



INTEGRATED ANNUAL REPORT

2023



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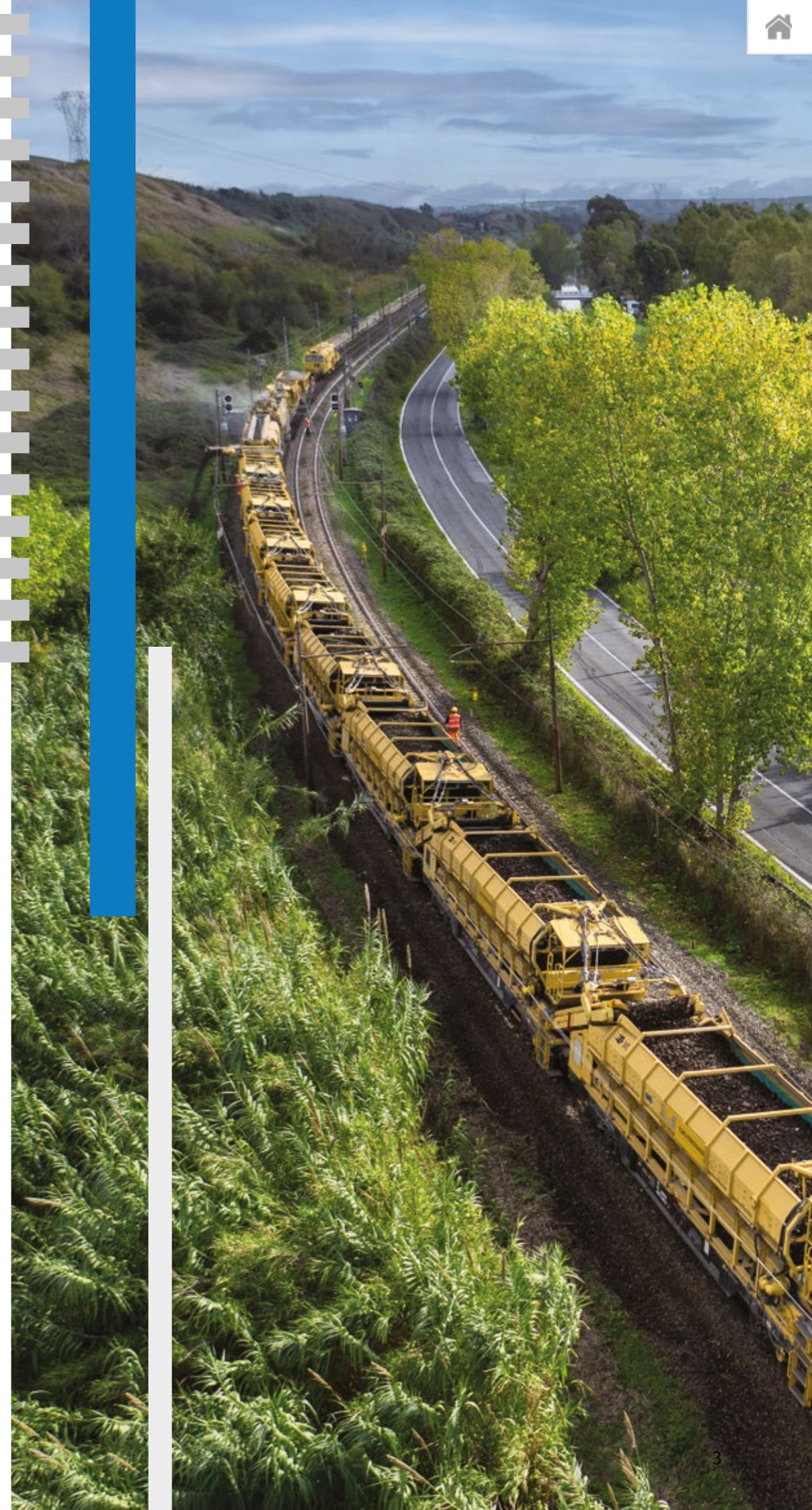
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1 OVERVIEW

- Letter to the stakeholders
- Highlights
- Guide to the report
- Methodological note



LETTER TO THE STAKEHOLDERS

Dear stakeholders,

We present to you our second Integrated Annual Report, which recaps a very positive year for us. Indeed, the group successfully seized numerous opportunities stemming from the huge investments currently being made in Italy and abroad in the development of rail mobility. The order backlog significantly outperformed the previous year, reaching a group record of €2.2 billion at 31 December 2023, providing visibility for continued growth, investment and innovation.

In line with group strategy, which combines organic growth with acquisitions of railway sector companies, the Salcef Group completed the acquisition of a new company, Colmar Technik S.p.A., in August 2023. This company has been designing and manufacturing machinery used in building and maintaining railway lines since 1963. This was the group's first acquisition in the railway machinery segment where it already operates with the subsidiaries SRT and Delta in the US, boosting its production capacity in the specific Railway Machines business unit.

In terms of financial performance, 2023 was a particularly excellent year. Revenue shot up by over 40%, including 27% through organic growth, reaching almost €800 million, a new record for the group. Despite the impact of the usual and necessary post-acquisition activities to integrate the companies that recently joined the group, and an inflationary trend that was more contained but not yet at previous levels, profit margins were maintained at around 20%, in line with expectations. To support future growth, the group invested €61 million during the year to upgrade and modernise the machinery fleet, develop new products and solutions and boost the production capacity at its plants.

In a year of transition before the Corporate Sustainability Reporting Directive comes into force, the Salcef Group continued to improve its ESG reporting, putting it in a good position to be compliant with the new requirements as of the 2024 annual report. In terms of environmental performance, despite sharply increasing business volumes, the group's energy intensity and Scope 1 and Scope 2 emissions were reduced by 8% and 10%, respectively. Furthermore, Salcef Group filled out the CDP Climate Change questionnaire, an international benchmark for environmental disclosure to numerous financial and non-financial stakeholders, for the first time in 2023. It received a "B", which is the highest score in the management bracket. This places Salcef Group in the average range both at European and Construction sector level, with an above-average performance in the "Emission reduction initiatives and low carbon products", "Energy", "Risk Management processes", and "Scope 1 & 2 emissions" categories. Thanks mainly to the acquisition of Colmar, the group's headcount exceeded 2,000 for the first time, with 19% outside Italy, confirming the group's international scope. In March 2023, the board of directors officially set up an internal sustainability committee, a further step towards establishing even stronger and more integrated ESG oversight in the group's strategies and operations. The group's ESG performance has also been recognised by leading third-party assessment bodies. These include MSCI, which confirmed its A rating, and Ecovadis, which awarded the seven group companies assessed five platinum medals, one gold medal and one silver medal.

In the year that marked 75 years since the foundation of the company that created to the group, we feel an even deeper connection to our roots and a sense of gratitude to all the people who have contributed to the group's growth over the decades. A lot has changed since then, but what certainly remains is the determination to continue to grow and improve, standing on solid foundations and relying on a unique capacity for innovation, summed up by the group's new payoff "Leading the Railway".

Gilberto Salciccia
Chairperson of the board of directors

Valeriano Salciccia
Chief executive officer



GILBERTO SALCICCIA
Chairperson of the board of directors

VALERIANO SALCICCIA
Chief executive officer

We are leaders in the railway infrastructure sector. We have always worked to enhance railway infrastructures on a global level, increasing speed and safety in the movement of goods and people, through projects with the best quality standards that not only facilitate today's mobility, but define tomorrow's. We operate with the awareness that railways offer sustainable transport to safeguard future generations, ensuring less pollution and greater liveability for our cities. We are constantly committed to offering a highly specialised service to meet the needs of the railway market. We are at our clients' side through all the work phases, including design, construction and the supply of materials and machinery to ensure efficient, high quality customised solutions.

Over the years, the group has expanded to work on four continents, directly acquiring the skills needed for every element of our projects: from research and design to construction.

Our key performance indicators are set out below:

REVENUE



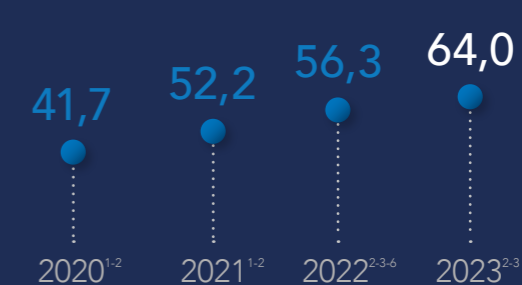
EBITDA



EBIT

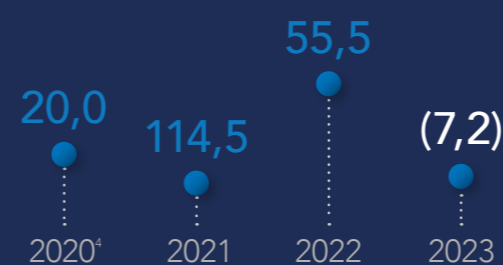


PROFIT FOR THE YEAR

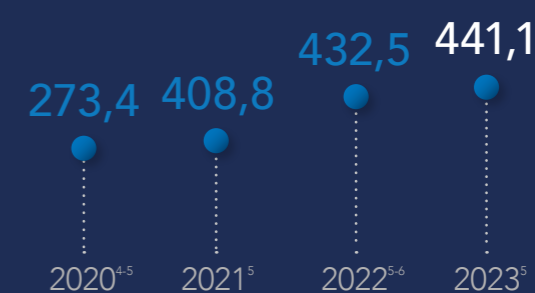


NET FINANCIAL POSITION

NET FINANCIAL POSITION



EQUITY



- 1 Excludes the effect on financial expense of changes in fair value of the additional conversion warrants
- 2 Excludes the effect on income taxes of the recognition/reversal of deferred tax assets on fiscally-driven revaluations and the recognition of non-recurring tax expense
- 3 Excludes the effect on financial expense of changes in fair value of financial investments
- 4 Excludes the effect of recognising the additional conversion warrants
- 5 Excludes the effect of the recognition in 2020 and reversal in subsequent years of deferred tax assets on fiscally-driven revaluations
- 6 Restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the PSC business unit and Francesco Ventura Costruzioni Ferroviarie S.r.l.





HIGHLIGHTS

2023 RESULTS
(COMPARED TO 2022)

ENVIRONMENTAL

+11%	Consumption of electrical energy from renewable sources (23% of the total)
-8%	Energy intensity
-10%	Scope 1 + Scope 2 emissions intensity rate
89.1%	EU taxonomy-aligned turnover
	"B" score in the group's first participation in CDP Climate Change questionnaire
	Mapping of Scope 3 emission completed

GOVERNANCE

+26%	Audits carried out
	Sustainability committee set up
	Environmental and DE&I KPIs included in the STI and LETI remuneration of the Chairperson, CEO and key management personnel

SOCIAL

+6%	Over 2,000 employees
+110%	Women in non-construction/manufacturing activities (41% of total vs. 28% in 2022)
+91%	Health and Safety training hours
89.3%	Purchases from local suppliers
	UNI/PDR 125:2022 certification for gender equality

This report is the Salcef Group's second Integrated Annual Report and represents our intention to adopt an integrated reporting approach to provide our stakeholders with a complete overview of the group's objectives and achievements in terms of its economic and financial, environmental, social and governance performance. This information is organised within a single document to present how the group's strategies, commitment to sustainable mobility, governance and its (financial and non-financial) performance create shared value for all stakeholders.

The Integrated Annual Report comprises:

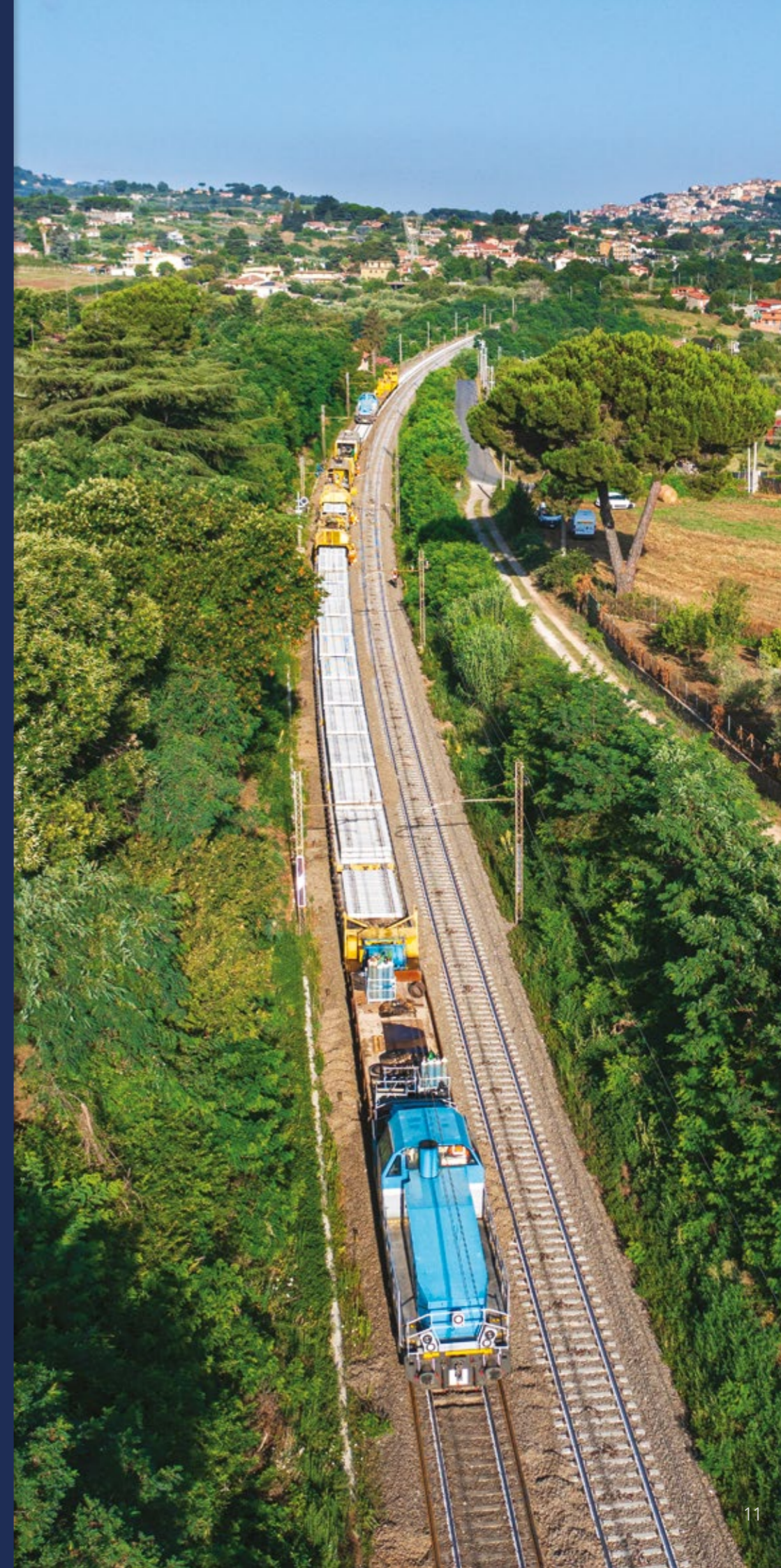
- a directors' report, which includes the information required by article 2428 of the Italian Civil Code, supplemented, when appropriate, by the specific regulations on the preparation of separate and consolidated financial statements and sustainability reporting (environmental, social and governance). The sustainability report is presented in part III and is the non-consolidated financial statement ("NFS") prepared pursuant to Legislative decree no. 254 of 30 December 2016.

With respect to the non-financial information, the NFS is presented in accordance with the methodologies and standards set out in the GRI Sustainability Reporting Standards 2021 ("in accordance" option) defined by the Global Reporting Initiative ("GRI Standards"). The quantitative and other information included in this statement are identified by reference to the GRI Standards as follows "GRI [number and description]".

With respect to the Italian Civil Code requirements, the directors' report accompanies both the group's consolidated financial statements and the parent's separate financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. Therefore, it provides information on the results and performance of both the group and the parent, updated to 31 December 2023, and events after the reporting date;

- the group's consolidated financial statements, consisting of a statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows and a statement of changes in equity, and notes thereto; and
- the parent's separate financial statements, consisting of a statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows and a statement of changes in equity, and notes thereto

Salcef Group S.p.A.'s board of directors approved this report and authorised it for publication on 14 March 2024.



Preparation of a directors' report requires a consistent and comprehensive approach to company reporting and improves the overall quality of the information published and circulated to the benefit of all stakeholders.

This approach is fully confirmed by the changes in the reference regulatory framework, highlighting the strategic importance of sustainability topics (ESG - Environmental, Social, Governance) not only from a regulatory viewpoint but also and especially as a business model.

In November 2022, the European Parliament approved Directive (EU) 2022/2464, which amended the previous Directive 2014/95/EU (transposed into Italian law with Legislative decree no. 254/2016). The new directive is applicable for financial years starting on or after 1 January 2024 in line with a calendar for the progressive roll-out of the regulatory obligation. It provides, inter alia, that sustainability reporting/statements shall be mandatorily included in a special section of the directors' report of the annual report.

The Directive (EU) 2022/2464 establishes that the directors' report shall include information necessary to understand the company's impact on sustainability matters and information necessary to understand how sustainability matters affect the company's development, performance and position.

NFS - Non-financial statements as per Legislative decree no. 254/2016

As set out in the "Guide to the report" above, the directors' report includes the consolidated non-financial statement (the "NFS") of Salcef Group, published once a year, prepared in accordance with articles 3 and 4 of Legislative decree no. 254/2016 (the "decree"), enacting Directive 2014/95/EU. It sets out information about environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters, useful to understand the group's activities, performance, results and their impacts.

As required by Legislative decree no. 254/2016, the NFS presents the new risks, generated or incurred, connected to the above matters and that derive from the group's operations, its products, services or trade relations, including, when relevant, the supply and subcontractor chains, and how they are managed.

The information provided in the NFS about environmental, social, economic and governance matters ensures a better understanding of the group's operations, its products, results and their impact. This supports information users in making informed assessments and decisions about the group's impacts and contribution to sustainable development.

The NFS was prepared in accordance with the methodologies and standards of the GRI Sustainability Reporting Standards defined by the Global Reporting Initiatives (GRI Standards). The GRI content index, included in the annexes to this report and an integral part hereof, references the indicators and the other quantitative and qualitative information presented.

The GRI Standards enable companies to publicly disclose the most significant impacts of their activities and business relationships on the economy, environment and people. These impacts, which are often financial (or can have financial impacts over time), are of primary importance for sustainable development and stakeholders. Sustainability reporting is fundamental for a better understanding of a company's financial performance and value. The information provided in sustainability reports provides inputs to identify financial risks and opportunities related to a company's impacts, value and to assess its long-term success.

Except where indicated otherwise, the quantitative and other information making up the group's sustainability reporting (the NFS) is provided in Part III "Consolidated non-financial statement" of the directors' report. It is identified by the reference to the GRI Standards as follows "GRI [number and description]".

The group has applied the GRI Standards 2021, which updated the reporting process, general information and the process used to identify and measure the material topics to prepare the 2023 NFS: GRI 1 Foundation 2021; GRI 2 General Disclosures 2021 and GRI 3 Material Topics 2021.

GRI 1 Foundation 2021 defines the reporting principles: accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

The GRI Standards and the related reported performance indicators refer to the material sustainability topics (material topics) analysed that reflect the group's operations and its impacts. The group performed the procedure to analyse, identify, assess and prioritise the material topics, as described in section 2 "Salcef Group materiality", in accordance with Legislative decree no. 254/2016 and the GRI Standards. The group updates and develops this procedure over time as part of its sustainability accountability reporting.

The content of the NFS about the climate change topics is based on the European Commission Communication published in June 2019, "Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)", which supplements the recommendations of the Task Force on Climate-related Financial Disclosures - TCFD of the Financial Stability Board. The recommendations of the TCFD are structured around four thematic areas: governance, strategy, risk management, and metrics and targets.

The NFS includes the disclosure required by article 8 of Regulation (EU) 2020/852, related to the EU Taxonomy for sustainable activities. The Taxonomy establishes the conditions an economic activity must meet in order to be considered sustainable. This disclosure is provided in the "EU taxonomy reporting" section.

The reporting scope of the qualitative and quantitative data and information refers to the performance of the parent, Salcef Group S.p.A., and its subsidiaries included in the group's consolidated financial statements at 31 December 2023 and that have been consolidated for the entire year (1 January to 31 December 2023), except for Colmar Technik S.p.A., the acquisition of which was completed on 1 August 2023 and which was thus consolidated for a portion of the year.

Comparative figures for the previous two years are presented to enable a comparison of the data over time and an assessment of the performance of Salcef Group's operations.

Any use of estimates for some of the quantitative information is referenced directly in the relevant paragraphs.

In order to ensure the consistency and comparability of the information when necessary to correct any errors or to reflect changes in the methodology applied to measure the indicators or the nature of the operations, the quantitative figures presented for previous periods may be recalculated and restated (and therefore differ from the figures published in the previous year's NFS). The related indications, recalculation criteria and effects are provided in the relevant chapters and paragraphs.

The process for the preparation of the non-financial statement involved the managers of the various departments of the parent, Salcef Group S.p.A., and its Italian and foreign subsidiaries.

The parent's board of directors approved the NFS, included in the directors' report, on 14 March 2024, and KPMG S.p.A. performed a limited assurance engagement on it in accordance with the standards and guidance set out in International Standard on Assurance Engagements 3000 (revised) ("ISAE 3000 revised") of the International Auditing and Assurance Standards Board (IAASB). KPMG S.p.A. has also been engaged to perform the statutory audit of the separate and consolidated financial statements of Salcef Group S.p.A.. As disclosed in the notes thereto, the separate and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Commission. The independent auditors' reports are attached at the end of this document.

The Integrated Annual Report which includes the NFS is published in the Sustainability section of the company's institutional website www.salcef.com. For more information, please contact sustainability@salcefgroup.com.

Salcef Group S.p.A. has notified GRI (Global Reporting Initiative) of its use of the GRI Standards and its statement of use.

Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) and ESRS criteria

The Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) approved by the European Parliament in November 2022 and currently being transposed into Italian law envisages, starting with the annual reporting for 2024, the publication of a Sustainability Statement as an integral part of the directors' report attached to the annual consolidated financial statements, replacing the current NFS, and the adoption of the European Sustainability Reporting Standards (ESRS) for reporting on sustainability/ESG issues.

The first set of ESRS were endorsed by the European Commission on 31 July 2023 with the publication of the related Commission Delegated Regulation (EU) 2023/2772 in the Official Journal of the European Union on 22 December 2023. Such Delegated Regulation supplements Directive (EU) 2013/34 of the European

Parliament and of the Council as regards sustainability reporting standards (the ESRS).

Based on an analysis of the standards to be adopted for sustainability reporting (the ESRS) and the Implementation Guidance published by EFRAG, Salcef will implement an Action Plan in 2024 as required for compliance with the new applicable regulations. In this regard, as per the principle of interoperability promoted by the standards, applying the ESRS does not preclude integrating sustainability reporting with other standards, in particular GRI Standards and ISSB (IFRS-S & SASB).





2

DIRECTORS' REPORT

- 2.1 PART I
PRESENTATION OF THE GROUP
- 2.2 PART II
THE GROUP'S PERFORMANCE
- 2.3 PART III
CONSOLIDATED NON-FINANCIAL STATEMENT
- 2.4 PART IV
OTHER INFORMATION



2.1

PART I PRESENTATION OF THE GROUP

Profile and operations

Structure

The history of a key player
in the railway sector

Governance and company officers

PROFILE AND OPERATIONS

GRI 2-1 GRI 2-2 GRI 2-6

With over 70 years of experience and an international footprint, the Salcef Group contributes to the development of sustainable mobility in the railway infrastructure. Specifically, the group is specialised in the renewal, maintenance, construction and electrification of railway infrastructure, and tram and metro networks, as well as the design and construction of railway materials and equipment.

The group leverages its know-how and equipment to offer specialist, integrated services deploying its cutting-edge expertise in structural, civil and technological components.

VISION

We have always worked to enhance railway infrastructures on a global level, increasing speed and safety in the movement of goods and people, through projects with the best quality standards that not only facilitate today's mobility, but define tomorrow's. We operate with the awareness that railways offer sustainable transport to safeguard future generations, ensuring less pollution and greater liveability for our cities.

MISSION

We are constantly committed to offering a highly specialised service to meet the needs of the railway market, adapting our methods and machinery to undertake complex projects in ever-changing operating scenarios on a daily basis. We are at our clients' side through all the work phases, solving any type of problem with an integrated approach that includes design, construction and the supply of materials and machinery to ensure efficient, high quality customised solutions.

The group mainly operates in Italy and, thanks to its acquisition of local operators, has industrial operations in the United States and Germany as well. Its international footprint extends beyond its national borders to eastern Europe, the Middle East, North Africa, South America, Australia, Scandinavia and Canada.

The group is comprised of 15 operating companies and it has branches in eight countries (Saudi Arabia, Australia, Croatia, Egypt, United Arab Emirates, Norway, Romania and Switzerland).

The Salcef Group has seven business units, which all report to the "Railway Industry" strategic business unit.



TRACK & LIGHT CIVIL WORKS

This is the group's core business. It operates in permanent way systems and on civil works in operation.

The main activities performed are:

- Maintenance and renewal of railway lines, with the partial or total replacement of the railway superstructure (tracks, sleepers and ballast);
- Construction of ballasted track for high speed and standard speed, and tram and metro lines based on ballasted and ballastless systems;
- Construction of small infrastructure works as part of complex railway projects.



RAIL GRINDING & DIAGNOSTICS

Rail and switch grinding to maximise the average life of the infrastructure, thanks to the removal of irregularities and defects that could cause surface cracks on the tracks and, with time, lead to a fracture in the track.



ENERGY, SIGNALLING & TELECOMMUNICATIONS

Building and maintenance of electrical traction, substations and signalling systems, as well as works for overhead and underground high, medium and low voltage power transmission lines.

Its main activities are:

- Design, construction, renewal and maintenance of various railway, metro and tram line electrification systems: overhead contact lines, third rail for urban mobility and electrical substations;
- Design, installation and maintenance of signalling systems for the management and control of railway, tram and metro circulation;
- Design, construction and maintenance of electricity transmission and supply systems, particularly high and very high voltage overhead and underground lines.

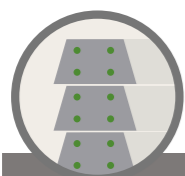


HEAVY CIVIL WORKS

Design, building and maintenance of complex multi-disciplinary works, such as the construction of new railway lines, the doubling of existing lines, the construction of new systems at stations in complex scenarios or the upgrade of railway junctions.

PART I

PRESENTATION OF THE GROUP



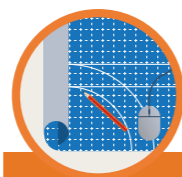
RAILWAY MATERIALS

Design, production and sale of railway materials for the superstructure, such as monobloc sleepers, prefabricated tunnel segments, prefabricated reinforced slabs for urban transport and railway systems.



RAILWAY MACHINES

Design, construction, maintenance, sales and rentals of machinery for the construction and maintenance of railway infrastructure.



ENGINEERING

Design and engineering of railway works and structures (civil works, permanent way systems, energy, signalling), supporting customers and group companies from the early stages of drafting a project to identify the best solutions.

The main types of services performed are:

- Pre-feasibility and feasibility studies;
- Preliminary, executive and as-built design;
- Topographic surveys;
- Project management and engineering consulting.

BUSINESS UNIT

BUSINESS UNIT	Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	Francesco Ventura Costruzioni Ferroviarie S.r.l.	SRT S.r.l.	Colmar Technik S.p.A.	RECO S.r.l.	Overrail S.r.l.	Salcef Bau GmbH	Coget Impianti S.r.l.	Delta Railroad Construction Inc.	BahnBau Nord GmbH
TRACK & LIGHT CIVIL WORKS	■	■	■	■					■		■	■
ENERGY, SIGNALLING & TELECOMMUNICATIONS		■	■						■	■		
RAIL GRINDING & DIAGNOSTICS		■									■	
HEAVY CIVIL WORKS		■							■			
RAILWAY MATERIALS								■				
RAILWAY MACHINES					■	■					■	
ENGINEERING							■					

For full disclosure purposes, this report also refers to the "General Services" business unit. It covers all those activities that refer to all business units, such as administration, procurement, safety, quality, the environment, etc.

The table below shows the distribution of the business units across the main group companies.

STRUCTURE

GRI 2-1 GRI 2-2 GRI 2-6



Salcef Group S.p.A. (the "parent") heads a group of specialist companies active in Italy and abroad.

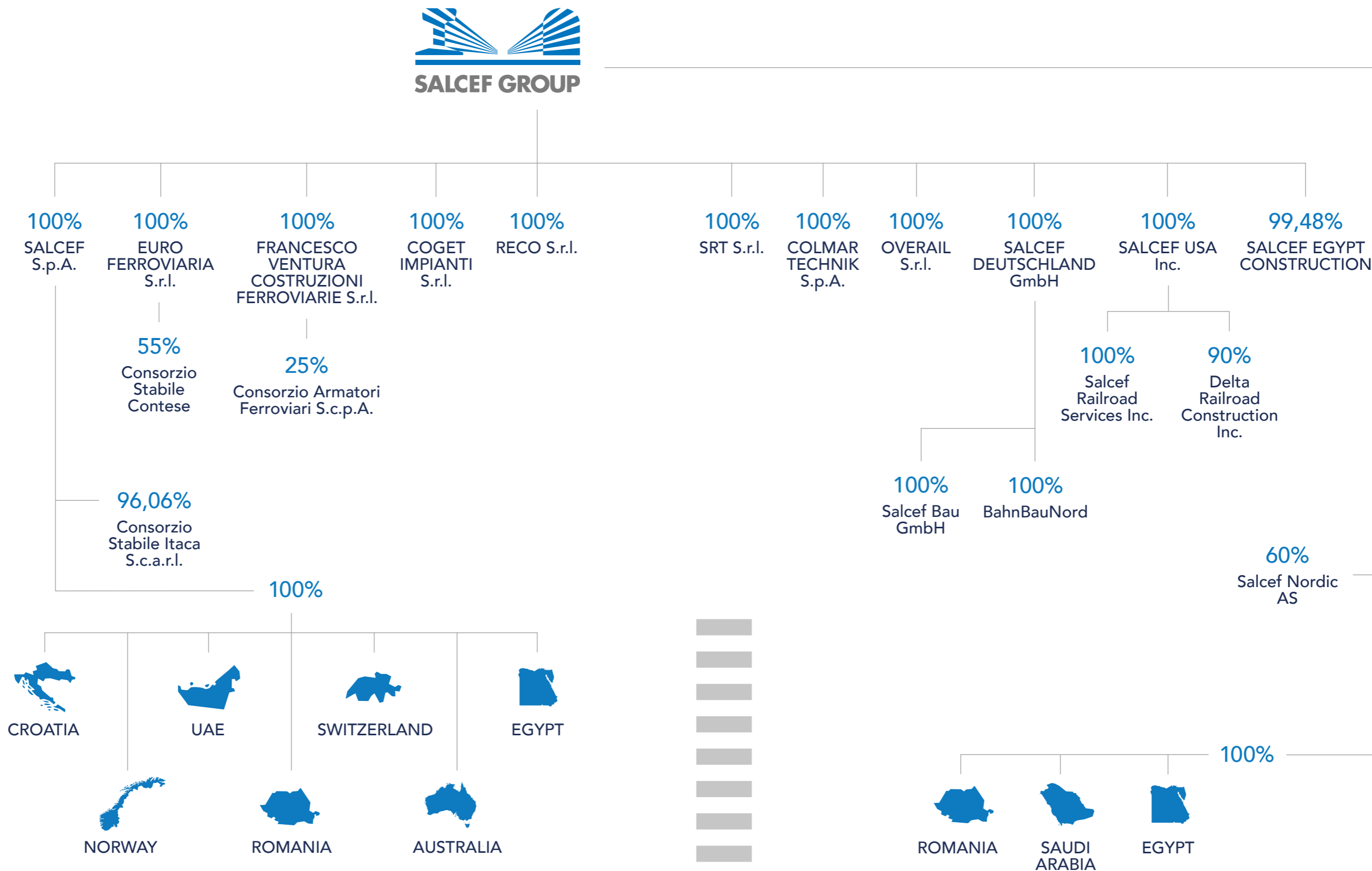
PART I

PRESENTATION OF THE GROUP

PARENT

OPERATING COMPANIES

COMMERCIAL BRANCHES



Part IV - Other information

Part III - Consolidated non-financial statement

Part II - The group's performance

Part I - Presentation of the group

THE HISTORY OF A KEY PLAYER IN THE RAILWAY SECTOR

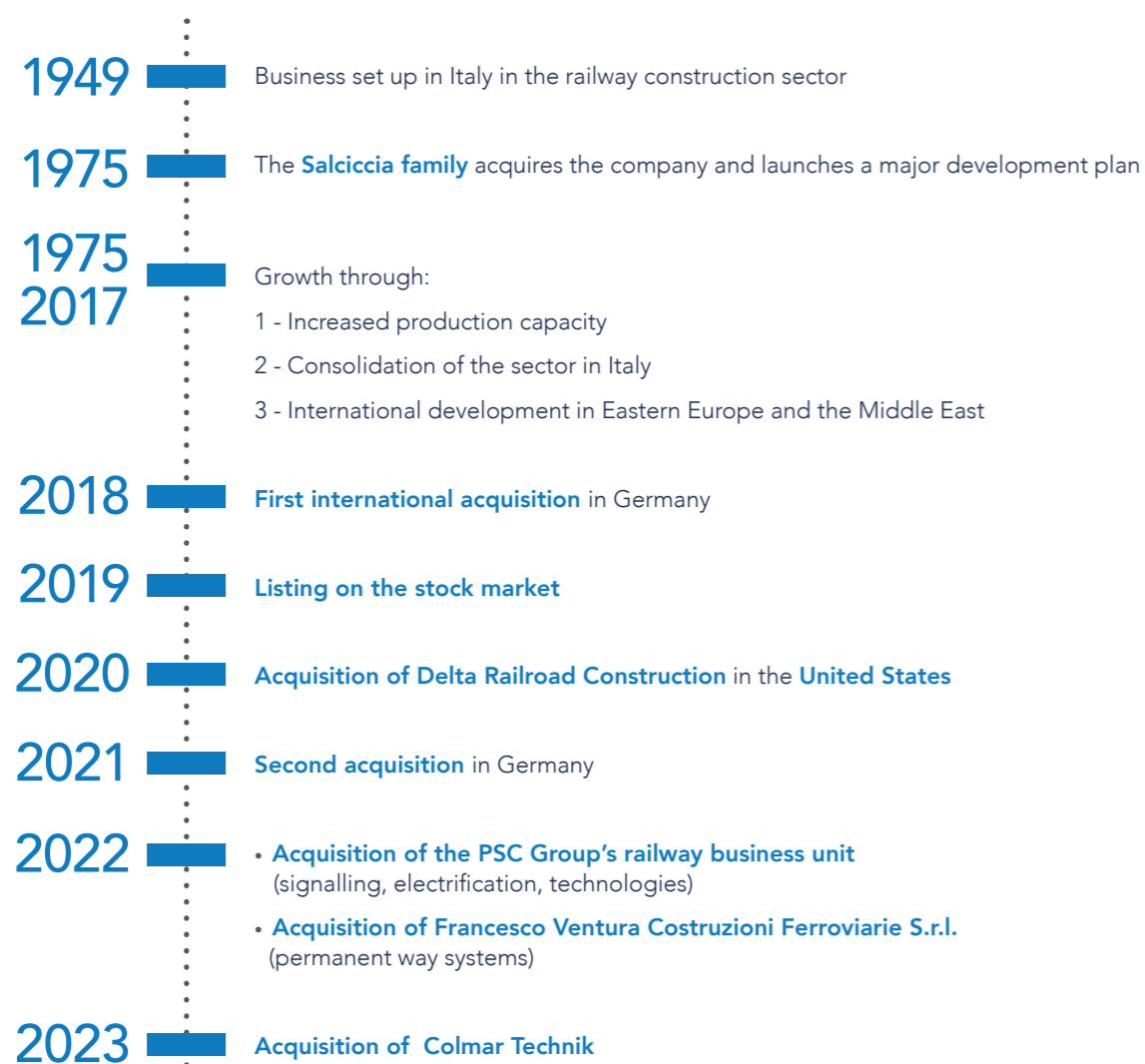
The Salcef Group commenced its activity in the railway construction sector in Italy in 1949 and has always featured an organisational model which prioritises innovation and highly-specialised production processes. Over the decades, it has acquired a series of companies operating in the permanent way systems sector, expanding its reach and creating a structure able to build complex works.

Since the 1990's, the group has expanded its global footprint in the European, African and Middle Eastern markets to become known and respected in Italy and abroad.

It started its international industrial expansion in 2018 with its first cross-border acquisition in Germany, followed by its entry into the North American market in 2020 and another acquisition in Germany in 2021.

In 2022, the group completed two important transactions in Italy, acquiring the railway business unit from the PSC Group and Francesco Ventura Costruzioni Ferroviarie. The first deal made the group the market leader of the Italian railway electrification sector and strengthened its market presence in the railway signalling and infrastructure technology market while the second transaction allowed it to reinforce its core railway permanent way systems business, extend its routine and extraordinary maintenance operations in southern Italy and build up its fleet.

In 2023, the group acquired Colmar Technik S.p.A., a company specialised in designing and manufacturing machinery used in building and maintaining railway lines. Its products are highly complementary to the range of machines manufactured by the subsidiary SRT, thus enabling the group to boost its positioning in the Railway Machines business unit.



GOVERNANCE AND COMPANY OFFICERS

PART I

PRESENTATION OF THE GROUP

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 financial statements as at and for the year ending 31 December 2024.

Chairperson	Gilberto Salciccia
CEO	Valeriano Salciccia
Director	Angelo Di Paolo
Director (independent)	Veronica Vecchi
Director (independent)	Bruno Pavesi
Director (independent)	Valeria Conti
Director (independent)	Emilia Piselli

REMUNERATION AND APPOINTMENT COMMITTEE

In office up until the date of the shareholders' meeting called to approve the financial statements as at and for the year ending 31 December 2024.

Chairperson	Emilia Piselli
Member	Veronica Vecchi
Member	Bruno Pavesi

AUDIT AND RISK COMMITTEE

In office up until the date of the shareholders' meeting called to approve the financial statements as at and for the year ending 31 December 2024.

Chairperson	Valeria Conti
Member	Veronica Vecchi
Member	Bruno Pavesi

RELATED PARTIES COMMITTEE

In office up until the date of the shareholders' meeting called to approve the financial statements as at and for the year ending 31 December 2024.

Chairperson	Bruno Pavesi
Member	Emilia Piselli
Member	Valeria Conti

SUSTAINABILITY COMMITTEE

In office up until the date of the shareholders' meeting called to approve the financial statements as at and for the year ending 31 December 2024.

Chairperson	Veronica Vecchi
Member	Emilia Piselli
Member	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 financial statements as at and for the year ending 31 December 2024.

Chairperson	Pier Luigi Pace
Standing auditor	Giovanni Bacicalupi
Standing auditor	Maria Assunta Coluccia
Alternate auditor	Carla Maria Melpignano
Alternate auditor	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.

The parent's corporate governance structure is based on a traditional organisational model and is comprised of the following company bodies: (i) the **shareholders' meeting**, which resolves on the issues provided for by the law and the company's by-laws; (ii) the **board of directors**, responsible for the management of the company, whose powers are detailed below; and (iii) the **board of statutory auditors**, entrusted with a supervisory function.

Based on a reasoned proposal made by the board of statutory auditors, the shareholders conferred the nine-year statutory audit by means of a resolution taken in their meeting.

The board of directors is vested with the broadest powers for the ordinary and extraordinary management of the parent. The directors are assigned all powers necessary for the implementation and achievement of the business purposes other than those reserved exclusively to the shareholders by law or the by-laws.

The board members, who do not necessarily have to be shareholders of the group, remain in office for three years. They are elected by the shareholders which decide on the number of members (between three and eleven) before electing them. Directors are elected from lists, drawn up in accordance with the methods set out in the corporate governance and ownership structure report and candidates must meet the necessary professional and independence requirements. Lists presenting three or more candidates must include candidates of different genders so that the board of directors' composition complies with the regulations about gender equality.

The chairperson of the board of directors has unlimited representation powers for the parent and is also assigned the organisation and management of company structures, as well as the definition of the guidelines and operating strategies for the other Salcef Group companies. Specifically: a) definition of strategic guidelines for new investments and activities to ensure company assets are operating efficiently; b) definition of the operating plan for Salcef Group's investments; c) research and development and other activities which are aimed at increasing and diversifying Salcef Group's products and services over the medium to long-term, including the roll-out of design activities and the research for new patents and production systems.

The chief executive officer (CEO) is assigned general representation powers, management of personnel and employment relationships, administrative management, contracts and financial management.

The following table provides a breakdown of the board of directors by gender and age bracket:

BOARD OF DIRECTORS - DIVERSITY (gender - age bracket)

WOMEN		MEN		TOTAL	
3	42.86%	4	57.14%	7	100.0%
UNDER 30 YEARS OF AGE		BETWEEN 30 AND 50 YEARS OF AGE		OVER 50 YEARS OF AGE	
-	-	1	14.29%	6	85.71%

Six of the seven directors were elected from the list presented by the controlling shareholder, Finhold S.r.l., while the other director was elected from the list presented by a group of institutional investors.

The board committees have the following duties:

- the **remuneration and appointment committee** carries out preliminary functions and advises the board of directors on the determination of the fees of directors assigned special duties, as well as in relation to personnel remuneration and retention policies;
- the **audit and risk committee** supports the board of directors in assessments and decisions in relation to risks and the internal control system;
- the **related parties committee** carries out the functions provided for by the regulation governing related party transactions adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 17221 of 12 March 2010, as amended, also taking into account the instructions and guidelines for the application of the related party transactions regulation provided by Consob with communication no. DEM/10078683 of 24 September 2010;
- the **sustainability committee** supports the board of directors in defining and implementing the group's ESG strategy and objectives.



Part IV - Other information

Part III - Consolidated non-financial statement

Part II - The group's performance

Part I - Presentation of the group



2

DIRECTORS' REPORT

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2.2

PART II THE GROUP'S PERFORMANCE

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Economic value generated and distributed

Government grants and subsidies

Financial figures and key performance indicators - parent

Performance of consolidated companies

Share performance

Key events of the year

FINANCIAL FIGURES AND KEY PERFORMANCE INDICATORS - GROUP

PART II

THE GROUP'S PERFORMANCE

GROUP RESULTS

Salcef Group management assesses the group's performance using certain measures not provided for by the IFRS. Although they are derived from the consolidated financial statements, they cannot be considered as substitutes of the IFRS indicators. 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.

The comparative figures in the following tables have been restated, where applicable, to retrospectively reflect the effects of completion of the purchase price allocation (PPA) of the acquisition of the railway business unit from the PSC Group (the "PSC business unit") and the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. ("FVCF"), in accordance with the IFRS. For further details, please refer to the notes to the consolidated financial statements.

RECLASSIFIED INCOME STATEMENT

	2023	2022 <i>restated</i>	VAR
Revenue	794,710	565,612	229,098
Operating costs	(648,834)	(462,370)	(186,463)
Other operating costs	(19,202)	(12,807)	(6,395)
Internal work capitalised	33,851	24,524	9,327
EBITDA	160,525	114,959	45,567
Amortisation, depreciation and impairment losses	(59,838)	(37,158)	(22,680)
EBIT	100,687	77,801	22,887
Adjusted net financial expense*	(13,340)	(1,742)	(11,598)
ADJUSTED PRE-TAX PROFIT*	87,347	76,059	11,289
Adjusted income taxes**	(23,377)	(19,713)	(3,665)
ADJUSTED PROFIT FOR THE YEAR	63,969	56,346	7,624
* Net fair value gains (losses) on financial investments	6,391	(8,900)	15,291
** Deferred tax liabilities on net fair value gains (losses) on financial investments, Reversal of deferred tax assets on revaluation and non-recurring tax expense	(8,243)	(1,953)	(6,290)
PROFIT FOR THE YEAR	62,118	45,493	16,625

€'000

KEY PERFORMANCE INDICATORS

	2023	2022 <i>restated</i>
EBITDA MARGIN	20.20%	20.32%
EBIT MARGIN	12.67%	13.76%

€'000

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

KEY FINANCIAL INDICATORS

	31/12/2023	31/12/2022
NFP	(7,209)	55,533
ADJUSTED EQUITY	441,112	432,477 (*)

€'000

(*) adjusted equity as at 31 December 2022 has been restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the PSC business unit and FVCF.

DESCRIPTION OF THE ALTERNATIVE PERFORMANCE MEASURES

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

These measures reflect the group's financial performance net of non-recurring events and events unrelated to the core business to allow a more consistent analysis of the group's performance with previous periods.

COMMENTS ON THE GROUP'S 2023 PERFORMANCE

In 2023, the group recognised revenue of €794,710 thousand, up €229,098 thousand (+40.5%) on the previous year's figure of €565,612 thousand. This improvement is mainly due to the group's organic growth in 2023 and the changes in the consolidation scope following the acquisition of Colmar Technik S.p.A. (effective 1 August 2023), Francesco Ventura Costruzioni Ferroviarie S.r.l. (in December 2022) and the business unit from the PSC Group (effective 1 May 2022), which, therefore, did not contribute (or only partially contributed) to the income statement for 2022.

EBITDA amounts to €160,525 thousand, a €45,567 thousand (+39.6%) increase over the €114,958 thousand of 2022. The EBITDA margin is 20.20%, more or less in line with the previous year. The consolidated profit margins remain stable, despite the larger consolidation scope following recent acquisitions (specifically FVCF and Colmar). Though partially diminished in 2023, the 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 €100,687 thousand, up €22,887 thousand (+29.4%) over the €77,800 thousand of 2022. The increase is due to the aforementioned rise in volumes. The EBIT margin of 12.67% decreased on the previous year (13.76%) due to higher depreciation following the roll-out of new assets during the year, amortisation of intangible assets and gains on property, plant and equipment as a result of purchase price allocations in 2023. Such gains amount to €6,986 thousand in 2023, significantly higher than the restated prior-year balance of €1,190 thousand as it was calculated solely for the period after the acquisition date in 2022. Excluding the effect of amortisation resulting from purchase price allocations, 2023 EBIT would have amounted to €107,673 thousand, with an EBIT margin of 13.55% more or less in line with the previous year.

The adjusted profit for the year is €63,969 thousand, compared to €56,345 thousand in 2022. The adjustments to the profit for the year of €62,118 thousand related to: (i) the net fair value gains on financial investments of €6,391 thousand, (ii) the related deferred tax liabilities of €1,534 thousand, (iii) the release of deferred tax assets on revaluations of €2,876 thousand, and (iv) other non-recurring tax expense of €3,833 thousand. Financial income of €6,391 thousand consists of fair value gains on the group's short-term investments. The profit for 2023 was also impacted by the tax expense (€2,876 thousand) deriving from the release of the deferred tax assets recognised at 31 December 2020 (€17,550 thousand) to offset the lower taxes recognised by the subsidiaries that revalued assets in their respective financial statements at 31 December 2020.

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

Accordingly, the tax value of the assets revalued in the subsidiaries' financial statements is higher than their carrying amount in the Salcef Group's consolidated financial statements. This difference led to the recognition of deferred tax assets (IRES - corporate income tax and IRAP - regional productivity tax) in the consolidated financial statements at 31 December 2020 in accordance with IAS 12. The deferred tax assets 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 consolidated financial statements (see note 7 to the consolidated financial statements).

The group's net financial indebtedness amounts to €7.2 million at the reporting date, compared to a net financial position of €55.5 million at 31 December 2022. The €62.7 million worsening is mostly due to the payment of €16.5 million to acquire Colmar Technik S.p.A. (in addition to the €3 million balance due on the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l., as well as €81.3 million paid out in shareholder/quotaholder loans to such companies to finance their working capital), the payment of dividends totalling €30.8 million and €20.9 million to repurchase treasury shares. The decrease is partly offset by the cash generated by the group in the year.

The table below provides a breakdown of the net financial position at 31 December 2023 and 2022 in accordance with the presentation method established in the ESMA Guidelines dated 4 March 2021.

	€'000		
NET FINANCIAL POSITION	31.12.2023	31.12.2022	VAR
(A) Cash	140,929	135,246	5,683
(B) Cash equivalents	0	0	0
(C) Other current financial assets	88,495	148,643	(60,148)
(D) Liquidity (A + B + C)	229,424	283,889	(54,465)
(E) Current financial debt	(10,828)	(22,140)	11,312
(F) Current portion of non-current financial debt	(83,506)	(76,576)	(6,930)
(G) Current financial indebtedness (E + F)	(94,334)	(98,716)	4,382
(H) Net current financial position (G + D)	135,090	185,173	(50,083)
(I) Non-current financial debt	(142,299)	(129,640)	(12,659)
(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)	(142,299)	(129,640)	(12,659)
(M) Net financial position (indebtedness) (H + L)	(7,209)	55,533	(62,742)

Total adjusted equity at 31 December 2023 of €441,112 thousand is up €8,635 thousand on 31 December 2022. This increase is due to the distribution of the dividend in the year, as resolved by the shareholders on 27 April 2023, partly offset by the profit for the year, other comprehensive income (relating to net actuarial losses, net fair value losses on hedging derivatives, net fair value gains on financial assets at FVOCI and net exchange losses), the recognition of the stock grant plan and repurchases of treasury shares during the first half of 2023.

Total equity at the reporting date includes the reserve for treasury shares of €28,081 thousand, corresponding to the 1,491,734 treasury shares held by the parent at that date.



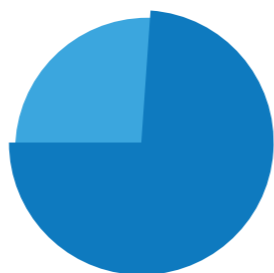
ORDER BACKLOG

The group's order backlog represents the value of all its contracts with customers leading to obligations for both sides to fulfil their part of the contract, net of the performance obligations that have already been satisfied. As soon as a new contract is signed, it is added to the order backlog which subsequently decreases over time as the group satisfies its performance obligations, recognising the related contract revenue in profit or loss.

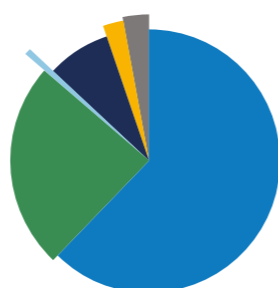
At the reporting date, the Salcef Group's order backlog includes contracts for permanent way systems (62.3%), energy sector works (24.3%), infrastructure works (7.8%), sleepers and prefabricated products manufacture (2.8%), machinery construction and maintenance contracts (2.4%) (including €33.5 million deriving from the acquisition of Colmar) and grinding works (0.4%). 73% of the order backlog refers to the domestic market, essentially in line with 2022. The Salcef Group's order backlog at 31 December 2023 is detailed by business unit and geographical segment below:

SALCEF GROUP - ORDER BACKLOG AT 31 DECEMBER 2023

Italy	1,619,017.6	73.0%
Abroad	599,036.7	27.0%
Total¹	2,218,054.3	100.00%



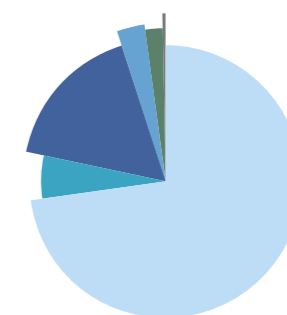
Track & Light Civil Works	1,381,875.7	62.3%
<i>of which, Abroad</i>	<i>565,532.5</i>	
Energy	539,046.4	24.3%
<i>of which, Abroad</i>	<i>1,748.2</i>	
Rail Grinding & Diagnostics	7,901.2	0.4%
<i>of which, Abroad</i>	<i>0.0</i>	
Heavy Civil Works	173,955.0	7.8%
<i>of which, Abroad</i>	<i>26,924.1</i>	
Railway Machines	53,957.1	2.4%
<i>of which, Abroad</i>	<i>4,831.8</i>	
Railway Materials	61,318.9	2.8%
Total¹	2,218,054.3	100.00%



¹Excluding intragroup contracts

SALCEF GROUP - ORDER BACKLOG AT 31 DECEMBER 2023 - BY COUNTRY

Italy	1,619,017.6	72.99%
USA	124,747.1	5.62%
Romania	368,857.8	16.63%
Egypt	58,929.9	2.66%
Germany	45,633.5	2.06%
Norway	0.0	0.00%
UAE	0.0	0.00%
Austria	868.4	0.04%
Total¹	2,218,054.3	100.00%



¹Excluding intragroup contracts



At year end, the group's order backlog exceeds €2.2 billion compared to approximately €1.7 billion at the end of 2022. This growth stems from the signing of new contracts totalling €1.1 billion during the year, a new record for the group. The main contracts acquired during the year include: construction of 300km of double-track high-speed line on the northern section of the Green High-Speed Line in Egypt; renewal and extraordinary maintenance of the railway permanent way system on the Perugia Ponte San Giovanni - Terni and Città di Castello - Sansepolcro sections (formerly the Umbrian central railway); doubling of the Piadena-Mantova line; construction of the Verona West junction; undergrounding of the Catania junction; electrification of the Cagliari-Oristano line; framework agreement for the renewal of the regional tourist railways in Sardinia, as well as various orders for the renewal of the permanent way system of local railways in southern Italy.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

GRI 3-3 GRI 201-1

The value generated and distributed is determined using the group's income statement to show the economic value directly generated by the group and distributed to its internal and external stakeholders. The income statement presents information on the creation and distribution of economic value to the stakeholders.

From an accounting viewpoint, the **value generated** is the group's net revenue (revenue, other operating revenue, net of impairment losses and tax benefits), while the **economic value distributed** includes costs reclassified by stakeholder category. The costs presented in the income statement are increased by dividends, when these are distributed to the shareholders.

The economic value withheld is the difference between the economic value generated and that distributed. It includes capitalised research and development expenditure, amortisation and depreciation, provisions, fair value gains and losses and deferred taxes.

(€'000)			
ECONOMIC VALUE	2021	2022 <i>restated</i>	2023
Economic value generated	440,141	565,612	794,710
Operating costs	(278,247)	(378,521)	(548,050)
Human resources - Personnel expense	(9,726)	(109,290)	(145,973)
Net financial expense	(7,834)	(10,642)	(6,949)
Public administration	(20,992)	(21,666)	(31,620)
Shareholders - Dividends distributed ^[1]	(21,314)	(28,475)	(30,800)
Economic value distributed	(422,113)	(548,594)	(763,392)
Economic value withheld	18,028	17,018	31,318

¹ Considering intragroup eliminations.

GOVERNMENT GRANTS AND SUBSIDIES

GRI 201-4

Overall S.r.l., Coget Impianti S.r.l. and Euro Ferroviaria S.r.l. accrued tax benefits in 2022 related to investments in property, plant and equipment under the Industry 4.0 programme, which they will recognise and use starting from 2023.

In 2023, Overall S.r.l. and SRT S.r.l. used tax credits accrued in 2022 related to costs incurred to purchase energy products (as per Decree laws no. 115/2022, no. 144/2022 and no. 176/2022), which they claimed in 2023.

Salcef S.p.A., SRT S.r.l. and Euro Ferroviaria S.r.l. accrued tax credits in 2023 for investments in property, plant and equipment under the Industry 4.0 programme, which they will recognise and use starting from 2024.

Francesco Ventura Costruzioni Ferroviarie S.r.l. accrued tax credits in 2023 for investments in property, plant and equipment under the Industry 4.0 programme and for investments in southern Italy, which it will recognise in 2023 and use starting from 2024.



FINANCIAL FIGURES AND KEY PERFORMANCE INDICATORS - PARENT

PART II

THE GROUP'S PERFORMANCE

THE PARENT'S RESULTS

The parent's 2023 financial figures and key performance indicators are provided in the next table:

RECLASSIFIED INCOME STATEMENT

	2023	2022	VAR
Revenue	18,753	16,984	1,769
Operating costs	(18,735)	(18,601)	(134)
Other operating costs	(1,238)	(782)	(456)
Internal work capitalised	0	0	0
EBITDA	(1,220)	(2,399)	1,179
Amortisation, depreciation and impairment losses	(1,512)	(1,012)	(500)
EBIT	(2,732)	(3,411)	679
Adjusted net financial income*	35,388	46,783	(11,395)
ADJUSTED PRE-TAX PROFIT*	32,656	43,372	(10,716)
Adjusted income taxes**	1,555	(576)	2,131
ADJUSTED PROFIT FOR THE YEAR	34,211	42,796	(8,585)
* Net fair value gains (losses) on financial investments	6,391	(8,900)	15,291
** Deferred tax liabilities on net fair value gains (losses) on financial investments	(1,534)	2,136	(3,670)
PROFIT FOR THE YEAR	39,068	36,032	3,036

KEY FINANCIAL INDICATORS

	31/12/2023	31/12/2022
NFP	41,101	111,208
EQUITY	320,389	336,225

The previous section on the group's performance contains a description of the alternative performance measures used by management.



COMMENTS ON THE PARENT'S 2023 RESULTS

The parent made a profit of €36,068 thousand for the year compared to €36,032 thousand for 2022 and an adjusted profit of €34,211 thousand compared to €42,796 thousand in the previous year. This profit takes into account the net fair value gains of €6,391 thousand on the group's short-term investments generated by the upturn in international financial markets.

The profit for 2022, on the other hand, took into account the net fair value losses of €8,900 thousand on the group's short-term investments due to the downturn in international financial markets.

As shown in the above table, revenue for the year came to €18,753 thousand, compared to €16,984 thousand for 2022. This was chiefly earned on services provided by the parent to other group companies, with the residual balance earned on work performed by the parent through its foreign branch in Saudi Arabia. Financial income mostly consists of dividends of approximately €39 million distributed by the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l. and SRT S.r.l. and interest income on loans granted to the subsidiaries.

The parent's net financial position (i.e., with liquidity exceeding debt) amounts to €41,101 thousand at the reporting date, compared to €111,208 thousand at 31 December 2022. The €70.1 million decrease is mostly due to the dividend payment of roughly €30.8 million, the payment of €16.5 million to acquire Colmar Technik S.p.A., the payment of the €3 million balance due on the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. and approximately €21 million to repurchase treasury shares.

The table below provides a breakdown of the net financial position at 31 December 2023 and 2022 in accordance with the presentation method established in the ESMA Guidelines dated 4 March 2021.

	(€'000)		
NET FINANCIAL POSITION	31.12.2023	31.12.2022	VAR
(A) Cash	15,375	14,177	1,198
(B) Cash equivalents		0	0
(C) Other current financial assets	253,746	252,321	1,425
(D) Liquidity (A + B + C)	269,121	266,498	2,623
(E) Current financial debt	(38,238)	(1,077)	(37,161)
(F) Current portion of non-current financial debt	(68,038)	(52,315)	(15,723)
(G) Current financial indebtedness (E + F)	(106,276)	(53,392)	(52,884)
(H) Net current financial position (G + D)	162,845	213,106	(50,261)
(I) Non-current financial debt	(121,744)	(101,898)	(19,846)
(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)	(121,744)	(101,898)	(19,846)
(M) Net financial position (H + L)	41,101	111,208	(70,107)

Its share capital at 31 December 2023 amounts to €141,544,532.20 (unchanged from the previous year end) and is fully paid up at the date of approval of this report.



PERFORMANCE OF CONSOLIDATED COMPANIES

GRI 2-1 GRI 2-2 GRI 2-6

PART II

THE GROUP'S PERFORMANCE

SALCEF S.P.A.

Salcef S.p.A. is the group's most important company in terms of revenue. It operates in the Italian railway and metro construction and maintenance sector.

It recognised revenue of €480,687 thousand (€338,010 thousand in 2022) and a profit of €58,520 thousand (€32,365 thousand in 2022).

The contracts for which the most work was carried out in 2023 were those for the renewal and maintenance of railway lines under the three-year plan established by RFI S.p.A. with its 2021-2023 master agreements as well as work on the contract for the civil works and permanent way systems for the HS/HC Verona - Padua railway line. The group company's branches in Egypt, Abu Dhabi, Romania and Norway made limited contributions to revenue.

EURO FERROVIARIA S.R.L.

This company is active in the permanent way systems, electrical traction and railway signalling sector and focuses on the Italian market.

It reported revenue of €81,004 thousand and a profit of €3,944 thousand for the year, compared to €63,673 thousand and €3,126 thousand for the previous year, respectively.

The contracts for which the most work was carried out in 2023 were once again those for the renewal and maintenance of railway lines under the three-year plan established by RFI S.p.A. with its 2021-2023 master agreements, as well as the electrical traction and railway signalling contracts.

SRT S.R.L.

This company carries out design, construction and maintenance of railway machines for the maintenance of railway infrastructure and freight transport. It has production facilities in Fano and Sant'Ippolito, which are also maintenance centres certified by RFI, and a production facility in the municipality of Terre Roveresche (Pesaro-Urbino) used to build rolling stock for sale to other group companies and third parties.

The group company earned revenue of €38,238 thousand in 2023 (€34,492 thousand in 2022) essentially split among three areas:

- routine and extraordinary maintenance on rolling operating machines, which it performs directly at Salcef S.p.A.'s, Euro Ferroviaria S.r.l.'s and Francesco Ventura Costruzioni Ferroviarie S.r.l.'s active work sites, as well as directly for RFI S.p.A. to a lesser degree;
- extraordinary maintenance on rolling operating machines at the facility in Fano (Pesaro-Urbino), mainly on Salcef S.p.A.'s, Euro Ferroviaria S.r.l.'s and Francesco Ventura Costruzioni Ferroviarie S.r.l.'s vehicles;
- construction of railway vehicles (such as carriages, grinders, etc.) for sale to Salcef group companies and third parties.

Specifically, it performed most of its activities in 2023 for group companies under master agreements for routine and extraordinary maintenance of all their machinery.



The group company made a profit of €1,462 thousand for the year, compared to €2,253 thousand in 2022. The decrease is mostly due to the higher value of work in progress (valued at cost), up from €12,042 thousand in 2022 to €15,029 thousand in 2023, the profits on which will be recognised in the year in which the railway vehicles under construction are invoiced to the end customer.

OVERAIL S.R.L.

This company manages the Aprilia production facility and produces railway sleepers, switch bearers, ballastless systems and tunnel segments.

It reported a profit of €9,633 thousand for the year, compared to €8,048 thousand for 2022, and revenue of €58,774 thousand against €51,751 thousand in the previous year. The higher profit is a result of the surge in production volumes and the increased profitability of the group company's core business thanks to the investments made at the Aprilia production facility, which is now more productive, and in the development of innovative products for ballastless track systems.

Most of the sleeper production was carried out for its key customer Rete Ferroviaria Italiana S.p.A. as part of a three-year plan to renew and perform extraordinary maintenance on the permanent way systems on existing lines of the RFI - Lotto Centro network. This work is being carried out in the 2021-2023 three-year period.

FRANCESCO VENTURA COSTRUZIONI FERROVIARIE S.R.L.

This company became part of the group on 23 December 2022. It operates in the permanent way systems sector, mostly in southern Italy. It reported revenue of €64,663 thousand in 2023, while it did not contribute to the consolidated results in 2022 as the acquisition had taken place near the end of the year.

COGET IMPIANTI S.R.L.

This company operates in the design, construction and maintenance of electric distribution lines ("primary lines") both in Italy and abroad (Austria and France).

It reported revenue of €21,586 thousand in 2023, compared to €24,837 thousand in the previous year. In this regard, the company's revenue for the first three months of 2022 included that generated by the business unit operating in the design, construction and maintenance of electric contact lines for electrical traction which was then demerged to Salcef S.p.A. as of 30 March 2022. 2023 revenue, on the other hand, is entirely generated by work on primary lines.

RECO S.R.L.

RECO S.r.l. provides design and engineering services for the construction of railway infrastructure. It also plays a key role in the development of technological and industrial solutions working closely with the other group companies.

Its revenue for 2023 amounts to €3,377 thousand, which is substantially in line with the previous year (€1,928 thousand), and is nearly entirely earned with the other group companies on its engineering and design services.

CONSORZIO ITACA S.C.A R.L. AND CONSORZIO STABILE CONTESE

Both these consortium companies are not for profit. Their business object is to be of mutual benefit to their members; therefore, all their costs incurred directly and indirectly in carrying out their activities are recharged to their members in line with their investment percentages unless it has been decided otherwise.

Consorzio Stabile Contese joined the group in 2022 as it is part of the business unit previously owned by the PSC Group acquired by Euro Ferroviaria S.r.l..

The operations of both investees grew in 2023 due to the roll-out of two new projects (the main one entrusted to Consorzio Itaca S.c.a r.l.). Indeed, they recognised combined revenue of €4,891 thousand, compared to €187 thousand in 2022.

SALCEF DEUTSCHLAND GMBH

Salcef Deutschland GmbH is the group's sub-holding company for its German operations and it heads a group of companies including Salcef Bau GmbH (based in Landsberg am Lech, near Munich) and Bahnbau Nord GmbH (in Henstedt-Ulzburg, near Hamburg). These companies are specialised in railway permanent way systems and infrastructure and operate in the German permanent way systems, technological plant and civil railway works market with the main customer Deutsche Bahn (the German railway infrastructure operator) along with other German railway infrastructure operators. Through Salcef Deutschland GmbH and its subsidiaries, the group intends to grow its foothold in the German market, characterised by impressive development projects as confirmed by the Deutsche Bahn plan approved by the German government with investments of €86 billion in the period from 2021 to 2030. In 2023, the German group companies ended the year with revenue (at sub-holding level) of €34 million.

SALCEF USA INC.

Salcef USA Inc. is the group's sub-holding company incorporated in the state of Delaware for its operations in the United States and Canada. It is fully owned by Salcef Group S.p.A..

Salcef USA Inc. owns 90% of Delta Railroad Construction Inc. (see below) and 100% of Salcef Railroad Services Inc., set up in October 2022 to promote the group's business in the North American market.

DELTA RAILROAD CONSTRUCTION INC.

This company, in which Salcef USA Inc. has a 90% investment acquired on 15 September 2020, is based in Ohio and has worked in the permanent way systems construction and maintenance and railway machines maintenance sectors in the US and Canada since 1957.

It reported a profit of USD2,590 thousand for 2023, compared to USD3,338 thousand for 2022. Its revenue came to USD74,241 thousand, compared to USD51,535 thousand in 2022.

SALCEF RAILROAD CONSTRUCTION INC.

This subsidiary of Salcef USA Inc. was set up in 2022 to offer integrated services in the North American market.

COLMAR TECHNIK S.P.A.

Acquired on 1 August 2023, this company designs and produces machinery used in constructing and maintaining railway lines. Colmar Technik S.p.A. only contributed to the group's income statement for the five months after its acquisition during which the company recorded revenue of €8,546 thousand. Further details on the acquisition can be found in the "Key events of the year" paragraph.

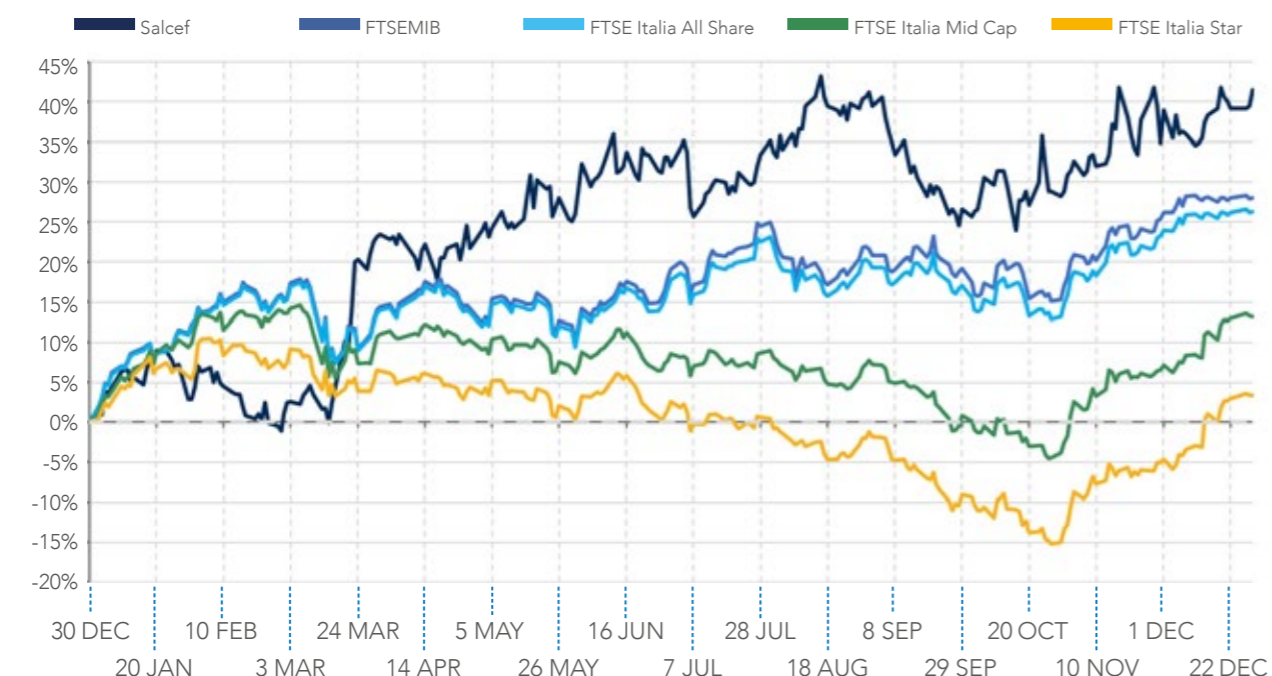


SHARE PERFORMANCE

The parent's ordinary shares (ISIN: IT0005388266) are listed on the Euronext STAR segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A..

On 29 December 2023 (the last trading day of the year), the share price was €24.65, compared to €17.42 on 30 December 2022, showing an increase of €7.23 per share for an annual performance of +41.5%. The parent's market capitalisation was €1.5 billion at 29 December 2023, compared to €1.1 billion at 30 December 2022.

The first graph shows the share's performance in 2023 while the second graph provides a comparison with the main indexes of the Italian market. The second graph also shows how the share outperformed all comparative indexes in 2023.



KEY EVENTS OF THE YEAR

RELOCATION OF ADMINISTRATIVE AND REGISTERED OFFICES

In January 2023, the company relocated its registered office from Via di Pietralata 140 to Via Salaria 1027, remaining in Rome.

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

The subsidiary Francesco Ventura Costruzioni Ferroviarie S.r.l. relocated its registered office from Piazza Sant'Andrea della Valle 6 to Via Salaria 1027, remaining within the municipality of Rome.

CROATIA'S ADOPTION OF THE EURO

Croatia joined the Eurozone on 1 January 2023, with the Kuna conversion rate set at 7.53450 Kuna per Euro. The effects of translating the foreign currency balances of Salcef S.p.A.'s Croatia branch have been immaterial as the amounts are negligible and the aforementioned conversion rate is very similar to the rate used to translate such foreign operation's balances at 31 December 2022.

THE GROUP EXTENDS ITS PRESENCE IN SCANDINAVIAN COUNTRIES

In 2023, the Salcef Group and the Norwegian-based Nordic Infrastructure Group ("NIG") jointly set up Salcef Nordic AS, based in Oslo (Norway). The Salcef Group owns 60% of the new company as a result of the agreements reached with NIG in 2022, whereby the Norwegian owner created the company and subsequently sold 60% of it to the Salcef Group for a nominal amount of roughly €3 thousand. The group undertook this transaction to extend its presence in Scandinavian countries.

REPURCHASES OF TREASURY SHARES

The parent continued its treasury share repurchase programme up until 13 March 2023, when it reached the maximum number of shares that can be repurchased as per the terms and methods set by the shareholders at their meeting of 29 April 2022.

Subsequently, in force of the resolution passed by the shareholders at their meeting of 27 April 2023, two new tranches of the share buyback programme were rolled out. Specifically:

- the first tranche, approved by the board of directors at their meeting of 15 May 2023, provided for the repurchase of ordinary treasury shares for a maximum of 300,000 shares and was successfully completed on 31 July 2023 when it reached the maximum number of treasury shares that can be purchased as per the terms and methods set by the aforementioned resolution of 15 May 2023;
- the second tranche, approved by the board of directors at their meeting of 3 August 2023 provided for the repurchase of ordinary treasury shares for a maximum of 400,000 shares and was successfully completed on 27 November 2023 when it reached the maximum number of treasury shares that can be purchased as per the terms and methods set by the aforementioned resolution of 3 August 2023.

As a result of the repurchases in 2023, net of shares assigned during the year as per the 2021-2024 stock grant plan, the company holds a total of 1,491,734 treasury shares at the reporting date, equal to 2.391% of the share capital. That number is unchanged at the date of approval of this report.

SALE OF THE SUBSIDIARY KAMPFMITTELRÄUMUNG NORD GMBH

The sale of the subsidiary Kampfmittelräumung Nord GmbH ("KMR"), whose assets and liabilities had been classified as held for sale in accordance with IFRS 5 in the consolidated financial statements at 31 December 2022, was completed in the first quarter of 2023. Consequently, it was not consolidated at 31 December 2023. As indicated in the notes to the consolidated financial statements at 31 December 2022, the non-current assets held for sale relating to KMR, net of the directly associated liabilities, amounted to €1,258 thousand, and the agreed consideration was €1,300 thousand (which was collected in full in early 2023).

APPROVAL OF SEPARATE FINANCIAL STATEMENTS AND DIVIDEND DISTRIBUTION

During their ordinary meeting of 27 April 2023, the shareholders approved the parent's separate financial statements as at and for the year ended 31 December 2022, which showed a profit for the year of €36,032,511, and acknowledged the consolidated financial statements as at and for the year ended 31 December 2022, which showed a profit for the year attributable to the owners of the parent of €45,333,687, as well as the consolidated non-financial statement prepared in accordance with Legislative decree no. 254/2006.

The shareholders also resolved to distribute a dividend of €0.50 per eligible ordinary share at the record date (i.e., 16 May 2023), with coupon detachment on 15 May 2022 and payment date on 17 May 2023. The shareholders then approved the allocation of the remaining profit for the year, allocating €1,802 thousand to the legal reserve and €3,430 thousand to retained earnings.

During their ordinary meeting, the shareholders:

- i) authorised the board of directors, after revoking the authorisation given by the shareholders on 29 April 2022 for the part not exercised, to repurchase, in one or more tranches and even on a revolving basis, the parent's ordinary shares without nominal amount, up to a maximum which, considering its ordinary shares held at any time by the parent and its subsidiaries, shall not cumulatively exceed 10% of the parent's share capital, pursuant to article 2357.3 of the Italian Civil Code. The authorisation is given for 18 months from the date of the resolution;
- ii) examined the report on remuneration policy and compensation paid, prepared in accordance with current legal and regulatory requirements, approved the company's remuneration policy for 2022 included in the first section of such report, pursuant to article 123-ter.3-bis/3-ter of Legislative decree no. 58/98 (the "TUF") and resolved in favour of the second section of the report, pursuant to article 123-ter.6 of the TUF;
- iii) approved the 2023-2026 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;
- iv) approved the 2023-2024 performance share plan, which provides for the free allocation of up to a maximum of 10,000 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;

(v) approved the text proposed by the board of directors for the shareholders' meeting rules, for the purpose of regulating the ordinary and extraordinary meetings of the parent's shareholders in accordance with the law and the by-laws.

ACQUISITION OF COLMAR TECHNIK S.P.A.

On 1 August 2023, Salcef Group S.p.A. completed the acquisition of 100% of the share capital of Colmar Technik S.p.A. ("Colmar"), a company specialised in designing and manufacturing machinery used in building and maintaining railway lines, with production plants in Arquà Polesine and Costa di Rovigo (both outside Rovigo). Following the preliminary agreement signed by the parties on 26 June 2023, the deal was closed after the conditions precedent included in such agreement were met and the due diligence process was successfully completed.

The price set by the parties was €16.5 million, fully paid though partially deposited in an escrow account, and does not include any price adjustment devices and/or conditions precedent.

The Salcef Group decided to acquire Colmar in order to expand its range of products in the railway machines sector in Italy and abroad, as it stands to benefit from, among other things, synergies and the complementary nature of Colmar's range of products with those offered by the group's subsidiary SRT, which also operates in the railway machines business but with a primary focus on wagons and rail grinders. This acquisition is also expected to lead to sales synergies generated by Colmar's vast international network.

LEGAL PROCEEDINGS UNDER LEGISLATIVE DECREE NO. 231/2001

As already disclosed in the group's Additional financial information at 30 September 2023, in August and September 2023, Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. were notified that they were under investigation and informed of the completion of the preliminary investigations (in accordance with article 415-bis of the Italian Criminal Procedural Code) in relation to criminal proceedings being handled by the Milan Public Prosecutor's Office, in which the aforesaid group companies are under investigation, together with other companies, for alleged offences under Legislative decree no. 231/2001 (the "proceedings"). These proceedings derive from another case in which those under investigation include, inter alia, former directors and legal representatives of Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l., who no longer hold such positions or, in any case, no longer legally represent Salcef Group companies. News that the individuals concerned were under investigation was leaked to the press as early as February 2022 and the circumstances were reported in the notes to the consolidated financial statements at 31 December 2022 and the condensed interim consolidated

financial statements at 30 June 2023, underlining the fact that the group companies were in no way implicated in the alleged offences reported in the press.

The alleged offences under Legislative decree no. 231/2001 concern: (i) the group companies' possible involvement in the offence of conspiracy to favour the business of certain suppliers owned by people with alleged links to organised crime and; (ii) only for possible offences committed after 24 December 2019 (the date the legislative amendment came into force which included tax offences under the scope of the Legislative decree), alleged tax offences relating to recording in the companies' accounts of invoices issued by the aforementioned suppliers for the lease of assets and secondment of employees, as well as the inclusion of such invoices in income tax and VAT returns.

With regard to the alleged tax offences, while confirming that the suppliers in question had genuinely supplied the services in 2017 and 2018 (as confirmed by experts' opinions), Salcef S.p.A. and Euro Ferroviaria S.r.l. still deemed it appropriate, in order to safeguard themselves and protect their reputation and business, to submit supplementary IRES, IRAP and VAT returns in the first quarter of 2022, simultaneously making voluntary additional payments through self-imposed sanctions on all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with such suppliers. As a result, the companies would have not received any illegal profits from the alleged tax offences but have, in fact, only incurred the financial loss generated by the recalculation of their tax bill and the payment of the additional taxes, fines and interest.

In September 2023, after being notified that they were under investigation, the group companies involved were served preventive seizure orders (as per article 321 of the Italian Criminal Procedural Code) for the amounts of the alleged illegal profits from the aforementioned tax offences, calculated by the investigating judge on the request of the Public Prosecutor. The total amount seized from the three group companies involved in the proceedings is €3,483,636.75, of which €2,919,953.18 from Francesco Ventura Costruzioni Ferroviarie S.r.l., €561,085.04 from Salcef S.p.A. and €2,598.53 from Euro Ferroviaria S.r.l..

As of today, as explained in more detail below, there are no amounts of Salcef Group companies subject to preventive seizure.

On 28 November 2023, the Milan Court accepted Salcef S.p.A.'s request for reassessment and ordered the release of the entire amount via its order filed on 5 December 2023.

Pending the scheduling of the reassessment hearing before the Milan Court, Euro Ferroviaria S.r.l. filed a request for the release of the entire amount seized as it was subject to a self-imposed sanction. On 16 January 2024, the application for release was granted and the amount was released.

With regard to the alleged tax offences, Francesco Ventura Costruzioni Ferroviarie S.r.l. (which joined the Salcef Group on 23 December 2022) deemed it appropriate, in order to safeguard itself and protect its reputation and business, to submit supplementary IRES, IRAP and VAT returns in the first quarter of 2023, simultaneously making voluntary additional payments through self-imposed sanctions on

all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with aforementioned suppliers. Subsequently, on 17 January 2024, Francesco Ventura Costruzioni Ferroviarie S.r.l. filed a request for the release of the amounts seized by virtue of such additional payments.

The amounts were released by the orders of 12 February 2024 and 15 February 2024, on the advice of the Public Prosecutor.

The criminal proceedings are currently 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 offences pursuant to Legislative decree no. 231/2001, as no decision has yet been taken by the judge on whether or not to charge.

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 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 apart from the amounts subject to preventive seizure 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.



2

DIRECTORS' REPORT

- 2.1 PART I
PRESENTATION OF THE GROUP
- 2.2 PART II
THE GROUP'S PERFORMANCE
- 2.3 PART III
CONSOLIDATED NON-FINANCIAL STATEMENT
- 2.4 PART IV
OTHER INFORMATION



2.3

PART III CONSOLIDATED NON-FINANCIAL STATEMENT

Business model and strategy

Salcef Group materiality

Salcef's sustainable development commitment

Risk management

Governance and responsible business conduct

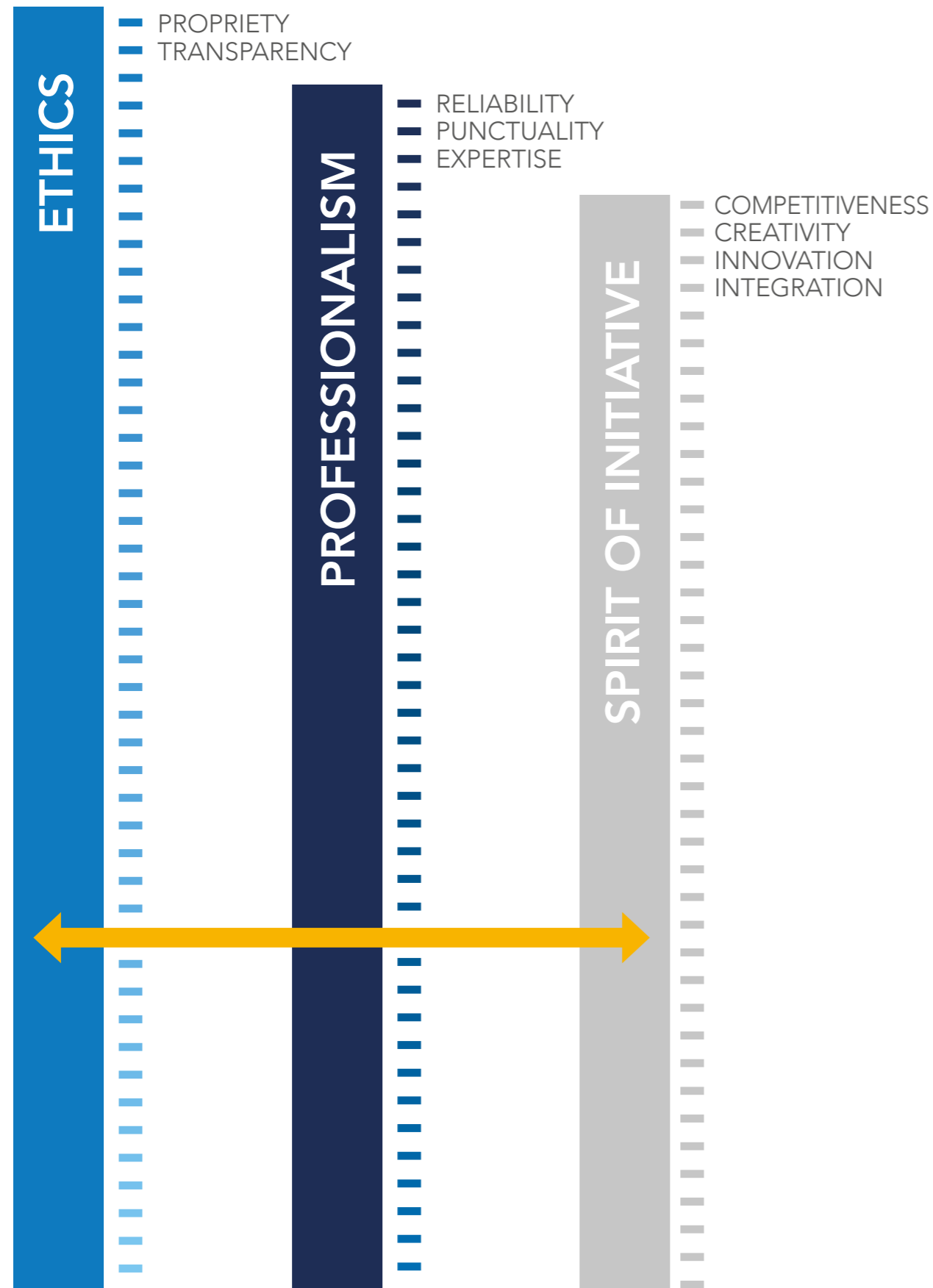
Environmental impact management

- Energy, emissions and climate change
- Water resources
- Waste generation and management
- Materials

BUSINESS MODEL AND STRATEGY

GRI 2-6

OUR VALUES



CUSTOMER RELATIONSHIPS

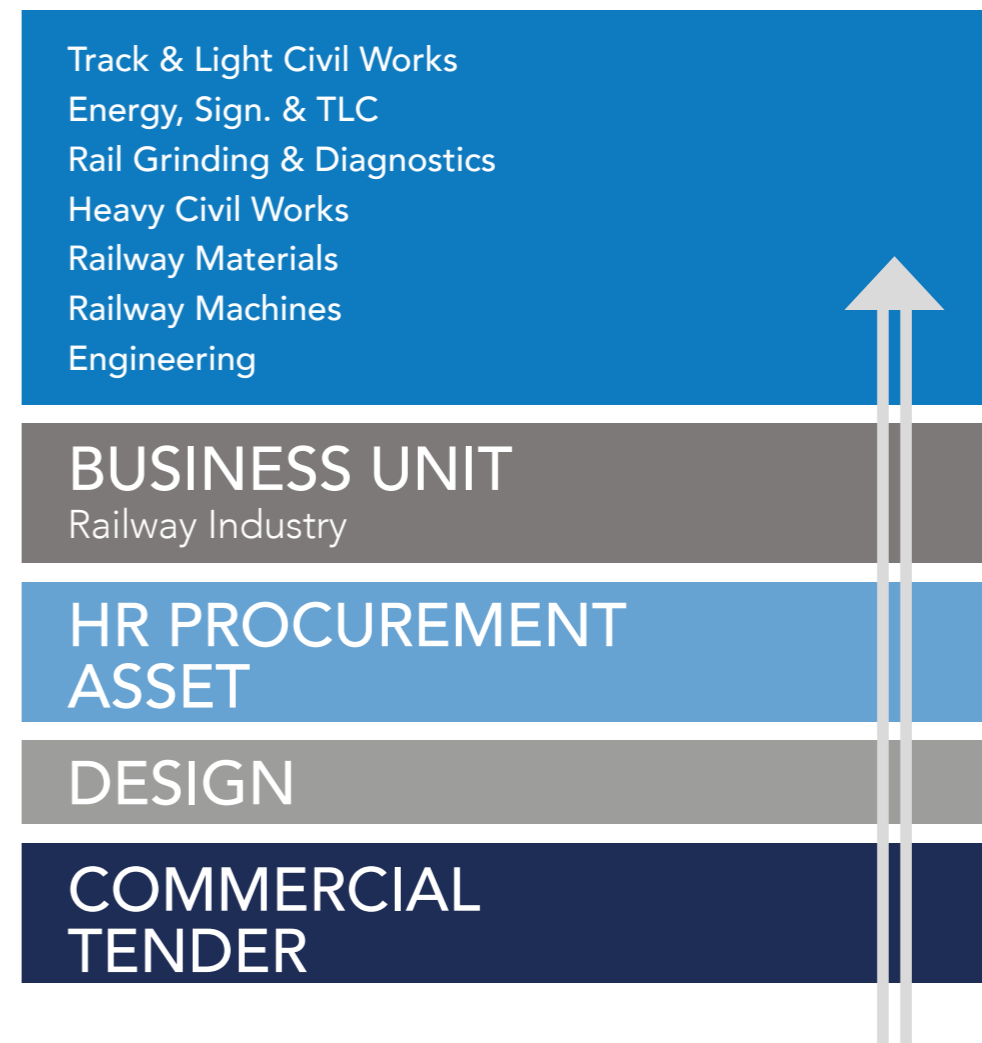
GRI 2-6

CUSTOMER RELATIONS

The Salcef Group operates with a single **Strategic Business Unit (SBU)** named Railway Industry, which coordinates the strategies, processes, resources and technologies of the group's various business lines. The Railway Industry SBU is divided into seven operating business units. These **seven business units**, defined by the type of operations they carry out, correspond to the operating departments set up in one or more of the group companies, which are in turn involved in one or more specific business areas, under the centralised control and coordination of the parent, Salcef Group.

The group operates mainly by participating in bids or tenders, according to the following model:

QUALITY CONTROL, ENVIRONMENT AND SAFETY



The model developed by the Salcef Group enables it to retain control over every stage of the process in order to ensure a significant degree of control and compliance with quality standards. Group activities involve planning production costs and schedules and are organised to optimise the internal production capacity of work sites and facilities. The model's starting point is commercial development, with activities linked to the sales and marketing process for the acquisition of new contracts via participation in tenders. It ends with the specific production activities of the work site and facility of each business unit.

