a description of all the group's derivatives, which include the above hedging derivatives of €2,764 thousand at the reporting date.

13 Cash and cash equivalents

This caption may be analysed as follows:

(€'000)

	30.06.2024	31.12.2023	Variation
Bank and postal accounts	164,008	140,853	23,155
Cash-in-hand and cash equivalents	22	76	(54)
Total	**164,030**	**140,929**	**23,101**

The balance of bank and postal accounts at 30 June 2024 mainly refers to the parent (€22,939 thousand; 31 December 2023: €15,379 thousand), Salcef S.p.A. (€90,865 thousand; 31 December 2023: €77,139 thousand), FVCF S.r.l. (€1,464; 31 December 2023: €9,036 thousand), Euro Ferroviaria S.r.l. (€29,238 thousand; 31 December 2023: €15,355 thousand), Coget Impianti S.r.l. (€5,692 thousand; 31 December 2023: €4,838 thousand), Overail S.r.l. (€5,500 thousand; 31 December 2023: €5,245 thousand), SRT S.r.l. (€426 thousand; 31 December 2023: €1,125 thousand), Colmar Technik S.p.A. (€2,213 thousand; 31

December 2023: €2,644 thousand), Consorzio Stabile Itaca S.c.a r.l. (€1,258 thousand; 31 December 2023: €2,322 thousand), Consorzio Stabile Contese (€1,281 thousand; 31 December 2023: €74 thousand), Delta Railroad Construction Inc. (€1,883 thousand; 31 December 2023: €3,648 thousand) and the German subsidiaries (€880 thousand; 31 December 2023: €3,659 thousand).

14 Other current assets

Other current assets amount to €64,287 thousand at the reporting date (31 December 2023: €46,383 thousand) and are detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Other tax assets	32,237	20,309	11,928
Other assets	23,290	17,766	5,524
Prepayments and accrued income	8,760	8,308	452
Total	**64,287**	**46,383**	**17,904**

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

Other assets are detailed below:

(€'000)

	30.06.2024	31.12.2023	Variation
Personnel and work sites	1,748	2,659	(911)
Advances to suppliers	17,490	11,930	5,560
Social security institutions	1,234	386	848
Others	2,818	2,791	27
Total	**23,290**	**17,766**	**5,524**

"Others" mainly include the participating financial instruments received from Astaldi S.p.A., since Salcef Group S.p.A. is one of its non-secured creditors (€1,804 thousand).

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

LIABILITIES

EQUITY AND LIABILITIES

15 Equity

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

Share capital

The parent's fully paid-up share capital at 30 June 2024 amounts to €141,544,532.20 and is comprised of 62,399,906 shares without nominal value. The parent holds 1,473,249 treasury shares at the reporting date, equal to 2.361% of its share capital.

During the first half of 2024, the parent's majority shareholder changed, following Finhold S.r.l.'s shareholders' resolution of 9 May 2024 to demerge all its Salcef Group S.p.A. shares (40,414,444 ordinary shares) to Railbid S.r.l. (the newco set up for the demerger). The demerger deed was signed on 20 June 2024. Accordingly, Railbid S.r.l. held 64,767% of the parent's share capital at the reporting date. That number is unchanged at the date of preparation of this report.

Subsequently, Railbid S.r.l. set up Salbid S.p.A. contributing all its 40,414,444 Salcef Group S.p.A. ordinary shares thereto. Therefore, at the date of approval of this report, Salbid S.p.A. is the parent's majority shareholder with a 64,767% stake. Moreover, as a result of the loyalty voting rights granted up to 7 August 2024, Salbit S.p.A. holds 77,928% of its voting rights. The parent's other ordinary shares are held by shareholders that individually own less than 5% of the share capital.

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

Reserves

At 30 June 2024, reserves mainly comprise:

- legal reserve: this reserve of €7,875 thousand (31 December 2023: €5,921 thousand) was set up for the allocation of prior year profits in accordance with Italian law;
- extraordinary reserve: totalling €13,678 thousand (unchanged from 31 December 2023), it includes prior year profits allocated thereto by the shareholders;
- revaluation reserves: these reserves of €28,060 thousand (unchanged from 31 December 2023) 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: it has a negative balance of €2,748 thousand (31 December 2023: €4,304 thousand);
- negative goodwill: amounting to €45,000 thousand (unchanged from 31 December 2023), this item

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 €146 thousand (31 December 2023: negative €280 thousand);
- hedging reserve: with a negative balance of €2,598 thousand (31 December 2023: negative €1,160 thousand), this reserve reflects the fair value gains and losses on the interest rate swaps entered into by Salcef Group S.p.A., FVCF S.r.l. and Euro Ferroviaria S.r.l. to hedge cash flow risks on the payment of interest on borrowings and the fair value gains and losses on the currency forwards entered into by Salcef Group S.p.A. to hedge currency risk on the loan in US dollars granted to Salcef USA Inc.. The reserve will be reclassified 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 €27,608 thousand (31 December 2023: negative €27,977 thousand), this reserve includes the value of the parent's treasury shares repurchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meetings. The decrease for the period is attributable to the shares transferred to the beneficiaries of the share-based incentive plans, as described in note 31;
- stock grant reserve: with a balance of €184 thousand (31 December 2023: €457 thousand), this reserve includes is the accrual for the cost of the share-based incentive plans described in note 31, to which reference should be made, net of utilisations;
- reserve for financial assets measured at FVOCI: with a balance of €222 thousand (31 December 2023: €151 thousand), this reserve reflects changes in the fair value of financial assets measured at FVOCI (see note 12) net of the relative deferred taxes;
- share premium: it amounts to €27,200 thousand (unchanged from 31 December 2023) and was recognised in 2021 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 balance of €653 thousand (unchanged from 31 December 2023) includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 22 April 2024, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2023, which show a profit for the year of €39,068,251, and acknowledged the consolidated financial statements as at and for the year ended 31 December 2023, which show a profit for the year attributable to the owners of the parent of €61,903,162.