The commercial and tender stages include bidding in calls for tender for long-term contracts and the agreement of contracts for the production of railway stock and materials for third party customers. The aim of the critical analysis of the market is to identify those opportunities that match the group's operating capacity and the consequent design and drawing up of a proposal with the support of the tender department.



THE ETHICS OF COMMERCIAL RELATIONS

In line with its fundamental values and in the knowledge that each customer has different needs and expectations, the Salcef Group bases its relations with all customers, be they private or public, on stringent compliance with the legislative provisions in force and internal procedures, and the principles of integrity, honesty, correctness, respect and mutual trust, as well as professionalism, independence and fairness.

The personnel responsible for negotiating with and managing contractual relations with the public administration ascertains the veracity and correctness of the statements given, particularly in relation to the information related to meeting the requirements, costs and other financial information. Moreover, it is prohibited to provide services or benefits of any kind to commercial partners that are not suitably justified in the context of the relationship.

THE COMMERCIAL PROCESS

Managing commercial activities requires specific expertise and actions, as shown in the following:



THE TYPES OF CUSTOMERS AND PROJECTS

The group's business, focused on ordinary and extraordinary maintenance of railway infrastructure, and the structural characteristics of its main markets - mainly Italy - result in a fairly concentrated customer portfolio, with RFI (Rete Ferroviaria Italiana) the group's key customer, and activities that are mostly governed by framework agreements/contracts, which are periodically renewed. However, in the past 18 months, the group has diversified its customer portfolio substantially, even geographically, as a result of investment plans in some of its target markets.

The following table shows the top 10 customers by revenue at 31 December 2023. They account for 84% of all revenue.

	% OF 2023 REVENUE
Rete Ferroviaria Italiana S.p.A.	58.2%
IRICAV 2 CONSORTIUM	13.1%
ATAC S.p.A.	2.7%
Terna Rete Italia S.p.A.	2.2%
E-J Electric	1.9%
DB Netz AG	1.5%
SCR Constructors	1.4%
Lunda/CS MCRossan JV	1.2%
Maryland Transportation Authority	1.1%
Calabria Railways S.r.l.	0.8%

In the last 20 years, the group has laid over 2,600 kilometres of new railway lines, including more than 340 kilometres of high-speed lines, and renewed over 9,000 kilometres of railway tracks and 1,200 kilometres of overhead contact lines. It has carried out rail grinding on more than 4,500 km of track. It has also built many civil and systems works for the construction or modernisation of railway stations, railway tunnels, bridges, underpasses, overpasses and other minor works. Salcef has built railway infrastructure in a host of different contexts, from the Arabian desert to the icy north, with each project presenting its own technical and methodological challenges and the chance to consolidate the group's position on the international market.

For details of the group's activities and latest projects, see the section dedicated to projects available on the group's website: <https://www.salcef.com/projects/>.

SECTOR CERTIFICATIONS

The group's activities are largely concentrated in the public sector and it is therefore exposed to changes in the relevant legislative context in Italy and abroad, for instance: regulations governing public works, tax and environmental legislation, public safety, building and town planning.

As well as holding certifications of a general nature (i.e., ISO 14001:2015 for the environment and ISO 45001:2018 for safety), the group has sector-specific certifications. The group companies involved in construction activities in Italy (Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l. and FVCF S.r.l.) hold the SOA certificate, which is mandatory to bid in calls for tender for the performance of public works, and are registered in the suppliers' lists of the main customers that manage railway infrastructure and for urban transport.

Salcef's main sector-specific technical qualifications are listed below:

- **RFI SQ_001** - Works on electric traction and energy systems
- **RFI SQ_003** - Engineering services
- **RFI SQ_004** - Works on permanent way systems
- **RFI SQ_005** - Railway signalling systems
- **RFI SQ_011** - Civil works on operating lines
- **RFI SQ_012** - Maintenance of machines
- **RFI SQ_013** - Technological systems for emergencies in railway tunnels
- **Bau Oberbau Gleise Weichen** - Track and switch works; speeds of 121 to 160 km/h
- **Kabelführungssysteme incl. Tiefbau** - Work on cable conduits, including underground, cable laying and services for cables in operation
- **Massive Stützbauwerke** - Support works, structural engineering works in operation
- **Oberbau Instandsetzung** - Repair and maintenance of tracks and switches
- **Oberleitungsanlage** - Overhead line systems for electric traction; 15 kV current
- **Stahlbetonbrücke** - Reinforced concrete bridges with supporting and structural engineering works in operation
- **Terna S.p.A.** - Works on 150Kv power lines (LELE 02)
- **Terna S.p.A.** - Works on 380Kv power lines (LELE 04)
- **Terna S.p.A.** - 132-150kv high-voltage cable laying works (LELE08)
- **Terna S.p.A.** - 220-380kv high-voltage cable laying works (LELE09)
- **Achilles Utilities Nordics & Central Europe** - Supplier qualification system
- **Entity in charge of maintenance** - Directive 2004/49/EC and Regulation (EU) no. 445/2011

THE STRATEGY

GRI 2-6 GRI 2-23 GRI 2-24

The group's strategy is mainly based on certain key principles:

- Strengthening the competitive position;
- Expanding the business lines;
- Investments in high-tech product development.

THE MARKET CONTEXT

People, businesses and global supply chains need transport to make goods and services that are fundamental to society accessible. After developing for centuries, the transport system now faces the pivotal challenge of **sustainable mobility**. It must become a safe, inexpensive, fair, accessible and efficient system that can help mitigate the effects of climate change by reducing emissions and all other environmental impacts.

The Salcef Group is rising to the challenge with its commitment, business model and operations, as it is called to help drive this transformation process by enabling the development of rail mobility around the world, in both urban settings and for long distances.

Transport and climate change - Since the peak of 103.38 metric tonnes of CO₂ measured in 2019, direct CO₂ emissions from the railway sector have fallen to under 100 metric tonnes of CO₂. Over the past two decades, direct CO₂ emissions from diesel railway operations have grown at an average rate of 0.6% per year. To achieve carbon neutrality by 2050, emissions would need to fall by about 5% each year until 2030.

Emissions - According to the Intergovernmental panel on climate change (IPCC), global concentrations of greenhouse gases in the atmosphere must not rise if global warming is to be limited to 1.5°C above pre-industrial levels¹ in the 21st century. As stated in the IPCC's latest report², this is highly unlikely. Net GHG emissions will continue to grow in the short term (2021-2040), mainly due to the increase in cumulative CO₂ emissions in almost all modelled scenarios and pathways considered. In some of the scenarios considered, substantial but gradual emission reductions of 27% by 2030 (taking 2019 as the benchmark) and 67% by 2050 would limit global warming to within 2°C degrees by the end of the century.

In December 2015, 197 countries signed the Paris Agreement, undertaking to substantially cut global GHG emissions to limit global warming to 2°C, while also pursuing pathways to limit warming to 1.5°C. In this light, it is clear how the transport sector can play a vital role in reducing emissions. The average annual growth of GHG emissions in the transport sector from 2010 to 2019 remained more or less steady at around 2% per year³. To achieve the net zero scenario outlined by the International Energy Agency (IEA) through the use of alternative fuels, policies need to be put in place that both encourage less carbon-intensive travel options and improve the efficiency of all modes of transport.

According to the IEA, although rail is already the most extensively electrified transport sub-sector, all new tracks on high-speed corridors will now need to be electric if we are to achieve net zero. On railway lines where traffic is insufficient to make electrification economically viable, hydrogen or battery-powered electric trains, combined with partial track electrification and strategically placed charging stations, should replace diesel trains.

The analyses of the European Environmental Agency (EEA)⁴ shown in Figure 1 confirm the merits of this course of action. The use of rail or ships for freight transport would enable a significant decrease in emissions compared to aviation or by road, while public transport (railway, buses and coaches) is most efficient for passenger transport.

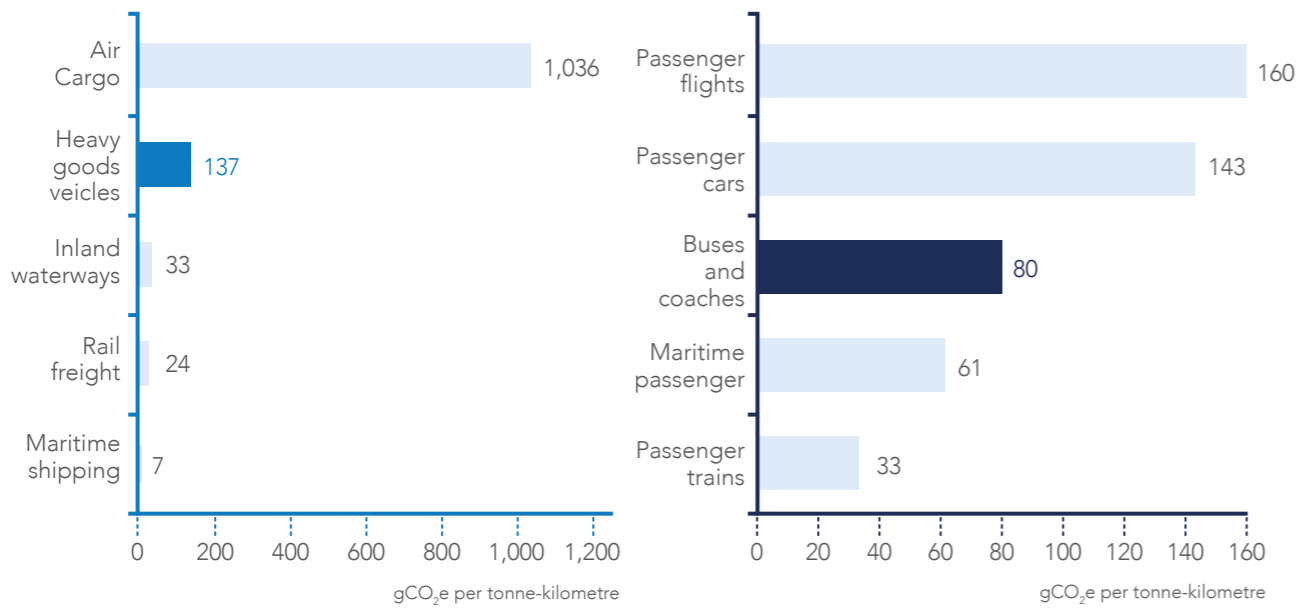
¹ Between 1850 and 1900.

² IPCC, Sixth Assessment Report, Climate Change 2023: Mitigation of Climate Change, see: https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

³ IPCC, Sixth Assessment Report, Climate Change 2023: Mitigation of Climate Change, see: https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

⁴ See: EEA Report No 2/2022, Decarbonising road transport - the role of vehicles, fuels and transport demand.

Figure 1 - GHG emissions efficiency of the various modes of transport for freight (left) and passengers (right)



[Source: [European Environment Agency \(EEA\), 2022a](#)⁹]

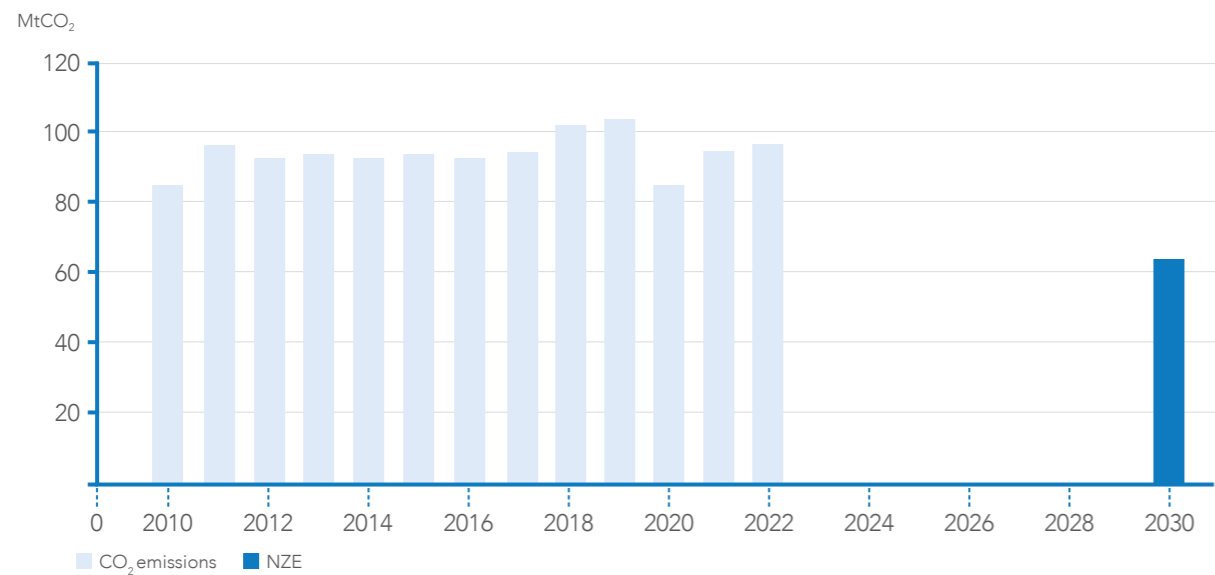
RAILWAY TRANSPORT

It is the most energy-efficient and least emissions-intensive mode of passenger transport considering the percentage of rails that have been electrified. According to the IEA's estimates for the three scenarios it has identified based on varying levels of implementation of decarbonisation policies in the countries included in the World Energy Outlook 2023, the percentage of oil necessary to meet

total energy needs for the railway sector is destined to fall from 53% today to 46% (STEPS - Stated Policies Scenario), 40% (APS - Announced Pledges Scenario) and 30% (NZE - Net Zero Emissions Scenario) in 2030, respectively⁶. Between 2019 and 2022, railway transport (passenger-km) increased by 36%. This figure is estimated to grow by another 5% by 2030⁷.

⁵ See: <https://www.eea.europa.eu/publications/co2-emissions-of-new-heavy>.
⁶ International Energy Agency - World Energy Outlook 2023, p.115.
⁷ International Energy Agency - World Energy Outlook 2023, p.113.

CO₂ emissions from railways in the Net Zero scenario, 2010-2030



[Source: [Rail - IEA](#)]

IEA. License: CC BY 4.0

Electric rails, which provide over 85% of passenger railway transport and 55% of freight railway transport, emit no direct CO₂ emissions. Urban railway networks, such as metros and light rails, tend to have far lower emissions than other forms of motorised urban transport, especially personal cars, as they are powered by electricity, lose less energy through friction and boast higher occupancy rates. On a well-to-wheels basis, train emissions per passenger-kilometre are on average about one fifth those of air transport. Emissions from electrified rail passenger transport are even lower when fuelled by renewable or nuclear energy. Overall, **railways are responsible for about 7% of global passenger-km and 6% tonne-km, but only generate about 1% of transport emissions**⁸.

The expansion of railway networks and their use are crucial to achieving emission reduction targets and aligning with NZE. A number of European countries are planning substantial investments in railway transport to increase its appeal to travellers, especially as an alternative to short-haul flights.

According to market forecasts, **high-speed passenger rail will grow more than threefold by 2030** as demand for travel increasingly shifts from short-haul flights to rail as a low-emissions option. The demand for freight transport by rail is also expected to rise dramatically.

⁸ Rail - IEA.

IMPACT OF CLIMATE CHANGE AND EXTREME WEATHER EVENTS

IEA data show that the global transport sector consumes a quarter of total final energy consumption today and is responsible for nearly 40% of the emissions from end use sectors⁹. Oil is the dominant source of energy for transport, accounting for 90% of consumption. Transport emissions are therefore big contributors to climate change and are at the same time highly vulnerable to the effects of climate change, such as extreme weather events and natural disasters.

According to the IPCC's aforementioned Sixth assessment report, the occurrence of extreme events is unprecedented in the observational record and the frequency of these events will undoubtedly increase with additional global warming.

The impacts of extreme weather events on infrastructure can vary greatly depending on the weather event and the nature of the infrastructure exposed to climate risk. For instance, the impacts could derive from heatwaves and cold snaps, drought, wildfires, river, coastal and other flooding, landslides and wind storms. They include: accelerated coastal erosion, flooding, sea flooding/coastal flooding of ports and roads; restricting access to docks and tourist ports; deterioration in the conditions and structural integrity of road pavements, bridges and railway tracks.

The climate impacts on land transport infrastructures identified in the report of the Ministry for infrastructure and sustainable mobility report on climate change, infrastructure and sustainable mobility are described below¹⁰.

⁹ International Energy Agency - World Energy Outlook 2022, p.146.
¹⁰ Ministry of Infrastructure and Sustainable Mobility, Climate Change, Infrastructure and Mobility, January 2022, p.129 and 132.



TABLE 1
CLIMATIC IMPACTS ON LAND TRANSPORT
INFRASTRUCTURE (RAILWAYS)
AND LOCAL PUBLIC TRANSPORT

CLIMATE RISK	IMPACT ON RAILWAYS	IMPACT ON LOCAL PUBLIC TRANSPORT
Heatwaves	<ul style="list-style-type: none"> Track deformation caused by heat expansion Speed limits and/or service interruptions Excessive overheating of rolling stock Malfunction of signalling and telecommunication components Damage to bridges and overpasses linked to heat expansion 	<ul style="list-style-type: none"> Deterioration of the road surface Increase in vehicle wear and tear due to greater rolling resistance and greater use of the on-board auxiliary systems Track deformation caused by heat expansion Deterioration of the overhead line contact for trams with consequent service disruption and/or suspension Decreased travel convenience (waiting and duration) resulting in demand shifting to private cars, which causes an increase in externalities
Cold snaps	Damage or destruction of various railway infrastructure components (e.g., freezing of signalling, communications and routing systems)	<ul style="list-style-type: none"> Deterioration of the road surface Loss of tyre grip on the road surface due to ice, causing road safety problems, traffic hold-ups and service disruption Greater use of the on-board auxiliary systems Breakage of railway tracks Decreased travel convenience (waiting and duration) resulting in demand shifting to private cars, which causes an increase in externalities Increased operating costs for metro stations when they are used as emergency overnight shelters for homeless people
Drought	Structural damage to railway tracks due to subsidence	
Wildfires	Damage caused by exposure to fire and high temperatures	Damage or total impairment of equipment, vehicles and facilities with consequent reduced operation and higher repair and/or rebuilding costs

CLIMATE RISK	IMPACT ON RAILWAYS	IMPACT ON LOCAL PUBLIC TRANSPORT
River and coastal flooding	<ul style="list-style-type: none"> Structural damage caused by the direct impact of swell, particularly to bridges and overpasses; railway track failure; erosion at the base of the piles and bridge abutments Flooding of railway tracks causing reduced operations Malfunctioning of drainage systems 	<ul style="list-style-type: none"> Flooding of the route with a consequent reduction or suspension of operations and increased repair and maintenance costs for manholes and storm drains Greater fuel consumption for detours, with an increase in externalities
Flooding		
Landslides	<ul style="list-style-type: none"> Possible blockage of the railway tracks Structural damage caused by the direct impact of movements of earth 	<ul style="list-style-type: none"> Damage or total impairment of equipment, vehicles and facilities with consequent reduced or suspended operation and higher repair and/or rebuilding costs Greater fuel consumption for detours, with an increase in externalities
Wind storms	<ul style="list-style-type: none"> Possible blockage of the railway tracks by fallen trees Greater strain on electrification systems Structural damage due to wind pressure or the impact of debris, particularly bridges and overpasses 	<ul style="list-style-type: none"> Damage to the route due to foreign bodies falling on the railway area, with a consequent reduction or suspension of operations and increased removal and repair costs and service disruption Greater fuel consumption for detours, with an increase in externalities Vehicles overturning

When mobility is inefficient, supply chains are compromised, with consequent transport disruptions for passengers and freight, including food and medicines. Mitigation strategies in the transport sector offer various co-benefits, including improving air quality, health benefits, fair access to transport services, and reductions in congestion and demand for materials¹¹.

¹¹ IPCC, Sixth Assessment Report, Climate Change 2023: Mitigation of Climate Change, si veda Summary for Policymakers, p.31.

GOVERNMENT AND INSTITUTIONAL PLANS/INTERVENTIONS FOR SUSTAINABLE MOBILITY

EUROPEAN UNION

EU GREEN DEAL

The European Green Deal is a package of strategic initiatives with the aim of making the EU carbon-neutral by 2050.

Main aims:

2030

- Double high-speed railway traffic
- All large and medium-sized cities will implement sustainable urban mobility strategies
- At least 30 million zero-emissions cars and 80,000 zero-emissions lorries
- Fully computerised freight transport documentation

2050

- Double railway freight traffic
- A fully operational multimodal trans-European transport network for sustainable and smart transport with high speed connectivity
- The number of deaths from all modes of transport in the EU close to zero

Further information is available at

https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

ITALY

NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP)

The NextGenerationEU package of reforms and investments for 2021-2026 provides for investments of **222.1 billion**.

The NRRP has **six missions**¹² corresponding to the six pillars of NextGenerationEU. Transport, infrastructure and sustainable mobility interventions are included in two of the NRRP missions, with the aim of developing a modern and accessible railway network and improving passenger and freight mobility:

M3 - "Infrastructure for sustainable mobility"

a total of €25.4 billion, of which €24.7 billion allocated to investments in the railway network

M2 - "Green revolution and ecological transition"

a total of €59.5 billion, of which €23.8 billion allocated to renewable energy, hydrogen, the grid and sustainable mobility, including investments of €3.6 billion in large-scale public transport.

Further information is available at

<https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

2022-2031 BUSINESS PLAN OF FS ITALIANE GROUP

Creation of the Infrastructure Hub headed up by RFI and responsible for technical investments of **€110 billion** in extraordinary maintenance, technologies, regional networks, port/interport links, routes of national importance (high speed/high capacity), safety and upgrades, tourist lines, metros and airport connections.

Further information is available at <https://www.fsitaliane.it/content/fsitaliane/it/il-gruppo-fs/il-piano-industriale-2022-2031-e-i-quattro-poli-di-business.html>

¹² Specifically: I. "Digitalisation, innovation, competitiveness, culture"; II. "Green revolution and ecological transition"; III. "Infrastructure for sustainable mobility"; IV. "Education and research"; V. "Inclusion and cohesion"; VI. "Health".

GERMANY

2021-2030 INVESTMENTS PLAN

A ten-year joint investment plan between the federal government and Deutsch Bahn for a total **€86 billion** to upgrade and improve the railway network of the entire country.

UNITED STATES

THE INFRASTRUCTURE INVESTMENT AND JOBS ACT

The Infrastructure Investment and Jobs Act (IIJA), which provides for spending of USD1,200 billion, including new federal spending of USD550 billion in between 2022 and 2026 to fund new initiatives including the repair of roads and bridges, the improvement of public transport and the supply of drinking water and high-speed internet.

The new initiatives include major investments in rail and public transport:

■ **USD66 billion** to modernise and maintain rail systems for passengers and freight.

■ **USD39 billion** to improve public transport, create new bus lines and increase accessibility for elderly and disabled people.

MIDDLE EAST AND NORTH AFRICA

Historically, the top country in this region for the group's projects has been Saudi Arabia followed by Egypt, with the group winning railway and metro line projects in only six countries in the last 13 years. However, the pipeline of future projects suggests that the group will soon be active in a much larger number of countries, making this one of the most promising areas in the world. While Saudi Arabia and Egypt will remain dominant, new customers in countries like Algeria, Kuwait, Bahrain and Oman are poised to launch tenders for the first time in decades or in history. Estimates indicate projects worth over USD200 billion in all.



THE STRATEGY

Strengthening the competitive position - external growth

The group has a strong track record of acquisitions, initially to consolidate its market share in Italy before turning its sights abroad in 2018, first to Germany and then the United States. The aim is to overcome the barriers to entry posed by the highly regulated environment to establish an industrial presence in these countries.

In August 2023, the group acquired Colmar Technik S.p.A. in order to strengthen its footprint in railway infrastructure construction and maintenance machinery.

With an eye on the substantial government investment plans in its main strategic markets, the group plans to continue reinforcing its competitive position through acquisitions of and/or combinations with companies active in railway maintenance and technology, both in Italy and abroad.

Expanding the business lines

The group plans to develop its operations in business sectors that are technically similar to its current ones, but with different customers and markets. This has entailed acquisitions in railway signalling, power generation substation construction and technological installations in tunnels (PSC Group's railway business unit in 2022), as well as acquisitions in the field of plant engineering for the construction and maintenance of power grids for electricity distribution utilities (Coget Impianti in 2019).

Investments in high-tech product development

The group aims to consolidate its leading edge in the railway industry by developing solutions and methodologies that lead the way in environmental and efficiency terms thanks to the synergic skills, experience and technologies of the business units: from design to production, and machinery engineering to laying techniques. Salcef Group's business plan includes a purchase and production programme for new machinery and extraordinary maintenance works on existing machinery in order to improve efficiency, productivity and environmental performance. The new and refurbished machinery will bolster the current work teams and will mainly be used to renew the tracks both in Italy and in the foreign countries where the group is present.



THE FAST SLAB LAYING SYSTEM

Work to develop the FAST System, a slab laying system produced by Overall, was completed in the year. Using special convoys entirely designed and manufactured by the group's subsidiary SRT, which are then installed on SRT flatcars, this system fully automates the launching and mixing of concrete for the slabs.

The overall system consists of:

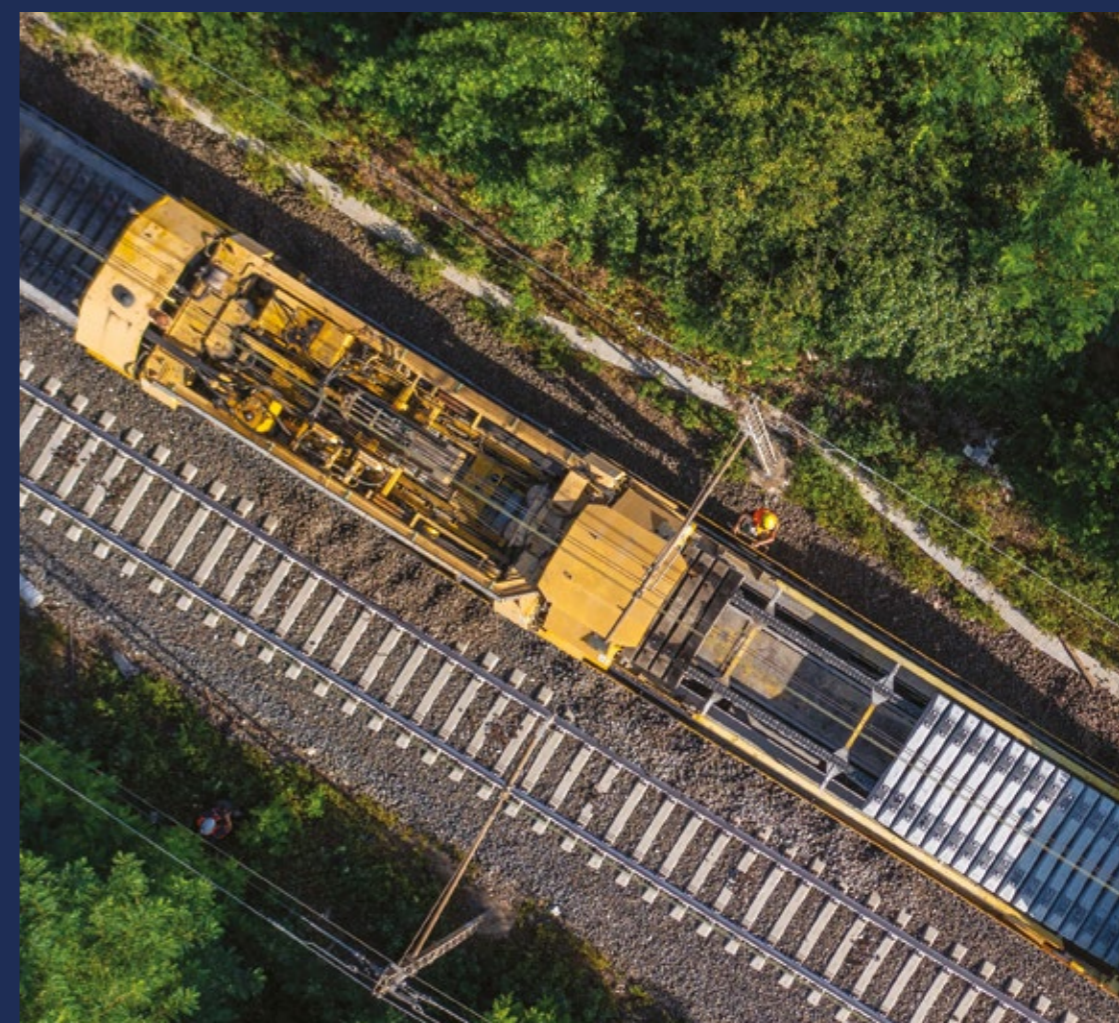
- 1 the **launching convoy** for the transport and laying of the FAST slabs with the following configurations:
 - one power unit;
 - one to four transport configurations;
 - one de-stacker configuration;
 - one launch configuration
- 2 the **concrete mixing convoy** for the transport and casting to consolidate the slabs. It has the following configurations:
 - one power unit;
 - two inert hoppers;
 - one silo/mixer

This slab laying system exemplifies the synergies that the Salcef Group can achieve by having its various business units work together.

COLMAR ELECTRIC SHUNTERS

The electric shunters produced by the subsidiary Colmar Technik are an efficient and effective replacement for the shunting locomotives: they are less expensive, boast lower operating costs and are more versatile. They can enter and exit the tracks in most working areas with a simple manoeuvre. The principle behind the shunter's design is to exploit the increased grip of the tyres (or special polyurethane-coated wheels) on the rail surface. The smaller models offer a small turning radius, low noise and zero emissions and are ideal for work in maintenance depots. The main advantages include:

- low operating costs - The electric shunters consume far less energy than diesel locomotives, without affecting performance;
- low maintenance costs - The electric vehicles require low maintenance. Unlike endothermic-powered machines, they do not require engine oil or the related filters.
- performance - The electric motor is much more efficient than an endothermic motor. Motion is transmitted directly to the wheels, improving efficiency and reducing energy loss.
- low noise - Electric motors make less noise and none of the vibrations typical of endothermic engines.



SALCEF GROUP MATERIALITY

IMPACTS AND MATERIAL TOPICS

GRI 3-1

IMPACTS AND MATERIAL TOPICS UNDER THE GRI STANDARDS

This document has been prepared using the GRI Standards for reporting. The GRI Standards define **impacts** as the effects that a company has or could have on the **economy, environment, and people**, including human rights, as a consequence of its operations or business and commercial relations.

Impacts may be actual or potential, positive or negative, short or long-term, intentional or non-intentional, reversible or irreversible, and represent an organisation's positive or negative contribution to sustainable development. Depending on their nature (economic, environmental or social), these impacts are correlated with each other and indicate an **organisation's contribution - positive or negative - towards sustainable development**.

The most significant impacts, as identified by the company using the approach described in the following paragraphs, are the **material topics**.

Sustainability reporting plays an important role as an activity of **public interest**.

The impacts of an organisation's operations and business relationships on the economy, the environment and people may also have positive and negative consequences for its operations or reputation. These consequences are often also **financial** or could become so in the medium- to long-term. Understanding these impacts is therefore necessary for an organisation in order to identify any material risks and opportunities associated with these impacts that could influence a **company's value** and, consequently, relationships with stakeholders and competitive position on the market.

Directive (EU) 2022/2464 (CSRD, Corporate sustainability reporting directive), approved by the European Parliament in November 2022 and which came into effect on 5 January 2023, establishes new rules and extends the scope of non-financial reporting. The directive, whose new rules will apply with effect from financial years starting on or after 1 January 2024 for the first companies involved (i.e., those already required to prepare non-financial statements under current legislation pursuant to Legislative decree no. 254/2016), supplemented the definition of material topics, introducing the double materiality perspective. Under this approach, material topics are:

- a) aspects and topics of a governance, social and environmental nature on which the entity has a material impact through its operations (impact materiality);
- b) aspects that could have significant impacts on an entity's development, performance and, consequently, financial value (financial materiality).

Both the impact materiality and the financial materiality of material topics are then identified and assessed in the IRO (impact risk opportunities) assessment covering environmental, social and governance impacts.

As the provisions of Directive (EU) 2022/2464 will apply from 2024, this document has been prepared under the GRI Standards, adopting the material topics definitions of the GRI Standards.

EUROPEAN UNION - DIRECTIVE (EU) 2022/2464 AND DOUBLE MATERIALITY

THE PROCEDURE TO IDENTIFY, ASSESS AND PRIORITISE TOPICS

The analysis, identification, assessment and subsequent prioritisation of material topics for the 2023 report in accordance with the GRI requirements takes into account the dynamic nature of business operations, characterised by topics and the associated impacts that change over time, both in their nature and impact materiality, influencing the strategy, the business model, relationships and decision-making.

UNDERSTANDING THE ORGANISATION'S CONTEXT

Salcef's context and reference framework, its business model, operations and business relationships, as well as the sustainability context and the stakeholder analysis are reported in the various paragraphs of chapter 1 "[Business model and strategy](#)".

IDENTIFICATION OF ACTUAL AND POTENTIAL IMPACTS

The actual and potential impacts of Salcef's operations and business relationships on the economy, the environment and people, including human rights, were identified by analysing external and internal sources.

EXTERNAL SOURCES

World Economic Forum - Strategic Intelligence / Global Risk Report

OECD Due Diligence Guidance for Responsible Business Conduct

OECD Guidelines for Multinational Enterprises

Local/national/international government department reports:

- ART Annual Report to Parliament 2023
- IRG-Rail234 Annual Report 2022
- IRG-Rail 11th MM Report
- European Environment Agency (EEA), Transport and Environment Report 2022
- European Environment Agency (EEA), Greenhouse gas emissions from transport in Europe, October 2023
- ENISA Transport Threat Landscape

NRRP regulation - Sectors:

- Rail transport / freight
- Local public transport

Next Generation EU ([Thematic Analysis - Sustainable Mobility](#))

EU Green Deal ([Transport](#))

EU Urban Mobility Framework

Reports and analyses of sector associations and organisations:

- National rail and road and motorway infrastructure safety agency (ANSFISA, Agenzia Nazionale per la Sicurezza delle Ferrovie e delle Infrastrutture Stradali e Autostradali) - Annual report on the safety in interconnected railways 2022
- UNIFE Gender Equity Policy

SASB - Sustainability Accounting Standards - Materiality Finder

ESRS - European Sustainability Reporting Standards (DRAFT)

EU Taxonomy

US Infrastructure Investment and Jobs Act

Benchmarks for comparison with main peers and strategic partners of Salcef Group for:

- Material topics
- Policies
- Risk management

2022 NFS material topics

INTERNAL SOURCES

Organisational, management and control model pursuant to Legislative decree no. 231/2001 - [General part](#)

[Salcef Group management systems](#)

[Report on the remuneration policy - 2022](#)

Consultation and reporting systems and tools

ERM - Risk management system

ESG questionnaires

Supplier code of ethics/code of conduct;

[Salcef Group's human rights policy - D332](#) (16/03/2023)

[Salcef Group's diversity, equity and inclusion policy - D333](#) (16/03/2023)

ESG performance monitoring and assessment surveys received from customers and investors (MSCI - ISS ESG - Sustainalytics)

[News and press coverage of Salcef Group](#)

The following is noted in relation to some of the main sources analysed:

- **Analysis of the SASB - Sustainability accounting standards - SASB materiality finder** - One of the tools of the SASB (Sustainability accounting standards board) - the standard setter which is now part of the IFRS Foundation. Organised by sectors and material topics, the materiality finder enables companies to identify the topics that could impact their financial conditions or the operating performance of companies in their specific sector. The main aim of the analysis was to check the consistency of the material topics identified with those identified by the SASB materiality finder. The analysis carried out for Salcef focused on the following sectors: **INFRASTRUCTURE SECTOR - Engineering & Construction Services, RESOURCE TRANSFORMATION - Industrial Machinery & Goods, TRANSPORTATION SECTOR - Rail Transportation.**
- As examined earlier in chapter 1 "[Business model and strategy](#)", the main Italian and European development plans (**National recovery and resilience plan/NextGenerationEU, EU Green deal and EU Urban mobility framework**) were examined, with a focus on the guidance and regulatory directives for sector operators to access the investments, in order to identify the main impacts on the rail transport sector.
- **World Economic Forum - Strategic Intelligence / Global Risk Report 2023** - The Strategic intelligence tool developed by the World economic forum and updated annually, published in conjunction with the Global risk report, is used to map the main connections between different economies, industrial macrosectors and risk issues in the global context, thereby identifying the main impacts, trends and changes of a given sector in the short, medium and long term.
- The **OECD Due Diligence Guidance for Responsible Business Conduct** offers practical support to companies on the implementation of the OECD Guidelines for multinational enterprises by providing non-binding principles and standards for responsible business conduct in terms of the main social and environmental risks faced by companies on the global market. Implementing these recommendations can help companies avoid and address adverse impacts related to workers, human rights, the environment, corruption, consumers and corporate governance that may be associated with their operations, supply chains and other business relationships.

The identification and ongoing assessment of the impacts involves the main stakeholders and is carried out systematically as part of the business model, independent of the sustainability reporting procedure. It was not necessary to repeat the stakeholder listening, engagement and liaising process for this NFS given the fact that the analysis of impacts and consequent identification of the material topics for Salcef's 2021 and 2022 NFS were carried out recently with similar results. For the upcoming 2024 Sustainability statement, the first document that the group will prepare in accordance with Directive (EU) 2022/2464 (CSRD), it plans to engage stakeholders directly through a consultation on the materiality of impacts to supplement the process that Salcef carries out internally to identify material issues in accordance with the Directive.

ASSESSMENT OF THE SIGNIFICANCE OF IMPACTS AND PRIORITISATION

The aim of assessing the materiality of the identified impacts is to establish their priority and determine which material topics to report, while also establishing the commitments and actions needed to address the impacts according to their significance. The significance of an impact depends on a company's specific conditions, its sector and business model.

The significance of an actual **negative impact** is determined by the severity of the impact, while the significance of a potential negative impact is determined by the severity and likelihood of the impact. The GRI Standards define severity on the basis of three dimensions: a) scale (how grave the impact is); b) scope (how widespread the impact is); c) irremediable character.

The significance of an actual **positive impact** is determined by the scale and scope of the impact, while the significance of a potential positive impact is determined by its scale and scope as well as its likelihood. For positive impacts, the scale refers to real and/or potential benefits of the impact, while the scope refers to its actual or possible scope.

At the end of the process, a priority is assigned to the impacts identified and assessed, in relation to their importance and on the basis of a threshold defined for this purpose (a scale from 1 to 5 where 3 is the minimum threshold for an impact to qualify as a material topic).

The impacts identified as most significant are reported on in this document.



MATERIAL TOPICS FOR SALCEF GROUP

GRI 3-2

The results of the activities carried out are summarised in the following table showing the material topics, the underlying impact areas (descriptions and the reasons for the materiality of the selected topics), the characteristics of the material topic, and the specific indicators (GRI Standards) used for reporting and detailed in the GRI Content index, which forms an integral part of this document.

The same table also shows the connection to the aspects referred to in Legislative decree no. 254/2016 which governs the preparation of the non-financial statement.

The material topics are grouped according to the ESG (environmental, social, governance) classification also used by Directive (EU) 2022/2464 (CSRD).

MATERIAL TOPIC	IMPACTS		GRI STANDARDS	ASPECTS AS PER LEGISLATIVE DECREE NO. 254/2016
	SUMMARY	CHARACTERISTICS		
E Environmental				
1	Energy consumption and efficiency	Negative impacts: higher costs, negative environmental impact	Actual: energy use for group operations Direct: caused by group operations Short-medium-long term (structural to the business model) Expected: as they are associated with group operations	302 Energy Environmental
2	CO₂ emissions and climate change	Negative impacts: increased CO ₂ in the air and consequent air pollution, acceleration of climate change processes	Actual: production of emissions by group operations Direct and from commercial relationships (partners and suppliers) Scope 1/2/3 emissions Medium-long term (structural to the business model) Expected: as they are associated with group operations	305 Emissions Environmental
3	Water withdrawal and consumption	Negative impacts: water consumption in areas with water stress, water scarcity, consumption of water resources	Actual: use of water for group processes Direct: caused by group operations Short-medium-long term (structural to the business model) Expected: as they are associated with group operations	303 Water and effluents Environmental
4	Waste management and the circular economy	Negative impacts: increased non-recyclable waste to landfill, environmental pollution	Actual: use of water for group processes Direct: caused by group operations Short-medium-long term (structural to the business model) Expected: as they are associated with group operations	306 Waste Environmental
5	Materials and use of natural resources	Negative impacts: material not obtained from recycling, increased non-product outputs	Actual: use of materials for production Direct and from commercial relationships (partners and suppliers) Medium-long term (structural to the business model) Expected: as they are associated with group operations	301 Materials Environmental

MATERIAL TOPIC	IMPACTS		GRI STANDARDS	ASPECTS AS PER LEGISLATIVE DECREE NO. 254/2016
	SUMMARY	CHARACTERISTICS		
S Social				
6	Product and service quality and safety	Positive impacts: customer loyalty / winning tenders / improved company reputation / acquisition of new contracts / safety of group products/ services	Potential: possibility that a product is defective / non-compliant Direct and from commercial relationships (partners and suppliers) Short-medium-long term (structural to the business model) Expected: as they are associated with group operations	416 Customer health and safety Social
7	Supply chain management	Positive impacts: supplier qualification and signing of a Code of conduct / guarantee of fair and decent working conditions / compliance with international regulations / development of local areas / consolidation of a qualified, professional supplier chain	Actual: connected with group operations Direct and from commercial relationships (partners and suppliers) Short-medium-long term (structural to the business model) Expected and unintentional: associated with group operations but not completely under the group's control	308 Supplier environmental assessment 414 Supplier social assessment Social
8	Attraction and enhancement of human resources	Positive impacts: support and development of the distinctive skills necessary and consistent with the group strategies / attraction and training of qualified personnel	Actual: connected with group operations Direct: caused by group operations Short-medium-long term (structural to the business model) Expected: associated with group operations	401 Employment 404 Training and education Personnel
9	Working environment - Diversity and equal opportunities	Positive impacts: employee satisfaction / better company climate and brand identity / better working conditions	Actual: connected with group operations Direct: caused by group operations Short-medium-long term (structural to the business model) Expected: associated with group operations	405 Diversity and equal opportunity 406 Non-discrimination Respect for human rights
10	Occupational health and safety	Negative impacts: repercussions on workers' health / damage to image / potential human rights violations / regulatory-disciplinary consequences	Potential: possibility of accidents in the workplace Direct and from commercial relationships: caused by group operations and partners Short-medium-long term (structural to the business model) Expected: associated with group operations and mitigated by occupational health and safety training and policies	403 Occupational health and safety Personnel
11	Cybersecurity and privacy	Negative impacts: data leakage / theft / loss of customer-company population data / complaints and infringements of privacy / damage to image	Potential: possibility of data loss Direct and from commercial relationships: caused by group operations and partners Short-medium-long term (structural to the business model) Unintentional: possibility of external attacks on the IT infrastructure	418 Customer privacy Social



MATERIAL TOPIC	IMPACTS		GRI STANDARDS	ASPECTS AS PER LEGISLATIVE DECREE NO. 254/2016
	SUMMARY	CHARACTERISTICS		
G Governance				
12	Ethics and integrity in business	Positive impacts: business continuity - regulatory / disciplinary - reputational	Potential: linked to business activities Direct: caused by group operations Short-medium-long term (structural to the business model) Expected and unintentional: associated with group operations	205 Anti-corruption 206 Anti-competitive behavior 207 Tax Fight against active and passive corruption
13	Financial performance	Positive impacts: financial sustainability / financial soundness / business continuity	Actual: connected with group operations Direct and from commercial relationships: caused by group operations and partners Short-medium-long term (structural to the business model) Expected and unintentional: associated with group operations but partly dependent on external forces	201 Economic performance
14	Engagement with and development of the local area	Positive impacts: brand reputation / distribution of economic value / community well-being	Actual: connected with group operations Direct and from commercial relationships: caused by group operations and partners Short-medium-long term (structural to the business model) Expected: connected with group operations	413 Local communities 204 Procurement practices Social
15	Investments - innovation and digitalisation	Positive impacts: product innovation / energy efficiency and products with a lower environmental-social impact / greater competitiveness / organisational efficiency thanks to digital processes	Actual: connected with group operations Direct and from commercial relationships: caused by group operations and partners Short-medium-long term (structural to the business model) Expected: connected with group operations	203 Indirect economic impacts

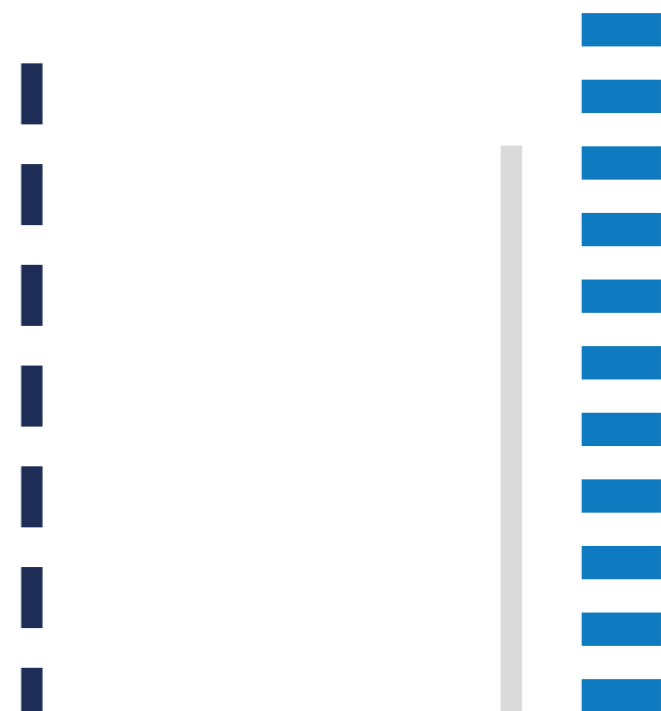
The following graph shows the material topics in relation to their impact, obtained at the end of the prioritisation stage.



CHANGES FROM THE PREVIOUS REPORTING PERIOD

As noted earlier, there is no evidence of significant changes in the material topics identified compared to the 2022 Integrated annual report / NFS. The names and breakdown of the material topics and associated impacts are the same as in the 2022 report. In that report, some material topics that had previously been presented using terms covering several impacts were unpacked, in order to:

- i) detail the impacts related to the individual material topics more precisely
- ii) align the presentation of the material topics with the guidelines of the European Union's Corporate sustainability reporting directive (CSRD).



MATERIAL TOPICS - OBJECTIVES AND ACTIONS

GRI 3.3



Salcef's commitments in relation to the material topics identified are shown in the table below, which also shows the correlation and consistency with the United Nations 2030 Agenda and the SDGs - Sustainable Development Goals (17 goals and 164 targets identified by the Agenda).

The objectives and actions and the effectiveness of the latter in managing the topics and related impacts, together with the processes and procedures adopted to monitor performance, are analysed in the relevant chapters of this document addressing and reporting on these topics.

Starting with the 2024 Sustainability statement, in accordance with Directive EU 2022/2464 (CSRD), the group will disclose a sustainability plan that is currently under discussion and slated for adoption in 2024. The plan will set out Salcef's main objectives for the material topics according to their significance, along with the associated actions, performance monitoring indicators and timelines for their achievement. For this report, the group confirms the main commitments outlined in the 2022 Integrated annual report / NFS.

	MATERIAL TOPIC	AREA	ACTION AREA	COMMITMENT	SDGS
E Environmental					
1	Energy consumption and efficiency	Business model Sustainable mobility	01 Climate change: Reduction of the business' carbon footprint	Quality of works, products and machinery.	7 Ensure access to affordable, reliable, sustainable and modern energy for all
				Reduction of the impacts of operations and the use of new technologies.	7.2 - By 2030, increase substantially the share of renewable energy in the global energy mix
				Investments in research into new services and products.	
				Digitalisation of business processes	
2	CO₂ emissions and climate change	Business model Sustainable mobility	01 Climate change: Reduction of the business' carbon footprint		13 Take urgent action to combat climate change and its impacts
					13.2 - Integrate climate change measures into national policies, strategies and planning.
3	Water withdrawal and consumption	Business model Sustainable transport	02 Responsible resource management and the circular economy	Reduction of the impacts of operations and the use of new technologies.	12 Ensure sustainable consumption and production patterns
				Develop technologies for integrated and sustainable mobility.	12.2 - Achieve the sustainable management and efficient use of natural resources.
4	Waste management and the circular economy	Business model Sustainable transport		Investments in research into new services and products.	12.a - Support developing countries to strengthen their scientific and technological capacities to move towards more sustainable patterns of consumption and production.
				Reduction of waste generated: training and monitoring of the management of waste and improved performance.	
5	Materials and use of natural resources	Business model Sustainable transport			12.2 - Achieve the sustainable management and efficient use of natural resources.

	MATERIAL TOPIC	AREA	ACTION AREA	COMMITMENT	SDGS
S Social					
6	Product and service quality and safety	Sustainable transport business model		Develop technologies for integrated and sustainable mobility.	3 Ensure healthy lives and promote well-being for all at all ages
				Investments in research into new services and products.	3.6 - Halve the number of global deaths and injuries from road traffic accidents. 11 Make cities and human settlements inclusive, safe, resilient and sustainable 11.2 - Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport.
7	Supply chain management	Business model Sustainable transport	04 Responsible business conduct and human rights	Promote a culture of quality, environmental protection and safety, training, communication and supplier engagement.	8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 8.3 - Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.8 - Protect labor rights and promote safe and secure working environments for all workers.
8	Attraction and enhancement of human resources	Organisational model and preliminary conditions	03 Enhancement of human resources	Protection of the health and psychophysical well-being of Salcef Group employees	10 Reduce inequality within and among countries
				Reduction of risks and the prevention of occupational disease and accidents at work.	10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
				Promote a culture of quality, environmental protection and safety, training, communication and supplier engagement.	10.3 Ensure equal opportunity and reduce inequalities of outcome.
				A quality working environment	
				Innovation of equipment and machinery	
				Respect for human rights; exclusion of any discriminatory practice; support for equal opportunities.	
9	Working environment - Diversity and equal opportunities	Organisational model and preliminary conditions	03 Enhancement of human resources		

	MATERIAL TOPIC	AREA	ACTION AREA	COMMITMENT	SDGS
S Social					
10	Occupational health and safety	Organisational model and preliminary conditions	04 Responsible business conduct and human rights		
11	Cybersecurity and privacy	Organisational model and preliminary conditions		Strengthening ICT governance / protection of privacy and information security	Not directly related to key SDGs in terms of Salcef Group's operations and direct impacts
G Governance					
12	Ethics and integrity in business	Organisational model and preliminary conditions	05 Sustainability governance	Strengthening governance and, specifically, the governance of sustainability issues. Please refer to chapter 5 Governance and responsible business conduct and related paragraphs.	16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
					16.5 Substantially reduce corruption and bribery in all their forms 16.6 Develop effective, accountable and transparent institutions at all levels
13	Financial performance	Organisational model and preliminary conditions	05 Sustainability governance	Please refer to chapter 3 Salcef's sustainable development commitment	General reference to SDG 8 on economic growth / employment
14	Engagement with and development of the local area	Sustainable transport		Partnerships and collaborations	9 Build resilient infrastructure, promote sustainable industrialization and foster innovation 9.1 - Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
15	Investments - innovation and digitalisation	Sustainable transport		Develop technologies for integrated and sustainable mobility.	9.4 - Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
				Invest in research into new services and products.	9.a - Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support.
				Promote a culture of quality, environmental protection and safety, training, communication and supplier engagement.	

SALCEF'S SUSTAINABLE DEVELOPMENT COMMITMENT

STAKEHOLDERS: ROLE AND ENGAGEMENT

GRI 2-29 GRI 3-1

Stakeholders are individuals or groups that have an interest (expression of values), expectations in relation to a business or that could be affected by their operations. Stakeholders may not always have a direct relationship with the business or may live at a distance.

Businesses form and develop relationships with their stakeholders over time, via a suite of instruments, with the aim of strengthening relationships and this translates into an improved ability to generate and distribute value over time. Stakeholder involvement and engagement is essential and is aimed at understanding their interests, expectations and needs. This approach encourages an effective and responsible decision-making process, appropriate strategic planning and the achievement of business targets.

Salcef's stakeholders have been identified taking into account the group's sector, business model and existing system of relationships, as well as its geographical footprint. The suite of instruments through which Salcef manages its relationships with its stakeholders is shown below. The instruments are differentiated for the various stakeholder categories.

STAKEHOLDER	ENGAGEMENT ACTIVITY PROJECTS - INITIATIVES - RELATIONSHIPS
Shareholders	Shareholders' meeting - board of directors - press releases - website - financial statements.
Financial community	Shareholders' meeting - press releases - website - financial statements - IR conferences/roadshows.
Banks and insurance companies	Dedicated meetings and regular events - financial statements.
Workers and trade unions	Training programmes and events - career growth and development programmes - welfare initiatives - ERP - performance assessment - newsletters and internal communication - multimedia sharing and communication channels (instant messaging, video calls and video streaming) - website and social channels - corporate climate surveys - regular meetings with trade union and other representatives.
Suppliers	Technical/commercial meetings and visits - social media - events, trade fairs and other marketing activities - audits and inspections - supplier qualification and evaluation platforms - correspondence.
Companies and trade associations	Technical/commercial meetings and visits - social media - work groups - events, trade fairs and other marketing activities - assessment tools and questionnaires - website - bidding on tenders.
Customers	Technical/commercial meetings and visits - social media - publications - events, trade fairs and other marketing activities - assessment tools and questionnaires - audits and inspections - coordination and planning meetings - correspondence - website - supplier pre-qualification/qualification and evaluation - participation in expressions of interest - bidding on tenders.
Institutions and control bodies	Technical meetings and visits - audits and inspections - correspondence.
Society and local communities	Meetings with local community representatives - joint projects with universities - career days, events and fairs - visits to the company - website - social media.
Average	Press releases - social media - website - publications - events, fairs and other marketing activities - interviews and specialist analysis.

SALCEF'S ESG POLICY

Salcef Group's business development model makes the principles of sustainability, transparency and quality its own. The model sets out concrete commitments and specific management and organisational structures with the goal of creating shared value for all stakeholders, for the people, communities and local areas, while respecting the environment. Salcef has an ESG policy with guidelines to ensure its operations are consistent with the **E**nvironmental, **S**ocial and **G**overnance commitments.

ENVIRONMENTAL

GOVERNANCE

SOCIAL



Environmental factors: reduction of CO₂ emissions; decrease in air and water pollution; optimisation of energy consumption and waste reduction.

Social factors: respect for human rights; exclusion of any discriminatory practice; support for equal opportunities; better occupational health and safety; and greater attention to protecting sensitive data.

Governance factors: adoption of fairer management remuneration policies; increased control procedures; promotion of conduct inspired by compliance with the law and ethics; control of the implementation of legislation regarding corporate liability and anti-corruption; compliance with independence criteria for the board of directors; and a focus on regulation in the markets of operation.

SALCEF GROUP AND THE SDGs

Businesses are required to commit to the pursuit of financial and economic targets that also generate positive impacts in environmental and social terms.



Salcef is a signatory of the United Nations Global Compact and bases its system of values on the ten principles of this charter.



Salcef's approach to sustainability as a business driver is reflected in its commitments to the Sustainable Development Goals (SDGs), an integral part of the United Nations 2030 Agenda.

In the 2030 Agenda, sustainable transport is part of various SDGs and goals, particularly those related to safety, health, energy, economic growth, infrastructure, cities and human settlements. The importance of transport for climate action is recognised: the transport sector will play a particularly important role in the reaching of agreements between countries, given that one quarter of global greenhouse gas emissions linked to energy comes from transport and these emissions are expected to rise.

Salcef is involved in the construction and improvement of infrastructure for sustainable mobility, which enables the reduction of the sector's environmental impacts (a more efficient use of natural resources, cleaner and innovative technologies, and mitigation of the impacts of climate change) and helps generate positive social impacts (on life and relationships between people).

Please refer to the paragraph entitled "[Material topics](#) - objectives and actions" later in this document for an analysis of Salcef's specific commitments in relation to the SDGs and correlation with the material topics (main environmental - social - economic impacts and in relation to governance).

Salcef's role and commitment in relation to the SDGs ranges across various interconnected action areas:

Sustainable transport - Some SDGs are directly related to sustainable transport. Specifically: SDG 3 (Good health and well-being - SDG Target 3.6 on road safety), SDG 9 (Industry, innovation and infrastructure - SDG Target 9.1 on infrastructure), SDG 11 (Sustainable cities and communities - SDG Target 11.2 on access to safe, affordable, accessible and sustainable transport systems for all and the expansion of public transport).

Business model - Specifically, those SDGs that directly reflect the impacts of Salcef's business model: SDG 7 (Affordable and clean energy), SDG 13 (Climate action) and SDG 12 (Responsible consumption and production).

Organisational model and preliminary conditions - Salcef's commitment to SDGs that have direct economic and social impacts, such as SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities) reflect the conditions promoting the achievement of objectives linked to the business model and reference sector.

SALCEF AND ESG RATINGS

ECOVADIS

All the Salcef Group's Italian operating companies are registered on the EcoVadis platform, the world's largest corporate sustainability ratings body, with over 90,000 companies assessed. It also plays an important role in supplier evaluation for RFI, the group's main customer.

In the 2023 scorecards, which included Francesco Ventura Costruzioni Ferroviarie S.r.l. for the first time, winning a silver medal and showing a significant improvement on its pre-acquisition assessment, the Salcef Group's seven companies subject to analysis received five platinum medals - the highest possible score, corresponding to the top 1% of the best companies in the sector - one gold medal - corresponding to the top 5% of the best companies in the sector - and one silver medal.



MSCI

MSCI confirmed Salcef Group's A rating on 5 January 2024. MSCI ESG Research provides research, ratings and in-depth analyses on commercial practices linked to the environment, social and governance for thousands of companies worldwide.



CDP

The parent filled out the CDP questionnaire on climate change for the first time in 2023. It received a "B", which is the highest score in the management bracket.

This places Salcef Group in the average range both at European and Construction sector level, with an above-average performance in the "Emission reduction initiatives and low carbon products", "Energy", "Risk Management processes", and "Scope 1 & 2 emissions" categories.

In 2023, more than 23,000 companies participated in the campaign launched by CDP, the organisation that runs the world's leading environmental disclosure platform.



ISS ESG

On 5 January 2023, the parent received a C- rating from ISS ESG. ISS ESG assesses ESG risks, opportunities and impacts along a company's value chain.

DEVELOPMENT OF THE LOCAL AREA AND COMMUNITIES

GRI 3-3 GRI 413-1

PARTNERSHIPS WITH UNIVERSITIES

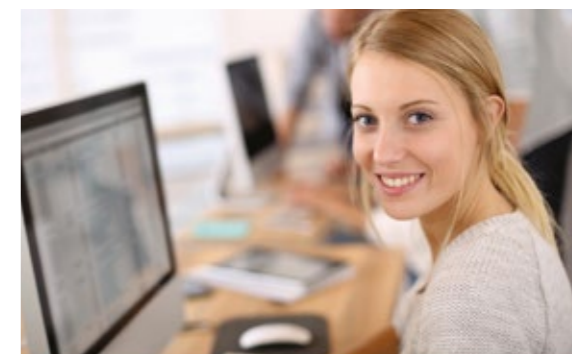
In the firm belief that the training and preparation of its personnel is key to its business success, the Salcef Group has partnered with Italian universities over the years, particularly for the recruitment and selection of specialised technical/engineering middle management roles.

For the fifth year in a row, the Salcef Group has partnered with Rome's La Sapienza University for the second-level master's programme, "Railway Infrastructure and Systems Engineering", involving some of the leading railway sector companies, first and foremost, the Ferrovie dello Stato Group.

The Salcef Group has recruited several technical specialists through the master's programme (such as mechanical design engineer, civil engineer and civil design engineer), initially as interns and then with an open-ended contract.

Lastly, in recent years, the Salcef Group company specialised in the maintenance and production of rolling stock, SRT S.r.l., has partnered with the prestigious Alma Mater Studiorum University in Bologna for two curricular internships for final examination, the first with a civil engineer and the second with a mechanical engineer.

In 2023, Salcef Group helped finance FIN-GOV, the centre for financial research on corporate governance of Università Cattolica del Sacro Cuore. The centre's primary purpose is to promote and carry out basic and applied scientific activities on the corporate governance of listed companies. Specifically, the centre will address topics concerning the structure and functioning of corporate bodies, the ownership and financial structure of companies, management incentives, environmental, social and governance (ESG) and sustainability issues in general, and their impact on the good governance of listed companies. As part of the centre's activities, the third edition of the FIN-GOV Report on corporate governance in Italy was published in October 2023 (available at <https://centridiricerca.unicatt.it/fin-gov-%5bbebook%5dRapportoFIN-GOV-LD.pdf>).



The image is a promotional flyer for a master's program at Sapienza University of Rome. The title is "Ingegneria delle infrastrutture e dei sistemi ferroviari". It lists details such as the number of students (12), the duration (12 months), and the contact information for the program.



The image shows the cover of the FIN-GOV report. The title is "RAPPORTO FIN-GOV SULLA CORPORATE GOVERNANCE IN ITALIA" and it is edited by Massimo Belcredi and Stefano Bozzi. The cover features a photograph of a modern building.

SUPPORT OF ASSOCIATIONS AND THE COMMUNITY

SALCEF FOR THE COMMUNITY OF SANT'EGIDIO

In 2023, the Salcef Group expanded its support for the Community of Sant'Egidio in Rome, a volunteer association that has been caring for homeless people in Rome since the early 1980s, by helping fund several projects including the new Sant'Egidio shelter inside the Policlinico Umberto I hospital. It will be used for both people facing housing difficulties and the families of patients who have been hospitalised with serious illnesses, as well as for the dinner served on 24th December in the night shelters run by the community.

SALCEF FOR CARITAS, ROME

Again in 2023, the group sponsored the Rome Caritas "The door is always open" initiative during the Christmas holidays. The 2023 campaign focused on raising funds for the renovation of one of the halls available to Caritas in the Villa Glori Park in Rome, so it can be used as a shelter for homeless people when they are discharged from hospital, providing them with a safe, decent place to stay while they convalesce.

Salcef Group covered the cost of the production and distribution of panettone cakes at Christmas, helping to raise awareness in over 15,000 people and raising funds of around €50 thousand.



SALCEF FOR TELETHON

Salcef Group supported the Telethon Foundation again in 2023 with a donation to fund research.

ITALIAN MULTIPLE SCLEROSIS ASSOCIATION

Salcef Group sponsored AISM, the Italian Multiple Sclerosis Association, in 2023 by participating in the "The aromatic herbs of AISM", "The apples of AISM" and the "Gardenia of AISM" initiatives.

SUSTAINABLE TRACK MAGAZINE

Sustainable Track is the magazine devoted to railway transport and sustainable mobility that Salcef Group began publishing in 2020.

The biannual magazine takes a deep dive into the main rail, logistics and transport issues, key technical innovation and the most important public and private projects and contracts in the world of mobility.

The eight editions published to date have included accounts of leading experts both in Italy and abroad, as well as from the business world.

For further information and to read the magazine go to: <https://www.salcef.com/sustainable-track-magazine/>.



PARTICIPATION IN EXTERNAL INITIATIVES AND MEMBERSHIPS

GRI 2-28

ENDORSEMENT OF CODES OF CONDUCTS AND PRINCIPLES

Salcef Group S.p.A. joined the Global Compact in 2020, the United Nations initiative conceived to encourage companies worldwide to adopt and issue sustainable policies in compliance with corporate social responsibility. Salcef Group committed to supporting and implementing the ten principles of the UN Global Compact, related to human rights, working conditions, the environment and anti-corruption. Salcef's commitment is to incorporate these principles into its strategies, culture and everyday actions.

For further information, see Salcef Group's participant page at <https://unglobalcompact.org/what-is-gc/participants/141744>



ASSOCIATIONS - MEMBERSHIPS

Through its companies, Salcef Group participates in various trade associations, as shown in the following table:

TRADE ASSOCIATIONS	Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	Overrail S.r.l.	Coget Impianti S.r.l.
Associazione Nazionale Imprese Armamento Ferroviario (ANIAF)		■	■		
ANIE Federazione	■				■
Collegio Ingegneri Ferroviari Italiani (CIFI)	■				
Confindustria Brescia					■
UNINDUSTRIA				■	
Associazione Infrastrutture Sostenibili	■				

A brief description of the individual trade associations follows.

ASSOCIAZIONE NAZIONALE IMPRESE ARMAMENTO FERROVIARIO (ANIAF)

Associazione Nazionale Imprese Armamento Ferroviario (the Italian association for permanent way companies), set up in 1997, represents the most important companies specialised in track construction and its ordinary and extraordinary maintenance.

For further details, refer to the association's website and the page dedicated to the member companies: <https://www.aniaf.it/associati/>.

ANIE FEDERAZIONE

ANIE Federazione is one of the largest Confindustria trade associations by importance, size and representation. ANIE has 1,500 member companies from the electrotechnical and electronic sector.

The member companies are suppliers of cutting-edge technological systems and solutions and are an expression of Made in Italy technological excellence, the result of substantial annual investments in research and innovation. The ANIE sectors account for 30% of annual private research and innovation spending in Italy.

For further details, refer to the association's website and the page dedicated to the member companies: <https://anie.it/aziende>.

COLLEGIO INGEGNERI FERROVIARI ITALIANI (CIFI)

The Collegio degli Ingegneri Ferroviari Italiani (C.I.F.I., the Italian railway engineers board), founded in 1899, is one of the oldest and most important technical and professional associations in Italy.

It counts around 2200 individual members and over 130 industrial and transport companies, as well as universities. CIFI's activities are mainly of a cultural nature and to provide moral support to the profession.

For further details, refer to the association's website: <http://www.cifi.it/>.

CONFINDUSTRIA BRESCIA E UNINDUSTRIA

Local branches of Confindustria in the province of Brescia and region of Lazio. These local branches represent and protect local entrepreneurs and companies and offer a granular external representation and an integrated system of relations with local stakeholders.

For further details, refer to the associations' websites: <https://www.confindustriabrescia.it/> e <https://www.un-industria.it/>.

ASSOCIAZIONE INFRASTRUTTURE SOSTENIBILI

This sustainable infrastructure association is a scientific-technical think tank of excellence, a respected and valuable point of reference for public and private institutions. The association's main aim is to foster a widespread, informed sustainability culture and increasing awareness of the social and economic value offered by sustainable infrastructure.

For further details, refer to the association's website: <https://infrastrutture sostenibili.org/>.

PRODUCT AND SERVICE QUALITY AND SAFETY

In its more than 70 years of operation, Salcef has carried out hundreds of projects worldwide, to ensure **safe railway operation, create new connections and contribute to sustainable urban mobility**. Salcef has built railway infrastructure in numerous different contexts, from the Arabian desert to the icy north, with each project presenting its own technical and methodological challenge and the chance to consolidate the group's position on the international market.

Quality, respect for the environment, health and social responsibility are fundamental for business operation. In the firm belief that these factors offer added value to the customer, the work itself and to those who use it, Salcef is committed to its objectives of protecting the environment, maximum technical efficiency, legal compliance, optimising the rational use of resources and energy and identifying all risks for people and the local areas.

The group's international nature has also led to an in-depth knowledge of the railway sector's regulations abroad, as well as in Italy and Europe, resulting in increased know-how and offering ways to improve and innovate to make the management model even more solid.

THE IMPACT OF PRODUCTS AND SERVICES ON HEALTH AND SAFETY

GRI 3-3 GRI 416-1 GRI 416-2

In line with its integrated quality and safety policy, Salcef operates in full compliance with the law and applies rigorous controls on the impacts its products and services have on health and safety.

In the reporting period, like in 2021 and 2022, there were no significant cases of: a) non-compliance with legislation, regulations or voluntary codes governing the impact of products and services on health and safety; b) non-compliance with regulations and/or self-regulatory codes governing products and services information and labelling.

ENVIRONMENTAL IMPACT OF PRODUCTS AND SERVICES

Salcef's integrated policy and, specifically, the ISO 14001 environmental management system which is part thereof, is designed to ensure **full compliance with applicable legal provisions** and other regulations and international standards regarding the environment, in the pursuit of continuous improvement.

In this context, compliance with environmental regulatory provisions in its operations in the various countries in which it operates is therefore a priority, in order to minimise the environmental impact of products and services (products for infrastructure and the supply of railway services).

The risks related to compliance with environmental regulations and for the use of potentially hazardous substances that could cause environmental and/or other violations of current legislation are identified and managed via a system providing for:

- A system of company proxies which establishes duties, responsibilities and powers for those charged with managing environmental issues.
- Training for all personnel on legislative issues and matters specific to their role.
- Alignment of all company procedures and employee conduct with the principles of such legislation.
 - Scheduled regular checks that the procedures are correctly applied and of the training level of personnel, as well as the internal disciplinary system.
 - The implementation of controls over the compliance with environmental legislation of major suppliers and sub-contractors.
- Monitoring that the procedures of the integrated management system and any additional specific procedures for the contract (quality, environmental or other management plans) are correctly applied.

From a different perspective, the activities managed by Salcef which play an important role in the transition to an extensive Sustainable mobility model generate positive impacts both of an environmental and social nature (see chapter 1 "[Business model and strategy](#)").



RISK MANAGEMENT

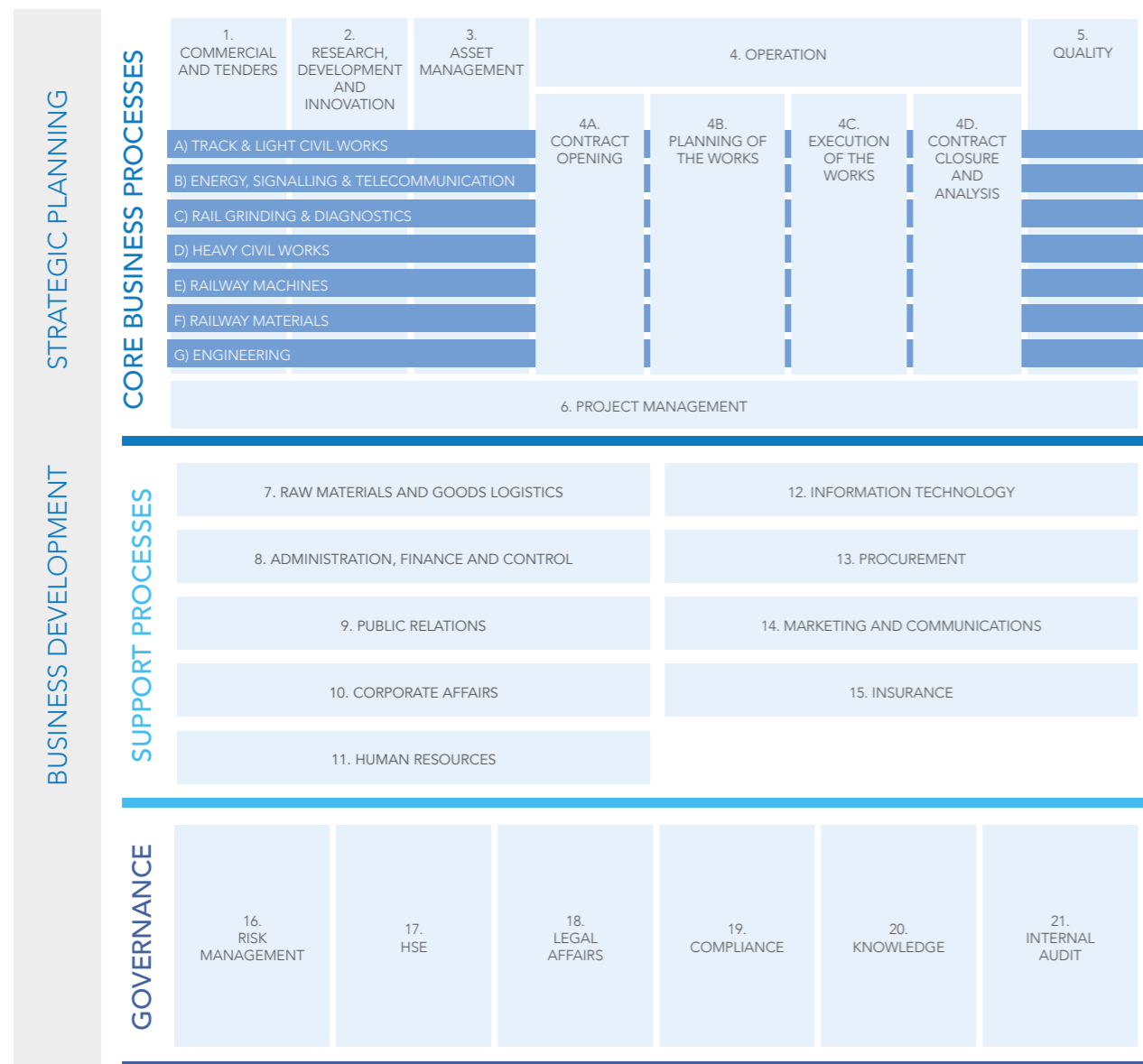
GRI 3-1 GRI 3-3

ERM GOALS AND THE DEPARTMENTS INVOLVED

The Salcef Group has adopted an enterprise risk management (ERM) system in line with international standards (CoSo Framework 2017, ISO 31000, Ferma, etc.) and the best practices in place at companies of comparable size. The aim of the ERM is to support management in making decisions compatible with the company's risk profile and its business objectives and to foster a risk culture, i.e., a culture characterised by the assessment, management and mitigation of risks that could compromise the implementation of strategies and the achievement of company goals.

The company followed a structured process to implement its ERM system, beginning with a detailed analysis of its business processes to identify and catalogue the main types, determine the respective relationships and define the group's value chain. The subsequent stages of the process entailed mapping all company departments involved in business processes and identifying the associated risks. This culminated in a risk assessment and the prioritisation of the main risks based on consolidated materiality criteria.

STRATEGY



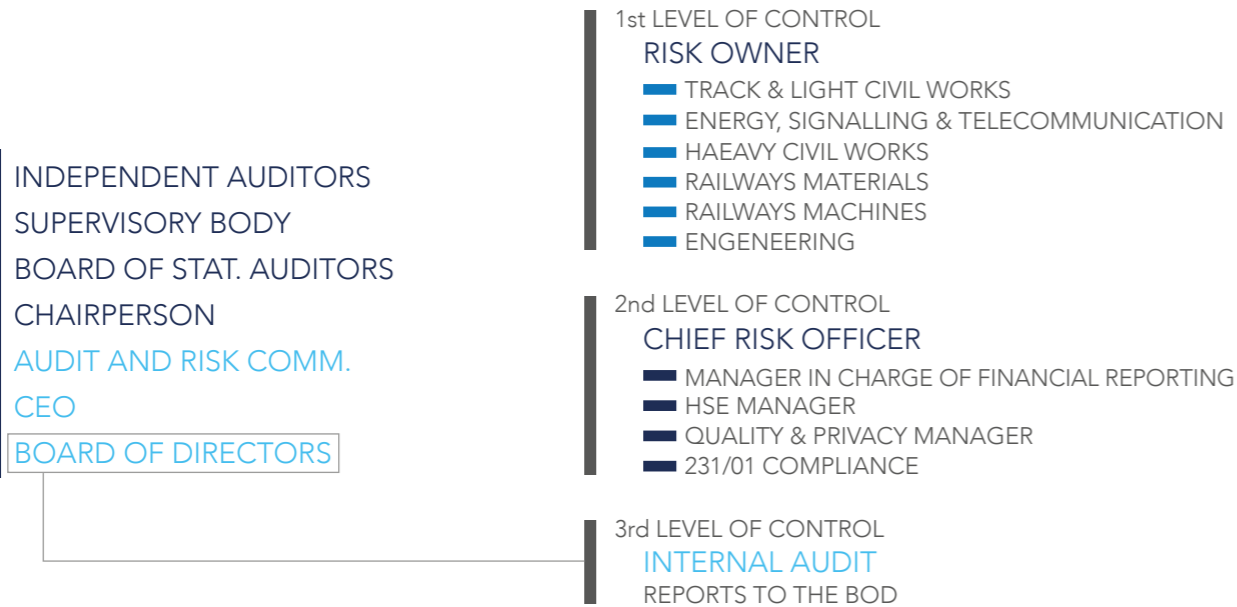
Salcef's **risk model** is designed to:

- Ensure greater awareness in strategic decision-making, taking due account of the current and future risks as part of an organised and comprehensive vision.
- Promote the dissemination of risk management in company processes to ensure consistent risk management and control methodologies and tools.
- Develop a shared language on risks and disseminate a risk management culture as part of an integrated approach consistent with the group's underlying mission, vision and values.
- Provide a uniform approach to the identification of events that could impact the group's operations.
- Ensure business continuity, coordinating the risk owners and the other parties involved in the process.

MAIN DEPARTMENTS INVOLVED

In organisational terms, the main parties involved in Salcef's risk management system are:

- **Risk Owner:** responsible for the process impacted by the risk, in charge of identifying the actions to be taken to mitigate the risk and for its monitoring. This involves all the main departments of the Salcef Group.
- **Chief Risk Officer (CRO):** designs and supports the implementation of the ERM risk management system, stimulating the development of relevant methodologies and operating tools and coordinating the parties involved in the broader risk management process.
- **Audit and risk committee:** comprised of non-executive directors, both internal and external to the group, most of whom are independent. It supports the board of directors in their assessments and decisions related to the internal control and risk management system. It checks the adequacy and effectiveness of this system in relation to the characteristics of the company and its risk profile.
- **Director responsible for risks:** handles the identification of the main risks, considering the characteristics of the operations carried out by the parent and its subsidiaries; implements the guidelines defined by the board of directors, handling the design, development and management of the Internal control and risk management system;
- **Internal audit department:** checks the adequacy and effectiveness of the risk management system, monitoring its responsiveness to changes in legislation and regulations;
- the **Board of Directors:** provides guidance and assesses the adequacy of the system. In particular, after considering the opinion of the Audit and risk committee, the board of directors establishes the internal control and risk management system guidelines in line with the parent's strategies and its risk profile.



THE SALCEF GROUP'S ENTERPRISE RISK MANAGEMENT MODEL



The aim of Salcef's enterprise risk management is to incorporate risk management activities into the organisation's processes and culture, with the gradual implementation and continuous improvement of the process. This approach means both that risk management issues are swiftly brought to the attention of the board of directors and management and that the risk management process is adapted to the structure of the organisation, which is constantly evolving.

In operation, Salcef manages the risk management process in four stages, in line with the principles of the CoSo ERM Framework: a) identification; b) assessment; c) response/management and mitigation; d) update and improvement of processes. The ERM system is currently based on the following tools:

- risk appetite statement;
- risk catalogue and risk assessment;
- key risk indicator.

The **risk appetite statement** (RAS) clarifies the nature and level of risks that Salcef Group S.p.A. implicitly assumes in order to achieve its strategic objectives. This makes it possible to identify the company's risk profile and paves the way to a more knowledgeable management strategy with respect to the risk/return balance.

The preliminary activities for the RAS (identification of risk categories and thresholds) were carried out by first taking an analytical approach based on the Salcef Group's mission and vision, considering the strategic plan objectives and the main risks identified during the ERM mapping and assessment processes, followed by an approach based on benchmarking and management considerations.

BENCHMARKING against industrial groups comparable to Salcef and main current risk factors

- MANAGERIAL GUIDANCE

The table below illustrates the qualitative criteria used to define the risk appetite thresholds and the relative rationale behind the design of the internal control system (ICS) to monitor them.

RISK APPETITE	DESCRIPTION	RATIONALE BEHIND THE DESIGN OF THE ICS	SCORE
MINIMUM	The organisation does not accept the risk , since the occurrence of the risk event could have negative repercussions on the pursuit of the mission, be inconsistent with the company's values and/or compromise its reputation.	The organisation deploys all mitigation measures to minimise the probability of risk, without considering the necessary implementation costs or the prompt responses in the event that the risk occurs.	 X ≤ 25
LOW	The organisation wants to avoid the risk and limit its impact in the event that it occurs (through subsequent steps) and tolerates potential negative repercussions if they do not compromise the company's operations and relationships with its key stakeholders.	The organisation seeks to maintain residual risks at the lowest possible level by deploying all mitigation measures and continuous improvement actions.	 25 < X ≤ 50
MEDIUM	The organisation tolerates the risk and uncertainty in the pursuit of its objectives mainly but not completely with regard to external variables that cannot always be controlled. In this situation, the organisation's objective is always to reduce the impact.	The organisation deploys mitigation actions that are mainly corrective and based on prior cost-benefit analysis (e.g. crisis management, hedging, insurance), and periodically monitors changes in the risk.	 50 < X ≤ 75
HIGH	The organisation accepts the risk and uncertainty arising from the occurrence of the event since it can generate returns on investments that are above expectations, but without compromising the pursuit of the mission.	The organisation deploys mitigation actions that are mainly corrective and usually based on prior cost-benefit analysis (e.g. crisis management, hedging, insurance), and periodically monitors changes in the risk.	 75 < X ≤ 90
VERY HIGH	The organisation accepts the risk.	The organisation accepts that it will not take specific actions and tolerates the possibility that it may suffer potential adverse financial effects.	 X > 90

The **risk catalogue and risk assessment** are the methodological tools used for risk assessment. The system is based on the following concepts, criteria and metrics:

- predictive/historical probability;
- five impact drivers (financial, performance, reputation, compliance and HSE);
- five levels of assessment metrics;
- internal control systems to manage the risk;
- treatment measures.

As stated above, the careful mapping of processes made it possible to first identify and catalogue processes as core, supporting or governance before cataloguing the risks and, accordingly, the organisational departments and risk owners assigned the related functions to be involved in the scheduled risk assessments. Salcef Group's **risk model** is set out below, showing the **areas** and the **risk categories** deemed material and the number of **associated risks** per category.

As stated above, the careful mapping of processes made it possible to first identify and catalogue processes as core, supporting or governance before cataloguing the risks and, accordingly, the organisational departments and risk owners assigned the related duties to be involved in the scheduled risk assessments.



Salcef Group's **risk model** is set out below, showing the **areas** and the **risk categories** deemed material and the number of **associated risks** per category.

9	STRATEGIC RISKS	20
	COMPETITIVE CONTEXT	5
	STRATEGIC FORMULATION PROCESS	3
	GOVERNANCE SYSTEM	3
	BUSINESS MODEL	1
	HUMAN CAPITAL	2
	COUNTRY RISK	1
	TECHNOLOGICAL DEVELOPMENT	1
	CLIMATE CHANGE	1
	REPUTATION	3
6	FINANCIAL RISKS	8
	CREDIT	1
	LIQUIDITY	2
	CURRENCY	1
	INTEREST RATES	1
	PROFITABILITY	2
	TAX	1
9	COMPLIANCE RISKS	15
	GDPR	1
	LEGISLATIVE DECREE NO. 231/2001 - ISO37001	2
	OCCUPATIONAL SAFETY	2
	ENVIRONMENTAL	1
	MARKET ABUSE	1
	REGULATIONS GOVERNING PUBLIC TENDERS	1
	SOCIAL RESPONSABILITY	2
	FINANCIAL AND NON-FINANCIAL REPORTING	3
	LEGAL	2
7	OPERATIONAL RISKS	20
	SAFEGUARDING OF ASSETS	1
	BUSINESS CONTINUITY	3
	COMPANY LIABILITY	1
	ANTI-FRAUD SECURITY	2
	CYBERSECURITY	1
	PROCUREMENT	4
	ACTIVITIES, PROCESSES AND PROCEDURES	8

- n** Number of risk categories deemed relevant for this area.
- n** Total risks identified for this area.
- n** Number of risks associated with the category.

The management methods of each of the risk categories mentioned above are detailed in the table below, with references to other sections of this report and/or documentation published on Salcef's website. The table also shows the underlying material topics reported in this NFS.

Considering Salcef's business model and sector, the risk management system and the overall control model assign a materiality level to compliance risks, particularly those related to the material topic of ethics and integrity in business operations, an area strategic and central to Salcef's governance.

Moreover, by their very nature, environmental risks are transversal with respect to the underlying material topics detailed in the table.

In the area of risks related to competition, the ERM analysis showed significant opportunities related to the development and introduction of new technologies and work tools, linked to the technological evolution. Salcef's research and development activities are therefore heavily focused in this direction.



AREA/RISK CATEGORY	RELATED MATERIAL TOPIC	SUMMARY OF MANAGEMENT APPROACH
STRATEGIC RISKS		
<p>Human capital</p> <p>Risks deriving from shortcomings of the organisation's human capital or the unavailability of key people/skills.</p>	<ul style="list-style-type: none"> Working environment - Diversity and equal opportunities Attraction and enhancement of human resources 	<ul style="list-style-type: none"> Definition of personnel management policies in relation to remuneration, training and satisfaction (see Personnel management, enhancement and development policies). Formalisation of the criteria personnel must meet for the allocation of roles, functions and duties. Definition of training and skill standards for each Salcef Group role and monitoring that the skills are maintained. Definition of a structured succession model for key corporate governance roles. Definition of rules on equal opportunity and respect for the individual through the adoption and implementation of diversity, equity and inclusion and human rights policies.
<p>Business Model</p> <p>Risks linked to inadequacies or failure of the business model</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Promotion of synergies and economies of scale. Coordination of partnerships with subsidiaries, associates, affiliates and related companies.
<p>Competitive context</p> <p>Risks deriving from the characteristics and development of the organisation's competitive context with possible impacts on market positioning</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Constant monitoring of the Italian and international macroeconomic context. Definition of the group's commercial strategy, which identifies the relevant geographical areas, including in terms of the nature of local risks. Close monitoring of the relevant markets and growth strategies and entrance into new markets of current and potential competitors.
<p>Climate change</p> <p>Risks associated with climate change and the carbon footprint of Salcef Group and its assets.</p> <p>Climate risks are divided into physical risks and transition risks. Physical risks relate to events (acute) or long-term changes in climate models (chronic), while transition risks relate to the transition to a low-carbon economy, entailing changes to the political, legal, technological and market contexts in response to the changing requirements of climate change adaptation.</p>	<ul style="list-style-type: none"> Energy consumption and efficiency CO₂ emissions and climate change 	<ul style="list-style-type: none"> Continuous monitoring of the company's environmental impact. Ongoing R&D investments to improve company assets and reduce their impact on the surrounding environment. Offsetting initiatives undertaken by the company.

AREA/RISK CATEGORY	RELATED MATERIAL TOPIC	SUMMARY OF MANAGEMENT APPROACH
STRATEGIC RISKS		
<p>Strategic formulation process</p> <p>Risk of inconsistency between strategic objectives and company mission/vision, and/or the risk that management will define strategic/business objectives on the basis of partial, incomplete or inadequate assumptions and/or the risk of inadequate investment planning.</p>	<ul style="list-style-type: none"> Financial performance Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Periodic review of the group's strategic planning following changes to the market and competition, as well as the production capacity of the group's business units. Analysis of the group's commercial and industrial potential.
<p>Governance system</p> <p>Risks associated with the partial/inadequate formalisation of the group's organisational model (roles and responsibilities) and governance model (management and coordination rules) and the failure to apply them by group companies.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Definition of a governance system and organisational structure that reflect the company culture and policies with the establishment of control bodies and functions, the allocation of responsibilities, and the definition of operating rules via regulations, processes and procedures. Regular review of the company's organisational chart and individual powers, their content and quantitative limits, their operation and information flows.
<p>Country risk</p> <p>Risks associated with the socio-political and economic stability of the countries in which the group operates.</p>	<ul style="list-style-type: none"> Financial performance Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Design and implementation of measures to mitigate the risks associated with the social, economic, political and geographical conditions of the various countries in which the group operates (political and economic instability; unfavourable changes in government policies, particularly as regards foreign investment; significant fluctuations in interest and exchange rates; complex bureaucratic requirements; difficulty in protecting legal and contract rights; customs duties or other unforeseen payments).
<p>Technological development</p> <p>The risk deriving from technological development/innovation and the challenge of grasping all implications/opportunities linked to new technological discoveries, and the human, financial and technical resource costs/investments that organisations may need to incur/make for the constant renewal of products/services/systems.</p>	<ul style="list-style-type: none"> Investments - innovation and digitisation 	<ul style="list-style-type: none"> Check the proper development and application of the new information systems and/or updates of existing ones, promoting training and know-how within the group. Ongoing investment by the group in improving processes/instruments/tools and to make them more efficient.
<p>Reputation</p> <p>Risks deriving from customer loss of trust and/or damage to the group's image due to deficient, inaccurate or untimely communication management, including in the event of a critical event (crisis communication), or the dissemination of fake news, including on social media.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance Financial performance 	<ul style="list-style-type: none"> Constant monitoring of the organisation's reputation. Management of reputational risk through the identification of potential risk events. Communication and information, including through the website and social media, to maintain the group's good reputation. Structured crisis management process to guarantee timeliness, transparency and professionalism.