The shareholders also resolved to distribute a dividend of €0.55 per eligible ordinary share at the record date (i.e., 14 May 2024), with a coupon detachment date of 13 May 2024 and payment date of 15 May 2024. Considering the number of treasury shares held by the group at 14 May 2024, the total dividend is €33,506,360.80. More information about changes in equity is provided in the statement of changes in equity.

Capital management

The group's capital management policies entail maintaining a high level of capital to ensure stakeholder confidence 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.

NON-CURRENT LIABILITIES

16 Current and non-current financial liabilities and Lease liabilities

Financial liabilities, lease liabilities and bank loans and borrowings are detailed in the table below:

(€'000)

	30.06.2024	31.12.2023	Variation
Bank loans - non-current portion	158,437	131,089	27,348
Hedging derivatives	5,248	4,148	1,100
Total	**163,685**	**135,237**	**28,448**
Lease liabilities as per IFRS 16 - non-current portion	7,220	7,062	158
Total	**7,220**	**7,062**	**158**
TOTAL NON-CURRENT	**170,905**	**142,299**	**28,606**
Other loans and borrowings	4,559	5,654	(1,095)
Bank loans and borrowings - current portion	100,946	83,506	17,440
Total	**105,505**	**89,160**	**16,345**
Lease liabilities as per IFRS 16 - current portion	5,913	5,174	739
Total	**5,913**	**5,174**	**739**
TOTAL CURRENT	**111,418**	**94,334**	**17,084**
TOTAL	**282,323**	**236,632**	**45,690**

The bank loans are non-current loans taken out by the parent and its subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Overail S.r.l., Coget Impianti S.r.l., Colmar Technik S.p.A., Delta Railroad Construction Inc. and Salcef Deutschland GmbH.

The main variations in bank loans and borrowings compared to 31 December 2023 include: (i) the parent's loan from Unicredit S.p.A. of €30 million, disbursed in January 2024, with a final repayment date of 31 January 2029. The loan bears a variable interest rate equal to the 3-month Euribor act/360 plus 1 percentage point. In tandem, the parent entered into a derivative to hedge interest rate fluctuations, whose characteristics are detailed later on. The loan agreement also includes covenants, which are described later on; (ii) the parent's loan from Intesa SanPaolo S.p.A. of €50 million, disbursed in April 2024, with a final repayment date of 31 March 2029. The loan bears a variable interest rate equal to the 3-month Euribor act/360 plus 0.98 percentage points, which may decrease upon the achievement of certain ESG objectives. In tandem, the parent entered into a derivative to hedge interest rate fluctuations, whose characteristics are detailed later on; (ii) the parent's loan from Banco BPM S.p.A. of €10 million, disbursed in April 2024, with a final repayment date of 30 June 2028. The loan bears a variable interest rate equal to the 3-month Euribor act/360 plus 1.15 percentage points. In tandem, the parent entered into a derivative to hedge interest rate fluctuations, whose characteristics are detailed later on. The loan agreement also includes covenants, which

are described later on; and (iv) the prepayment of all the loans taken out by the subsidiary Colmar Technik S.p.A. (i.e., from Banca Progetto, Banca IFIS, Borsa del Credito, Credimi and Banco BPM), whose outstanding amount totalled €3.8 million at 31 December 2023.

Some group companies are required to comply with covenants on the loans in place.
Specifically, for Salcef Group S.p.A., the covenants in place at 30 June 2024 relate to: (i) the loan granted by Unicredit S.p.A. in September 2020, maturing in September 2025, (ii) the loan granted by Intesa Sanpaolo in June 2021, maturing in June 2026, (iii) the loan granted by Crédit Agricole in February 2022, maturing in September 2027, (iv) the loan granted by Banco BPM S.p.A. in July 2022, maturing in December 2026, (v) the loan granted by BNL S.p.A. in July 2022, maturing in July 2025, (vi) the loan granted by CDP in May 2023, which comprises two facilities maturing in June 2026 (facility B) and December 2027 (facility A), (vii) the two loans granted by Intesa Sanpaolo in June 2023, maturing in June 2027, (viii) the loan granted by BNL S.p.A. in October 2023, maturing in October 2026, (ix) the above-mentioned loan granted by Unicredit S.p.A. in January 2024 and (x) the above-mentioned loan granted by Banco BPM in April 2024.

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

- debt to EBITDA 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;
- debt to equity ratio lower than or equal to 1 for the entire term of the loan, monitored on the basis of Salcef Group S.p.A.'s separate financial statements.

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

- debt to EBITDA 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;
- debt to equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

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

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

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

- debt to EBITDA ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

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

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

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

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

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

- EBITDA coverage ratio (excluding fair value losses on financial instruments) greater than or equal to 15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- debt to EBITDA 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;
- debt to equity ratio lower than or equal to 0.9 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

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

- EBITDA coverage ratio (excluding fair value losses on financial instruments) greater than or equal to 15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- debt to EBITDA 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;
- debt to 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 €15 million BNL S.p.A. loan disbursed in 2023 provides for the following covenants:

- debt to EBITDA 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;
- debt to 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 €30 million Unicredit S.p.A. loan disbursed in 2024 provides for the following covenants:

- debt to EBITDA 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;

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

The €10 million Banco BPM S.p.A. loan disbursed in 2024 provides for the following covenants:

- debt to EBITDA ratio lower than or equal to 3 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

The subsidiary Delta Railroad Construction Inc. is required to comply with the covenants provided for by the loan entered into with Keybank National Association, whereby: (i) the ratio of operating cash flows to the sum of financial expense and loan and lease payments for the previous 12 months and not yet made must be between 1.5 and 1; and (ii) the financial liabilities/property, plant and equipment ratio must be between 1 and 2.75.

For the subsidiary FVCF S.r.l., the covenants in place at 30 June 2024 relate to the loan granted by BPER Banca S.p.A. on 5 July 2017, with a final repayment date in July 2024. Specifically:

- debt to EBITDA ratio lower than or equal to 3.15 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements;
- debt to equity ratio lower than or equal to 1.25 for the entire term of the loan, monitored on the basis of the Salcef Group's consolidated financial statements.

Compliance with these covenants is monitored annually on the basis of the consolidated financial statements and the parent's separate financial statements at 31 December. All of the above covenants were complied with at 31 December 2023.

Some group companies hold derivatives to hedge interest rate and currency risks.

Specifically, Euro Ferroviaria S.r.l. entered into an interest rate swap with Unicredit S.p.A. in October 2022, maturing in 2026 and with a notional amount of €1,064 thousand at the reporting date. This swap hedges cash flow risks on the variable rate interest included in the lease payments as per the contract entered into with the bank on the same date with an outstanding balance of €1,064 thousand at the reporting date. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

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

- an interest rate swap with Deutsche Bank S.p.A. entered into in July 2020, maturing in 2025 and with a notional amount of €3,750 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €3,750 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Deutsche Bank S.p.A. entered into in May 2021, maturing in 2026 and with a notional amount of €5,625 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €5,625 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 BPER Banca S.p.A. entered into in January 2021, maturing in 2025 and with a notional amount of €374 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €374 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 €5,978 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €5,978 thousand at the reporting date disbursed by the bank on the same date as the swap agrement date 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 €861 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €861 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 €12,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €13,500 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Following the payment of the subsequent instalment on 1 July 2024, the outstanding balance is €12,000. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in May 2023, maturing in 2027 and with a notional amount of €21,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on facility A of the variable-rate loan with an outstanding balance of €21,000 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swap has been designated

as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- two interest rate swaps with Unicredit S.p.A. maturing on 30 June 2026 and with a notional amount of €11,111 thousand at 30 June 2024. These swaps hedge cash flow risks on interest paid on facility B of the variable-rate loan with an outstanding balance of €11,429 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swaps have been designated as cash flow hedges 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 €15,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €15,000 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 €10,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €10,000 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banco BPM S.p.A. entered into in July 2022, maturing in 2026 and with a notional amount of €12,621 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €12,919 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with BNL S.p.A. entered into in July 2022, maturing in 2025 and with a notional amount of €8,333 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €8,333 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in May 2023, maturing in 2026 and with a notional amount of €3,395 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €3,395 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term.

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

- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2023, maturing in 2027 and with a notional amount of €15,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €15,000 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2023, maturing in 2027 and with a notional amount of €7,500 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €7,500 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with BNL S.p.A. entered into in October 2023, maturing in 2026 and with a notional amount of €15,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €15,000 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 BPER Banca S.p.A. entered into in October 2023, maturing in 2026 and with a notional amount of €12,640 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €12,640 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 January 2024, maturing in 2029 and with a notional amount of €28,500 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €28,500 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 April 2024, maturing in 2029 and with a notional amount of €50,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €50,000 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date 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 April 2024, maturing in 2028 and with a notional amount of €10,000 thousand at 30 June 2024. This swap hedges cash flow risks on interest paid on the variable-rate loan with an outstanding balance of €10,000 thousand at the reporting date disbursed by the bank on the same date as the swap agreement date and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

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

In December 2020, Salcef Group S.p.A. entered into five currency forwards with Unicredit S.p.A. maturing on 31 December 2025 (of which two are still in place at 30 June 2024) to hedge cash flow risks on the loan in US dollars to the subsidiary Salcef USA Inc.. The cash flows consist of the interest (USD706 thousand) due each year and the repayment of principal on 31 December 2025 (USD28,240 thousand). These derivative contracts have been designated as cash flow hedges, as their underlying notional amount, currencies and maturity dates match those of the hedged loan. Accordingly, the fair value gains and losses are taken in full to the hedging reserve at each reporting date.
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 indebtedness at 30 June 2024 and 31 December 2023, in accordance with the table set out in the ESMA Guidelines of 4 March 2021 and the Consob warning notice no. 5/21 of 29 April 2021.