AREA/RISK CATEGORY	RELATED MATERIAL TOPIC	SUMMARY OF MANAGEMENT APPROACH
COMPLIANCE RISKS		
<p>Legislative decree no. 231/2001 - ISO 37001</p> <p>Risk of fines or bans, or seizure or the publication of the ruling, following the commission of the crimes expressly referred to in Legislative decree no. 231/01, or in the event of corruption (ISO 37001).</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Checks that the 231 and anti-corruption procedures are correctly applied. Training of all personnel to the extent necessary, in order to raise awareness of the organisational model (see Training and development). Due diligence procedures on third parties in line with the provisions of the organisational model and anti-corruption policy.
<p>Environmental</p> <p>Risks deriving from potential polluting events attributable to the group's operations.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance Investments - innovation and digitisation CO₂ emissions and climate change Waste management and the circular economy Materials and use of natural resources Water withdrawal and consumption Product and service quality and safety Supply chain management Engagement with and development of the local area 	<ul style="list-style-type: none"> Analysis of new technologies, instruments and working methods available on the market and the potential technological evolution. Definition of a system of company proxies which establish duties, responsibilities and powers for those charged with managing environmental issues. Training for all personnel on legislative issues and matters specific to their role. Regular controls over the compliance with environmental legislation of critical suppliers and sub-contractors.
<p>GDPR</p> <p>Risk of penalties due to non-compliance/infringements of the privacy legislation (Regulation (EU) 679/2016 - the GDPR), particularly as regards the organisational structure, including in terms of obligations and responsibilities (data protection officer, controller, processor), the lawfulness of data processing, informed consent, the rights of data subjects, the definition and implementation of logical, legal and procedural security measures for the protection of personal data.</p>	<ul style="list-style-type: none"> Cybersecurity and privacy 	<ul style="list-style-type: none"> Check that the regulations and procedures have been properly applied.
<p>Regulations governing public tenders</p> <p>Risks arising from non-compliance with legislation governing public contracts, the qualification systems in place at customers (RFI and Terna, etc.), as well as other regulations (anti-trust, privacy, etc.).</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Systematic review of group procedures designed to incorporate all legislative and regulatory requirements of Italian law governing public tenders, as well as customer or other applicable qualification system regulations.

AREA/RISK CATEGORY	RELATED MATERIAL TOPIC	SUMMARY OF MANAGEMENT APPROACH
COMPLIANCE RISKS		
<p>Occupational safety</p> <p>Risks related to accidents, incidents or near misses in the workplace (work sites, offices, etc.)</p>	<ul style="list-style-type: none"> Occupational health and safety 	<ul style="list-style-type: none"> Definition of a system of company proxies which establish duties, responsibilities and powers for those charged with managing occupational safety issues. Training for all personnel on legislative issues and matters specific to their role. Regular checks that the procedures are correctly applied and of the training level of personnel.
<p>Social responsibility</p> <p>Risk of penalties due to infringements of the provisions of Legislative decree no. 81/08 or the group's Code of conduct.</p>	<ul style="list-style-type: none"> Occupational health and safety Supply chain management Working environment - Diversity and equal opportunities 	<ul style="list-style-type: none"> Educating personnel on the group's code of conduct and monitoring that the disciplinary measures are properly applied. Application of the SA 8000 procedures for suppliers. Human rights/diversity, equity and inclusion policies.
<p>Market Abuse</p> <p>Risks deriving from the abuse of privileged information (market abuse), i.e., when investors in financial markets have to directly or indirectly deal with the negative consequences of the conduct of other parties who: i) used information not accessible to the public to their advantage or to the advantage of others (insider trading); ii) distorted the price fixing mechanism for financial instruments or disseminated false or misleading information (share manipulation).</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Systematic review of group procedures designed to incorporate all legislative and regulatory requirements of Italian law, particularly those of Consob and Borsa Italiana. Systematically informing and training senior management, the senior managers and personnel with access to relevant and privileged information.
<p>Financial and non-financial reporting</p> <p>Risks associated with drafting and monitoring activities, as well as the financial and non-financial reporting required by official legal communiques.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Implementation of an internal control system on financial reporting.
<p>Legal</p> <p>Risks deriving from contractual or non-contractual responsibilities or other legal disputes and/or disputes linked to contract management.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Timely management of legal disputes by general counsel. Constant monitoring of the legal disputes underway.



AREA/RISK CATEGORY	RELATED MATERIAL TOPIC	SUMMARY OF MANAGEMENT APPROACH
OPERATIONAL RISKS		
<p>Safeguarding of assets</p> <p>Risks deriving from compromising the integrity and continuity of individuals, infrastructural assets and/or group technologies due to an event not directly related to the group's operations or due to malfunction, damage, lack of maintenance, with impacts on access to infrastructures, the provision of services and business operations and on the achievement of the organisation's goals.</p>	<ul style="list-style-type: none"> Financial performance Quality and safety of services/products Occupational health and safety 	<ul style="list-style-type: none"> Check that the specific policies for direct and indirect risks are properly implemented and that there is a suitable system of proxies and powers, and that the assets have been properly assigned to the competent person in charge. Definition of actions against the infringement of intellectual property rights.
<p>Business continuity</p> <p>Losses due to downtime, malfunctions or the unavailability of systems.</p>	<ul style="list-style-type: none"> Financial performance Quality and safety of services/products 	<ul style="list-style-type: none"> Definition of specific protocols to ensure business continuity. Development of strategies, processes and systems to manage and monitor risks in order to protect business continuity.
<p>Company liability</p> <p>Risks deriving from liability directly attributable to the group following external incidents or events of a natural or accidental nature (e.g., natural disasters, non-compliant or defective products, events linked to individuals, etc.) with impacts on group operations.</p>	<ul style="list-style-type: none"> Quality and safety of services/products Occupational health and safety CO₂ emissions and climate change 	<ul style="list-style-type: none"> Check that specific policies are properly implemented for direct and indirect risks, that any incidents are managed, and that there is a suitable system of proxies and powers. Check that the provisions, procedures and instructions for the integrated management systems are correctly applied and regularly updated.
<p>Operations, processes and procedures</p> <p>The risk deriving from weaknesses in the group's process design and from errors/negligence/non-fulfilment of the procedures for the performance/management of operating activities and the related controls.</p>	<ul style="list-style-type: none"> Quality and safety of services/products Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Systematic review of group procedures Regular audits to check that the provisions, procedures and instructions for the integrated management systems are correctly applied and regularly updated.
<p>Anti-fraud security</p> <p>Risk deriving from any action in which an employee or third party (e.g., employee, supplier, sub-supplier, parties external to the company) takes or appropriates confidential information or company assets or, alternatively, commits deeds aimed at causing damage to the group.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Check that the anti-corruption and 231 regulations and procedures have been properly applied. Check of changes to the regulatory context and of organisational changes to systematically update and improve the group's management system and organisational model. Scheduling and implementation of compliance training and information initiatives.
<p>Cybersecurity</p> <p>The risk deriving from malfunctions and/or failures of business IT systems/applications or weaknesses in physical or procedural security measures or from cyber attacks with the potential to compromise data integrity or confidentiality for which the group is liable.</p>	<ul style="list-style-type: none"> Cybersecurity e privacy 	<ul style="list-style-type: none"> Check the proper development and application of the new information systems and/or updates of existing ones, promoting training and know-how within the group. Coordination of all IT activities within the group.

AREA/RISK CATEGORY	RELATED MATERIAL TOPIC	SUMMARY OF MANAGEMENT APPROACH
OPERATIONAL RISKS		
<p>Procurement</p> <p>Risk deriving from relationships with the suppliers of goods/services and any issues associated with dependence, breach of contract, or the quality of the service or product received.</p>	<ul style="list-style-type: none"> Supply chain management 	<ul style="list-style-type: none"> The Salcef Group's suppliers list and supervision of the checks of requirements, qualification and suspension. Supplier assessment, incorporating a summary of the ratings of the services in terms of quality, the environment and safety. Supervision of the correct fulfilment of the procurement requests related to Salcef Group S.p.A. as part of any budgets approved.
FINANCIAL RISKS		
<p>Credit</p> <p>Risk deriving from non-compliance or the deterioration of credit rating of counterparties or of Salcef Group.</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Careful short- and long-term financial planning and the efficient management of relationships with banks and other financial backers to ensure the group companies have access to credit lines such to cover their operating requirements and business development. Financial assessment of customers and financial instruments to mitigate the risk. Systematic check of the recording of credit and collections.
<p>Liquidity</p> <p>Risks deriving from inadequate cash flow planning/management with excess liquidity or lack of access, or associated with difficulties in contracting or refinancing the loans necessary to ensure the financing for the group's organic growth and/or to meet its financial commitments.</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Supervision of the roll-out of the group companies' business plans, of financial management and of relationships with banks and other financial backers and business partners. Use and supervision of financial instruments for sustainable cash management.
<p>Currency</p> <p>Risks deriving from unexpected fluctuations in exchange rates affecting the carrying amount of assets and liabilities and/or financial income and expense.</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Continuous monitoring of exchange rate trends. The potential use of financial instruments to hedge the currency risk.
<p>Interest rates</p> <p>Risks deriving from unexpected fluctuations in interest rates affecting the carrying amount of assets and liabilities and/or financial income and expense, or from the inadequate hedging of the interest rate risk resulting in a financial expense.</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Continuous monitoring of interest rate trends. The potential use of financial instruments to hedge the interest rate risk.
<p>Profitability</p> <p>Risks deriving from negative differences between budgeted and actual production.</p>	<ul style="list-style-type: none"> Financial performance 	<ul style="list-style-type: none"> Systematic check of compliance with the budget and the definition (with the assistance of the controlling manager and the board of directors) of any actions to be taken.
<p>Tax</p> <p>The risk of incorrect tax management with repercussions on the group.</p>	<ul style="list-style-type: none"> Ethics and integrity in business operations and compliance 	<ul style="list-style-type: none"> Systematic control and monitoring of developments in tax legislation. Dual-level check that tax legislation has been correctly applied. Strengthening the tax area through recruitment plans.

The group has adopted the **key risk indicators system**, a quantitative tool that supports the analysis of exposure to specific predefined risks by establishing possible attention thresholds associated with performance indicators and monitoring them over time. The attention thresholds are established considering:

- the priority of the area and an analysis of historical trends;
- the management and control thresholds previously set by the risk owner in the area concerned.

If the attention thresholds are exceeded, the reasons are analysed and the escalation process is initiated.

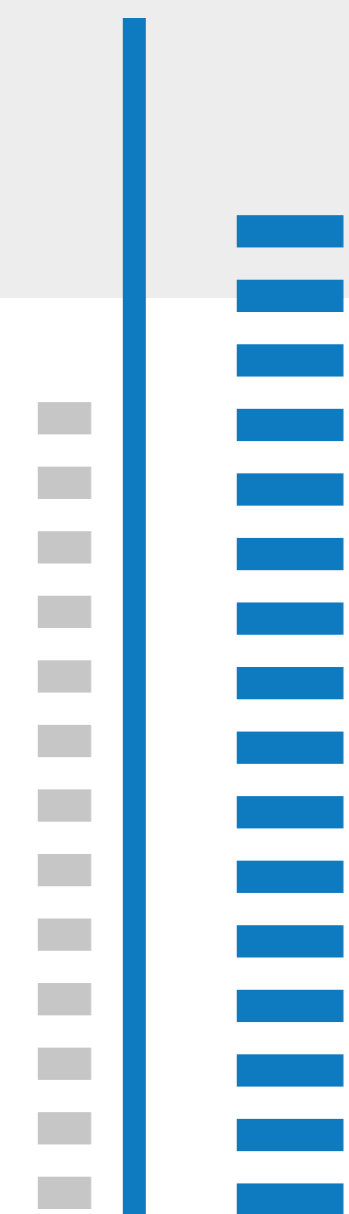
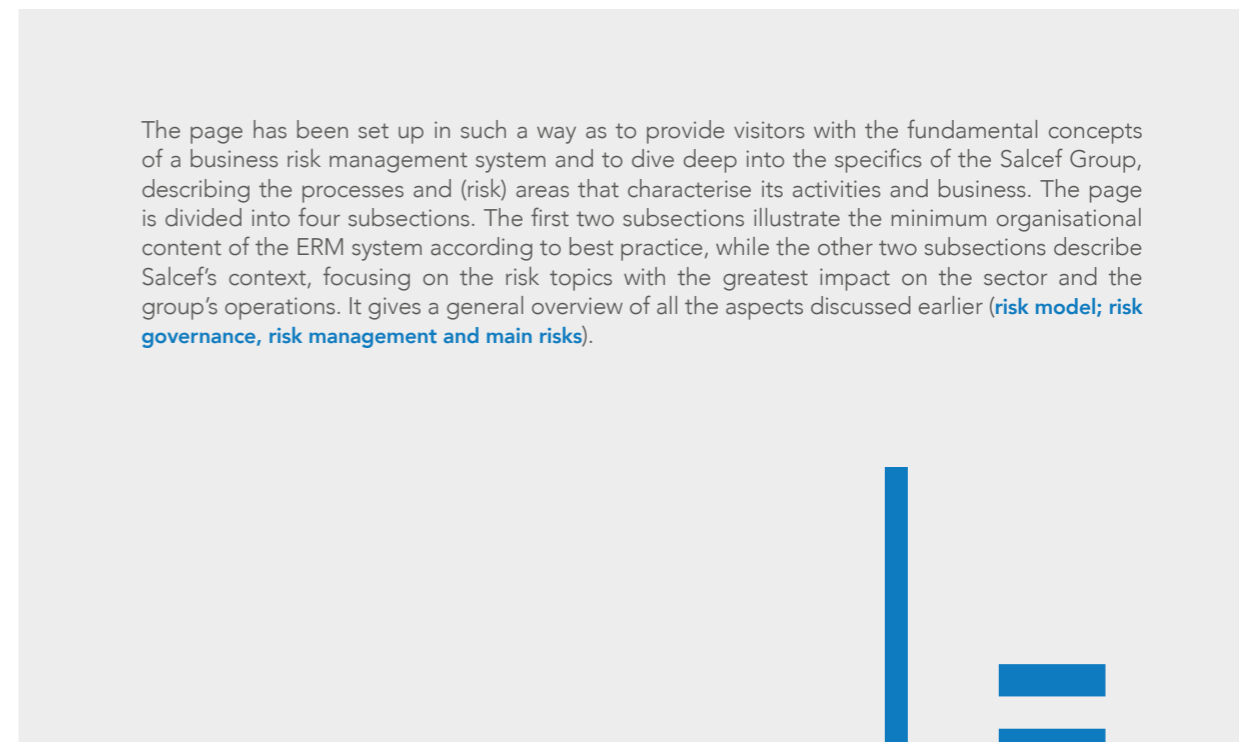
The following chart provides an example how a KRI implemented by the group is structured, indicating all the elements in the collection of information and data useful for illustrating the indicator.

KRI CARD

DESCRIPTION OF THE RISK	Risks associated with compliance with occupational health and safety (in offices, sites, etc.), including the risk of Covid-19 infection (restrictions in terms of travel, employees' unavailability to work due to Covid-19, etc.) Possibility of criminal, civil and labour proceedings with equity, financial and reputational impacts and sanctions under Legislative decree no. 231/2001.	
RISK CATEGORY	Compliance risks - Occupational safety	
KRI	Indicator of the consolidated injury rate	SYSTEM MySalcef
OWNER	Chief Knowledge Officer	FREQUENCY Half-yearly
KRI OBJECTIVE	Monitor the consolidated injury rate	ATTENTION THRESHOLDS Average of the past 3 years
MEASUREMENT OF THE KRI	Frequency rate * Severity rate	KEY FIELDS <ul style="list-style-type: none"> • Injury codes • Days

ERM SECTION OF THE SALCEF GROUP WEBSITE

Salcef created a special section of its website devoted to its risk management model at: <https://www.salcef.com/it/governance/risk-management/>



GOVERNANCE AND RESPONSIBLE BUSINESS CONDUCT

COMPANY BODIES AND COMMITTEES

GRI 2-9 GRI 2-10 GRI 2-11 GRI 2-12
GRI 2-15 GRI 2-17 GRI 405-1

Salcef's corporate governance structure is based on a traditional organisational model and is comprised of the following company bodies:

- the shareholders' meeting (resolves on the issues provided for by the law and the company's by-laws);
- the board of directors (responsible for the management of the company);
- the board of statutory auditors (entrusted with a supervisory function).

KPMG S.p.A. was appointed to perform the statutory audit by the shareholders in their meeting of 5 October 2020. The engagement ends with the approval of the financial statements at 31 December 2028.

On 6 October 2020, the board of directors resolved to adopt Borsa Italiana's Corporate Governance Code (available on www.borsaitaliana.it).

The board of directors, comprised of seven members, was appointed by the shareholders in their meeting of 29 April 2022 for the 2022-2024 three-year period, with the appointment of Gilberto Salciccia as chairperson.

BOARD OF DIRECTORS

Chairperson of the board of directors	Gilberto Salciccia
CEO	Valeriano Salciccia
Director	Angelo Di Paolo
Independent director	Valeria Conti
Independent director	Bruno Pavese
Independent director	Emilia Piselli
Independent director	Veronica Vecchi

The board of directors is vested with the broadest powers for the ordinary and extraordinary management of the company. The directors are assigned all powers necessary for the implementation and achievement of the business purposes other than those reserved exclusively to the shareholders by law or the by-laws.

Salcef's board of directors defines the strategy and business model and establishes the group's sustainable development objectives and contribution.

Salcef Group's commitments and policies are periodically reviewed by the board of directors in order to strengthen the management of sustainability topics, pursue the strategic objectives, and monitor and improve management of the impacts.

ESG topics are integral to how Salcef conducts its business and to the role it plays in sustainable development (eligible activities under the EU Taxonomy). This requires an ongoing enhancement of expertise. The decision to establish a board committee for sustainability topics confirms this approach.

The board members, who do not necessarily have to be shareholders of the group, remain in office for three years. They are elected by the shareholders which decide on the number of members (between three and eleven) before electing them. Directors are elected from lists, drawn up in accordance with the methods set out in the [Corporate governance and ownership structure report](#). Candidates must meet the necessary professional and independence requirements. Lists presenting three or more candidates must include candidates of different genders so that the board of directors' composition complies with the regulations about gender equality. Governance tools and the group's governance policies prevent and mitigate potential conflicts of interest.

The chairperson of the board of directors has unlimited representation powers for the parent and is also assigned the organisation and management of company structures, as well as the definition of the guidelines and operating strategies for the other Salcef Group companies. Specifically: a) definition of strategic guidelines for new investments and activities to ensure company assets are operating efficiently; b) definition of the operating plan for Salcef Group's investments; c) research and development and other activities which are aimed at increasing and diversifying Salcef Group's products and services over the medium to long-term, including the roll-out of design activities and the research for new patents and production systems.

The chief executive officer (CEO) is assigned general representation powers, management of personnel and employment relationships, administrative management, contracts and financial management.

BOARD OF DIRECTORS - DIVERSITY (gender - age bracket)					
WOMEN		MEN		TOTAL	
3	42.86%	4	57.14%	7	100.0%
UNDER 30 YEARS OF AGE		BETWEEN 30 AND 50 YEARS OF AGE		OVER 50 YEARS OF AGE	
-	-	1	14.29%	6	85.71%

BOARD OF DIRECTORS - INDEPENDENT AND NON-INDEPENDENT DIRECTORS					
INDEPENDENT DIRECTORS		NON-INDEPENDENT DIRECTORS		TOTAL	
4	57.14%	3	42.86%	7	100.0%

BOARD OF STATUTORY AUDITORS

The board of statutory auditors, comprised of three standing statutory auditors and two alternate statutory auditors, was appointed on 29 April 2022 and will remain 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	Pier Luigi Pace
Standing auditor	Giovanni Bacicalupi
Standing auditor	Maria Assunta Coluccia
Alternate auditor	Carla Maria Melpignano
Alternate auditor	Maria Federica Izzo

COMMITTEES

Salcef's corporate governance provides for the following committees. They are comprised of members of the board of directors and their term is the same as that of the board of directors:

- The **remuneration and appointment committee** (3 members) carries out preliminary functions and advises the board of directors on the determination of the fees of directors assigned special duties, as well as in relation to personnel remuneration and retention policies; The committee members are Emilia Piselli (chairperson), Veronica Vecchi and Bruno Pavesi;
- The **audit and risk committee** (3 members) supports the board of directors in assessments and decisions in relation to risks and the internal control system; The committee members are Valeria Conti (chairperson), Veronica Vecchi and Bruno Pavesi.
- The **related parties committee** (3 members) carries out the functions provided for by the regulation governing related party transactions adopted by Consob (the Italian commission for listed companies and the stock exchange) with resolution no. 17221 of 12 March 2010, as amended, also taking into account the instructions and guidelines for the application of the related party transactions regulation provided by Consob with communication no. DEM/10078683 of 24 September 2010; The committee members are Bruno Pavesi (chairperson), Emilia Piselli and Valeria Conti.
- The **sustainability committee** (3 members) supports the board of directors in defining and implementing the group's ESG strategy and objectives. The committee members are Veronica Vecchi (chairperson), Veronica Conti and Emilia Piselli.



CORPORATE GOVERNANCE

GRI 2-9 GRI 2-13 GRI 2-14 GRI 2-16
GRI 2-18 GRI 2-19 GRI 2-20 GRI 2-21

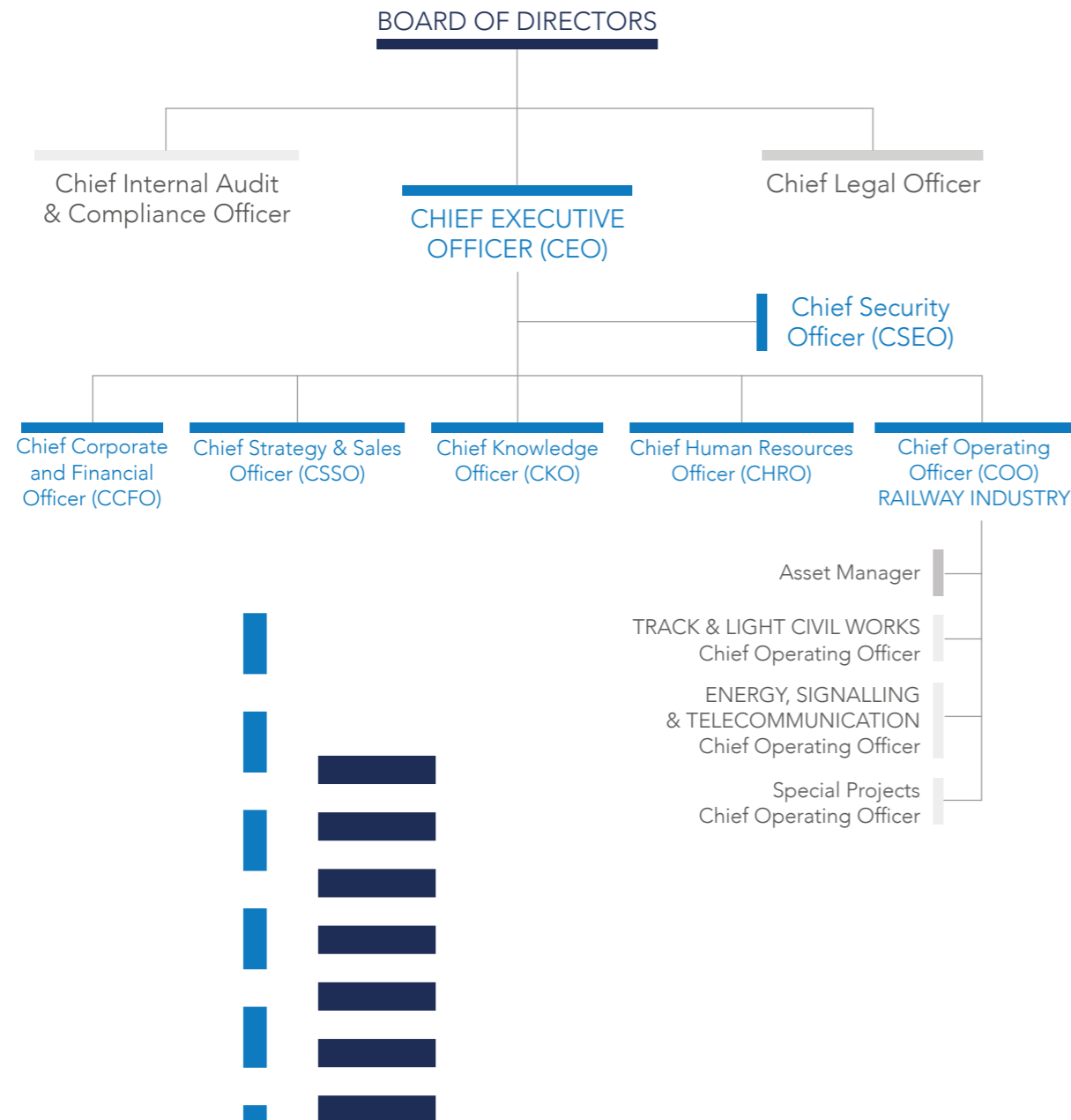
THE DELEGATION PROCESS

Under Salcef Group's governance system, the board of directors delegates part of its management duties to the chief executive officer (CEO) in the area of general representation powers, management of personnel and employment relationships, administrative management, contracts and financial management.

ORGANISATIONAL STRUCTURE

The organisational structure of Salcef Group S.p.A. was developed with a view to optimising not only the processes for the provision of centralised services but also to ensure the management and coordination function between the parent and the subsidiaries, ensuring the best conditions for the performance of the core businesses of the subsidiaries.

The organisational model is therefore heavily focused on "management and coordination", with the aim of providing governance of the group and the subsidiaries, as well as defining the company organisation, process management and resource management.



The organisational structure has four central business units and one operating business unit:

- **Railway industry operating unit:** responsible for the update, development and management of activities related to the group's business, as well as the development of the organisation's technical and scientific expertise. The unit is headed up by the railway industry chief operating officer.
- **Corporate and finance central unit:** responsible for administrative, financial, tax and insurance management, management control, business risk management, communication and marketing in addition to handling communication, financial reporting and sustainability between the company and its main stakeholders. The unit is headed up by the chief corporate & financial officer (CCFO).
- **Strategy & sales central unit:** responsible for the commercial development of the group's business activities, including marketing, pre-qualification, external communication the promotion of the group's brand. The unit is headed up by the chief strategy & sales officer (CSSO).
- **Knowledge central unit:** responsible for the coordination, update and development of integrated management systems in compliance with legislative and technical standards. The integrated management systems include health and safety, environment, quality and privacy and ICT. This unit includes the parent's procurement office which coordinates and defines the systems to ensure effective and efficient procurement within the group. The unit is headed up by the chief knowledge officer (CKO).
- **Human resources central unit:** responsible for the coordination, training and development of human resources. The unit is headed up by the chief human resources officer (CHRO).

In addition to the above units, the company's organisational model also includes the following roles which report to the CEO or directly to the board of directors:

- **Chief security officer (CSEO):** responsible for the management and security of the Salcef Group.
- **Chief internal audit and compliance officer:** supports the organisation with monitoring, audit and supervision pursuant to Legislative decree no. 231/01. This officer also acts as compliance officer for the prevention of corruption pursuant to the requirements of ISO 37001. For more details see: [Internal audit](#).
- **Chief legal officer (CLO):** coordinates legal activities.

SUSTAINABILITY GOVERNANCE

This board committee was established in March 2023 to carry out examination functions, advise and make suggestions to the board of directors in the area of sustainability, bolstering the management and monitoring of ESG topics and the extent of their impact on the group, as well as how the group interacts with stakeholders on sustainability issues and the supervision of the drafting process for the consolidated non-financial statement, including supervision of the identification and approval process for the material topics.

COMMUNICATION PROCESSES

As part of their duties, the CEO regularly reports to the competent board committee and at least quarterly to the board of directors on ESG issues arising in carrying out their duties or of which they have become aware, so that the committee (or board of directors) can take the appropriate steps.



REMUNERATION POLICIES AND THE EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

In line with the incentive system adopted by the group, described in detail under [Personnel management, enhancement and development policies](#), the board of directors approved a remuneration policy in 2023 which contributes to the business strategy and to the pursuit of medium-term goals, defined taking into account the remuneration and working conditions of the group's employees.

Confirming Salcef's commitment to the creation of sustainable value and its broader financial and business operation goals, the variable incentive plans for key management personnel (particularly those with strategic responsibilities) includes several short- and long-term ESG indicators, particularly as relates to workplace health and safety and in the social sphere, which have been carefully calibrated so that Salcef Group has a positive impact on a wide range of stakeholders.

For the current reporting period, the total annual remuneration of the group's employees is not disclosed in the remuneration report.

For further information on the remuneration policy and incentive system, please consult the "Remuneration" page of Salcef's website: <https://www.salcef.com/governance-structure/remuneration/>.

MANAGEMENT POLICIES AND SYSTEMS

GRI 2-23 GRI 2-24 GRI 2-25 GRI 2-26

CODE OF ETHICS

Salcef is determined to ensure maximum integrity in how it conducts its business and related company activities, and to protect its image and reputation. The code of ethics is an integral part of the model and sets out the ethical principles and values Salcef follows in carrying out its business, and which it expects all employees and, more generally, all parties that collaborate with it in the pursuit of its company mission, to rigorously observe.

The Salcef Group bases all actions, operations, relationships and transactions carried out in the various company activities on the principles of the code of ethics. The code of ethics applies to all those with representative, executive or management functions, or that, even de facto, carry out management and control activities of Salcef, or that cooperate and collaborate with it, in any capacity, in the pursuit of its business objectives, all employees without exception, collaborators and any party with business relations with Salcef. Specifically, Salcef's directors are required to comply with the principles of the code of ethics when setting business objectives, proposing investments and carrying out projects, and in any decision or action related to managing Salcef.

Salcef complies with the following principles in the pursuit of its objectives:

- Compliance with the law and the rules of conduct
- Equality and impartiality
- Integrity, honesty, transparency and reliability
- Loyalty, propriety and good faith
- Confidentiality and protection of company know-how
- Value of the individual and of human resources
- Environmental protection and safety

In accordance with the provisions of Legislative Decree no. 24/2023 (the "Decree"), the Salcef Group has implemented an internal **whistleblowing** channel to receive reports of wrongdoing. Using digital, encrypted techniques, this channel guarantees the confidentiality of whistleblowers' identities and protects them from any possible retaliation. This channel is accessible via the group's website (<https://www.salcef.com/whistleblowing-reports/>), by filling in a special form. Reports are investigated by an operator specifically appointed by the governance body pursuant to the Decree, and this is the only person authorised to access the information, ensuring maximum confidentiality. No reports were received concerning violations of the 231 model or of the regulations referred to in the Decree in 2023 or previous years.

Through its subsidiary Salcef S.p.A., the Salcef Group has joined the initiative of the Italian competition authority (AGCM) and received a "Legality" rating.

RESPECT FOR HUMAN RIGHTS

The Salcef Group recognises its human rights protection obligations and undertakes to respect and promote human rights in its operations and in the areas in which it operates. In 2021, Salcef Group S.p.A. joined the **UN Global Compact**, a United Nations initiative promoting a sustainable global economy that is respectful of human and labour rights, environmental protection and the fight against corruption. The UN Global Compact requires the companies and organisations that join it to share, support and apply within their sphere of influence ten core principles relating to human rights, labour standards, environmental protection and anti-corruption.

In particular, by joining the Global Compact, Salcef Group has committed to adopting and spreading ethical business practices throughout Italy and around the world, in accordance with the highest standards, with the annual presentation of a Communication on Progress (COP), a document that describes the company's efforts and results in implementing the ten principles. Joining the UN Global Compact is another milestone in the group's sustainability path towards the achievement of the Sustainable Development Goals of the UN 2030 Agenda.

Respect for human rights is also an integral part of supply chain and human resources management processes. To strengthen the group's position in relation to the protection of human rights and the other aspects of diversity, equity and inclusion, two specific human rights and diversity, equity and inclusion policies have been drafted and are published on the Salcef Group's website in the policy and procedures section (<https://www.salcef.com/governance-structure/policies-and-procedures/>).

The definition of the policies and the group's actions in general in relation to human rights, diversity and equal opportunities are based, at a minimum, on the framework defined by the International Bill of Human Rights, ILO's Declaration on Fundamental Principles and Rights at Work and its eight fundamental conventions (no. 29, 87, 98, 100, 105, 111, 138 and 182), the United Nations instruments on human rights and on the rights of particularly vulnerable groups and communities, as well as the European convention on human rights, the European social charter and the Charter of fundamental rights of the European Union. Moreover, to avoid causing or actively contributing to any form of negative impact on human rights in its direct operations and in its global value chain, and to remediate them, the Salcef Group complies with and endorses the following international guidelines: the Organisation for economic co-operation and development (OECD) Guidelines for multinational enterprises, the UN guiding principles on business and human rights, the ILO Tripartite declaration of principles concerning multinational enterprises and social policy and the ILO's Social policy, and the ten principles of the UN Global compact.

Particularly relevant for the Salcef Group's operations and in its sector are issues of workplace health and safety, the rejection of all forms of forced and child labour, freedom of association and the right to collective bargaining, non-discrimination, diversity and equal opportunities, and respect for fair, equal and favourable working conditions. These aspects are equally important in the group's commercial relationships, where specific procedures are in place to promote and guarantee respect for human rights along the supply chain. Please refer to the paragraph of this document dedicated to the analysis of supplier relations ([Supply Chain Management](#)) and human resources management ([People](#)). In this area, the stakeholder categories that warrant particular attention are: employees and other workers; vulnerable groups such as migrant workers, people with disabilities, children, women, national or ethnic, religious and linguistic minorities, people that could be discriminated against based on their sexual orientation or gender identity or expression; local communities; trade union organisations; national institutions and authorities; and non-government organisations.

The Salcef Group provides its stakeholders with a whistleblowing channel for the reporting of any situations that present or could present a risk of violating the commitments made in relation to human rights, non-discrimination and equal opportunities. This channel is accessible via the group's website (<https://www.salcef.com/whistleblowing-reports/>), by filling in a special form. Please refer to "[Code of ethics](#)" for additional details.

ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

The Salcef Group companies have each adopted an "Organisational, management and control model" (the "model" or "231 model") pursuant to Legislative decree no. 231/01, which introduced administrative liability for companies into Italian legislation. The model takes into account Salcef's organisational and operational characteristics and is periodically updated. Pursuant to the relevant legislation, supervisory bodies have been set up to monitor the operation of and compliance with the model and to ensure it is updated. The model is available on the website: [CG Salcef - Company documents](#).

The model is comprised of a general part and special parts. The general part describes the essential components of the model, particularly as relates to the supervisory body, personnel training and the dissemination of the model within the company and external to the company and the disciplinary and other measures adopted in the event of failure to comply with the provisions of the model.

The special parts are dedicated to the various types of crimes and administrative offences deemed a possible risk for the Salcef Group. Each special part contains reference to the individual crimes referred to in Legislative decree no. 231/2001, the general rules of conduct to be adopted in all areas potentially at risk of crime and other areas identified at risk of crime. For each area at risk of crime, the sensitive activities, the possible ways in which the crime could be committed or conduct that facilitates the commission thereof, as well as the preventative control principles, are identified.

MANAGEMENT SYSTEMS

Over time, the group has built up its management system in compliance with international quality (ISO 9001:2015), environmental (ISO 14001:2015), occupational health and safety (ISO 45001:2018), anti-bribery (ISO 37001:2016), social accountability (SA 8000:2014), energy (ISO 50001:2018) and road traffic safety (ISO 39001:2016) management standards, and sector best practices. The management systems applied and their bridging to the material topics is summarised below.

MANAGEMENT SYSTEM	DESCRIPTION	MATERIAL TOPICS
ISO 9001	The quality management system applied to the company processes and organisation with a view to improving effectiveness in creating products and providing services, as well as gaining and increasing customer satisfaction.	<ul style="list-style-type: none"> Product and service quality and safety Financial performance Attraction and enhancement of human resources Working environment - Diversity and equal opportunities Engagement with and development of the local area/local communities
ISO 14001	Management system to control the environmental impacts of operations and for the systematic pursuit of consistent, effective and, above all, sustainable, improvement thereof.	<ul style="list-style-type: none"> Energy consumption and efficiency CO₂ emissions and climate change Waste management and the circular economy Water withdrawal and consumption Materials and use of natural resources Attraction and enhancement of human resources
ISO 45001	Occupational health and safety management system establishing the minimum standards of best practice for the protection of workers. It also establishes a framework for the improvement of safety, the reduction of risks in the workplace and the improvement of worker health and well-being, thereby enabling an improvement in health and safety performance.	<ul style="list-style-type: none"> Occupational health and safety Working environment - Diversity and equal opportunities Attraction and enhancement of human resources Product and service quality and safety
ISO 50001	Management system with the objective of the systematic pursuit of continuous improvement in energy performance, including energy efficiency and energy consumption and use.	<ul style="list-style-type: none"> Energy consumption and efficiency CO₂ emissions and climate change
ISO 37001	Management system that supports the organisation in the fight against corruption, engendering a culture of integrity, transparency and compliance. The standard offers an important aid in implementing effective measures for preventing and tackling corruption.	<ul style="list-style-type: none"> Ethics and integrity in business operations Attraction and enhancement of human resources Supply chain management

MANAGEMENT SYSTEM	DESCRIPTION	MATERIAL TOPICS
SA 8000	Social accountability (or CSR: corporate social responsibility) system with the aim of improving working conditions. This management system relates to: respect for human rights and the rights of workers, safeguards against child labour, and the protection of the health and safety of workers.	<ul style="list-style-type: none"> Ethics and integrity in business operations Attraction and enhancement of human resources Working environment - Diversity and equal opportunities Occupational health and safety Supply chain management Engagement with and development of the local area/suppliers and local communities
ECM	Management system pursuant to Regulation (EU) 779/2019 (formerly Regulation (EU) 445/2011) with the aim of improving access to the railway transport services market by establishing common principles for the management, regulation and supervision of railway safety. Specifically, it establishes the training, expertise and organisational requirements of the entities in charge of maintenance (ECMs).	<ul style="list-style-type: none"> Attraction and enhancement of human resources Product and service quality and safety
ISO 39001	Management system for the planning, implementation and improvement of road safety and the reduction of the risk of road accidents.	<ul style="list-style-type: none"> Attraction and enhancement of human resources Working environment - Diversity and equal opportunities Occupational health and safety
ISO 30415	Guidance on the implementation, evaluation, maintenance, improvement and development of more inclusive and sustainable company pathways.	<ul style="list-style-type: none"> Attraction and enhancement of human resources Working environment - Diversity and equal opportunities
UNI PDR 125:2022	Guidance for the promotion of gender equality within an organisation to create a fair and inclusive workplace.	<ul style="list-style-type: none"> Attraction and enhancement of human resources Working environment - Diversity and equal opportunities
ISO 27001	Management system for the protection of sensitive information and company data through the effective management of information security risks.	<ul style="list-style-type: none"> Cybersecurity and privacy

The following table summarises the management system certifications obtained by the group companies:

COMPANY	ISO 9001	ISO 14001	ISO 45001	ISO 50001	ISO 37001	SA 8000	ISO 39001	ISO 30415	ECM	ISO 55001	ISO 27001	UNI PdR 125:2022
Salcef Group S.p.A.	■	■	■									
Salcef S.p.A.	■	■	■	■	■	■	■	■				■
Euro Ferroviaria S.r.l.	■	■	■	■		■		■				■
Coget Impianti S.r.l.	■	■	■	■	■	■		■		■	■	
Overail S.r.l.	■	■	■			■						
SRT S.r.l.	■	■	■					■				
Reco S.r.l	■											
Delta Railroad Construction ¹⁴	■											
Bahnsicherung Nord GmbH	■		■									
Bahnbau Nord GmbH	■		■									
Francesco Ventura Costruzioni Ferroviarie S.r.l.	■	■	■			■						
Colmar Technik S.p.A.	■	■										

¹⁴The Delta Railroad Construction certification refers only to Quality Track Equipment, a subsidiary of Delta Railroad Construction, Inc.

SOCIAL PERFORMANCE TEAM

Salcef has set up a **Social performance team**, as required by the SA 8000 - Social responsibility standard, with the task of:

- helping to assess risks and identify and assign priorities to the areas of actual or potential non-compliance with SA 8000:2014 and ISO 45001:2018;
- proposing improvement actions for the risks identified to management;
- monitoring the activities in the workplace, checking compliance, the implementation of the planned actions and the effectiveness of the approaches taken;
- working with other group departments to examine, define, analyse and/or resolve any instances of non-compliance with SA 8000:2014 and ISO 45001:2018;
- facilitating the regular internal audits and preparing reports for management on the results and the benefits of the actions taken;
- organising regular meetings to review progress and to identify any actions for the more effective application of SA 8000:2014 and ISO 45001:2018.

The social performance team also carries out the duties of the Safety committee, pursuant to ISO 45001:2018 - Occupational health and safety management system.



COMPLIANCE AND ANTI-CORRUPTION

GRI 2-27 GRI 3-3 GRI 205-1 GRI 205-2 GRI 205-3
GRI 206-1 GRI 207-1 GRI 207-2 GRI 207-3 GRI 207-4 GRI 418-1

The group operates in compliance with the applicable legislative provisions in force in its various areas of operation.

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

Salcef Group companies are subject to environmental permits to carry out their operations. The group pursues a sustainable business model at its work sites and facilities, aiming to reduce its environmental impact in all its forms, particularly by decreasing emissions, eliminating waste and properly managing waste.

Given the types of projects and services it provides, the Salcef Group is subject to all environmental regulations. With specific reference to Italy, these include:

- Legislative decree no. 152 of 3 April 2006 (the "Environmental code"): the environmental regulations in Italy. This code governs the procedures to obtain environmental permits and includes regulations about soil conservation, the protection of waters against pollution, waste management, water discharges, reclamation of contaminated sites, protection of the air and the reduction of atmospheric emissions.
- Presidential decree no. 59 of 13 March 2013: governs the single environmental authorisation (for plants not covered by the integrated environmental authorisation), and simplifies the administrative environmental fulfilments for small and medium-sized companies.
- Ministerial decree of 6 September 1994: regulatory and technical guidelines on ending the use of asbestos and, specifically, the risk assessment, control, maintenance and reclamation of material containing asbestos in buildings.
- Royal decree no. 1775 of 11 December 1933: consolidated text of the legal provisions governing water and electrical systems (derivations and the use of public waters).
- Regulation (EC) no. 1907/2006 of 18 December 2006 (the REACH regulation): for the proper management of chemical substances (evaluation and registration); Regulation (EC) no. 1272/2008 of 16 December 2008: classification, labelling and packaging of substances and mixtures.
- UNI EN ISO 14001:2015: specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance.

The group companies and their operations are subject to environmental and occupational health and safety regulations. Among others, such regulations govern the release of polluting materials into water, the air and the soil, the use, storage and disposal of hazardous substances and waste, and the reclamation of any contaminated areas. In this context, Salcef operates under environmental authorisations subject to periodic (five-yearly) renewal, which contain provisions, including of a technical nature, that must be complied with. The group companies that hold the relevant authorisations are: Overail S.r.l. for the Aprilia production facility, SRT S.r.l. for the Fano (Puglia) production facility, Coget Impianti S.r.l. for the Rovato and Corteno Golgi production facilities.

The work site activities carried out by the group companies are authorised on a case-by-case basis with temporary permits required by the applicable legislation.

ASBESTOS RISK

After the completion of all the removal and maintenance of the materials containing asbestos at its facilities, no Salcef Group production facilities have asbestos at the date of this report. Salcef nonetheless continues to monitor this issue closely.

UNDERGROUND TANKS



As the presence of underground tanks generally increases the risk of contamination of soil and underground water, also pursuant to Legislative decree no. 152/2006, these installations are closely monitored and limited by the group.

At the date of preparation of this report, only Overail has underground tanks at its Aprilia production facility.

PENALTIES AND/OR DISPUTES IN RELATION TO ENVIRONMENTAL MATTERS

At the date of preparation of this report, there are no disputes of an environmental nature that have given rise to significant penalties for non-compliance with environmental laws, legislation or regulations.

NON-COMPLIANCE WITH SOCIAL AND ECONOMIC LAWS AND REGULATIONS

At the date of this report, there were no cases of violations of laws and/or regulations of a social and economic nature. No such penalties were received in 2023, but there is one case pending for alleged offences under Legislative decree no. 231/2001. Please refer to "Key events of the year" of the 2023 directors' report of the Salcef Group for details.

ANTI-CORRUPTION MEASURES

The risks of active and passive corruption can significantly compromise the reputation and image of a company and have major impacts on its business. For Salcef Group, it is essential and strategic - also considering the profile of its clientele - to have tools, policies and systems able to combat all potential risks of this type. Specifically, Salcef's anti-corruption system includes the following:

- Code of ethics
- 231 model
- ISO 37001 management system

The **ISO 37001**-certified anti-bribery management system has been operational since 20 January 2020. It applies to all group companies, processes, procedures and operations. The most significant risks related to corruption are reported in the paragraph on [Risk Management](#).

The system of anti-corruption policies and procedures is assessed and approved by the board of directors of the parent, Salcef Group S.p.A., and is communicated and disseminated to the directors, managers and employees of the group companies.

As reported in the [Training and development](#) paragraph, specific training modules are held on anti-corruption and the 231 model. The supplier qualification and selection procedures (paragraph "[Supply chain management](#)") provide for specific communication procedures and acceptance of the group's policies.

Like in previous reporting periods, there were no episodes reported of active or passive corruption involving Salcef Group directors or employees.



ANTI-TRUST PROCEDURES

During the reporting period, there were no episodes and/or commencement of proceedings or legal action against the Salcef Group in relation to violations of free competition, monopolistic practices or anti-trust.

TAX TRANSPARENCY

The Salcef Group's approach to tax complies with the content of "**Provision D310 - Salcef Group's Code of ethics and conduct**" which contains the guiding principles for the Salcef Group's business operations, and applies to all those with representative, executive or management functions, or that carry out management and control activities, or that cooperate and collaborate with it in the pursuit of its business, all employees, collaborators that work mainly with Salcef Group companies on an ongoing basis, and any party with business relations with the group.

The Salcef Group has not defined a specific tax strategy and therefore bases its approach to tax on the objectives and principles of the international standards recognised by the OECD and the tax authorities in Italy and other countries where the group operates.

The Salcef Group has adopted "**Procedure P169 - Tax compliance**" for the definition of the criteria, responsibilities and the operating and control processes associated with the tax compliance activities of the Salcef Group companies. The definition process is well structured and involves various company departments. This procedure also contains a description of the activities and controls for the group's financial reporting on the administrative and accounting procedures pursuant to Law no. 262 of 28 December 2005, as amended and supplemented.

The Salcef Group's management bases its conduct on the principles of honesty and lawfulness and on compliance, also in the approach to taxation, with relevant legislation and regulatory provisions in force in the countries in which the group operates.

Under no circumstances does the Salcef Group pursue or achieve its goals in violation of tax laws.

The Salcef Group's objective in relation to taxation is to fulfil its obligations (both formal and substantive compliance) completely, correctly and in due time, to minimise the tax risks related to the application of legislative and regulatory provisions governing taxes in force in all countries in which the Salcef Group operates, including in relation to cases where there are interpretative doubts.

The Salcef Group's approach to tax compliance is consistent with the business strategies and the sustainable development of the organisation.

APPROACH TO TAX

TAX GOVERNANCE, CONTROL, AND RISK MANAGEMENT

The Salcef Group has a low propensity for tax risk, which is why it requires its legal entities to undergo ordinary risk management processes and, insofar as is relevant here, specific tax risk assessments, as defined in "**Procedure P136 - Enterprise Risk Management**".

The Salcef Group has supplemented the measures provided for in the Organisational, management and control model adopted in accordance with Legislative decree no. 231 of 8 June 2001 ("Provision D307 - Organisational, management and control model (Legislative decree no. 231/2001) - General Part" and "Provision D312 - Organisational, management and control model (Legislative decree no. 231/01) - Special Parts"), in order to prevent unlawful conduct that could entail criminal liability for the group.

In determining the tax treatment of a particular transaction or activity, it makes reasonable, well-founded and reasoned tax choices and interpretations.

Given the size and complexity of the group's operations, risks may arise in relation to the (i) interpretation of particular transactions and operations carried out by the group and/or (ii) the interpretation of complex tax legislation and/or (iii) the correct performance of tax compliance activities.

These risks are identified, analysed and measured internally and with the support of qualified tax and legal advisors, taking into account the provisions in force in each country where the group operates and the risk mitigation tools.

For these reasons, in order to prevent tax risks, through its Tax office, external consultants and the other relevant company units, the Salcef Group has implemented the following systems to control and manage the aforementioned risks:

- systematic control and monitoring of developments in tax legislation;
- single- and dual-level controls on the individual processes of the Tax office to ensure that tax legislation has been correctly applied;
- monitoring the organisational supervision needs of the Tax office, including through - where necessary - the implementation of recruitment plans;
- adopting a specific procedure for the management of tax compliance by all Salcef Group companies.

In line with the content of "**Provision 310 - Code of ethics and conduct**" adopted by the group, the Salcef Group ensures compliance with the applicable laws and the principles of transparency, honesty and correctness in relations with the tax authorities in the countries in which it operates.

The Tax office handles relations with the relevant tax authorities, ensuring transparent communication.

The group does not improperly influence, including through third parties, the decisions of the tax authorities of the countries in which it operates. Rather, it aims to maintain open and constructive relations with all relevant tax authorities and to resolve any dispute with a collaborative spirit, including through the use of instruments to settle the dispute.

In the event of particular uncertainty as to the tax treatment applicable to significant issues, the Salcef Group evaluates whether to avail of available instruments to understand the position of the relevant tax authorities in advance.

The Tax office manages relations with the tax authorities in accordance with "**Procedure P132 - Management of relations with the public administration and supervisory authorities**".

The Tax office guarantees the proper flows of information with the various company units, including those relating to the obligations arising from the Organisational, management and control model (Legislative decree no. 231/01).

RELATIONS WITH TAX AUTHORITIES (STAKEHOLDER)

TAX REPORTING

The Salcef Group is not presently subject to the country-by-country reporting rules referred to in article 1.145/146 of Law no. 208 of 28 December 2015 and Council Directive (EU) 2016/881 of 25 May 2016, amending Council Directive 2011/16/EU, as well as the related implementing provisions.

The group's presence in countries other than Italy is exclusively linked to production, commercial and operating needs.

Specifically, in those markets where there is a robust tradition and local industry in the railway infrastructure sector and which offer solid future prospects, the group considers setting up subsidiaries with the basis and structure to ensure its organisational and production autonomy (like in Germany and the United States). In markets that do not yet have these features, the group operates via branches which manage the specific contracts.

Direct taxation for 2023 totalled €31.6 million (€21.7 million in 2022), almost all of which related to countries of the European Union, especially Italy where business volumes increased significantly during the year. Most of the business conducted in Italy is subject to a nominal tax rate of 29%, which is higher than the average rate applied in other tax jurisdictions.

Moreover, as the group's operations outside of Italy, Germany and the United States involve the execution of individual contracts or agreements, direct taxation can vary significantly over time.

CYBERSECURITY AND PRIVACY PROTECTION

In conducting its operations, the group processes personal data, including of a special nature, related to individuals (employees, customers, suppliers, etc.). Accordingly, it is required to comply with the provisions of the GDPR and any other national and/or EU privacy provisions, including, where applicable, those laid down by the Data protection authority.

The group has implemented its own privacy structure pursuant to the provisions of the GDPR, adopting the documentation required by such legislation (e.g., privacy notice, appointment of external data protection officers, designation of persons authorised to process data, etc.).

In 2023 and in the previous reporting periods (2022 and 2021), there were no events entailing data breaches or substantiated complaints concerning breaches of customer privacy and losses of customer data.

THE INTEGRATED POLICY, CONTROL MODEL AND EFFECTIVENESS OF THE POLICIES

GRI 3-3

Salcef is committed to providing its customers with unrivalled services and the promotion of a culture of quality, respect for the environment and safety, as well as the design, construction and maintenance of works related to the construction and maintenance of railway, tram and metro lines and related civil works, with the supply of the related components, as well as machinery, machines and rolling stock for the construction, renewal and maintenance of infrastructure and the design and production of prefabricated systems for railway infrastructure.

For the Salcef Group, environmental protection is a fundamental value for the community and is compatible with company development. The Salcef Group is therefore committed to operating in compliance with relevant legislation in its offices and at work sites, applying the best available technologies, in order to facilitate and design activities that enhance natural resources, preserve the environment and promote initiatives for widespread environmental protection: The group also takes into account the needs of the local communities in which it operates (the areas near the work sites) and contributes to their economic, social and civil development.

Accordingly, the continuous improvement of internal management processes, and operating in compliance with the provisions of the integrated quality, environmental and occupational health and safety systems pursuant to UNI ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, is fundamental.

Salcef's control model provides for an internal audit department. The internal audit manager checks, both on an ongoing basis and in relation to specific requirements and in compliance with international standards, the operation and the suitability of the internal control and risk management system, via an audit plan approved by the board of directors, based on a structured process of analyses and prioritisation of the key risks.

The objective of the internal audit activity is to assess the effectiveness of the policies adopted by the Salcef Group in the various significant areas and to identify improvements.

The internal audit department also prepares regular reports providing information on its activities, the way in which it manages the risks and compliance with the plans established for their containment and control, as part of the audit plan, the reliability of the information systems, including the accounting systems. The internal audit manager is not responsible for any operating area and reports to the board of directors.

The group continuously monitors the effectiveness of its policies, procedures and management systems via internal audits. Specifically, there are three macro-types of audits:

Central and management audits: checks aimed at assessing the central and transversal group processes, checking the correct application of the procedures, information flows and the integrated management system, as well as compliance with the Organisational, management and control model pursuant to Legislative decree no. 231/01. The audits are conducted by the parent's internal audit and compliance department which also relies on the support of other central departments and external consultants.

Audits of management systems: audits to check the proper implementation of the management systems applied.

Operational audits on work sites and facilities: audits to check the proper functioning of the operating processes, particularly as relates to safety, the environment and quality. They are mainly conducted by the relevant company's HSE department.

The following graph shows all types of audits performed in the 2021-2023 three-year period:

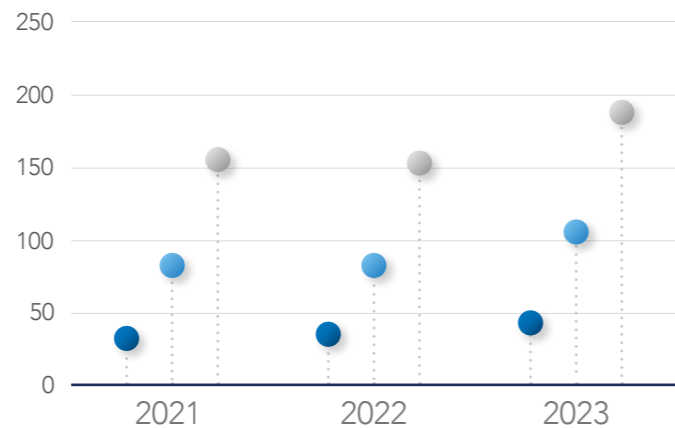
INTERNAL AUDIT

ASSESSMENT OF THE POLICIES



AUDIT CARRIED OUT PER YEAR

- Operational audits on work sites and facilities
- Audits on management systems
- Central and management audits



CENTRAL AND MANAGEMENT AUDITS

These audits related to the topics summarised in the table:

CENTRAL AND MANAGEMENT AUDITS	2021	2022	2023
SG management consultancy	15		
Procurement management		14	
Operating finance management			
Financial statements closure			
Intragroup contracts			
Tender and sales management	14		
SG sponsorships and contributions		14	
Contract management	14		
Wages and contributions			
Gifts, entertainment and hospitality	14		14
Keeping of the insider trading register		14	
Forensic audit			
ICT workstation access			
Tax compliance management			

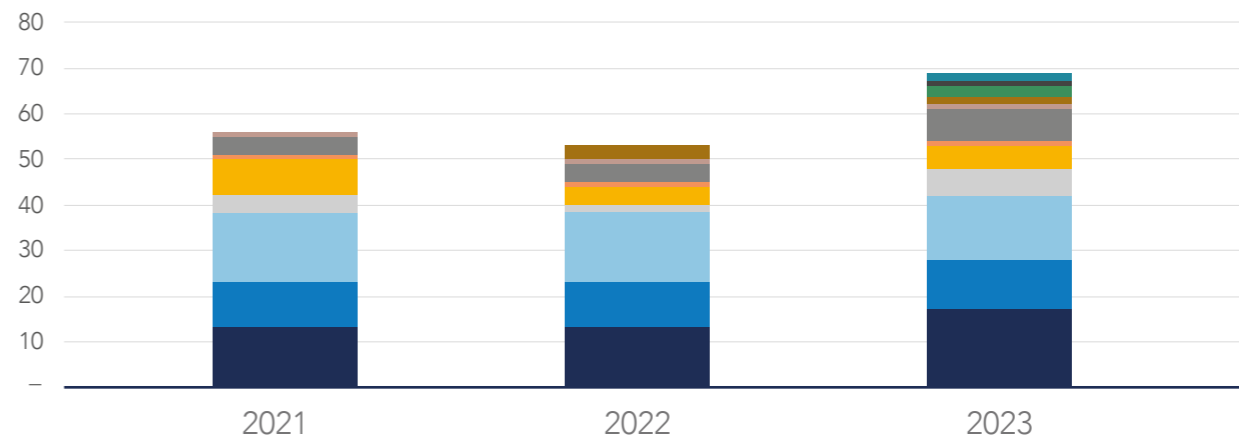
¹⁵ Follow-up audits.

There were 21 instances of non-compliance and six new requirements or opportunities for improvement in 2023.

AUDITS OF MANAGEMENT SYSTEMS

Audits were carried out on all management systems implemented in the Salcef Group companies in 2023. The following graph shows the management systems audits conducted in the last three-year period:

AUDITS OF MANAGEMENT SYSTEMS CARRIED OUT PER YEAR



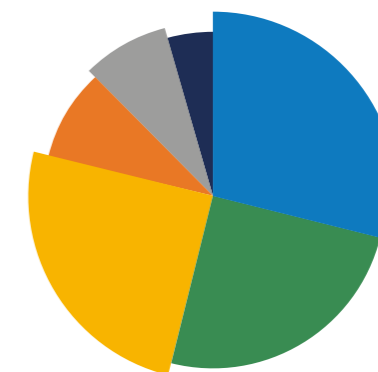
- ISO 9001
- ISO 14001
- ISO 45001
- ISO 50001
- ISO 37001
- ISO 39001
- SA8000
- ECM
- ISO 30415
- ISO 55001
- ISO 27001
- UNI PdR 125:2022

A total of 69 audits were carried out on management systems in 2023, up on the previous year. The group companies earned new certifications in 2023 (such as UNI PdR 125:2022 and ISO 50001 by Salcef S.p.A. and Euro Ferroviaria S.r.l. and ISO 55001 by Coget Impianti S.r.l.).

There was only one instance of non-compliance and 23 observations regarding the following management systems in 2023:

MANAGEMENT SYSTEMS SUBJECT TO NC AND OBSERVATIONS - 2023

ISO 45001	29%
ISO 9001	25%
SA8000	25%
UNI PdR 125:202	9%
UNI PdR 125:2022	8%
ISO 14001	4%

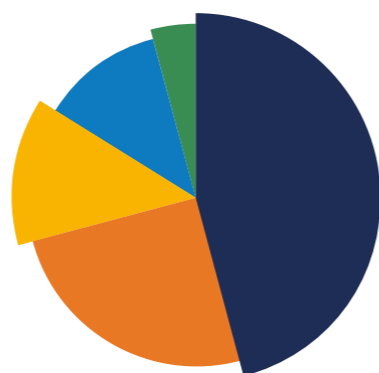


The single instance of non-compliance and 23 observations on the management systems in 2023 mainly related to aspects linked to "documentation and communication" and "management of emergencies".



NON-COMPLIANCE AND OBSERVATIONS - 2023

Documentation and communication	46%
Management system	25%
Human resources	13%
Emergency management	12%
Machinery, equipment and plant	4%



All these cases are subject to a corrective action plan to be resolved during the year, with an overall improvement of the group's management systems.

OPERATIONAL AUDITS ON WORK SITES AND FACILITIES

Operational audits are a control of key importance for the group as they check that all the procedures and the organisation put in place for the performance of the business activities are actually complied with.

The planning and performance of the operational audits has been standardised over time and all the corrective actions taken have gradually improved the process, with a consequent decrease in the critical issues identified, as shown in the following graph:

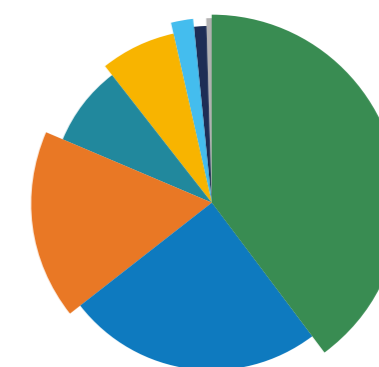
OPERATING AUDITS OF WORK SITES AND FACILITIES - CRITICAL ISSUES (NC)



For 2023, the 183 instances of non-compliance identified have now been resolved or are nearly resolved. They mainly related to aspects linked to contract management, machinery, equipment and systems and documentation and communication.

NON-COMPLIANCE AND OBSERVATIONS - CONTRACT AUDITS - 2023

Contract management	40%
Documentation and communication	25%
Machinery, equipment and plant	17%
Human resources	8%
Emergency management	7%
Procurement	2%
Construction and maintenance of primary lines	1%
Permanent way system construction	0,5%



SUPPLY CHAIN MANAGEMENT

GRI 3-3 GRI 204-1 GRI 308-1 GRI 414-1

In line with its integrated management system, the Salcef Group's processes for supplier screening processes and for the determination of the terms of purchase for goods and services are based on objective and impartial assessments based on quality, price and the assurances provided.

SALCEF GROUP SUPPLIERS

Considering the nature of the activities performed and the markets in which it operates, the group relies on a large number of suppliers and sub-suppliers for the provision of services related to the contracts acquired. Numerous employees and collaborators of sub-contractor companies operate every day at the group's various work sites. In line with its Code of ethics, the Salcef Group manages its relations with suppliers fairly, correctly, professionally, and by encouraging long-term collaboration and solid and long-standing relationships of trust.

SUPPLIER TYPES

The Salcef Group classifies its suppliers based on how central their services are to the group's operations.

It considers critical those suppliers with the greatest impact on performance and the results of operations, both in terms of financial and reputation outcomes and as regards ESG and CSR. The evaluation is based on an analysis and monitoring of suppliers' product categories. At the qualification stage, each supplier selects at least one product category and if one of these is critical, then the supplier will be deemed critical.

The product categories classified as critical are described below for each supply type:

- **Supplies:** critical suppliers are those that provide the Salcef Group with key materials related to its business sectors, such as permanent way systems (e.g., railway ballast, concrete sleepers, rails, etc.), electric traction (e.g., metal carpentry for electric power lines and electric traction, electric transformation stations and substations, contact lines, etc.), civil works (e.g., steel, concrete, cement and composites, items in concrete, items in iron, etc.) and the main materials related to the group's manufacturing activities (e.g., metal carpentry for machines and equipment, components, spare parts and accessories for railway vehicles, components for goods produced, etc.);
- **Works/sub-contracts:** these are the most delicate type of supplies as suppliers carry out works on behalf of the group and, therefore, their organisation and output have a direct impact on customer satisfaction and the group's image. Accordingly, all suppliers that offer this type of service are considered critical. They include suppliers that operate in the railway field in the supply of works on permanent way systems, the production of electrical traction systems, the production of railway signalling systems and the performance of civil and other works on the railway infrastructure.
- **Services:** critical services suppliers are those that carry out activities with an impact in the ESG field and on business. They include transport, waste management and machinery maintenance.
- **Rentals and leases:** this is also a sensitive category for the business. Critical suppliers are those that offer rental services both with and without machine operators and road and rail vehicles.
- **Consultancy and professional services:** critical suppliers are those that carry out important and essential activities for the Salcef Group's products, such as testing, commercial and management consulting, laboratory testing, and project and engineering positions.

Critical suppliers are monitored more closely right from the qualification stage, as described in the following paragraphs.

THE PRINCIPLES

- Every Salcef Group supplier¹⁶ first undergoes qualification on the basis of their product categories. This may include a range of checks, from documentation and reputation to financial and economic aspects. Supplier qualification is carried out exclusively by the parent's procurement department.
- Supplier relations are handled through the general purchase conditions. These are standard throughout the entire Salcef Group in order to ensure consistent treatment of the group's various suppliers and companies.
- Each group company has a dedicated procurement department.
- The parent's procurement department coordinates the various procurement departments of the subsidiaries and monitors their performance, ensuring uniform and suitable quality levels.
- The group companies do not practice or approve of any form of "reciprocity" with suppliers. The goods/services that the company needs are selected and purchased exclusively on the basis of their price and quality.
- Any negotiations with a current or potential supplier refer exclusively to the goods and services subject to negotiation.
- The purchasing process is fully integrated into the group's MySalcef ERP system, from the request stage through approval, to the agreement of the contract and related acceptance and subsequent evaluation. This ensures compliance with group procedures and the transparency of the approval process.
- Those in charge of purchasing goods and services are independent of the production departments and the person making the request and can therefore not be subject to any form of pressure by suppliers.

The assumption of commitments and the management of relations with current and potential suppliers takes place in compliance with the company's directives on conflict of interest and business operation.

Salcef Group has also decided to comply with the safety, environmental and corporate social responsibility requirements of the relevant international standards. This is not only to set an example of the duty to respect health and safety, the environment and the human rights of workers, but also in order to promote them with its partners and suppliers. To this end, the following documentation has been issued and made available to all relevant parties:

- the Salcef Group's Integrated policy;
- the Salcef Group's Code of ethics and conduct;
- the Organisational, management and control model pursuant to Legislative decree no. 231/2001;
- Supplier code of conduct;
- Regulation governing Salcef Group's supplier qualification system.

The final objective is to encourage a chain reaction of compliance with the standards by partners, suppliers and sub-suppliers, influencing conduct and increasing the ethical-social quality. The Salcef Group therefore requires all its suppliers to consistently comply with the ethical, transparency, legality, safety and social and environmental responsibility requirements. These documents are always available and can be consulted on the Salcef Group website (<https://www.salcef.com/governance-structure/company-documents/>).

¹⁶ With the exception of specific categories of suppliers that do not impact the business or its operations, such as those related to personnel management (hotels, restaurants, travel, etc.).

SUPPLIER CODE OF CONDUCT AND REGULATION GOVERNING THE SUPPLIER QUALIFICATION SYSTEM

The Salcef Group's management intends to encourage the professional growth of all employees, in compliance with the national laws of the various countries in which it operates, the fundamental principles contained in the Universal declaration of human rights, together with the ILO's eight fundamental conventions as enshrined in the Declaration on fundamental principles and rights at work. The group requires that all suppliers of its supply chain comply with these social responsibility principles. Specifically:

- Respect for the liberty and dignity of employees and other workers, including the prevention of abuse;
- Prohibition of child labour;
- Prohibition of forced labour;
- Respect for worker health and safety;
- Respect for the right to freedom of association and collective bargaining;
- Ban on any form of discrimination, including exclusion or preference based on race, sex, age, religion, political opinion, nationality or social class;
- Compliance with legislation governing disciplinary measures, wages, working hours and equal pay between the sexes for the same task.

The group has specific contractual clauses to ensure that the employees of any third parties with which the group collaborates (suppliers, consultants, etc.) in the manner and with the limitations established by the company procedures governing the decision-making process, are legally employed in terms of residence permit, expressly requiring a commitment to comply with Salcef Group's Organisational, management and control model and Code of ethics and conduct, and with the fundamental principles contained in the SA 8000 standard on corporate social responsibility.

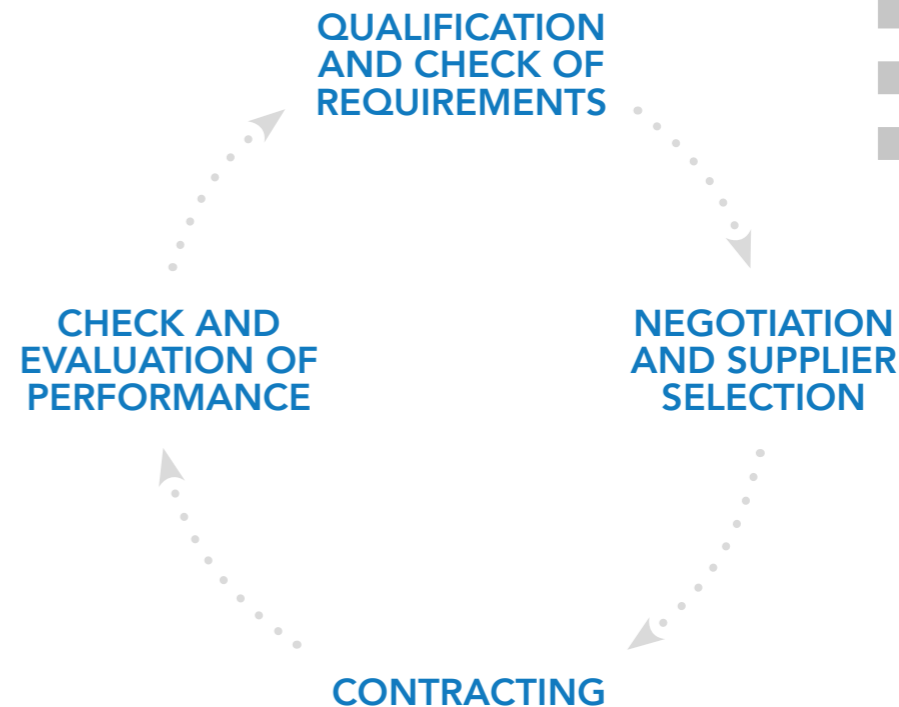
To ensure the social responsibility policy is implemented in relation to suppliers, group management selects and evaluates suppliers based on their ability to satisfy the requirements of the SA 8000 standard. All critical suppliers are also required to formally accept and comply with the above principles by filling in a questionnaire.



SUPPLIER MANAGEMENT CYCLE

Over the years, the Salcef Group has built a robust supplier management system, defining the requirements and procedures to be adopted at each stage.

The process can be compared to a cycle in which everything begins with the qualification stage and checking that suppliers meet the requirements, and this is the basis for the future negotiation, selection and contracting activities. Subsequent monitoring and assessment of performances and their evaluation are some of the elements used to determine whether the supplier's qualification will be renewed and the cycle begins again.



QUALIFICATION AND CHECK OF REQUIREMENTS

The Salcef Group's supplier assessment is governed by the supplier qualification procedure. Suppliers that wish to offer their products/services and be included in the group's supplier qualification system register on the group's website (www.salcef.com) and complete the questionnaire under the suppliers area, providing all information required so that the group can check all requirements are met and complied with.

At the time of registration, the supplier must formally accept:

- the notice pursuant to Regulation (EU) 2016/679 (the GDPR) on the protection of personal data and the related consent to the processing and communication of their data for the purposes described;
- the supplier code of conduct;
- the regulation governing the Salcef Group's supplier qualification system.

The Salcef Group has established specific criteria for each product category in its supply system, adapting them to the various geographical areas in which it operates.

Based on the documents and information provided and above all their product categories, suppliers are carefully evaluated in relation to the main requirements. These may be:

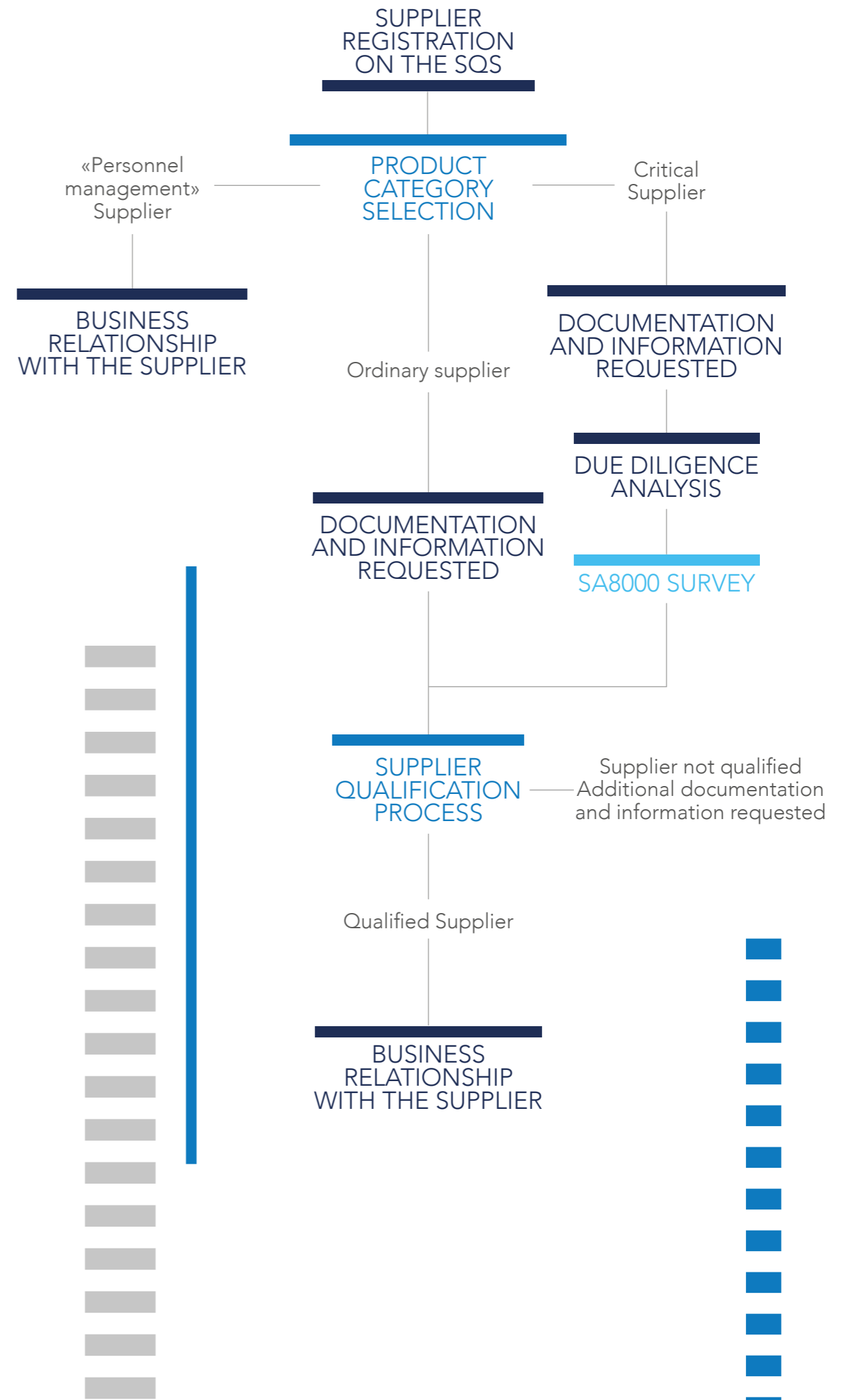
- Of a general nature.
- **Environmental** (environmental protection, sustainability, etc.).
- Related to worker **health and safety**.
- **Ethical** (social responsibility, anti-corruption, etc.).
- Related to financial capacity and soundness.
- Related to technical-production capacity.
- Technical (limited to their role, i.e., the main works carried out by the supplier).
- Related to the company's **quality** system.
- Presence of a certified quality, safety and/or environmental management system.
- Presence of a corporate social responsibility management system.
- Presence of the 231 model.
- Adoption of a code of ethics.

Critical suppliers also undergo more detailed and specific evaluation. The group carries out a due diligence on this category of suppliers using business intelligence systems which analyse public (UN, IMF, etc.) and private (e.g., Bureau van Dijk) databases to produce a detailed report on the supplier. In this case, the main types of information that can be evaluated are:

- Publicly-available official information (address, contacts and identification data) and industry (ATECO, NACE and NAICS codes).
- Financial position and financial performance and performance over time.
- Credit situation and ratings.
- Company organisation and structure (owners, managers and ultimate beneficiaries).
- Presence in countries with high corruption risk (<https://www.transparency.it>) or on public blacklists (terrorism, UN, OFAC and government lists);
- Presence in tax havens.
- Reputational analysis (news and other public communications, company leaks).

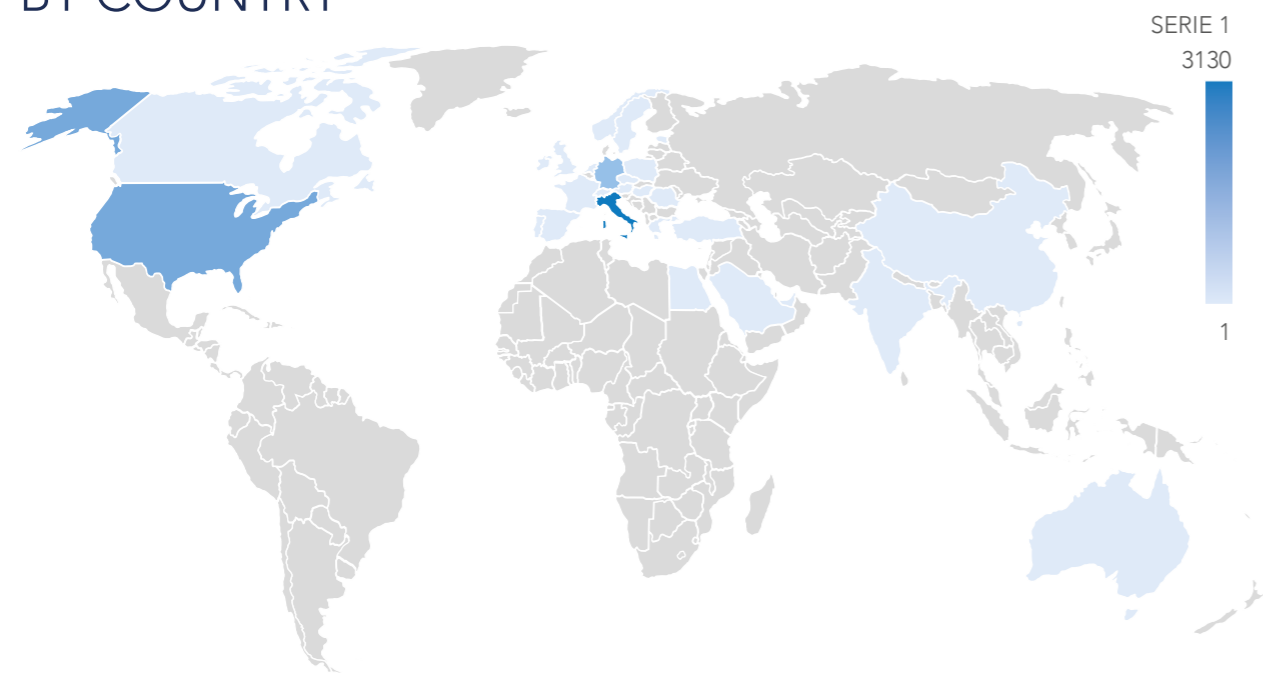
Based on the information provided, the services and the qualification process, the supplier can be classified as: registered (qualification is not necessary, the supplier category is excluded from qualification), qualification pending, qualified, not qualified, suspended or blacklisted.

Each qualified supplier undergoes the qualification process at least every six months, except for a very small number of suppliers that are monitored every twelve months. Excluding those suppliers which are not required to be qualified (suppliers related to personnel management, such as travel, hotels and restaurants), all others must be qualified in order to undertake any commercial relation with the Salcef Group. Analysing the 2023 supply chain information, approximately 37% of the suppliers that dealt with the group during the year, accounting for 87% of the total value of the supply chain, was subject to qualification. The remaining part (13% of the total amount spent) relates to suppliers that are not required to be qualified.



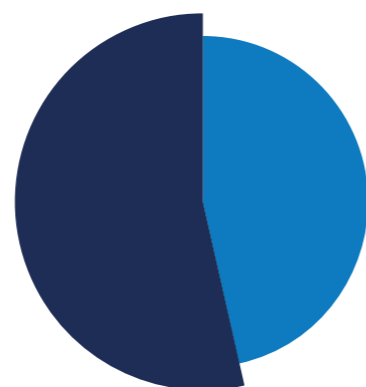
In 2023, the Salcef Group assessed 4,424 suppliers from 33 different countries. There was a strong prevalence of Italian suppliers (approximately 70% of the suppliers evaluated), followed by those from the United States (around 15%) and German suppliers (some 10%).

EVALUATED SUPPLIERS BY COUNTRY



CRITICAL SUPPLIERS EVALUATED

Critical suppliers	2.344
Other suppliers	2.080



NEGOTIATION AND SUPPLIER SELECTION

The negotiation and supplier selection stage is particularly important in the supplier management system. In addition to the ordinary commercial negotiations to obtain the best economic conditions, during this stage, Salcef Group analyses the supplier in terms of their technical, organisational and production capacity so as to always select the most appropriate supplier in each case.

By way of example, this stage includes the analyses of:

- the price obtained/most advantageous offer;
- supply times;
- production unit requirements;
- supply quality requirements;
- possession of specific certifications/authorisations required for a specific project; the requirements needed;
- supplier's score and other evaluations of previous dealings with the supplier;
- other ratings and weighting coefficients.

After the negotiation and selection stage, the group formalises the contract for each supply. It uses standard general contracts and conditions depending on the type of contract (e.g., supply, transport, rental, sub-contract, professional services, etc.).

The current standard contracts are used by all group companies. They were drawn up and checked by senior group personnel involved in corporate responsibility and include a series of clauses which regulate the various aspects of supply. Specifically, within these standard contracts currently in use, there are specific clauses to regulate extremely important regulatory areas such as safety at work, environmental protection, corporate responsibility, social responsibility, worker protection, etc.

As these are very important aspects in our business sector, the contractual clauses covering compliance with environmental and worker health and safety requirements make reference to the following:

- Who are the main people responsible for the contract and who the supplier should contact;
- Information and training of the suppliers' employees on risks and operating procedures;
- Compliance with relevant national and local legislation and the Salcef Group's procedures;
- The preparation and keeping of relevant documentation;
- The possession of all authorisations required for the activities to be performed;
- Holding, use and maintenance of machinery and machines needed for work activities;
- Correct management of waste and production scraps;
- Knowledge of the emergency procedures.

These aspects are checked and supervised by the Salcef Group personnel in charge of the operating activities and project management.

Violation of these provisions leads to cancellation from the supplier qualification system and the termination of any contracts in place. In all cases of violation, the Salcef Group reserves the right to request compensation for damages caused by unlawful conduct.

CONTRACTING

CHECK AND EVALUATION OF PERFORMANCE

All suppliers in the Salcef Group's supplier qualification system are subject to analysis, checks and evaluation against the group's standards. The following are the main areas of evaluation for each supplier:

- Service quality and quantity.
- Supply times and delivery methods.
- Compliance with safety and environmental regulations.

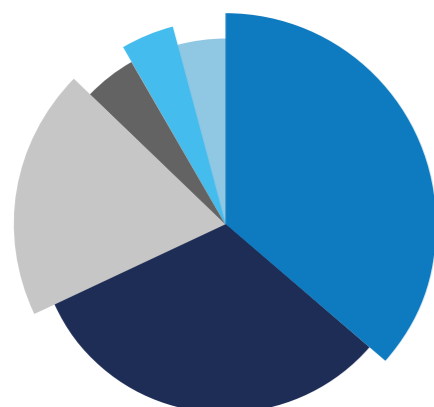
Suppliers are scored (vendor score) based on their performance in the above areas. The vendor score ranges from 1 to 5 and is used by the procurement department when selecting suppliers for commercial negotiations and when updating the qualification.

The average vendor score of all suppliers evaluated in 2023 was 3.21, which corresponds with an average performance of ≥ 3 . The average supplier score over the period was 3.29.

SALCEF GROUP SUPPLIES

The total value of the Salcef Group's supplies came to **€563.7 million** in 2023.

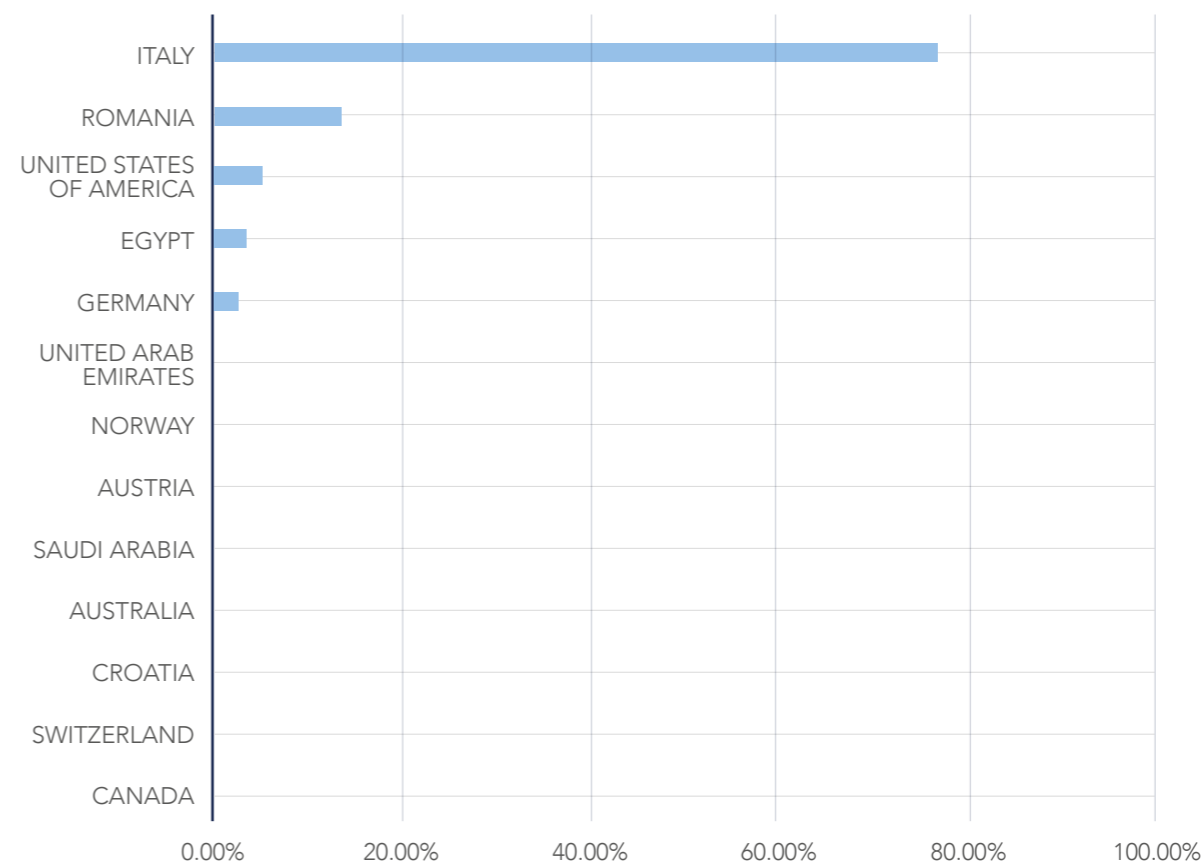
SUPPLY CHAIN VALUE BY TYPE



Works - subcontracting	36.52%
Supplies	31.76%
Services	19.12%
Rentals, leases and fees	4.39%
Consultancy and professional services	4.11%
Personnel management	4.10%

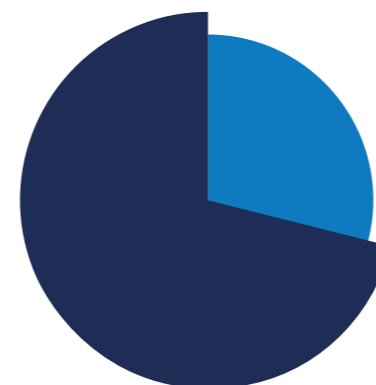
Most supplies were made in Italy (76%), followed by Romania (13%), the United States (5%) and Egypt (3%), as shown in the graph below.

SUPPLY CHAIN BY COUNTRY



The Salcef Group dealt with 6,453 suppliers in 2023. An analysis of suppliers by type shows that critical suppliers account for 7% of the amount of the supply chain.

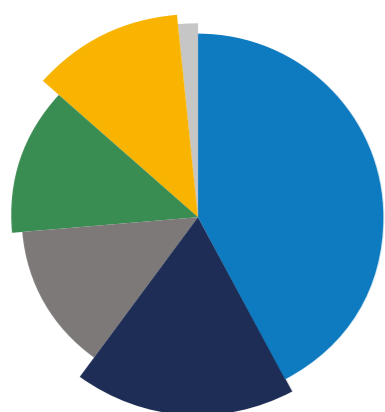
SUPPLY CHAIN VALUE BY CRITICAL/NON-CRITICAL SUPPLIER



Critical suppliers	72%
Other suppliers	28%

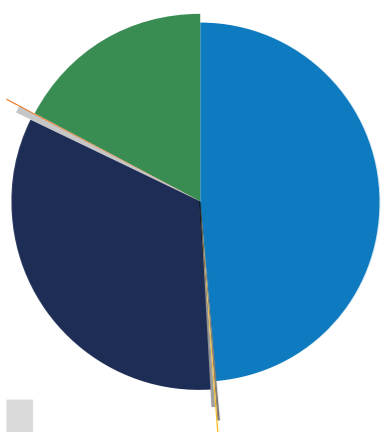
The Track & Light Civil Works business unit is the most important for both of the two main supply categories (supplies and works).