(€'000)

	30.06.2024	31.12.2023	Variation
(A) Cash	164,030	140,929	23,101
(B) Cash equivalents	0	0	0
(C) Other current financial assets	82,123	88,495	(6,372)
(D) Liquidity (A + B + C)	**246,153**	**229,424**	**16,729**
(E) Current financial debt	(10,472)	(10,828)	356
(F) Current portion of non-current financial debt	(100,946)	(83,506)	(17,440)
(G) Current financial indebtedness (E + F)	**(111,418)**	**(94,334)**	**(17,084)**
(H) Net current financial position (G + D)	**134,735**	**135,090**	**(355)**
(I) Non-current financial debt	(170,905)	(142,299)	(28,606)
(J) Debt instruments	0	0	0
(K) Trade payables and other non-current financial liabilities	0	0	0
(L) Non-current financial indebtedness (I + J + K)	**(170,905)**	**(142,299)**	**(28,606)**
(M) Net financial indebtedness (H + L)	**(36,170)**	**(7,209)**	**(28,961)**

The following tables show the group's financial liabilities by maturity bracket at 31 December 2023 and 30 June 2024 and changes therein:

(€'000)

	Due within one year	Due between one and five years	Due after five years	TOTAL
Bank loans	83,506	131,089	0	214,595
Other loans and borrowings	5,654	0	0	5,654
Lease liabilities	5,174	7,062	0	12,236
Hedging derivatives	0	4,148	0	4,148
Carrying amount at 31 December 2023	**94,334**	**142,299**	**0**	**236,632**
Bank loans	100,946	158,437	0	259,383
Other loans and borrowings	4,559	0	0	4,559
Lease liabilities	5,913	6,925	295	13,133
Hedging derivatives	0	5,248	0	5,248
Carrying amount at 30 June 2024	**111,418**	**170,610**	**295**	**282,323**

(€'000)

Loans and borrowings at 1 January 2023	228,356
Net fair value gains on derivatives	(354)
Proceeds from new loans	122,528
Repayment of loans	(113,992)
Change in other loans and borrowings - current	(4,686)
Increase in liabilities following acquisitions	7,177
Recognition of leases as per IFRS 16	3,212
Repayment of lease liabilities	(5,410)
Exchange differences	(201)
Total at 31 December 2023	**236,632**
Net fair value gains on derivatives	1,101
Proceeds from new loans	90,810
Repayment of loans	(45,667)
Change in other loans and borrowings - current	(1,524)
Increase in liabilities following acquisitions	
Recognition of leases as per IFRS 16	4,631
Repayment of lease liabilities	(3,961)
Exchange differences	303
Total at 30 June 2024	**282,324**

17 Current and non-current employee benefits

This caption includes the group'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:

	1H 2024	2023
Turnover rate	2.30%	2.30%
Annual discount rate	3.61%	3.17%
Annual inflation rate	2.0%	2.0%
Annual post-employment benefits growth rate	3.0%	3.0%

Had there been reasonably possible variations in the actuarial assumptions at the reporting date, they would have had the following impact on defined obligation benefits:

(€'000)

Sensitivity analysis	1H 2024	
	Increase	Decrease
Turnover rate (+/- 1.00%)	24	(27)
Annual discount rate (+/- 0.25%)	(70)	72
Annual inflation rate (+/- 0.25%)	49	(47)

The average weighted term of defined obligation benefits is 12.3 years at the reporting date.

This caption also includes the accrual for the portion of the management incentive plan (MBO) vested at 30 June 2024 (€160 thousand). Part of this MBO (€823 thousand) will be disbursed in the next 12 months, while the remainder will be paid thereafter.

Changes in employee benefits are shown in the following table:

(€'000)

Carrying amount at 1 January 2024	7,087
Accruals	253
Utilisations/Transfers	(2,127)
Other variations	277
Interest cost	60
Net actuarial gains	(134)
Carrying amount at 30 June 2024	**5,416**
of which, non-current	*4,593*
of which, current	*823*

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

18 Provisions for risks and charges

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

(€'000)

Carrying amount at 1 January 2024	4,444
Accruals	111
Utilisations	(440)
Releases	0
Other variations	0
Carrying amount at 30 June 2024	**4,115**

The provisions include an estimate of the probable charges the Salcef Group will incur in respect of the legal 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.

CURRENT LIABILITIES

19 Trade payables

(€'000)

	30.06.2024	31.12.2023	Variation
Third parties	293,794	253,814	39,980
Associates	433	881	(448)
Total	**294,227**	**254,695**	**39,532**

At 30 June 2024, trade payables to third parties (€293,794 thousand; 31 December 2023: €253,814 thousand) mostly relate to Salcef S.p.A. (€187,206 thousand; 31 December 2023: €160,715 thousand), FVCF S.r.l. (€24,300; 31 December 2023: €22,945 thousand), Euro Ferroviaria S.r.l. (€21,796 thousand; 31 December 2023: €22,740 thousand), Overail S.r.l. (€18,444 thousand; 31 December 2023: €14,341 thousand), SRT S.r.l. (€11,094 thousand; 31 December 2023: €9,514 thousand), the parent (€4,077 thousand; 31 December 2023: €3,796 thousand), Coget Impianti S.r.l. (€6,295 thousand; 31 December 2023: €3,879 thousand), Colmar Technik S.p.A (€5,781 thousand; 31 December 2023: €5,270 thousand), Delta Railroad Construction Inc. (€6,779 thousand; 31 December 2023: €5,637 thousand) and the German subsidiaries (€3,634 thousand; 31 December 2023: €2,948 thousand).

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

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

(€'000)

	30.06.2024	%	31.12.2023	%	Variation
Italy	266,963	90.9%	235,187	92.7%	31,776
Europe (excluding Italy)	18,398	6.3%	13,275	5.2%	5,123
Africa	13	0.0%	44	0.0%	(31)
North America	6,836	2.3%	5,081	2.0%	1,755
Middle East	1,417	0.5%	178	0.1%	1,239
Australia	0	0.0%	49	0.0%	(49)
Asia	129	0.0%	0	0.0%	129
South America	38	0.0%	0	0.0%	38
Total	**293,794**		**253,814**		**39,980**

20 Current tax liabilities

(€'000)

	30.06.2024	31.12.2023	Variation
Direct taxes	39,599	15,725	23,874
Foreign current taxes	38	54	(16)
Tax provision	964	1,015	(51)
Total	**40,601**	**16,794**	**23,807**

Direct taxes include the liability recognised by the subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. for the voluntary repayment and self-imposed sanction that it will pay on the basis of the tax audit described in note 7.

The tax provision includes the accrual of €156 thousand made in 2023 for the tax audit in progress at Euro Ferroviaria S.r.l..

21 Other current and non-current liabilities

(€'000)

	30.06.2024	31.12.2023	Variation
Other	3,908	4,286	(378)
Total non-current	**3,908**	**4,286**	**(378)**
Social security institutions	10,667	11,956	(1,289)
Employees	14,263	10,839	3,424
Joint venture partners	135	135	0
Other	7,358	8,500	(1,142)
Accrued expenses and deferred income	7,560	7,762	(202)
Other tax liabilities	3,837	3,486	351
Total current	**43,820**	**42,678**	**1,142**
TOTAL OTHER LIABILITIES	**47,728**	**46,964**	**764**

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

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

Deferred income includes the portion of the grant for property, plant and equipment relating to the period, as mentioned in the note to other current assets, with a balancing entry in other income, and the portion of

deferred income related to subsequent periods, calculated based on the useful life of the assets for which the grant was received.

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

(i) €120 thousand (entirely current) due by Salcef Group S.p.A. for the acquisition of the investments in Salcef Deutschland GmbH and €265 thousand (entirely current) Coget Impianti S.p.A., and

(ii) €3,501 thousand (€1,311 thousand current and €2,190 thousand non-current) due by Salcef Usa Inc. as contingent consideration as per the agreement to acquire the investment in Delta Railroad Construction Inc., estimated on the basis of the acquisition plan. The amount is subject to possible changes depending on the results recorded by Delta Railroad Construction Inc. up to the end of the earn-out period (which will end with the approval of the subsidiary's financial statements at 31 December 2024).

This caption also includes the €1,265 thousand to be returned following the incorrect allocation of participating financial instruments of Astaldi S.p.A.. Discussions were held with the counterparties during the period, leading to an agreement on how the amount will be returned in the second half of 2024.

The other current tax liabilities mostly consist of withholdings on the June remuneration of consultants and employees.

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

Notes to the main income statement captions

22 Revenue

Revenue for the first six months of 2024 totals €486,635 thousand compared to €361,625 thousand in the same period of 2023. It is made up as follows:

(€'000)

	1H 2024	1H 2023	Variation
Revenue from contracts with customers	483,114	356,432	126,682
Other income	3,521	5,193	(1,672)
Total	**486,635**	**361,625**	**125,010**

Revenue from contracts with customers mainly relates to the contract work carried out during the year. Revenue is broken down by the timing of revenue recognition, the main product/services lines and the main geographical segments as follows:

(€'000)

	1H 2024	1H 2023	Variation
Timing of revenue recognition			
Products transferred at a point in time	31,029	16,861	14,168
Products and services transferred over time	455,606	344,764	110,842
Total	**486,635**	**361,625**	**125,010**
Main products/services			
Track works	270,029	219,041	50,988
Infrastructure	87,288	47,926	39,362
Energy, Signalling and Telecommunications	74,256	51,602	22,654
Grinding	8,231	11,263	(3,032)
Railway Materials	25,672	23,774	1,898
Railway Machines	21,160	8,019	13,141
Total	**486,635**	**361,625**	**125,010**
Main geographical segments			
Italy	417,981	308,062	109,919
Europe (excluding Italy)	30,504	19,127	11,377
North Africa	2,791	0	2,791
North America	34,571	29,833	4,738
Middle East	725	4,603	(3,878)
Australia	63	0	63
Total	**486,635**	**361,625**	**125,010**

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 exceeding the part of obligation already satisfied 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:

(€'000)

	1H 2024	1H 2023	Variation
Amounts charged to third parties	250	15	235
Insurance and other compensation	152	68	84
Gains on sale of assets and other income	578	2,759	(2,181)
Other sundry income	2,541	2,352	189
Total	**3,521**	**5,193**	**(1,672)**

Charges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties. The gains refer to the sale of company assets as part of their normal replacement process. The decrease on the first half of 2023 is mainly due to the income recognised in the previous reporting period on the sale of the rail grinder by Salcef Group S.p.A.'s Saudi Arabian branch to third parties.