SUPPLY VALUE BY BUSINESS UNIT



Track & Light Civil Works	42.44%
Heavy Civil Works	17.68%
Railway Materials	13.43%
Energy, Signalling & Telecommunication	13.15%
Railway Machines	11.96%
General Services	1.21%
Engineering	0.00%
Rail Grinding & Diagnostics	-0.13%

WORK/SUBCONTRACTING VALUE BY BUSINESS UNIT



Track & Light Civil Works	48.84%
Railway Materials	0.11%
Railway Machines	0.02%
Rail Grinding & Diagnostics	0.16%
Heavy Civil Works	33.22%
General Services	0.50%
Engineering	0.01%
Energy, Signalling & Telecommunication	17.13%

The concentration of suppliers and distributors external to the group is very low: the group's top five and top ten suppliers in 2023 respectively account for about 17% and 24% of the value of the supply chain.

LOCAL SUPPLIERS

In the group's operations, which mainly involve infrastructure projects at temporary and mobile work sites, the base often moves and this certainly does not facilitate relations with local suppliers. Local suppliers are those from the same country as the group company or branch purchasing the supplies. Despite the challenges due to the nature of its business, where possible, the group seeks to involve local suppliers in its commercial relations, as this offers a range of advantages: the use of local suppliers means the group can minimise transport over long distances and mitigate the related environmental impacts while also achieving economic benefits. Moreover, the use of local suppliers offers Salcef an initial contact with new communities and areas.

For some projects the use of local suppliers is governed by specific contractual clauses provided for by the customer, requiring Salcef to use local suppliers for certain categories or for part of the total supplies.

The Salcef Group maintained a strong link with the local supply chain in 2023, with an average of 89.3% of its spending with local suppliers. A breakdown by geographical area follows.

COUNTRY	TOTAL SPENDING [€]	NATIONAL SUPPLIERS [€]	% LOCAL SUPPLIERS
Italy	429,034,628.03	423,295,227.14	98.66%
Romania	75,367,727.98	25,169,021.93	33.39%
United States of America	26,528,943.43	26,477,977.71	99.81%
Egypt	16,114,645.30	15,204,197.56	94.35%
Germany	11,606,826.54	10,268,040.33	88.47%
United Arab Emirates	1,698,638.07	1,488,077.94	87.60%
Norway	1,136,028.24	502,964.37	44.27%
Austria	1,102,825.81	885,355.86	80.28%
Saudi Arabia	945,379.02	30,519.73	3.23%
Australia	108,465.48	87,153.54	80.35%
Croatia	49,026.91	49,026.91	100.00%
Switzerland	21,001.14	21,001.14	100.00%
Canada	5,230.28	5,230.28	100.00%
Total	563,719,366.23	503,483,794.42	89.31%



HUMAN RESOURCES

GRI 3-3 GRI 2-7 GRI 2-8 GRI 2-30 GRI 401-1 GRI 401-2 GRI 401-3
GRI 404-1 GRI 404-2 GRI 404-3 GRI 405-1 GRI 405-2 GRI 406-1

PERSONNEL MANAGEMENT, ENHANCEMENT AND DEVELOPMENT POLICIES

The Salcef Group's human resources are essential and valuable to its existence and future development. To enhance the skills and expertise of its employees, the Salcef Group adopts criteria of merit and ensures equal opportunities for all.

The Salcef Group is also committed to ensuring that authority is exercised fairly and properly, preventing any misuse. The group ensures that authority does not become an exercise of power detrimental to the dignity and autonomy of employees and collaborators in the broadest sense. The work organisation choices safeguard the value of employees and collaborators.

In protecting and promoting the supreme value of the human person, Salcef Group does not tolerate any form of discriminatory behaviour or any form of harassment and/or personal or sexual offence. At each of its companies, the group is committed to providing a working environment which excludes all forms of discrimination and harassment related to ethnicity, sex, religious belief, nationality, age, sexual orientation, invalidity, language, political and trade union views or other personnel characteristics unrelated to work.

The group commenced a process to strengthen its policies in 2022 which, inter alia, led to the drafting of a Diversity, equity and inclusion policy (please refer to the [Diversity, inclusion and equal opportunity](#)) paragraph. The introduction of an operating procedure offering further assurances to employees in terms of gender recognition and identity is also under evaluation.

The Salcef Group ensures the physical and moral integrity of its employees and collaborators, working conditions that are respectful of the dignity of the individual and safe and healthy working environments. Requests or threats aimed at inducing people to act against the law and the group's code of ethics, or conduct harmful to the moral and personal beliefs and preferences of each person, are not tolerated under any circumstances.

The Salcef Group categorically rules out the use of child labour (workers under 16 years old) and ensures compliance with this principle, including in relation to personnel provided by temporary employment agencies.

The Salcef Group does not use or support the use of forced labour. The work carried out by all personnel is entirely voluntary and no-one is the victim of threats or other intimidations that in any way forces them to provide their services to the group. Moreover, at the time of recruitment, the Salcef Group always applies the sector-specific national collective labour agreement or its equivalent abroad. In the case of foreign workers, these contracts are translated into the worker's native tongue. At the time of hiring, each worker is informed on the procedures for handing in their resignation and about the group's main rules of conduct.

In the reporting and previous periods, there were no episodes of discrimination based on geographical origin, gender, religion, political opinion, national origin or social background, or other forms of discrimination involving internal and/or external stakeholders.



SELECTION AND RECRUITMENT

The Salcef Group bases its efficiency and competitiveness on the communication abilities and soft skills, motivation, flexibility, technical expertise, ability to analyse and identify priorities, willingness to take responsibility, reliability, ability to work in a team, professional goals, knowledge and engagement of its employees, and the group supports the professional development of its people. These values are the founding criteria of the recruitment and selection process, formalised in a specific procedure used throughout the group. The results of the selection procedure are also recorded in specific forms to ensure process transparency and accountability.

The performance management process is a cornerstone in the management of human resources, as it responds to the need for a structured relationship between employees and the company and fulfils the requirements and expectations of the parties involved.

The first key element of the performance management process is the sharing with all group personnel of the strategic objectives, which are renewed and defined annually, tailoring them to the various positions and associating them with individual performance expectations.

The method not only places emphasis on the objectives but also on competencies and conduct, with the aim of clarifying the Salcef Group's cultural model and to support the growth process, ensuring that the founding values are preserved despite the growth in the organisation's size and complexity. In line with the group's values, the competencies assessed are: correctness and transparency, sense of belonging, respect, results orientation, time management, problem solving, autonomy, perseverance, interpersonal communication, economic awareness, customer orientation, creativity and innovation, integration and cooperation, aptitude for learning, flexibility and leadership.

A further objective of the performance management process is to provide Salcef Group managers with a robust tool for the management of relations with their collaborators, based on objective evaluation criteria but also characterised by occasions to pinpoint areas for improvement and the continuous improvement of technical competencies and soft skills.

As part of the performance management process, the Salcef Group has adopted various incentive systems for managers since 2021, as summarised below:

PERFORMANCE MANAGEMENT AND INCENTIVE SYSTEMS



INCENTIVE SYSTEM	BENEFICIARY	CHARACTERISTICS
Variable remuneration - Chairperson and CEO	Executive chairperson and CEO	Cash-settled variable short-term (STI) and long-term (LTI) remuneration
Variable LTI remuneration for key management personnel	Key management personnel	Variable equity-settled long-term remuneration (LTI), 60% of which is granted up-front and the remaining 40% vesting after three years
Management by objectives (MBO)	Key managers, senior managers and any managers strategic to the group's development and organisation.	Variable short-term remuneration (STI) with a cash-settled component (75%) and an equity-settled component (25%), with the latter granted in two instalments vesting after one and two years.

Even though the incentive instruments are different, they are part of the same incentive policy that has the aim of formally and clearly communicating the performance objectives for each year and focusing the efforts of employees towards their achievement. Specifically, the multiple aims of this policy are:

- pursuing the group's sustainable success;
- attracting, retaining and motivating employees with the expertise and professionalism required by their role in the group; further developing policies to attract managerial and professional talents to continue to develop and strengthen the group's distinctive key competencies;
- further developing the retention policies for key group resources to incentivise them to remain with the group;
- linking the remuneration of key group resources to the group's results and the value created;
- steering key group resources towards the pursuit of short-medium and long-term results by virtue of the performance targets for the allocation of the variable component of remuneration;
- effectively linking the group's short- and medium-term results with a view to the creation of sustainable value.

The system is based on individual performance objectives assigned to the beneficiary and the amount of the incentive is based on their achievement. The performance objectives used are different and account for different percentages depending on the managerial profile of the role. They cover various areas, including occupational health and safety, the environment, the organisation of human resources and related social aspects and it is through these objectives that the group also intends to disseminate a culture of sustainability and to share its strategy in this regard. The following table shows the areas of the objectives, with some examples of indicators.

AREA	INDICATORS USED
Economic - financial	EBITDA (gross operating profit) Revenue
Process/product innovation	Progress on specific projects/initiatives involving the beneficiary, evaluation of the beneficiary's commitment and completion of the processes
Occupational health and safety	Consolidated injury rate
Environmental	Energy intensity (both total and for fuel or electricity consumption)
Human Resources and Social factors	Untaken holidays
	Overtime Average training hours

Each performance objective assigned is personalised and tailored to each beneficiary, depending on their position, expertise and actual involvement in the group's development and organisation. The indicators actually used may therefore refer to the entire group, specific companies or geographical areas, or to specific organisational areas (e.g., business units, operating units, central units or sales area).

For further information on the remuneration policy and incentive system, please consult the "Remuneration" page of Salcef's website: <https://www.salcef.com/governance-structure/remuneration/>.



EMPLOYEES

	2021	2022	2023
Number of employees at year end	1,409	1,929	2,037

The data confirm the group's growth in the last three-year period. The total number of employees rose by 108, or 5.6%, on 2022, mainly due to the acquisition of Colmar Technik S.p.A..

When the tables in this section make reference to employees, those from other categories which are not material for Salcef Group are not included. The [Other workers](#) paragraph provides details of the group's temporary workers.

The 2022 figures in all the tables in the rest of this section do not include the workers of Francesco Ventura Costruzioni Ferroviarie S.r.l., which was acquired on 23 December 2022.

EMPLOYEES BY GENDER

At 31 December 2023, in the absence of a formalised dedicated data collection and management procedure, information on employee gender composition comprises the male/female categories. The data presented are based on the personal data available. To date, no communications have been received from employees stating they do not identify as these genders or expressing a desire to refrain from communicating their gender identification, or that they identify as a different gender to their assigned gender.

Given the nature of the group's activities, characterised by a high degree of manual and physical labour, the male gender is decidedly the more represented gender, accounting for 92% of the group's workforce in 2023. Nevertheless, the number of women rose by 63% in the year, from 101 employees at the end of 2022 to 165 at the end of 2023, accounting for 8% of the total.

EMPLOYEES	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Number of employees at year end	79	1,330	1,409	101	1,437	1,538	165	1,872	2,037

WHITE COLLARS AND OTHER WORKERS	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Percentage of employees at year end	6%	94%	100%	7%	93%	100%	8%	92%	100%

The table below gives a more detailed view of women in the group analysed by activity and business unit:

ACTIVITY	BUSINESS UNIT	% FEMALE GENDER
Manual labour-intensive site activities	Track & Light Civil Works	5.7%
	Energy, Signalling & Telecommunications	
	Rail Grinding & Diagnostics	
	Heavy Civil Works	
	Foreign branches	
Industrial plant activity	Railway Machines	10.3%
	Railway Materials	
Activities not requiring manual labour	Engineering	40.8%
	General Services	

The table above, which breaks down group activities according to whether they are mostly performed by blue-collar or white-collar workers, shows that while the core business is highly manual labour intensive with a structurally low percentage of female workers (5.7%), the percentage of female workers at the group's industrial companies, which present a higher proportion of white-collar workers, rises to 10.3% - above the group average. The percentage of women in the workforce peaks at 40.8% in the group companies with no construction/manufacturing activities. This percentage has grown considerably from 28% in 2022.

EMPLOYEES BY CONTRACT TYPE AND GENDER

The most frequent type of contract is open-ended, reaching 84% of all contracts in 2023, the highest percentage recorded in the past three years and up on 81% in 2022.

CONTRACT TYPE	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Open-ended	64	1,091	1,155	80	1,158	1,238	133	1,584	1,717
Fixed-term	15	239	254	21	279	300	32	288	320
Total	79	1,330	1,409	101	1,437	1,538	165	1,872	2,037

CONTRACT TYPE (%)	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Open-ended	4.5%	77.4%	82.0%	5.2%	75.3%	80.5%	6.5%	77.8%	84.3%
Fixed-term	1.1%	17.0%	18.0%	1.4%	18.1%	19.5%	1.6%	14.1%	15.7%
Total	5.6%	94.4%	100.0%	6.6%	93.4%	100.0%	8.1%	91.9%	100.0%

EMPLOYEES BY TYPE OF POSITION AND GENDER

Part-time positions are rare and almost all the group's workers have full-time positions.

TYPE OF POSITION ¹	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Full-time	67	1,321	1,388	95	1,431	1,526	144	1,865	2,009
Part-time	12	9	21	6	6	12	21	7	28
Total	79	1,330	1,409	101	1,437	1,538	165	1,872	2,037

EMPLOYEES BY TYPE OF POSITION AND GEOGRAPHICAL SEGMENT

The most common type of contract in Italy is "open-ended", contract types vary significantly in the other geographical segments. Fixed-term contracts are generally used for project-based workers hired for a specific contract.

CONTRACT TYPE		2021	2022	2023
Italy	Open-ended	757	923	1413
	Fixed-term	204	229	245
	Total	961	1,152	1,658
Eastern Europe	Open-ended	48	48	52
	Fixed-term	19	10	15
	Total	67	58	67
Middle East	Open-ended	4	6	5
	Fixed-term	29	19	16
	Total	33	25	21
North Africa	Open-ended	41	-	-
	Fixed-term	1	41	40
	Total	42	41	40
North America	Open-ended	129	121	126
	Fixed-term	-	-	-
	Total	129	121	126
Western Europe	Open-ended	176	140	121
	Fixed-term	1	1	4
	Total	177	141	125
Total	Open-ended	1,155	1,238	1,717
	Fixed-term	254	300	320
	Total	1,409	1,538	2,037

OTHER WORKERS

The Salcef Group only makes use of temporary workers in limited cases. As can be seen in the following table, they are used to a limited extent only in certain geographical areas by the relevant companies. The temporary workers are used to cover intermittent peaks of work and in compliance with signed trade union agreements.

The group does not have other workers other than temporary workers.

At year end, the group has 90 temporary workers all based in Italy.

COUNTRY	TEMPORARY WORKERS AT 31/12/2023
Germany	1
Italy	89

TRADE UNIONS AND COLLECTIVE BARGAINING

The Salcef Group guarantees its employees the right to collective bargaining and freedom of association and it has taken all the necessary measures to comply with the SA 8000 requirements.

In Italy, the Salcef Group applies the applicable national collective labour agreement and all legislative provisions applicable to contractual relations with employees/collaborators in managing contractual relations with all workers. Specifically, the national collective labour agreements used to date in the various sectors are: metalworkers, construction, bricklayers and industrial managers.

Most of the countries abroad in which the group operates have national collective labour contracts, with the exception of Egypt, Romania, Saudi Arabia and the United Arab Emirates. In these cases, the Salcef Group ensures conditions comply with local regulations and group policies.

The total percentage of employees covered by collective bargaining agreements as of 2023 is 93.9%. The figures for the 2021-2023 three-year period are set out below:

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS	2021	2022	2023
Employees covered (number)	1,272	1,415	1,912
% of total for the period	90.3%	92.0%	93.9%

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITY

The Salcef Group approved a specific Diversity, equity and inclusion policy in March 2023 to strengthen its commitment in this area and to promote diversity within the group, in line with SDG 5 (Gender equality) and SDG 10 (Reduced inequalities). Via the policy, the group undertakes to:

- Enhance diversity and inclusion across all group departments and operating areas, encouraging a supportive, diversified and inclusive environment for all employees and stakeholders.
- Increase knowledge and raise awareness of the issues dealt with in this policy through dedicated training programmes.
- Encourage diversity, equal opportunity and inclusion throughout the value chain, working with the group's customers, suppliers, commercial partners and local communities to ensure the policy's implementation.

The policy is available for consultation on the "Policies and procedures" page of Salcef's website at: <https://www.salcef.com/governance-structure/policies-and-procedures/>.

Diversity is analysed in the following sections by gender and age for four categories: managers, junior managers, white collars and blue collars. No other significant types of diversity have been identified. Each of the following tables presents the data in numbers and percentages.

EMPLOYEES BY CATEGORY AND GENDER

Given the nature of the activities carried out by the group, blue collar workers are the largest category (69% of the total). The natural consequence of this, as stated previously, is that the group's workforce is mostly made up of males (99.1% of the blue collars). Women account for 29.1% of the group's white collars, which increased in the reporting period.

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	2	41	43	3	47	50	2	60	62
Junior managers	4	60	64	4	63	67	10	74	84
White collars	66	241	307	78	280	358	141	344	485
Blue collars	7	988	995	16	1047	1063	12	1,394	1,406
Total	79	1,330	1,409	101	1,437	1,538	165	1,872	2,037

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	0.1%	2.9%	3.1%	0.2%	3.1%	3.3%	0.1%	2.9%	3.0%
Junior managers	0.3%	4.3%	4.5%	0.3%	4.1%	4.4%	0.5%	3.6%	4.1%
White collars	4.7%	17.1%	21.8%	5.1%	18.2%	23.3%	6.9%	16.9%	23.8%
Blue collars	0.5%	70.1%	70.6%	1.0%	68.1%	69.1%	0.6%	68.4%	69.0%
Total	5.6%	94.4%	100.0%	6.6%	93.4%	100.0%	8.1%	91.9%	100.0%

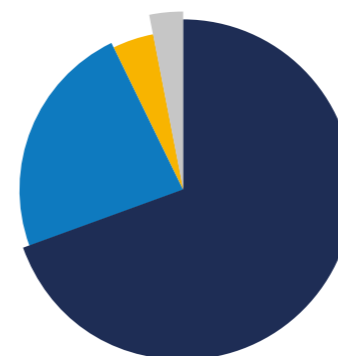
EMPLOYEES BY CATEGORY AND AGE GROUP

This indicator was fairly stable in the 2021-2023 three-year period. For all four categories analysed, the most common age group is from 30 to 50 years of age (accounting for more than 50% in the years analysed).

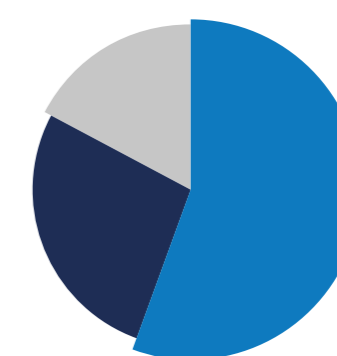
EMPLOYEE CATEGORY	2021				2022				2023			
	UP TO 29	FROM 30 TO 50	OVER 50	TOTAL	UP TO 29	FROM 30 TO 50	OVER 50	TOTAL	UP TO 29	FROM 30 TO 50	OVER 50	TOTAL
Managers	-	18	25	43	-	24	26	50	-	29	33	62
Junior managers	1	47	16	64	1	39	27	67	-	52	32	84
White collars	42	222	43	307	62	222	74	358	87	283	115	485
Blue collars	173	545	277	995	206	567	290	1,063	206	752	448	1,406
Total	216	832	361	1,409	269	852	417	1,538	293	1,116	628	2,037

EMPLOYEE CATEGORY	2021				2022				2023			
	UP TO 29	FROM 30 TO 50	OVER 50	TOTAL	UP TO 29	FROM 30 TO 50	OVER 50	TOTAL	UP TO 29	FROM 30 TO 50	OVER 50	TOTAL
Managers	0.0%	1.3%	1.8%	3.1%	0.0%	1.6%	1.7%	3.3%	0.0%	1.4%	1.6%	3.0%
Junior managers	0.1%	3.3%	1.1%	4.5%	0.1%	2.5%	1.8%	4.4%	0.0%	2.6%	1.6%	4.1%
White collars	3.0%	15.8%	3.1%	21.8%	4.0%	14.4%	4.8%	23.3%	4.3%	13.9%	5.6%	23.8%
Blue collars	12.3%	38.7%	19.7%	70.6%	13.4%	36.9%	18.9%	69.1%	10.1%	36.9%	22.0%	69.0%
Total	15.3%	59.0%	25.6%	100.0%	17.5%	55.4%	27.1%	100.0%	14.4%	54.8%	30.8%	100.0%

CATEGORY



AGE GROUP



EMPLOYEES BY AGE GROUP AND GENDER

As stated earlier, this indicator also tended to be fairly stable in the three-year period analysed. The most common age group is from 30 to 50 years of age for both women and men.

AGE GROUP	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Up to 29	12	204	216	19	250	269	35	258	293
From 30 to 50	52	780	832	60	792	852	97	1,019	1,116
Over 50	15	346	361	22	395	417	33	595	628
Total	79	1,330	1,409	101	1,437	1,538	165	1,872	2,037

AGE GROUP	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Up to 29	0.9%	14.5%	15.3%	1.2%	16.3%	17.5%	1.7%	12.7%	14.4%
From 30 to 50	3.7%	55.4%	59.0%	3.9%	51.5%	55.4%	4.8%	50.0%	54.8%
Over 50	1.1%	24.6%	25.6%	1.4%	25.7%	27.1%	1.6%	29.2%	30.8%
Total	5.6%	94.4%	100.0%	6.6%	93.4%	100.0%	8.1%	91.9%	100.0%

NEW HIRES AND TURNOVER

NEW HIRES BY AGE GROUP AND GENDER

There were more new hires in 2023 than in 2022, reflecting the group's growth. The 30 to 50 age group accounted for most new hires in the period (54%), closely followed by the up to 29 age group (32%).

AGE GROUP	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Up to 29	9	106	115	12	147	159	22	137	159
From 30 to 50	20	288	308	2	49	51	31	240	271
Over 50	3	73	76	16	180	196	4	70	74
Total	32	467	499	30	376	406	57	447	504

AGE GROUP	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Up to 29	1.8%	21.2%	23.0%	3.0%	36.2%	39.2%	4.4%	27.2%	31.5%
From 30 to 50	4.0%	57.7%	61.7%	0.5%	12.1%	12.6%	6.2%	47.6%	53.8%
Over 50	0.6%	14.6%	15.2%	3.9%	44.3%	48.3%	0.8%	13.9%	14.7%
Total	6.4%	93.6%	100.0%	7.4%	92.6%	100.0%	11.3%	88.7%	100.0%

NEW HIRES BY AGE GROUP AND GEOGRAPHICAL SEGMENT

Most new hires took place in Italy where the group has most of its facilities and activities.

AGE GROUP	2021	2022	2023	
Italy	Up to 29	63	122	108
	From 30 to 50	138	130	171
	Over 50	40	30	35
	Total	241	282	314
Eastern Europe	Up to 29	5	2	5
	From 30 to 50	29	1	4
	Over 50	13	1	2
	Total	47	4	11
Middle East	Up to 29	1	2	-
	From 30 to 50	12	2	-
	Over 50	1	-	-
	Total	14	4	-
North Africa	Up to 29	3	-	-
	From 30 to 50	8	-	-
	Over 50	-	-	-
	Total	11	-	-
North America	Up to 29	27	14	37
	From 30 to 50	36	32	79
	Over 50	14	13	35
	Total	77	59	152
Western Europe	Up to 29	10	16	8
	From 30 to 50	47	23	17
	Over 50	5	7	2
	Total	62	46	27
Total	Up to 29	115	159	159
	From 30 to 50	308	196	271
	Over 50	76	51	74
	Total	499	406	504

AGE GROUP		2021	2022	2023
Italy	Up to 29	13%	30%	34%
	From 30 to 50	28%	32%	54%
	Over 50	8%	7%	11%
	Total	48%	69%	62%
Eastern Europe	Up to 29	1%	0%	45%
	From 30 to 50	6%	0%	36%
	Over 50	3%	0%	18%
	Total	9%	1%	2%
Middle East	Up to 29	0%	0%	0%
	From 30 to 50	2%	0%	0%
	Over 50	0%	0%	0%
	Total	3%	1%	0%
North Africa	Up to 29	2%	1%	0%
	From 30 to 50	9%	2%	0%
	Over 50	1%	0%	0%
	Total	12%	3%	0%
North America	Up to 29	5%	3%	25%
	From 30 to 50	7%	8%	52%
	Over 50	3%	3%	23%
	Total	15%	15%	30%
Western Europe	Up to 29	2%	4%	30%
	From 30 to 50	9%	6%	63%
	Over 50	1%	2%	7%
	Total	12%	11%	5%
Total	Up to 29	23%	39%	32%
	From 30 to 50	62%	48%	54%
	Over 50	15%	13%	15%
	Total	100%	100%	100%

RESIGNATIONS/
DISMISSALS BY AGE
GROUP AND GENDER

Most resignations/dismissals were in the 30 to 50 age group.

AGE GROUP	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Up to 29	8	114	122	6	86	92	3	101	104
From 30 to 50	10	205	215	9	149	158	11	202	213
Over 50	2	109	111	2	72	74	11	114	125
Total	20	428	448	17	307	324	25	417	442

AGE GROUP	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Up to 29	1.8%	25.4%	27.2%	1.9%	26.5%	28.4%	0.7%	22.9%	23.5%
From 30 to 50	2.2%	45.8%	48.0%	2.8%	46.0%	48.8%	2.5%	45.7%	48.2%
Over 50	0.4%	24.3%	24.8%	0.6%	22.2%	22.8%	2.5%	25.8%	28.3%
Total	4.5%	95.5%	100.0%	5.2%	94.8%	100.0%	5.7%	94.3%	100.0%

RESIGNATIONS/
DISMISSALS BY
AGE GROUP AND
GEOGRAPHICAL
SEGMENT

Analysing the resignations/dismissals data by geographical segment, like for new hires, most resignations/dismissals were in Italy.

AGE GROUP		2021	2022	2023
Italy	Up to 29	61	48	136
	From 30 to 50	98	75	79
	Over 50	53	37	58
	Total	212	160	273
Eastern Europe	Up to 29	5	2	1
	From 30 to 50	31	4	1
	Over 50	11	4	1
	Total	47	10	3
Middle East	Up to 29	5	4	3
	From 30 to 50	4	10	1
	Over 50	1	-	-
	Total	10	14	4
North Africa	Up to 29	8	4	-
	From 30 to 50	34	5	-
	Over 50	2	1	1
	Total	44	10	1
North America	Up to 29	26	20	72
	From 30 to 50	38	34	39
	Over 50	21	10	39
	Total	85	64	150
Western Europe	Up to 29	17	14	1
	From 30 to 50	10	30	5
	Over 50	23	22	5
	Total	50	66	11
Totale	Up to 29	122	92	213
	From 30 to 50	215	158	125
	Over 50	111	74	104
	Total	448	324	442

AGE GROUP		2021	2022	2023
Italy	Up to 29	14%	15%	31%
	From 30 to 50	22%	23%	18%
	Over 50	12%	11%	13%
	Total	47%	49%	62%
Eastern Europe	Up to 29	1%	1%	0%
	From 30 to 50	7%	1%	0%
	Over 50	2%	1%	0%
	Total	10%	3%	1%
Middle East	Up to 29	1%	1%	1%
	From 30 to 50	1%	3%	0%
	Over 50	0%	0%	0%
	Total	2%	4%	1%
North Africa	Up to 29	2%	1%	0%
	From 30 to 50	8%	2%	0%
	Over 50	0%	0%	0%
	Total	10%	3%	0%
North America	Up to 29	6%	6%	16%
	From 30 to 50	8%	10%	9%
	Over 50	5%	3%	9%
	Total	19%	20%	34%
Western Europe	Up to 29	4%	4%	0%
	From 30 to 50	2%	9%	1%
	Over 50	5%	7%	1%
	Total	11%	20%	2%
Totale	Up to 29	27%	28%	48%
	From 30 to 50	48%	49%	28%
	Over 50	25%	23%	24%
	Total	100%	100%	100%

REASONS FOR RESIGNATION/DISMISSAL BY GENDER

REASON FOR RESIGNATION/DISMISSAL	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Voluntary departure	5	103	108	9	155	164	16	184	200
Retirement	-	15	15	-	15	15	-	14	14
Dismissal	3	104	107	1	55	56	6	142	148
Other	12	206	218	7	82	89	3	77	80
Total	20	428	448	17	307	324	25	417	442

The main reason for leaving the company is "Voluntary departure" (resignation). The increase in resignations/dismissals in 2023 was mainly due to the reorganisation and streamlining processes underway as a result of the acquisitions completed during the year, in addition to the usual seasonality of business in the US, which influences labour market trends.

TURNOVER BY GENDER

Overall, the rate of new hires is always higher than the rate of resignations/dismissals, a further sign of strong growth also in the area of human resources. The overall turnover rate confirms that the number of new hires in 2023 is around 4% higher than resignations/dismissals in 2022.

TURNOVER	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Negative turnover (resignations/dismissals)	32.3%	35.8%	35.6%	7.6%	23.1%	23.0%	3.0%	29.0%	28.7%
Positive turnover (new hires)	51.6%	39.0%	39.7%	38.0%	28.3%	28.8%	56.4%	31.1%	32.8%
Overall turnover	19.4%	3.3%	4.1%	30.4%	5.2%	5.8%	53.5%	2.1%	4.0%

NEGATIVE TURNOVER (RESIGNATIONS/DISMISSALS) BY GEOGRAPHICAL SEGMENT AND AGE GROUP

The negative turnover figures reflect that already discussed for resignations/dismissals by geographical segment and age group: the highest figure relates to Italy, where most of the employees are located. The jump to 31.4% from 23.0% in 2022 was mainly due to the increase in the up to 29 age group in Italy.

AGE GROUP		2021	2022	2023
Italy	Up to 29	4.8%	3.4%	9.7%
	From 30 to 50	7.8%	5.3%	5.6%
	Over 50	4.2%	2.6%	4.1%
	Total	16.9%	11.4%	19.4%
Eastern Europe	Up to 29	0.4%	0.1%	0.1%
	From 30 to 50	2.5%	0.3%	0.1%
	Over 50	0.9%	0.3%	0.1%
	Total	3.7%	0.7%	0.2%
Middle East	Up to 29	0.4%	0.3%	0.2%
	From 30 to 50	0.3%	0.7%	0.1%
	Over 50	0.1%	0.0%	0.0%
	Total	0.8%	1.0%	0.3%
North Africa	Up to 29	0.6%	0.3%	0.0%
	From 30 to 50	2.7%	0.4%	0.0%
	Over 50	0.2%	0.1%	0.1%
	Total	3.5%	0.7%	0.1%
North America	Up to 29	2.1%	1.4%	5.1%
	From 30 to 50	3.0%	2.4%	2.8%
	Over 50	1.7%	0.7%	2.8%
	Total	6.8%	4.5%	10.6%
Western Europe	Up to 29	1.4%	1.0%	0.1%
	From 30 to 50	0.8%	2.1%	0.4%
	Over 50	1.8%	1.6%	0.4%
	Total	4.0%	4.7%	0.8%
Totale	Up to 29	9.7%	6.5%	15.1%
	From 30 to 50	17.1%	11.2%	8.9%
	Over 50	8.8%	5.3%	7.4%
	Total	35.6%	23.0%	31.4%



POSITIVE TURNOVER (NEW HIRES) BY GEOGRAPHICAL SEGMENT AND AGE GROUP

The positive turnover figures reflect that already discussed for new hires by geographical segment and age group.

AGE GROUP		2021	2022	2023
Italy	Up to 29	5.00%	8.70%	7.7%
	From 30 to 50	11.00%	9.20%	12.1%
	Over 50	3.20%	2.10%	2.5%
	Total	19.20%	20.00%	22.3%
Eastern Europe	Up to 29	0.40%	0.10%	0.40%
	From 30 to 50	2.30%	0.10%	0.30%
	Over 50	1.00%	0.10%	0.10%
	Total	3.70%	0.30%	0.80%
Middle East	Up to 29	0.10%	0.10%	0.00%
	From 30 to 50	1.00%	0.10%	0.00%
	Over 50	0.10%	0.00%	0.00%
	Total	1.10%	0.30%	0.00%
North Africa	Up to 29	0.70%	0.20%	0.00%
	From 30 to 50	3.70%	0.60%	0.00%
	Over 50	0.20%	0.00%	0.00%
	Total	4.60%	0.80%	0.00%
North America	Up to 29	2.10%	1.00%	2.70%
	From 30 to 50	2.90%	2.30%	5.60%
	Over 50	1.10%	0.90%	2.50%
	Total	6.10%	4.20%	10.80%
Western Europe	Up to 29	0.80%	1.10%	0.60%
	From 30 to 50	3.70%	1.60%	1.20%
	Over 50	0.40%	0.50%	0.10%
	Total	4.90%	3.30%	1.90%
Totale	Up to 29	9.10%	11.30%	11.28%
	From 30 to 50	24.50%	13.90%	19.23%
	Over 50	6.00%	3.60%	5.25%
	Total	39.70%	28.80%	35.77%

OVERALL TURNOVER BY GEOGRAPHICAL SEGMENT AND AGE GROUP

In 2023, overall turnover analysed by age group shows a downwards trend in the up to 29 and the over 50 age groups, which was more than offset by the upwards trend in the 30 to 50 age group.

AGE GROUP		2021	2022	2023
Italy	Up to 29	0.20%	5.30%	-1.99%
	From 30 to 50	3.20%	3.90%	6.53%
	Over 50	-1.00%	-0.50%	-1.63%
	Total	2.30%	8.70%	2.91%
Eastern Europe	Up to 29	0.00%	0.00%	0.28%
	From 30 to 50	-0.20%	-0.20%	0.21%
	Over 50	0.20%	-0.20%	0.07%
	Total	0.00%	-0.40%	0.57%
Middle East	Up to 29	-0.30%	-0.10%	-0.21%
	From 30 to 50	0.60%	-0.60%	-0.07%
	Over 50	0.00%	0.00%	0.00%
	Total	0.30%	-0.70%	-0.28%
North Africa	Up to 29	0.10%	-0.10%	0.00%
	From 30 to 50	1.00%	0.20%	0.00%
	Over 50	0.10%	-0.10%	-0.07%
	Total	1.10%	0.10%	-0.07%
North America	Up to 29	0.10%	-0.40%	-2.41%
	From 30 to 50	-0.20%	-0.10%	2.84%
	Over 50	-0.60%	0.20%	-0.28%
	Total	-0.60%	-0.40%	0.14%
Western Europe	Up to 29	-0.60%	0.10%	0.50%
	From 30 to 50	2.90%	-0.50%	0.85%
	Over 50	-1.40%	-1.10%	-0.21%
	Total	1.00%	-1.40%	1.14%
Totale	Up to 29	-0.60%	4.80%	-3.83%
	From 30 to 50	7.40%	2.70%	10.36%
	Over 50	-2.80%	-1.60%	-2.13%
	Total	4.10%	5.80%	4.40%



PARENTAL LEAVE

All Salcef Group employees have the right to parental leave. The number of people taking parental leave increased over the three-year period. The 2023 data show that all female employees and almost all (92%) male employees returned to work after taking leave.

PARENTAL LEAVE	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
No. of employees entitled to parental leave	79	1,330	1,409	101	1,437	1,538	165	1,872	2,037
No. of employees that took leave	5	19	24	8	20	28	5	48	53
No. of employees that returned to work in the reporting period after taking leave	4	16	20	8	20	28	5	44	49
No. of employees that returned to work after taking leave that are still with the group 12 months after returning	2	16	18	5	14	19	8	16	24
Return rate	80%	84%	83%	100%	100%	100%	100%	92%	92%
Retention rate	50%	100%	90%	100%	74%	79%	100%	80%	86%



BASIC SALARY AND REMUNERATION

In all the countries where there are national collective labour agreements, the amount the Salcef Group pays its employees is determined in line with these contracts, which guarantee both minimum salary levels for the various employee categories and regular increases in the basic wages and salaries. Even in countries where there is no national labour agreement law, wages and salaries are in line with the national average. For details of the application of the national collective labour contracts, see the [Trade unions and collective bargaining paragraph](#).

In addition to complying with the national collective labour agreements, the group as a whole adopts a remuneration policy which applies meritocratic principles to the fixed and variable components of remuneration, resulting in remuneration levels higher than those of the minimum levels established by the national contracts. The Salcef Group has also introduced a productivity bonus which is paid to all employee categories in January, with the exception of management which is subject to the MBO system (see [Performance management and incentive systems](#)).

The comparison of remuneration and salary by gender, excluding managers, shows female employees have slightly lower earnings. However, it is difficult to make a comparison, as female employees are generally more recent hires and they have therefore had fewer seniority-linked salary increases and lower starting levels than the averages for male employees, who have sometimes had over a decade's work experience.

Finally, comparing basic salary and remuneration (which includes variable remuneration) shows that the categories with the greatest difference between salary and remuneration are, on the one hand, senior positions (managers and junior managers) and, on the other, blue collars, who receive various variable remuneration items (overtime, extra pay for night shifts, holiday bonuses, etc.).

BASIC SALARY	2021			2022			2023		
	WOMEN	MEN	%	WOMEN	MEN	%	WOMEN	MEN	%
Managers	136,739	121,233	113%	132,280	130,993	101%	192,069	89,138	215%
Junior managers	46,550	67,130	69%	71,334	74,684	96%	95,713	83,259	115%
White collars	33,842	45,068	75%	37,154	38,293	97%	30,204	35,922	84%
Blue collars	23,792	29,381	81%	12,041	29,543	41%	28,548	25,592	112%

REMUNERATION	2021			2022			2023		
	WOMEN	MEN	%	WOMEN	MEN	%	WOMEN	MEN	%
Managers	184,316	128,184	144%	155,761	150,278	104%	227,351	117,190	194%
Junior managers	60,577	70,264	86%	90,876	83,835	108%	104,053	95,748	109%
White collars	34,769	49,461	70%	39,520	44,002	90%	31,969	39,401	81%
Blue collars	23,792	39,989	59%	14,159	45,449	31%	33,940	42,148	81%

TRAINING AND DEVELOPMENT

The Salcef Group has a well-structured training system designed for the overall management of training requirements and continuous improvement. Training is essential to maintaining a competitive edge and is fundamental to tackling issues connected with technological and organisational innovation.

The process helps focus on the actual training needs, the planning and roll-out of activities that respond to real needs and also offers methodologies and instruments to develop and monitor a group training plan which takes into account training needs, the analysis of actual training requirements, the definition of a training plan and the evaluation of training activities.

Within the Salcef Group, the human resources department is responsible for coordinating training for the parent and its subsidiaries and it establishes the training requirements for the group's positions. The training process is managed through the group's ERP system, MySalcef, which ensures proper monitoring and control. The software contains an inventory of all the group's training initiatives divided into five types.

- Occupational health and safety
- Professional qualifications
- Ethics, organisational model and anti-corruption
- Social responsibility
- Other

Moreover, the software identifies all the tasks performed within the group (more than 120), along with the training, medical check-ups and personal protective equipment required for each one. In this way, the actions to be taken are immediately apparent to new employees or employees that change roles and the alerts and emails notifying all personnel involved in training of deadlines makes monitoring easier and more streamlined.

Training is provided by the group during working hours by internal instructors or specialised consulting companies, as appropriate. There is usually a test on the material covered at the end of each training session.

As well as the quantitative data shown below, there is a large amount of training which is "not tracked" by the system, involving work site training and information. This type of training is formalised in a specific report and involves all site workers for about one hour. It is provided for each new contract or task or when a new worker joins the production team. The goal of this activity is to inform and raise awareness in operating personnel of the specific risks of the work site.

TRAINING PROVIDED

The total and average per capita training hours provided for each year of the 2021-2023 three-year period are shown below. The different types of training are also analysed.

TOTAL TRAINING HOURS BY CATEGORY AND GENDER

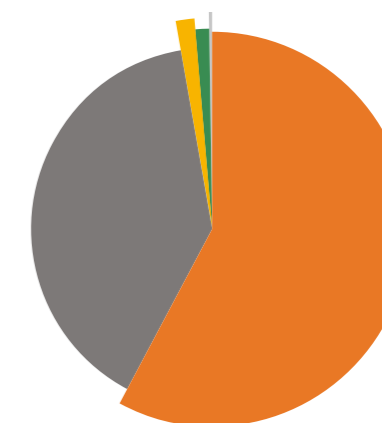
The Salcef Group delivered over 129,000 training hours in the 2021-2023 three-year period. In 2023, 50,304 hours of training were provided, up 39% on 2022. Blue-collar workers received more technical-specialist training than any other group (76% of the total).

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	420	420	8	226	234	-	181	181
Junior managers	-	1,047	1,047	16	1,674	1,690	55	1,243	1,298
White collars	602	6,025	6,627	1,347	4,703	6,050	1,574	9,011	10,585
Blue collars	11	35,797	35,808	55	28,186	28,241	46	38,195	38,241
Total	613	43,289	43,902	1,426	34,788	36,214	1,675	48,629	50,304

TRAINING PROVIDED IN 2023

[HOURS]

Professional certification	29.113
Occupational health and safety	19.864
Ethics, organisational model and anti-corruption	720
Social responsibility	591
Other	16



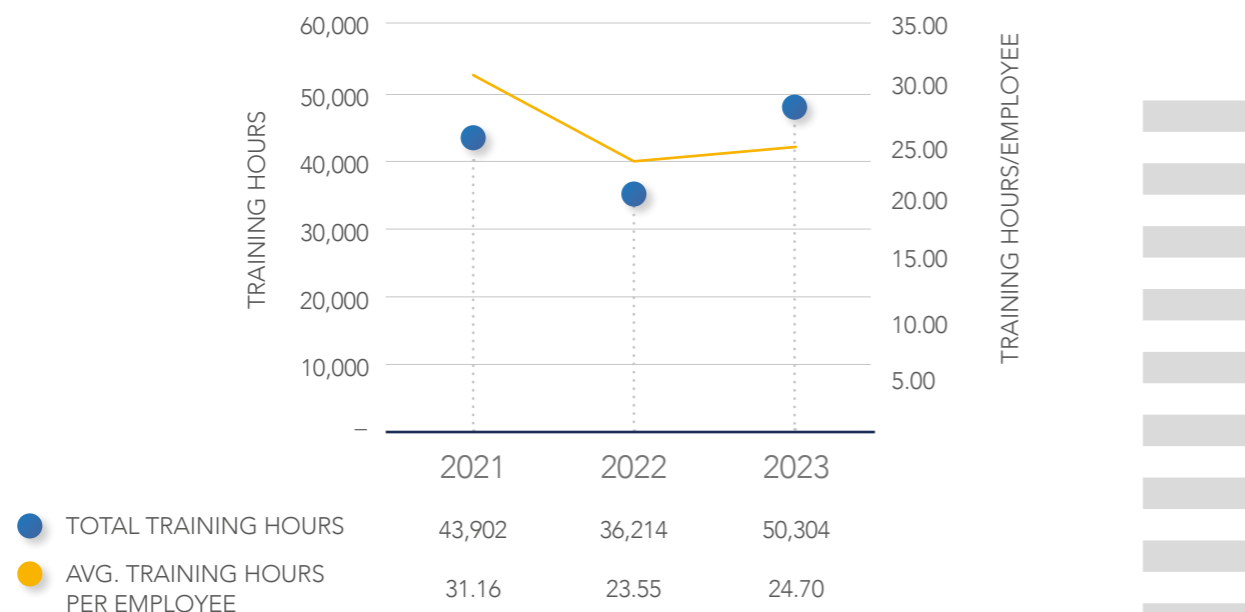
AVERAGE TRAINING HOURS BY CATEGORY AND GENDER

The average training hours show that employees received approximately 24 training hours per capita in both 2022 and 2023, while this figure had been 31 hours of training per capita in 2021.

Taking into account the training linked solely to professional qualifications and occupational health and safety, blue collar workers are the main recipients of group training initiatives.

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	10.24	9.77	2.67	4.81	4.68	-	3.02	2.92
Junior managers	-	17.45	16.36	4.00	26.56	25.22	5.50	16.80	15.45
White collars	9.12	25.00	21.59	17.26	16.80	16.90	11.16	26.19	21.82
Blue collars	1.57	36.23	35.99	3.44	26.92	26.57	3.83	27.40	27.20
Total	7.76	32.55	31.16	14.11	24.21	23.55	10.15	25.98	24.70

TRAINING 2023



TOTAL HEALTH AND SAFETY TRAINING HOURS BY CATEGORY AND GENDER

Occupational health and safety training is the Salcef Group's largest category in terms of hours provided. A total of 51,797 health and safety training hours were provided in the 2021-2023 three-year period. In 2023, this type of training accounted for 38% of the total training hours provided, up 81% on 2022.

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	161	161	7	51	58	-	89	89
Junior managers	-	610	610	15	319	334	42	493	535
White collars	391	3,408	3,799	335	1,470	1,805	1,138	4,164	5,302
Blue collars	10	17,369	17,379	55	8,144	8,199	46	13,892	13,938
Total	401	21,548	21,949	412	9,984	10,396	1,226	18,638	19,864

The increase in health and safety training in 2023 is mainly related to the new training campaign on working on railways with electrical risk, which was delivered to about 150 employees of the Salcef Group's Italian construction companies. Other training concerned the application of RFI's new SL03 procedure regulating the disconnection of the railway infrastructure overhead lines. This training will continue into 2024.

TOTAL PROFESSIONAL TRAINING AND CERTIFICATION HOURS BY CATEGORY AND GENDER

Professional training and certification includes all training provided for a specific operating activity or the use of machinery or equipment. It includes training carried out to obtain customer certifications (e.g., RFI, Terna, etc.). This type of training has the greatest variety of courses, with over 29,000 training hours provided in 2023 to mainly blue-collar workers.

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	255	255		159	159	0	72	72
Junior managers	-	416	416		1,288	1,288	0	700	700
White collars	144	2,448	2,592	960	3,058	4,018	232	4,438	4,670
Blue collars	-	17,791	17,791		19,605	19,605	0	23,671	23,671
Total	144	20,910	21,054	960	24,110	25,070	232	28,881	29,113

TOTAL TRAINING HOURS ON THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AND ANTI-CORRUPTION BY CATEGORY AND GENDER

Training on the Organisational, management and control model and anti-corruption includes all training provided on the Salcef Group's Code of ethics and conduct, the Organisational, management and control model pursuant to Legislative decree no. 231 and the corruption prevention management system.

Training is mandatory for all personnel. There are two different modules depending on the risk profile: one for blue collars and the other for white collars and junior and other managers.

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	3	3	1	15	16	-	17	17
Junior managers	-	15	15	1	42	43	10	38	48
White collars	30	119	149	31	106	137	149	323	472
Blue collars	1	152	153		133	133	-	184	184
Total	31	289	320	33	295	328	159	561	720

TOTAL SOCIAL RESPONSIBILITY TRAINING HOURS BY CATEGORY AND GENDER

Social responsibility training is mandatory for all personnel and includes training on the SA 8000 management system. It has two different modules, one for the social performance team (see [Social Performance Team](#)) and one for all personnel.

CATEGORY	2021			2022			2023		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	1	1		1	1	-	3	3
Junior managers	-	6	6		10	10	3	12	15
White collars	3	47	50	13	53	66	39	86	125
Blue collars	-	456	456		304	304	-	448	448
Total	3	510	513	13	368	381	42	549	591

ON-SITE TRAINING

Given Salcef Group's high level of specialisation, in addition to other training, on-site training is an important part of the group's training programme. On-site training comprises all activities aimed at training workers in the correct use of equipment, machines, systems, substances, devices (including personal protective equipment) and work procedures, so that each worker can exercise the discretionary component of their position in an informed (and responsible) manner.

Where provided for, on-site training is provided to new hires or when an employee changes role, or when new machinery and technologies are introduced. In the training start-up stage, the operating department identifies the trainer with the right characteristics and experience in the field who will be responsible for instructing, training and supporting the resource in their new activity.



OCCUPATIONAL HEALTH AND SAFETY

GRI 3.3 GRI 403-1 GRI 403-2 GRI 403-3
 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7
 GRI 403-8 GRI 403-9 GRI 403-10

OCCUPATIONAL HEALTH AND SAFETY LEGISLATION

Occupational health and safety regulations are contained in Legislative decree no. 81/2008 (the "81/2008 decree") issued to reorganise and coordinate the relevant legislation. The 81/2008 decree establishes the manner in which a series of preventative actions must be carried out, such as the assessment of risks in the group and, consequently, a series of measures must be adopted to improve worker health and safety, including: (i) the compliance of structures, systems and equipment; (ii) health checks; (iii) training courses and all other mandatory aspects, the absence of which could expose the group to significant penalties.

The 81/2008 decree provides for the establishment and appointment of specific roles within the group, such as the Health and safety officer, the workers' representative, the Company doctor, and the Employer. The latter carries out an assessment of the risks in the group, implements prevention and protection measures to eliminate or contain them and ensures that every worker is suitably trained and informed.

The main international regulatory frameworks are:

- the ISO 45001 standard;
- the NEBOSH guidance;
- protocols, recommendations and guidelines of the international labour organization (ILO);
- local occupational health and safety laws and legislation of the country in which the activities take place.

Bearing in mind that the Salcef Group's safety management system is strongly inspired by Italian legislation, which is particularly comprehensive and effective abroad, the group's approach in the field of occupational health and safety is to always apply the most rigorous measures that best protect workers.

THE PRINCIPLES AND THE MANAGEMENT SYSTEM

The Salcef Group considers the protection and promotion of health, safety and well-being of the individual a priority value and principle in all of its activities. Accordingly, the activities and processes connected to personnel management are extremely important. Therefore, the way it operates is therefore aimed at protecting employees, customers, suppliers and, in general, anyone that comes into contact with the Salcef Group.

The Salcef Group ensures working conditions that are respectful of the dignity of the individual, in accordance with accident-prevention regulations and current occupational health and safety standards. Salcef strongly promotes the dissemination of a safety culture and an awareness of the risks associated with the working activities, and requires that everyone at every level adopt responsible conduct that is compliant with the safety system in place and all company procedures that form an integral part thereof. In this respect, every employee, collaborator or anyone who for any reason provides working activities at the group's offices, work sites and facilities, is required to personally contribute to maintaining the safety and quality of the working environment in which they operate, rigorously complying with the safety system and all group procedures that are a part thereof.

The Salcef Group undertakes to:

- put in place safe activities in order to protect the health of group employees and the communities in which it operates, ensuring its operating strategies comply with group occupational health and safety and environmental policies;
- provide training and information to all personnel that work in group offices, work sites and facilities on safety risks to which they are exposed from time to time, providing them with the means and personal protective equipment required by relevant legislation in relation to the activities carried out;
- periodically review and continuously monitor the performance and efficiency of the safety risk management system, and maintain safe workplaces to protect the integrity of its personnel and achieve the group's goals of continuous improvement in the fields of health, safety and the environment.

The commitment to occupational health and safety is a key aspect for the Salcef Group. For this reason, and to go beyond mere legal compliance, it has implemented, maintained and improved an occupational health and safety management system which is applied to all group operations and companies. The management system is ISO 45001:2018-certified.

The occupational health and safety management system is applied to all Salcef Group workers and also extends to all parties that come into contact with the group, such as sub-contractors, temporary workers, professionals, etc..

At least once a year, qualified personnel carry out an internal audit to check the proper and effective application of the integrated management system, including the occupational health and safety management system. For further information on the related findings, see the paragraph on [Audits of management systems](#).

All certified management systems are also audited annually by independent and accredited third-party certification bodies. These audits assess the compliance of the management systems with the international standards governing them.

SAFETY ORGANISATION

The Salcef Group's safety organisation provides for a safety management system manager (the HSE manager), which reports to the parent's Knowledge department. The HSE manager ensures the management system is active and effective, including the operating control activities and their updating and reports to the management representative on the performance and areas for improvement. In addition to heading up the health and safety service pursuant to Legislative decree no. 81/2008, the HSE manager of the parent, Salcef Group S.p.A., carries out management and coordination activities for the safety and environmental offices of the group's subsidiaries, ensuring uniformity, support and the dissemination of best practices.

The main roles in the safety organisation of the subsidiaries are shown in the following diagram. They are formally identified and appointed.



- The **CEO** (or sole director) fills the role of Employer pursuant to Legislative decree no. 81/2008. Specifically, the CEO draws up and approves the risk assessment document (see details in the following paragraph [Risk identification and assessment](#)), which also sets out all the measures to be implemented to eliminate/mitigate such risks. The CEO also appoints people to the other positions in the safety organisation.
- The **HSE manager** is also the Health and safety officer pursuant to Legislative decree no. 81/2008. The HSE manager is responsible for safety management in the workplace and for relations with the various supervisory and certification bodies and entities, and liaises with the Workers' safety representatives and the directors. The HSE managers/Health and safety officers of the group companies report to the Employer but are coordinated centrally by the HSE manager/Health and safety officer of the parent, Salcef Group S.p.A.. They meet periodically to discuss and define any critical issues identified and to discuss the performance of the management system and any improvement actions to be taken.
- The **Company doctor** is a role required by Legislative decree no. 81/2008 to perform the health screening required by law and the occupational health and safety management system. Only the Italian companies have a Company doctor. In other countries, dedicated personnel are responsible for health screening, with the involvement of local institutions and specialist centres.
- The **Workers' representative**, also referred to by Legislative decree no. 81/2008 as the Workers' safety representative, is elected or appointed to represent workers with respect to occupational health and safety. In carrying out this task, they attend periodic meetings with everyone in the safety organisation. Depending on the complexity of the operating activities and how large the workforce is, one or more Workers' safety representatives are elected for each group company.
- The **Chief operating officer** is delegated all powers associated with the role of Employer. They are responsible for operational management and coordinate personnel, machines and resources in the various contracts acquired by the group/branch.
- The **Project HSE manager** is also the Safety manager pursuant to Legislative decree no. 81/2008. The Project HSE manager is appointed for those companies where, due to highly complex operations and logistics, the CEO and the Chief operating officer are unable to effectively supervise the relevant operating units. This is especially relevant for companies that work on temporary and mobile work sites. The Project HSE manager is responsible for supervising and ensuring the correct application of the safety management system procedures at the assigned operating units. The Project HSE manager (or the Chief operating officer or CEO) appoints Emergency officers, who are trained to respond to situations of danger and emergency. For details refer to the [Procedures for workers to remove themselves from hazardous situations](#) paragraph.
- The **Safety supervisor** is the supervisor required by Legislative decree no. 81/2008. Within the individual teams, the Safety supervisor is responsible for supervising and ensuring that workers comply with safety requirements.

RISK IDENTIFICATION AND ASSESSMENT

With regard to the identification of risks and their assessment and the investigation of incidents, Legislative decree no. 81/2008 and associated regulations detail the responsibilities, activities and deadlines. In addition to the legal requirements, the occupational health and safety system procedures also apply. In this context:

- the mandatory legal requirements applicable in the organisation are identified;
- information is collected on-site (operational control);
- instances of non-compliance (whether incidents, injuries or near-misses) are recorded and addressed;
- the preventative measures indicated by the analysis of the results of the operating control and the instances of non-compliance are taken.



RISK IDENTIFICATION

The assessment of the risks to which workers are exposed involves the analysis of the specific situations the workers find themselves when carrying out their duties.

Risk assessment is:

- related to the choices made for equipment, substances and the layout of the workplace;
- designed to identify and implement appropriate measures and actions to be taken.

Risk assessment is therefore linked both to the stage of production carried out at the production unit and situations caused by systems, such as the working environment, structures and systems used, materials and products involved in the processes.

The guidelines considered are based on the following aspects:

- observation of the working environment (standard of the premises, access routes, equipment safety, microclimate, lighting, noise and physical and harmful agents);
- identification of the tasks carried out in the workplace (in order to identify risks arising from individual tasks);
- observation of the way in which the work is carried out (to check compliance with procedures and whether they entail other dangers);
- examination of the environment to detect external factors that could have a negative impact on the workplace (microclimate and ventilation);
- examination of work organisation;
- review of the psychological, social and physical factors that could contribute to stress at work and how they interact with each other and other factors in the organisation and work environment.

The risk assessment is also carried in accordance with that set out in chapter 4 [Risk management](#). Moreover, it is revised when there are changes to the production process or work organisation relevant to the health and safety of workers, or in relation to the development of the techniques, prevention and protection or following serious injuries or when the results of health surveillance show it is necessary. Following this revision, the prevention measures are also updated as necessary.

REPORTING DANGERS AND HAZARDOUS SITUATIONS IN THE WORKPLACE

All workers can report dangers and hazardous situations in the workplace through various channels. The main ones are:

- **Whistleblowing:** a channel for reporting wrongdoing which uses IT and cryptographic techniques to protect the whistleblower's identity and safeguard whistleblowers from any retaliation. This channel is accessible via the group's website (<https://www.salcef.com/whistleblowing-reports/>), by filling in a special form. Reports are investigated by an operator specifically appointed by the governance body pursuant to the Decree, and this is the only person authorised to access the information, ensuring maximum confidentiality.
- **Reporting of near misses¹⁷:** following a near miss, an injury or near miss report can be completed, detailing the event.

The Salcef Group does not retaliate against workers that make these reports, rather, it encourages them. The HSE managers periodically raise awareness among workers to encourage the reporting of any near misses, in order to continuously improve the prevention system.

Moreover, one of the Salcef Group's objectives for the improvement of its occupational health and safety management system is an increase in the number of these reports compared to previous years.

PROCEDURES FOR WORKERS TO REMOVE THEMSELVES FROM HAZARDOUS SITUATIONS

An emergency and evacuation plan is drawn up for each group facility and location. These contain measures to manage emergencies and the evacuation of group workplaces.

With respect to the emergency procedures for production units at mobile and temporary work sites, since the information is site-specific, the procedures are evaluated on a case-by-case basis before work commences and included in a specific emergency plan, which is an integral part of the safety operating plan for the contract.

Emergency officers are identified and formally appointed for both the offices and the operating units. They are informed and trained on the contents of the emergency plan and on any measures to be taken.

In the event of an emergency, each worker is free to remove themselves from work situations that they believe could cause them injury or work-related illness.

¹⁷ An event that could have caused an injury of varying seriousness or that could or did cause damage to things and which, by pure chance, did not have significant consequences for those present.

Analysis of emergency situations and near misses

In the event of an emergency or near miss, once all the necessary actions to respond to the incident and/or to bring the situation under control have been taken, the Safety manager reports the main details of the event to his or her managers in an "Injury or near miss report".

The HSE manager then checks whether the incident or near miss is a case of non-compliance and, if so, manages it in accordance with group procedures.

Through this activity, the root causes of the emergency situation are analysed, to prevent it happening again. To this end, the HSE manager investigates the incident, determines the causes thereof and involves the parent's HSE manager in checking whether similar incidents have occurred. Based on these analyses, and with the assistance of all parties involved and the parent's HSE manager, the HSE manager defines the corrective measures to be taken.

The HSE manager also checks whether it is necessary to update the risk assessment document and whether the integrated management system needs to be amended in light of the analysis of the emergency or near miss.

At the periodic meeting held pursuant to article 35 of Legislative decree no. 81/2008, the HSE manager informs the Workers' representatives about the incidents, injuries and near misses, the corrective measures taken and their effectiveness.

The Salcef Group has a monitoring system for the physical health of its personnel, beginning with the assessment of suitability before hiring through to the termination of employment, reviewed from time to time in compliance with current legislation. The health protocol is specific to each group company based on the health checks required for each group of similar tasks.

Together with the HSE office, the human resources department sets the medical examination requirements for the various tasks and communicates them to the Company doctor. The health protocol is defined by the Company doctor on the basis of the professional risks for the groups of similar tasks assessed in the risk assessment document pursuant to Legislative decree no. 81/2008. Various types of health checks take place, as follows:

- Medical examinations required by law.
- Medical examinations for specific certifications.
- Medical examinations following prolonged absences for health reasons.

Confidentiality of employees' health-related information is ensured in compliance with the requirements of the GDPR and Italian implementing legislation.

WORKER PARTICIPATION - HSE MANAGER/HEALTH AND SAFETY OFFICER, WORKERS' SAFETY REPRESENTATIVE AND THE SAFETY COMMITTEES

The HSE managers/Health and safety officers of the group's subsidiaries are often in contact with workers and the managers of production units and meet with them to discuss and define any critical issues detected or potential critical issues raised by workers. These activities are carried out with the assistance of the Workers' safety representative who represents the workers in relation to occupational health and safety.

Moreover, in order to improve communication and the participation of all workers, the Salcef Group has introduced safety committees in addition to the Workers' safety representative. These have the task of helping to assess risks and possibly suggesting to management improvement measures to tackle the risks identified.

The Safety committee is also the social performance team (SPT) set up pursuant to SA 8000:2014 - Social accountability (for further details see [Social Performance Team](#)).

For each company, these committees are comprised of the management representative, the quality and privacy manager, the relevant HSE manager, the Workers' safety representative and/or the SA 8000 Workers' representative and by a trade union representative, if present.

All Salcef employees receive occupational health and safety training, based on the tasks performed, in line with the requirements and deadlines set by legislation and the group's integrated management system. The HSE manager/Health and safety officer are responsible for planning the training. Emergency drills are also conducted regularly.

Worker consultation and participation in occupational health and safety takes place through the Workers' safety representatives. These are chosen by the workers from among the members of the trade union representatives. They are consulted in relation to risk assessment and attend annual safety meetings and other meetings called by the HSE manager/Health and safety officer. The HSE manager/Health and safety officer calls an annual safety meeting, attended by the Employer, the Company doctor and the Workers' representatives.

For further details on the training process see [Training and development](#).

A tragic accident occurred Brandizzo in 2023 when five workers of a railway systems company were hit by a train while carrying out maintenance work on the tracks. Demonstrating the fullest care and attention that the group has always devoted to the health and safety of its human resources, a critical analysis was carried out on the main ways in which to act and operate, especially when accessing the railway infrastructure, to ensure that all operating procedures and practices are constantly reviewed, optimised and updated to prevent future accidents. Senior management, i.e. the Chief Operating officer and Executive chairperson, was directly involved in this process, which entailed discussion sessions with all Salcef technical/operating managers, such as Technical directors, Site managers, Safety managers, Site managers/Crew chiefs and the Supervisors of railway operating sites.

Both in Italy and abroad, Salcef offers its employees a supplementary healthcare plan paid for by the group.

HEALTH AND SAFETY TRAINING AND PROMOTION

HEALTH MONITORING AND SURVEILLANCE

PREVENTION AND MITIGATION OF HEALTH AND SAFETY IMPACTS

The Salcef Group requires its suppliers of goods and services to formally accept the group's Code of ethics, as an integral and substantial part of the relationship and to refrain from conduct contrary to it. The Code of ethics includes clauses on occupational health and safety. With the aim of preventing and mitigating the negative impacts on the health and safety of workers it does not directly manage and that do not work in places under its control, Salcef gives priority to qualified suppliers with consolidated experience in the production of the goods and services required (see [Qualification and check of requirements](#)).

INJURIES

WORK-RELATED INJURIES (EXCLUDING "IN TRANSIT")	2021	2022	2023
Fatalities	-	-	1
%	0%	0%	1%
Serious injuries	5	2	3
%	12.2%	4.2%	3.6%
Recordable work-related injuries (excluding serious injuries)	36	46	80
%	87.8%	95.8%	95.2%
Total	41	48	84

HOURS WORKED	2021	2022	2023
Total hours worked	2,667,924	2,965,638	3,687,217

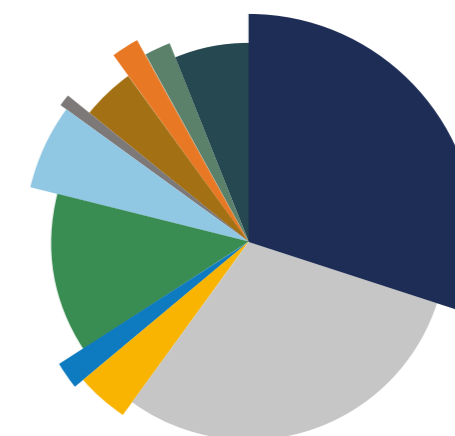
DAYS ABSENT DUE TO INJURY (EXCLUDING "IN TRANSIT")	2021	2022	2023
Total days absent	3,320	2,210	11,719 ¹⁸

¹⁸ The 11,719 days of absence include the standard 7,500 days calculated for fatal accidents according to the UNI 7249 standard: 1995

INJURIES "IN TRANSIT"	2021	2022	2023
No. of injuries in transit	4	2	2
days of absence due to injuries incurred "in transit"	87	16	51

TYPES OF INJURIES

Knocks and crushing	30%
Falls and slips on flat surfaces	30%
Hit by objects thrown or falling from height	4%
Cuts and shearing	2%
Improper bodily movement (voluntary or involuntary)	13%
Handling of excessive weight or strain	6%
Road accidents	1%
Slipping on stairways, stairs, access ladders to structures/machines	4%
Strikes by objects or fluids projected at high pressure	2%
Perforations or pricks	2%
Falls from height (e.g. scaffold, building structures, etc.)	6%

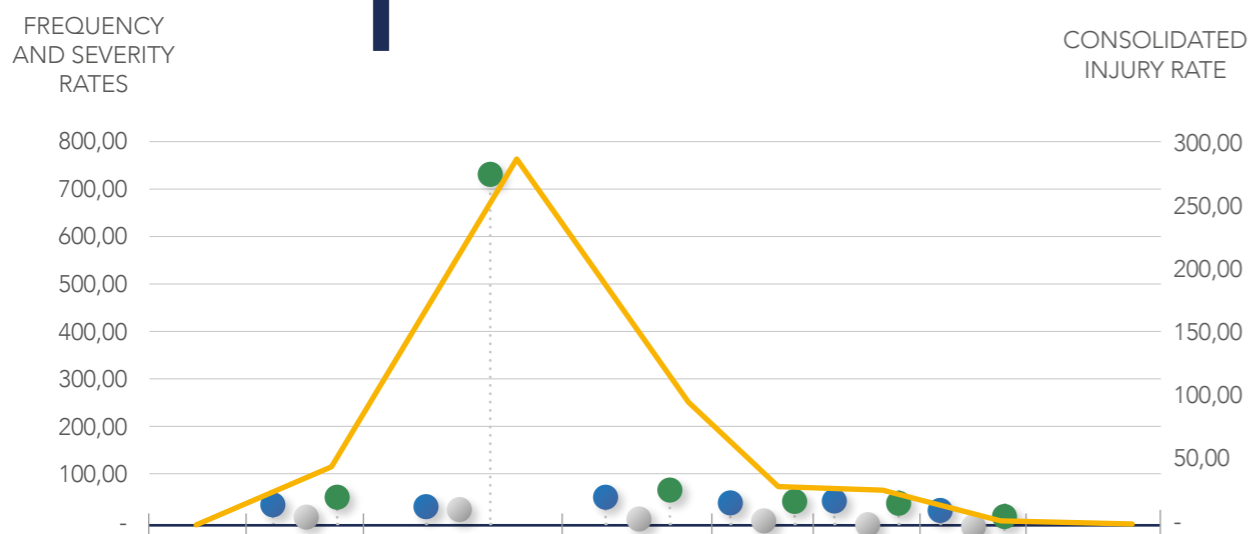


INDICATORS	2021	2022	2023
Death rate from work-related injuries [(number of deaths from work-related injuries / Number of hours worked) x 1,000,000]	-	-	0.27
Rate of work-related injuries with serious consequences (excluding deaths) [(number of work-related injuries with serious consequences / Number of hours worked) x 1,000,000]	1.87	0.67	0.81
Rate of recordable work-related injuries [(number of recordable work-related injuries / Number of hours worked) x 1,000,000]	13.49	15.51	22.78

INJURIES INDICATORS (EXCLUDING "IN TRANSIT")	2021	2022	2023
Frequency rate (No. of injuries/hours worked) x 1,000,000	15.37	16.19	22.78
Severity rate (days absent for injuries / hours worked) x 1,000	1.24	0.75	3.18
Average duration of injuries (days absent for injuries / No. of injuries)	80.98	46.04	139.51
Consolidated injury rate (frequency rate * severity rate)	19.12	12.06	72.41

The increase in the injury rates in 2023 was mainly due to the fatal accident at the construction site of the subsidiary Coget Impianti S.r.l.. The investigations and subsequent analysis of the causes showed that all the training and operational measures that the company had deployed were adequate and correctly implemented, and that the tragic event was caused by the worker's irregular conduct during certain activities at height. Nevertheless, the company took immediate action after the accident to improve its procedures, training, the equipment assigned to workers and organisation, with the aim of guaranteeing safety standards that are even stricter than those prescribed by regulations.

The number of days of absence due to injuries include 1,457 days relating to Francesco Ventura Costruzione Ferroviarie S.r.l. and Colmar Technik S.p.A., which were acquired in 2023. Excluding these two newly-acquired companies, the increase in the number of days of absence is consistent with the group's strong growth.



	General Services	Track & Light Civil Works	Energy, Signalling & Telecommunication	Rail Grinding & Diagnostics	Heavy Civil Works	Railway Machines	Railway Materials	Engineering
FREQUENCY RATE (No. injuries/ hours worked) x 1,000,000	-	28.46	19.59	38.89	27.32	29.77	13.44	-
SEVERITY RATE (No. Missed days/hours worked) x 1,000,000	-	1.53	14.45	2.43	1.01	0.89	0.07	-
AVERAGE DURATION OF INJURIES (days absent for injuries / No. of injuries)	-	53.88	737.91	62.50	37.00	30.00	5.00	-
CONSOLIDATED INJURY RATE (frequency rate * severity rate)	-	43.62	283.11	94.53	27.61	26.59	0.90	-

No cases of work-related illness were recorded by the group in the reporting period.

ACCIDENTS INVOLVING PERSONNEL EXTERNAL TO THE ORGANISATION

In 2023, there were no injuries of workers that are not employees of the group but whose work and/or workplace is under the group's control, although external workers worked a total of 2,845,444 hours on the Salcef Group's contracts.

INDICATORS	2021	2022	2023
Death rate from work-related injuries [(number of deaths from work-related injuries / Number of hours worked) x 1,000,000]	-	0.65	-
Rate of work-related injuries with serious consequences (excluding deaths) [(number of work-related injuries with serious consequences / Number of hours worked) x 1,000,000]	-	-	-
Rate of recordable work-related injuries [(number of recordable work-related injuries / Number of hours worked) x 1,000,000]	-	-	-

INJURIES INDICATORS (EXCLUDING "IN TRANSIT")	2021	2022	2023
Frequency rate (no. of injuries/hours worked) x 1,000,000	-	0.65	-
Severity rate (days absent for injuries / hours worked) x 1,000	-	4.90	-
Average duration of injuries (days absent for injuries / no. of injuries)	-	7,500.00	-
Consolidated injury rate (frequency rate * severity rate)	-	3.20	-

ABSENCES

In 2023, the total days of absences increased on 2022. In addition to that described for injuries, the number of days missed due to illness included 6,819 related to the companies acquired in 2023, without which the total number would have been lower than in 2022. Other, which includes holidays, leave and other types of time off and absences, grew in line with the group's growth in size.

DAYS OF ABSENCE BY TYPE	2021	2022	2023
Injuries (excluding "in transit")	3,320	2,210	11,719
Illness	19,742	14,875	21,498
Parental leave	2,460	596	705
Other	38,750	25,640	40,103
Total	64,272	43,321	74,025



ENVIRONMENTAL IMPACT MANAGEMENT

ENERGY, EMISSIONS AND CLIMATE CHANGE

GRI 2-4 GRI 3-3 GRI 302-1 GRI 302-3 GRI 302-4
GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-7

THE EUROPEAN UNION AND TCFD RECOMMENDATIONS

This section reports the disclosure on climate change, based on the framework recommended by the TCFD - Task Force on Climate-related Financial Disclosures - of the Financial Stability Board. The disclosure makes reference to the Communication from the European Commission Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C/209/01). This Communication, which supplements the guidelines issued by the Commission on non-financial reporting pursuant to Directive 2014/95/EU, contains (non-binding) guidance on the climate-change information to be provided by companies.

However, in late 2023, the Financial Stability Board announced that the TCFD had completed its work and that its recommendations, which remain valid and applicable, have been incorporated into the standards of the ISSB (International Sustainability Standards Board, which is part of the IFRS Foundation), and, in particular, into IFRS S2 Climate-related disclosures. This NFS, which has been prepared in accordance with the GRI Standards as the reporting criteria, includes a reconciliation between the Salcef Group's current reporting system and the TCFD recommendations.

Salcef's governance system is described in chapter 5 [Governance and responsible business conduct](#), to which reference should be made. In this system, a particularly important role is played by the Audit and risk committee, which supports the board of directors in assessments and decision-making with regards to risk management and the internal control system, with a view to ensuring business operations oriented to maximise the group's value and sustainable development.

The Audit and risk committee gives its opinion annually on the adequacy and effectiveness of the safeguards and instruments adopted by the group for the identification, measurement, management and monitoring of the main risks that could compromise the group's ability to implement strategies and achieve its objectives.

The assessments and decisions related to environmental risks, which include those related to climate change, are therefore subject to processes involving an adequate level of attention.

The main operating instruments are a) the ESG policy; b) the Integrated quality, health and safety and environmental policy; b) the ISO 14001:2015 management system; c) Coget Impianti's 50001 energy management system; d) the ERM model.

GOVERNANCE



STRATEGIES: THE INDUSTRY, CLIMATE CHANGE AND THE ROLE OF SALCEF

As already discussed in the [Business model and strategy](#) chapter, the transport sector is undergoing a radical transformation towards a more intelligent, cleaner and more inclusive mobility system. One of the key drivers of this transformation is climate change, in the two dimensions of: a) mitigation of climate change, thanks to a system that encourages public transport (especially rail) and the decrease in the dependence on fossil fuels, thus reducing emissions, and; b) adaptation to the climate change underway, by bolstering the infrastructures of systems vulnerable to the effects of climate change (extreme weather events and natural disasters).

Salcef plays an active role and is an enabler in this transformation process, providing support and assistance with its services and products through its business units in the respective operating segments.

The need for companies to respond to climate change is confirmed within Salcef's organisation: the Integrated quality, health and safety and environmental policy and the actions implemented for the responsible use of resources have this objective, which includes the reduction of directly generated emissions.

At present, Salcef has not developed specific medium to long-term scenarios of resilience and the financial impacts of an increase of 2°C or less and of more than 2°C (20).

Issues related to climate change risk were a focus of Salcef Group's enterprise risk management modelling. Risks were analysed on the following basis: business continuity, in relation to the safeguarding of structures and infrastructures in the event of natural disasters or external events in general; competitive context, monitoring sector regulatory changes in general, including as relates to climate change; environmental, as regards responsibility for environmental pollution; country risk, as relates to the monitoring of risks associated with the solvency of customers in relation to changes in macroeconomic and/or geopolitical scenarios. Two quantitative measurement tools (key risk indicators) were also developed for the environmental and country risk categories.

RISK MANAGEMENT

RISKS AND OPPORTUNITIES

As part of its enterprise risk management activities, Salcef has identified the following risks and opportunities linked to the potential effects of climate change. Specific business cases/sensitivity analyses have not yet been developed for these risks.



RISKS - TRANSITION RISKS	IMPACTS AND MANAGEMENT
Legislative and regulatory risks	Material impacts: possible limitations on group activities/operations; exposure to potential liabilities for penalties and/or sanctions. Risk management: monitoring of changes in the regulatory framework in the group's markets
Procurement risks for raw materials/energy	Material impacts: shortages of materials; negative economic performance; delays/interruptions to production cycles. Management method: strategies based on the close monitoring of market trends, the expansion of the supply chain, and tailoring contracts to include clauses to mitigate these risks (i.e., raw materials price escalation). With reference to its operations, Salcef pursues a strategy of reducing its reliance on external supplies of electricity by installing photovoltaic plants.
Technological risks	Material impacts: technological obsolescence; physical deterioration of group assets. Management approach: adoption of robust investment plans in rolling stock, in order to avoid technological obsolescence. Significant technological advances are not expected in this sector in the medium term, so investments and regulations are aimed at progressive efficiency in terms of consumption and the consequent reduction in polluting atmospheric emissions.
Reputational risks	Material impacts: deterioration of commercial relations with customers/strategic partners; dissemination of false or misleading information or that damages the group's impact and reputation. Management approach: strategies designed to ensure full compliance; adoption of communication strategies reflecting group values; monitoring of brand reputation in the media and in general; Enhancement of the fact that the group operates in a sector classified as green.
RISKS - TRANSITION RISKS	IMPACTS AND MANAGEMENT
Business continuity risks - acute risks	Material impacts: interruptions to infrastructure operation, destruction or inaccessibility of structures housing critical operating resources; unavailability of essential personnel for the functioning of group processes. Management approach: Business continuity is ensured by the type of business and the related organisation of technical and human resources. The investment policy (machinery and recruitment) is able to cover key operating requirements.
OPPORTUNITIES	IMPACTS AND MANAGEMENT
Legislative development	As an operator in the railway transport sector, the legislative development that accompanies the transformation process of the transport sector with the aims of creating a sustainable mobility system (see the Sustainability mobility section of this report) represents a significant opportunity for Salcef to expand its sphere of operations.
The market and technological development	The effects of climate change are a factor driving the expansion of sustainable mobility systems, with positive impacts for the group's business in terms of greater demand for services.

METRICS AND TARGETS

Performance - indicators and metrics

Salcef's current reporting system is based on the performance indicators and metrics of the GRI Standards. Specifically, the following are reported:

- 302 ENERGY**
 - 302-1 Energy consumption within the organization
 - 302-3 Energy intensity
 - 302-4 Reduction of energy consumption
- 305 EMISSIONS**
 - 305-1 Direct (Scope 1) GHG emissions
 - 305-2 Energy indirect (Scope 2) GHG emissions
 - 305-3 Other indirect (Scope 3) GHG emissions - partial reporting (from the 2021 NFS)
 - 305-4 GHG emissions intensity
 - 305-7 Nitrogen oxide (NOx), sulfur oxides (SOx) and other significant air emissions

Targets

The Salcef Group has for the present defined the following targets for its organisation:

- Reduction of **energy intensity** indicators (fleet renewal and consumption efficiency).
- Increase in the **energy consumed from renewable sources** (electricity - installation of photovoltaic plants).

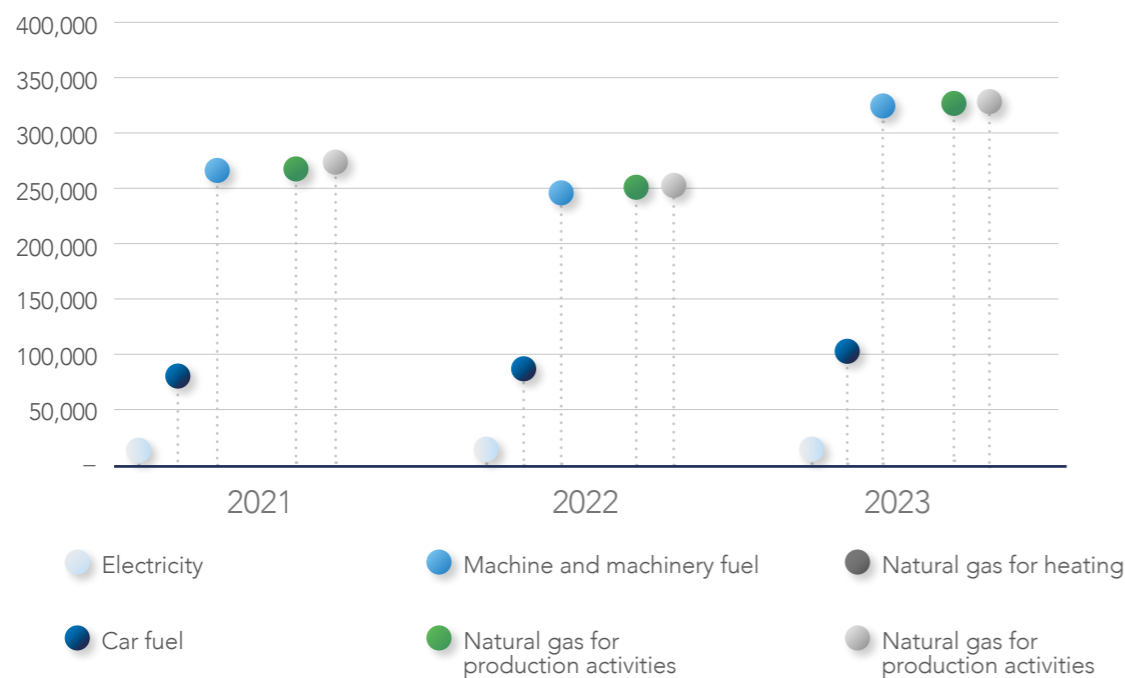
ENERGY CONSUMPTION

The energy sources mainly used by the Salcef Group are diesel at the work sites, to fuel machinery and equipment, and electricity at its facilities. The quantity of energy consumed from renewable sources has grown 57% over the three years.

ENERGY CONSUMED (GJ)	2021	2022	2023
Electricity			
Electricity acquired	13,898	14,429	15,770
<i>Of which, from renewable sources</i>	655	1,843	2,335
Electricity generated by the photovoltaic plants	2,055	2,077	2,027
Less energy sold to the grid	169	314	373
Total	15,784	16,192	17,424
<i>Of which, from renewable sources</i>	<i>2,541</i>	<i>3,606</i>	<i>3,989</i>
Car fuel			
Diesel	58,277	61,400	67,420
Petrol	11,347	15,005	18,576
LPG	360	18	74
Natural gas	-	-	4
Total	69,984	76,423	86,075
Machine and machinery fuel			
Diesel	185,638	155,522	229,018
Petrol	117	106	294
Total	185,755	155,628	229,312
Natural gas for heating	1,803	2,736	2,631
Other sources - Natural gas for production activities	4,436	3,648	470
Total energy consumption - GJ	277,762	254,628	335,912
<i>Of which, from renewable sources</i>	<i>2,541</i>	<i>3,606</i>	<i>3,989</i>

Energy consumption data are presented in gigajoules, a measurement provided for by the GRI Standards, which allows for comparison. A joule is a unit of work or energy and is "equal to the work done by a force of one newton when its point of application moves through a distance of one metre in the direction of the force; it is equivalent to the energy that is dissipated in 1 second in the form of heat" (Oxford Languages). Prior year energy consumption data in previous reports may have been restated on the basis of updated conversion factors published in the most recent versions of the sources indicated below.
Sources: Electricity - [ENEA - national agency for new technologies, energy and sustainable economic development](#) Fuels - Defra UK - [greenhouse gas reporting: conversion factors 2023 - gov.uk](#) Natural gas - Italian Ministry for the Environment - national emissions calculation table [EU ETS - Italy: News \(minambiente.it\)](#)

ENERGY CONSUMPTION



The main type of consumption, accounting for 70% in 2023, is [Machine and machinery fuel](#), as discussed in greater detail in the specific section of this report. This source of consumption increased in 2023 mainly due to the consolidation of Francesco Ventura Costruzioni Ferroviarie S.r.l., which has a fleet of more than 400 units. In addition, consumption of [natural gas for production activities](#) dropped considerably in the year as it was used less, especially at the Overall facility, which reorganised production to minimise the use of natural gas for curing sleepers, preferring a natural process.

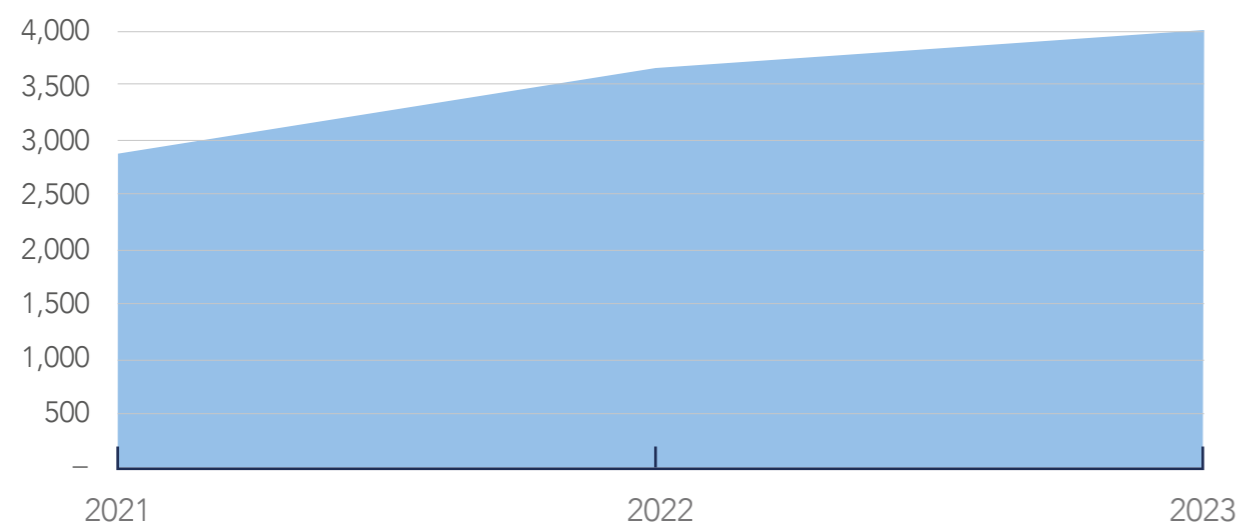
As the percentage of electricity out of total sources of energy decreased slightly on 2022 (5.4% compared to 6.4%), the consumption of electricity from renewable sources expanded further in 2023 (+10.6%), mainly due to the increase in the amount acquired (+27%) after five group companies obtained guarantee of origin certificates. More details are provided in the section on [Electricity](#).

The Overall facility in Aprilia has a photovoltaic plant providing a total of 361 kWp and an estimated total production of 447 MWh/year. It generated 353 MWh in 2023, 250.5 MWh of which was consumed by the facility. The energy produced by the photovoltaic plant covers 16% of the total annual energy requirements.

The SRT facility at Fano also has a photovoltaic plant comprised of 768 260 W panels providing an estimated total production of 243 MWh/year. It generated 216.6 MWh in 2023, 213.4 MWh of which was consumed by the facility. The energy produced by the photovoltaic plant covers 21% of the total annual energy requirements.



CONSUMPTION OF ENERGY FROM RENEWABLE SOURCES



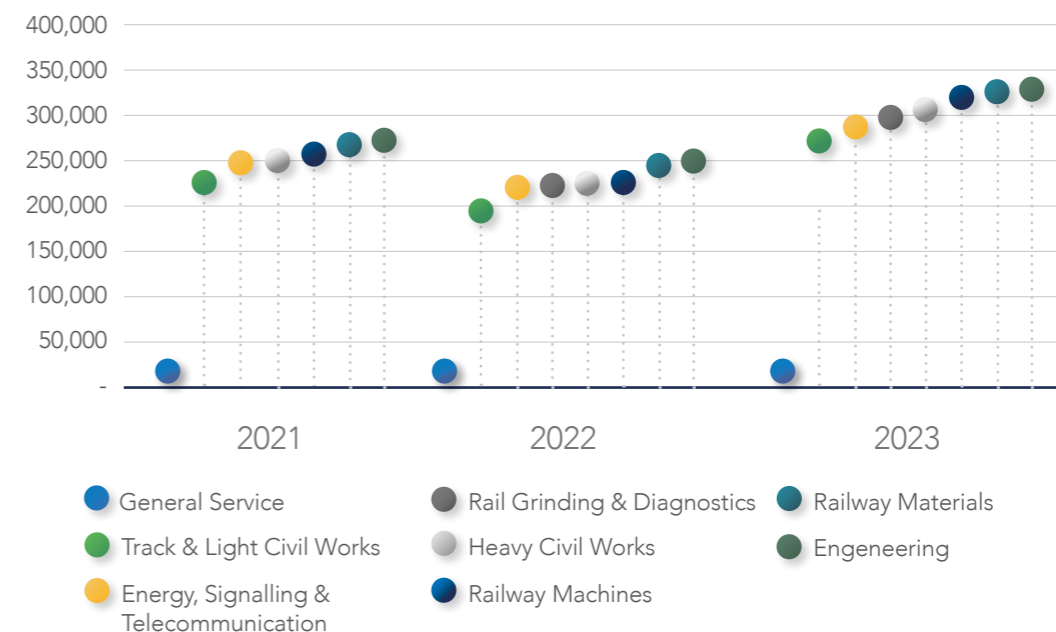
The analysis of total energy consumption by business unit confirms the clear predominance of the Track & Light Civil Works business unit. This business unit corresponds with the group's core business and it was also impacted by the consolidation of Francesco Ventura Costruzioni Ferroviarie S.r.l. in 2023. It mainly consumes energy in the form of [Machine and machinery fuel](#) which, as mentioned earlier, is the biggest type of consumption.