23 Raw materials, supplies and goods

This caption amounts to €123,448 thousand net of changes in inventories (first half of 2023: €90,598 thousand) and is broken down below:

(€'000)

	1H 2024	1H 2023	Variation
Raw materials, supplies and goods	126,503	92,738	33,765
Change in inventories	(3,055)	(2,140)	(915)
Total	**123,448**	**90,598**	**32,850**

24 Services

Services total €193,186 thousand in the first half of 2024 (first half of 2023: €134,298 thousand) and are detailed in the table below:

(€'000)

	1H 2024	1H 2023	Variation
Maintenance	3,693	5,186	(1,493)
Subcontracting, consultancy and third party services	137,845	92,762	45,083
Insurance and sureties	6,450	4,944	1,506
Costs recharged by third parties	742	493	249
Consultants' and temporary workers' fees	3,141	2,658	483
Costs of employees on secondment	89	90	(1)
Utilities	793	700	93
Directors' fees	860	1,138	(278)
Committee members' fees	150	128	22
Statutory auditors' fees	109	170	(61)
Food and accommodation for employees on business trips	9,687	8,520	1,167
Commercial costs	560	527	33
General and administrative costs	720	772	(52)
Tender costs	16	6	10
Transport	16,212	11,535	4,677
Motor vehicles and cars	3,160	1,607	1,553
Fines and compensation	443	113	330
Other services	8,516	2,948	5,568
Total	**193,186**	**134,298**	**58,888**

25 Personnel expense

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

(€'000)

	1H 2024	1H 2023	Variation
Wages and salaries	60,865	51,096	9,769
Social security contributions	18,660	16,313	2,347
Post-employment benefits, pensions and other benefits	2,296	1,674	622
Other costs	1,504	854	650
Total	**83,325**	**69,938**	**13,387**

In the first half of 2024, other costs include the portion of costs incurred in the period for the management incentive plan (€197 thousand), which comprises both the cash payments (see note 17) and the share-based payments (see note 31).

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

	Italy	Abroad	TOTAL
Managers	37	18	55
White collars	363	93	456
Blue collars	1,080	246	1,326
30 June 2023	**1,480**	**357**	**1,837**
Managers	42	21	63
White collars	504	129	633
Blue collars	1,276	263	1,539
30 June 2024	**1,822**	**413**	**2,235**

26 Amortisation, depreciation and impairment losses

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

(€'000)

	1H 2024	1H 2023	Variation
Amortisation of intangible assets	5,705	3,004	2,701
Depreciation of property, plant and equipment	20,023	17,563	2,460
Depreciation of right-of-use assets as per IFRS 16	3,628	3,810	(182)
Total	**29,357**	**24,377**	**4,980**

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

27 Impairment losses

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

(€'000)

	1H 2024	1H 2023	Variation
Trade receivables	462	972	(510)
Contract assets	0	9	(9)
Other current assets	0	5	(5)
Other non-current assets	0	(10)	10
Current tax assets	0	(2)	2
Cash and cash equivalents	0	(8)	8
Securities	0	0	0
Total	**462**	**966**	**(504)**

28 Other operating costs

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

(€'000)

	1H 2024	1H 2023	Variation
Loss on sale of assets	123	272	(149)
Rent and leases	8,511	4,898	3,613
Donations	0	34	(34)
Indirect taxes and duties	529	717	(188)
Fines and penalties	421	100	321
Other costs	831	1,393	(562)
Total	**10,415**	**7,415**	**3,000**

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

29 Internal work capitalised

(€'000)

	1H 2024	1H 2023	Variation
Internal work capitalised	16,365	14,431	1,934
Total	**16,365**	**14,431**	**1,934**

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 production 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 2023, this caption also includes the costs for work to renovate the Aprilia and Terre Roveresche production facilities incurred by the subsidiaries Overail S.r.l. and SRT S.r.l., respectively.

30 Financial income and expense

Financial income and expense are shown below:

(€'000)

	1H 2024	1H 2023	Variation
Financial income			
From equity investments and securities	597	2,521	(1,924)
Other financial income	5,495	1,592	3,903
Interest income	228	100	128
Exchange gains	0	8	(8)
Total	**6,320**	**4,221**	**2,099**
Financial expense			
Loss on sale of securities	(190)	(48)	(142)
Interest expense	(8,820)	(5,579)	(3,241)
Lease costs	(148)	(134)	(14)
Financial expense	(281)	(142)	(139)
Exchange losses	(1,608)	(725)	(883)
Total	**(11,047)**	**(6,629)**	**(4,418)**
Net financial expense	**(4,727)**	**(2,408)**	**(2,319)**

Other financial income in the first half of 2024 includes the fair value gains on the group's short-term investments. In the same period of the previous year, these fair value gains comprised in net financial expense amounted to €2,256 thousand.

Other notes

31 Share-based payments

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

- 2021-2024 stock grant plan approved by the parent's 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 grantable. This plan entails the granting of rights to the parent's ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right 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 have been granted to each beneficiary by checking the satisfaction of the relevant performance conditions. They are equal to a total of 13,725 ordinary shares of the parent, divided into two instalments subject to different vesting periods:
  - the first instalment consisted of 50% of the rights granted, whose vesting period ended with the approval of the consolidated financial statements at 31 December 2022;
  - the second instalment consisted of the remaining 50% of the rights granted, whose vesting period ended with the approval of the consolidated financial statements at 31 December 2023.

The vesting period started from the date on which the parent and the employees agreed 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 measurement of the 2021-2024 stock grant plan is €13.90.

- 2022-2025 stock grant plan approved by the parent's 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 grantable. This plan entails the granting of rights to the parent's ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right 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 have been granted to each beneficiary by checking the satisfaction of the relevant performance conditions. They are equal to a total of 13,914 ordinary shares of the parent, divided into two instalments subject to different vesting periods:
  - the first instalment consisted of 50% of the rights granted, whose vesting period ended with the approval of the consolidated financial statements at 31 December 2023;
  - the second instalment consists of the remaining 50% of the rights assigned, whose vesting

period ends with the approval of the consolidated financial statements at 31 December 2024.

The vesting period started from the date on which the parent and the employees agreed 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 measurement of the 2022-2025 stock grant plan is €16.74.

- 2023-2026 stock grant plan approved by the parent's shareholders during their ordinary meeting of 27 April 2023 and implemented by determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive the parent's ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to 42 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 have been granted to each beneficiary by checking the satisfaction of the relevant performance conditions. They are equal to a total of 13,537 ordinary shares of the parent, divided into two instalments subject to different vesting periods:
  - the first instalment consists of 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2024;
  - the second instalment consists of the remaining 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2025.

The vesting period started from the date on which the parent and the employees agreed to the stock grant plan and both have acknowledged its terms and conditions. This date was 28 July 2023.

The fair value of the assigned shares used for the measurement of the 2023-2026 stock grant plan is €23.25.

- 2024 stock grant plan approved by the parent's shareholders during their ordinary meeting of 22 April 2024 and implemented by determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 40,000 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to 45 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 granted to each beneficiary are divided into two equal instalments subject to different vesting periods, as follows:
  - the first instalment consists of 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2025;
  - the second instalment consists of the remaining 50% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2026.

The vesting period started from the date on which the parent and the employees agreed to the stock grant plan and both have acknowledged its terms and conditions. This date was 30 June 2024.

The fair value of the assigned shares used for the measurement of the 2024 stock grant plan is €25.55.

- 2022-2023 performance share plan approved by the parent's 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 grantable. This plan entails the granting of rights to the parent's ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to two beneficiaries. The rights have been granted to each beneficiary by checking the satisfaction of the relevant performance conditions. They are equal to a total of 10,000 ordinary shares of the parent, divided into two instalments subject to different vesting periods:
  - the first instalment consisted of 60% of the rights granted, whose vesting period ended with the approval of the consolidated financial statements at 31 December 2023;
  - the second instalment consists of the remaining 40% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2026.

The vesting period started from the date on which the parent and the employees agreed 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 measurement of the 2022-2023 performance shares plan is €16.74.

- 2024-2026 performance share plan approved by the parent's shareholders during their ordinary meeting of 22 April 2024 and implemented by determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 40,000 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This right is reserved to two beneficiaries. The rights granted to each beneficiary are divided into two instalments subject to different vesting periods, as follows:
  - the first instalment consists of 60% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2026;
  - the second instalment consists of the remaining 40% of the rights assigned, whose vesting period ends with the approval of the consolidated financial statements at 31 December 2028.

The vesting period started from the date on which the parent and the employees agreed to the stock grant plan and both have acknowledged its terms and conditions. This date was 30 June 2024.

The fair value of the assigned shares used for the measurement of the 2024-2026 performance shares plan is €25.55.

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

The cost of these plans in the period, amounting to €37 thousand, is recognised in personnel expense. The 2021-2024 stock grant plan did not generate any cost for the period, since both vesting periods provided for by the plan have ended. It did however generate the accounting effects arising from the granting of the vested rights related to the second instalment. Specifically, as presented in the statement of changes in equity, the stock grant reserve and the negative reserve for treasury shares decreased following the assignment of treasury shares to the beneficiaries in relation to the second and first instalments of the 2021-2024 stock grant plan and the first instalment of the 2022-2023 performance share plan (see also note 15).

32 Commitments and risks

These amount to €216,378 thousand at 30 June 2024, compared to €191,349 thousand at 31 December 2023. They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing business transactions (€215,444 thousand at 30 June 2024 and €190,444 thousand at 31 December 2023) and the surety given to banks for the group companies' loans (€934 thousand at 30 June 2024 and €905 thousand at 31 December 2023).