ENERGY CONSUMED (GJ)			
Total consumption by business unit	2021	2022	2023
General Services	16,840	16,280	14,965
Track & Light Civil Works	216,849	184,005	258,547
Energy, Signalling & Telecom	19,147	24,358	23,585
Rail Grinding & Diagnostics ¹		1,903	7,717
Heavy Civil Works	3,039	6,332	11,631
Railway Machines	8,773	9,421	9,831
Railway Materials	13,080	11,883	9,577
Engineering	34	446	60
Totale	277,762	254,628	335,912
Impact of the consumption of the Track & Light Civil Works business unit	78%	72%	77%

¹ 2021 consumption is included in the Track & Light Civil Works business unit

The Salcef Group has set clear objectives and strategies to reduced consumption as described in [Energy consumption reduction targets and projects](#).

ENERGY CONSUMPTION BY BUSINESS UNIT



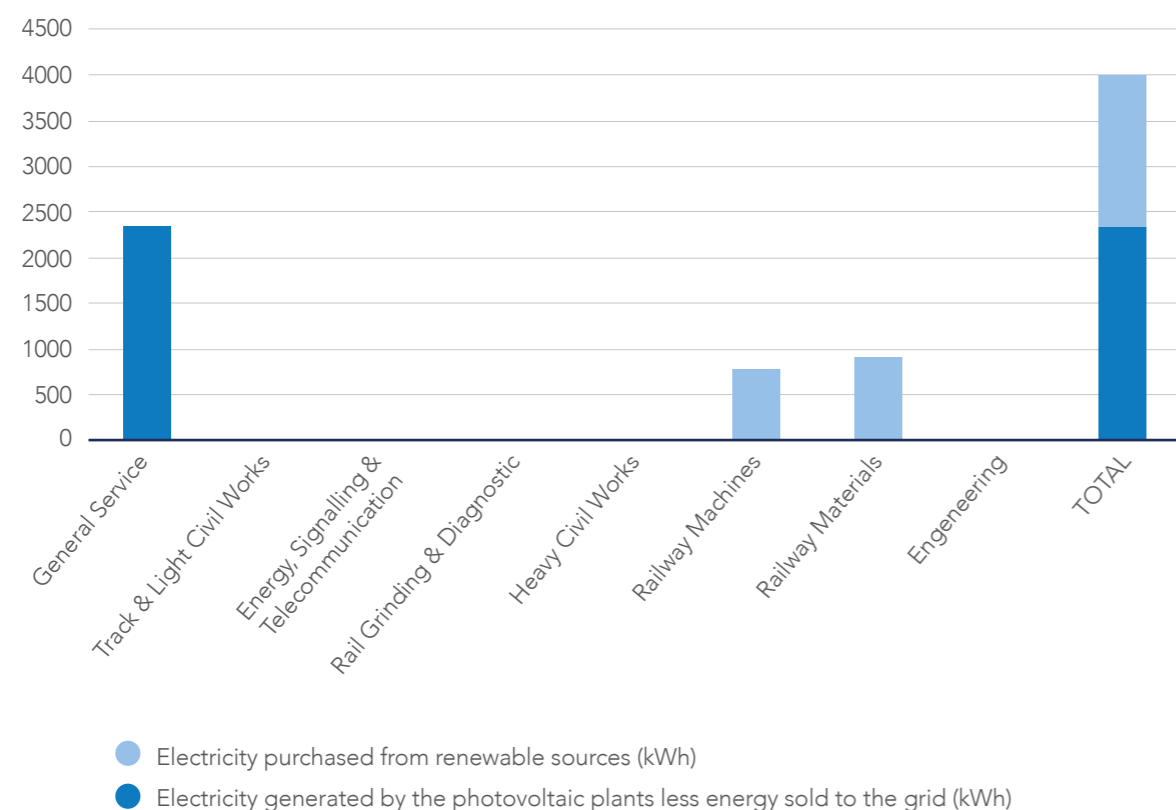
Electricity is mainly used to fuel the equipment and systems at the production facilities and office utilities.

ELECTRICITY

Electricity consumption increased slightly in 2023 compared to 2022 (+9%). As mentioned, there was a greater use of energy from renewable sources, particularly for the energy acquired - 15% of which is guarantee of origin certified - compared to 13% in 2022. Overall, the percentage of electricity from renewable sources out of the total remained stable in 2023 compared to the previous year at 23% of the total.

ELECTRICITY	Unit	2021	2022	2023
Electricity acquired	kWh	3,860,569	4,008,141	4,380,448
<i>Of which, from renewable sources</i>	kWh	182,000	511,954	648,675
Electricity generated by the photovoltaic plants	kWh	570,865	576,911	563,065
Less energy sold to the grid	kWh	46,937	87,327	103,559
Total	kWh	4,384,497	4,497,725	4,839,954
<i>Of which, from renewable sources</i>	kWh	705,928	1,001,538	1,108,181

ENERGY FROM RENEWABLE SOURCES BY BUSINESS UNIT



CAR FUEL

Car fuel is mainly used for the road transport of people and freight to reach the operating units and work sites. Petrol consumption increased further in 2023 compared to 2022 (+24%) while diesel consumption was down slightly (-1%).

CAR FUEL	UNIT	2021	2022	2023
Diesel	litres	1,621,515	1,708,888	1,894,356
Petrol	litres	348,173	461,977	575,658
LPG	litres	14,800	738	3,037
Total	litres	1,984,488	2,171,603	2,473,050
<i>Of which, from renewable sources</i>	<i>litres</i>	-	-	-
Natural gas	scm	-	-	126
<i>Of which, from renewable sources</i>	<i>scm</i>	-	-	-

MACHINE AND MACHINERY FUEL

Machine and machinery fuel is the energy type with the greatest impact on consumption. It is mainly used for road and rail machines used in work sites, as well as to power work site infrastructure through generators. The main energy source used is diesel. The increase on 2022 is due to the growth in the group's operations and the consolidation of Francesco Ventura Costruzioni Ferroviarie S.r.l..

MACHINE FUEL	UNIT	2021	2022	2023
Diesel	litres	5,165,214	4,328,484	6,434,889
Petrol	litres	3,585	3,262	9,123
Total	litres	5,168,799	4,331,746	6,444,011
<i>Of which, from renewable sources</i>	<i>litres</i>	-	-	-

NATURAL GAS FOR HEATING

The consumption of natural gas for heating decreased 4% in 2023 compared to 2022.

NATURAL GAS FOR HEATING	UNIT	2021	2022	2023
Natural gas	scm	51,101	77,419	74,191
Total	scm	51,101	77,419	74,191

NATURAL GAS FOR PRODUCTION ACTIVITIES

The sharp drop on 2022 is due to Overall, which reorganised production to minimise the use of natural gas for curing sleepers, preferring a natural process.

OTHER SOURCES	UNIT	2021	2022	2023
Natural gas for production activities	scm	125,723	103,232	13,265
Total	scm	125,723	103,232	13,265

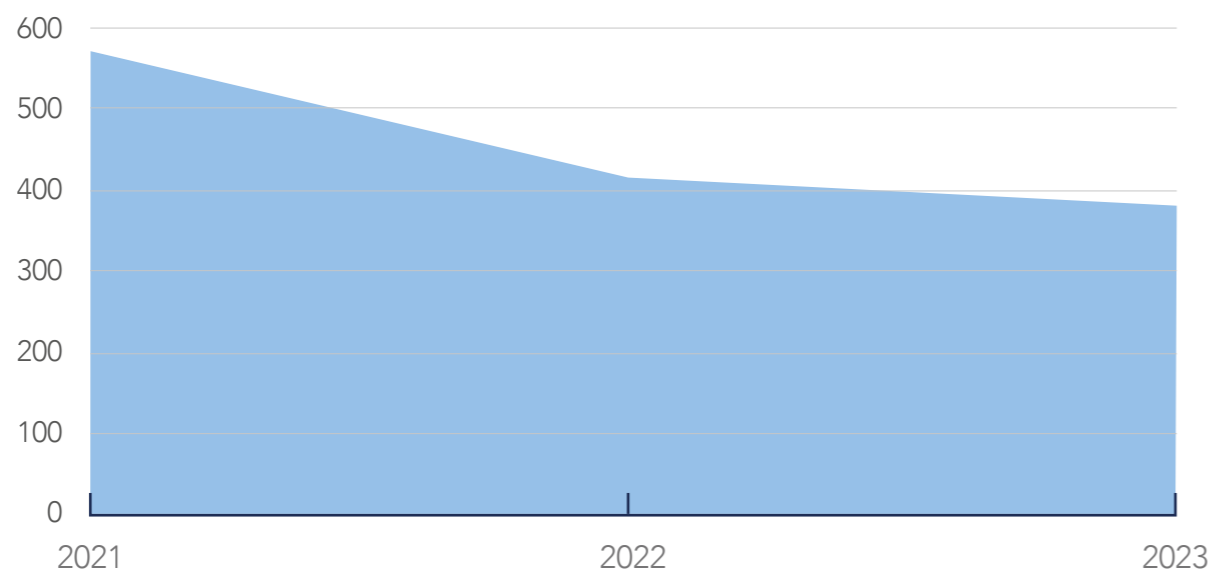
ENERGY INTENSITY

In order to analyse the consumption intensity, consumption has been compared to the revenue of the period, expressed in millions of euros. The resulting indicator was selected to represent the energy consumption necessary to generate €1 million in revenue. This indicator is particularly effective for comparing different periods, irrespective of their related production. The revenue used for this indicator is the aggregate amount, before intragroup eliminations.

The improvement trend in energy intensity continued in 2023, decreasing by a further 5% compared to 2022.

ENERGY INTENSITY	UNIT	2021	2022	2023
Energy consumption	GJ	277,762	254,628	335,912
Revenue	Euro	485,309,339	611,950,691	872,497,561
Intensity indicator	GJ/€ million	572	416	385

ENERGY INTENSITY

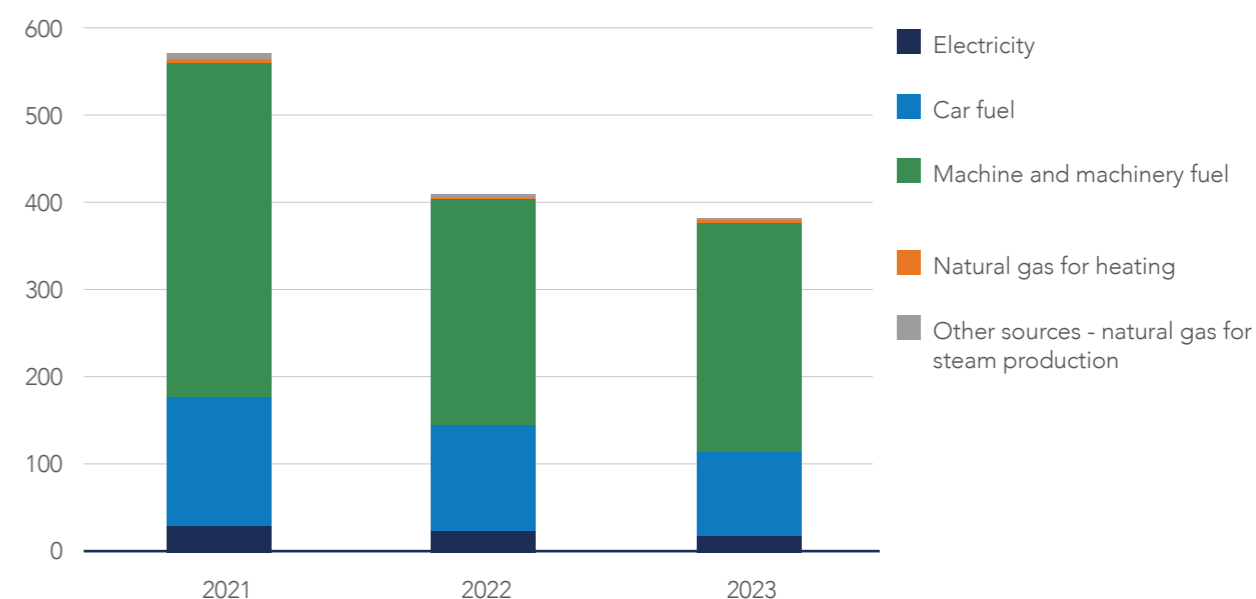


The analysis of energy consumption intensity for each type of consumption shows the prevalence of fuel, both for machines and cars. The intensity of all consumption types fell in 2023, except for machine fuel which rose slightly. The largest decreases were seen in natural gas intensity, down 91% for steam production and 32% for heating. Electricity and vehicle fuel dropped by 25% and 21% respectively.



ENERGY INTENSITY - GJ /€ MILLION	2021	2022	2023
Electricity			
Electricity acquired	28.64	23.58	18.07
<i>Of which, from renewable sources</i>	1.35	3.01	2.68
Electricity generated by the photovoltaic plants	4.23	3.39	2.32
<i>Of which, energy sold to the grid</i>	0.35	0.51	0.43
Total	32.52	26.46	19.97
Car fuel			
Diesel	120.08	100.34	77.27
Petrol	23.38	24.52	21.29
LPG	0.74	0.03	0.08
Natural gas	-	-	0.01
Total	143.53	124.88	98.65
Machine and machinery fuel			
Diesel	382.51	254.14	262.49
Petrol	0.24	0.17	0.34
Total	382.76	254.32	262.82
Natural gas for heating			
Natural gas	3.71	4.47	3.02
Total	3.71	4.47	3.02
Other sources - Natural gas for steam production			
Natural gas	9.14	5.96	0.54
Total	9.14	5.96	0.54
Total energy intensity - GJ /€ million	572.34	416.09	385.00

ENERGY INTENSITY



ENERGY CONSUMPTION REDUCTION TARGETS AND PROJECTS

As the figures show, the Track & Light Civil Works business unit accounts for about 70% of energy consumption and this mainly relates to [Machine and machinery fuel](#).

The Salcef Group will continue its approach to innovation, mainly linked to machinery, by investing in increasingly high-performance assets with a lower environmental impact and improving and optimising the existing ones. The group continuously invests in the renewal, modernisation and upgrade of its fleet of machines, mainly on road and rail machinery, classed as non-road mobile machinery (NRMM). The term NRMM is used in the European standards on emissions from engines not principally used on public roads. For details see: https://ec.europa.eu/growth/sectors/automotive/environment-protection/non-road-mobile-machinery_en

The efficiency and improvement of the machine fleet includes the renovation and upgrade of the existing assets and the Salcef Group has various programmes to modernise its older machines. This include updating the original engines with new, more efficient and low consumption engines to improve environmental performance and extend the life cycle of the machinery.

As regards electricity, there are plans to expand the current photovoltaic plants to increase their production capacity, new photovoltaic plants will be installed in other locations for the internal use of the electricity generated, and supply contracts with guarantee of origin certificates will be expanded.

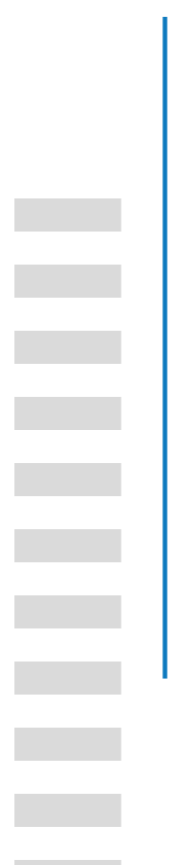
DIRECT AND INDIRECT EMISSIONS: GHG SCOPE 1 - SCOPE 2 - SCOPE 3

The emissions data are reported in tonnes of carbon dioxide equivalent (t CO₂e) and refer to direct emissions (Scope 1 GHG - Greenhouse gases), together with the indirect emissions related to the consumption of electricity from the grid (Scope 2 GHG).

Again in 2023, the group agreed specific supply contracts with guarantee of origin certificates, an electronic certification that attests to the renewable origin of the sources used for the production of electricity. Net of these contracts, the indirect emissions from electricity consumption (Scope 2 GHG) were calculated using both a location-based approach and a market-based approach.

- Under the **location-based** method, the emissions deriving from electricity consumption are recorded applying national average emission factors for the production of electricity.
- The **market-based** method requires the calculation of Scope 2 GHG generated by the purchase of electricity based on the specific emission factors communicated by the suppliers. For purchases of electricity from renewable sources, a zero tCO₂e emission factor is applied. If there are no specific contractual agreements, this method requires the use of national residual mix emission factors, where technically applicable.

The emissions reported in the following tables for 2022 and 2021 differ from those disclosed in previous editions of the Sustainability report. The reason is because of the continuous updating of the emission factors in the relevant databases.



DIRECT (SCOPE 1) GHG EMISSIONS

EMISSIONS / CO ₂ - GHG SCOPE 1 t CO ₂ e	2021	2022	2023
Car fuel			
Diesel	4,074	4,371	4,255
Petrol	764	999	1,165
LPG	23	1	5
Natural gas	-	-	0.1
Total car fuel	4,860	5,371	5,425
Machine and machinery fuel			
Diesel	12,977	11,071	16,164
Petrol	8	7	19
Total machine and machinery fuel	12,984	11,078	16,184
Natural gas for heating			
Natural gas	101	154	149
Other sources - Natural gas for production activities	249	206	27
Total - Scope 1 emissions	18,196	16,809	21,784

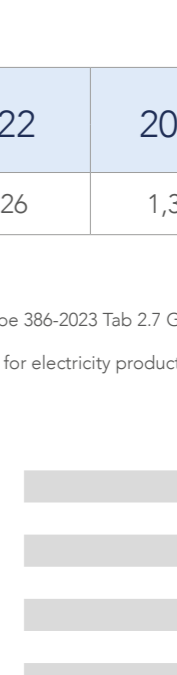
Sources
 Natural gas - Italian Ministry for the Environment - national emissions calculation table [EU ETS - Italia: News \(minambiente.it\)](#).
 Fuels and other emissions sources - DEFRA UK - [Greenhouse gas reporting: conversion factors 2022 - GOV.UK \(www.gov.uk\)](#)

As mentioned earlier, the increase in direct emissions compared to 2022 is mainly due to the growth in the group's business volumes and the consolidation of Francesco Ventura Costruzioni Ferroviarie S.r.l.. [Machine and machinery fuel](#) and [Vehicle fuel](#) are the categories with the highest impact, as for consumption.

INDIRECT (SCOPE 2) GHG EMISSIONS

EMISSIONS / CO ₂ - GHG SCOPE 2 t CO ₂ e - LOCATION-BASED METHOD	2021	2022	2023
Electricity acquired	1,223	1,326	1,398

Sources
 Italy, Germany, Poland, Romania - [ISPRA - Ministero Ambiente](#) - ISPRA Efficiency & decarbonization indicators ITA Europe 386-2023 Tab 2.7 GHG emission factors for total electricity production (g CO₂eq/kWh).
 Austria, Croatia - [ISPRA - Ministero Ambiente](#) - Rapporto 366-2022 Tab A 2 20 - Emission factors in the electricity sector for electricity production.
 Norway, Switzerland - [European Residual Mix - AIB 2022 - Table 5: Production mix 2022](#).
 USA - US EPA - [Summary data](#) - Released 1/30/2024 (RFCW).
 Canada - GHG Inventory - [National Inventory Report 1990-2021](#).
 Australia - [Australian National Greenhouse Accounts Factors - August 2023](#).
 Saudi Arabia - [CLIMATE TRANSPARENCY - Report 2022](#).
 Egypt, United Arab Emirates - [Carbon Footprint Ltd's GHG Factors for International Grid Electricity \(ROW\) 2023](#).



EMISSIONS / CO ₂ - GHG SCOPE 2 t CO ₂ e - MARKET-BASED METHOD	2021	2022	2023
Electricity acquired	1,702	1,602	1,712

Sources

Italy, Austria, Croatia, Germany, Poland, Romania, Norway, Switzerland - [European Residual Mix - AIB 2022 - Table 5: Production mix 2022](#).

USA - US EPA - [Summary data](#) - Released 1/30/2024 (RFCW).

Canada - GHG Inventory - [National Inventory Report 1990-2021](#).

Australia - [Australian National Greenhouse Accounts Factors - August 2023](#).

Saudi Arabia - [CLIMATE TRANSPARENCY - Report 2022](#).

Egypt, United Arab Emirates - [Carbon Footprint Ltd's GHG Factors for International Grid Electricity \(ROW\) 2023](#).

The 2021 and 2022 emissions data were recalculated based on the emission factors for the relevant periods.

Scope 2 emissions were slightly up on 2022, and this increase is more pronounced using the market-based approach.

For the indirect emissions, it should be noted that the final figure is significantly impacted by the emission factors applied by the relevant country and, therefore, nations with a more polluting energy production mix (e.g., Saudi Arabia, Poland and the USA) have higher emission factors. In any case, the aim is to encourage consumption from renewable sources so as to reduce emissions.

EMISSIONS / CO ₂ - GHG SCOPE 1 + GHG SCOPE 2 LOCATION - BASED METHOD t CO ₂ e	2021	2022	2023
Total GHG Scope 1 emissions (direct)	18,196	16,809	21,784
Total GHG Scope 2 emissions (indirect)	1,223	1,326	1,398
Total GHG Scope 1 / Scope 2 emissions	19,418	18,134	23,182

EMISSIONS / CO ₂ - GHG SCOPE 1 + GHG SCOPE 2 MARKET - BASED METHOD T CO ₂ E	2021	2022	2023
Total GHG Scope 1 emissions (direct)	18,196	16,808	21,784
Total GHG Scope 2 emissions (indirect)	1,702	1,602	1,712
Total GHG Scope 1 / Scope 2 emissions	19,897	18,410	23,496

For the purposes of the calculation of the [Emissions intensity](#) indicators, reference was made to the results obtained using the location-based method for the Scope 2 emissions, as it is more representative of the current electricity purchase profile.

INDIRECT GHG EMISSIONS (SCOPE 3) - GREENHOUSE GAS (GHG) MAPPING PROTOCOL

Starting from the 2023 reporting and in compliance with EU Directive 2022/2464 (CSRD), which requires an accurate calculation of all greenhouse gas emissions resulting from an organisation's activities and its value chain, the Salcef Group has mapped the most significant categories of Scope 3 emissions (indirect emissions generated by the group's value chain upstream and downstream of its direct activities).

The analysis was carried out using the methodological support of the Greenhouse Gas [\(GHG\) Protocol](#), which provides a model for calculating the significance of 15 Scope 3 emission categories based on an organisation's business model. It supplements the calculation of part of the emissions generated by the transport system, which the group has reported since 2021, and those generated by waste treatment, which the group is reporting from this document on. These emission categories therefore flow into some of the identified categories.

The identification of Salcef's significant categories of emissions involved different people in the group, who were interviewed in order to develop the significant matrix, in accordance with the GHG Protocol Standard.

Salcef Group has found that seven of the Scope 3 emission categories provided by GHG Protocol are significant in its organisation, based on the criteria of size, influence, risks and stakeholders, as illustrated below.

- Purchased products and services (upstream)**
This category includes all upstream (i.e., cradle-to-gate) emissions generated by the production of purchased products and services, including the extraction and processing of raw materials, electricity consumed by upstream activities and transport between suppliers.
- Capital goods (upstream)**
This category includes all upstream emissions from the extraction, production and transport of purchased capital goods, specifically equipment, machinery, buildings, structures and vehicles.
- Transport and distribution of purchased products (upstream)**
These are emissions relating to the transport and distribution of products purchased and transported in vehicles not owned by the company. In this category, Salcef reports the transport of materials and machinery to the production units.
- Waste generated in operations (upstream)**
These are emissions from the disposal and treatment of solid and liquid waste generated in the company's owned or controlled operations, including waste generated by transport. Salcef calculates emissions from waste transport and disposal in this category.
- Leased assets (upstream)**
This category includes emissions from the operation of assets that are leased by the company and not already included in the Scope 1 or Scope 2 inventories. In the Salcef Group's specific case, all the emissions that would fall into this category, i.e., emissions generated by the fleet of leased vehicles and leased buildings, are included in the Scope 1 and Scope 2 inventories.
- Downstream transportation and distribution**
This category includes emissions from transportation and distribution of sold products to consumers in vehicles and facilities not owned or controlled by the company. Salcef reports the emissions generated by the transport of products to customers in this category.
- Use of sold products (downstream)**
This category includes emissions from the use of goods and services sold by the company, including direct and direct emissions during the entire life cycle of the sold products. Salcef reports some of the emissions in this category in the Scope 1 category, particularly machinery produced and used internally within the group.



EMISSIONS FROM THE TRANSPORT SYSTEM AND WASTE TREATMENT (GHG SCOPE 3)

Since 2021, Salcef's process to improve its sustainability performance reporting has led to the inclusion of emissions generated by the transport system and, starting this year, to the calculation of emissions generated by waste treatment.

In particular, the analysis covered the perimeter described below:

- all group companies for emissions from waste treatment and transport;
- only the Italian companies, the commercial branches reporting to Salcef Group S.p.A. and Salcef S.p.A. and the US companies for other types of transport. Specifically, other types of transport consist of the transport of machinery to production units, the transport of materials to production units and the transport of finished products to customers. The modes of transport mapped are road, air, rail and sea.

This therefore excludes transport included in the supply cost, shipments of less than 50kg delivered via courier and transport carried out directly by the group companies (the related emissions are included in Scope 1).

The calculation of emissions generated from waste treatment, which the group has begun reporting this year, and emissions generated by their transport for disposal, which was already reported in 2021 and 2022, covers the main types of waste generated by the group's activities, i.e. crushed stone, cement, rocks and soil and mixed waste from construction and demolition, to which specific emission factors have been attributed according to the type of material and the method of disposal. The sum of these quantities makes up 98% of the total waste generated by Salcef. An average factor associated with the type of treatment was attributed to the remaining 2%, which refers to a variety of different types of waste of negligible amounts.

The EcoTransIT World tool was used to report the other types of transport, calculated as follows:

- actual distance in kilometres (detailed database of the routes);
- emission modelling by equivalent carrier and transported weight;
- well-to-wheel (WTW) emissions assessment.

72% of the road transport routes travelled refer to distances of under 100 km. Salcef's procurement policy encourages the use of local suppliers, thereby limiting the impact of the environmental costs generated by transport emissions.

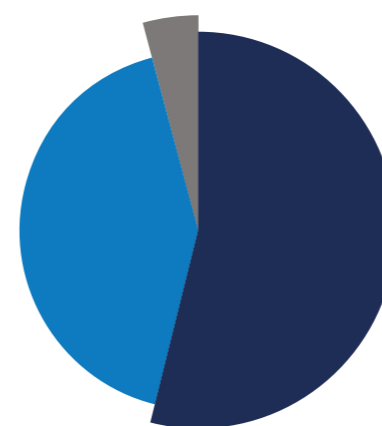
OTHER INDIRECT GHG (SCOPE 3) EMISSIONS t CO ₂ e	2021	2022	2023
Transportation and distribution of purchased products	8,038	8,437	21,695
Waste generated in operations	5,119	7,727	28,324
Upstream transportation and distribution	2,719	2,412	2,266
TOTAL	15,877	18,576	52,285

Sources

Transport and Distribution - [EcoTransIT World - Emission calculator](#)
 Waste generated by operations - [EPA - GHG Emission Factors Hub](#)

The category "Upstream transportation and distribution" saw an increase on 2022 due to the growth in the group's business volumes and the consolidation of Delta Construction and Francesco Ventura Costruzioni Ferroviarie. The category "Waste generated in operations" saw an increase due to the aforementioned reporting of waste treatment (whereas only transport was reported in 2022) and the extension of the reporting scope, which includes all group companies in 2023, unlike in 2022.

OTHER INDIRECT GHG (SCOPE 3) EMISSIONS

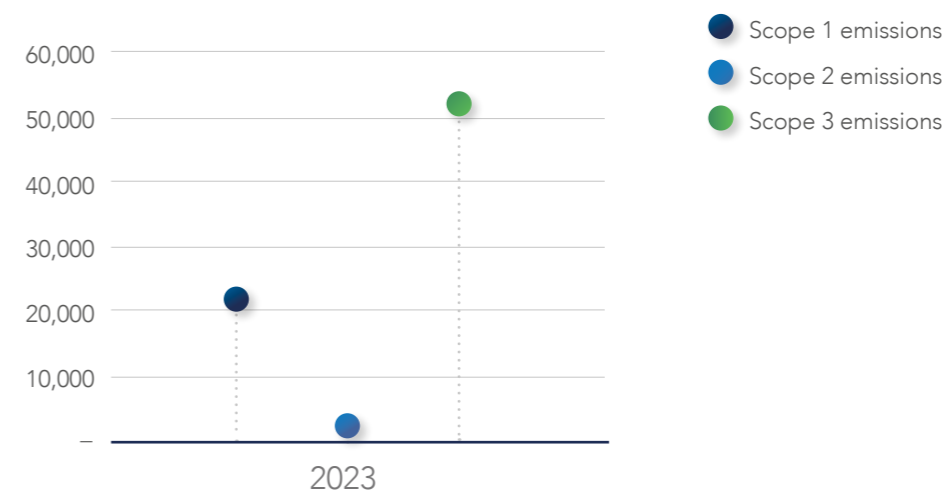


Waste generated in operations	54%
Upstream transportation and distribution	42%
Transportation and distribution of finished products	4%

The Scope 1, Scope 2 and Scope 3 emissions for 2021-2023 are summarised below:

EMISSIONS	UNIT	2021	2022	2023
Scope 1 emissions	t CO ₂ e	18,196	16,808	21,784
Scope 2 emissions - Location-based method	t CO ₂ e	1,223	1,326	1,398
Scope 3 emissions	t CO ₂ e	15,877	18,576	52,285

DISTRIBUTION OF EMISSIONS

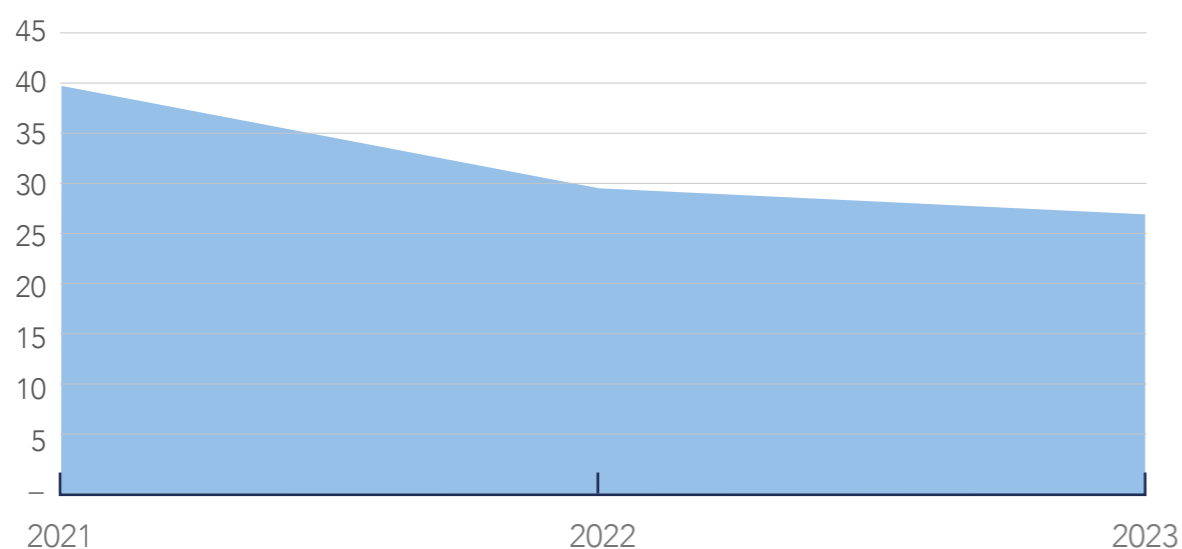


EMISSIONS INTENSITY

In order to analyse the intensity of emissions, consumption measured in tonnes of CO₂ equivalent (tCO₂e) has been compared to the revenue of the period, expressed in millions of euros. The resulting indicator was selected to represent the amount of emissions necessary to generate €1 million in revenue. This indicator is particularly effective for comparing different periods, irrespective of their related production. The revenue used for this indicator is the aggregate amount, before intragroup eliminations.

EMISSIONS INTENSITY	UNIT	2021	2022	2023
Scope 1 + Scope 2 + Scope 3 emissions	t CO ₂ e	35,295	36,710	75,467
Scope 1 + Scope 2 emissions - Location-based method	t CO ₂ e	19,418	18,134	23,182
Scope 3 emissions	t CO ₂ e	15,877	18,576	52,285
Revenue	€	485,309,339	611,950,691	872,497,561
Total intensity indicator	t CO₂e / € million	72.7	60	86.5
Scope 1 + Scope 2 intensity indicator - Location-based method	t CO₂e / € million	40.0	29.6	26.6
Scope 3 intensity indicator	t CO₂e / € million	32.7	30.4	59.9

SCOPE 1+ SCOPE 2 EMISSIONS INTENSITY INDICATOR



EMISSIONS INTENSITY - SCOPE 2 - LOCATION-BASED METHOD	UNIT	2021	2022	2023
Electricity acquired	t CO ₂ e / € million	2.52	2.17	1.60

EMISSIONS INTENSITY - SCOPE 1	UNIT	2021	2022	2023
Car fuel				
Diesel	t CO ₂ e / € million	8.39	7.14	4.88
Petrol	t CO ₂ e / € million	1.57	1.63	1.34
LPG	t CO ₂ e / € million	0.05	0.00	0.01
Natural gas	t CO ₂ e / € million	-	-	0.00
Total	t CO₂e / € million	10.02	8.78	6.22
Machine fuel				
Diesel	t CO ₂ e / € million	26.74	18.09	18.53
Petrol	t CO ₂ e / € million	0.02	0.01	0.02
Total	t CO₂e / € million	26.75	18.10	18.55
Natural gas for heating				
Natural gas	t CO ₂ e / Milioni di euro	0.21	0.25	0.17
Total	t CO₂e / Milioni di euro	0.21	0.25	0.17
Other sources - Natural gas for production activities				
Natural gas	t CO ₂ e / € million	0.51	0.34	0.03
Total	t CO₂e / € million	0.51	0.34	0.03
Total - Emissions intensity - Scope 1	t CO₂e / € million	37.49	27.47	24.97

OTHER EMISSIONS

In addition to the emissions reported in the previous paragraphs, the Salcef Group, specifically, SRT S.r.l. and Overall S.r.l., periodically measure the other emissions related to production activities, as required by the Single environmental authorisations in force.

The following table summarises the amounts of these emissions for 2023.

EMISSION	TOTAL EMISSIONS [kg/year]
Overall S.r.l. - Railway Materials business unit	
Nitrogen oxide	0.40
Carbon monoxide	0.17
Particles	5.33
SRT S.r.l. - Railway Machines business unit	
Class III inorganic compounds	0.35
COT	0.01
Particulate matter	80.90
Nitrogen oxide	0.12
Class I-III-IV-V volatile organic compounds	3,006.01

These emissions are subject to periodic controls by specialised third-party companies, as defined in the Single environmental authorisation and the requirements are met in full.

WATER RESOURCES

GRI 3-3 GRI 303-1 GRI 303-2
GRI 303-3 GRI 303-4 GRI 303-5

The reporting standard for water resources (GRI 303) is consistent with the United Nations 2030 Agenda for Sustainable Development (SDGs), goal 6 in particular, the objectives of which include the sustainable management of water for all. The standard requires reporting of an organisation's water use, the associated impacts and how to deal with them.

WATER RESOURCE MANAGEMENT POLICIES

Withdrawals - The group's water withdrawals are planned with the aim of limiting the impact caused by production activities (facilities), which are associated with the largest uses of water. The main sources of water are groundwater (wells) and aqueducts.

Water stress - This refers to the ability to meet the demand for water, both human and of ecosystems as a whole, that is, the ratio of total water withdrawals to available renewable supply from surface and groundwater sources. Water withdrawals include those for domestic, industrial, irrigation and livestock consumption and unused water. Higher values indicate greater competition between users.

For the evaluation of areas with water stress, reference is made to the [Aqueduct Water Risk Atlas Aqueduct | World Resources Institute \(wri.org\)](#) of the World Resources Institute.

The Salcef Group's production facilities, particularly the Overail S.r.l. production facility (Aprilia LT) and the SRT S.r.l. production facility (Fano PU), are located in areas classified as extremely high water stress. The following measures have been taken to limit the group's impact on water resources:

Overall

- Water is only withdrawn from the company's well to reduce the impact on the mains water;
- Construction of a water plant to treat, store and monitor the water used in the facility;
- System for the reuse of concrete washing water and water generated by steam condensation.

SRT

- Water is only withdrawn from the company's well to reduce the impact on the mains water;
- Construction of a washing water treatment plant.

WATER WITHDRAWAL, CONSUMPTION AND DISCHARGE

WATER WITHDRAWAL

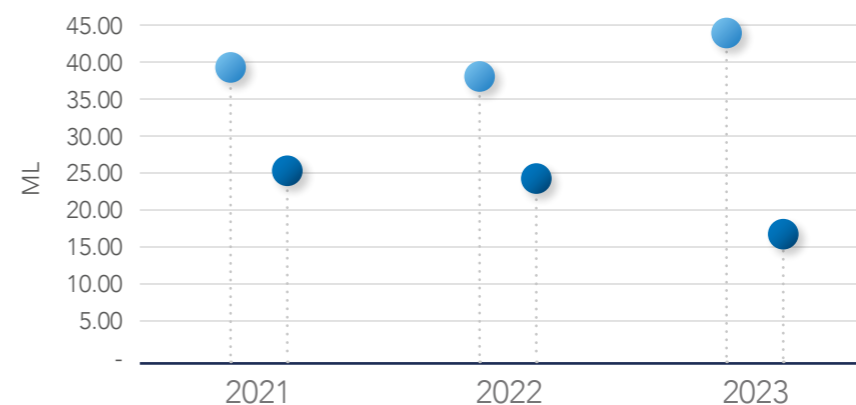
As required by the GRI Standards (GRI 303-3), water withdrawal figures are reported in megalitres (1 cubic metre = 0.001 megalitres). The table also provides a breakdown of withdrawals in relation to the source: freshwater ($\leq 1,000$ mg/l total dissolved solids), and other water ($> 1,000$ mg/l total dissolved solids).

WATER WITHDRAWAL (ML - MEGALITRES)	2021		2022		2023	
	TOTAL	AREA WITH WATER STRESS	TOTAL	AREA WITH WATER STRESS	TOTAL	AREA WITH WATER STRESS
Surface water	-	-	-	-	-	-
Groundwater (wells)						
Freshwater ($\leq 1,000$ mg/l total dissolved solids)	25.35	25.35	23.90	23.90	17.21	17.21
Other water ($> 1,000$ mg/l total dissolved solids)	-	-	-	-	-	-
Total	25.35	25.35	23.90	23.90	17.21	17.21
Seawater	-	-	-	-	-	-
Produced water	-	-	-	-	-	-
Third-party water (Aqueducts)						
Freshwater ($\leq 1,000$ mg/l total dissolved solids)	14.50	2.61	14.24	12.04	26.97	19.00
Other water ($> 1,000$ mg/l total dissolved solids)	0.00	-	0.05	-	-	-
Total	14.50	2.61	14.29	12.04	26.97	19.00
Freshwater ($\leq 1,000$ mg/l total dissolved solids)	39.84	27.96	38.13	35.93	44.19	36.21
Other water ($> 1,000$ mg/l total dissolved solids)	0.00	-	0.05	-	-	-
Total	39.84	27.96	38.18	35.93	44.19	36.21

The definition of freshwater/other water adopted by the GRI Standards is based on ISO 14046:2014 and the USGS (United States Geological Survey) document, Water Science Glossary of Terms, water.usgs.gov/edu/dictionary.html, (accessed 1 June 2018) and on the WHO (World Health Organization) document, Guidelines for Drinking-water Quality, 2017.

WATER WITHDRAWAL

- Third-party water (Aqueducts)
- Groundwater (wells)



Water withdrawals increased 16% in 2023 compared to 2022 mostly due to the rise in the group's operations.

The withdrawals in water-stressed areas regard the group's Italian facilities mentioned above, together with (to a lesser extent) the water withdrawals occurring as part of operating activities and contracts managed. In 2023, withdrawals in water-stressed areas accounted for 81.9% of total withdrawals, compared to 94.1% in 2022 and 70.2% in 2021. This figure, which has been calculated based on the information provided by the [Aqueduct Water Risk Atlas - World Resources Institute](#), takes into account the changes that have occurred since 2022 in the areas where Salcef withdraws water, which have gone from low to medium-high or high water stress. They have been updated in the report accordingly.

The source of Overall's industrial water is the well for the derivation of water from a body of groundwater, with extraction of public water from the water table to meet the various requirements.

The water withdrawn from the wells is used in different ways:

- Directly for the packaging of concrete for the manufacture of products.
- Directly for the washing of plant, machinery and equipment: when the washing is completed, the water is sent to the treatment plant and then recycled for subsequent use in the production process, particularly in the concrete production plants.
- After treatment, the water is used in steam generators (curing of sleepers), to speed up the curing of the manufactured items.
- Part of the water is used for washing work surfaces, as well as machinery.

WATER DISCHARGE

Water discharges are produced by office activities and, mainly, by industrial facilities. The Overall industrial complex generates the following types of wastewater:

- **industrial wastewater**, this water is kept completely separate from domestic and stormwater discharges;
- **domestic wastewater**, consisting of discharges from sanitary facilities;
- **stormwater runoff**, collected from the non-permeable areas of the facility with a washing effect.

During the facility's renovation and expansion, a new demineralisation plant was installed for water pumped from the well. It consists of a double reverse osmosis process, and the water is only used to feed the boilers for steam production needed to produce concrete. This system has been fully functional since 2021 and does not generate sludge but a continuous discharge which has the same chemical components as the water pumped from the well.

The application for authorisation to discharge the industrial wastewater treated by Overall, only in the case of any final discharge into a body of surface water, relates to the Fosso di Caronte.

Moreover, to reduce the quantity and prevent discharges into soil or into ditches (after suitable treatment), a complex system has been installed for the collection, recirculation and treatment of water from washing and condensation in order to reuse it in the production process.

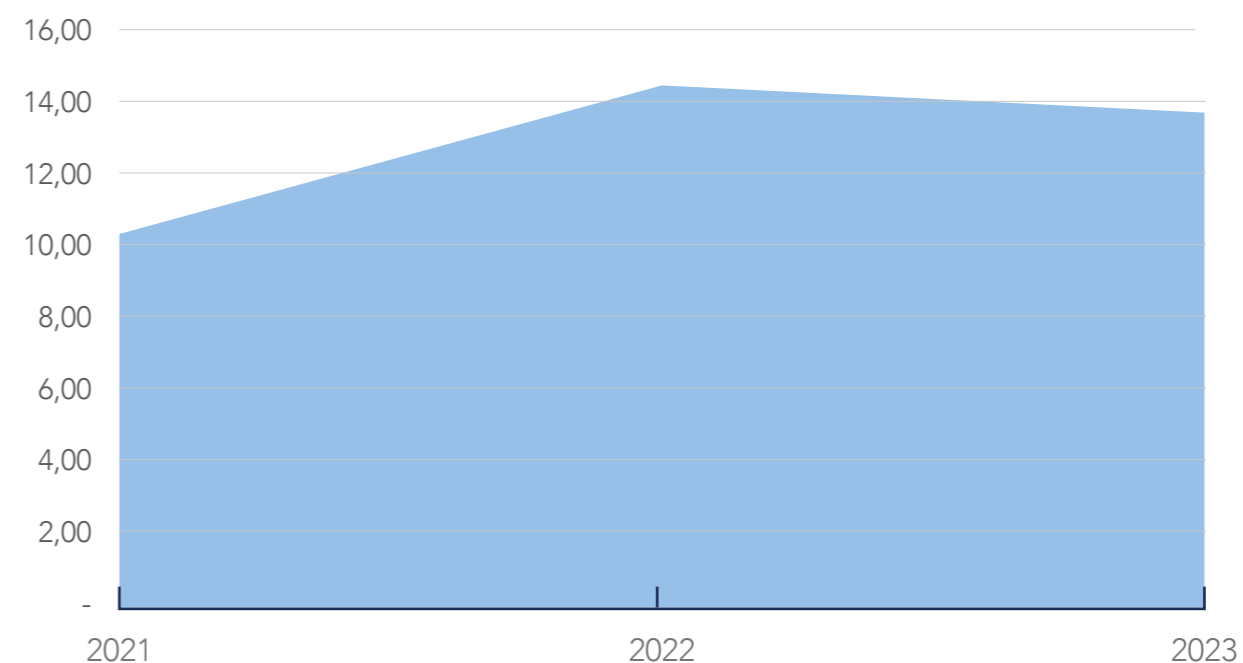
Unused and untreated stormwater qualifies for direct discharge into surface bodies of water in compliance with legal requirements and without treatment.

For all other facilities, discharges are subject to a specific authorisation.

BUSINESS UNIT	DISCHARGES (ML) IN 2023
General services	9.5
Track & Light Civil Works	0.5
Energy, Signalling & Telecom.	-
Rail Grinding & Diagnostics	-
Heavy Civil Works	-
Railway Machines	3.6
Railway Materials	-
Engineering	-
Total	13.6

WATER DISCHARGES	2021	2022	2023
Total water discharges (ML)	10.6	14.7	13.6

WATER DISCHARGES



WATER CONSUMPTION

Water consumption is mainly due to the production activities of the [Track & Light Civil Works](#), [Energy, Signalling & Telecommunication](#), [Heavy Civil Works](#) and [Railway Materials](#) business units.

In the first three business units, water consumption mainly relates to all activities connected to the civil works carried out during works on railway infrastructure, such as the construction of foundations, retaining walls, pavements, etc..

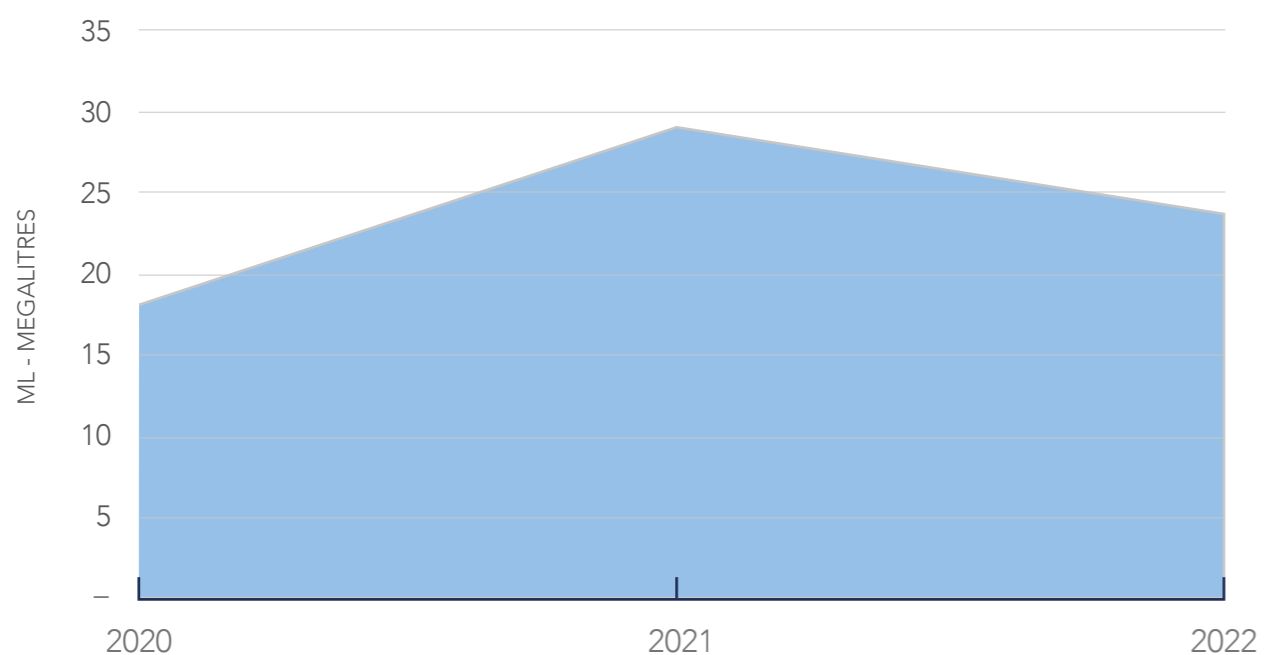
For the [Railway Materials](#) business unit, consumption is generated by the activities carried out at the Overail facility, which mainly requires water in the production processes as water is an ingredient in cement mixing.

Also due to the fact that Overail produces only for acquired contracts and never for warehousing, it is not possible to forecast its fixed annual water consumption. Rather, the actual amount is determined by reading the flow meter and measuring the water pumped from the well via the electric pump in the well. The quantities withdrawn are subject to annual reporting, in accordance with the requirements of the relevant regional authority.

The quantitative controls are joined by qualitative controls carried out by an external laboratory based on that stated in the annual self-monitoring plan.

WATER CONSUMPTION	2021	2022	2023
Total water consumption (ML)	29.2	24.0	30.6

WATER CONSUMPTION



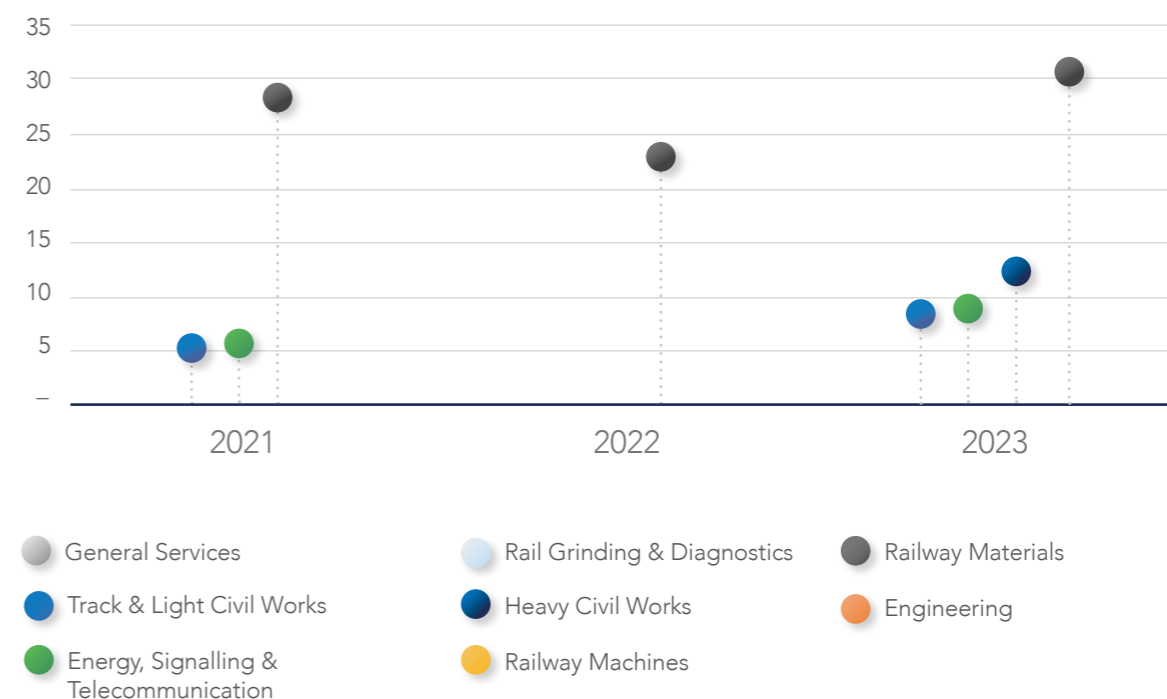
WATER CONSUMPTION BY BUSINESS UNIT

A breakdown of water consumption by business unit follows. The [Railway Materials](#) business unit has the largest impact on this indicator, accounting for around 58% of the total in 2023? (100% in 2022).

Consumption is expressed in megalitres.

YEAR	2021	2022	2023
General Services	-	-	1
Track & Light Civil Works	5	-	8
Energy, Signalling & Telecom.	0	-	0
Rail Grinding & Diagnostics	-	-	-
Heavy Civil Works	-	-	4
Railway Machines	-	-	-
Railway Materials	24	24	18
Engineering	-	-	-
Total (ML)	29	24	31

WATER CONSUMPTION BY BUSINESS UNIT



WASTE GENERATION AND MANAGEMENT

GRI 3-3 GRI 306-1 GRI 306-2
GRI 306-3 GRI 306-4 GRI 306-5

WASTE GENERATION

The importance of environmental protection to the group is seen in its commitment to waste management.

The waste generated by the group comes from the following activities:

- Administrative and office activities;
- Production activities (carried out in the production units located at construction sites or in the production facilities)

Office waste, which is treated as urban waste, is subject to ordinary management in accordance with the rules defined by the relevant municipality. Waste from the production cycle is managed in accordance with national legislation and group regulations. The latter category is of the greatest focus for the organisation, to ensure production activities have the lowest possible environmental impact.

The potential environmental impacts vary depending on the type of production activities carried out, whether they relate to the construction of new railway infrastructure or the maintenance of existing infrastructures, the production of railway materials or the construction and maintenance of railway machinery. All activities are carried out in such a way as to prevent or mitigate the generation of negative impacts.

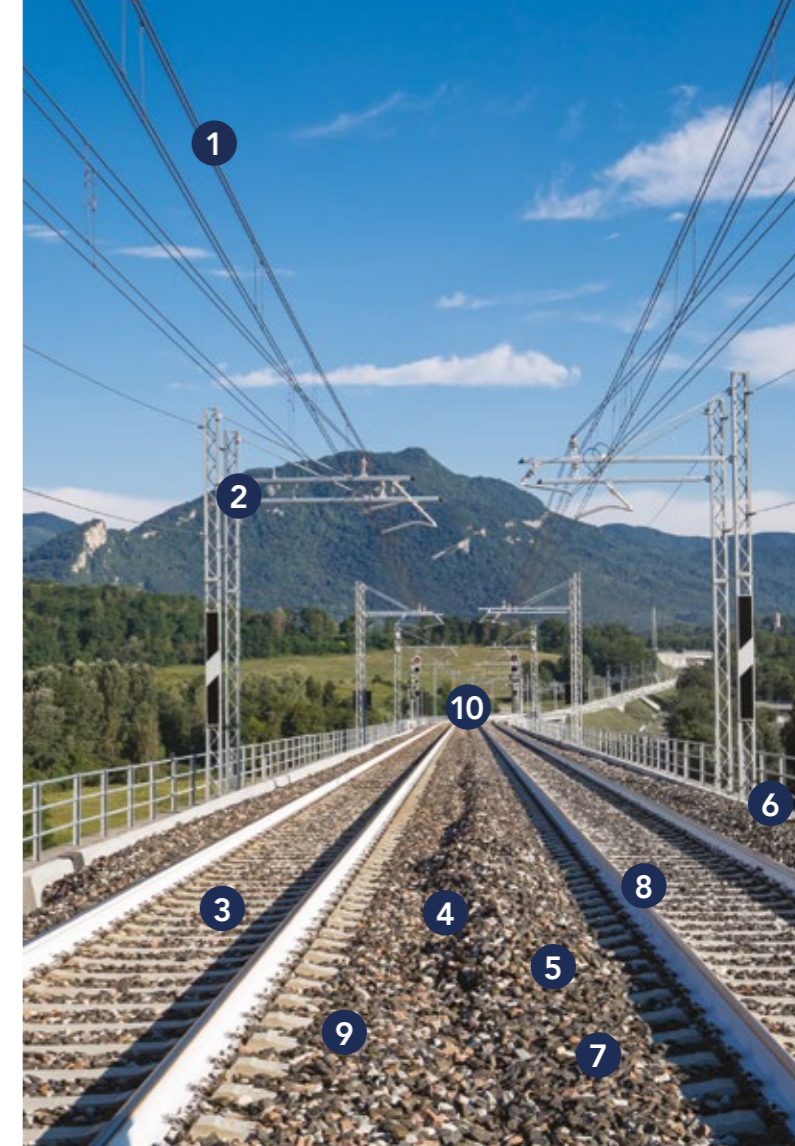
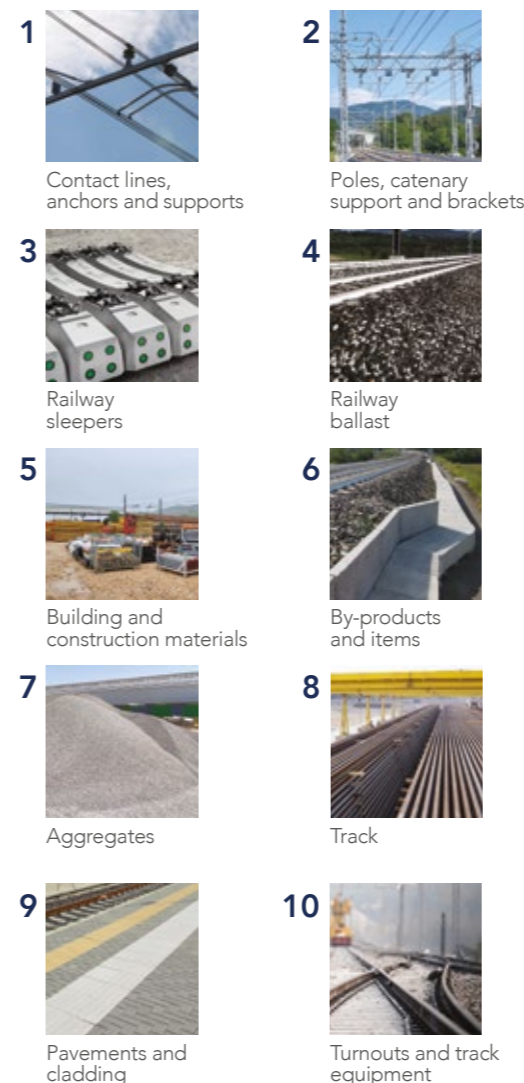
The waste generation process is analysed below for the business units (three macro-groups).

RAILWAY INFRASTRUCTURE WORKS

This includes the activities of the following business units: Track & Light Civil Works, Energy, Signalling & Telecommunications, Heavy Civil Works and Engineering.

The maintenance of railway infrastructure and the construction of new works requires the use of significant quantities of construction materials and the production of demolition materials, mainly excavated earth or rocks or railway ballast removed. To ensure the proper management of natural resources, a management system has been drawn up for such materials which provides for their reuse in the design to executive stages, where possible and in compliance with safety standards. This system provides for the reuse of the materials to reduce procurement upstream and the production of waste downstream. Materials are only managed as waste where they do not meet the characteristics to be treated as goods or by-products.

- Railway ballast**, used to form the track bed, is comprised of material obtained from the crushing of rock and must meet requirements of hardness, resistance and composition, as well as the customer's specifications in order to be used. On completion of maintenance activities, the removed ballast is taken to screening and washing facilities, which transforms it into recycled material to be used in building and construction works. Particular importance is given to sampling and analysis activities before infrastructure maintenance works (including a check for the presence of traces of asbestos over a certain limit and consequent asbestos removal and disposal works).
- Tracks, turnouts** and **other track equipment**, such as **poles, catenary support, brackets**, the **contact line** and **anchors**, specialised products for railway infrastructure, are normally in steel or other metals, in compliance with the relevant standards and are generally validated by the customer. When these materials are replaced during maintenance activities, they are returned to the customer for reuse as by-products, or recycled. During the construction and maintenance of poles, catenary support and masts, excavation activities generate excavated earth and rock, as does the demolition of the concrete foundations. In both cases, the resulting material is either reused on-site or taken to authorised centres for recovery.



- Railway sleepers** are generally in pre-stressed reinforced concrete and are produced by specialised companies. The materials and processes along the value chain (upstream and downstream) are detailed in [Production of railway materials](#). Like all the main materials making up the railway infrastructure, the sleepers meet specific technical standards and are validated by the customer. At the end of their life, railway sleepers are replaced during maintenance activities on the infrastructure and their coupling systems are removed and generally returned to the customer. The sleepers are taken to recycling centres where they are crushed and transformed into recycled materials used in building and construction works. Railway sleepers may also be in timber but these are used in very few cases and geographical areas. Timber sleepers on old tracks are quite often replaced with pre-stressed reinforced concrete ones. The important factor is the disposal of the timber sleepers, which are primed with creosote oil and therefore constitute hazardous waste, requiring specific procedures for their disposal.
- Various types of **aggregates** are used and sometimes originate from recycling, where their characteristics allow. At the end of their life, aggregates are taken to specialised recovery centres where they are prepared as a material that can be reused in the construction sector.
- Building and construction materials, by-products and items** are a very wide category encompassing various types of materials. They are mainly comprised of materials in concrete, iron, PVC and plastic materials obtained through industrial processes. They laid during construction activities. During maintenance/renewal, the obsolete materials are removed using demolition processes and sent to specialised recycling centres.
- The **pavements** and **cladding** category is very broad and includes all materials used as cladding both for vertical and horizontal surfaces. The main materials used are: ceramic, stone or similar tiles, rubber, asphalt and bitumen. The materials are generally acquired and installed during the works. At the end of their life, they are removed using demolition activities and taken to special recovery or authorised disposal centres.

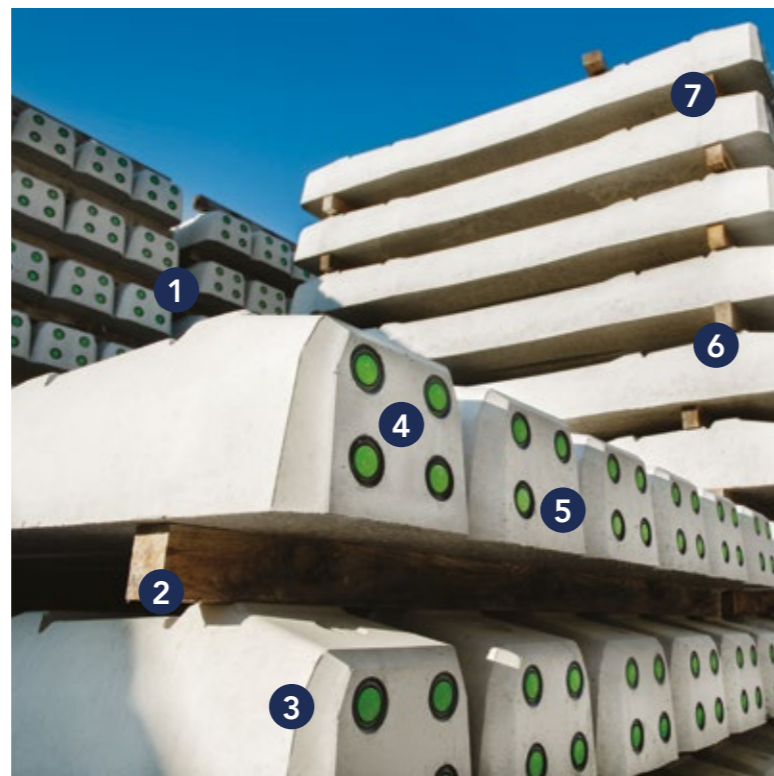
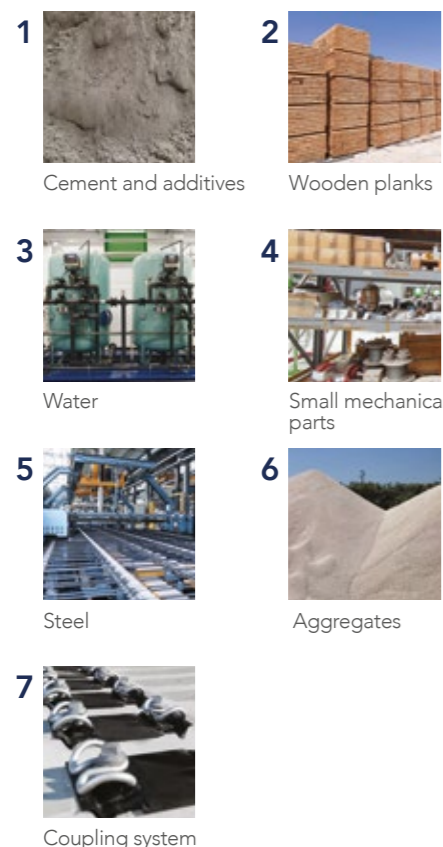
PRODUCTION OF RAILWAY MATERIALS

This activity relates to the Railway Materials business unit. The production activities comprise the construction, using mechanised and industrial processes, of items in pre-stressed reinforced concrete, such as railway sleepers, slabs and other solutions for permanent way systems. The products are provided to the Track & Light Civil Works business unit or to specialised external companies for installation on railway infrastructure.

The products are key elements of the railway infrastructure and are thus subject to certification in accordance with national and international legislation and the customer's technical standards. They must therefore meet certain technical specifications, which currently exclude the use of recycled or similar materials. In addition, concrete must be comprised of a specific mix of cement, additives, aggregates and water. The mix is pre-approved by the customer for the product's validation.

During the production process, the materials are mixed together in order to make the product as a single piece. At the end of their life, the products are generally sent to recovery centres for crushing and separation of the metal parts for their subsequent recycling/reuse in the building and construction sectors. These activities are carried out during the railway infrastructure maintenance works, as described in the [Railway infrastructure works section](#).

The materials used in this activity are shown in the following image and described below.



- The **cement** and **additives** used come from chemical/industrial processes. During the production process, these materials become an integral part of the final product following the cycle described above.
- **Small mechanical parts** include all metal parts used to pre-stress the steel used to make products. These materials come from steel manufacturing processes and must meet certain resistance requirements. They become an integral part of the final product during the production process.

- **Steel** is used in railway products, such as longitudinal bars and rebar cages. Steel is used in the concrete pre-stressing stage and must comply with certain mechanical resistance requirements. They become an integral part of the final product during the production process.
- The **aggregates** used come from mining processes and must meet various requirements both in terms of resistance and composition and particle size. They become an integral part of the final product during the production process.

- The **coupling system** is the device assembled on the sleeper enabling the installation and anchoring of the track. It is comprised of parts in rubber and metal parts. Part of the system is incorporated in the device during production, while the remaining part is installed during the product finishing stages. An important aspect is the mixed packaging (paper, plastic and wood). At the end of life, generally during [Railway infrastructure works](#), the pre-installed parts are removed from the item and generally returned to the customer.

- **Timber planks** are used to pack the sleepers to avoid impacts and damage during transport and storage activities. At the end of their use, the planks are recovered and reused by the group for the same purpose. If they are damaged or at the end of their life, they are sent to authorised recovery centres.
- **Water** is a fundamental ingredient for the production of concrete. It is withdrawn from well and collection systems and the related qualities are detailed in the [Water withdrawal, consumption and discharge](#) section.

CONSTRUCTION AND MAINTENANCE OF RAILWAY MACHINES

The construction and maintenance of railway machines relates to the Railway Machines business unit.

The production activities consist of building complex machinery used for the construction and maintenance of railway infrastructure (these activities relate to the Track & Light Civil Works business unit). As the machines undergo various authorisation procedures for their validation and circulation on the railway network, the materials and production processes used are also certified and qualified.

The machines are of different types and models but the materials used are generally those shown in the following image and described below.



- All **mechanical, hydraulic, oleodynamic, pneumatic, electrical** and **electronic components** are finished products supplied by external companies and subsequently assembled by the group. A significant part of the waste generated by the handling of these materials is packaging, which is generally comprised of plastic, cardboard and some wood. Packaging is generally all sent for recovery. At the end of life, the components are replaced and disposed of during maintenance/servicing activities. The metal parts are usually sent for recovery. If the parts are contaminated with pollutants (e.g., oil, lubricants and liquids), they are considered hazardous waste and disposed of in accordance with national and group regulations. This is usually the case for components of the hydraulic and oleodynamic systems and also filters and other similar parts. Otherwise, the materials are disposed of as non-hazardous special waste, maximising the diversion to recovery.
- **Sheets, chassis, metal carpentry, running gear and bogies** are produced on demand, either internally or using specialised companies. This material is usually recycled at end of life.
- **Consumables** are subject to rapid wear and tear during the operation of machinery. An example is the grinding wheel used by the rail grinders. These materials are usually specialised products for the railway industry and are disposed of in accordance with the producer's instructions at the end of their life.
- **Lubricants, paints and similar** (solvents, etc.) are products acquired from specialised suppliers. The use of paints and similar products produces hazardous waste, which is disposed of using specialised companies. For this reason, the use of solvents to clean equipment has decreased over time, opting for the use of industrial washers that use water-based solutions. Lubricants are acquired as finished products from specialised suppliers and when they are at the end of their life due to wear and tear, they are replaced during maintenance activities and disposed of at authorised centres. Used lubricants constitute hazardous waste.

WASTE MANAGEMENT AND MONITORING

With a view to sustainable management, the group is committed, where possible, to:

- Reducing the consumption of materials and minimising waste
- Considering the environmental impact of the materials used at the time of their selection
- Opting for materials with higher benefits for the circular economy
- Encouraging on-site reuse

Waste generated is immediately identified and classified in line with local legislation; for instance, in the European context, it is allocated a European Waste Catalogue (EWC) code. After classification, the place where the waste is produced and temporarily stored is identified. Storage takes place in designated areas and/or containers and is carried out by homogeneous category of waste, in compliance with the technical legislation and identified with signage.

Depending on the case, the waste is then sent for recycling or disposal with transporters responsible for its collection and transport. The process carried out during this stage is documented and monitored through the form containing the main information on the waste (type, place of production and collection, date, weight, producer, recipient and transporter, etc.) which will accompany it to its destination. All waste forms are recorded to ensure traceability and monitoring. This activity is also important to the analysis of the impact that the various production activities have in terms of waste, in order to implement measures to reduce the effects on the environment.

As a producer, the group is responsible for its waste until it reaches the disposal facility. Accordingly, the Salcef Group supervises all waste management activities until disposal, both as a producer and contractor. In this respect, the group ensures that all transporters and disposal facilities have the necessary authorisations, requirements and certifications through suitable qualification and assessment activities and contractual arrangements, as described in the [Supplier management cycle](#) section. During production activities, continual monitoring is carried out, involving periodic inspections to ensure that procedures and applicable legislation are implemented, machines and instruments are kept clean, maintained and in good repair, and that materials and waste are stored correctly.

The end goal of this process is to maximise the dissemination within the group of a management approach underpinned by environmental awareness and production aimed at sustainability.

WASTE GENERATED

The following tables set out the waste generated in the 2021-2023 period, showing the quantities of hazardous and non-hazardous special waste disposed of or recovered, by type. Quantities are shown in tonnes (t).

The tables show the share of certain types of waste, such as non-hazardous aggregates and material arising from construction and maintenance activities for railway infrastructure and packaging deriving from production processes carried out in the facilities and production sites. In general, the activities of work sites, which have extremely different lifespans, and the operations of the facilities vary on the basis of the tenders won during the year. The group is committed to complying with recycling rules for the proper disposal of the waste generated and to pursue improvements in its waste management.

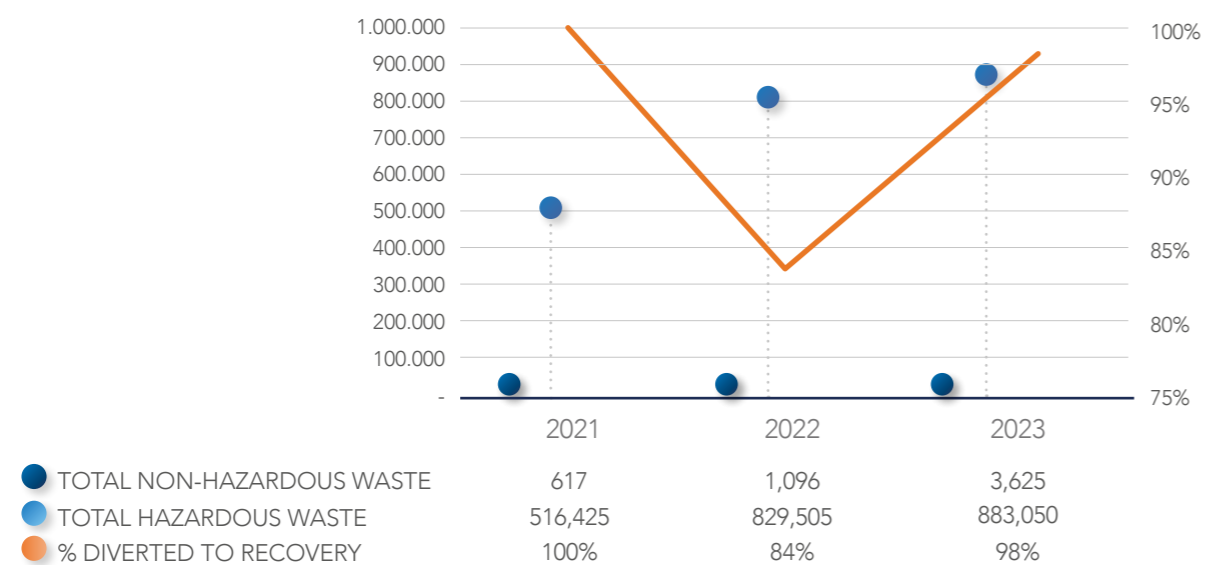
The production of hazardous waste is minimal compared to total waste. It mainly derives from oils for engines, filters, pads, etc. coming from machine maintenance activities by the Railway Machines business unit. This quantity has dropped sharply in recent years, mainly due to processes to optimise machine maintenance activities which provide for a drastic decrease in solvents (hazardous waste) used in washing activities in favour of water-based solutions. In addition, the use of newer and more efficient machinery is producing a huge drop in all hazardous waste generated by machine maintenance.

HAZARDOUS WASTE (t)	2021			2022			2023		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Other oils for engines, gears and lubrication	21	0	22	22	2	24	50		50
Other emulsions	-	2	2	-	1	1	4		4
Absorbent material, filtering materials (including oil filters not otherwise specified), rags and protective clothing contaminated with hazardous substances	8	6	14	4	8	12	2	12	14
Hazardous components other than oil filters, brake pads containing asbestos, brake fluid and anti-freeze fluids containing hazardous substances	-	4	4	2	3	5			-
Non-chlorinated mineral oils for engines, gears and lubrication	3	6	9	1	0	1	2		2
Packaging containing residues of or contaminated by hazardous substances	4	2	6	8	3	11	45	0	45
Waste paints and enamels containing organic solvents or other hazardous substances	2	3	5	0	3	3	24	4	28
Lead batteries	2	0	2	4	-	4	44		44
Oil filters	1	0	1	1	1	2	2		2
Glass, plastic and wood containing or contaminated by hazardous substances	506	21	527	1,011	-	1,011	2,750		2,750
Other hazardous waste	10	16	26	15	6	22	669	18	687
Total hazardous waste	558	60	617	1,069	27	1,096	3,591	34	3,625

NON-HAZARDOUS WASTE	2021			2022			2023		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
(t)									
Railway ballast not containing hazardous substances	309,706	-	309,706	402,460	0	402,460	550,286		550,286
Concrete	145,969	-	145,969	152,960	210	153,171	164,302	33	164,334
Iron and steel	1,136	-	1,136	1,849	0	1,849	1,333		1,333
Filings and shavings of ferrous materials	591	-	591	73	2	76	95		95
Packaging with mixed materials	236	-	236	259	1	260	661		661
Earth and rocks not containing hazardous substances	49,140	148	49,288	103,804	11,097	114,901	60,089	15,768	75,856
Mixed waste from construction and demolition activities not containing mercury, PCB and other hazardous substances	6,241	-	6,241	24,178	0	24,178	78,495	62	78,556
Septic tank sludge	14	95	109	-	125,010	125,010	5	5	10
Plastic waste	17	11	29	6	11	18	1	1	2
Tyres no longer used	7	-	7	56	2	58	54		54
Other non-hazardous waste	2,800	314	3,114	7,315	211	7,526	8,881	2,983	11,863
Total non-hazardous waste	515,857	568	516,425	692,961	136,544	829,505	864,201	18,850	883,050

Total waste generated (t)	516,415	628	517,043	694,030	136,572	830,601	867,792	18,884	886,675
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WASTE GENERATED



WASTE AND RECOVERY

The waste generated is generally diverted to recovery operations and the transport and disposal activities are entrusted to specialist companies, in full compliance with the legislation applicable to waste and group procedures. Given the significant use of natural resources in the construction and railway sector, it is important to consider alternatives to merely disposing of waste in authorised centres in order to reduce the environmental impact.

Depending on the type of waste, the recovery of materials can take various forms. However, as shown in the table, the main recovery activity regards the retention of aggregates or their reuse for the production of secondary raw materials, which is usually preferred to recycling. All operations are generally carried out off-site by specialised centres.

Most of the waste diverted to recovery operations comes from construction and demolition (aggregates) activities and can therefore be disposed of as unrecyclable waste (cement, bricks, tiles and ceramics, cement mixes, earth and rocks).

Although most of the waste pollutes very little or not at all, its correct management by the production unit is vital. Close attention is therefore paid to the waste generation stage, which ensures the separation of hazardous waste and other types in order to make recovery and/or recycling possible.

HAZARDOUS WASTE	2021			2022			2023		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
(t)									
Preparation for reuse	-	-	-	-	-	-		10	10
Recycling	-	11	11	-	2	2		584	584
Other recovery operations	-	547	547	-	1,067	1,067		2,997	2,997
Total hazardous waste	-	558	558	-	1,069	1,069		3,591	3,591

NON-HAZARDOUS WASTE	2021			2022			2023		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
(t)									
Preparation for reuse	10,498	-	10,498	-	9,094	9,094			
Recycling	-	79,834	79,834	-	163,056	163,056		123,594	123,594
Other recovery operations	-	425,525	425,525	-	520,810	520,810		740,607	740,607
Total non-hazardous waste	10,498	505,359	515,857	-	692,961	692,961		864,201	864,201
Total waste diverted to recovery (t)	10,498	505,916	516,414	-	694,030	694,030		867,792	867,792



WASTE DISPOSAL

Disposal, which legislation identifies as the least preferable option in the waste management hierarchy, consists of the treatment and definitive deposit of waste and scraps that cannot be used further. For the Salcef Group, disposal is identified with the deposit in landfill or temporary storage for subsequent operations such as treatment, incineration, etc.

HAZARDOUS WASTE	2021			2022			2023		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
(t)									
Landfill	-	23	23	-	0	0		5	5
Incineration (with energy recovery)	-	6	6	-	2	2			
Other disposal operations	-	30	30	-	25	25		28	28
Total hazardous waste	-	60	60	-	27	27		34	34

NON-HAZARDOUS WASTE	2021			2022			2023		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
(t)									
Incineration (with energy recovery)	39	-	39	-	11,307	11,307			
Landfill	-	375	375	-	39	39	16,009		16,009
Other disposal operations	-	154	154	-	125,198	125,198	2,840		2,840
Total non-hazardous waste	39	529	568	-	136,544	136,544	18,850		18,850

Total waste disposal (t)	39	589	628	-	136,572	136,572		18,884	18,884
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MATERIALS

GRI 3-3 GRI 301-1 GRI 301-2

The group has expressed its commitment to environmental and energy protection, through the adoption of its Integrated quality, health and safety and environmental policy and by communicating the principles thereof to personnel and all stakeholders.

With the adoption of this policy, Salcef Group undertakes to pursue the following corporate goals:

- To use processes and technologies that prevent and/or reduce environmental impacts;
- To manage production activities in such a way as to reduce the directly associated environmental impacts, particularly as relates to waste management, atmospheric emissions, raw materials consumption and the risks linked to the use of pollutants;
- To pursue continuous improvement in environmental performance;
- To fully digitise all group processes, reducing paper use and encouraging the use of new technologies for the centralisation and sharing of information.

As it considers environmental protection essential for quality of life and to sustainable development, in putting its environmental protection commitment into practice, the Salcef Group aims to reconcile the needs of business development and value creation with care for the environment and its protection.

The choices made in the purchasing, consumption and disposal of materials are of key importance to sustainability, in both environmental and social terms. These choices are oriented towards increasingly environmentally-friendly materials, ensuring customer satisfaction but also with a focus on community and local areas.

In carrying out works, the group is committed to analysing the entire supply chain, from raw materials to end-of-life. Resource sustainability originates with supply chain management and supplier evaluation, continues with the sound management of materials in the production process such to ensure both safety and environmental reliability and durability, and ends with sound waste management in compliance with legislation and group procedures, encouraging the practices of recycling and reuse as well as the reduction of scraps.

INPUT MATERIALS

The following table sets out the quantities of the main materials procured in the last three years by the Salcef Group. As shown by the quantities handled, the main materials relate to railway infrastructure, such as: railway ballast, concrete and cement mixes, sundry aggregates, concrete products, structural steel, steel wires, pre-stressed reinforced concrete sleepers, etc.. All these materials are mainly used in the operations of the Track & Light Civil Works business unit.

The product categories have been reclassified in 2023 to make the data easier to read and more relevant. The 2022 and 2021 data have been recalculated accordingly, where possible. Therefore, where a figure is missing for 2021 and/or 2022, it does not mean that the material was not used but that it was reported in multiple categories in previous years.

The following materials related to other group business units are also important: oils and greases, thinners and machine components related to the Railway Machines business unit. Analysing the historical trend of the use of certain materials closely related to the construction of civil infrastructure works, such as concrete and cement mixes, marble, flooring and cladding and steel materials, shows a decrease in recent years, mainly due to the completion of certain infrastructure contracts.

Conversely, materials related to the production and maintenance of railway machines have increased strongly, mainly due to the new contracts acquired by the subsidiary SRT S.r.l..

Of no less importance is the stability of certain strategic supplies over the three years, due to the stable portfolio of works in the group's core business (railway ballast, technical gases, aluminothermic welding kit, etc.).

The following table shows all non-renewable materials with the exception of timber formwork, lumber, wood material in pieces (planks, etc.), which are shown in the note:

MATERIALS	U.M.	2021	2022	2023
Structural steel	Kilogram			2,865,093
Additive	Litre	125,569	295,877	244,854
Concrete	Cubic metre	43,574	273,174	69,339
Formwork of various sizes and accessories	Square metre	9,014	18,845	14,429
Electrical cables of various sizes	Metre	78,176	212,126	392,997
Contact line cable	Metre			54,674
Concrete	Tonne	26,410	35,783	25,465
Bituminous conglomerate	Tonne	668	29,505	17,379
Earthing wire	Metre			30
Simple turnout	Pieces, unit	683	1,487	98
Bituminous emulsion	Litre	-	920	1,850
Steel wire	Tonne	3,939	30,101	3,392
Welding wire	Kilogram			13,830
Industrial gases	Cubic metre	7,364	7,306	151,307
Geotextile	Square metre	67,641	568,423	283,035
Bonded insulation rail joint	Pieces, unit			1,125
Guardrails of various types	Metre			47
Recycled aggregates	Tonne	-	24,223	
Sundry aggregates	Tonne	120,417	218,607	482,363
Aluminothermic welding kits	Pieces, unit	17,760	17,532	19,367
Wooden planks of various sizes	Kilogram	179,760	450,221	308,601
Lubricants, oils and similar, by weight	Kilogram	3,387	3,296	7,199
Lubricants, oils and similar	Litre	157,801	160,091	183,080
Linear concrete products (e.g., curbs, troughs, gneiss, pipes, etc.)	Metre	27,285	47,812	907,446
Anti-vibration padding	Square metre			57,000
Cement mixes	Kilogram	274,225	17,320,198	404,147
Prefabricated cladding panels	Square metre			1,649
Pre-fabricated panels in concrete (e.g., pre-stressed slabs)	Square metre	59,952	34,480	910
Railway bumper	Pieces, unit			16
Level crossings	Square metre	1,940	1,472	1,356
Pavements and cladding	Square metre	36,698	11,661	2,657
Railway ballast	Tonne	599,624	597,785	994,988
Metal profiles and sheets	Kilogram	1,411,233	3,907,283	151,566
Fencing	Metre	4,117	36,619	43,236
Resins/chemical anchors	Litre	66,116	25,011	6,096
Track	Tonne	2,873	9,351	8,062
Coupling systems	Pieces, unit	252,726	512,826	502,512
PVC sheet or sheathing	Square metre			29,787
Pre-stressed reinforced concrete sleepers	Pieces, unit	28,321	113,480	53,685
Pre-stressed reinforced concrete bearers	Pieces, unit			56
Timber bearers	Pieces, unit	36,111	20,253	8,266
Cable	Metre	34,700	-	-
Rubber hose for machines	Metre			1,569

MATERIALE	U.M.	2020	2021	2022
PVC pipes	Metre	91,005	487,712	737,605
Iron pipes and rods	Metre			61,834
Paints, varnishes and similar, by weight	Kilogram	23,274	12,619	19,029
Paints, varnishes and similar	Litre	2,704	-	16,933

RECYCLED/REUSED INPUT MATERIALS

The following table sets out the quantities of recycled/reused input materials. These materials only relate to the railway infrastructure construction and maintenance works ([Track & Light Civil Works](#) business unit) and are mainly used for temporary sites and non-core activities. The materials used for the construction of operational lines are always subject to validation and pre-qualification by the customer and, in most cases, the customer requests materials that do not come from recycling/reuse.

MATERIAL	M.U.	2021	2022	2023
Reused turnouts	no.	-		
Recycled aggregates	t	-	24,223	-
Reused pre-stressed reinforced concrete sleepers	no.	-		112

For each recycled/reused material, the following tables set out the related percentages of use in the reference period:

MATERIAL - TURNOUTS	M.U.	2021	2022	2023
Reused turnouts		-	-	-
Turnouts and other track equipment (not obtained from recycling/reuse)	n.	683	1,487	-
% Recycled/reused input materials	%	-	-	-

MATERIAL - AGGREGATES	M.U.	2020	2021	2022
Recycled aggregates		-	24,223	-
Sundry aggregates (not obtained from recycling/reuse)	t	120,417	218,607	482,363
% Recycled/reused input materials	%	-	10%	-

MATERIAL - SLEEPERS	M.U.	2021	2022	2023
Reused pre-stressed reinforced concrete sleepers		-	-	112
Pre-stressed reinforced concrete sleepers and bearers (not obtained from recycling/reuse)	n.	28,321	113,480	53,741
% Recycled/reused input materials	%	-	-	0.2%



EU TAXONOMY REPORTING REGULATION (EU) 2020/852: CRITERIA AND OBJECTIVES

To achieve the climate and energy targets and direct investments towards sustainable projects and activities, in 2018, the European Union adopted the Sustainable Finance Action Plan, one part of the broader policy framework developed to drive the transition to a low-carbon economy, in line with the 2015 Paris Climate Agreement and the UN 2030 Agenda, thereby committing to become the first climate-neutral continent by 2050 and to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.

The European Union has therefore defined what is "sustainable" in the **EU Taxonomy**, a classification system for economic activities which underpins the action plan on financing sustainable growth.

Regulation **(EU) 2020/852** on the EU Taxonomy establishes six environmental objectives:

- 1** Climate change mitigation
- 2** Climate change adaptation
- 3** The sustainable use and protection of water and marine resources
- 4** The transition to a circular economy
- 5** Pollution prevention and control
- 6** The protection and restoration of biodiversity and ecosystems

The Regulation establishes the criteria that an economic activity must meet in order to qualify as environmentally sustainable (Article 3).

		REGULATION (EU) 2020/852 - THE CRITERIA OF ARTICLE 3
01	Substantial contribution	a) contributes substantially to one or more of the environmental objectives set out in Article 9 (Environmental objectives).
	Taxonomy eligible	Sectors and activities eligible under the current Taxonomy (irrespective of whether they meet any or all of the technical screening criteria of the Taxonomy).
02	Taxonomy aligned	d) complies with technical screening criteria that have been established by the Commission for eligible sectors and activities.
03	DNSH - Do No Significant Harm	b) does not significantly harm any of the environmental objectives set out in Article 9.
04	Minimum Safeguards	c) is carried out in compliance with the minimum safeguards laid down in Article 18.

The publication of the delegated regulations for the six environmental objectives was completed in November 2023. These delegated regulations establish the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the various environmental objectives while doing no significant harm to any of the other environmental objectives. [EU taxonomy for sustainable activities - European Commission \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?init=1&code=sdg_13_3_10).

Article 8 disclosures

Article 8 of [Regulation \(EU\) 2020/852](#) on the EU Taxonomy requires companies to disclose a) the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable; and b) the proportion of their capital expenditure and the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

The disclosures are drawn up also with reference to the Commission Delegated Regulation of 6 July 2021, which specifies the content and information to be disclosed by companies concerning environmentally sustainable economic activities.

Salcef Group

Salcef Group has identified its **enabling activities**, i.e. the products and services that make a substantial environmental contribution to other activities, which therefore contribute to **climate change mitigation**, the first objective identified by the European Commission.

According to the European Environment Agency, "mitigation" means reducing the severity of climate change impacts by preventing or decreasing the emission of greenhouse gases (GHG) into the atmosphere. Mitigation is achieved by reducing the sources of GHG gases (e.g. increasing the percentage of energy generated from renewable sources or creating a cleaner mobility system) and enhancing their sinks to slow down climate change.

In addition to disclosures on the **eligibility** of Salcef Group's activities under the EU Taxonomy, as from 2022, the NFS will also include the disclosures required on the proportion of **aligned activities**.

Aligned activities are those eligible activities that satisfy both the Taxonomy "substantial contribution" criteria for environmental objective 1. Mitigation of climate change while doing no significant harm (DNSH) to the other environmental objectives.

The 2023 NFS disclosures, as in the 2022 NFS, include an evaluation of compliance with minimum safeguards.

The following condensed figures confirm Salcef Group's role in and contribution to the substantial objective of climate change mitigation. Please refer to the detailed tables in the Annex for greater information.

ECONOMIC ACTIVITIES				EU TAXONOMY INDICATORS %			
BUSINESS UNIT	SECTORS	CODE	DESCRIPTION		REVENUE	CAPEX	OPERATING COSTS
Track & Light civil works	6 Transport	6.14	Railway transport infrastructures	Aligned	55.69%	54.40%	67.79%
				Eligible but not aligned	0.07%	0.07%	0.09%
				Not eligible	0.00%	0.00%	0.00%
Energy, Signalling & Telecom	6 Transport	6.14	Railway transport infrastructures	Aligned	13.05%	3.37%	7.76%
				Eligible but not aligned	0.02%	0.00%	0.01%
				Not eligible	2.89%	1.74%	2.76%
Heavy Civil Works	6 Transport	6.14	Railway transport infrastructures	Aligned	17.56%	0.00%	17.59%
				Eligible but not aligned	0.02%	0.00%	0.02%
				Not eligible	0.00%	0.00%	0.00%
Rail Grinding & Diagnostics	6 Transport	6.14	Railway transport infrastructures	Aligned	2.57%	21.66%	0.00%
				Eligible but not aligned	0.00%	0.03%	0.00%
				Not eligible	0.00%	0.00%	0.00%
Railway Materials	6 Transport	6.14	Railway transport infrastructures	Aligned	0.00%	0.00%	0.00%
				Eligible but not aligned	0.00%	0.00%	0.00%
				Not eligible	6.64%	9.76%	0.29%
Railway Machines	3 Manufacturing	3.3	Manufacture of low-carbon technologies for transport	Aligned	0.18%	0.00%	0.00%
				Eligible but not aligned	1.29%	8.88%	3.70%
				Not eligible	0.00%	0.00%	0.00%
Engineering	6 Transport	6.14	Railway transport infrastructures	Aligned	0.00%	0.08%	0.00%
				Eligible but not aligned	0.00%	0.00%	0.00%
				Not eligible	0.00%	0.00%	0.00%
Total - Salcef Group				Aligned	89.06%	79.51%	93.13%
				Eligible but not aligned	1.41%	8.99%	3.82%
				Not eligible	9.53%	11.50%	3.06%

The Engineering business unit is not reported as all its activities are at the service of the other group companies and are therefore considered as intragroup transactions at consolidated level.

Railway transport infrastructures

Construction, upgrade, management and maintenance of railways and metros, as well as of bridges and tunnels, stations, terminals, railway service systems and traffic management and safety systems, including the services of architects and engineers, project drawing up, building inspection and surveying and mapping and similar services, as well as the performance of physical and chemical tests or other types of analytical tests of all types of materials and products.

A summary of the technical screening criteria established by Regulation (EU) 2021/2139 related to the substantial contribution to climate change mitigation follows:

6.14 INFRASTRUCTURE FOR RAIL TRANSPORT	
Substantial contribution to climate change mitigation	
1	<p>Criteria (the activity must comply with one of the following) / (abstract)</p> <p>a) Infrastructure</p> <p>i. electrified trackside infrastructure and associated subsystems.</p> <p>ii. new and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, or where the infrastructure will be fit for use by zero tailpipe CO₂ emission trains within 10 years from the beginning of the activity.</p> <p>iii. until 2030, existing trackside infrastructure and associated subsystems that are not part of the TEN-T network and its indicative extensions to third countries, nor any nationally, supranationally or internationally defined network of major rail lines: infrastructure, energy, on-board control-command and signalling, and trackside control-command.</p> <p>b) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods.</p> <p>c) infrastructure and installations are dedicated to the transfer of passengers from rail to rail or from other modes to rail.</p>
2	<p>The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>

Salcef Group's activities relate to infrastructure that falls under the categories referred to in a).

Salcef Group's activities relate almost entirely to infrastructure not dedicated to the transport or storage of fossil fuels.

Reporting standards

For the purposes of the disclosure pursuant to article 8 of Regulation (EU) 2020/852 on the Taxonomy, Turnover, CapEx and OpEx are defined as follows. Reference should be made to the consolidated financial statements for more specific information on the reporting standards:

- Turnover - Revenue from products and services.
- CapEx - Increases in property, plant and equipment and intangible assets, including capitalised research and development costs, before any fair value adjustments and gross of amortisation/ depreciation and impairment losses.
- OpEx - Uncapitalised research and development costs, building renovation costs, short-term lease contract expense, maintenance and repairs and other indirect costs for the regular maintenance of group assets, plant and equipment.

The process to determine whether activities are Taxonomy-eligible included the following steps:

- 01** Analysis of the economic activities of Salcef Group's various business units and their inclusion within the Taxonomy (Commission Delegated Regulation (EU) 2021/2139 on climate change-related objectives).
- 02** Allocation of the required indicators (Turnover - CapEx and OpEx - Operating costs) based on the EU methodology.

Individually eligible CapEx/OpEx items

Under the relevant regulations, other expenses related to the procurement of goods and services linked to economic activities other than those eligible under the Taxonomy may be included as eligible CapEx and OpEx, if these purchases contribute to emission reductions and if the economic activity of the supplier is Taxonomy-eligible.

CapEx - There were no significant investments in 2023 that qualify under the above definition.

OpEx - Salcef Group does not currently have the information available to identify any Taxonomy-eligible purchases. Collecting this information requires a prior assessment of the activities of the suppliers, which could not be done for 2023.

DNSH - Do No Significant Harm

To be defined as sustainable, an economic activity must not only substantially contribute to one of the objectives established in the Taxonomy, it must do no significant harm to the others. DNSH-compliance for eligible activities has been identified for the environmental objectives other than objective 1, Climate change mitigation, in relation to which a substantial contribution by Salcef Group has been identified.

In the performance of its economic activities, the group considers the environmental impact of these activities and the products and services provided.

Given the substantial contribution identified by Salcef, the analysis was carried out on the basis of the provisions of Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, which complements Regulation (EU) 2020/852 by setting technical screening criteria for climate objectives (mitigation and adaptation). The annexes to the Delegated Regulation establish the criteria for determining DNSH-compliance. These criteria are either specific or generic depending on the different activities. The generic criteria are given in the appendices to the annexes.

For Annex 1 (Objective 1 - Climate Change Mitigation), Appendix A sets criteria for Objective 2 Climate Change Adaptation, while Appendices B, C, D, respectively, set the criteria for the objectives on water/ marine resources, pollution/chemicals and biodiversity/ecosystems.

The internal analysis process concerned the activities identified as eligible for the purposes of the European taxonomy, with the determination of the alignment of these activities to the technical screening criteria identified by Commission Delegated Regulation 2021/2139. Specifically:

- a) the involvement of Salcef's business unit heads and a technical analysis of the eligible activities according to the specific DNSH criteria;
- (b) an analysis of the activity/business unit management processes;
- (c) documentary analysis.

The table below summarises the findings of the DNSH analysis and presents the findings of the analyses performed for the individual business units.

BUSINESS UNIT	DNSH alignment (YES/NO)				
	Climate change adaptation	Water and marine resources	Transition Circular economy	Pollution	Biodiversity and ecosystems
Track & light civil works	YES	YES	YES	YES	YES
Energy, signalling & Telecom	YES	YES	YES	YES	YES
Heavy Civil Works	YES	YES	YES	YES	YES
Rail Grinding & Diagnostics	YES	YES	YES	YES	YES
Railway materials	YES	YES	YES	YES	YES
Railway machines	YES	YES	YES	YES	YES





6.14 INFRASTRUCTURE FOR RAIL TRANSPORT	
Environmental objectives	Alignment with DNSH criteria Commission Delegated Regulation (EU) 2021/2139 - Annex 1 Climate change mitigation
2 Climate change adaptation	Criteria set out in Annex A Generic DNSH criteria for climate change adaptation. The analysis did not show any physical climate risks that could significantly affect the activity. Please refer to the disclosure on climate risks/opportunities (Risk management)
3 Sustainable use and protection of water and marine resources	Criteria set out in Annex B Generic DNSH criteria for the sustainable use and protection of water and marine resources. Some of Salcef Group's activities are located in highly water-stressed areas. However, the analysis did not indicate significant environmental risks associated with the use of water resources (withdrawals and consumption). Please refer to the Water Resources chapter of this document for information on the management of water resources.
4 The transition to a circular economy	Specific DNSH criteria At least 70% (in terms of weight) of the non-hazardous construction and demolition waste (excluding the materials in their natural state defined in code 17 05 04 of the European list of waste established by Commission Decision 2000/532/EC) produced at building sites is prepared for reuse, recycling and other types of material recovery, including filling operations that use the waste in place of other materials. The policies and operating practices of Salcef Group comply with the specific criteria. For further information, please refer to the Waste generation and management chapter which sets out quantitative data for the waste generated and the related recovery/disposal procedures.
5 Pollution prevention and control	Specific DNSH criteria The noise and vibrations deriving from the use of the infrastructure are mitigated by adding ditches, sound barriers or other measures and comply with Directive 2002/49/EC of the European Parliament and of the Council. Steps are taken to reduce the noise, dust and polluting emissions during construction or maintenance works. The policies and operating practices of Salcef Group comply with the specific criteria.
6. The protection and restoration of biodiversity and ecosystems	Criteria set out in Annex D Generic DNSH criteria for the protection and restoration of biodiversity and ecosystems. Biodiversity is not considered a material topic for the purposes of the 2023 DNF. This decision is based on the type of activities and, specifically, the role played by Salcef Group, which does not have responsibility for the entire infrastructure and its impact on biodiversity. In any case, the Salcef Group complies with EU regulations protecting biological diversity, adopting a systematic approach designed to minimise the impacts, in line with that established by the environmental management systems it adopts. Attention to biodiversity is an essential component thereof, and comes from the conviction that developing works and infrastructures of public interest cannot be decoupled from sensitivity to a country's environmental capital, from which biodiversity and the integrity of the ecosystems derive.

Minimum safeguards

Article 18 of Regulation (EU) 2020/852 on the Taxonomy defines minimum safeguards as those procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The criteria established by Article 3 of Regulation (EU) 2020/852 require that to qualify as environmentally sustainable, in addition to that established in the preceding paragraphs (eligibility - alignment with technical screening criteria - DNSH), an economic activity shall be carried out (Article 3c) in compliance with the minimum safeguards laid down in Article 18.

Salcef Group undertakes to conduct its business in line with ethical criteria and with integrity and to respect human rights in all its activities. The assessments of the minimum safeguards related in particular to the following areas established in the regulation.

Human rights

Salcef Group undertakes to respect the internationally-recognised human rights referenced in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. These rights include the basic rights at work, such as the right to freedom of association and collective bargaining, the right not to be subject to forced labour, child labour or discrimination in respect of employment and occupation, as well as regulations on working hours and the health and safety of workers. This undertaking, which is reflected in the Code of ethics and in the management procedures and systems, was further confirmed in 2022 with the drafting of a specific policy on Human Right.

For further information, please refer to [Respect for Human Rights](#).

Corruption

Salcef Group's commitment to preventing and identifying any cases of corruption led to the adoption of an anti-corruption policy based on different levels and which envisages both an Organisational, management and control model pursuant to Legislative decree no. 231/01 (of which the Code of ethics forms an integral part) and the specific ISO 37001 management system.

For further details, please refer to chapter 5 [Governance and responsible business conduct](#).

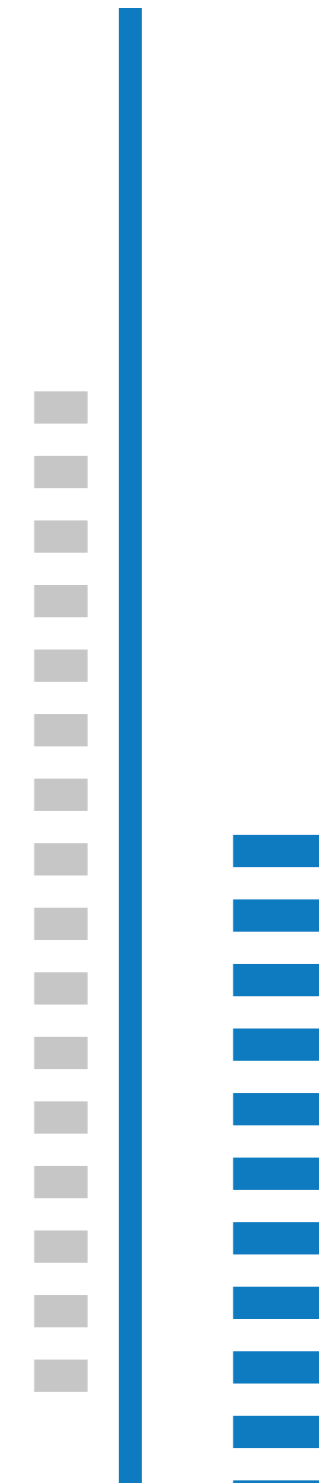
Taxation

Salcef Group adopts a transparent and prudent approach to tax issues and adopts policies aimed at reducing risks of a tax nature.

The [Tax transparency](#) chapter of this document provides relevant details as part of the reporting on the underlying sustainability issue.

Free competition

Salcef Group operates in compliance with the conditions of freedom of enterprise and the rules and regulations on free competition. Compliance with laws and regulations is an essential condition to ensure business continuity.





2

DIRECTORS' REPORT

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PART IV OTHER INFORMATION

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EVENTS AFTER THE REPORTING DATE

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 31 December 2023 or its financial performance and cash flows for the year then ended.

PART IV

OTHER INFORMATION



TREASURY SHARE REPURCHASE PROGRAMME

As noted earlier, at their ordinary meeting of 27 April 2023, the parent's shareholders authorised the board of directors to repurchase, including in more than one tranche, its ordinary shares. To execute the resolution, during its meetings of 15 May 2023 and 3 August 2023, the board of directors approved the start of the first and second tranche of the new treasury share repurchase programme for the following purposes:

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

A maximum number of ordinary shares of the parent may be repurchased, in one or more tranches and even on a revolving basis, provided that the ordinary shares of the parent held at any time by the parent and its subsidiaries shall not cumulatively exceed 10% of the parent's share capital. With regard to the first tranche, the maximum outlay for the programme, assuming 300,000 treasury shares are repurchased, is €8 million. With regard to the second tranche, the maximum outlay for the programme, assuming 400,000 treasury shares are repurchased, is €12 million. Pursuant to article 2357.1 of the Italian Civil Code, the repurchases of treasury shares must in case remain within the limits of distributable profits and available reserves as per the most recent set of approved financial statements at each transaction date.

In accordance with the terms and methods described above, the treasury shares were repurchased from 22 May 2023 through 31 July 2023 for the first tranche, and from 7 August 2023 through 27 November 2023, for the second tranche.

2023-2026 STOCK GRANT PLAN

At their ordinary meeting of 27 April 2023, the shareholders approved the 2023-2026 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.

PART IV

OTHER INFORMATION



OUTLOOK

In 2024, the group will continue to operate in its sectors of interest (permanent way systems, electrical traction and technological works, multidisciplinary railway works, design, maintenance and construction of rolling stock and production of prestressed vibrated reinforced concrete sleepers and slab-track systems) 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.

Turnover is expected to increase in 2024 almost exclusively due to organic growth, with just the effect of the acquisition of Colmar Technik S.p.A. on 1 August 2023 contributing as external growth.

Bidding activities are expected to be extremely intense for certain subsidiaries during the year, with opportunities to substantially boost the group's backlog offered by the upcoming scheduled renewal of maintenance master agreements for most of the specialised areas in which the group companies operate in Italy, as well as the completion of bids for tender related to the development of the Italian National Recovery and Resilience Plan.

In addition, the various investment plans in place in North America, Germany and several other countries in the Middle East, Europe and North Africa continue to generate considerable opportunities for the group in terms of winning contracts, which may mainly concern projects for the Track and Light Civil Works business unit as well as the Energy business unit.

While top-line growth is certain for the group during the year, almost entirely due to organic growth, the indicators that express the group's profitability, specifically the EBITDA and EBIT margins, are expected to dip slightly (without considering any one-off events). This is a natural by-product of the group's expanded consolidation scope, which includes more and more companies and operations operating in different regions and which, for organisational and market reasons, clock up excellent results in absolute terms, with considerable growth prospects, but sometimes show lower margins.

In the Italian railway permanent way systems market, Salcef S.p.A., Euro Ferroviaria S.r.l. and Overail S.r.l. will continue to operate in line with the national master agreements covering the renewal and maintenance of RFI S.p.A.'s tracks and switches for the 2021-2023 three-year period, specifically the lots in central and north-west Italy, and, following the acquisition of FCCF, in southern Italy as well. These contracts will end during the year, even those that have been extended. In the permanent way systems sector, the group has a multitude of other contracts for the maintenance and renewal of railway and urban lines in the same sector, as well as projects for the construction of new railway lines and some projects under the Italian National Recovery and Resilience Plan. It has many 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) renewal of the tracks on the Battistini - Ottaviano section of Line A of the Rome metro; (ii) extraordinary maintenance on

the permanent way of the tram system in Rome; and (iii) maintenance work on the Rome metro network and the urban railway lines in Lazio: Rome-Lido and Rome-Viterbo.

Other work sites will build and upgrade railway lines under projects funded by the Italian National Recovery and Resilience Plan, including both permanent way systems and other technological works, such as electrical traction, railway signalling and electrical substations.

The group's operations abroad will involve some work sites managed by Salcef S.p.A.'s branches and others by the North American subsidiary Delta Railroad Construction and the German subsidiaries Bahnbau Nord GmbH and Salcef Bau GmbH.

In the United States, Delta Railroad Construction has various projects in progress in the permanent way systems 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 states, mainly in the north east. Also in the US, Salcef Railroad Services is expected to have limited operations in certain activities in the permanent way systems sector.

Bahnbau Nord GmbH and Salcef Bau GmbH cover the north and central-south of Germany, respectively, and manage smaller work sites, mostly for permanent way systems, technologies and civil works as part of the Heavy Civil Works business unit (renewal of railway bridges). Turnover in Germany is forecast to grow slightly thanks to higher investments in the railway sector driven by Deutsche Bahn's extraordinary ten-year plan

Salcef's branches will mainly operate in Egypt and Romania in 2024.

Site preparation and track construction activities will get underway soon for the group's sole project in Egypt, regarding the construction of 600 km of track for the new high-speed line between Alexandria and the border with Libya. Five projects are starting up in Romania, two relating to the upgrading of railway lines in Timișoara and Arad and three for the modernisation of lots of the Caransebeș - Timișoara - Arad railway line. The projects will start in 2024 and are expected to last at least three to four years.

In addition to some works in Germany on renewing railway bridges, the Heavy Civil Works business unit will continue to work on two projects awarded by the IRICAV DUE consortium for civil works and the permanent way systems on Lots 1 and 5 of the Verona-Vicenza Junction of the HS/HC Verona Padua section. These projects will be completed in 2025.

The Energy business unit has a sizeable order backlog on which the operating departments of Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.r.l. are working. It has numerous work sites active in Italy, mostly set up for: (i) the renewal and maintenance of electrical traction systems on RFI's operating lines for various lots during the 2019-2021 and 2024-2027 three-year periods; (ii) the maintenance of signalling systems and substations on RFI's operating lines for various lots during the 2019-2021 and 2024-2027 three-year periods, (iii) work for Lot 3 of the project to develop ERTMS 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.

Other contracts will also start in Italy for the Energy business unit relating to new electrification projects on existing lines, the largest contract concerning railway lines in Sardinia.

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 railway lines. This new product has already been installed by Salcef S.p.A. and additional work sites are planned for 2024. The top product in this area is the innovative and high-tech Fast slab-track system.

After acquiring a large new facility in the Terre Roveresche municipality (Pesaro-Urbino) in September 2022, currently being fitted out and expanded, the subsidiary SRT S.r.l. will continue to mainly construct and maintain rolling stock for group companies and third parties. In the same business unit, the newly-acquired Colmar Technik S.p.A. will continue to operate at its two company-owned operating plants, manufacturing railway loaders, shunters and other railway vehicles.

Overall, in the absence of currently unforeseeable external events, 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.

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. Reference should be made to the Related party transactions section of the notes to the financial statements for the additional information required by Consob resolution no. 17221 of 12 March 2010, amended with resolution no. 17389 of 23 June 2010. The "Related party transaction procedure" is available in the Governance/Procedures and regulations section of the parent's website (www.salcef.com).

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

Salcef Group S.p.A.'s corporate governance model is consistent with the principles of the "Code of Conduct for Listed Companies" approved by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI (Italian banking association), ANIA (National association of insurance companies), Assogestioni (Italian association of asset management companies), Assonime (Italian association of publicly listed companies) and Confindustria (General confederation of Italian industry).

In accordance with article 123-bis of the Consolidated Finance Act (Legislative decree no. 58 of 24 February 1998 as subsequently amended), the parent prepares an annual corporate governance and ownership structure report which includes the disclosures required by points 1 and 2 of the above article.

The 2022 corporate governance and ownership structure report, approved by the parent's directors on 16 March 2023, has been published on the parent's website in the Governance/Shareholders' meeting section (www.salcef.com).

DISCLOSURE REQUIRED BY ARTICLES 70 AND 71 OF THE ISSUERS' REGULATION

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.

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

The group is constantly engaged in the development of new technological solutions and new, better performing products to support the development of railway infrastructure to allow its high performance in terms of speed and safety and to contribute to the development of sustainable mobility. Most of the R&D costs incurred by the group are borne by Overall S.r.l. and SRT S.r.l..

The production facility managed by Overall S.r.l. is a research centre for the development of solutions to improve the characteristics of existing products as well as the development of patents for new innovative high performance products to be launched on the market. Thanks to its internal laboratory and equipment to test the products, the group company can study various types of cement, including innovative materials like fiber-reinforced concrete. In addition, Overall S.r.l. has partnerships with universities, research centres and other companies.

SRT S.r.l. designs and develops rolling stock. Its products represent a continuous improvement of the operational capabilities of rolling stock and working conditions, focusing especially on safety. The group company consults its customers when designing new solutions as many ideas are the response to real needs and issues that arise in the group's many work sites in Italy and abroad. It integrates the most innovative technologies into the development processes to provide cutting-edge solutions for the design and construction of rolling stock.

More information about the group's R&D activities is available in its consolidated non-financial statement.

BRANCHES

The group companies have the following branches and local units:

COUNTRY	ADDRESS	TYPE	USE
SALCEF GROUP S.P.A.			
Romania	Bucharest, Str. Theodor D. Sperantia no. 123	Branch	Offices
Egypt	Cairo, Elnozha Street Flat no. 5 13	Branch	Offices
Saudi Arabia	Riyadh, Al Urajia Al Gharbiya, Al Nemer Al Gharabi Salalah 6569	Branch	Offices
SALCEF S.P.A.			
Romania	Bucharest, Str. Bucharest, Str. Theodor D. Sperantia no. 123	Branch	Offices
Norway	Oslo, Postboks 7000 - 306 Majorstuen	Branch	Offices
Switzerland	Mendrisio, Via Franscini, 16 - 6852	Branch	Offices
Croatia	Zagreb, Jurja Zerjavica, 11 - 10000	Branch	Offices
Abu Dhabi	Abu Dhabi, Mina Road Silverwave Tower Bldg no. 230	Branch	Offices
Australia	West Perth WA 6005, Level 2, 1 Prowse Street	Branch	Offices
Egypt	Cairo, Elnozha Street Flat no. 6 13	Branch	Offices
OVERAIL S.R.L.			
Italy	Aprilia (LT), 04011 - Via Nettunense Km 24.20	Facility	Production
SRT S.r.l.			
Italy	Fano (PS), 61032 - Via del Bersaglio 2	Facility	Construction
Italy	Terre Roveresche (PU), 61038 - Via del Progresso, 63	Facility	Construction
COLMAR TECHNIK S.P.A.			
Italy	Arquà Polesine (RO), 45031 - Via delle Industrie, 609	Facility	Construction
Italy	Costa di Rovigo (RO), 45023 - Via delle Industrie, 100	Facility	Construction
COGET IMPIANTI S.R.L.			
Italy	Corteno Golgi (BS), 25040 - Via Antonio Schivardi 221	Offices	Offices
Italy	Rovato (BS), 25038 - Via Gavia 20-26	Warehouse	Production
FRANCESCO VENTURA COSTRUZIONI FERROVIARIE S.R.L.			
Italy	Reggio Calabria (RC), 89127 - Via Cimino, 61	Offices	Offices
Italy	Bari (BA), 70100 - Via Roberto da Bari 108	Offices	Offices
Italy	Paola (CS), 87027 - Via della Civiltà, snc	Offices	Offices
Italy	Cosenza (CS), 87100 - Contrada Vaglio Lise, snc	Offices	Offices

SHARES OR QUOTAS OF PARENTS

Salcef Group S.p.A. does not hold shares or quotas of its parents either directly or indirectly via trustees or nominees.

SHARES OR QUOTAS OF PARENTS PURCHASED OR SOLD DURING THE YEAR

The group companies did not purchase or sell treasury shares or shares or quotas of parents either directly or indirectly via trustees or nominees.

MANAGEMENT AND COORDINATION

The parent is not managed and coordinated by another entity pursuant to article 2497 and following articles of the Italian Civil Code as it has checked that the presumption of management and coordination as per article 2497-sexies of the Italian Civil Code is not applicable.

DISCLOSURE OF NON-EU SIGNIFICANT COMPANIES

Salcef Group S.p.A. indirectly controls Delta Railroad Construction Inc. (and its subsidiaries) via Salcef USA Inc.. Delta Railroad Construction Inc. was incorporated under US law and qualifies as a significant subsidiary under article 15.2 of the Market Regulation (adopted by Consob with resolution no. 20249 of 28 December 2017 as subsequently amended), which refers to article 151 of the Issuers' Regulation (adopted by Consob with resolution no. 11971 of 14 May 1999 as subsequently amended).

With respect to this subsidiary: (i) Delta Railroad Construction Inc. prepares financial statements, deposited at its registered office, for inclusion in the group's consolidated financial statements; (ii) the parent has obtained a copy of its by-laws and details of the composition and powers of its corporate bodies; (iii) Delta Railroad Construction Inc. has engaged independent auditors that provide the parent's independent auditors with the information necessary to allow the latter to perform its audit of the annual consolidated financial statements and the condensed interim consolidated financial statements; and (iv) Delta Railroad Construction Inc. has an administrative and accounting system that is adequate to provide the parent with its financial reporting figures, prepared in accordance with the group's accounting policies and necessary to allow the parent to prepare consolidated financial statements.

RECONCILIATION OF SALCEF GROUP S.P.A.'S EQUITY AND PROFIT FOR THE YEAR WITH THOSE OF THE GROUP

A reconciliation of the parent's equity at 31 December 2023 and 2022 and its profit for the years then ended with those of the group is presented below:

DESCRIPTION	PROFIT FOR 2023	EQUITY AT 31.12.2023	PROFIT FOR 2022	EQUITY AT 31.12.2022
Salcef Group S.p.A.	39,068	320,389	36,033	336,225
Contribution of subsidiaries	62,887	73,211	55,356	55,045
Dividends	(38,765)	(38,765)	(45,090)	(45,094)
Elimination of intragroup profits and losses	(1,287)	(5,907)	(1,108)	(5,725)
Goodwill		98,692		101,410
Total equity	61,903	447,620	45,191	441,861

(€'000)

PROPOSAL FOR THE APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AND ALLOCATION OF THE PROFIT FOR THE YEAR

Dear shareholders,

We invite you to approve the separate financial statements as at and for the year ended 31 December 2023, comprised of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, attached hereto, which give a true and fair view of the parent's financial position at 31 December 2023 and financial performance and cash flows for the year then ended and which match the accounting entries.

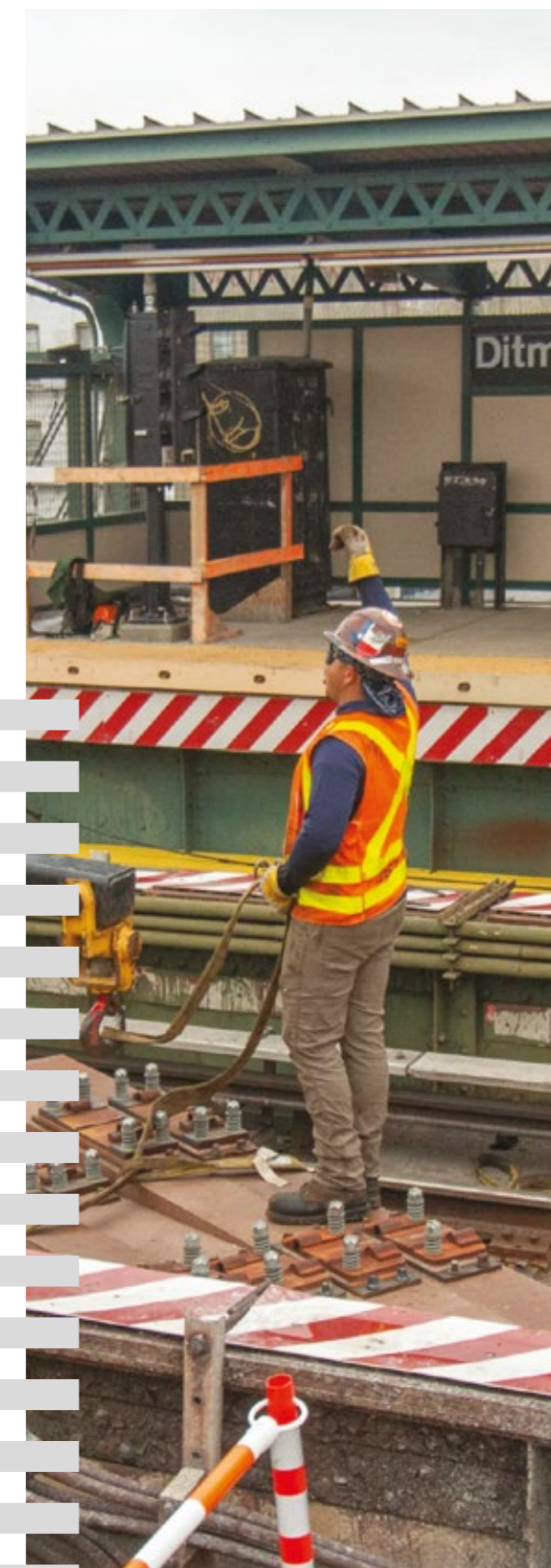
We propose you approve the allocation of the profit for the year of €39,068,251 as follows:

- €1,953,413 to the legal reserve (5% of the profit);
- €0.55 to each share outstanding at the ex-dividend date, excluding treasury shares held in portfolio at that date;
- the remainder to retained earnings.

Rome, 14 March 2024

CEO

Valeriano Salciccia





3

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

- 3.1 CONSOLIDATED FINANCIAL STATEMENTS
- 3.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- 3.3 ATTESTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS



3.1

CONSOLIDATED FINANCIAL STATEMENTS

- Statement of financial position
- Income statement
- Statement of comprehensive income
- Statement of changes in equity
- Statement of cash flows

STATEMENT OF FINANCIAL POSITION

ASSETS	NOTES	31.12.2023	31.12.2022 restated (*)
Non-current assets			
Intangible assets with finite useful lives	1	35,447,767	31,259,666
Goodwill	2	98,692,353	86,295,373
Property, plant and equipment	3	228,729,417	200,830,290
Right-of-use assets	4	13,332,762	17,473,977
- of which, with related parties	33	0	993,661
Equity-accounted investments	5	132,643	135,643
Other non-current assets	6	33,285,777	25,112,368
- of which, with related parties	33	1,321,453	1,526,853
Deferred tax assets	7	23,542,489	25,054,591
Total non-current assets		433,163,208	386,161,908
Current assets			
Inventories	8	58,569,987	29,764,667
Contract assets	9	185,786,026	158,322,761
Trade receivables	10	177,201,127	140,505,148
- of which, with related parties	33	12,611,091	11,609,934
Current tax assets	11	1,286,657	4,167,579
Current financial assets	12	88,494,879	148,643,040
Cash and cash equivalents	13	140,929,019	135,245,724
Other current assets	14	46,382,739	35,333,090
Assets held for sale		0	2,529,499
Total current assets		698,650,434	654,511,508
TOTAL ASSETS		1,131,813,642	1,040,673,416

LIABILITIES	NOTES	31.12.2023	31.12.2022 restated (*)
Equity attributable to the owners of the parent			
Share capital		141,544,532	141,544,532
Other reserves		241,307,225	252,475,698
Profit for the year		61,903,162	45,190,464
Total equity attributable to the owners of the parent		444,754,919	439,210,694
Share capital and reserves attributable to non-controlling interests		2,650,300	2,348,332
Profit for the year attributable to non-controlling interests		214,666	302,068
TOTAL EQUITY	15	447,619,885	441,861,094
Non-current liabilities			
Non-current financial liabilities	16	135,236,953	119,211,190
Lease liabilities	4-16	7,061,792	10,428,864
- of which, with related parties	33	0	727,379
Employee benefits	17	4,569,178	6,678,524
- of which, with related parties	33	642,128	209,965
Provisions for risks and charges	18	4,444,266	2,357,957
Deferred tax liabilities	7	13,439,741	13,933,443
Other non-current liabilities	21	4,286,112	4,266,809
Total non-current liabilities		169,038,042	156,876,787
Current liabilities			
Bank loans and borrowings	16	0	4,064,734
Current financial liabilities	16	89,160,192	89,263,299
Current portion of lease liabilities	4-16	5,173,500	5,387,527
- of which, with related parties	33	0	342,844
Current employee benefits	17	2,517,389	1,127,387
- of which, with related parties	33	1,208,653	974,869
Contract liabilities	9	104,136,021	76,336,848
Trade payables	19	254,695,363	218,281,916
- of which, with related parties	33	977,613	520,893
Current tax liabilities	20	16,794,490	8,085,187
Other current liabilities	21	42,678,760	38,116,934
- of which, with related parties	33	657,475	620,607
Liabilities directly associated with assets held for sale		0	1,271,703
Total current liabilities		515,155,715	441,935,535
TOTAL LIABILITIES		684,193,757	598,812,322
TOTAL EQUITY AND LIABILITIES		1,131,813,642	1,040,673,416

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the business unit and Francesco Ventura Costruzioni Ferroviarie S.r.l.. Reference should be made to note 34 for additional details.

INCOME STATEMENT

	NOTES	2023	2022 restated (*)
Revenue from contracts with customers		785,335,722	555,700,475
- of which, with related parties	33	34,086,540	9,209,688
Other income		9,374,020	9,911,154
Total revenue	22	794,709,742	565,611,629
Raw materials, supplies and goods	23	(194,531,019)	(135,714,123)
Services	24	(308,329,568)	(217,365,883)
- of which, with related parties	33	(2,321,364)	(7,180,164)
Personnel expense	25	(145,973,244)	(109,290,367)
- of which, with related parties	33	(2,208,654)	(1,837,864)
Amortisation, depreciation and impairment losses	26	(55,324,244)	(36,460,669)
Impairment losses	27	(4,514,251)	(697,427)
Other operating costs	28	(19,201,618)	(12,807,106)
- of which, with related parties	33	(683,875)	(793,997)
Internal work capitalised	29	33,850,758	24,523,945
Total costs		(694,023,186)	(487,811,630)
OPERATING PROFIT		100,686,556	77,799,999
Financial income	30	10,426,193	3,293,423
Financial expense	30	(17,374,832)	(13,935,216)
- of which, with related parties	33	(42,207)	(50,342)
PRE-TAX PROFIT		93.737.917	67.158.206
Income taxes	7	(31,620,089)	(21,665,674)
PROFIT FOR THE YEAR		62,117,828	45,492,532
<i>Profit for the year attributable to:</i>			
Non-controlling interests		214,666	302,068
Owners of the parent		61,903,162	45,190,464
<i>Earnings per share:</i>			
Basic earnings per share	35	1.01	0.73
Diluted earnings per share	35	1.01	0.73

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the PSC business unit and Francesco Ventura Costruzioni Ferroviarie S.r.l.. Reference should be made to note 34 for additional details.

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2023	2022 restated (*)
Profit for the year		62,117,828	45,492,532
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	17	(174,674)	147,864
Net fair value gains/(losses) on securities measured at FVOCI	12	353,752	(154,880)
Related tax	7	(35,433)	(4,704)
Total		143,645	(11,720)
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	12-16	(4,205,705)	4,796,354
Related tax	7	1,009,369	(1,151,125)
Net exchange gains/(losses)		(1,832,729)	276,212
Total		(5,029,065)	3,921,441
Other comprehensive income (expense), net of tax		(4,885,420)	3,909,721
COMPREHENSIVE INCOME		57,232,408	49,402,253
<i>Attributable to:</i>			
Non-controlling interests		214,666	302,068
Owners of the parent		57,017,742	49,100,185

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the PSC business unit and Francesco Ventura Costruzioni Ferroviarie S.r.l.. Reference should be made to note 34 for additional details.



STATEMENT OF CHANGES IN EQUITY

	NOTES	SHARE CAPITAL	OTHER RESERVES	RESERVE FOR TREASURY SHARES	ACTUARIAL RESERVE	HEDGING RESERVE	TRANSLATION RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	EQUITY ATT. TO NON-CONTROLLING INTERESTS	EQUITY
BALANCE AT 1 JANUARY 2022		141,544,532	154,840,919	(6,483,130)	(261,078)	(1,609,247)	(2,747,360)	94,682,868	39,070,532	2,334,832	421,372,868
Profit for the year, restated (*)									45,190,464	302,068	45,492,532
Other comprehensive income			(117,709)		105,989	3,645,229	276,212				3,909,721
Comprehensive income, restated (*)		-	(117,709)	-	105,989	3,645,229	276,212		45,190,464	302,068	49,402,253
Allocation of prior year profit			1,665,045					37,405,487	(39,070,532)		0
Dividend distribution								(28,474,765)			(28,474,765)
Repurchase of treasury shares				(695,871)							(695,871)
Stock grants			243,109								243,109
Other variations/reclassifications										13,500	13,500
Total owner transactions		-	1,908,154	(695,871)	-	-	-	8,930,722	(39,070,532)	13,500	(28,914,027)
BALANCE AT 31 DECEMBER 2022	15	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

	NOTES	SHARE CAPITAL	OTHER RESERVES	RESERVE FOR TREASURY SHARES	ACTUARIAL RESERVE	HEDGING RESERVE	TRANSLATION RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	EQUITY ATT. TO NON-CONTROLLING INTERESTS	EQUITY
BALANCE AT 1 JANUARY 2023	15	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 year									61,903,162	214,666	62,117,828
Other comprehensive expense			268,852		(125,207)	(3,196,336)	(1,832,729)				(4,885,420)
Comprehensive income		-	268,852		(125,207)	(3,196,336)	(1,832,729)		61,903,162	214,666	57,232,408
Allocation of prior year profit			1,801,626					43,388,838	(45,190,464)		0
Dividend distribution								(30,800,831)			(30,800,831)
Repurchase of treasury shares				(20,902,412)							(20,902,412)
Assignment of tranche 1 of the 2021-2024 stock grant plan			(183,998)	104,485							(79,513)
Stock grants	31		309,239								309,239
Changes in the consolidation scope											(100)
Total owner transactions		-	1,926,867	(20,797,927)	-	-	-	12,588,007	(45,190,464)	(100)	(51,473,617)
BALANCE AT 31 DECEMBER 2023	15	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

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the PSC business unit and Francesco Ventura Costruzioni Ferroviarie S.r.l.. Reference should be made to note 34 for additional details.

STATEMENT OF CASH FLOWS

DESCRIPTION	2023	2022 restated (*)
Profit for the year	62,117,828	45,492,532
Amortisation and depreciation	55,170,063	36,460,669
Impairment losses	4,668,431	697,427
Net financial expense	6,948,639	10,641,794
Net (gains)/losses on the disposal of property, plant and equipment	105,091	(4,892,418)
Other adjustments for non-monetary items	4,229,868	(8,193,431)
Accruals	2,139,554	(1,327,374)
Income taxes	31,620,089	21,665,674
(A) Cash flows from operating activities before changes in working capital	166,999,563	100,544,873
(Increase) / decrease in inventories	(20,123,530)	(4,782,741)
(Increase) / decrease in contract assets/liabilities	(1,375,209)	13,738,783
(Increase) / decrease in trade receivables	(32,340,605)	(26,609,980)
Increase / (decrease) in trade payables	31,808,866	61,107,874
(Increase) / decrease in other current and non-current assets	(23,995,299)	(6,732,016)
Increase / (decrease) in other current and non-current liabilities	(12,373,320)	8,244,096
(B) Changes in working capital	(58,399,097)	44,966,016
Cash flows generated by operating activities (A+B)	108,600,466	145,510,889
Interest paid	(13,794,093)	(2,837,522)
Income taxes paid	(13,536,155)	(17,996,791)
(C) Cash flows generated by operating activities	81,270,218	124,676,576
<i>Investing activities</i>		
Interest collected	3,866,785	480,256
Investments in intangible assets	(2,527,721)	(4,489,872)
Acquisition of property, plant and equipment	(62,935,278)	(69,297,959)
Investments in securities and other financial assets	(9,849,000)	(42,033,626)
Proceeds from the sale of property, plant and equipment	4,012,711	14,364,056
Proceeds from the sale of equity investments and securities	65,390,596	5,620,685
Acquisition/sale of subsidiaries net of cash acquired	(14,931,500)	(43,050,272)
Exchange differences	(1,286,162)	(896,038)
(D) Cash flows used in investing activities	(18,259,569)	(139,302,770)
<i>Financing activities</i>		
Disbursement of loans	122,528,258	90,468,779
Repayment of loans	(113,991,605)	(61,356,894)
Repayment of lease liabilities	(5,410,247)	(7,023,980)
Change in other financial liabilities	(4,685,783)	(13,285,962)
Repurchase of treasury shares	(20,902,412)	(695,871)
Dividends distributed	(30,800,831)	(28,474,765)
(E) Cash flows used in financing activities	(53,262,620)	(20,368,693)
(F) Net change in cash and cash equivalents (C+D+E)	9,748,029	(34,994,887)
(**) Opening cash and cash equivalents	131,180,990	166,175,877
Net change in cash and cash equivalents	9,748,029	(34,994,887)
(**) Closing cash and cash equivalents	140,929,019	131,180,990

(*) the comparative figures have been restated to retrospectively reflect the effects of the purchase price allocation during the year of the acquisitions of the PSC business unit and Francesco Ventura Costruzioni Ferroviarie S.r.l. Reference should be made to note 34 for additional details.

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



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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

- 3.1 CONSOLIDATED FINANCIAL STATEMENTS
- 3.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- 3.3 ATTESTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

3.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information on the reporting entity

Basis of preparation and compliance with the IFRS

Basis of presentation

Accounting policies

Key risks and uncertainties

Notes to the main statement of financial position captions

Notes to the main income statement captions

Other notes

Significant non-recurring events and transactions

Events after the reporting date

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 organised and managed by Borsa Italiana S.p.A..

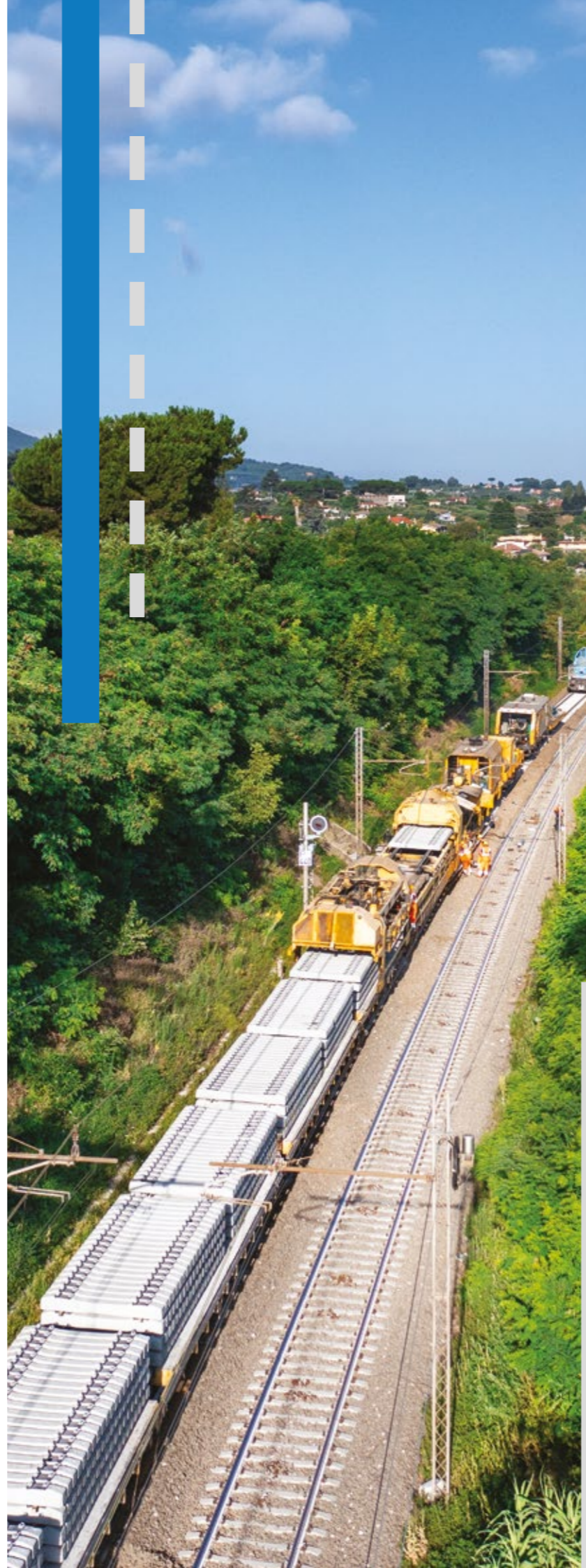
The consolidated financial statements as at and for the year ended 31 December 2023 include the financial statements of the parent and those of its subsidiaries (collectively, the “Salcef Group” or the “group”). Salcef Group S.p.A.’s board of directors approved the consolidated financial statements and authorised them for publication on 14 March 2024.

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

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

BASIS OF PREPARATION AND COMPLIANCE WITH THE IFRS

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, the consolidated financial statements at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.



BASIS OF PRESENTATION

These consolidated financial statements at 31 December 2023 consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes.

Among the various options for the presentation of the statement of financial position, the group has opted to classify assets and liabilities as current or non-current.

The income statement is presented with the classification of the individual captions by nature, which is consistent with the group’s internal management reporting model and is therefore deemed more indicative than presenting the captions by use, as it provides more reliable and meaningful information according to the segment to which each caption belongs.

The income statement and the statement of comprehensive income are presented as two separate statements and, therefore, the group has prepared a statement that presents the profit or loss components (the income statement) and another statement that starts with the profit or loss for the 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 27 July 2006, any income and expense on non-recurring transactions are recognised separately in profit or loss. Similarly, the balances of related party transactions are presented separately in the financial statements. Note 33 provides information and details of related party transactions.

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

The comparative figures in the financial schedules and certain tables of the notes have been restated, where necessary, to retrospectively reflect the effects of the purchase price allocation (PPA) of the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. and the railway business unit from Gruppo PSC S.p.A. (“PSC business unit”), in accordance with the applicable reporting standards. The effects of this restatement are detailed in note 34.



ACCOUNTING POLICIES

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

The group has prepared the consolidated financial statements as at and for the year ended 31 December 2023 on a going concern basis and to give a true and fair view of its financial position, financial performance and cash flows for the year. Management has made use of estimates as described later.

CONSOLIDATION SCOPE AND BASIS OF CONSOLIDATION

The consolidated financial statements at 31 December 2023 have been prepared by consolidating the parent's separate financial statements and the financial statements of the Italian and foreign companies that it directly or indirectly controls at the same date.

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.

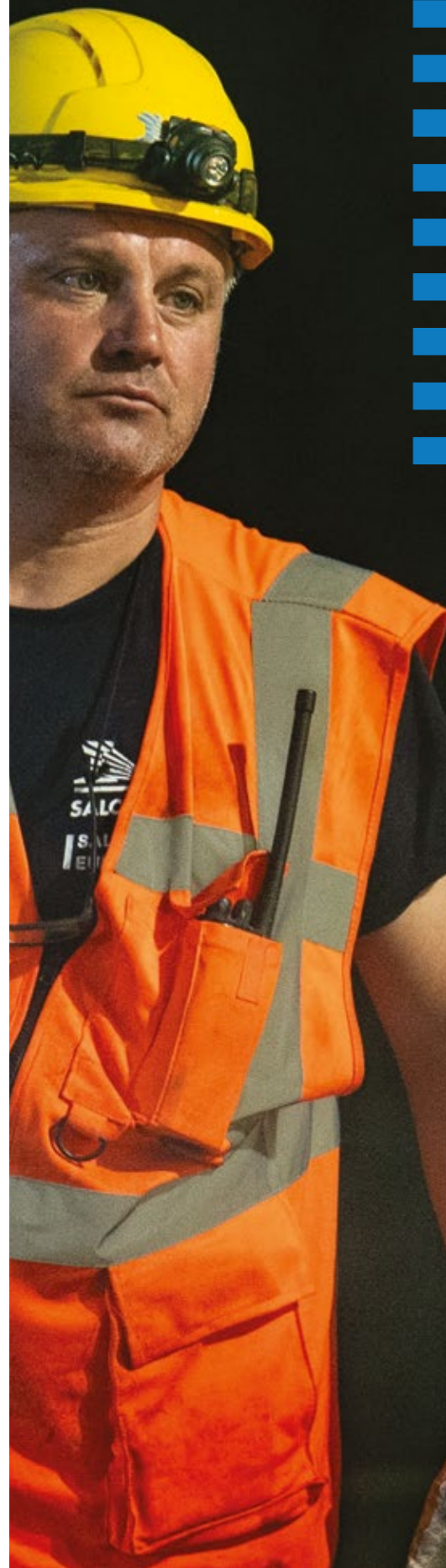
The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

The reporting date of the subsidiaries' 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 31 DECEMBER 2023

	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%	Consolidation
Euro Ferroviaria S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
RECO S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
SRT S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
Overrail S.r.l.	Rome - Italy	Euro	100,000		100%	Consolidation
Coget Impianti S.r.l.	Rome - Italy	Euro	1,000,000		100%	Consolidation
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	Euro	420,000		100%	Consolidation
Colmar Technik S.p.A.	Rovigo - Italy	Euro	1,000,000		100%	Consolidation
Colmar SK S.R.O.	Šahy - Slovak Republic	Euro	5,000	100%		Consolidation
Colmar USA Inc.	Niagara Falls (NY) - USA	USD	60,000	100%		Consolidation
Technik (UK) Limited	Richmond - Surrey - Great Britain	GBP	2	100%		Consolidation
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	Euro	162,750		100%	Consolidation
Salcef Bau GmbH	Landsberg Am Lech - Germany	Euro	25,000	100%		Consolidation
Bahnsicherung Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Schweißteam Nord GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Bahnbau Nord GmbH	Henstedt-Ulzburg - Germany	Euro	75,000	100%		Consolidation
Sartorius Nova-Signal GmbH	Henstedt-Ulzburg - Germany	Euro	25,000	100%		Consolidation
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000		100%	Consolidation
Salcef Railroad Services Inc.	Wilmington (DE) - USA	USD	10,000	100%		Consolidation
Delta Railroad Construction Inc.	Ashtabula - Ohio - USA	USD	109,640	90%		Consolidation
Deltarr Holding Company, Corp.	Ashtabula - Ohio - USA	USD	500	90%		Consolidation
Delta Railroad Company of Canada, ULC	Toronto - Canada	CAD	1	90%		Consolidation
Salcef Nordic A.S.	Oslo (Norway)	NOK	30,000		60%	Consolidation
Consorzio Stabile Itaca S.c.a.r.l.	Rome - Italy	Euro	40,000	98.03%		Consolidation
Consorzio Stabile Contese	Rome - Italy	Euro	30,000	55%		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 2022 in terms of companies in which the group has acquired or lost control in 2023 are as follows:

- (i) the acquisition of Colmar Technik S.p.A., which, together with its subsidiaries, became part of the consolidation scope as of 1 August 2023. The purchase price allocation of this business combination was completed in the same year in which the acquisition took place, as described in note 34;
- (ii) the sale of Kampfmittelräumung Nord GmbH (a subsidiary indirectly held through Salcef Deutschland GmbH) whose assets had been classified as held for sale and liabilities as directly associated with assets held for sale at 31 December 2022 in accordance with IFRS 5;
- (iii) the establishment of the new subsidiary Salcef Nordic AS in Oslo (Norway), which is 60% held by Salcef Group S.p.A., and
- (iv) the winding up of the investee A.F.A.I. Armamento per la ferrovia Alifana inferiore S.c.a r.l. in December 2023.

For additional details on the acquisition of Colmar Technik S.p.A., reference should be made to the section on key events of the year of the Directors' report, as well as note 34 where the information required by IFRS 3 on such business combination is provided.

The consolidation process is as follows:

- subsidiaries are consolidated on a line-by-line basis, whereby:
 - the carrying amounts of their assets, liabilities, costs and revenue are included in full, regardless of the investment percentage held;
 - the carrying amount of the investment is eliminated against the group's share of the investee's equity;
 - the effects of intragroup transactions, including dividends distributed among the group companies, are eliminated;
 - non-controlling interests are classified in the specific equity caption. Likewise, the profit or loss for the year attributable to non-controlling interests is presented separately in the income statement;
- investments in joint operations are consolidated using the proportionate method whereby:
 - the carrying amounts of their assets, liabilities, costs and revenue are included in full in proportion to the investment percentage held;
 - the carrying amount of the investment is eliminated against the group's share of the investee's equity;
 - the effects of transactions among the companies consolidated on a proportionate basis, including dividends distributed among the group companies, are eliminated;
- investments in associates and joint arrangements are measured using the equity method, whereby their carrying amount is adjusted to consider the following:
 - consistency with group accounting policies, where necessary;
 - the investor's share of the investee's profit or loss realised after its acquisition;
 - changes in the investee's equity that are not recognised in profit or loss under the IFRS;
 - dividends distributed by the investee;
 - any differences identified upon acquisition (measured using the criteria set out in the "Business combinations" section) and recognised in accordance with the IFRS;
 - the group's share of equity-accounted investees' profit or loss is recognised in the income statement.

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

BUSINESS COMBINATIONS

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

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

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

Any subsequent fair value gains or loss are recognised immediately in profit or loss. 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, increasing (decreasing) the provisional amount recognised for an identifiable asset (liability) with a corresponding decrease (increase) in goodwill. These adjustments are recognised as if the business combination had been completed at the acquisition date.

LOSS OF CONTROL

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

TRANSLATION OF FOREIGN CURRENCY ITEMS AND FINANCIAL STATEMENTS

Transactions in foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the 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 securities 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 exchange rates 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 31 December 2023

CURRENCY	CODE	31.12.2023	
		SPOT CLOSING RATE	AVERAGE RATE
British pound	GBP	0.86905	0.86979
Egyptian lira	EGP	34.1589	33.1581
Romanian leu	RON	4.9756	4.9467
UAE dirham	AED	4.0581	3.9710
US dollar	USD	1.1050	1.0813
Saudi riyal	SAR	4.1438	4.0548
Norwegian krone	NOK	11.2405	11.4248
Swiss franc	CHF	0.9260	0.9718
Australian dollar	AUD	1.6263	1.6288

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES AND GOODWILL

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

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

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

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.

A company may have a customer list or market share and expect that customers will continue to do business with them due to its efforts to develop customer relationships and customer loyalty. Trade under customer relationships or similar non-contractual customer relationships (if not part of a business combination) show that the company can control the expected future economic benefits arising from the customer relationships. Since these trade transactions also show that the customer relationships can be individually separated, such customer relationships meet the definition of an intangible asset.

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.

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 year in which the updates are made.

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

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

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

Contract assets are shown net of any allowances.

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

- A. variable consideration;
- B. the existence of a significant financing component in contracts;
- C. non-monetary consideration;
- D. consideration payable to the customer.

When, during the progress of contracts, the review of plans reveals that the costs to perform the obligations exceed contract revenue, the portion of costs in excess of the economic benefits generated by the contract is expensed entirely in the year when 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. Any bank deposits with a negative balance at the reporting date are classified under bank loans and borrowings.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

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

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

EQUITY

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the 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 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 or expense is recognised under the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

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

INCOME TAXES

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

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES (corporate income tax). The tax consolidation agreement governs the income/expense and financial transactions and the mutual responsibilities and obligations between the parent and the consolidated companies. It has a three-year term from 2023 to 2025 and was signed with the subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Francesco Ventura Costruzioni Ferroviarie S.r.l., RECO S.r.l., SRT S.r.l., Overail S.r.l. and Coget Impianti S.r.l.. Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for:

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

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax 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 year 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 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 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.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets, disposal groups and discontinued operations, whose carrying amount will be recovered mainly through their sale rather than continuing use, are classified as held for sale and are recognised separately from other assets and liabilities in two specific statement of financial position items (i.e., assets held for sale and liabilities directly associated with assets held for sale).

A disposal group is a group of assets and directly associated liabilities to be disposed of together as a group in a single transaction. A discontinued operation is a component of the group (e.g., a major line of business or geographical area of operation) that is part of a single co-ordinated plan to dispose of such line of business or area of operation or is a subsidiary acquired exclusively with a view to resale. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable within one year. If these criteria are met after the reporting period, the non-current asset (or disposal group) are not classified as held for sale. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, disclosure shall be provided in the notes.

Non-current assets, disposal groups and discontinued operations are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. The prior year corresponding figures are not reclassified. Any difference is recognised as an impairment loss in profit or loss.

The group presents non-current assets classified as held for sale and the assets of disposal groups classified as held for sale separately from other assets in the statement of financial position. The liabilities of disposal groups classified as held for sale are presented separately from other liabilities in the statement of financial position. These assets and liabilities are not offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale are disclosed in the notes. The group presents separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

The group does not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior years presented for comparative purposes.

The post-tax profits or losses of discontinued operations and any post-tax gains/losses realised on disposal are presented separately in a specific caption of the statement of profit or loss (profit (loss) from discontinued operations). The prior year corresponding figures are reclassified accordingly.

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 permanent way systems, related infrastructure works and electrical traction systems. These operating divisions all contribute to the provision of integrated services for the construction and maintenance of railway infrastructure and, therefore, have similar economic characteristics in terms of customer type (mainly national and foreign

railway infrastructure operators), the nature of their products and services (integrated solutions for the renewal, maintenance and construction of railway infrastructure), the related production processes, the reference regulatory context and the methods used to develop these products/services. Although the revenue and profit margins of each operating division are calculated and periodically reviewed by group management, these actions are carried out to monitor the performance of the common strategy defined by the entity's chief operating decision maker.

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

CHANGES IN ACCOUNTING POLICIES, ERRORS AND CHANGES IN ACCOUNTING ESTIMATES

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

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

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

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

USE OF ESTIMATES

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

Actual results may differ from those reported in these 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 2023

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

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

The adoption of the new standards starting from 1 January 2023 did not have any impact.

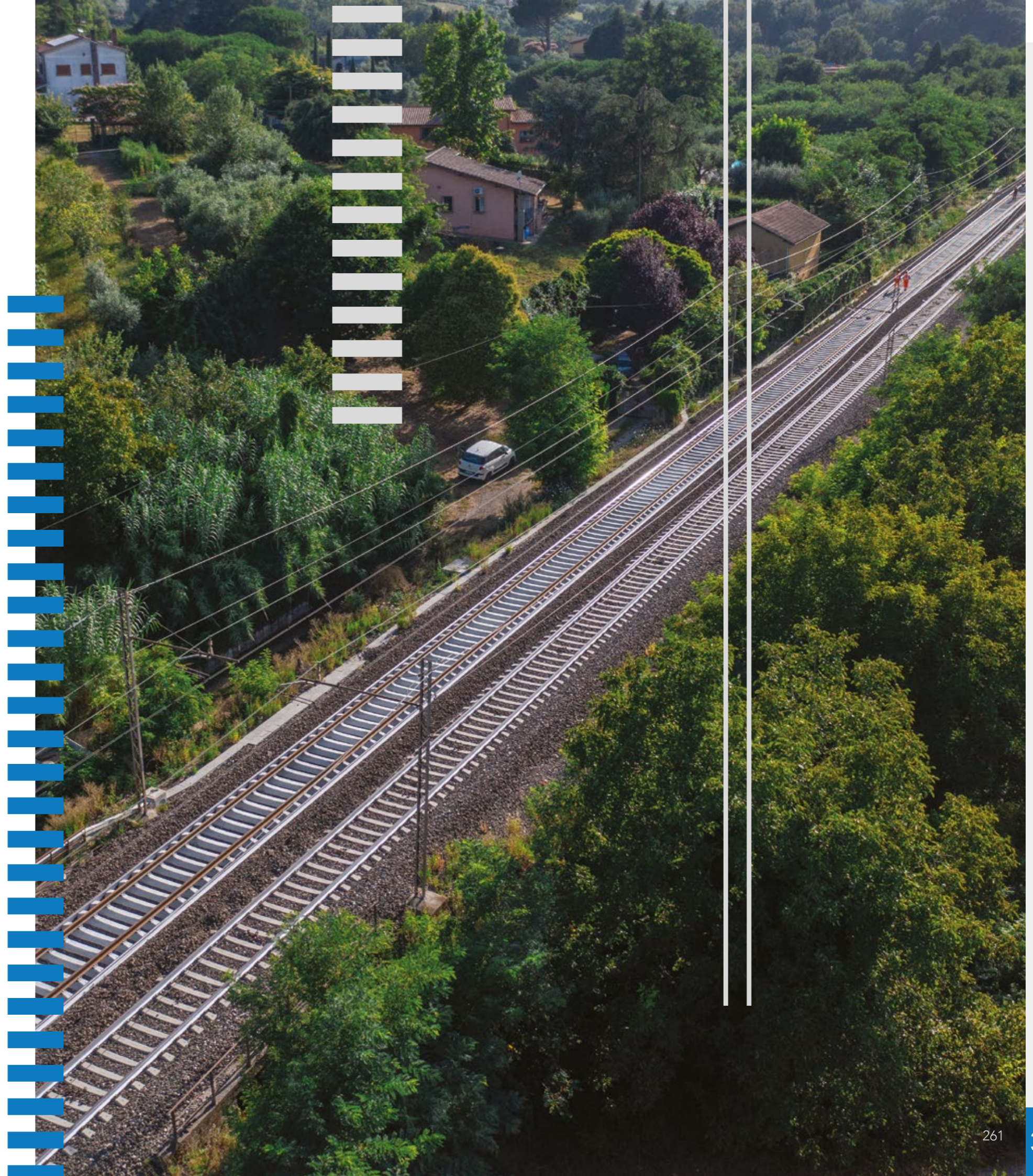


STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET ADOPTED

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

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

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



KEY RISKS AND UNCERTAINTIES

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 no. 197/22 which set out guidelines for adjusting prices for 2023. The group has therefore partly offset the effects of the widespread increase in prices with the greater revenue from higher consideration, limiting the impact on consolidated profit margins. The group has not yet experienced any production slowdowns due to shortages of materials, transporters and service providers. 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.

RISK OF THE LOSS OF QUALIFICATIONS AND CERTIFICATIONS

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

INTEREST RATE RISK

The group uses third party funding which mostly bears floating interest rates indexed to the short and medium to long-term Euribor. The risk arising from fluctuations in interest rates is growing due to the upwards trend in rates which accelerated compared to previous quarters and is expected to continue during the year. The group's interest rate risk hedging policy is to neutralise the effect of increases in interest rates by agreeing interest rate swaps for its main loans in place. The purpose of such interest rate swaps is solely to hedge interest rate risk; therefore, the group does not hold derivatives for speculative purposes.

CURRENCY RISK

The 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 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).

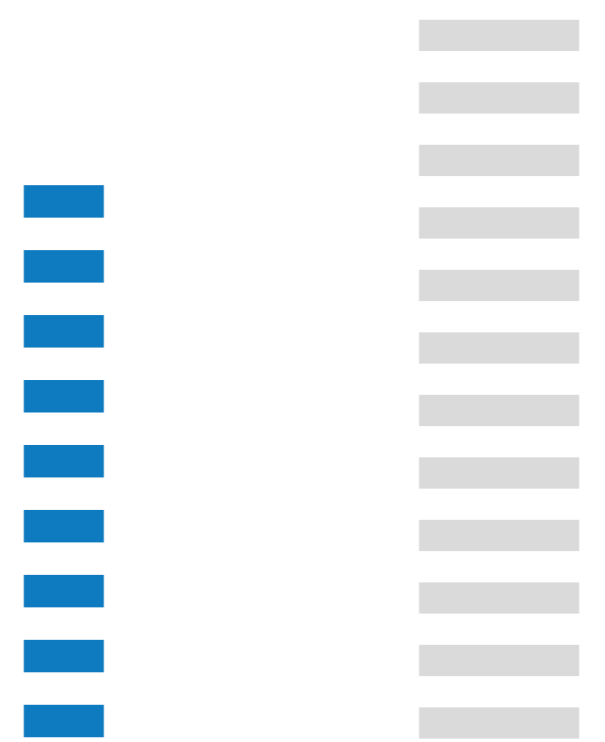
CREDIT RISK

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 contracts 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.



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 €35,448 thousand, compared to €31,260 thousand at 31 December 2022 (restated). This caption and changes in the year are analysed in the table below:

	(€'000)						
INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES, TRADEMARKS AND SIMILAR RIGHTS	OTHER INTANGIBLE ASSETS	COSTS TO FULFIL CONTRACTS	OTHER INTANGIBLE ASSETS FROM BUSINESS COMBINATIONS	ASSETS UNDER DEVELOPMENT	TOTAL
Balance at 31 December 2022:							
Cost	2,444	637	16,898	2,210		5,269	27,458
Accumulated amortisation	(1,567)	(586)	(7,327)	(253)		0	(9,733)
Carrying amount at 31 December 2022	877	51	9,571	1,957		5,269	17,725
<i>Purchase price allocation</i>							
Cost					14,725		14,725
Accumulated amortisation					(1,190)		(1,190)
Carrying amount at 31 December 2022	877	51	9,571	1,957	13,535	5,269	31,260
<i>Changes in the year</i>							
Investments - Historical cost	385	10	27			2,106	2,528
Disposals - Historical cost							
Other variations - Historical cost			684				684
Changes in the consolidation scope - Historical cost	9				11,113		11,121
Reclassifications - Historical cost	1		2,891			(2,892)	
Exchange differences - Historical cost							
Amortisation	(415)	(11)	(3,090)	(291)	(5,939)		(9,747)
Disposals - Acc. amortisation							
Other variations - Acc. amortisation			(279)				(279)
Changes in the consolidation scope - Acc. amortisation							
Reclassifications - Acc. amortisation							
Exchange differences - Acc. amortisation	(5)		(114)				(119)
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)		(21,068)
Carrying amount at 31 December 2023	851	50	9,690	1,666	18,709	4,483	35,448

Industrial patents and intellectual property rights of €851 thousand mainly consist of the cost incurred by SRT S.r.l. to acquire industrial patents for railway technologies (€506 thousand), intellectual property rights and patents held by Overail S.r.l. (€56 thousand), the software user licences acquired by Salcef Group S.p.A., Salcef S.p.A. and RECO S.r.l. (€143 thousand) and intellectual property rights of Delta Railway Construction Inc. and Salcef Deutschland GmbH (€90 thousand).

Concessions, licences and trademarks are mainly comprised of the costs incurred by the parent to register the Salcef Group trademark (€42 thousand).

Costs to fulfil contracts of €1,666 thousand refer to the pre-operating costs incurred by the subsidiary Salcef S.p.A. to build the tracks and other works for the work site of the "HS Verona - Padua" 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 machinery (€2,969 thousand), the development costs of the subsidiary FVCF as a result of its acquisition in December 2022 (€4,232 thousand) and development costs incurred by Overail to design new railway materials and acquire the relevant patents (€1,189 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 (€4,473 thousand). The decrease is due to the reclassification of capitalised costs related to projects completed in 2023 to other non-current assets.

Intangible assets arising from business combinations consist of the assets recognised under the purchase price allocation of the acquisitions of the PSC business unit, FVCF and Colmar Technik S.p.A.. Specifically, as the first two purchase price allocations refer to the business combinations of 2022, the comparative balances were restated, while the effects of the Comar purchase price allocation are shown in the table above as changes in the consolidation scope. Intangible assets arising from business combinations 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. Reference should be made to note 34 for further details on intangible assets arising from business combinations.



2 GOODWILL

(€'000)			
GOODWILL	31.12.2023	31.12.2022	VAR
Carrying amount	98,692	86,295	12,397
Total	98,692	86,295	12,397

At the reporting date, this caption amounts to €98,692 thousand (31 December 2022 restated: €86,295 thousand) and includes goodwill recognised on the acquisition of companies or business units.

Specifically, it includes:

- €423 thousand on the acquisition of the permanent way systems business unit in 2002;
- €682 thousand on the additional acquisition of a business unit related to the group's core business (construction) in March 2011;
- €831 thousand on the acquisition of the electrical traction business unit in 2008;
- €242 thousand on the acquisition of an investee which generated goodwill on the design business unit in 2012;
- €484 thousand for the 2015 acquisition of a business unit from Tuzi Costruzioni Generali S.p.A., active in the permanent way systems, construction and electrical traction sector;
- €913 thousand arising on the contribution of a business unit by Vianini S.p.A. to Vianini Industria S.r.l. (now named Overail S.r.l.) in 2017 (€392 thousand) and on the difference between the cost incurred by the parent to acquire the investment in Vianini Industria S.r.l. and its share of the investee's equity at the consolidation date (€521 thousand);
- €6,630 thousand arising on the acquisition of the investments in Salcef Bau GmbH (in 2018) and the Salcef Deutschland Group (in 2021);
- €7,082 thousand arising in 2019 on the acquisition of the investment in Coget Impianti S.p.A. (now Coget Impianti S.r.l.) following the purchase price allocation process which the group completed in 2020;
- €25,121 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 process which the group completed in 2021;
- €21,041 thousand arising on the 2022 acquisition of the PSC business unit. The goodwill recognised at 31 December 2023 relates to the purchase price allocation process which the group completed during the year and which is detailed in note 34;
- €21,943 thousand arising on the 2022 acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l.. The goodwill recognised at 31 December 2023 relates to the purchase price allocation process which the group completed during the year and which is detailed in note 34;

Goodwill also includes amounts deriving from the business combination carried out during the year following the acquisition of Colmar Technik S.p.A. which resulted in goodwill of €13,099 thousand, including the effects of the purchase price allocation process which the Group completed in 2023. Reference should be made to note 34 for additional details, including the disclosures required by IFRS 3 on business combinations.

In addition to the aforementioned changes in the consolidation scope (regarding the goodwill allocated to the "Energy, Signalling and Telecommunications", "Permanent Way Systems" and "Railway Machines" CGUs), the change in goodwill from 31 December 2022 is also attributable to the "Delta Railroad Construction Inc." CGU (€904 thousand), due to fluctuations in the EUR-USD exchange rate.

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

(€'000)			
CGUS	31.12.2023	31.12.2022	VAR
Permanent Way Systems	23,734	35,720	(11,986)
Salcef Deutschland	6,630	6,630	(0)
Delta Railroad Construction Inc.	25,121	26,025	(904)
Energy, Signalling and Telecommunications	28,954	31,880	(2,926)
Design	242	242	0
Railway Materials	913	913	(0)
Railway Machines	13,099	0	13,099
Total	98,692	101,410	(2,718)
Restatement		(15,115)	
Restated amount		86,295	

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 current three-year period (2024-2026), based on the CGUs' forward-looking financial figures, to which a WACC of 8.3% was applied for the Permanent Way Systems 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 2024-2025 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 Permanent Way Systems, 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%;
- 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 Permanent Way Systems, 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, including 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 and an increase in the WACC. The analysis showed that impairment losses would not be generated.

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 year:

	(€'000)					
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 31 December 2022:						
Historical cost	24,955	308,030	18,752	13,868	40,117	405,722
Accumulated depreciation	(3,009)	(184,138)	(16,108)	(7,638)	-	(210,893)
Carrying amount at 31 December 2022	21,946	123,892	2,644	6,230	40,117	194,829
<i>Purchase price allocation</i>						
Historical cost		6,001				6,001
Accumulated depreciation						
Carrying amount at 31 December 2022, restated	21,946	129,893	2,644	6,230	40,117	200,830
<i>Changes in the year</i>						
Investments - Historical cost	6,965	33,637	1,327	2,132	18,875	62,935
Disposals - Historical cost	(33)	(7,573)	(307)	(1,431)	(186)	(9,529)
Reclassifications - Historical cost	7,494	16,964	9	1,144	(25,611)	
Impairment losses - Historical cost						
Changes in the consolidation scope - Historical cost	3,492	3,218	819	1,016		8,544
Exchange differences - Historical cost	(33)	(1,227)	(20)	(216)		(1,495)
Other variations - Historical cost	(684)	400			1,123	840
Depreciation	(888)	(34,294)	(1,599)	(1,774)		(38,555)
Disposals - Acc. depreciation	19	4,623	279	700		5,622
Reclassifications - Acc. depreciation	279	(2)				277
Impairment losses - Acc. depreciation						
Changes in the consolidation scope - Acc. depreciation	(274)	(65)	(638)	(723)		(1,700)
Exchange differences - Acc. depreciation	16	835	2	111		964
Other variations - Acc. depreciation						
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)	-	(244,285)
Carrying amount at 31 December 2023	38,301	146,388	2,535	7,189	34,318	228,730

The table above shows restated figures as at 31 December 2022 to retrospectively reflect at the acquisition date the amounts resulting from the purchase price allocation process, as described in note 34. Specifically, gains were recognised on certain machinery owned by FVCF compared to their carrying amount at 31 December 2022.

The increases in property, plant and equipment in the year include the purchase of the property in Rome, where the group has had its administrative offices since January 2023. They also include the costs incurred to renovate the building (classified as assets under construction until 31 December 2022), which were reclassified to their respective asset captions and depreciated following their placement in service. The other increases in 2023, particularly for plant and machinery, are part of the major investment plan in property, plant and equipment implemented by the Salcef Group. Most of the investments are eligible for the tax benefits introduced by the Industry 4.0 legislation. On the other hand, the decreases at 30 December 2023 relate to assets that are no longer used in production or relevant to the group's activities. Changes in the consolidation scope relate to the acquisition of Colmar Technik S.p.A., which joined the Salcef Group on 1 August 2023, together with the gains arising from the purchase price allocation process.

Land and buildings mainly include: (i) the new building purchased by the Salcef Group, used as the group's headquarters (€15,065 thousand, including renovation costs; of which €5,062 thousand refers to the related land and the area used for parking); (ii) SRT S.r.l.'s operating offices in Fano and Terre Roveresche (€11,625 thousand; of which €2,638 thousand refers to the related land); (iii) the industrial site housing the subsidiary Overall S.r.l.'s railway sleeper production facility in Aprilia (€7,993 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 newly-acquired Colmar Technik S.p.A. (€5,151 thousand, including the gains arising on the purchase price allocation process, as described in note 34).

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

The other assets (€7,189 thousand) mainly consist of motor vehicles and cars (€3,431 thousand) and office furniture, fittings and equipment (€1,895 thousand).

Assets under construction and payments on account (€34,318 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. (€23,511 thousand). They also include costs incurred by Overall S.r.l. (€7,701 thousand) to expand the Aprilia production facility, related to activities not yet completed and/or pending inspection at the reporting date. The decrease in the year is mostly attributable to the completion, and consequent reclassification to the relevant items, of the costs incurred by Salcef Group S.p.A. to renovate the property in Rome to which the administrative offices were relocated.

4 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

RIGHT-OF-USE ASSETS	31.12.2023	31.12.2022	VAR
		<i>restated</i>	(€'000)
Carrying amount	13,332	17,474	(4,142)
Total	13,332	17,474	(4,142)

These mainly refer to the owner-operated assets (production machinery, 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 balance as at 31 December 2022 was restated to retrospectively reflect the effects of the purchase price allocation process completed during the year, as detailed in note 34. Changes in the year in right-of-use assets and lease liabilities are summarised below.

	(€'000)			
RIGHT-OF-USE ASSETS	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	TOTAL
Carrying amount at 1 January 2023, restated	5,136	11,676	662	17,474
Increases	1,049	741	1,422	3,212
Changes in the consolidation scope	940	0	0	940
Depreciation	(2,038)	(4,504)	(326)	(6,868)
Exchange differences	11	(1)	11	21
Derecognition	(1,010)	(400)	(38)	(1,448)
Carrying amount at 31 December 2023	4,088	7,513	1,731	13,332

	(€'000)
LEASE LIABILITIES	
Carrying amount at 1 January 2023	15,816
Changes in the consolidation scope	481
Payments	(6,366)
Increases	3,212
Exchange differences	(89)
Interest expense	244
Derecognition	(1,064)
Carrying amount at 31 December 2023	12,235
<i>of which, non-current</i>	<i>7,062</i>
<i>of which, current</i>	<i>5,174</i>

5 EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments amount to €133 thousand at 31 December 2023, compared to €136 thousand at 31 December 2022, as detailed in the table below.

	(€'000)		
EQUITY-ACCOUNTED INVESTMENTS	31.12.2023	31.12.2022	VAR
Associates	130	133	(3)
Other companies	3	3	0
Total	133	136	(3)

The breakdown and details of the changes in the year are reported below. The decrease in investments in associates is due to the winding up of A.F.A.I. Armamento per la ferrovia Alifana inferiore S.c. a r.l. in the year.

	(€'000)			
EQUITY-ACCOUNTED INVESTMENTS	REGISTERED OFFICE	31.12.2023	31.12.2022	VAR
Associates and joint arrangements				
Sesto Fiorentino S.c.a.r.l.	Imola - Italy	5	5	0
Consorzio Armatori Ferroviari S.c.p.A.	Lecce - Italy	125	125	0
A.F.A.I. Armamento per la ferrovia Alifana inferiore S.c. a r.l.	Naples - Italy	0	3	(3)
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	136	(3)

	(€'000)		
EQUITY-ACCOUNTED INVESTEEES	ASSOCIATES	OTHER COMPANIES	TOTAL
Carrying amount at 1 January 2023	133	3	136
Change in the consolidation scope			0
Increases/Capital increases			0
Investees wound up	(3)		(3)
Exchange differences			0
Impairment losses			0
Carrying amount at 31 December 2023	130	3	133

The following table reconciles the key financial data and carrying amounts of investments in associates and joint arrangements.

SESTO FIORENTINO S.C.A R.L.	31.12.2022*	(€'000)
Interest	47.68%	
Assets	3,260	
Liabilities	3,250	
Net assets (100%)	10	
Group's share of net assets	5	
Derecognition of unrealised gain on intragroup sales	0	
Carrying amount of the investment in the associate	5	
Revenue	654	
Costs	(654)	
Operating profit/(loss) (100%)	0	
Net financial income/(expense)	0	
Income taxes	0	
Profit/(loss) for the year (100%)	0	
Comprehensive income/(expense) (100%)	0	
Comprehensive income/(expense) (100%)	0	
Group's share of comprehensive income/(expense)	0	

(* latest available financial statements)

CONSORZIO ARMATORI FERROVIARI S.C.P.A.	31.12.2022*	(€'000)
Interest	25.00%	
Assets	88,694	
Liabilities	88,370	
Net assets (100%)	324	
Group's share of net assets	81	
Derecognition of unrealised gain on intragroup sales	0	
Carrying amount of the investment in the associate	81	
Revenue	147,083	
Costs	(147,124)	
Operating loss (100%)	(41)	
Net financial income	45	
Income taxes	(4)	
Profit/(loss) for the year (100%)	0	
Comprehensive income/(expense) (100%)	0	
Comprehensive income/(expense) (100%)	0	
Group's share of comprehensive income/(expense)	0	

(* latest available financial statements)

The group's equity-accounted investees as at 31 December 2023 are entirely comprised of interests in consortia which break even as their business object is to be of mutual benefit to their members. As a result, measuring such investments at equity does not change their carrying amount.



6 OTHER NON-CURRENT ASSETS

Other non-current assets amount to €33,286 thousand at 31 December 2023, compared to €25,112 thousand at 31 December 2022. This caption is detailed in the table below.

(€'000)			
OTHER NON-CURRENT ASSETS	31.12.2023	31.12.2022	Var
Guarantee deposits	923	1,102	(179)
Performance bonds	31,722	20,414	11,308
Other assets	640	3,596	(2,956)
Total	33,286	25,112	8,174

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 year is mainly due to the new amounts invoiced in 2023, net of collections made.

7 DEFERRED TAX ASSETS - DEFERRED TAX LIABILITIES - CURRENT AND DEFERRED TAXES

Income taxes, recognised in the income statement and statement of comprehensive income, may be analysed as follows:

(€'000)		
INCOME TAXES	2023	2022 <i>restated</i>
IRES	(26,617)	(14,321)
IRAP	(5,571)	(3,446)
Foreign income taxes	(275)	(1,256)
Total current taxes	(32,463)	(19,024)
Change in deferred tax assets	(2,273)	(198)
Change in deferred tax liabilities	3,612	(962)
Total deferred taxes	1,339	(1,160)
Prior year taxes	(496)	(1,482)
Total income taxes	(31,620)	(21,666)

(€'000)

TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME/(EXPENSE)	PRE-TAX	TAX BENEFIT (EXPENSE)	POST-TAX
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Net actuarial losses	(175)	49	(126)
Net fair value gains on securities measured at FVOCI	354	(85)	269
Total	179	(36)	143
Other comprehensive expense that will be subsequently reclassified to profit or loss			
Net hedging losses	(4,206)	1,009	(3,197)
Total	(4,206)	1,009	(3,197)
TOTAL at 31 December 2023	(4,027)	973	(3,054)

At 31 December 2023, deferred tax assets and liabilities amount to €25,453 thousand and €13,440 thousand, respectively. The comparative balances at 31 December 2022 have been restated to retrospectively reflect deferred taxation calculated on the assets recognised following the purchase price allocations of the acquisitions of the PSC business unit and FVCF, as detailed in note 34. Changes in these two captions compared to 31 December 2022 are analysed below.

(€'000)							
DEFERRED TAX ASSETS	01.01.2023 <i>restated</i>	ACCRUALS THROUGH PROFIT OR LOSS	UTILISATIONS THROUGH PROFIT OR LOSS	VARIATIONS THROUGH OCI	EXCHANGE DIFFERENCES	CHANGES IN THE CONSOLIDATION SCOPE	31.12.2023
Revaluation of assets	11,129		(2,876)				8,253
Differences in amortisation and depreciation	368	123					491
Provisions for risks	425	23	(43)				405
Elimination of intragroup profits and losses	2,203	557	(520)				2,240
Fair value of derivatives	912			85			997
Fair value of securities	1,727		(1,534)	(37)			156
Impairment losses on assets	2,974	1,053					4,027
Actuarial gains/losses on employee benefits	26		(33)	49			42
Stock grant/MBO	500	588	(313)				775
Tax loss	2,690	1,537	(1,068)			689	3,848
ACE (aid to economic growth) excess	987						987
Exchange differences	121	75					196
Foreign taxes	502	439			(26)		915
Other	491	20	(301)				210
Total	25,055	4,415	(6,688)	97	(26)	689	23,542

(€'000)

DEFERRED TAX LIABILITIES	01.01.2023 <i>restated</i>	ACCRUALS THROUGH PROFIT OR LOSS	UTILISATIONS THROUGH PROFIT OR LOSS	VARIATIONS THROUGH OCI	EXCHANGE DIFFERENCES	CHANGES IN THE CONSOLIDATION SCOPE	31.12.2023
Fair value of derivatives	1,768			(924)		10	854
Fair value of securities	0			48			48
Non-deductible interest income	1,624						1,624
Differences in amortisation and depreciation	983	3	(328)				658
Exchange differences	837	37	(238)				636
PPA of PSC business unit	1,077		(635)				442
PPA of FVCF	5,124		(1,760)				3,364
PPA of Colmar	0		(193)			4,088	3,895
Foreign taxes	2,520		(501)		(103)		1,916
Other	0	3	0				3
Total	13,933	43	(3,655)	(876)	(103)	4,098	13,440

The decrease of €2,876 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. Variations in deferred tax assets and liabilities include respective increases of €689 thousand and €4,098 thousand due to changes in the consolidation scope regarding the acquisition of Colmar Technik S.p.A. on 1 August 2023 and the related purchase price allocation process completed during the year in which the acquisition took place, as detailed in note 34. 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. Furthermore, there are no tax loss carryforwards not recognised under deferred tax assets.

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

RECONCILIATION OF ACTUAL TAX RATE		
Pre-tax profit	93,738	
Theoretical IRES	(22,497)	24%
Lower taxes:		
- Other	3,003	3.20%
Greater taxes:		
- Other	(6,472)	(6.90%)
Total current income taxes (IRES)	(25,966)	(27.70%)
IRAP	(5,571)	(5.94%)
Foreign income taxes	(926)	(0.99%)
Prior year taxes	(496)	(0.53%)
Deferred taxes	1,339	1.43%
TOTAL INCOME TAXES	(31,620)	(33.73%)

CURRENT ASSETS

8 INVENTORIES

These amount to €58,570 thousand at 31 December 2023, compared to €29,765 thousand at 31 December 2022. They are detailed in the table below.

INVENTORIES	31.12.2023	31.12.2022	VAR
Raw materials, consumables and supplies	43,377	14,105	29,272
Work in progress and semi-finished products	5,679	4,143	1,536
Finished goods	9,514	11,517	(2,003)
Total	58,570	29,765	28,805

Raw materials, consumables and supplies include consumables and other materials purchased for construction and permanent way systems and not yet used at the reporting date, materials for the construction and maintenance of rolling stock and railway equipment 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. The increase compared to 31 December 2022 is mainly due to the acquisition of Colmar Technik S.p.A. (which contributed raw materials, supplies and consumables amounting to €8,682 thousand) and higher production volumes recorded by the subsidiaries Overail S.r.l. and SRT S.r.l..

Work in progress and semi-finished products mainly refer to processing at SRT S.r.l.'s workshop on railway machinery not covered by sales contracts signed by the reporting date. The caption also includes the work performed on railway machinery by Delta Railroad Construction Inc.. Finished goods include the railway sleepers produced by Overail S.r.l. and in storage at the Aprilia 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. The comparative balances at 31 December 2022 have been restated to retrospectively reflect the effects of the purchase price allocation of the acquisition of FVCF, as detailed in note 34.

CONTRACT ASSETS	31.12.2023	31.12.2022 <i>restated (*)</i>	VAR
Contract assets	186,026	158,491	27,535
Impairment losses	(240)	(168)	(72)
Total	185,786	158,323	27,463

These assets have been impaired by €240 thousand at 31 December 2023 and €168 thousand at 31 December 2022, due to the impairment model as per IFRS 9.

At 31 December 2023, the contract assets relate to Salcef S.p.A. (€112,446 thousand), Euro Ferroviaria S.r.l. (€27,490 thousand), FVCF (€20,122 thousand), Overail S.r.l. (€12,715 thousand), Delta Railroad Construction Inc. (€3,072 thousand), the German subsidiaries (€5,762 thousand) and the newly-acquired Colmar Technik S.p.A. (€2,421 thousand).

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

GEOGRAPHICAL AREA	31.12.2023	31.12.2022 <i>restated</i>	VAR
Italy	175,875	147,356	28,519
Europe (excluding Italy)	5,778	5,902	(124)
North America	3,072	3,211	(139)
Africa	173	557	(384)
Middle East	888	1,297	(409)
Total	185,786	158,323	27,463

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

CONTRACT ASSETS AND LIABILITIES	31.12.2023	31.12.2022 <i>restated</i>	VAR
Trade receivables	177,201	140,505	36,696
Assets held for sale	0	955	(955)
Contract assets	185,786	158,323	27,463
Contract assets included under assets held for sale	0	94	(94)
Contract liabilities	(104,136)	(76,337)	(27,799)
TOTAL	258,851	223,540	35,311

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. Again, the comparative balances at 31 December 2022 have been restated to retrospectively reflect the effects of the purchase price allocation of the acquisition of FVCF, as detailed in note 34.