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 year, either in terms of the prices applied or the reasons underlying them.

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

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

(€'000)

ASSETS AND LIABILITIES at 30 June 2024	Other non-current assets	Trade receivables	Non-current employee benefits	Current employee benefits	Trade payables	Other current liabilities
Associates						
Sesto Fiorentino S.c.ar.l.					89	
Consorzio Armatori Ferroviari S.c.p.a.	1,321	16,699			344	
Other related parties						
Railworks/Delta A Joint Venture Minnesota		34				
Delta/Railroad JV - Purple Line Maryland		139				
Directors, statutory auditors and key management personnel			278	525		167
TOTAL	**1,321**	**16,871**	**278**	**525**	**433**	**167**

(€'000)

REVENUE AND COSTS for the first half of 2024	Revenue	Raw materials, supplies and goods	Personnel expense	Other operating costs
Associates				
Sesto Fiorentino S.c.ar.l.				
Consorzio Armatori Ferroviari S.c.p.a.	20,320	(4)	(193)	
Other related parties				
Railworks/Delta A Joint Venture Minnesota	134			
Delta/Railroad JV - Purple Line Maryland	867			
Directors, statutory auditors and key management personnel				(807)
TOTAL	**21,321**	**(4)**	**(193)**	**(807)**

34 Earnings per share

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

Basic earnings per share in the first half of 2024 are shown in the table below:

	1H 2024	1H 2023
Numerator (€)		
Profit attributable to the ordinary shareholders of the parent (A)	*34,984,820*	*31,030,589*
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,399,906	62,399,906
(-) Weighted average of the ordinary treasury shares	(1,486,288)	(763,006)
(=) Weighted average of the ordinary shares outstanding in the year (B)	*60,913,618*	*61,636,900*
Basic earnings per share (€) (A/B)	**0.57**	**0.50**

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

35 Contingent liabilities

Certain group companies are involved in civil, criminal, labour law and tax proceedings in connection with the ordinary course of business. Management does not believe that any of these proceedings present a probable risk of financial expenditure or that they could give rise to significant liabilities in addition to that already considered in the provision for risks and charges (see note 18). Consequently, no additional specific provisions are recognised in the condensed interim consolidated financial statements at 30 June 2024. Any adverse developments will be adequately assessed for the purposes of calculating any accruals.

In addition to the information provided in the 2023 integrated annual report, there are no significant changes to report about the criminal proceedings being handled by the Milan Public Prosecutor's Office, in which Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. are under investigation, together with other companies. Specifically, at the hearing of 23 May 2024, the Public Prosecutor presented their conclusions by generically requesting the committal for trial of all the defendants and all the companies in relation to each of the alleged crimes, reserving the right to file their own brief. At the same hearing, the lawyers representing the group's companies involved in the proceedings requested that a ruling not to prosecute be issued, reserving the right to file further defence briefs after the filing of the Public Prosecutor's brief. At further hearings held on 21 June and 3 July 2024, the defence lawyers of other parties involved in the proceedings delivered their conclusions. In addition, in the hearing of 3 July 2024, the filing of ruling no. 2210/2024 was referred to, whereby the Court of Appeal of Milan tried some co-defendants for the same crimes, concluding that "the results of the preliminary investigations are not sufficient to consider the participation of [omissis] in the criminal organisation as proven". Finally, the judge adjourned the hearing to 17 September 2024 to complete the preliminary hearings and scheduled further hearings.

Therefore, the criminal proceedings are still at the preliminary hearing stage before the competent judge at the Milan Court and none of the group companies has currently been charged for the alleged crimes pursuant to Legislative decree no. 231/2001, as no decision has yet been taken by the judge on whether or not to commit for trial.

Hence, at present, on the basis of the legal opinions acquired by the group (which consider the documents of the proceedings, the charges and the conduct of the suspects), the opinions acquired on the validity of the Organisational, management and control model as per Legislative decree no. 231/2001 adopted by the companies, as well as the opinions acquired on the effectiveness of the services received, while not being able to exclude any procedural implications, it is still believed that: (i) the likelihood that the group companies involved will be charged, (ii) the likelihood that liabilities linked to the proceedings other than the amounts subject to preventive seizure will arise is remote, and (iii) the risk that the proceedings may, to date, affect the companies' eligibility under the general requirements pursuant to the ineligibility regulations of the new Procurement Code is remote.

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 2024. Moreover, the group did not carry out any atypical or unusual transactions during the period.

Events after the reporting period

No events have taken place from the reporting date to the date of preparation of this report that could have a significant impact on the group's financial position at 30 June 2024 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 2024.

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 about related party transactions.

Rome, 8 August 2024

CEO
Valeriano Salciccia

Manager in charge of financial reporting
Fabio De Masi

04 INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Via Curtatone, 3
00185 ROMA RM
Telefono +39 06 80961.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 2024, 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 parent 's 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.

Ancona Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
Registro Imprese Milano Monza Brianza Lodi
e Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

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 2024 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, 9 August 2024

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit

SALCEF GROUP