CONTRACT LIABILITIES	31.12.2023	31.12.2022 <i>restated</i>	VAR
Contract liabilities	104,136	76,337	27,799
Total	104,136	76,337	27,799

At 31 December 2023, this caption comprises:

- the advance received from the customer IRICAV DUE for the "HS Verona - Padua" contract (€18,345 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 (€16,329 thousand);
- advances on contracts that the Salcef Group entered into in Romania with the customer, the state railway carrier of Romania, for work to update and lay double tracks on the line between Timisoara Est and Ronat (€14,407 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 (€9,035 thousand);
- the advance received from the customer RFI S.p.A. for the executive design and construction of the Catania junction on the Messina-Catania-Palermo railway line (€8,673 thousand);
- advances received regarding contracts of the subsidiary FVCF (€8,154 thousand);
- advances received from customers of Delta Railroad Construction Inc. (€7,503 thousand);
- advances received regarding contracts of the subsidiary Colmar Technik S.p.A. acquired on 1 August 2023 (€3,923 thousand);
- the advance received from the customer RFI S.p.A. for the development of the ERTMS (European Rail Transport Management System) of the Siracusa-Canicatti railway line (€3,600 thousand);
- the advance received from the customer RFI S.p.A. to lay double tracks on the Codogno - Cremona - Mantua railway line (Piadena - Mantua section) (€3,448 thousand);
- the advance received from RFI S.p.A. for the construction of the new Naples - Bari railway line (Frasso Telesino - Telese section) (€3,017 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 the customer ATAC S.p.A. for work to renew the Anagnina - Ottaviano section of the Rome metro line A (€1,609 thousand);
- the advance received from the customer ANAS S.p.A. for the construction of the Piazza Pia underpass (€1,497 thousand);
- the advance received from Consorzio Cancelli Frasso Telesino Scarl for the construction of the tracks of the HS Naples - Bari railway line (€812 thousand);
- the advance received under the master agreement for electrical traction works (lot 10) contracted by DTP Rome to RFI S.p.A (€585 thousand);
- advances for other smaller contracts (€1,502 thousand).

The contract liabilities at 31 December 2023 will become revenue in 2024, except for the advances received for the "HS Verona - Padua" contract which will be recovered in proportion to the amount invoiced.

At the reporting date, the Salcef Group's order backlog includes permanent way systems (62.3%), energy sector works (34.3%), infrastructure works (7.8%), the production of sleepers and prefabricated products (2.8%), machinery construction and maintenance contracts (2.4%) and rail grinding (0.4%), which ensure continuity using the existing operating units already active in the relevant geographical areas.

10 TRADE RECEIVABLES

The table shows the caption at 31 December 2023 with comparative prior year end figures.

TRADE RECEIVABLES	31.12.2023	31.12.2022	VAR
Third parties	174,372	137,768	36,604
Loss allowance	(9,782)	(7,887)	(1,895)
Total third parties	164,590	129,881	34,709
Associates	12,611	10,624	1,987
Total related parties	12,611	10,624	1,987
Total	177,201	140,505	36,696

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

LOSS ALLOWANCE		(€'000)
Carrying amount at 1 January 2023		(7,887)
Changes in the consolidation scope		(178)
Utilisations		1,395
Accruals		(3,123)
Exchange differences		11
Carrying amount at 31 December 2023		(9,782)

The accruals refer to impairment losses recognised in accordance with IFRS 9.

Although the group's exposure to credit risk 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 S.r.l.. Reference should be made to the note 33 on related party transactions for more information about receivables from related parties.

A breakdown of trade receivables at 31 December 2023 and 2022 by geographical segment is provided below.

GEOGRAPHICAL AREA						(€'000)
	31.12.2023	%	31.12.2022	%	VAR	
Italy	136,998	83.2%	97,671	75.2%	39,327	
Europe (excluding Italy)	13,700	8.3%	12,544	9.7%	1,156	
Africa	819	0.5%	1,437	1.1%	(618)	
North America	12,611	7.7%	14,548	11.2%	(1,937)	
Middle East	462	0.3%	3,614	2.8%	(3,152)	
Australia	0	0.0%	67	0.1%	(67)	
Total	164,590		129,881		34,709	

11 CURRENT TAX ASSETS

Current tax assets of €1,287 thousand (31 December 2022: €4,167 thousand) mostly comprise:

- direct income taxes and payments on account paid abroad (€115 thousand);
- IRES and IRAP assets and payments on account (€328 thousand);
- direct income taxes of Delta Railroad Construction Inc. (€844 thousand).

12 CURRENT FINANCIAL ASSETS

Current financial assets amount to €88,495 thousand at 31 December 2023 (31 December 2022: €148,643 thousand) and are detailed in the table below.

CURRENT FINANCIAL ASSETS				(€'000)
	31.12.2023	31.12.2022	VAR	
Securities	79,753	130,901	(51,148)	
Loans to associates	141	90	51	
Hedging derivatives	3,555	7,365	(3,810)	
Other current financial assets	5,047	10,287	(5,240)	
Total	88,495	148,643	(60,148)	

Securities of €79,753 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 Salcef Group S.p.A. to invest the liquidity obtained following the capital increases performed in 2021 and previous years. 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.



The following table shows variations in the caption during the year:

SECURITIES	MEASURED AT	01.01.2023	PURCHASES	SALES	FAIR VALUE GAINS/ LOSSES	GAINS/ LOSSES	CHANGES IN THE CONSOLIDATION SCOPE	31.12.2023
Unicredit mutual funds	FVTPL	5,795	820	(3,899)	477	(178)		3,015
Unicredit certificates	FVTPL	1,123		(309)	70	(16)		868
Intesa Eurizon SGR	FVTPL	6,798			385	0		7,183
Intesa Eurizon SGR no. 27.420399	FVTPL		5,000		48	0		5,048
Intesa Eurizon Titolo	FVTPL	7,185			487	0		7,672
BPS	FVTPL	5,658		(5,727)	841	(772)		(0)
UBI BAP life policy	FVTPL	7,996		(8,088)	(41)	133		(0)
MPS policy	FVTPL	4,344		(4,472)	655	(527)		0
Servizio Italia Cardiff policy	FVTPL	14,630		(2,959)	819	0		12,491
Fineco mutual funds	FVTPL	4,507	301	(1,794)	79	0		3,093
Banca Aletti	FVTPL	8,787		(4,950)	348	0		4,185
Fineco insurance products	FVTPL	10,413		(4,927)	352	(77)		5,761
Kairos Partners securities portfolio	FVTPL	4,569		(4,703)	431	(297)		(0)
Deutsche Bank portfolio management	FVTPL	2,734		(2,778)	256	(203)		7
AZIMUT fund	FVTPL	11,593	2,000	(7,009)	366	0		6,950
J.P. Morgan	FVTPL	13,915		(3,000)	823	0		11,738
Mediobanca bonds and certificates	FVOCI	13,324	600	(3,489)	354	(146)		10,645
Securities held by FVCF	FVTPL	7,530	437	(7,287)	(20)	(268)		392
Anima Fondo imprese	FVTPL				12	0	691	703
Total		130,901	9,158	(65,391)	6,745	(2,352)	691	79,753

As shown in the table, the fair value measurement of securities led to a gain of €6,391 thousand, while the measurement at fair value through other comprehensive income led to a gain of €354 thousand. Note 16 provides a description of all the group's derivatives, which include the above hedging derivatives of €3,555 thousand at the reporting date.

13 CASH AND CASH EQUIVALENTS

This caption may be analysed as follows:

CASH AND CASH EQUIVALENTS	31.12.2023	31.12.2022	VAR
Bank and postal accounts	140,853	135,187	5,666
Cash-in-hand and cash equivalents	76	59	17
Total	140,929	135,246	5,683

The balance of bank and postal accounts at 31 December 2023 mainly refers to the parent (€15,379 thousand), Salcef S.p.A. (€77,139 thousand), FVCF S.r.l. (€9,036 thousand), Euro Ferroviaria S.r.l. (€15,355 thousand), Coget Impianti S.r.l. (€4,838 thousand), Overail S.r.l. (€5,245 thousand), SRT S.r.l. (€1,125 thousand), Consorzio Stabile Itaca S.c.a r.l. (€2,322 thousand), Delta Railroad Construction Inc. (€3,648 thousand), the German subsidiaries (€3,659 thousand) and the newly-acquired Colmar Technik S.p.A. (€2,644 thousand).

14 OTHER CURRENT ASSETS

Other current assets amount to €46,383 thousand at the reporting date (31 December 2022: €35,333 thousand) and are detailed in the table below:

OTHER CURRENT ASSETS	31.12.2023	31.12.2022	VAR
Other tax assets	20,309	11,287	9,022
Other assets	17,766	12,322	5,444
Prepayments and accrued income	8,308	11,724	(3,416)
Total	46,383	35,333	11,050

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 ("Industry 4.0"). This tax asset may be used to offset their tax obligations.

Other assets are detailed below:

OTHER ASSETS	31.12.2023	31.12.2022	VAR
Personnel and work sites	2,659	1,870	789
Advances to suppliers	11,930	5,885	6,045
Social security institutions	386	1,921	(1,535)
Others	2,791	2,646	145
Total	17,766	12,322	5,444

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

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

LIABILITIES

EQUITY

15 EQUITY

GRI 2-1 GRI 2-2 GRI 2-6

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

SHARE CAPITAL

The company's fully paid-up share capital at 31 December 2023 amounts to €141,544,532.20 and is comprised of 62,399,906 shares without nominal value. The parent holds 1,491,734 treasury shares at the reporting date, equal to 2.391% of its share capital. Finhold S.r.l. holds 64.77% of the share capital (75.49% of the voting rights) and the remainder is held by shareholders that own less than 5% of the share capital.

RESERVES

At 31 December 2023, reserves mainly comprise:

- Legal reserve: this reserve of €5,921 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: totalling €13,678 thousand, it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €4,304 thousand;
- Negative goodwill: amounting to €45,000 thousand, this negative goodwill 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 €280 thousand;
- Hedging reserve: with a balance of €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., Salcef S.p.A., Euro Ferroviaria S.r.l., Francesco Ventura Costruzioni Ferroviaria S.r.l. and Colmar Technik S.p.A. to hedge cash flow risks on the payment of interest on borrowings and leases and the fair value gains and losses on the currency forwards entered into by Salcef Group S.p.A. to hedge currency risk on the loan in US dollars granted to Salcef USA Inc.. The reserve will be taken to the income statement over the years as the cash flows generated by the hedged item affect profit or loss;
- Reserve for repurchase of treasury shares: with a negative balance of €27,977 thousand, this reserve includes the value of the parent's treasury shares purchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meeting;
- Stock grant reserve: with a positive balance of €457 thousand, this is the accrual for the cost of the share-based incentive plans described in note 31, to which reference should be made;
- Reserve for financial assets measured at FVOCI: with a balance of €151 thousand, this reflects changes in the fair value of financial assets measured at FVOCI (see note 12) net of the relative deferred tax assets/liabilities;
- Share premium: recognised in 2021 for €27,200 thousand after the capital increase achieved through the accelerated bookbuild offering and generated by the difference between the subscription price of newly issued shares (€16.00 per share) and the existing accounting par value (€2.40 per share) multiplied by the number of newly issued shares (2,000,000 new ordinary shares);
- Reserve for capital increase costs: this reserve with a balance of €653 thousand includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 27 April 2023, the parent's shareholders approved the separate financial statements as at and for the year ended 31 December 2022, which show a profit for the year of €36,032,511, and were presented with the consolidated financial statements as at and for the year ended 31 December 2022, which show a profit for the year attributable to the owners of the parent of €45,333,687.

The shareholders also resolved to distribute a dividend of €0.50 per eligible ordinary share at the record date (i.e., 16 May 2023), with coupon detachment on 15 May 2023 and payment date on 17 May 2023. Considering the number of treasury shares held by the group at 16 May 2023, the total dividend is €30,800,831.50. 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 keep its stakeholders' trust and also lay the foundation for the group's future. Additionally, management monitors the return on capital and the amount of dividends to distribute to ordinary shareholders. The board of directors strives to balance the achievement of higher returns through greater leverage with the advantages and security of a sound financial position.



NON-CURRENT LIABILITIES

16 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES - LEASE LIABILITIES

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

(€'000)			
LOANS AND BORROWINGS	31.12.2023	31.12.2022	VAR
Bank loans - non-current portion	131,089	115,417	15,672
Hedging derivatives	4,148	3,794	354
Total	135,237	119,211	16,026
Lease liabilities as per IFRS 16	7,062	10,429	(3,367)
Total	7,062	10,429	(3,367)
TOTAL NON-CURRENT	142,299	129,640	12,659
Bank loans and borrowings	0	4,065	(4,065)
Total	0	4,065	(4,065)
Other loans and borrowings	5,654	12,687	(7,033)
Bank loans and borrowings - current portion	83,506	76,576	6,930
Total	89,160	89,263	(103)
Lease liabilities as per IFRS 16	5,174	5,388	(214)
Total	5,174	5,388	(214)
TOTAL CURRENT	94,334	98,716	(4,382)
TOTAL LOANS AND BORROWINGS	236,632	228,356	8,276

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

Their terms are detailed below:



BANK LOANS	INTEREST RATE	YEAR OF MATURITY	31.12.2023	
			NOMINAL AMOUNT	CARRYING AMOUNT
Unicredit no. 8638182	1.54% + 3-month Euribor	2025	8,369	8,368
Credit Agricole no. 013794830000	0.55% + 3-month Euribor with a floor of 0	2024	1,695	1,695
Pop. Sondrio no. 1364257	0.90% + 3-month Euribor	2025	1,434	1,434
Intesa Sanpaolo no. 01CS012144925	1.54% + 3-month Euribor	2026	16,500	16,500
Credit Agricole no. 0145795100000	1% + 3-month Euribor with a floor of 0	2027	17,000	16,943
Intesa OIC1077636764	0.90% + 3-month Euribor	2025	15,000	15,000
Banco BPM 05662104	1.10% + 3-month Euribor	2026	15,316	15,301
BNL 6170690	0.90% + 3-month Euribor	2025	11,667	11,661
Unicredit 2278147	0.45% + 3-month Euribor	2026	4,205	4,179
CDP no. 26549 - facility A	0.50% + 3-month Euribor	2027	24,000	24,000
CDP no. 26549 - facility B	0.30% + 3-month Euribor	2026	14,286	14,286
Intesa Sanpaolo no. OIC1015421817	0.70% + 3-month Euribor	2027	8,750	8,750
Intesa Sanpaolo no. OIC1015421727	0.80% + 3-month Euribor	2027	17,500	17,500
BNL no. 6175961	0.85% + 3-month Euribor	2026	15,000	15,000
BPER no. 5292738	0.70% + 3-month Euribor	2026	15,000	15,000
Credem no. 092 07509898	0.50%	2024	959	959
Unicredit no. 8785930	0.95% + 3-month Euribor	2024	417	417
Credem no. 7613054	0.45%	2025	1,088	1,088
MPS no. 0994115414	0.70% + 6-month Euribor with a floor of 0	2025	1,799	1,798
BPER no. 4010668	2.80% + 3-month Euribor	2024	732	729
Deutsche Bank no. 40050120	1.50% + 3-month Euribor	2025	5,625	5,609
Deutsche Bank no. 40050901	1.10% + 3-month Euribor	2026	7,500	7,478
Banca Popolare Pugliese no. 1322021	1.50% + 6-month Euribor	2025	1,245	1,241
BPER no. 23129119	1.9% + 3-month Euribor	2025	497	496
MPS no. 994118517	0.60% + 6-month Euribor	2025	2,052	2,050
Banca Progetto no. 06/100/17161	5.00% + 3-month Euribor	2025	1,128	1,128
Banca Progetto no. 06/100/27107	4.75% + 3-month Euribor	2026	376	376
Banca IFIS no. 12119	4.20% + 3-month Euribor	2027	600	600
Borsa del credito no. 3251/2454	7.50%	2027	392	392
Borsa del credito no. 3371/2550	7.50%	2027	360	360
Credimi	2.50% + 3-month Euribor	2026	401	401
Banco BPM no. 4801855	1.95% + 3-month Euribor	2026	569	569
Y Finance - BNP Paribas no. A1B92410	-	2025	15	15
Comerica	1.50% + SOFR rate		452	452
KEY EQUIPMENT FINANCE - SCHEDULE 1 PQ-35450	2.591%	2026	231	231
KEY EQUIPMENT FINANCE - SCHEDULE 2 PQ-35457	2.592%	2026	1,260	1,260
KEY EQUIPMENT FINANCE - SCHEDULE 3 PQ-35465	2.591%	2026	473	473
KEY EQUIPMENT FINANCE - SCHEDULE 4 PQ-38809	2.592%	2026	661	661
KEY EQUIPMENT FINANCE - SCHEDULE 5 PQ-51381	2.940%	2026	195	195
Total			214,749	214,595
			<i>of which: current portion 83,506 non-current portion 131,089</i>	

The main new non-current loans taken out by the parent during the year include: (i) the loan from Cassa Depositi e Prestiti ("CDP") of €50 million, broken down into two facilities (facility A of €30 million and facility B of €20 million), both of which were disbursed in late May 2023. Facility A and facility B have final payment dates on 31 December 2027 and 30 June 2026, respectively. While taking out the new loan with CDP, the parent repaid the previous loan with CDP with an outstanding balance of €19,444 thousand at 31 December 2022; (ii) the 36-month loan agreed with Unicredit S.p.A. of €5 million disbursed in May 2023; (iii) two 48-month loans agreed with Intesa Sanpaolo S.p.A., one of which amounting to €10 million and the other €20 million, both disbursed in late June 2023, (iv) the 36-month loan granted BNL Banca S.p.A. of €15 million disbursed in October 2023; and (v) the 36-month loan granted by BPER Banca S.p.A. of €15 million disbursed in October 2023. In addition, the group took out loans to acquire Colmar Technik S.p.A. with outstanding balance of €3,827 thousand at 31 December 2023. Some of the loans outstanding at 31 December 2023 involve the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate.

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 31 December 2023 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 on 30 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 above-mentioned loan granted by CDP in May 2023; (vii) the two above-mentioned loans granted by Intesa Sanpaolo in June 2023; and (viii) the above-mentioned loan granted by BNL S.p.A. in October 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The €15 million BNL S.p.A. loan disbursed in 2023 provides for the following covenants:

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

The subsidiary Delta Railroad Construction Inc. is required to comply with the 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 falling due 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 31 December 2023 relate to the loan granted by BPER Banca S.p.A. on 5 July 2017, with final payment date in July 2024. Specifically:

- net financial position/gross operating profit (loss) 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;
- net financial position/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/the parent's separate financial statements at 31 December. All of the above covenants are complied with at 31 December 2023.

Some group companies hold derivatives specifically for hedging interest rate and currency risks.

Specifically, the subsidiary Salcef S.p.A. entered into an interest rate swap with Unicredit S.p.A. in March 2021, maturing in 2024 and with a notional amount of €417 thousand at the reporting date. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €417 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.

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 €1,388 thousand at the reporting date. This swap hedges cash flow risk 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 1,388 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 €5,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 Deutsche Bank S.p.A. entered into in May 2021, maturing in 2026 and with a notional amount of €6,875 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 €497 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €497 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.

Colmar Technik S.p.A. entered into an interest rate swap with Banco BPM S.p.A. in September 2020, maturing in 2026 and with a notional amount of €559 thousand at the reporting date. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €569 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The parent has the following interest rate swaps:

- an interest rate swap with Unicredit S.p.A. entered into in September 2020, maturing in 2025 and with a notional amount of €8,369 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €8,369 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Banca Popolare di Sondrio entered into in January 2021, maturing in 2025 and with a notional amount of €1,434 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €1,434 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2021, maturing in 2026 and with a notional amount of €15,000 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €16,500 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Following the payment of the subsequent instalment on 2 January 2024, the outstanding balance is €15,000. 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 €24,000 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on facility A of the variable-rate loan with an outstanding balance of €24,000 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 €13,889 thousand at 31 December 2023. These swaps hedge cash flow risk on interest paid on facility B of the variable-rate loan with an outstanding balance of €14,286 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swaps have been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Crédit Agricole entered into in February 2022, maturing in 2027 and with a notional amount of €17,000 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €17,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in May 2022, maturing in 2025 and with a notional amount of €15,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 €15,097 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €15,316 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 BNL S.p.A. entered into in July 2022, maturing in 2025 and with a notional amount of €11,667 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €11,667 thousand at the reporting date disbursed

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

- an interest rate swap with Unicredit S.p.A. entered into in May 2023, maturing in 2026 and with a notional amount of €4,205 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €4,205 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2023, maturing in 2027 and with a notional amount of €8,750 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €8,750 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2023, maturing in 2027 and with a notional amount of €17,500 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €17,500 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 BNL S.p.A. entered into in October 2023, maturing in 2026 and with a notional amount of €15,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 €15,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 31 December 2023) to hedge cash flow risk on the loan in US dollars to the subsidiary Salcef USA Inc.. The cash flows consist of the interest (USD706 thousand) due each year and the repayment of principal on 31 December 2025 (USD28,240 thousand). These derivative contracts have been designated as cash flow hedges, as the underlying notional amount, currencies and maturity dates reflect the loan in place. Accordingly, the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The hedging reserve for the hedged item will be released to the income statement over the years as the cash flows generated by the hedged item affect profit or loss.

The table below provides a breakdown of the group's net financial position at 31 December 2023 and 31 December 2022, in accordance with the presentation method for net financial position established in the ESMA Guidelines dated 4 March 2021.

	(€'000)		
NET FINANCIAL POSITION	31.12.2023	31.12.2022	VAR
(A) Cash	140,929	135,246	5,683
(B) Cash equivalents	0	0	0
(C) Other current financial assets	88,495	148,643	(60,148)
(D) Liquidity (A + B + C)	229,424	283,889	(54,465)
(E) Current financial debt	(10,828)	(22,140)	11,312
(F) Current portion of non-current financial debt	(83,506)	(76,576)	(6,930)
(G) Current financial indebtedness (E + F)	(94,334)	(98,716)	4,382
(H) Net current financial position (G + D)	135,090	185,173	(50,083)
(I) Non-current financial debt	(142,299)	(129,640)	(12,659)
(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)	(142,299)	(129,640)	(12,659)
(M) Net financial position (indebtedness) (H + L)	(7,209)	55,533	(62,742)

The following table shows the group's financial liabilities by maturity bracket at 31 December 2023 and 31 December 2022 and changes therein:

	(€'000)			
BANK LOANS BY MAURITY	DUE WITHIN ONE YEAR	DUE BETWEEN ONE AND FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL
Bank loans	70,958	121,035	0	191,993
Other loans and borrowings	12,687	0	0	12,687
Bank loans and borrowings	4,065	0	0	4,065
Lease liabilities	5,388	10,313	116	15,817
Hedging derivatives	0	3,794	0	3,794
Carrying amount at 31 December 2022	93,098	135,142	116	228,356
Bank loans	83,506	131,089	0	214,595
Other loans and borrowings	5,654	0	0	5,654
Bank loans and borrowings	0	0	0	0
Lease liabilities	5,174	7,062	0	12,235
Hedging derivatives	0	4,148	0	4,148
Carrying amount at 31 December 2023	94,334	142,299	0	236,632

	(€'000)
BANK LOANS - CHANGES	
Loans and borrowings at 1 January 2022	153,217
Net fair value losses on derivatives	1,664
Proceeds from new loans	90,469
Repayment of loans	(61,357)
Change in other loans and borrowings - current	(12,831)
Increase in liabilities following acquisitions	54,216
Recognition of leases as per IFRS 16	9,476
Repayment of lease liabilities	(7,024)
Exchange differences	526
Total at 31 December 2022	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

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:

ACTUARIAL ASSUMPTIONS	31.12.2023	31.12.2022
Turnover rate	2.30%	2.30%
Annual discount rate	3.17%	3.77%
Annual inflation rate	2%	2.3%
Annual post-employment benefits growth rate	3%	3.225%

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:

SENSITIVITY ANALYSIS	31.12.2023	
	INCREASE	DECREASE
Turnover rate (+/- 1.00%)	16	(18)
Annual discount rate (+/- 0.25%)	(78)	81
Inflation rate (+/- 0.25%)	54	(53)

The average weighted term of defined obligation benefits is 12.6 years at the reporting date. This caption also includes the accrual for the portion of the management incentive plan vested at 31 December 2023 (€1,012 thousand), which will be disbursed in 2024 (€2,517 thousand) and the remaining amount in 2025. Changes in this caption are shown in the following table:

EMPLOYEE BENEFITS	(€'000)
Carrying amount at 1 January 2023	7,806
Accruals	1,958
Changes in the consolidation scope	507
Utilisations/Transfers	(3,089)
Interest cost	79
Net actuarial gains	(175)
Carrying amount at 31 December 2023	7,087
<i>of which, non-current</i>	<i>4,569</i>
<i>of which, current</i>	<i>2,517</i>

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

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

18 PROVISIONS FOR RISKS AND CHARGES

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

PROVISIONS FOR RISKS AND CHARGES	PROVISION FOR LITIGATION
Carrying amount at 1 January 2023	2,358
Accruals	94
Utilisations	(1,099)
Releases	(112)
Changes in the consolidation scope	3,204
Carrying amount at 31 December 2023	4,444

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

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

The changes in the consolidation scope refer to the provision for risks recognised in the statement of financial position of Colmar Technik S.p.A. at the acquisition date.

CURRENT LIABILITIES

19 TRADE PAYABLES

TRADE PAYABLES	31.12.2023	31.12.2022	VAR
Third parties	253,814	217,568	36,246
Associates	881	714	167
Total	254,695	218,282	36,413

Trade payables to third parties (€252,353 thousand) mostly refer to Salcef S.p.A. (€160,715 thousand), FVCF (€22,945 thousand), Euro Ferroviaria S.r.l. (€22,740 thousand), Overail S.r.l. (€14,341 thousand), SRT S.r.l. (€9,514 thousand), the parent (€3,796 thousand), Coget Impianti S.r.l. (€3,879 thousand), the newly-acquired Colmar Technik S.p.A. (€5,270 thousand), Delta Railroad Construction Inc. (€5,637 thousand) and the German subsidiaries (€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 FVCF S.r.l..

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

GEOGRAPHICAL AREA	31.12.2023	%	31.12.2022	%	VAR
Italy	235,187	92.7%	204,986	94.2%	30,201
Europe (excluding Italy)	13,275	5.2%	5,166	2.4%	8,109
Africa	44	0.0%	75	0.0%	(31)
North America	5,081	2.0%	5,058	2.3%	23
Middle East	178	0.1%	2,221	1.0%	(2,043)
Australia	49	0.0%	62	0.0%	(13)
Total	253,814		217,568		36,246

20 CURRENT TAX LIABILITIES

CURRENT TAX LIABILITIES	31.12.2023	31.12.2022	VAR
Direct taxes	15,725	6,361	9,364
Foreign current taxes	54	860	(806)
Tax provision	1,015	864	151
Total	16,794	8,085	8,709

The increase in the tax provision refers to accruals made for the tax assessment in progress at Euro Ferroviaria S.r.l..

21 OTHER CURRENT AND NON-CURRENT LIABILITIES

Other non-current liabilities amount to €4,286 thousand at 31 December 2023, compared to €4,267 thousand at 31 December 2022, while other current liabilities come to €42,678 thousand compared to €38,117 thousand at 31 December 2022. The latter amount was restated to retrospectively reflect at the acquisition date the amounts resulting from the purchase price allocation of the acquisition of FVCF, as described in note 34.

OTHER LIABILITIES	31.12.2023	31.12.2022 <i>restated</i>	VAR
Other	4,286	4,267	19
Total non-current	4,286	4,267	19
Social security institutions	11,956	6,861	5,095
Employees	10,839	10,182	657
Third parties (joint arrangements)	135	127	8
Other	8,500	11,761	(3,261)
Accrued expenses and deferred income	7,762	6,940	822
Other tax liabilities	3,486	2,246	1,240
Total current	42,678	38,117	4,561
TOTAL OTHER LIABILITIES	46,964	42,384	4,580

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.

The increase in deferred income is due to the recognition of the portion of the grant for property, plant and equipment relating to the year, as mentioned in the notes to other current assets, with a balancing entry in other income, and the portion of deferred income related to subsequent years, calculated based on the useful life of the assets for which the grant was received.

Other (current and non-current) comprise 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 investment in Salcef Deutschland GmbH and €265 thousand (entirely current) for the investment in Coget Impianti S.p.A.;
- (ii) €3,392 thousand (€1,270 thousand current and €2,122 thousand non-current) due by Salcef Usa Inc. as possible consideration due as per the agreement to acquire the investment in Delta Railroad Construction Inc.. 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 refunded following the incorrect allocation of participating financial instruments.

The other current tax liabilities mostly consist of withholdings on the December 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 - OTHER INCOME

GRI 201-1

Revenue for 2023 totals €794,710 thousand compared to €565,611 thousand in 2022. The latter figure was restated to retrospectively reflect at the acquisition date the effects of the purchase price allocation of the acquisition of the PSC business unit, as detailed in note 34.

REVENUE	2023	2022 <i>restated</i>	VAR
Revenue from contracts with customers	785,336	555,700	229,636
Other income	9,374	9,911	(537)
Total	794,710	565,611	229,099

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS	2023	2022 <i>restated</i>	VAR
Timing of revenue recognition			
Products transferred at a point in time	25,190	33,688	(8,498)
Products and services transferred over time	760,146	522,012	238,134
Total	785,336	555,700	229,636
Main products/services			
Permanent Way Systems	455,125	347,492	107,633
Infrastructure	126,144	51,448	74,696
Energy, Signalling and Telecommunications	115,622	87,192	28,430
Railway Materials	48,155	41,731	6,424
Railway Machines	19,942	12,618	7,324
Grinding	20,348	15,219	5,129
Total	785,336	555,700	229,636
Main geographical segments			
Italy	675,883	439,995	235,888
Europe (excluding Italy)	38,954	47,446	(8,492)
Africa	1,074	5,559	(4,485)
North America	67,261	48,277	18,984
Middle East	2,164	14,423	(12,259)
Total	785,336	555,700	229,636

Revenue is measured considering the consideration specified in the contract with the customer. The group recognises revenue when it transfers control of the goods or services. Specifically, revenue is recognised over time on a percentage of completion basis. Costs are recognised in profit or loss when incurred. Advances are recognised under contract liabilities. The performance obligation for the sale of railway materials is satisfied at a point in time. Revenue is recognised when the goods leave the warehouse.

Other income comprises:

OTHER INCOME	2023	2022	VAR
Recharges to third parties	655	375	280
Insurance and other compensation	392	1,238	(846)
Gains on sale of assets and other income	3,528	5,401	(1,873)
Other sundry income	4,799	2,897	1,902
Total	9,374	9,911	(537)

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties. Gains refer to the sale of group assets as part of their normal replacement process. Other sundry income mainly includes income for the year regarding tax credits accrued by certain group subsidiaries on investments made.

23 RAW MATERIALS, SUPPLIES AND GOODS

This caption amounts to €194,531 thousand net of changes in inventories, up on the 2022 balance of €135,714 thousand due to higher production volumes during the year.

RAW MATERIALS, SUPPLIES AND GOODS	2023	2022	VAR
Raw materials, supplies and goods	204,013	138,997	65,016
Change in inventories	(9,482)	(3,283)	(6,199)
Total	194,531	135,714	58,817

24 SERVICES

This caption amounts to €308,330 thousand, compared to €217,366 thousand in 2022, and is detailed below.

SERVICES	2023	2022	VAR
Maintenance	10,499	5,568	4,931
Subcontracting, consultancy and third party services	214,342	153,084	61,258
Insurance and sureties	11,663	8,021	3,642
Costs recharged by third parties	1,581	1,967	(386)
Consultants' and temporary workers' fees	5,129	3,960	1,169
Costs of employees on secondment	85	577	(492)
Utilities	1,712	1,217	495
Directors' fees	1,370	1,434	(64)
Statutory auditors' fees	199	261	(62)
Committee members' fees	110	67	43
Food and accommodation for employees on business trips	18,048	14,519	3,529
Commercial costs	1,659	1,674	(15)
General and administrative costs	1,705	1,217	488
Tender costs	16	132	(116)
Transport	25,845	16,620	9,225
Motor vehicles and cars	3,545	3,039	506
Fines and compensation	476	185	291
Other services	10,344	3,824	6,520
Total	308,330	217,366	90,964

25 PERSONNEL EXPENSE

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

PERSONNEL EXPENSE	2023	2022	VAR
Wages and salaries	100,478	76,940	23,538
Social security contributions	33,906	26,503	7,403
Post-employment benefits, pensions and other benefits	7,659	4,344	3,315
Other costs	3,931	1,502	2,429
Total	145,973	109,289	36,684

A breakdown of the group's workforce is provided in section III of the directors' report.

26 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

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

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	2023	2022 <i>restated</i>	VAR
Amortisation of intangible assets	9,747	2,740	7,007
Depreciation of property, plant and equipment	38,555	26,588	11,967
Depreciation of right-of-use assets as per IFRS 16	6,868	7,132	(264)
Impairment losses	154	0	154
Total	55,324	36,460	18,864

For additional information on the amortisation and depreciation methods and impairment losses, reference should be made to the notes to intangible assets (note 1), property, plant and equipment (note 3) and right-of-use assets (note 4). In addition, with reference to the restated balance for 2022 due to the purchase price allocation of the PSC business unit and FVCF in 2023, reference should be made to note 34.

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:

IMPAIRMENT LOSSES	2023	2022	VAR
Trade receivables	4,307	617	3,690
Contract assets	72	58	14
Other current assets	10	1	9
Other non-current assets	11	15	(4)
Current tax assets	(3)	1	(4)
Cash and cash equivalents	7	(1)	8
Securities	110	6	104
Total	4,514	697	3,817

28 OTHER OPERATING COSTS

This caption may be analysed as follows:

	(€'000)		
OTHER OPERATING COSTS	2023	2022	VAR
Loss on sale of assets	895	190	705
Rent and leases	12,507	10,745	1,762
Indirect taxes and duties	1,755	998	757
Fines and penalties	857	121	736
Other costs	3,187	753	2,434
Total	19,202	12,807	6,395

Rent and leases include leases of less than 12 months or with underlying assets of a low value for which the group availed to the simplified approach allowed by IFRS 16. The standard allows the recognition of the lease payments as a cost over the lease term instead of the recognition of a right-of-use asset and lease liability.

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

29 INTERNAL WORK CAPITALISED

	(€'000)		
INTERNAL WORK CAPITALISED	2023	2022	VAR
Internal work capitalised	33,851	24,524	9,327
Total	33,851	24,524	9,327

This caption mainly includes the direct cost (materials, labour and other direct costs) of work performed internally on items of property, plant and equipment, principally rolling operating machines, owned by the group companies. This work consists of extraordinary maintenance performed by SRT S.r.l. personnel and subcontractors at the Fano (Pesaro-Urbino) 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 2023, this caption also includes the direct costs (materials and other costs) incurred for work to renovate the building that houses the parent's offices, as described earlier.

30 FINANCIAL INCOME AND EXPENSE

Financial income and expense are shown below:

	(€'000)		
FINANCIAL INCOME AND EXPENSE	2023	2022	VAR
Financial income			
From equity investments and securities	677	58	619
Other financial income	9,490	2,866	6,624
Interest income	259	369	(110)
Total	10,426	3,293	7,133
Financial expense			
Loss on sale of securities	(2,472)	(110)	(2,362)
Interest expense	(13,744)	(2,875)	(10,869)
Fair value losses on securities	0	(8,900)	8,900
Lease costs	(242)	(247)	5
Financial expense	(498)	(418)	(80)
Exchange losses	(419)	(1,385)	966
Total	(17,375)	(13,935)	(3,440)
Net financial expense	(6,949)	(10,642)	3,693

Other financial income includes the net fair value gains on the group's short-term investments (€6,391 thousand) compared to the net fair value losses recorded in 2022 (€8,900 thousand) due to the widespread downturn in international financial markets. Interest expense mainly includes interest paid by the group on outstanding bank loans, details of which are provided in note 16.



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 shareholders during their ordinary meeting of 29 April 2021 and implemented by resolution of the board of directors on 25 June 2021, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 25,463 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This 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 assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

- the first instalment consists of 50% of the rights assigned, with a vesting period that ended with the approval of the consolidated financial statements at 31 December 2022;
- the second instalment is for the remaining 50% of the rights assigned, with a vesting period that 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 valuation of the 2021-2024 stock grant plan is €13.90.

2022-2025 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors on 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 17,648 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This 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 assigned to each beneficiary were divided into two equal instalments subject to different vesting periods:

- the first instalment consists of 50% of the rights assigned, with a vesting period that ended with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 50% of the rights assigned, with a vesting period that will end 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 valuation of the 2022-2025 stock grant plan is €16.74.

2023-2026 stock grant plan approved by the 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 a maximum of 12,454 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 43 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

- the first instalment consists of 50% of the rights assigned, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2024;
- the second instalment will be for the remaining 50% of the rights assigned, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2025.

The vesting period starts from the date on which the parent and the employees agree to the stock grant plan and both have acknowledged its terms and conditions. This date is 28 July 2024.

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

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

- the first instalment consists of 60% of the rights assigned, with a vesting period that ended with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 40% of the rights assigned, with a vesting period that will end 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 valuation of the 2022-2023 performance shares plan is €16.74.

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

The cost of these plans in 2023, amounting to €309 thousand (€243 thousand in 2022), is recognised in personnel expense.

32 COMMITMENTS AND RISKS

These amount to €191,349 thousand at 31 December 2023, compared to €152,551 thousand at 31 December 2022. They include sureties given by banks to the group companies on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€190,444 thousand at 31 December 2023 and €151,614 thousand at 31 December 2022) and the surety given to banks for the group companies' loans (€905 thousand at 31 December 2023 and €937 thousand at 31 December 2022).

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, in the [Governance/Procedures and regulations section](#)), establish conditions ensuring that related party transactions are carried out transparently and properly in terms of procedure and substance.

During the year, the group provided and received services to/from related parties and recharged costs for mutually-shared services and other services. These transactions took place at normal market conditions and/or on the basis of the 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 year.

(€'000)

ASSETS AND LIABILITIES	OTHER NON-CURRENT ASSETS	TRADE RECEIVABLES	NON-CURRENT EMPLOYEE BENEFITS	CURRENT EMPLOYEE BENEFITS	TRADE PAYABLES	OTHER CURRENT LIABILITIES
Associates						
Sesto Fiorentino S.c.a.r.l.					424	
Consorzio Armatori Ferroviari S.c.p.a.	1,321	12,266			457	
Other related parties						
Railworks/Delta A Joint Venture Minnesota		197				
Delta/Railroad JV - Purple Line Maryland		148				
Directors, statutory auditors and key management personnel			642	1,209	96	657
31 December 2023	1,321	12,611	642	1,209	977	657

REVENUE AND COSTS	REVENUE	SERVICES	PERSONNEL EXPENSE	OTHER OPERATING COSTS	FINANCIAL EXPENSE
Associates					
Sesto Fiorentino S.c.a.r.l.		336			
Consorzio Armatori Ferroviari S.c.p.a.	30,255	1,028		493	22
Other related parties					
Railworks/Delta A Joint Venture Minnesota	2,994				
Delta/Railroad JV - Purple Line Maryland	837				
Talia Gestioni S.r.l.				191	20
Directors, statutory auditors and key management personnel		958	2,209		
2023	34,087	2,322	2,209	684	42

34 INFORMATION ON BUSINESS COMBINATIONS

Acquisition of Colmar Technik S.p.A.

On 1 August 2023, Salcef Group S.p.A. completed the acquisition of 100% of the share capital of Colmar Technik S.p.A. ("Colmar"), a company specialised in the design, manufacture and maintenance of machinery used in building and maintaining railway lines. Following the preliminary agreement signed by the parties on 26 June 2023, the deal was closed after the conditions precedent included in such agreement were met. Therefore, 1 August 2023 was identified as the acquisition date for the purposes of accounting for the business combination.

The consideration agreed for the acquisition of 100% of Colmar was €16,500 thousand and did not include any price adjustment devices and/or conditions precedent. The group self-financed the acquisition in full.

The acquisition-date fair value of the consideration transferred is detailed below:

CONSIDERATION TRANSFERRED	(€'000)
Cash and cash equivalents	16,500
Contingent consideration	0
Total	16,500

The assets acquired and liabilities assumed by the group at the acquisition date were calculated with reference to the financial position of Colmar Technik S.p.A. at 31 July 2023 (duly adjusted to comply with the IFRS endorsed by the European Commission and the basis of presentation adopted by the Salcef Group), as detailed in the table below. In addition, the identifiable assets acquired and liabilities assumed at the acquisition date were measured at fair value. As a result, the group completed the purchase price allocation of this business combination in the same year in which the acquisition took place.

ACQUIRED ASSETS AND ASSUMED LIABILITIES	CARRYING AMOUNTS	MEASUREMENT AT FAIR VALUE	FAIR VALUE
Intangible assets with finite useful lives	9	11,113	11,122
Property, plant and equipment	3,763	3,081	6,844
Right-of-use assets	481	459	940
Other non-current assets	45		45
Deferred tax assets	689		689
Inventories	8,682		8,682
Contract assets	2,039		2,039
Trade receivables	8,870		8,870
Current financial assets	725		725
Cash and cash equivalents	311		311
Other current assets	1,454		1,454
Non-current financial liabilities	(3,178)		(3,178)
Lease liabilities	(344)		(344)
Employee benefits	(507)		(507)
Provisions for risks and charges	(3,204)		(3,204)
Deferred tax liabilities	(10)	(4,088)	(4,098)
Other non-current liabilities	(2,430)		(2,430)
Current financial liabilities	(3,519)		(3,519)
Current portion of lease liabilities	(136)		(136)
Contract liabilities	(3,750)		(3,750)
Trade payables	(4,605)		(4,605)
Current tax liabilities	(1,480)		(1,480)
Other current liabilities	(11,069)		(11,069)
Total net identifiable assets (liabilities)	(7,164)	10,565	3,401

The recognition of the assets acquired and liabilities assumed of Colmar Technik S.p.A., supported by an independent expert opinion, at fair value entailed: (i) the recognition of intangible assets with a finite useful life consisting of the "Colmar" trademark (€1,408 thousand), the order backlog (€560 thousand) and the customer list (€9,145 thousand); (ii) the recognition of gains on company-owned and leased assets of €3,081 thousand and €459 thousand, respectively, and (iii) the recognition of deferred taxes on the above amounts (shown pre-tax) of €4,088 thousand. The amortisation of intangible assets recognised following the purchase price allocation entailed the amortisation of the order backlog on a straight-line basis according to the duration of the contracts in such backlog, with completion expected by 2024 and the amortisation of the trademark and customer list on a straight-line basis over their estimated useful lives (10 years).

Goodwill arising on the acquisition was recognised as the excess of the consideration transferred over the fair value of the net assets acquired, as shown in the table below, and was allocated to the Railway Machines CGU.

(€'000)	
GOODWILL	
Total fair value of transferred consideration	16,500
Fair value of identifiable net assets	3,041
Total	13,099

Acquisition of the PSC business unit - purchase price allocation

On 1 May 2022, the Salcef Group, with the subsidiary Euro Ferroviaria S.r.l., signed the contract for the acquisition of a business unit operating in the railway sector and, particular, in the design, construction and maintenance of electrical contact lines for electrical traction from the PSC Group. For the purposes of the consolidated financial statements as at and for the year ended 31 December 2022, the acquisition of the PSC business unit was accounted for provisionally, as permitted by paragraph 45 and subsequent paragraphs of IFRS 3, which gave rise to goodwill of €23,966 thousand.

The acquisition-date fair value of the consideration transferred is €24,672 thousand.

The fair value of the assets acquired and liabilities assumed was determined in accordance with IFRS 3 and the excess of the acquisition price over the fair value of the net assets acquired was recognised as goodwill. The acquisition-date amounts of the assets acquired and liabilities assumed are detailed below.

(€'000)			
ACQUIRED ASSETS AND ASSUMED LIABILITIES	CARRYING AMOUNTS	MEASUREMENT AT FAIR VALUE	FAIR VALUE
Intangible assets with finite useful lives	0	5,049	5,049
Property, plant and equipment	2,035		2,035
Right-of-use assets	1,107		1,107
Equity investments	17		17
Deferred tax assets	0	277	277
Contract assets	8,237		8,237
Trade receivables	45		45
Other assets	128		128
Contract liabilities	(5,047)		(5,047)
Employee benefits	(174)		(174)
Lease liabilities	(1,107)		(1,107)
Trade payables	(3,856)		(3,856)
Provisions for risks and charges	0	(992)	(992)
Other liabilities	(678)		(678)
Deferred tax liabilities	0	(1,409)	(1,409)
Total net acquired assets	706	2,925	3,631

The recognition of the assets acquired and liabilities assumed of the PSC business unit at fair value entailed: (i) the recognition of the order backlog under intangible assets (€5,049 thousand, pre-tax); and (ii) the recognition of a provision for losses to completion (€992 thousand, pre-tax) for two contracts in the PSC BU's backlog that were still in progress but completed in 2022 (with the utilisation of the provision recognised during the purchase price allocation process). These intangible assets are amortised on a straight-line basis according to the duration of each of the contracts in the order backlog, with completion expected within five years of the acquisition date.

As a result of the above, goodwill arising on the acquisition was calculated as shown in the table below.

(€'000)	
GOODWILL	
Total fair value of transferred consideration	24,672
Total net identifiable assets	(3,631)
Total	21,041

The goodwill arising from the acquisition of the PSC business unit was entirely allocated to the Energy, Signalling and Telecommunications CGU, which benefits from the synergies arising from the business combination.

Acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. - purchase price allocation

On 23 December 2022, Salcef Group S.p.A. completed the acquisition of the entire quota capital of Francesco Ventura Costruzioni Ferroviarie S.r.l.. For the purposes of the consolidated financial statements as at and for the year ended 31 December 2022, the acquisition of Francesco Ventura Costruzioni Ferroviarie S.r.l. was accounted for provisionally, as permitted by paragraph 45 and subsequent paragraphs of IFRS 3, which gave rise to goodwill of €34,132 thousand.

The acquisition-date fair value of the consideration transferred as per IFRS 3 is €16,720 thousand. Specifically, during the measurement period, the amount of the price adjustment (as provided for in the acquisition agreement) was definitively quantified, through the signing of an agreement between the parent and the sellers, as detailed in the table below:

(€'000)			
CONSIDERATION TRANSFERRED	PROVISIONAL AMOUNTS AT 31/12/2022	ADJUSTMENTS TO FAIR VALUE	FAIR VALUE
Cash and cash equivalents	13,720		13,720
Contingent consideration	918	2,082	3,000
Total	14,638	2,082	16,720

The fair value of the assets acquired and liabilities assumed was determined in accordance with IFRS 3 and the excess of the acquisition price over the fair value of the net assets acquired was recognised as goodwill. The acquisition-date amounts of the assets acquired and liabilities assumed are detailed below.



(€'000)			
ACQUIRED ASSETS AND ASSUMED LIABILITIES	CARRYING AMOUNTS	ADJUSTMENTS TO FAIR VALUE	FAIR VALUE
Goodwill	202		202
Intangible assets with finite useful lives	6,627	9,676	16,303
Property, plant and equipment	33,251	6,001	39,252
Equity-accounted investments	128		128
Other non-current assets	2,749		2,749
Right-of-use assets	980	400	1,380
Current tax assets	2,074		2,074
Deferred tax assets	5,265	(398)	4,867
Contract assets	7,165	2,289	9,454
Inventories	4,317		4,317
Trade receivables	25,311		25,311
Current financial assets	8,513		8,513
Other current assets	5,399		5,399
Cash and cash equivalents	266		266
Bank loans and borrowings	(4,065)		(4,065)
Financial liabilities	(48,064)		(48,064)
Lease liabilities	(980)		(980)
Employee benefits	(5,092)		(5,092)
Contract liabilities	(13,131)	1,427	(11,704)
Current tax liabilities	(6,002)		(6,002)
Deferred tax liabilities	(1,838)	(5,124)	(6,962)
Provisions for risks	(676)		(676)
Trade payables	(36,109)		(36,109)
Other liabilities	(5,784)		(5,784)
Total net identifiable assets (liabilities)	(19,494)	14,271	(5,223)

The recognition of the assets acquired and liabilities assumed of Francesco Ventura Costruzioni Ferroviarie S.r.l., supported by an independent expert opinion, at fair value entailed: (i) the recognition of intangible assets consisting of the order backlog of €9,676 thousand, pre-tax; (ii) the recognition of gains on company-owned and leased assets of €6,001 thousand and €400 thousand, respectively, (both pre-tax), (iii) the recognition of gains on contract assets and liabilities of €2,289 thousand and €1,427 thousand, respectively, both pre-tax, and (iv) the recognition of deferred taxes on the above amounts of €5,522 thousand. These intangible assets are amortised on a straight-line basis according to the duration of each of the contracts in the order backlog, with completion expected within five years of the acquisition date.

As a result of the above, goodwill arising on the acquisition was calculated as shown in the table below.

(€'000)			
GOODWILL	PROVISIONAL AMOUNTS AT 31/12/2022	ADJUSTMENTS TO FAIR VALUE	FAIR VALUE
Total fair value of transferred consideration	14,638	2,082	16,720
Net identifiable assets (liabilities)	(19,494)	14,271	(5,223)
Total	34,132	(12,189)	21,943

Restatement of comparative figures due to purchase price allocations

As required by IFRS 3, the amounts deriving from the purchase price allocation of the PSC business unit and FVCF, which have been determined on a definitive basis, were retrospectively reflected at their respective acquisition dates with the consequent restatement of the comparative figures in the consolidated financial statements as at and for the year ended 31 December 2022. The purchase price allocation of the acquisition of Colmar did not require such restatement as it was completed in the same year in which the acquisition took place.

The restatement of comparative figures is detailed in the following table.

(€'000)				
	31/12/2022 REPORTED AMOUNTS	EFFECTS OF PPA - PSC BUSINESS UNIT	EFFECTS OF PPA - FVCF	31/12/2022 RESTATED AMOUNTS
Statement of financial position				
<i>Activities</i>				
Intangible assets with finite useful lives	17,725	3,859	9,676	31,260
Goodwill	101,410	(2,925)	(12,189)	86,296
Property, plant and equipment	194,829		6,001	200,830
Right-of-use assets	17,074		400	17,474
Deferred tax assets	25,453		(398)	25,055
Contract assets	156,034		2,289	158,323
<i>Equity and liabilities</i>				
Profit for the year included in equity attributable to the owners of the parent	45,334	(143)		45,191
Deferred tax liabilities	7,733	1,077	5,124	13,934
Contract liabilities	77,764		(1,427)	76,337
Other current liabilities	36,035		2,082	38,117
Income statement				
Revenue from contracts with customers	554,709	992		555,701
Amortisation, depreciation and impairment losses	(35,270)	(1,190)		(36,460)
Income taxes	(21,721)	55		(21,666)
Profit for the year	45,636	(143)		45,493



35 EARNINGS PER SHARE

Basic earnings per share

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

Basic earnings per share in 2023 are shown in the table below:

	(€'000)	
BASIC EARNINGS PER SHARE	2023	2022 <i>restated</i>
Numerator (€)		
<i>Profit attributable to the ordinary shareholders of the parent (A)</i>	61,903,161	45,190,464
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,399,906	62,235,658
(-) Weighted average of the ordinary treasury shares	(1,019,444)	(498,872)
(=) <i>Weighted average of the ordinary shares outstanding in the year (B)</i>	61,380,462	61,736,786
Basic earnings per share (€) (A/B)	1.01	0.73

Diluted earnings per share

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

Diluted earnings (loss) per share in 2023 are shown in the table below:

	(€'000)	
DILUTED EARNINGS PER SHARE	2023	2022 <i>restated</i>
Numerator (€)		
(+) Profit attributable to the ordinary shareholders of the parent	61,903,161	45,190,464
(+/-) Changes in income/expense arising from the conversion of potential ordinary shares with a dilutive effect	0	0
= Adjusted profit attributable to the ordinary shareholders of the parent (A)	61,903,161	45,190,464
Denominator (unit)		
(+) Weighted average of the ordinary shares	62,399,906	62,235,658
(-) Weighted average of the ordinary treasury shares	(1,019,444)	(498,872)
(+) Weighted average of potential ordinary shares with a dilutive effect	0	0
(=) <i>Weighted average of the ordinary shares outstanding in the year (B)</i>	61,380,462	61,736,786
Diluted earnings per share (€) (A/B)	1.01	0.73

There are no outstanding instruments at 31 December 2022 or 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 those dates, since all such instruments issued by Salcef Group S.p.A. had been fully converted and/or extinguished.

37 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 considered in the provision for risks and charges (see note 18). Consequently, no additional specific provisions are recognised in the consolidated financial statements at 31 December 2023. Any adverse developments will be adequately assessed for the purposes of calculating any accruals.

With reference to the proceedings as per Legislative decree no. 231/2021 involving certain group companies, the information disclosed in the directors' report is reported below.

In August and September 2023, Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. were notified that they were under investigation and informed of the completion of the preliminary investigations (in accordance with article 415-bis of the Italian Criminal Procedural Code) in relation to criminal proceedings being handled by Milan Public Prosecutor's Office, in which the aforesaid group companies are under investigation, together with other companies, for alleged offences under Legislative decree no. 231/2001 (the "proceedings"). These proceedings derive from another case in which those under investigation include, inter alia, former directors and legal representatives of Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l., who no longer hold such positions or, in any case, no longer legally represent Salcef Group companies. News that the individuals concerned were under investigation was leaked to the press as early as February 2022 and the circumstances were reported in the notes to the consolidated financial statements at 31 December 2022 and the condensed interim consolidated financial statements at 30 June 2023, underlining the fact that the group companies were in no way implicated in the alleged offences reported in the press.

The alleged offences under Legislative decree no. 231/2001 concern: (i) the group companies' possible involvement in the offence of conspiracy to favour the business of certain suppliers owned by people with alleged links to organised crime and; (ii) only for possible offences committed after 24 December 2019 (the date the legislative amendment came into force which included tax offences under the scope of the Legislative decree), alleged tax offences relating to recording in the companies' accounts of invoices issued by the aforementioned suppliers for the lease of assets and secondment of employees, as well as the inclusion of such invoices in income tax and VAT returns.

With regard to the alleged tax offences, while confirming that the suppliers in question had genuinely supplied the services in 2017 and 2018 (as confirmed by experts' opinions), Salcef S.p.A. and Euro Ferroviaria S.r.l. still deemed it appropriate, in order to safeguard themselves and protect their reputation and business, to submit supplementary IRES, IRAP and VAT returns in the first quarter of 2022, simultaneously making voluntary additional payments through self-imposed sanctions on all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with such suppliers. As a result, the companies would have not received any illegal profits from the alleged tax offences but have, in fact, only incurred the financial loss generated by the recalculation of their tax bill and the payment of the additional taxes, fines and interest.

In September 2023, after being notified that they were under investigation, the group companies involved were served preventive seizure orders (as per article 321 of the Italian Criminal Procedural Code) for the amounts of the alleged illegal profits from the aforementioned tax offences, calculated by the investigating judge on the request of the Public Prosecutor. The total amount seized from the three group companies involved in the proceedings is €3,483,636.75, of which €2,919,953.18 from Francesco Ventura Costruzioni Ferroviarie S.r.l., €561,085.04 from Salcef S.p.A. and €2,598.53 from Euro Ferroviaria S.r.l..

As of today, as explained in more detail below, there are no amounts of Salcef Group companies subject to preventive seizure.

On 28 November 2023, the Milan Court accepted Salcef S.p.A.'s request for reassessment and ordered the release of the entire amount via its order filed on 5 December 2023.

Pending the scheduling of the reassessment hearing before the Milan Court, Euro Ferroviaria S.r.l. filed a request for the release of the entire amount seized as it was subject to a self-imposed sanction. On 16 January 2024, the application for release was granted and the amount was released.

With regard to the alleged tax offences, Francesco Ventura Costruzioni Ferroviarie S.r.l. (which joined the Salcef Group on 23 December 2022) deemed it appropriate, in order to safeguard itself and protect its reputation and business, to submit supplementary IRES, IRAP and VAT returns in the first quarter of 2023, simultaneously making voluntary additional payments through self-imposed sanctions on all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with aforementioned suppliers. Subsequently, on 17 January 2024, Francesco Ventura Costruzioni Ferroviarie S.r.l. filed a request for the release of the amounts seized by virtue of such additional payments.

The amounts were released by the orders of 12 February 2024 and 15 February 2024, on the advice of the Public Prosecutor.

The criminal proceedings are currently 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 offences pursuant to Legislative decree no. 231/2001, as no decision has yet been taken by the judge on whether or not to charge.

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 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 apart from the amounts subject to preventive seizure 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.

38 INDEPENDENT AUDITORS' FEES

Pursuant to article 149-duodecies of the Issuers' Regulation, the table below sets out the fees for audit, attestation and other services provided by the independent auditors and members of its network in 2023?. The fees are governed by contracts and including any indexing, out-of-pocket expenses and supervisory contributions.

TYPE OF SERVICE	SERVICE PROVIDER	BENEFICIARY	2023 FEE
A) Audit services	KPMG S.p.A.	Salcef Group S.p.A.	265
		Subsidiaries	234
B) Attestation services	KPMG S.p.A.	Salcef Group S.p.A.	29
		Subsidiaries	4
C) Other services	KPMG S.p.A.	Salcef Group S.p.A.	0
Total			531

(€'000)

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 during the year. Moreover, the group did not undertake atypical or unusual transactions during the year.

EVENTS AFTER THE REPORTING DATE

No events have taken place from the reporting date to the date of preparation of this report that would have had a significant impact on the group's financial position at 31 December 2023 or its financial performance and cash flows for the year then ended.

CEO

Valeriano Salciccia



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CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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3.3

ATTESTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS



ATTESTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

Attestation on the 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, CEO, and Fabio de Masi, the 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 year) and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2023.

2. The activities were carried out considering the organisational structure and execution, control and monitoring processes of company activities necessary for the preparation of the consolidated financial statements. No material aspects arose in this respect.

3. Furthermore:

3.1 the 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 performance and results of operations, as well as the financial position of the issuer and the companies in the consolidation scope, along with a description of the key risks and uncertainties to which they are exposed.

Rome, 14 March 2024

CEO
Valeriano Salciccia

Manager in charge of financial reporting
Fabio De Masi



4 SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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4.1

SEPARATE FINANCIAL STATEMENTS

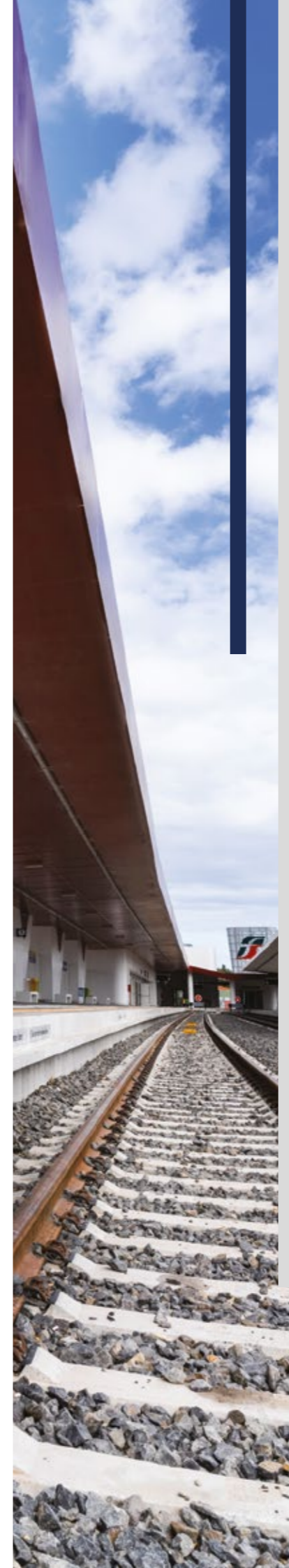
Statement of financial position

Income statement

Statement of comprehensive income

Statement of changes in equity

Statement of cash flows



STATEMENT OF FINANCIAL POSITION

ASSETS	NOTES	31.12.2023	31.12.2022
Non-current assets			
Intangible assets with finite useful lives	1	88,306	45,182
Property, plant and equipment	2	19,168,517	11,787,175
Right-of-use assets	3	78,208	1,004,085
- of which, with related parties	31	0	993,661
Equity investments measured at cost	4	194,400,102	138,105,578
Non-current financial assets	10	28,453,644	40,453,644
- of which, with related parties	30	28,453,644	40,453,644
Other non-current assets	5	9,483,352	10,097,505
Deferred tax assets	6	3,926,935	5,250,854
Total non-current assets		255,599,064	206,744,023
Current assets			
Inventories	7	0	3,365,296
Contract assets	7	809,568	653,126
Trade receivables	8	15,440,620	10,940,559
- of which, with related parties	30	14,975,469	7,229,117
Current tax assets	9	114,211	256,848
Current financial assets	10	253,746,154	252,320,514
- of which, with related parties	30	172,019,644	122,600,439
Cash and cash equivalents	11	15,375,468	14,176,545
Other current assets	12	38,189,486	24,837,234
- of which, with related parties	30	26,556,592	14,038,780
Total current assets		323,675,507	306,550,122
TOTAL ASSETS		579,274,571	513,294,145

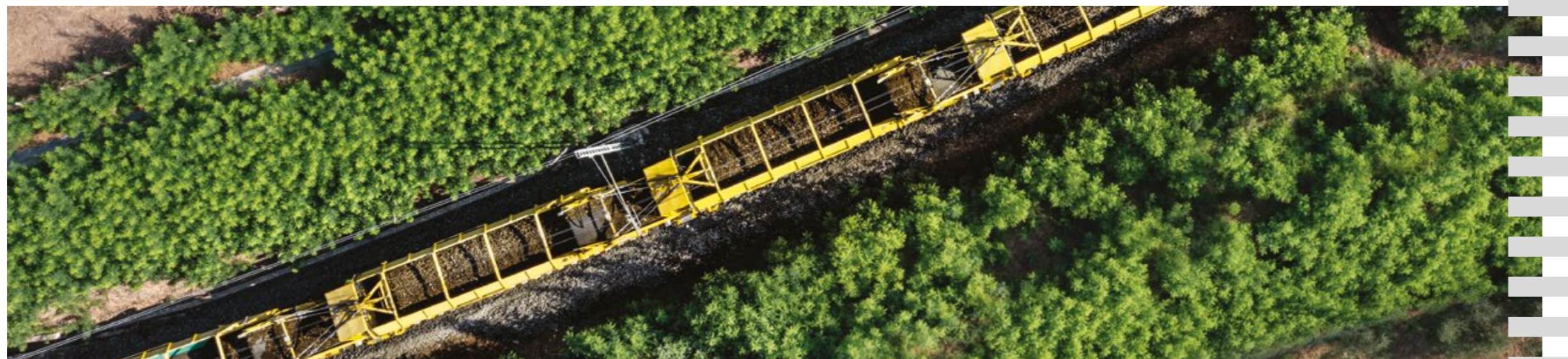
LIABILITIES	NOTES	31.12.2023	31.12.2022
Equity			
Share capital		141,544,532	141,544,532
Other reserves		117,885,299	139,851,423
Retained earnings		21,891,208	18,796,560
Profit for the year		39,068,251	36,032,511
TOTAL EQUITY	13	320,389,290	336,225,026
Non-current liabilities			
Non-current financial liabilities	14	121,726,146	101,170,619
Lease liabilities	3-14	17,815	727,379
- of which, with related parties	30	0	727,379
Employee benefits	15	671,680	657,627
- of which, with related parties	30	642,128	209,965
Provisions for risks and charges	16	442,386	515,386
Deferred tax liabilities	6	1,370,724	2,357,216
Other non-current liabilities		0	1,618,476
Total non-current liabilities		124,228,751	107,046,703
Current liabilities			
Current financial liabilities	14	106,261,802	53,038,385
- of which, with related parties	30	38,223,923	723,328
Current portion of lease liabilities	3-14	14,094	354,052
- of which, with related parties	30	0	342,844
Current employee benefits	15	2,127,077	1,127,387
- of which, with related parties	30	1,208,653	974,869
Contract liabilities	7	88,314	118,231
Trade payables	17	8,297,526	9,846,111
- of which, with related parties	30	4,597,813	3,941,635
Current tax liabilities	18	13,615,549	1,141,062
Other current liabilities	19	4,252,168	4,397,188
- of which, with related parties	30	612,475	1,510,205
Total current liabilities		134,656,530	70,022,416
TOTAL LIABILITIES		258,885,281	177,069,119
TOTAL EQUITY AND LIABILITIES		579,274,571	513,294,145

INCOME STATEMENT

	NOTES	2023	2022
Revenue from contracts with customers		15,728,940	16,436,633
- of which, with related parties	30	15,369,733	10,570,375
Other income		3,023,607	547,672
- of which, with related parties	30	940,321	443,855
Total revenue	20	18,752,547	16,984,305
Raw materials, supplies and goods	21	(520,746)	(636,586)
- of which, with related parties	30	(892)	(93,043)
Services	22	(7,849,838)	(9,480,014)
- of which, with related parties	30	(1,147,226)	(1,174,318)
Personnel expense	23	(10,363,943)	(8,485,116)
- of which, with related parties	30	(2,126,654)	(1,749,864)
Amortisation, depreciation and impairment losses	24	(1,059,540)	(632,310)
Impairment losses	25	(452,046)	(379,730)
Other operating costs	26	(1,238,090)	(781,859)
Total costs		(21,484,203)	(20,395,615)
Operating loss		(2,731,656)	(3,411,310)
Financial income	27	53,427,911	50,236,770
- of which, with related parties	30	44,161,522	47,212,190
Financial expense	27	(11,649,218)	(12,353,351)
- of which, with related parties	30	(607,949)	(50,342)
Pre-tax profit		39,047,037	34,472,109
Income taxes	6	21,214	1,560,402
Profit for the year		39,068,251	36,032,511

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2023	2022
Profit for the year		39,068,251	36,032,511
Other comprehensive income/(expense) that will not be subsequently reclassified to profit or loss			
Net actuarial gains	15	397	5,133
Net fair value gains/(losses) on securities measured at FVOCI	10	353,752	(154,880)
Related tax	6	(85,013)	35,718
Total		269,136	(114,029)
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss			
Net hedging gains/(losses)	10-16	(3,681,538)	4,726,868
Related tax	6	883,569	(1,134,448)
Net exchange losses		(901,636)	(248,259)
Total		(3,699,605)	3,344,161
Other comprehensive income (expense), net of tax		(3,430,469)	3,230,132
Comprehensive income		35,637,782	39,262,643



STATEMENT OF CHANGES IN EQUITY

	NOTES	SHARE CAPITAL	OTHER RESERVES	RESERVE FOR TREASURY SHARES	ACTUARIAL RESERVE	HEDGING RESERVE	TRANSLATION RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	EQUITY
BALANCE AT 1 JANUARY 2022		141,544,532	146,225,686	(6,483,131)	(14,278)	(1,604,071)	(2,732,764)	15,653,042	33,300,893	325,889,909
Profit for the year									36,032,511	36,032,511
Other comprehensive income		(117,709)		3,680	3,592,420	(248,259)			3,230,132	
Comprehensive income		-	(117,709)	-	3,680	3,592,420	(248,259)	-	36,032,511	39,262,643
Allocation of prior year profit			1,665,045					31,635,848	(33,300,893)	-
Dividend distribution								(28,474,765)		(28,474,765)
Repurchase of treasury shares				(695,871)						(695,871)
Stock grants			243,109							243,109
Other variations/reclassifications										-
Total owner transactions		-	1,908,154	(695,871)	-	-	-	3,161,083	(33,300,893)	(28,927,526)
BALANCE AT 31 DECEMBER 2022	13	141,544,532	148,016,131	(7,179,002)	(10,598)	1,988,349	(2,981,023)	18,814,125	36,032,511	33,225,026

	NOTES	SHARE CAPITAL	OTHER RESERVES	RESERVE FOR TREASURY SHARES	ACTUARIAL RESERVE	HEDGING RESERVE	TRANSLATION RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	EQUITY
Profit for the year									39,068,251	39,068,251
Other comprehensive expense			268,852		284	(2,797,969)	(901,636)			(3,430,469)
Comprehensive income		-	268,852		284	(2,797,969)	(901,636)	-	39,068,251	35,637,782
Allocation of prior year profit			1,801,626					34,230,885	(36,032,511)	-
Dividend distribution								(30,800,832)		(30,800,832)
Repurchase of treasury shares				(20,902,412)						(20,902,412)
Assignment of tranche 1 of the 2021-2024 stock grant plan	28		(183,998)	104,485						(79,513)
Provision for stock grant plans			309,239							309,239
TOTAL OWNER TRANSACTIONS		-	1,926,867	(20,797,927)	-	-	-	3,430,053	(36,032,511)	(51,473,518)
BALANCE AT 31 DECEMBER 2023	13	141,544,532	150,211,850	(27,976,929)	(10,314)	(809,620)	(3,882,659)	22,244,178	39,068,251	320,389,290

STATEMENT OF CASH FLOWS

DESCRIZIONE	NOTES	31.12.2023	31.12.2022
Profit for the year		39,068,251	36,032,511
Amortisation and depreciation		1,059,540	632,310
Impairment losses		452,045	379,730
Net financial income		(41,778,693)	(37,883,419)
Other adjustments for non-monetary items		38,251,401	(1,005,366)
Accruals		1,013,743	570,777
Income taxes		(21,214)	(1,560,402)
(A) Cash flows from (used in) operating activities before changes in working capital		38,045,073	(2,833,859)
(Increase) / decrease in contract assets/liabilities		3,178,747	(945,788)
(Increase) / decrease in trade receivables		(4,906,924)	585,619
Increase / (decrease) in trade payables		(1,548,586)	(3,202,237)
(Increase) / decrease in other current and non-current assets		11,253,451	15,792,564
Increase / (decrease) in other current and non-current liabilities		(1,763,496)	321,801
(B) Changes in working capital		6,213,192	12,551,959
Cash flows generated by operating activities (A+B)		44,258,265	9,718,100
Interest paid		(5,169,645)	(2,105,115)
Income taxes paid		(11,032,002)	(15,698,276)
(C) Net cash flows generated by (used in) operating activities		28,056,618	(8,085,291)
<i>Investing activities</i>			
Interest collected		635,407	2,373,666
Investments in intangible assets		(91,816)	(13,700)
Acquisition of property, plant and equipment		(8,251,478)	(6,231,414)
Acquisition of equity investments and non-current securities		(16,500,000)	(14,638,476)
Investments in securities and other financial assets		(46,140,148)	(64,416,563)
Dividends received		1,400,000	0
Proceeds from the sale of property, plant and equipment		0	602,872
Proceeds from the sale of equity investments and securities		58,103,491	5,628,585
Exchange differences		(6,709)	45,299
(D) Cash flows used in investing activities		(10,851,253)	(76,649,731)
<i>Financing activities</i>			
Disbursement of loans		115,000,000	90,000,000
Repayment of loans		(79,090,010)	(49,075,912)
Repayment of lease liabilities		(213,188)	(416,931)
Repurchase of treasury shares		(20,902,412)	(695,871)
Dividends distributed		(30,800,832)	(28,474,765)
(E) Cash flows from (used in) financing activities		(16,006,442)	11,336,521
(F) Net change in cash and cash equivalents (C+D+E)		1,198,923	(73,398,501)
(*) Opening cash and cash equivalents		14,176,545	87,575,046
Net change in cash and cash equivalents		1,198,923	(73,398,505)
(*) Closing cash and cash equivalents	11	15,375,468	14,176,545

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



4 SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

4.1 SEPARATE FINANCIAL STATEMENTS

4.2 NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.3 ATTESTATION ON THE SEPARATE FINANCIAL STATEMENTS

4.2

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

General information on the reporting entity

Basis of preparation and compliance with the IFRS

Basis of presentation

Accounting policies

Notes to the main statement of financial position captions

Notes to the main income statement captions

Other notes

Significant non-recurring events and transactions

Events after the reporting date

GENERAL INFORMATION ON THE REPORTING ENTITY

Salcef Group S.p.A. (the "company") 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 company's ordinary shares are listed on the Euronext STAR Milan segment of the Euronext Milan market organised and managed by Borsa Italiana S.p.A..

At the preparation date of these separate financial statements, Finhold S.r.l. holds the absolute majority of Salcef Group S.p.A. shares but does not manage or coordinate it.

As the company holds significant controlling investments in other companies, it also prepares the group's consolidated financial statements, which are published together with these separate financial statements.

Salcef Group S.p.A.'s board of directors approved these separate financial statements as at and for the year ended 31 December 2023 and authorised them for publication on 14 March 2024.

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

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, the separate financial statements at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The IFRS also include the International Accounting Standards (IAS) still in force and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standard Interpretations Committee (SIC), in force at the reporting date.

BASIS OF PRESENTATION

These separate financial statements at 31 December 2023 consist of the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes.

Among the various options for the presentation of the statement of financial position, Salcef Group S.p.A. has opted to classify assets and liabilities as current or non-current.

The income statement is presented with the classification of the individual captions by nature, which is consistent with the company's internal management reporting model and is therefore deemed more indicative than presenting the captions by use, as it provides more reliable and meaningful information according to the segment to which each caption belongs.

The income statement and the statement of comprehensive income are presented as two separate statements and, therefore, the company 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 company 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 27 July 2006, any income and expense on non-recurring transactions are recognised separately in profit or loss. Similarly, the balances of related party transactions are presented separately in the financial statements. Note 31 provides information and details of related party transactions.

The company's presentation currency is the Euro, which is also its functional currency. Assets and liabilities are presented separately without offsetting. The figures in the separate 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 separate financial statements is that of historical cost, except for those captions that the IFRS require be measured at fair value.

The company has prepared the separate financial statements as at and for the year ended 31 December 2023 on a going concern basis and to give a true and fair view of its financial position, financial performance and cash flows for the year. Management has made use of estimates as described later.

The accounting standards and accounting policies are the same, where applicable, as those adopted in preparing the consolidated financial statements, to which reference should be made, except for the recognition and measurement of investments in subsidiaries, joint ventures and associates. The accounting policies applied to such items are described below.

EQUITY INVESTMENTS MEASURED AT COST

Investments in subsidiaries are classified as equity investments and measured at cost.

Subsidiaries are companies that Salcef Group S.p.A. controls, i.e., when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

If there is objective evidence of impairment, recoverability is tested by comparing the carrying amount of the investment with its recoverable amount, which is the higher of fair value less costs to sell and value in use.

Contingent consideration for the acquisition of equity investments is recognised at the acquisition-date fair value of contingent consideration as an increase in the equity investment. The obligation to pay contingent consideration is classified as other current or non-current financial liabilities. Subsequent changes in the fair value of contingent consideration due to changes in estimates or the capitalisation of present value are recognised as increases or decreases in the equity investment.

Dividends received from the company's investees are recognised under financial income in the year in which the company has the right to receive payment.

EQUITY-ACCOUNTED INVESTMENTS

Investments in associates are measured using the equity method.

Associates are entities for which the company has significant influence over the financial and operating policy decisions but does not have control.

Under the equity method, associates are initially recognised at cost, allocating the fair value of acquired assets and assumed liabilities to their carrying amount. Cost is adjusted thereafter for the post-acquisition change in the investor's share of net assets of the associate. Dividends received from associates are recognised as adjustments to the carrying amount of the equity investment.

USE OF ESTIMATES

Preparation of these separate 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 separate financial statements.

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

- Equity investments measured at cost: if their carrying amount is greater than the company's share of equity, they are tested annually for impairment, and any impairment losses are taken to profit or loss. Specifically, impairment testing involves determining the recoverable amount of the equity investments by estimating their value in use or fair value less costs to sell. If their recoverable amount is lower than their carrying amount, they are impaired. Calculating the recoverable amount of equity investments 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 company 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.
- 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 company 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 company 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 of the notes to the consolidated financial statements, to which reference should be made.
- 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 company 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 separate 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 2023

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

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

The adoption of the new standards starting from 1 January 2023 did not have any impact.

STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT YET ADOPTED

At the date of approval of these separate financial statements, the European Union has endorsed certain standards and interpretations that are not yet mandatory and that the company will adopt in subsequent years, if applicable. In addition, other standards and amendments to existing standards issued by the IASB or new interpretations issued by the IFRIC are currently undergoing the EU endorsement process. The new standards, amendments and interpretations are summarised below:

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

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



NOTES TO THE MAIN STATEMENT OF FINANCIAL POSITION CAPTIONS

ASSETS

NON-CURRENT ASSETS

1 INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Intangible assets with finite useful lives amount to €88 thousand, compared to €45 thousand at 31 December 2022. This caption and changes in both years are analysed in the table below.

(€'000)					
INTANGIBLE ASSETS WITH FINITE USEFUL LIVES	INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS	CONCESSIONS, LICENCES, TRADEMARKS AND SIMILAR RIGHTS	ASSETS UNDER DEVELOPMENT	OTHER	TOTAL
Balance at 31 December 2022:					
Cost	985	56	0	3,139	4,180
Accumulated amortisation	(985)	(11)	0	(3,139)	(4,135)
Carrying amount at 31 December 2022	0	45	0	(0)	45
Investments - Historical cost	92				92
Disposals - Historical cost					-
Other variations - Historical cost					-
Reclassifications - Historical cost					-
Exchange differences - Historical cost					-
Amortisation	(46)	(3)			(49)
Disposals - Acc. amortisation					-
Other variations - Acc. amortisation					-
Reclassifications - Acc. amortisation					-
Exchange differences - Acc. amortisation					-
Balance at 31 December 2023:					
Cost	1,077	56	0	3,139	4,272
Accumulated amortisation	(1,030)	(14)	0	(3,139)	(4,183)
Carrying amount at 31 December 2023	46	42	0	(0)	88

At 31 December 2023, concessions, licences and trademarks refer to costs incurred to register the Salcef Group trademark, while industrial patents include the cost of software acquired by the company.

2 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 year:

(€'000)						
PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 31 December 2022:						
Cost	982	419	102	804	10,705	13,012
Accumulated depreciation	0	(403)	(101)	(721)	-	(1,225)
Carrying amount at 31 December 2022	982	16	1	83	10,705	11,787
Investments - Historical cost	6,876	4	0	264	1,060	8,205
Disposals - Historical cost						-
Reclassifications - Historical cost	7,494	3,126	0	1,097	(11,717)	-
Impairment losses - Historical cost						-
Other variations - Historical cost						-
Exchange differences - Historical cost		(12)	(1)	(1)		(14)
Depreciation	(288)	(320)	(1)	(214)		(823)
Disposals - Acc. depreciation						-
Reclassifications - Acc. depreciation						-
Impairment losses - Acc. depreciation						-
Other variations - Acc. depreciation						-
Exchange differences - Acc. depreciation		12	1			13
Balance at 31 December 2023:						
Cost	15,353	3,537	101	2,165	47	21,203
Accumulated depreciation	(288)	(712)	(101)	(934)	-	(2,034)
Valore contabile al 31 dicembre 2023	15,065	2,826	0	1,230	47	19,168

The increases of €14,370 thousand in land and buildings refer to costs incurred by Salcef Group S.p.A. to renovate the building in Via Salaria, Rome where the registered and administrative offices of the company and other group companies are located as of January 2023.

3 RIGHT-OF-USE ASSETS

RIGHT-OF-USE ASSETS	31.12.2023	31.12.2022
Carrying amount	78	1,004
Total	78	1,004

These refer to the assets that Salcef Group S.p.A. holds under operating leases. The company 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.

Changes in the year in right-of-use assets and lease liabilities are summarised below.

RIGHT-OF-USE ASSETS	LAND AND BUILDINGS	OTHER ASSETS	TOTAL
Carrying amount at 1 January 2023	1,004	0	1,004
Depreciation	(177)	(11)	(188)
Increases		89	89
Derecognition	(827)		(827)
Exchange differences			
Carrying amount at 31 December 2023	0	78	78

LEASE LIABILITIES	TOTAL
Carrying amount at 1 January 2023	1,081
Payments	(213)
Increases	42
Interest expense	21
Derecognition of lease liabilities	(900)
Exchange differences	
Carrying amount at 31 December 2023	32
<i>of which, current</i>	14
<i>of which, non-current</i>	18

Negotiations with the lessee for the early termination of the lease were concluded in 2023. The early termination, resulting in the exercise of the purchase option for the building, led to the accounting effects shown in the tables above with the derecognition of the right-of-use asset and associated lease liability.

4 EQUITY INVESTMENTS MEASURED AT COST

At 31 December 2023, equity investments measured at cost amount to €194,400 thousand compared to €138,104 thousand at 31 December 2022 as follows:

EQUITY INVESTMENTS MEASURED AT COST	REGISTERED OFFICE	31.12.2023	31.12.2022	VAR
Subsidiaries				
Salcef S.p.A. single-member company	Rome - Italy	81,733	81,733	0
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	457	457	0
SRT S.r.l. single-member company	Rome - Italy	5,044	5,044	0
Overall S.r.l. single-member company	Rome - Italy	8,839	8,839	0
Coget Impianti S.r.l.	Rome - Italy	10,429	10,429	0
Reco S.r.l. single-member company	Rome - Italy	659	659	0
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	54,533	14,638	39,795
Salcef USA Inc.	Wilmington (DE) - USA	8,485	8,485	0
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	7,820	7,820	0
Colmar Technik S.p.A.	Rovigo - Italy	16,500	0	16,500
Total		194,400	138,105	56,295

Changes in the year are summarised below:

EQUITY INVESTMENTS MEASURED AT COST	% OF INVESTMENT 31.12.2022	CARRYING AMOUNT 31.12.2022	INCREASES	DECREASES	CARRYING AMOUNT 31.12.2023	% OF INVESTMENT 31.12.2023
Salcef S.p.A.	100%	81,733			81,733	100%
Euro Ferroviaria S.r.l.	100%	457			457	100%
SRT S.r.l.	100%	5,044			5,044	100%
Overall S.r.l.	100%	8,839			8,839	100%
Coget Impianti S.r.l.	100%	10,429			10,429	100%
Reco S.r.l.	100%	659			659	100%
Francesco Ventura Costruzioni Ferroviarie S.r.l.	100%	14,638	39,795		54,433	100%
Salcef USA Inc.	100%	8,485			8,485	100%
Salcef Deutschland GmbH	100%	7,820			7,820	100%
Colmar Technik S.p.A.	0%	0	16,500		16,500	100%
Carrying amount		138,105	56,295		194,400	

On 1 August 2023, Salcef Group S.p.A. completed the acquisition of 100% of the share capital of Colmar Technik S.p.A. ("Colmar"), a company specialised in the design, manufacture and maintenance of machinery used in building and maintaining railway lines. Following the preliminary agreement signed by the parties on 26 June 2023, the deal was closed after the conditions precedent included in such agreement were met. Therefore, 1 August 2023 was identified as the acquisition date for the purposes of accounting for the business combination. The consideration agreed for the acquisition of 100% of Colmar was €16,500 thousand and did not include any price adjustment devices and/or conditions precedent. The company self-financed this acquisition in full. The other variation related to the investment in Francesco Ventura Costruzioni Ferroviarie S.r.l. is due to the company's waiver of the amount due from the latter.

The table below summarises key information on investees at 31 December 2023:

(€'000)

EQUITY INVESTMENTS MEASURED AT COST	REGISTERED OFFICE	CURRENCY	SHARE/ QUOTA CAPITAL	% OF INVESTMENT	CARRYING AMOUNT 31.12.2023	EQUITY	PROFIT (LOSS) FOR THE YEAR	EQUITY-ACCOUNTED INVESTMENTS
Salcef S.p.A. single-member company	Rome - Italy	Euro	60,000,000	100%	81,733	178,718	58,520	178,718
Euro Ferroviaria S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	457	26,787	3,944	26,787
SRT S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	5,044	11,762	6,698	4,093
Overail S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	8,839	34,165	22,076	34,686
Coget Impianti S.r.l.	Rome - Italy	Euro	1,000,000	100%	10,429	7,438	2,771	14,519
Reco S.r.l. single-member company	Rome - Italy	Euro	100,000	100%	659	1,102	633	1,344
Francesco Ventura Costruzioni Ferroviarie S.r.l.	Rome - Italy	Euro	420,000	100%	54,433	6,345	(12,964)	28,490
Salcef USA Inc.	Wilmington (DE) - USA	USD	10,000,000	100%	8,485	11,387	(763)	11,387
Salcef Deutschland GmbH	Landsberg Am Lech - Germany	Euro	162,750	100%	7,820	657	(732)	6,610
Colmar Technik S.p.A.	Rovigo - Italy	Euro	1,000,000	100%	16,500	8,827	(11,350)	21,926
Total					194,400			328,561

At 31 December 2023, the company performed an impairment test on the equity investments whose carrying amount at that date was higher than the company's share of equity. This involved calculating the equity investments' value in use applying the discounted cash flow (DCF) method to the estimated cash flows for the current three-year period (2024-2026), based on the equity investments' forward-looking financial figures, to which a WACC of 8.3% and 9.4% was applied for investees operating on the Italian market, 7.6% for investees operating on the German market and 8.2% for investees operating in North America.

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, 2.6% for Germany and 4.3% for North America;
- the equity risk premium was 5.5%;
- 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 subsidiaries;
- the additional risk premium was either 3.1% and 1.6%, depending on the relevant size.

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 recoverable amounts were compared with the equity investments' carrying amounts at 31 December 2023. 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 and an increase in the WACC. The analysis showed that impairment losses would not be generated.

5 OTHER NON-CURRENT ASSETS

The table below shows other non-current assets at 31 December 2023 and 2022:

(€'000)

OTHER NON-CURRENT ASSETS	31.12.2023	31.12.2022	VAR
Guarantee deposits	21	228	(207)
Performance bonds	8,951	9,813	(862)
Other assets	512	57	455
Total	9,483	10,098	(615)

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

6 DEFERRED TAX ASSETS - DEFERRED TAX LIABILITIES - CURRENT AND DEFERRED TAXES

Income taxes, recognised in the income statement and statement of comprehensive income, may be analysed as follows:

(€'000)

INCOME TAXES	2023	2022
IRES	580	149
IRAP	0	(7)
Foreign income taxes	0	(461)
Total current taxes	580	(319)
Change in deferred tax assets	(1,373)	2,726
Change in deferred tax liabilities	236	(21)
Total deferred taxes	(1,137)	2,705
Prior year taxes	578	(826)
Total income taxes	21	1,560

(€'000)			
TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME/(EXPENSE)	PRE-TAX	TAX BENEFIT (EXPENSE)	POST-TAX
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Net actuarial gains/(losses)	0	0	0
Net fair value gains on securities measured at FVOCI	354	(85)	269
Total	354	(85)	269
Other comprehensive expense that will be subsequently reclassified to profit or loss			
Net hedging losses	(3,681)	883	(2,798)
Total	(3,681)	883	(2,798)
2023	(3,327)	798	(2,529)

As the parent and consolidator, Salcef Group S.p.A. has set up a domestic tax consolidation scheme for IRES purposes with its subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., RECO S.r.l., SRT S.r.l., Overail S.r.l., Coget Impianti S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l.. Consequently, in these separate financial statements, the company has presented the amount due from/to the tax authorities for IRES under the tax consolidation scheme as current tax assets/liabilities and the amounts due from/to the companies participating in the tax consolidation scheme in respect of the tax assets/liabilities that they have transferred to such scheme as other current assets/liabilities.

At 31 December 2023, deferred tax assets and liabilities amount to €3,927 thousand (31 December 2022: €5,251 thousand) and €1,371 thousand (31 December 2022: €2,357 thousand), respectively. Changes in these two captions are analysed below.

(€'000)					
DEFERRED TAX ASSETS	01.01.2023	ACCRUALS	UTILISATIONS	OTHER VARIATIONS	31.12.2023
Unrealised exchange differences	71	62			133
Tax loss	244				244
Stock grants	78	74	(42)		110
MBO	421	513	(271)		663
Provision for litigation	124				124
Derivative financial instruments	912			85	997
Actuarial gains/losses on employee benefits	22		(22)		0
Impairment losses as per IFRS 9	376	108			484
Fair value of securities	1,726		(1,534)	(37)	155
ACE (aid to economic growth) excess	987				987
Listing costs	291		(289)		2
Other variations	0	28			28
Total	5,252	785	(2,158)	48	3,927

(€'000)					
DEFERRED TAX LIABILITIES	01.01.2023	ACCRUALS	UTILISATIONS	OTHER VARIATIONS	31.12.2023
Unrealised exchange differences	819		(239)		580
Derivative financial instruments	1,538			(799)	739
Fair value of securities	0			48	48
Actuarial gains/losses on employee benefits	0	1		1	2
Other variations	0	2			2
Total	2,357	3	(239)	(750)	1,371

The temporary differences that generated deferred taxes are detailed below with indication of the rates used:

(€'000)			
DEFERRED TAX ASSETS	TEMPORARY DIFFERENCES	RATE	31.12.2023
Unrealised exchange differences	553	24%	133
Tax loss	1,019	24%	244
Stock grants	457	24%	110
MBO	2,769	24%	663
Provision for litigation	515	24%	124
Derivative financial instruments	4,154	24%	997
Actuarial gains/losses on employee benefits	0	24%	0
Impairment losses as per IFRS 9	2,018	24%	484
Fair value of securities	648	24%	155
ACE (aid to economic growth) excess	4,114	24%	987
Listing costs	8	24%	2
Other variations	117	24%	28
Total			3,927

(€'000)			
DEFERRED TAX LIABILITIES	TEMPORARY DIFFERENCES	RATE	31.12.2023
Unrealised exchange differences	2,415	24%	580
Derivative financial instruments	3,083	24%	739
Fair value of securities	199	24%	48
Actuarial gains/losses on employee benefits	6	24%	2
Other variations	9	24%	2
Total			1,367

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

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

RECONCILIATION OF ACTUAL TAX RATE		(€'000)
Pre-tax profit	39,047	
Theoretical IRES	(9,371)	(24%)
Lower taxes:		
- Non-taxable income	8,922	22.85%
- Other	1,591	4.07%
Greater taxes:		
- Other	(562)	(1.44%)
Total current income taxes (IRES)	580	1.49%
IRAP	-	-
Prior year taxes	578	1.48%
Deferred taxes	(1,137)	(2.91%)
Total income taxes	21	0.05%



CURRENT ASSETS

7 INVENTORIES AND CONTRACT ASSETS AND LIABILITIES

Inventories show a nil balance at the reporting date (31 December 2022: €3,365 thousand) following the sale of a grinding train by the foreign subsidiary in Saudi Arabia.

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 company and not yet invoiced.

CONTRACT ASSETS	31.12.2023	31.12.2022	VAR
Contract assets	814	653	161
Impairment losses	(4)	0	(4)
Total	810	653	157

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

GEOGRAPHICAL AREA	31.12.2023	31.12.2022	VAR
Africa	810	653	157
Total	810	653	157

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

CONTRACT ASSETS AND LIABILITIES	31.12.2023	31.12.2022	VAR
Trade receivables	15,441	10,941	4,500
Contract assets	810	653	157
Contract liabilities	(88)	(118)	30
TOTAL	16,163	11,476	4,687

As mentioned previously, contract assets are mainly comprised of the company'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)

CONTRACT LIABILITIES	31.12.2023	31.12.2022	VAR
Contract liabilities	88	118	(30)
Total	88	118	(30)

At 31 December 2023, this caption mainly relates to the advance from NAT - National Authority for Tunnel for the construction of a railway hub in Kozzyka (Egypt).

Contract liabilities at 31 December 2023 will become revenue in 2024.

8 TRADE RECEIVABLES

The table shows the caption at 31 December 2023 with comparative prior year end figures:

TRADE RECEIVABLES	31.12.2023	31.12.2022	Var
Third parties	2,585	5,426	(2,841)
Loss allowance	(2,120)	(1,714)	(406)
Total third parties	465	3,712	(3,247)
Subsidiaries	14,975	7,229	7,746
Total related parties	14,975	7,229	7,746
Total	15,441	10,941	4,500

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

LOSS ALLOWANCE	
Carrying amount at 1 January 2023	1,714
Utilisations/Releases	-
Accruals	406
Other variations	-
Carrying amount at 31 December 2023	2,120

Although Salcef Group S.p.A.'s exposure to credit risk is mainly related to the specific characteristics of each customer, company management also considers variables typical of the company's backlog, including the insolvency risk of the customer's sector and country. The increase in the loss allowance is mostly due to the impairment of a specific receivable considered to be in level 3 of the fair value hierarchy established by IFRS 9. Trade receivables from subsidiaries of €14,975 thousand (31 December 2022: €7,229 thousand) mainly refer to the amounts due from Salcef S.p.A., Euro Ferroviaria S.r.l., SRT S.r.l., RECO S.r.l., Overall S.r.l., Coget Impianti S.p.A. and Francesco Ventura Costruzioni Ferroviari for the balance of services not yet invoiced that Salcef Group S.p.A. provided to group companies in 2023 under a master agreement.

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

GEOGRAPHICAL AREA	31.12.2023	%	31.12.2022	%
Italy	100	21%	1,432	41%
Egypt	186	40%	210	16%
Saudi Arabia	180	39%	2,070	41%
Total third parties	465		3,712	

9 CURRENT TAX ASSETS

Current tax assets amount to €114 thousand compared to €257 thousand at 31 December 2022.

The year-end balance mostly consists of the asset for direct income taxes paid in advance abroad as well as IRES payments on account during the year.

10 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Non-current financial assets, amounting to €28,454 thousand at 31 December 2023 (31 December 2022: €40,454 thousand), refer to interest-bearing medium/long-term loans granted to the subsidiaries Euro Ferroviaria S.r.l. (€27,448 thousand to provide the subsidiary with the funds to acquire the business unit from the PSC Group) and SRT S.r.l. (€1,006 thousand).

A breakdown of current financial assets at 31 December 2023 and 2022 is as follows:

CURRENT FINANCIAL ASSETS	31.12.2023	31.12.2022	VAR
Securities	78,650	123,368	(44,718)
Loans to subsidiaries	172,020	122,600	49,420
Hedging derivatives	3,083	6,410	(3,327)
Other current financial assets	81	0	81
Impairment loss	(87)	(58)	(29)
Total	253,746	252,320	1,426

The 31 December 2023 balance refers to the intragroup current account balances with Salcef Group S.p.A.'s subsidiaries, specifically: €31,679 thousand with SRT S.r.l., €12,958 thousand with Overall S.r.l., €34,700 thousand with Salcef Deutschland GmbH, €4,291 thousand with Euro Ferroviaria S.r.l., €29,750 thousand with Salcef USA Inc., €2,249 thousand with RECO S.r.l., €38,592 thousand with Francesco Ventura Costruzioni Ferroviarie S.r.l. and, finally, €17,800 thousand with Colmar Technik S.p.A..

Securities of €78,650 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 Salcef Group S.p.A. to invest the liquidity obtained following the capital increases performed in 2021 and previous years. The measurement method applied to such assets depends on both the business model used by the company to manage the assets in order to generate cash flows and the characteristics of the security. Specifically, the company 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.

The following table shows variations in the caption during the year:

SECURITIES	MEASURED AT	(€'000)					
		01.01.2023	PURCHASES	SALES	FAIR VALUE GAINS/LOSSES	GAINS/LOSSES	31.12.2023
Unicredit mutual funds	FVTPL	5,795	820	(3,899)	477	(178)	3,015
Unicredit certificates	FVTPL	1,123		(309)	70	(16)	868
Intesa Eurizon SGR	FVTPL	6,798			385	0	7,183
Intesa Eurizon Titolo	FVTPL	(0)	5,000		48	0	5,048
BPS	FVTPL	7,185			487	0	7,672
UBI BAP life policy	FVTPL	5,658		(5,727)	841	(772)	(0)
MPS fiduciary mandate	FVTPL	7,996		(8,088)	(41)	133	0
MPS policy	FVTPL	4,344		(4,472)	655	(527)	0
Servizio Italia Cardiff policy	FVTPL	14,630		(2,959)	819	0	12,491
Fineco mutual funds	FVTPL	4,507	301	(1,794)	79	0	3,093
Banca Aletti	FVTPL	8,787		(4,950)	348	0	4,185
Fineco insurance products	FVTPL	10,413		(4,927)	352	(77)	5,761
Kairos Partners securities portfolio	FVTPL	4,569		(4,703)	431	(297)	(0)
Deutsche Bank portfolio management	FVTPL	2,734		(2,778)	256	(211)	0
AZIMUT fund	FVTPL	11,593	2,000	(7,009)	366	0	6,950
J.P. Morgan	FVTPL	13,915		(3,000)	823	0	11,738
Mediobanca bonds and certificates	FVOCI	13,324	600	(3,489)	354	(146)	10,643
Total		123,368	8,721	(58,103)	6,752	(2,092)	78,649

As shown in the table, the fair value measurement of securities led to a gain of €6,398 thousand, while the measurement at fair value through other comprehensive income led to a gain of €354 thousand.

Note 14 provides a description of all the company's derivatives, which include the above hedging derivatives of €3,083 thousand at the reporting date (€6,410 thousand at 31 December 2022).

11 CASH AND CASH EQUIVALENTS

CURRENT FINANCIAL ASSETS	(€'000)		
	31.12.2023	31.12.2022	VAR
Bank and postal accounts	15,371	14,173	1,198
Cash-in-hand and cash equivalents	5	4	1
Total	15,375	14,177	1,198

These amount to €15,375 thousand, compared to €14,177 thousand at the previous year end, and include bank deposits of €15,371 thousand and cash and cash equivalents of €5 thousand at 31 December 2023.

12 OTHER CURRENT ASSETS

The table below shows other current assets at 31 December 2023 and 2022:

OTHER CURRENT ASSETS	(€'000)		
	31.12.2023	31.12.2022	VAR
Other tax assets	7,289	5,646	1,643
Other assets with subsidiaries	26,557	13,934	12,623
Other assets	3,511	2,525	986
Prepayments and accrued income	833	2,733	(1,900)
Total	38,189	24,838	13,351

Other tax assets consist of the amounts due from the tax authorities for indirect taxes (VAT) paid in Italy and abroad.

Other assets with subsidiaries refer to the IRES liability that they respectively transferred to Salcef Group S.p.A. under the domestic tax consolidation scheme, specifically Salcef S.p.A. (€20,873 thousand), Euro Ferroviaria S.r.l. (€1,485 thousand), Overail S.r.l. (€2,763 thousand), SRT S.r.l. (€431 thousand), Coget Impianti S.r.l. (€991 thousand) and RECO S.r.l. (€13 thousand).

Prepayments amount to €833 thousand (31 December 2022: €2,733 thousand) and refer to the portion of costs incurred in the year pertaining to subsequent years.

They are mostly insurance premiums for the headquarters and work sites and bank surety commissions.

Other assets mainly consist of advances paid to suppliers and employees, including cash advances for the work sites in order to begin day-to-day operations and the value of the participating financial instruments received from Astaldi S.p.A., as Salcef Group S.p.A. is its unsecured creditor (€1,804 thousand).

LIABILITIES

EQUITY AND LIABILITIES

13 EQUITY

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

Share capital

The company's fully paid-up share capital at 31 December 2023 amounts to €141,544,532.20 and is comprised of 62,399,906 shares without nominal value. The company holds 1,491,734 treasury shares at the reporting date, equal to 2.391% of its share capital. Finhold S.r.l. holds 64.77% of the share capital (75.49% of the voting rights) and the remainder is held by shareholders that own less than 5% of the share capital.

Reserves

At 31 December 2023, reserves mainly comprise:

- Legal reserve: this reserve of €5,921 thousand includes prior year profits allocated in accordance with Italian law;
- Extraordinary reserve: totalling €13,310 thousand, it includes prior year profits allocated thereto by the shareholders;
- Revaluation reserves: these reserves of €28,060 thousand were set up for the revaluations of property, plant and equipment made in accordance with Laws no. 342/2000, no. 266/2005 and no. 2/2009;
- Translation reserve: with a negative balance of €3,883 thousand;
- Negative goodwill: amounting to €45,000 thousand, this negative goodwill 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 €10 thousand;
- Hedging reserve: with a negative balance of €810 thousand, this reserve reflects the fair value gains and losses on the interest rate swap hedging cash flow risk on the payment of interest on loans and the fair value gains and losses on the currency forwards hedging currency risk on the loan in US dollars granted to the subsidiary Salcef USA Inc.. The reserve will be taken to the income statement over the years as the cash flows generated by the hedged item affect profit or loss;
- Reserve for financial assets measured at FVOCI: with a balance of €151 thousand, this reflects changes in the fair value of financial assets measured at FVOCI (see note 10) net of the relative deferred tax assets/liabilities;
- Reserve for repurchase of treasury shares: with a negative balance of €27,977 thousand, this reserve includes the value of the company's treasury shares repurchased on the market and held in accordance with the resolutions passed during the ordinary shareholders' meeting;
- Stock grant reserve: with a positive balance of €457 thousand, this is the accrual for the cost of the share-based incentive plans described in note 28, to which reference should be made;
- Share premium: recognised in 2021 for €27,200 thousand after the capital increase achieved through the accelerated bookbuild offering and generated by the difference between the subscription price of newly issued shares (€16.00 per share) and the existing accounting par value (€2.40 per share) multiplied by the number of newly issued shares (2,000,000 new ordinary shares);
- Reserve for capital increase costs: this reserve with a negative balance of €653 thousand includes the costs directly attributable to the issue or repurchase of treasury shares.

At their ordinary meeting of 27 April 2023, the company's shareholders approved the separate financial statements as at and for the year ended 31 December 2022, which show a profit for the year of €36,032,511, and were presented with the consolidated financial statements as at and for the year ended 31 December 2022, which show a profit for the year attributable to the owners of the parent of €45,333,687.

The shareholders also resolved to distribute a dividend of €0.50 per eligible ordinary share at the record date (i.e., 16 May 2023), with coupon detachment on 15 May 2023 and payment date on 17 May 2023. Considering the number of treasury shares held by the company at 16 May 2023, the total dividend is €30,800,831.50. More information about changes in equity is provided in the statement of changes in equity.

Capital management

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

14 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES - LEASE LIABILITIES

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

	31.12.2023	31.12.2022	VAR
(€'000)			
LOANS AND BORROWINGS			
Bank loans - non-current portion	117,578	97,377	20,201
Hedging derivatives	4,148	3,794	354
Total	121,726	101,171	20,555
Lease liabilities	18	727	(709)
Total	18	727	(709)
TOTAL NON-CURRENT	121,744	101,898	19,846
Loans from related parties	38,224	723	37,501
Bank loans and borrowings - current portion	68,038	52,315	15,723
Total	106,262	53,038	53,224
Lease liabilities	14	354	(340)
Total	14	354	(340)
TOTAL CURRENT	106,276	53,392	52,884
TOTAL LOANS AND BORROWINGS	228,020	155,290	72,730

Loans from related parties of €38,224 thousand refer to the balance of the intragroup current account with the subsidiary Salcef S.p.A., mainly deriving from the VAT credit transferred under the domestic tax consolidation scheme, along with interest-bearing borrowings granted to the Romanian branch.

The bank loans are medium/long-term loans from banks to Salcef Group S.p.A., the terms of which are detailed below at 31 December 2023.

(€'000)

BANK LOANS	INTEREST RATE	YEAR OF MATURITY	31.12.2023	
			NOMINAL AMOUNT	CARRYING AMOUNT
Unicredit no. 8638182	1.54% + 3-month Euribor	2025	8,369	8,368
Credit Agricole no. 013794830000	0.55% + 3-month Euribor with a floor of 0	2024	1,695	1,695
Pop. Sondrio No. 1364257	0.90% + 3-month Euribor	2025	1,434	1,434
Intesa Sanpaolo no. 01CS012144925	1.54% + 3-month Euribor	2026	16,500	16,500
Credit Agricole no. 0145795100000	1% + 3-month Euribor with a floor of 0	2027	17,000	16,943
Intesa OIC1077636764	0.90% + 3-month Euribor	2025	15,000	15,000
Banco BPM 05662104	1.10% + 3-month Euribor	2026	15,316	15,301
BNL 6170690	0.90% + 3-month Euribor	2025	11,667	11,661
Unicredit 2278147	0.45% + 3-month Euribor	2026	4,205	4,179
CDP no. 26549 - facility A	0.50% + 3-month Euribor	2027	24,000	24,000
CDP no. 26549 - facility B	0.30% + 3-month Euribor	2026	14,286	14,286
Intesa Sanpaolo no. OIC1015421817	0.70% + 3-month Euribor	2027	8,750	8,750
Intesa Sanpaolo no. OIC1015421727	0.80% + 3-month Euribor	2027	17,500	17,500
BNL no. 6175961	0.85% + 3-month Euribor	2026	15,000	15,000
BPER no. 5292738	0.70% + 3-month Euribor	2026	15,000	15,000
Total			185,722	185,617
			of which: current portion 68,038 non-current portion 117,578	

The new loans taken out by the company during the year include: (i) the loan from Cassa Depositi e Prestiti ("CDP") of €50 million, broken down into two facilities (facility A of €30 million and facility B of €20 million), both of which were disbursed in late May 2023. Facility A and facility B have final payment dates on 31 December 2027 and 30 June 2026, respectively. While taking out the new loan with CDP, the company repaid in advance the previous loan with CDP with an outstanding balance of €19,444 thousand at 31 December 2022; (ii) the 36-month loan agreed with Unicredit S.p.A. of €5 million disbursed in May 2023; (iii) two 48-month loans agreed with Intesa Sanpaolo S.p.A., one of which amounting to €10 million and the other €20 million, both disbursed in late June 2023, (iv) the 36-month loan granted BNL Banca S.p.A. of €15 million disbursed in October 2023; and (v) the 36-month loan granted by BPER Banca S.p.A. of €15 million disbursed in October 2023. Some of the loans outstanding at 31 December 2023 involve the identification and monitoring of certain ESG performance indicators, improvements in which may trigger decreases in the interest rate.

The company is required to comply with covenants on the loans in place at the reporting date. Specifically, the covenants 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 on 30 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 above-mentioned loan granted by CDP in May 2023; (vii) the two above-mentioned loans granted by Intesa Sanpaolo in June 2023; and (viii) the above-mentioned loan granted by BNL S.p.A. in October 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The €15 million BNL S.p.A. loan disbursed in 2023 provides for the following covenants:

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

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

The company also holds derivatives specifically for hedging interest rate and currency risks. Specifically, it has the following interest rate swaps at the reporting date:

- an interest rate swap with Unicredit S.p.A. entered into in September 2020, maturing in 2025 and with a notional amount of €8,369 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €8,369 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;

- an interest rate swap with Banca Popolare di Sondrio entered into in January 2021, maturing in 2025 and with a notional amount of €1,434 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €1,434 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2021, maturing in 2026 and with a notional amount of €15,000 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €16,500 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Following the payment of the subsequent instalment on 2 January 2024, the outstanding balance is €15,000. 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 €24,000 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on facility A of the variable-rate loan with an outstanding balance of €24,000 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 €13,889 thousand at 31 December 2023. These swaps hedge cash flow risk on interest paid on facility B of the variable-rate loan with an outstanding balance of €14,286 thousand at the reporting date disbursed by CDP with the same term. Accordingly, the swaps have been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Crédit Agricole entered into in February 2022, maturing in 2027 and with a notional amount of €17,000 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €17,000 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in May 2022, maturing in 2025 and with a notional amount of €15,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 €15,097 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €15,316 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 BNL S.p.A. entered into in July 2022, maturing in 2025 and with a notional amount of €11,667 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €11,667 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Unicredit S.p.A. entered into in May 2023, maturing in 2026 and with a notional amount of €4,205 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €4,205 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2023, maturing in 2027 and with a notional amount of €8,750 thousand at 31 December 2023. This swap hedges cash flow risk on interest paid on the variable-rate loan with an outstanding balance of €8,750 thousand at the reporting date disbursed by the bank on the same date as the swap and with the same term. Accordingly, the swap has been designated as a cash flow hedge and the fair value gains and losses at each reporting date are taken in full to the hedging reserve;
- an interest rate swap with Intesa Sanpaolo S.p.A. entered into in June 2023, maturing in 2027 and with a notional amount of €17,500 thousand at 31 December 2023. This swap hedges cash flow risk on interest

paid on the variable-rate loan with an outstanding balance of €17,500 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 BNL S.p.A. entered into in October 2023, maturing in 2026 and with a notional amount of €15,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 €15,000 thousand at 31 December 2023. This swap hedges cash flow risk 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 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 10).

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 31 December 2023) to hedge cash flow risk on the loan in US dollars to the subsidiary Salcef USA Inc.. The cash flows consist of the interest (USD706 thousand) due each year and the repayment of principal on 31 December 2025 (USD28,240 thousand). These derivative contracts have been designated as cash flow hedges, as the underlying notional amount, currencies and maturity dates reflect the loan in place. Accordingly, the fair value gains and losses at each reporting date are taken in full to the hedging reserve.

The hedging reserve for the hedged item will be released to the income statement over the years as the cash flows generated by the hedged item affect profit or loss.

The table below provides a breakdown of the company's net financial position at 31 December 2023 and 31 December 2022, in accordance with the presentation method for net financial position established in the ESMA Guidelines dated 4 March 2021.

	(€'000)		
	31.12.2023	31.12.2022	VAR
(A) Cash	15,375	14,177	1,198
(B) Cash equivalents		0	0
(C) Other current financial assets	253,746	252,321	1,425
(D) Liquidity (A + B + C)	269,121	266,498	2,623
(E) Current financial debt	(38,238)	(1,077)	(37,161)
(F) Current portion of non-current financial debt	(68,038)	(52,315)	(15,723)
(G) Current financial indebtedness (E + F)	(106,276)	(53,392)	(52,884)
(H) Net current financial position (G + D)	162,845	213,106	(50,261)
(I) Non-current financial debt	(121,744)	(101,898)	(19,846)
(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)	(121,744)	(101,898)	(19,846)
(M) Net financial position (H + L)	41,101	111,208	(70,107)

The following table shows the company's financial liabilities by maturity bracket at 31 December 2023 and 31 December 2022 and changes therein:

	(€'000)			
	DUE WITHIN ONE YEAR	DUE BETWEEN ONE AND FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL
Bank loans	52,315	97,377	-	149,692
Current loans from related parties	723	-	-	723
Lease liabilities	354	727	-	1,081
Hedging derivatives	-	3,794	-	3,794
Carrying amount at 31 December 2022	53,392	101,898	-	155,290
Bank loans	68,038	117,578	-	185,616
Current loans from related parties	38,224	--	-	38,224
Lease liabilities	14	18	-	32
Hedging derivatives	-	4,148	-	4,148
Carrying amount at 31 December 2023	106,276	121,744	-	228,020

	(€'000)
Loans and borrowings at 1 January 2022	113,047
Net fair value gains on derivatives	1,671
Proceeds from new loans	90,000
Repayment of loans	(49,076)
Change in other loans and borrowings - current	14
New lease liabilities	51
Repayment of lease liabilities	(417)
Other changes in lease liabilities	
Total at 31 December 2022	155,290
Net fair value losses on derivatives	(354)
Proceeds from new loans	115,000
Repayment of loans	(79,090)
Change in other loans and borrowings - current	38,223
Interest expense on lease liabilities	42
Repayment of lease liabilities	(213)
Other changes in lease liabilities	(879)
Total at 31 December 2023	228,020

15 EMPLOYEE BENEFITS

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

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

ACTUARIAL ASSUMPTIONS	31.12.2023	31.12.2022
Turnover rate	2.30%	2.30%
Annual discount rate	3.17%	3.77%
Annual inflation rate	2.0%	2.3%
Annual post-employment benefits growth rate	3.000%	3.225%

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:

SENSITIVITY ANALYSIS	31.12.2023	
	INCREASE	DECREASE
Turnover rate (+/- 1.00%)	96	(103)
Annual discount rate (+/- 0.25%)	(601)	618
Inflation rate (+/- 0.25%)	386	(381)

(€'000)

The average weighted term of defined obligation benefits is 12.6 years at the reporting date.

This caption also includes the accrual for the portion vested at 31 December 2023 of the management incentive plan (€1,012 thousand), which will be disbursed in 2024 (€2,127 thousand) and the remaining amount in 2025.

Changes in this caption are shown in the following table:

	(€'000)
Carrying amount at 31 December 2022	1,785
Accruals	2,041
Utilisations/Transfers	(1,028)
Other variations	
Interest cost	1
Net actuarial gains (losses)	
Carrying amount at 31 December 2023	2,799
<i>of which, non-current</i>	<i>672</i>
<i>of which, current</i>	<i>2,127</i>

The current service cost mostly relates to the management incentive plan (MBO) introduced by the company 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 company achieve the defined milestones, the plan beneficiaries may receive a variable remuneration pegged to their gross annual remuneration and their achievement of the individual objectives assigned to them.

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

16 PROVISIONS FOR RISKS AND CHARGES

This caption amounts to €442 thousand, compared to €515 thousand at 31 December 2022.

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

CURRENT LIABILITIES

17 TRADE PAYABLES

TRADE PAYABLES	31.12.2023	31.12.2022	VAR
Third parties	3,796	5,965	(2,169)
Subsidiaries	4,502	3,881	621
Total	8,298	9,846	(1,548)

(€'000)

Trade payables to third parties of €8,298 thousand (31 December 2022: €9,846 thousand) include trade payables to Italian and foreign suppliers for invoices received and to be received.

Trade payables to subsidiaries amount to €4,502 thousand (€3,881 thousand at 31 December 2022) and mainly refer to Salcef S.p.A. (including its branches) for the secondment of personnel and cost recharges (€4,083 thousand).

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

GEOGRAPHICAL AREA	31.12.2023	%	31.12.2022	%
Italy	3,502	42%	4,612	47%
Europe (excluding Italy)	4,041	49%	3,934	40%
Egypt	7	0%	11	0%
Middle East	748	9%	1,264	13%
North America	0	0%	21	0%
Australia	0	0%	4	0%
Total	8,298		9,846	

(€'000)

18 CURRENT TAX LIABILITIES

The table below shows current tax liabilities at 31 December 2023 and 2022:

CURRENT TAX LIABILITIES	31.12.2023	31.12.2022	VAR
Direct taxes	12,978	477	12,501
Tax provision	638	664	(26)
Total	13,616	1,141	12,475

(€'000)

The direct taxes include the IRES liability for the domestic tax consolidation scheme. The increase on the previous year end is due to higher taxable income generated in 2023 by the subsidiaries included in the domestic tax consolidation scheme.

19 OTHER CURRENT AND NON-CURRENT LIABILITIES

The table below shows other current liabilities at 31 December 2023 and 2022:

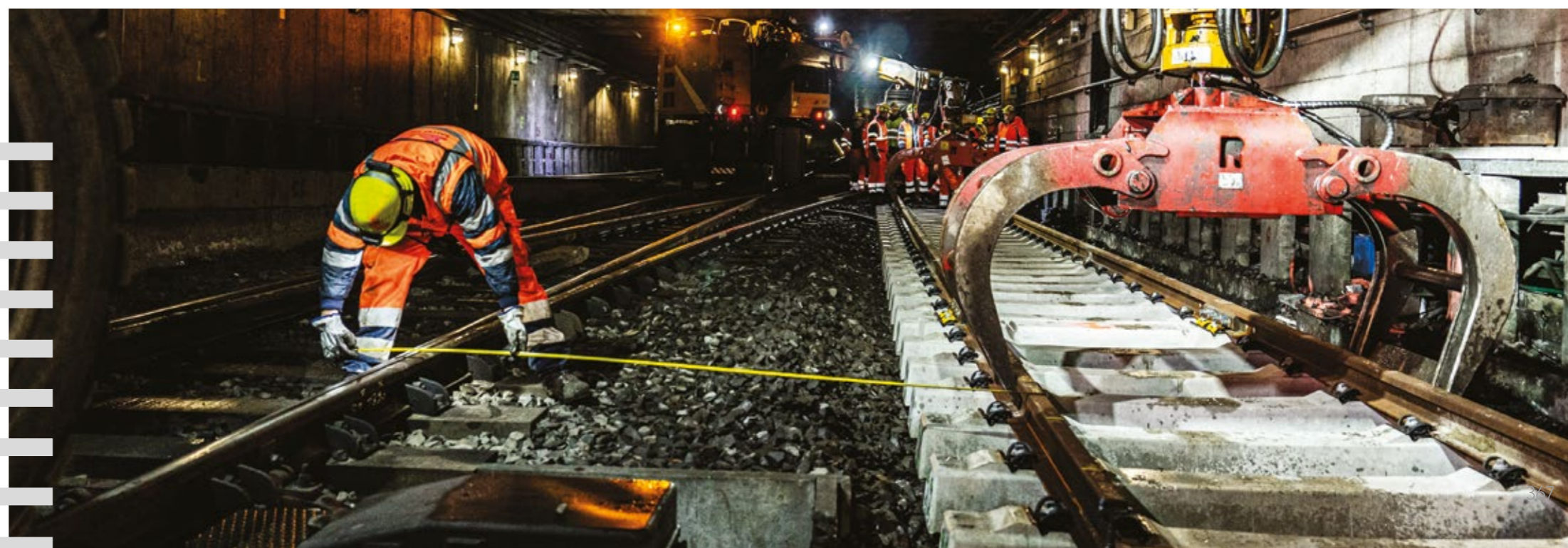
ALTRE PASSIVITÀ	31.12.2023	31.12.2022	VAR
Other	0	1,618	(1,618)
Total non-current	0	1,618	(1,618)
Social security institutions	774	714	60
Employees	1,146	849	297
Other liabilities with subsidiaries	0	938	(938)
Other	1,639	1,678	(39)
Accrued expenses and deferred income	549	136	413
Other tax liabilities	144	83	61
Total current	4,252	4,398	(146)

(€'000)

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

"Other" at 31 December 2023 comprise amounts not yet paid by the company on business combinations carried out in 2023 and previous years. Specifically, they relate to the acquisition of the investment in Salcef Deutschland GmbH (€120 thousand, fully due within one year) and in Coget Impianti S.r.l. (€265 thousand, fully due within one year).

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



NOTES TO THE MAIN INCOME STATEMENT CAPTIONS

20 REVENUE - OTHER INCOME

REVENUE	2023	2022	VAR
Revenue from contracts with customers	15,729	16,437	(708)
Other income	3,024	548	2,476
Total	18,753	16,985	1,768

Revenue amounts to €15,729 thousand, compared to €16,437 thousand in 2022, and mainly consists of consideration invoiced for permanent way systems (2023: €381 thousand; 2022: €6,883 thousand) and services provided to the group companies (2023: €15,348 thousand; 2022: €9,554 thousand).

BREAKDOWN OF REVENUE FROM CONTRACTS WITH CUSTOMERS	2023	2022	VAR
Timing of revenue recognition			
Products transferred at a point in time	15,386	9,554	5,832
Products and services transferred over time	343	6,883	(6,540)
Total	15,729	16,437	(708)
Main products/services			
Services	15,348	9,554	5,794
Permanent way systems	381	6,883	(6,502)
Total	15,729	16,437	(708)
Main geographical segments			
Italy	12,073	9,554	2,519
Europe (excluding Italy)	1,518	2,043	(525)
North America	0	32	(32)
Africa	0	0	0
Middle East	2,138	4,808	(2,670)
Total	15,729	16,437	(708)

A breakdown of other income in 2023 and 2022 is as follows:

OTHER INCOME	2023	2022	VAR
Recharges to third parties	262	444	(182)
Insurance and other compensation	290	0	290
Gains on sale of assets	2,447	0	2,447
Other sundry income	25	104	(79)
Total	3,024	548	2,476

Recharges to third parties refer to the recovery of costs and/or reimbursement of costs incurred on behalf of third parties. Gains on sale of assets mainly refer to the sale of a grinding train by the foreign subsidiary in Saudi Arabia.

21 RAW MATERIALS, SUPPLIES AND GOODS

Raw materials, supplies and goods of €521 thousand (2022: €637 thousand) include raw materials for railway construction (€372 thousand), consumables (€133 thousand) and spare parts for company assets used in production and other residual production costs (€2 thousand).

RAW MATERIALS, SUPPLIES AND GOODS	2023	2022	VAR
Raw materials for railway construction	372	414	(42)
Consumables	133	213	(80)
Spare parts	2	1	1
Other residual production costs	14	9	5
Total	521	637	(116)

22 SERVICES

This caption of €7,850 thousand may be analysed as follows:

SERVICES	2023	2022	VAR
Outsourcing work, technical consultancy	1,076	1,532	(456)
Insurance and sureties	304	437	(133)
Advisory, legal and notary services	130	827	(697)
Consultants' and temporary workers' fees	32	73	(41)
Costs of employees on secondment	51	122	(71)
Other external services	2,441	2,401	40
Utilities	349	283	66
Directors' fees	834	1,167	(333)
Statutory auditors' fees	87	75	12
Committee members' fees	44	67	(23)
Travel, food and accommodation for employees on business trips	813	865	(52)
Commercial costs	788	623	165
General and administrative costs	294	293	1
Transport	97	169	(72)
Motor vehicles and cars	51	51	(0)
Other services	457	494	(37)
Total	7,850	9,479	(1,629)

23 PERSONNEL EXPENSE

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

PERSONNEL EXPENSE	2023	2022	VAR
Wages and salaries	6,994	5,789	1,205
Social security contributions	1,806	1,587	219
Post-employment benefits, pensions and other benefits	313	282	31
Other costs	1,251	827	424
Total	10,364	8,485	1,879

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

WORKFORCE	2023	2022
Managers	18	17
Junior managers	18	13
White collars	43	29
Blue collars	28	32
Total	107	91

24 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

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

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	2023	2022	VAR
Amortisation of intangible assets	49	109	(60)
Depreciation of property, plant and equipment	823	165	658
Depreciation of right-of-use assets as per IFRS 16	188	359	(171)
Total	1059	633	427

For additional information on the amortisation and depreciation methods and impairment losses, reference should be made to the notes to intangible assets (note 1), property, plant and equipment (note 2) and right-of-use assets (note 3).

25 IMPAIRMENT LOSSES

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

IMPAIRMENT LOSSES	2023	2022	VAR
Trade receivables	406	376	30
Contract assets	0	0	0
Cash and cash equivalents	0	(7)	7
Other non-current assets	3	2	1
Other current assets	27	6	21
Current tax assets	(14)	(9)	(5)
Current financial assets	29	11	18
Securities	0	0	0
Total	452	379	73

26 OTHER OPERATING COSTS

A breakdown of other operating costs in 2023 and 2022 is as follows:

	(€'000)		
OTHER OPERATING COSTS	2023	2022	VAR
Rent and leases	287	302	(15)
Indirect taxes and duties	583	254	329
Fines and penalties	22	6	16
Other costs	346	220	126
Total	1,238	782	456

Rent and leases include leases of less than 12 months or with underlying assets of a low value for which the company availed of the simplified approach allowed by IFRS 16. The standard allows the recognition of the lease payments as a cost over the lease term instead of the recognition of a right-of-use asset and lease liability

27 FINANCIAL INCOME AND EXPENSE

Financial income and expense are shown below:

	(€'000)		
FINANCIAL INCOME AND EXPENSE	2023	2022	VAR
Financial income			
From equity investments	38,765	45,094	(6,329)
From securities	391	58	333
Other financial income	9,628	82	9,546
Gain on sale of securities	192	0	192
Interest income	5,446	2,317	3,129
Exchange gains	(994)	2,686	(3,680)
Total	53,428	50,237	3,191
Financial expense			
Losses on sale of securities	(2,204)	(110)	(2,094)
Credit losses	0	0	0
Interest expense	(8,940)	(1,801)	(7,139)
Fair value losses on securities	0	(8,900)	8,900
Lease costs	(21)	(52)	31
Financial expense	(214)	(369)	155
Exchange losses	(270)	(1,121)	851
Total	(11,649)	(12,353)	704

Other financial income includes the net fair value gains on the company's short-term investments (€6,391 thousand) compared to the net fair value losses recorded in 2022 (€8,900 thousand) due to the widespread downturn in international financial markets. Income from equity investments consists of dividends that certain investees approved to distribute to the company in 2023. Specifically, the distribution of dividends was approved by Salcef S.p.A. (€32,365 thousand), Euro Ferroviaria S.r.l. (€3,000 thousand), SRT S.r.l. (€2,000 thousand) and Coget Impianti S.r.l. (€1,400 thousand), exclusively to allocate their respective profit for 2022.

OTHER NOTES

28 SHARE-BASED PAYMENTS

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

- 2021-2024 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2021 and implemented by resolution of the board of directors on 25 June 2021, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 25,463 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This 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 assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

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

The vesting period started from the date on which the company 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 valuation of the 2021-2024 stock grant plan is €13.90.

- 2022-2025 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors on 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 17,648 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance objectives are reached. This 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 assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

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

The vesting period started from the date on which the company 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 valuation of the 2022-2025 stock grant plan is €16.74.

- 2023-2026 stock grant plan approved by the 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 a maximum of 12,454 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 43 executive directors, key management personnel, and/or other employees, consultants and other managerial personnel of Salcef Group S.p.A. and/or of its subsidiaries pursuant to article 93 of Legislative decree no. 58 of 24 February 1998. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

- the first instalment consists of 50% of the rights assigned, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2024;
- the second instalment will be for the remaining 50% of the rights assigned, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2025.

The vesting period started from the date on which the company and the employees agreed to the stock grant plan and both have acknowledged its terms and conditions. This date is 28 July 2024.

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

- 2022-2023 stock grant plan approved by the shareholders during their ordinary meeting of 29 April 2022 and implemented by resolution of the board of directors on 27 June 2022, determining the beneficiaries and the number of rights granted. This plan entails the granting of rights to receive a maximum of 5,540 Salcef Group S.p.A. ordinary shares for free at the end of the vesting period if certain performance

objectives are reached. This right is reserved to two beneficiaries. The rights assigned to each beneficiary are divided into two equal instalments subject to different vesting periods:

- the first instalment consists of 60% of the rights assigned, with a vesting period that ended with the approval of the consolidated financial statements at 31 December 2023;
- the second instalment will be for the remaining 40% of the rights assigned, with a vesting period that will end with the approval of the consolidated financial statements at 31 December 2026.

The vesting period started from the date on which the company 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 valuation of the 2022-2023 performance shares plan is €16.74.

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

The cost of these plans in 2023, amounting to €309 thousand (€243 thousand in 2022), is recognised in personnel expense.

29 COMMITMENTS AND RISKS

These amount to €58,213 thousand at 31 December 2023, compared to €30,064 thousand at 31 December 2022.

They include sureties given by banks to Salcef Group S.p.A. on behalf of third parties to guarantee the correct performance of ongoing commercial relationships (€57,308 thousand at 31 December 2023 and €29,127 thousand at 31 December 2022) and sureties given to banks for the group companies' loans (€905 thousand at 31 December 2023 and €937 thousand at 31 December 2022).

30 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 company 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. During the year, the company provided and received services to/from related parties and recharged costs for mutually-shared services and other services. These transactions took place at normal market conditions and/or on the basis of the effectively incurred costs and are described in the notes to the individual captions. Other than that described herein, no other transactions with related parties took place during the year.

	(€'000)								
ASSETS AND LIABILITIES	TRADE RECEIVABLES	NON-CURRENT FINANCIAL ASSETS	CURRENT FINANCIAL ASSETS	OTHER CURRENT ASSETS	NON-CURRENT EMPLOYEE BENEFITS	CURRENT EMPLOYEE BENEFITS	TRADE PAYABLES	LOANS AND BORROWINGS	OTHER CURRENT LIABILITIES
Subsidiaries									
Salcef S.p.A.	5,831			20,873			4,083	38,224	
Euro Ferroviaria S.r.l.	1,303	27,448	4,291	1,485			45		
Overail S.r.l.	1,226		12,958	2,763					
SRT S.r.l.	1,896	1,006	31,679	431			228		
RECO S.r.l.	92		2,249	13					
Coget Impianti S.r.l.	390			991					
Salcef USA Inc.	771		29,750						
Salcef Deutschland GmbH	1,166		34,700						
Bahnbau Nord GmbH							146		
Francesco Ventura Costruzioni Ferroviarie S.r.l.	2,139		38,592						
Colmar Technik S.p.A.	154		17,800						
Delta Railroad Construction Inc.	3								
Other related parties									
Consorzio Contese	4								
Directors, statutory auditors and key management personnel					642	1,209	96		612
31 December 2023	14,975	28,454	172,020	26,557	642	1,209	4,598	38,224	612

REVENUE AND COSTS	REVENUE	OTHER INCOME	RAW MATERIALS	SERVICES	PERSONNEL EXPENSE	FINANCIAL INCOME	FINANCIAL EXPENSE
Subsidiaries							
Salcef S.p.A.	9,677	894	1	51		32,365	588
Euro Ferroviaria S.r.l.	1,963					3,787	
Overail S.r.l.	1,302					690	
SRT S.r.l.	696					2,923	
RECO S.r.l.	161					50	
Coget Impianti S.r.l.	494					1,421	
Francesco Ventura Costruzioni Ferroviarie S.r.l.	1,071					890	
Delta Railroad Construction Inc.	3						
Salcef Bau GmbH							
Salcef USA Inc.						761	
Salcef Deutschland GmbH		46				1,120	
Bahnbau Nord GmbH				146			
Colmar Technik S.p.A.						154	
Altre parti correlate							
Consorzio Contese	2						
Talia Gestioni S.r.l.							20
Directors, statutory auditors and key management personnel				950	2,127		
2023	15,370	940	1	1,147	2,127	44,162	608

Revenue and trade receivables from SRT S.r.l., RECO S.r.l., Euro Ferroviaria S.r.l., Salcef S.p.A., Overail S.r.l. and Coget Impianti S.p.A. mainly relate to the services that Salcef Group S.p.A. provided in 2023 to the group companies under the master agreement. Other income refers to the recharging of costs incurred by Salcef Group S.p.A. on behalf of the subsidiaries. Services provided to Salcef S.p.A. include the secondment of personnel and the restructuring of the new property. Financial income refers to dividends distributed to the company by Salcef S.p.A. (€32,365 thousand), Euro Ferroviaria S.r.l. (€3,000 thousand), SRT S.r.l. (€2,000 thousand) and Coget S.r.l. (€1,400 thousand). Other financial income and expense include interest accrued on loans granted within the group. Reference should be made to the respective notes for additional information on trade receivables and payables.

31

CONTINGENT LIABILITIES

Certain subsidiaries are involved in civil, 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 considered in the provision for risks and charges (see note 16). Consequently, no additional specific provisions are recognised in the separate financial statements at 31 December 2023. Any adverse developments will be adequately assessed for the purposes of calculating any accruals.

With reference to the proceedings as per Legislative decree no. 231/2021 involving certain subsidiaries, the information disclosed in the directors' report and the notes to the consolidated financial statements is reported below. In August and September 2023, Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l. were notified that they were under investigation and informed of the completion of the preliminary investigations (in accordance with article 415-bis of the Italian Criminal Procedural Code) in relation to criminal proceedings being handled by Milan Public Prosecutor's Office, in which the aforesaid group companies are under investigation, together with other companies, for alleged offences under Legislative decree no. 231/2001 (the "proceedings"). These proceedings derive from another case in which those under investigation include, inter alia, former directors and legal representatives of Salcef S.p.A., Euro Ferroviaria S.r.l. and Francesco Ventura Costruzioni Ferroviarie S.r.l., who no longer hold such positions or, in any case, no longer legally represent Salcef Group companies. News that the individuals concerned were under investigation was leaked to the press as early as February 2022 and the circumstances were reported in the notes to the consolidated financial statements at 31 December 2022 and the condensed interim consolidated financial statements at 30 June 2023, underlining the fact that the group companies were in no way implicated in the alleged offences reported in the press. The alleged offences under Legislative decree no. 231/2001 concern: (i) the group companies' possible involvement in the offence of conspiracy to favour the business of certain suppliers owned by people with alleged links to organised crime and; (ii) only for possible offences committed after 24 December 2019 (the date the legislative amendment came into force which included tax offences under the scope of the Legislative decree), alleged tax offences relating to recording in the companies' accounts of invoices issued by the aforementioned suppliers for the lease of assets and secondment of employees, as well as the inclusion of such invoices in income tax and VAT returns. With regard to the alleged tax offences, while confirming that the suppliers in question had genuinely supplied the services in 2017 and 2018 (as confirmed by experts' opinions), Salcef S.p.A. and Euro Ferroviaria S.r.l. still deemed it appropriate, in order to safeguard themselves and protect their reputation and business, to submit supplementary IRES, IRAP and VAT returns in the first quarter of 2022, simultaneously making voluntary additional payments through self-imposed sanctions on all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with such suppliers. As a result, the companies would have not received any illegal profits from the alleged tax offences but have, in fact, only incurred the financial loss generated by the recalculation of their tax bill and the payment of the additional taxes, fines and interest. In September 2023, after being notified that they were under investigation, the group companies involved were served preventive seizure orders (as per article 321 of the Italian Criminal Procedural Code) for the amounts of the alleged illegal profits from the aforementioned tax offences, calculated by the investigating judge on the request of the Public Prosecutor. The total amount seized from the three group companies involved in the proceedings is €3,483,636.75, of which €2,919,953.18 from Francesco Ventura Costruzioni Ferroviarie S.r.l., €561,085.04 from Salcef S.p.A. and €2,598.53 from Euro Ferroviaria S.r.l.. As of today, as explained in more detail below, there are no amounts of Salcef Group companies subject to preventive seizure. On 28 November 2023, the Milan Court accepted Salcef S.p.A.'s request for reassessment and ordered the release of the entire amount via its order filed on 5 December 2023. Pending the scheduling of the reassessment hearing before the Milan Court, Euro Ferroviaria S.r.l. filed a request for the release of the entire amount seized as it was subject to a self-imposed sanction. On 16 January 2024, the application for release was granted and the amount was released. With regard to the alleged tax offences, Francesco Ventura Costruzioni Ferroviarie S.r.l. (which joined the Salcef Group on 23 December 2022) deemed it appropriate, in order to safeguard itself and protect its reputation and business, to submit supplementary IRES, IRAP and VAT returns in the first quarter of 2023, simultaneously making voluntary additional payments through self-imposed sanctions on all the amounts initially saved on their tax bills through deduction of the costs generated by the transactions with aforementioned suppliers. Subsequently, on 17 January 2024, Francesco Ventura Costruzioni Ferroviarie S.r.l. filed a request for the release of the amounts seized by virtue of such additional payments. The amounts were released by the orders of 12 February 2024 and 15 February 2024, on the advice of the Public Prosecutor. The criminal proceedings are currently 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 offences pursuant to Legislative decree no. 231/2001, as no decision has yet been taken by the judge on whether or not to charge. 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 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 apart from the amounts subject to preventive seizure 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.

32 INDEPENDENT AUDITORS' FEES

Pursuant to article 149-duodecies of the Issuers' Regulation, the table below sets out the fees for audit, attestation and other services provided by the independent auditors and members of its network in 2023. The fees are governed by contracts and including any indexing, out-of-pocket expenses and supervisory contributions.

TYPE OF SERVICE	SERVICE PROVIDER	BENEFICIARY	2023 FEE
A) Audit services	KPMG S.p.A.	Salcef Group S.p.A.	265
B) Attestation services	KPMG S.p.A.	Salcef Group S.p.A.	29
C) Other services	KPMG S.p.A.	Salcef Group S.p.A.	0
Total			294

(€'000)

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Salcef Group S.p.A.'s financial position, financial performance and cash flows were not affected by significant non-recurring events or transactions during the year. Moreover, the company did not undertake atypical or unusual transactions in 2023.

EVENTS AFTER THE REPORTING DATE

No events have taken place from the reporting date to the date of preparation of this report that would have had a significant impact on the company's financial position at 31 December 2023 or its financial performance and cash flows for the year then ended.

CEO

Valeriano Salciccia



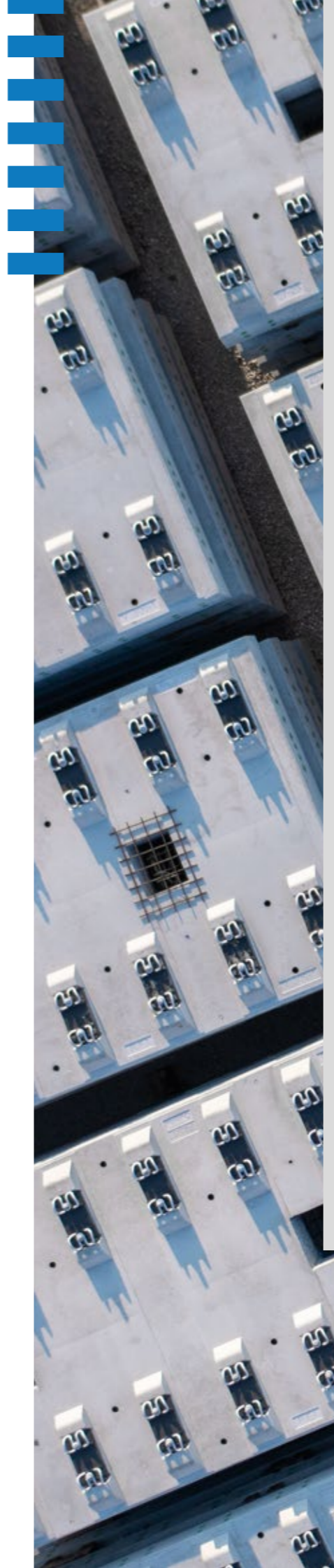


4 SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

- 4.1 SEPARATE FINANCIAL STATEMENTS
- 4.2 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
- 4.3 ATTESTATION ON THE SEPARATE FINANCIAL STATEMENTS

4.3

ATTESTATION ON THE SEPARATE FINANCIAL STATEMENTS



ATTESTATION ON THE SEPARATE FINANCIAL STATEMENTS

Attestation on the separate 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, CEO, and Fabio de Masi, the manager in charge of financial reporting of Salcef Group S.p.A. attest to:

- the adequacy with respect to the company's characteristics (taking into account any changes in the year) and
- the effective application of the administrative and accounting procedures for the preparation of the separate financial statements in 2023.

2.

The activities were carried out considering the organisational structure and execution, control and monitoring processes of company activities for the preparation of the separate financial statements.

No material aspects arose in this respect.

3.

Furthermore:

3.1

the separate 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 performance and results of operations, as well as the financial position of the issuer, along with a description of the key risks and uncertainties to which they are exposed.

Rome, 14 March 2024

CEO
Valeriano Salciccia

Manager in charge of financial reporting
Fabio De Masi



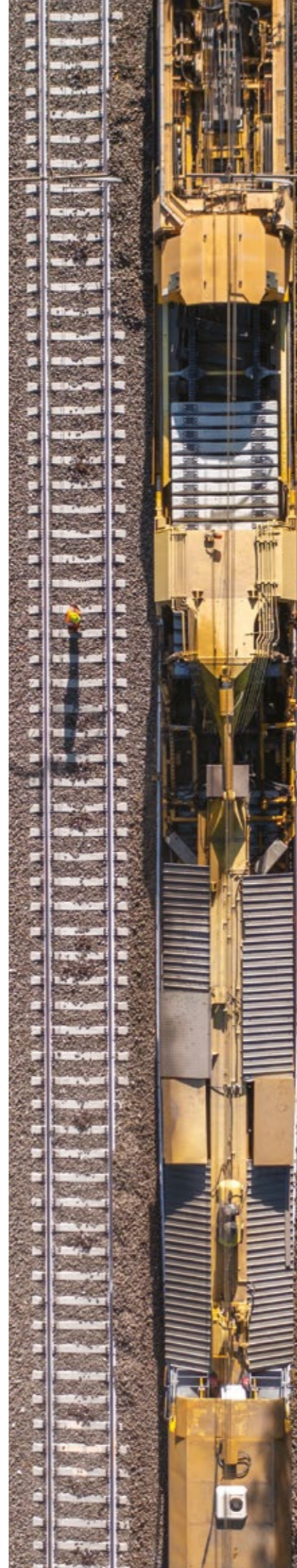
5

INDEPENDENT AUDITORS' REPORTS

- 5.1 INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
- 5.2 INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS
- 5.3 INDEPENDENT AUDITORS' REPORT ON THE 2023 CONSOLIDATED NON-FINANCIAL STATEMENT

5.1

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS





KPMG S.p.A.
Revisione e organizzazione contabile
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(The accompanying translated consolidated financial statements of the Salcef Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salcef Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salcef Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Salcef Group S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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
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Trieste Varese Verona

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20124 Milano MI ITALIA



Salcef Group
Independent auditors' report
31 December 2023

Measurement of contract assets and liabilities and recognition of contract revenue

Notes to the consolidated financial statements: section on "Accounting policies" - paragraphs "Revenue from contracts with customers and contract assets/liabilities", "Use of estimates", note 9 "Contract assets and liabilities" and note 22 "Revenue – Other income"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2023 include contract assets of €185,786 thousand, contract liabilities of €104,136 thousand and contract revenue of €785,336 thousand recognised using the percentage of completion method based on the output method.</p> <p>Measuring contract assets and liabilities and recognising contract revenue are based on the actual progress of the work performed at the reporting date measured on the basis of the contract consideration. These measurements are affected by many factors, including:</p> <ul style="list-style-type: none"> any claims for additional consideration for contract variations, price adjustments, incentives and claims compared to that contractually agreed; any disputes with customers for fines and damages; the contract activities' long timeframe, size and engineering and operating complexity. <p>Therefore, we believe that the measurement of contract assets and liabilities and the recognition of contract revenue are a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> updating our understanding of the process for the measurement of contract assets and liabilities and recognition of contract revenue; assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; for a sample of contracts: <ul style="list-style-type: none"> analysing contracts with customers in order to check that the significant factors have been appropriately considered by the group; visiting work sites to check the group's recognition of revenue under the output method; analysing the reasonableness of the assumptions underlying the measurement of the actual progress of the work performed through discussions with the contracts' project controllers and project managers and examining the correspondence with customers; analysing the most significant discrepancies between past years' estimates and actual figures, in order to check the accuracy of the estimation process; discussing any claims for additional consideration, fines and damages relating to contracts with customers with the internal legal experts and contracts' project managers and sending requests for information to the external legal advisors possibly involved; analysing the events after the reporting date to gather useful information for the measurement of contract assets and liabilities and recognition of contract revenue; assessing the appropriateness of the disclosures provided in the notes about contract assets, liabilities and revenue.





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Recoverability of goodwill

Notes to the consolidated financial statements: section on "Accounting policies" - paragraphs "Intangible assets with finite useful lives and goodwill", "Impairment of non-financial assets" and "Use of estimates" and note 2 "Goodwill"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2023 include goodwill of €98,692 thousand.</p> <p>The directors tested the cash-generating units (CGUs) to which goodwill is allocated for impairment, in order to identify any impairment losses compared to their recoverable amount.</p> <p>They estimated the recoverable amount based on value in use, calculated using the discounted cash flow model.</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> understanding the process adopted for impairment testing approved by the parent's board of directors; analysing the criteria used to identify the CGUs and trace their carrying amounts to the consolidated financial statements; understanding of the process adopted to prepare the 2023-2025 business plan approved by the parent's board of directors (the "plan") from which the expected cash flows used for impairment testing have been derived, as well as analysing the reasonableness of the main assumptions used; analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; comparing the cash flows used for impairment testing to the cash flows forecast in the plan and analysing any discrepancies; involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests.

Allocation of the consideration paid for business combinations

Notes to the consolidated financial statements: section on "Accounting policies" - paragraphs "Intangible assets with finite useful lives and goodwill", "Impairment of non-financial assets" and "Use of estimates", note 2 "Goodwill" and note 34 "Information on business combinations"

Key audit matter	Audit procedures addressing the key audit matter
<p>During 2023, in accordance with IFRS 3 Business combinations, the group completed the recognition of the acquisition-date fair value of the assets acquired and liabilities assumed with the acquisition of control over Francesco Ventura Costruzioni Ferroviarie S.r.l., Colmar Technik S.p.A. and the business unit acquired from the PSC Group ("purchase price allocation").</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> analysing the contract documents relating to the acquisitions; understanding the process adopted by the group to allocate the consideration paid for the acquisitions; obtaining and analysing the appraisal of the external expert assisting the group in measuring



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Key audit matter	Audit procedures addressing the key audit matter
<p>The group also measured the fair value of the assets acquired and liabilities assumed using methods based on the discounting of the expected cash flows.</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> the expected cash flows, calculated by taking into account the acquirees' and acquired business unit's performance and that of their sector, the actual cash flows for recent years and the projected growth rates; the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the allocation of the consideration paid for business combinations is a key audit matter.</p>	<p>the fair value of the assets acquired and liabilities assumed as part of the acquisitions of Francesco Ventura Costruzioni Ferroviarie S.r.l. and Colmar Technik S.p.A.;</p> <ul style="list-style-type: none"> involving experts of the KPMG network in the assessment of the reasonableness of the valuation methods and application parameters used to measure the fair value of the net assets acquired; checking the accounting entries made by the group in connection with the purchase price allocation procedure; assessing the appropriateness of the disclosures provided in the notes about the allocation of the consideration paid for the acquisitions.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and



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obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 5 October 2020, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.



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We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.



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Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salcef Group S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Rome, 29 March 2024

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit





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INDEPENDENT AUDITORS' REPORTS

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- 5.3 INDEPENDENT AUDITORS' REPORT ON THE 2023 CONSOLIDATED NON-FINANCIAL STATEMENT



5.2

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS



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(The accompanying translated separate financial statements of Salcef Group S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salcef Group S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salcef Group S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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Salcef Group S.p.A.
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Recoverability of the carrying amount of equity investments measured at cost

Notes to the separate financial statements: section on "Accounting policies" – paragraphs "Equity investments measured at cost" and "Use of estimates" and note 4 "Equity investments measured at cost"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2023 include investments measured at cost of €194,400 thousand.</p> <p>When there are indicators of impairment, they are tested for impairment, by discounting the cash flows that are expected to be generated by the investees using the discounted cash flow model to calculate their recoverable amount.</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> the expected cash flows, calculated by taking into account the general economic performance and that of the investees' sector, the cash flows generated in recent years and the projected growth rates; the financial parameters used to calculate the discount rate. <p>For the above reasons, we believe that the recoverability of the equity investments measured at cost is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> understanding the process adopted for impairment testing approved by the company's board of directors; understanding of the process adopted to prepare the 2023-2025 business plan approved by the company's board of directors (the "plan") from which the investees' expected cash flows used for impairment testing have been derived, as well as analysing the reasonableness of the main assumptions used; analysing the most significant discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; comparing the cash flows used for impairment testing to the cash flows forecast in the plan and analysing any discrepancies; involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; assessing the appropriateness of the disclosures provided in the notes about equity investments measured at cost and related impairment tests.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.



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The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 5 October 2020, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.



INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS



Salcef Group S.p.A.
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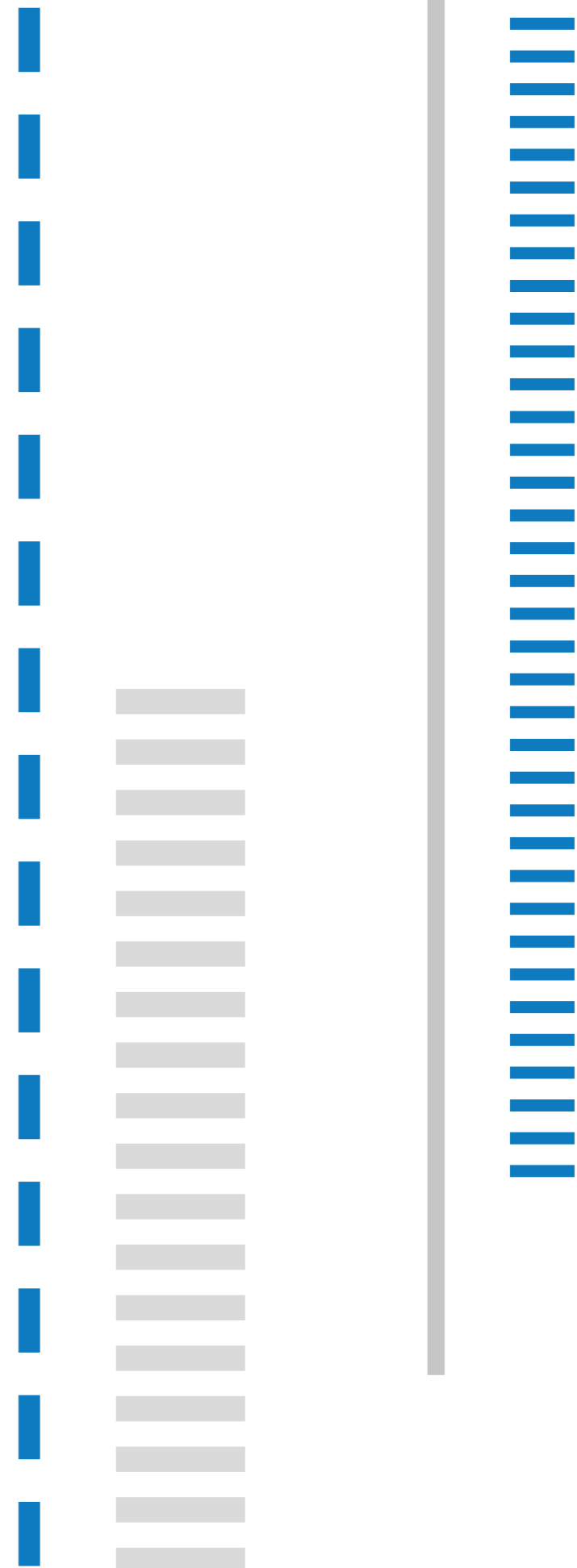
With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 29 March 2024

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit





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INDEPENDENT AUDITORS' REPORTS

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5.3

INDEPENDENT AUDITORS' REPORT ON THE 2023 CONSOLIDATED NON-FINANCIAL STATEMENT





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

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Salcef Group S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5.1.g) of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2023 consolidated non-financial statement of the Salcef Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 14 March 2024 (the "NFS").

Our procedures did not cover the information set out in the "EU taxonomy reporting" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salcef Group S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

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

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Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
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Salcef Group
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Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. During the year covered by this engagement, our company applied International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintained a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we performed the following procedures:

- 1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
- 4 Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).



Salcef Group
Independent auditors' report
31 December 2023

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at group level,
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we respect to Salcef S.p.A, Salcef Bau GmbH, Colmar Technik S.p.A., Delta Railroad Construction Inc., Overail S.r.l., Francesco Ventura Costruzioni Ferroviarie S.r.l., SRT S.r.l. and Coget Impianti S.r.l., which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level, we obtained documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2023 consolidated non-financial statement of the Salcef Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in the "EU taxonomy reporting" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Rome, 29 March 2024

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit

6

REPORT OF THE BOARD OF AUDITORS

SALCEF GROUP S.p.A

**REPORT OF THE BOARD OF STATUTORY
AUDITORS TO THE SHAREHOLDERS' MEETING
DRAWN UP PURSUANT TO ART. 153 OF THE LEGISLATIVE DECREE
58/1998 AND ART. 2429 OF THE CIVIL CODE**

Dear Shareholders,

in compliance with art. 153 of Legislative Decree no. 58 of 24 February 1998, we present this Report to report to you on the supervisory and control activity carried out during the year, also in our role as Internal Control and Audit Committee, concluded with the financial statements as at 31 December 2023, financial statements which are presented to you accompanied by the report on management performance and the information documents in which the performance of Salcef Group S.p.A. (hereinafter also the "Company") and its subsidiaries, is adequately illustrated with equity, economic and financial data and the results achieved.

This report has been drafted in compliance with current legislation on companies listed on the stock exchange, since the Company's shares are traded on Euronext Milan organized and managed by Borsa Italiana S.p.A.. Salcef Group S.p.A. is the holding company of the Group and therefore also draws up the consolidated financial statements; it is not subject to the direction and coordination of others. The Board of Statutory Auditors in office at the date of this Report was appointed, for the three-year period 2022-2024, by the Shareholders' Meeting of 29 April 2022.

Upon taking office, the Board verified the existence of the independence requirements of its members and the absence of hypotheses of ineligibility or forfeiture of the same pursuant to articles 2399 of the civil code and 148, paragraph 3, T.U.F. and of the Corporate Governance Code (formerly the Code of Conduct for listed companies), and verified their compliance with the limits on the accumulation of offices set out in art. 144-*terdecies* of the Issuers' Regulation. The Board also carried out the self-assessment of its members, also verifying the adequacy of its composition; the results of this self-assessment process were communicated to the Board of Directors.

As regards the control of the accounts and the financial statements, this was carried out by the Independent Auditors KPMG S.p.A., a task conferred by the Shareholders' Meeting of 5 October 2020 for the period 2020-2028.

During the financial year ended 31 December 2023, the Board of Statutory Auditors carried out the supervisory activity required by law, in particular pursuant to the combined provisions of article 149, paragraph 1 of Legislative Decree no. 58 of 24 February 1998 and of art. 19, paragraph 1

of Legislative Decree no. 39 of 27 January 2010, as amended by Legislative Decree no. 135 of 17 July 2016, also taking into account the rules of conduct of the board of statutory auditors of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts, the CONSOB provisions on corporate controls and the indications contained in the Corporate Governance Code of Borsa Italiana to which the Company has joined.

During the year, the Board of Statutory Auditors held 11 meetings the results of which were duly reported in the appropriate minutes.

The Board of Statutory Auditors participated in the meetings of the corporate bodies, carried out periodic checks and met the heads of the Independent Auditors, the members of the Control and Risk Committee and the Manager in charge of preparing the corporate accounting documents, for an exchange of information on the activity carried out and on the control programmes. The Board received information on the activity carried out and on the management acts performed including through participation in the aforementioned meetings, on the occasion of meetings with the Company's top management, and in exchanges with the control bodies of the subsidiaries.

Among the significant events of the year, which the Board of Statutory Auditors deems it appropriate to recall in consideration of their relevance and consistency with the strategic lines of the Salcef Group, we highlight:

- the transfer of the offices and registered headquarters of the Company and its subsidiaries Salcef S.p.A., Euro Ferroviaria S.r.l., Coget Impianti S.r.l., Overail S.r.l., SRT S.r.l., RECO S.r.l., Consorzio Stabile Itaca S.c.ar.l., and Francesco Ventura Costruzioni Feroviarie S.r.l. to the building at Via Salaria no. 1027, Rome;
- the expansion of the Group's presence in Scandinavia through the incorporation, as a joint venture with the Norwegian Nordic Infrastructure Group, of Salcef Nordic AS;
- the sale of the controlled enterprise Kampfmittelraumung Nord GmbH;
- the acquisition of Colmar Technik S.p.A., a company which designs and builds railway track construction and maintenance machinery.

The Report on Operations, issued as a single document covering both the Salcef Group's consolidated financial statements and the financial statements of the Company itself, also provides full details with regard to the progress of the ongoing investigation by the Milan Public Prosecutor's Office involving, amongst others, Salcef Spa, Euro Ferroviaria Srl and Francesco Ventura Costruzioni Ferroviarie Srl. The Board of Statutory Auditors confirms that it has received timely, constant updates from the company's top management on this issue and monitored the situation as appropriate through meetings with the relevant company departments (especially Internal Audit), the Control and Risks Committee and the Supervisory Body. The Board of Statutory Auditors also consulted the controlling

bodies of the subsidiaries and the lawyers concerned. It gathered information regarding the progress of the investigations and the actions taken and monitored developments. The Board of Statutory Auditors assessed the methods adopted and conclusions reached in the legal opinions and experts' reports submitted and commissioned by the companies involved and maintained the appropriate dialogue with the Supervisory Authority (Consob).

As reported by the Directors in Part II, under "Key events of the year" in paragraph 'Legal proceedings under Legislative Decree no. 231/2001' of the Report, to which reference should be made *'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 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 apart from the amounts subject to preventive seizure 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'* The independent auditors have not flagged up any factors of concern, including during their regular meetings with the Board of Statutory Auditors.

For detailed information and, for the other significant transactions carried out, please refer to the Report on Operations, noting that, on the basis of the information acquired and the supervision carried out, the Board can reasonably affirm the correctness and completeness of the analyses conducted and of the information provided in the financial statements.

Pursuant to art. 153 of Legislative Decree 58/1998 (hereinafter also "TUF"), also taking into account the indications provided by Consob Communication no. 1025564 of 6 April 2001 and subsequent updates, we report the following:

- we have supervised compliance with the law and the articles of association;
- we obtained from the Directors, with due periodicity, information on the general management performance and its foreseeable evolution as well as on the activity carried out and on the operations of greater economic, financial and equity significance carried out during the year, also through subsidiaries, verifying that they were compliant with the law and the deed of incorporation and that they were not manifestly imprudent or risky, in potential conflict of interest, in contrast with the resolutions passed by the shareholders' meeting, or such as to compromise the integrity of the corporate assets and the business continuity;
- we have not found or received indications from the Board of Directors, from the Independent

Auditors or from the Control and Risk Committee regarding the existence of atypical and/or unusual transactions carried out with third parties, related parties or intragroup companies;

- if the conditions do not exist, no information has been given in the directors' management report on atypical and/or unusual transactions;
- the directors have provided explanations in the report on management performance, in the explanatory notes to the consolidated financial statements of the Salcef Group and in the explanatory notes to the separate financial statements of Salcef Group S.p.A., of the transactions of an ordinary nature carried out during the year with related parties or intragroup company. We refer to these documents as far as we are concerned and in particular as regards the description of their characteristics and the related economic and equity effects.

In relation to these transactions, as well as the Board of Directors and the Control and Risk Committee, we have verified the existence and compliance with procedures suitable for guaranteeing that the same are concluded under congruous conditions and that respond to the interests of the Company and that they can reasonably be considered to be compliant with the principles of good administration, compatible with the Company's articles of association and consistent with the spirit of current legislation;

- we supervised the compliance of the Procedure relating to transactions with related parties, established pursuant to Consob Regulation 17221 of 12 March 2010 and subsequent amendments and additions, to the principles contained in the Regulation itself, as well as the effective observance of the same Procedure by the Company;
- we have ascertained that the information flows provided by the subsidiaries are adequate to carry out the control activity of the annual and interim accounts pursuant to art. 114, paragraph 2 of the T.U.F.
- the Independent Auditors sent the Board of Statutory Auditors its Reports on the separate and consolidated financial statements of the Group closed on 31 December 2023, issued on 29 March 2024 pursuant to art. 14 of the Legislative Decree no. 39 of 27 January 2010 and of the art. 10 of EU Regulation 537/2014, in which an opinion on the financial statements is expressed without exceptions, findings or disclosures, thereby certifying that the same complies with the rules that govern it, including the provisions of the ESEF regulation. The reports also include the judgment of conformity and consistency required by art. 14, paragraph 2, lett. e), of the same Legislative Decree and a section in which four key aspects of the audit were illustrated (Key Audit Matters);
- No reports under art. 2408 of the Italian Civil Code were received during the year or subsequently, up to the date of issue of this report, and nor were any shortcomings, offences, misconduct or circumstances necessitating reporting to the Supervisory Authority or mention in

this report identified. During the year the Board of Statutory Auditors provided the opinions, performed the audits and issued the comments required by law, including:

- favourable opinions provided during meetings of the Board of Directors regarding the working plan drawn up by the Audit function, on the remuneration policy and the setting of the compensations of the directors appointed to specific posts, and regarding the proposal for revision of the guidelines of the Internal Control and Risk Management System ('SCIGR').
- to the auditing firm KPMG S.p.A., the Company has not conferred any assignments not permitted by law, as envisaged by the law, the further assignments have been previously authorized by the Board of Statutory Auditors. Details of the fees for the year paid to the independent auditors KPMG S.p.A. is reported in the Annex to the notes of the 2023 consolidated financial statements, as required by article 149-*duodecies*, second paragraph, of Legislative Decree no. 58/1998 and by CONSOB Resolution no. 11571 of 14 May 1999. During the year, the Independent Auditors did not issue opinions pursuant to the law in the absence of the occurrence of the conditions for their release. From the supervision of the Board of Statutory Auditors on the independence of the Independent Auditors, carried out pursuant to art. 19 of Legislative Decree 39/2010, no critical aspects to report emerged;
- we verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members. We also verified compliance with the independence criteria of the members of the Board of Statutory Auditors itself;
- during the year, the Board attended the Shareholders' Meeting held on 27 April 2023;
- during the year, the Board of Statutory Auditors, or its Chairman and/or other Statutory Auditor, participated in no. 7 meetings of the Board of Directors, no. 4 meetings of the Related Parties Committee, no. 10 meetings of the Control and Risk Committee, no. 5 meetings of the Appointments and Remuneration Committee and no. 5 meetings of the Sustainability Committee;
- we have acquired knowledge and supervised, to the extent of our competence, compliance with the principles of correct administration and the adequacy of the organizational structure and the instructions given by the Company to the subsidiaries pursuant to art. 114, paragraph 2, of Legislative Decree 58/1998, through direct observations, acquisition of information from the heads of the competent corporate functions, meetings with the Independent Auditors, with the Manager in charge of preparing the corporate accounting documents as well as with the boards of statutory auditors of the subsidiaries for the purpose of mutual exchange of relevant data and information with the Supervisory Body referred to in Legislative Decree no. 231/01 which informed about the activity carried out during the year 2023;
- we have acquired knowledge and supervised, to the extent of our competence pursuant to art. 19

of Legislative Decree 39/2010, on the adequacy and effectiveness of the internal control and risk management system, on the activity carried out by the internal auditor, on the adequacy and effectiveness of the administrative-accounting system, on the reliability of the latter in correctly representing management events, by obtaining information from the heads of the respective functions, examining the company documents and the work performed by the Independent Auditors, participating in the meetings of the Control Committee and Risks and through meetings with the directors in charge of the internal control and risk management system and with the Manager in charge of preparing the corporate accounting documents;

- we supervised the financial reporting process pursuant to art. 19 of Legislative Decree 39/2010;
- on 29 March 2024, the Independent Auditors released the report required by art. 19 of Legislative Decree 39/2010 and by art. 11 of EU Regulation 537/2014 from which there is no evidence of significant deficiencies in the internal control and risk management system. Attached to this Report, the Independent Auditors presented the declaration of independence to the Board of Statutory Auditors, as required by art. 6 of Regulation (EU) no. 537/2014 from which no situations emerge that could compromise their independence.
- following the contacts with the corresponding bodies of the subsidiaries, no significant aspects or aspects worthy of mention emerged;
- during the meetings held with the Independent Auditors pursuant to art. 150, paragraph 3, of Legislative Decree 58/1998, no significant or worthy of mentioning aspects emerged, nor were significant deficiencies found in the internal control system in relation to the financial reporting process;
- we have ascertained, through direct checks and information obtained from the Independent Auditors and the Manager in charge of preparing the corporate accounting documents, compliance with the provisions of the law relating to the formation and setting up of the consolidated financial statements of the Salcef Group, the separate financial statements of Salcef Group S.p.A. and the respective explanatory notes. The Board also ascertained that in the financial statements file, in the explanatory and supplementary notes to the consolidated and statutory financial statements, information pertaining to pending disputes and potential liabilities learned in the context of the supervisory activity carried out was reported. The Board has carefully monitored and continues to follow the procedural events referred to therein, maintaining constant dialogue with the top management and with the lawyers concerned.
- we monitored compliance with the law regarding the preparation of the consolidated non-financial statement of the Salcef Group for the year 2023 drawn up pursuant to articles 3 and 4 of Legislative Decree no. 254 of 30 December 2016, and compliant with the GRI Sustainability Reporting

Standards. During their supervisory activities, the Statutory Auditors proceeded with reference to the "Guidelines on non-financial reporting" issued by the European Commission on 5 July 2017, the "Guidelines on non-financial reporting: Supplement on reporting climate-related information" issued by the European Commission on 20 June 2019 and the "Public Statements" published by the EMSA concerning the 'European common enforcement priorities for annual financial reports'. The document also responds to the requests of EU Regulation 852/2020 and of the Delegated Act relating to article 8 of the same Regulation regarding activities, capital expenditure and operating expenses associated with eco-sustainable activities.

The non-financial statement, included in the Directors' Report, was approved by the Company's Board of Directors on 14 March 2024 and, in accordance with the provisions of Legislative Decree 254/2016, subjected to a compliance opinion by the independent auditors KPMG S.p.A.. The Board of Statutory Auditors received periodic updates on the preparatory activities and support processes for the preparation of the non-financial statement during meetings with the responsible functions. Salcef Group S.p.A. granted KPMG S.p.A. the assignment provided for by article 3, paragraph 10 of Legislative Decree 254/2016 and by art. 5 of the Consob Regulation implementing the Decree (adopted with Resolution no. 20267 of 18 January 2018). KPMG has issued a report expressing a judgment of conformity (limited assurance engagement) pursuant to articles 3 and 4 of Legislative Decree 254/2016 on the basis of a verification activity conducted in compliance with the ISAE3000 "International Standard on Assurance Engagements 3000 - Revised". The Board of Statutory Auditors has no remarks to formulate regarding the non-financial declaration of the Salcef Group;

- we acknowledge that the Report on Corporate Governance and the ownership structure relating to the 2023 financial year, pursuant to art. 123-bis, paragraph 2, lett. d-bis) of the TUF, illustrates in detail the application principles and criteria adopted by the Company, in order to explain which recommendations of the aforementioned Code have been adopted and in force for the 2023 financial year, and with which methods and conducts have actually been applied, recalling also the information provided on remuneration in the Remuneration Report approved by the Board of Directors pursuant to art. 123-ter of Legislative Decree no. 58/1998, reports the information requested about the diversity policies applied by Salcef Group in relation to the composition of the administrative body and the board of statutory auditors in relation to aspects such as age, gender composition and training and professional background, as well as a description of the objectives, methods of implementation and results of these policies. As far as its specific competence is concerned, the Board of Statutory Auditors supervised the methods of concrete implementation of the corporate governance rules which the Company, through disclosure to the

public, declared to comply with, taking care, among other things, that in the Corporate Governance Report of Salcef Group S.p.A. the results of the verification by the Board of Statutory Auditors regarding the existence of the independence requirements for the Statutory Auditors, determined on the basis of the same criteria established with reference to the Independent Directors referred to in the current Corporate Governance Code as adopted by the Company, were presented;

- we have supervised, pursuant to art. 19 of Legislative Decree 39/2010, on the statutory audit of the annual and consolidated accounts;

Taking all of the foregoing into account, we have not identified, in our areas of responsibility, any impediments to the approval of the financial statements as at 31 December 2023, nor any observations on the proposal for the allocation of the operating result contained in the report on operations as at separate financial statements of Salcef Group S.p.A., prepared by the Board of Directors.

Rome, 29 March 2024

For the Board of Statutory Auditors

Pierluigi Pace – Chairman

Maria Assunta Coluccia

Giovanni Bacicalupi

7 ANNEXES

- 7.1 GRI CONTENT INDEX
- 7.2 SASB - GRI MATRIX
- 7.3 EU TAXONOMY TABLES

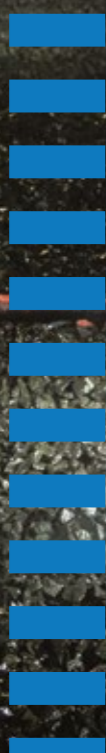


7.1

GRI CONTENT INDEX

GRI CONTENT INDEX - IN ACCORDANCE WITH THE GRI STANDARDS

Statement of use	Salcef Group's consolidated non-financial statement for the period from 1 January to 31 December 2023 has been prepared in accordance with the GRI Standards.
GRI 1 adopted	GRI 1 Foundation 2021
GRI Sector Standards applicable	Not applicable/not available



GRI STANDARDS - GENERAL DISCLOSURES

DISCLOSURE		LOCATION	OMISSION		
NO.	DESCRIPTION		OMITTED REQUIREMENTS	REASON	EXPLANATION

GRI 2 - GENERAL DISCLOSURES 2021

The organization and its reporting practices					
2.1	Organizational details	Annual report Methodological note Profile and operations Structure			
2.2	Entities included in the organization's sustainability reporting	Methodological note			
2.3	Reporting period, frequency and contact point	Profile and operations Structure Annual report Methodological note			
2.4	Restatements of information	Methodological note			
2.5	External assurance	8 Environmental impact management / Energy, emissions and climate change Independent auditors' report Methodological note			
Activities and workers					
2.6	Activities, value chain and other business relationships	Profile and operations Structure 1 Business model and strategy / Our values 1 Business model and strategy / Customer relationships 1 Business model and strategy / The strategy			
2.7	Employees	7 Human resources			
2.8	Workers who are not employees	7 Human resources			
Governance					
2.9	Governance structure and composition	5 Governance and responsible conduct / Company bodies and committees 5 Governance and responsible conduct / Corporate governance			
2.10	Nomination and selection of the highest governance body	5 Governance and responsible conduct / Company bodies and committees			
2.11	Chair of the highest governance body	5 Governance and responsible conduct / Company bodies and committees			
2.12	Role of the highest governance body in overseeing the management of impacts	5 Governance and responsible conduct / Company bodies and committees			

DISCLOSURE		LOCATION	OMISSION		
NO.	DESCRIPTION		OMITTED REQUIREMENTS	REASON	EXPLANATION

GRI 2 - GENERAL DISCLOSURES

2.13	Delegation of responsibility for managing impacts	5 Governance and responsible conduct / Corporate governance			
2.14	Role of the highest governance body in sustainability reporting	5 Governance and responsible conduct / Corporate governance			
2.15	Conflicts of interest	5 Governance and responsible conduct / Company bodies and committees			
2.16	Communication of critical concerns	5 Governance and responsible conduct / Corporate governance			
2.17	Collective knowledge of the highest governance body	5 Governance and responsible conduct / Company bodies and committees			
2.18	Evaluation of the performance of the highest governance body	5 Governance and responsible conduct / Corporate governance			
2.19	Remuneration policies	5 Governance and responsible conduct / Corporate governance			
2.20	Process to determine remuneration	5 Governance and responsible conduct / Corporate governance			
2.21	Annual total compensation ratio			Confidentiality constraints	Not included in the 2023 NFS
Strategy, policies and practice					
2.22	Statement on sustainable development strategy	Letter to the stakeholders			
2.23	Policy commitments	3 Salcef's sustainable development commitment 5 Governance and responsible conduct / Management policies and systems			
2.24	Embedding policy commitments	3 Salcef's sustainable development commitment 5 Governance and responsible conduct / Management policies and systems			
2.25	Processes to remediate negative impacts	5 Governance and responsible conduct / Management policies and systems			
2.26	Mechanisms for seeking advice and raising concerns	5 Governance and responsible conduct / Management policies and systems			
2.27	Compliance with laws and regulations	5 Governance and responsible conduct / Compliance and anti-corruption			
2.28	Membership associations	3 Salcef's sustainable development commitment / Participation in external initiatives and memberships			
Stakeholder engagement					
2.29	Approach to stakeholder engagement	3 Salcef's sustainable development commitment			
2.30	Collective bargaining agreements	7 Human resources			

GRI STANDARDS - DISCLOSURES ON MATERIAL TOPICS / TOPIC-SPECIFIC DISCLOSURES

The tables provide the GRI Topic Standards reference used to report on the material topics. The following information is provided for a clearer understanding:

- The standards reported in the table relate to the reporting of the material topics identified.
- Any disclosure requirements in the standards referring to the material topics which are not relevant to the business model and impacts of operations are shown in the list but flagged as omitted as they do not apply.
- Any omissions of the disclosure recommendations/requirements in the standards referring to the material topics which are not reported, in whole or in part, and reasons for such omission, in relation to the unavailability of the information and quantitative data, are reported.
- Unless otherwise indicated, the GRI Standards published in 2016 were used. For disclosures on water withdrawals and occupational health and safety, GRI 303 Water and effluents 2018 and GRI 403 Occupational health and safety 2018, respectively, were used. For the disclosures on waste, GRI 306 Waste 2020 was used. GRI 207 Tax 2019 was used to report on tax.
- Sector standard not published / available (not applicable).

DISCLOSURE		LOCATION	OMISSION		
NO.	DESCRIPTION		OMITTED REQUIREMENTS	REASON	EXPLANATION

GRI 3: MATERIAL TOPICS 2021

3.1	Process to determine material topics	Methodological note 2 Salcef Group materiality / Impacts and material topics 3 Salcef's sustainable development commitment 4 Risk management			
3.2	List of material topics	2 Salcef Group materiality / Material topics for Salcef Group			
Material topic	Financial performance				
3.3	Management of material topics	Annual report			
Topic-specific GRI Standards [Economic topics]					
201-1	Direct economic value generated and distributed	Annual report			
201-4	Financial assistance received from government	Annual report			
Material topic	Investments - innovation and digitalisation				
3.3	Management of material topics				
Topic-specific GRI Standards [Economic topics]					
203-1	Infrastructure investments and services supported	Annual report			
203-2	Significant indirect economic impacts			n.a.	Disclosure not relevant to the business model and impacts of operations



DISCLOSURE		LOCATION		OMISSION		
NO.	DESCRIPTION			OMITTED REQUIREMENTS	REASON	EXPLANATION

GRI 3: MATERIAL TOPICS 2021

Material topic	Ethics and integrity in business operations and compliance					
3.3	Management of material topics	5 Governance and responsible conduct / Compliance and anti-corruption				
Topic-specific GRI Standards [Economic topics]						
205-1	Operations assessed for risks related to corruption	5 Governance and responsible conduct / Compliance and anti-corruption				
205-2	Communication and training about anti-corruption policies and procedures	5 Governance and responsible conduct / Compliance and anti-corruption				
205-3	Confirmed incidents of corruption and actions taken	5 Governance and responsible conduct / Compliance and anti-corruption				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	5 Governance and responsible conduct / Compliance and anti-corruption				
207-1	Approach to tax	5 Governance and responsible conduct / Compliance and anti-corruption				
207-2	Tax governance, control, and risk management	5 Governance and responsible conduct / Compliance and anti-corruption				
207-3	Stakeholder engagement and management of concerns related to tax	5 Governance and responsible conduct / Compliance and anti-corruption				
207-4	Country-by-country reporting	5 Governance and responsible conduct / Compliance and anti-corruption				
Material topic	Materials and use of natural resources					
3.3	Management of material topics	8 Environmental impact management / Materials				
Topic-specific GRI Standards [Environmental topics]						
301-1	Materials used by weight or volume	8 Environmental impact management / Materials				
301-2	Recycled input materials used	8 Environmental impact management / Materials				
301-3	Reclaimed products and their packaging materials		n.a.			Disclosure not relevant to the business model and impacts of operations
Material topic	Energy consumption and efficiency					
3.3	Management of material topics	8 Environmental impact management / Energy, emissions and climate change				

DISCLOSURE		LOCATION		OMISSION		
NO.	DESCRIPTION			OMITTED REQUIREMENTS	REASON	EXPLANATION

GRI 3: MATERIAL TOPICS 2021

Topic-specific GRI Standards [Environmental topics]						
302-1	Energy consumption within the organization	8 Environmental impact management / Energy, emissions and climate change				
302-2	Energy consumed outside of the organization				Information not available / incomplete	See 305-3 Mapping and analysis underway focused primarily on the other indirect (Scope 3) GHG emissions
302-3	Energy intensity	8 Environmental impact management / Energy, emissions and climate change				
302-4	Reduction of energy consumption	8 Environmental impact management / Energy, emissions and climate change				
302-5	Reductions in energy requirements of products and services				n.a.	Disclosure not relevant to the business model and impacts of operations
Material topic	Water withdrawal and consumption					
3.3	Management of material topics	8 Environmental impact management / Water resources				
Topic-specific GRI Standards [Environmental topics]						
303-1	Interactions with water as a shared resource	8 Environmental impact management / Water resources				
303-2	Management of water discharge-related impacts	8 Environmental impact management / Water resources				
303-3	Water withdrawal	8 Environmental impact management / Water resources				
303-4	Water discharge	8 Environmental impact management / Water resources				
303-5	Water consumption	8 Environmental impact management / Water resources				
Material topic	CO ₂ emissions and climate change					
3.3	Management of material topics	8 Environmental impact management / Energy, emissions and climate change				
Topic-specific GRI Standards [Environmental topics]						
305-1	Direct GHG (Scope 1) emissions	8 Environmental impact management / Energy, emissions and climate change				
305-2	Energy indirect (Scope 2) GHG emissions	8 Environmental impact management / Energy, emissions and climate change				
305-3	Other indirect (Scope 3) GHG emissions	8 Environmental impact management / Energy, emissions and climate change	Gross other indirect (Scope 3) GHG emissions in tCO ₂ e and consequent other specific requirements		Information not available / incomplete	Mapping of the perimeter of the Scope 3 GHG emissions - to be completed
305-4	GHG emissions intensity	8 Environmental impact management / Energy, emissions and climate change				



DISCLOSURE		LOCATION	OMISSION		
NO.	DESCRIPTION		OMITTED REQUIREMENTS	REASON	EXPLANATION
GRI 3: MATERIAL TOPICS 2021					
305-5	Reduction of GHG emissions		GHG emissions reduction directly related to specific initiatives, in tCO ₂ or CO ₂ e and consequent other specific requirements	Information not available / incomplete	Salcef has not yet defined specific targets for the detailed reporting of the reduction of its GHG emissions pursuant to 305-5.
305-6	Emissions of ozone-depleting substances (ODS)			n.a.	Emissions of ozone-depleting substances are immaterial to the Salcef Group's operations.
305-7	Nitrogen oxide (NO _x), sulfur oxides (SO _x) and other significant air emissions	8 Environmental impact management / Energy, emissions and climate change			
Material topic	Waste management and the circular economy				
3.3	Management of material topics	8 Environmental impact management / Waste generation and management			
Topic-specific GRI Standards [Environmental topics]					
306-1	Waste generation and significant waste-related impacts	8 Environmental impact management / Waste generation and management			
306-2	Management of significant waste-related impacts	8 Environmental impact management / Waste generation and management			
306-3	Waste generated	8 Environmental impact management / Waste generation and management			
306-4	Waste diverted from disposal	8 Environmental impact management / Waste generation and management			
306-5	Waste directed to disposal	8 Environmental impact management / Waste generation and management			
Material topic	Supply chain management				
3.3	Management of material topics	6 Supply chain management			
Topic-specific GRI Standards					
204-1	Proportion of spending on local suppliers	6 Supply chain management			
308-1	New suppliers that were screened using environmental criteria	6 Supply chain management			
308-2	Negative environmental impacts in the supply chain and actions taken			n.a.	Disclosure not relevant to the business model and impacts of operations
414-1	New suppliers that were screened using social criteria	6 Supply chain management			
414-2	Negative social impacts in the supply chain and actions taken			n.a.	Disclosure not relevant to the business model and impacts of operations
Material topic	Attraction and enhancement of human resources				
3.3	Management of material topics	7 Human resources			



DISCLOSURE		LOCATION	OMISSION		
NO.	DESCRIPTION		OMITTED REQUIREMENTS	REASON	EXPLANATION
GRI 3: MATERIAL TOPICS 2021					
Topic-specific GRI Standards [Social topics]					
401-1	New employee hires and employee turnover	7 Human resources			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	7 Human resources			
401-3	Parental leave	7 Human resources			
404-1	Average hours of training per year per employee	7 Human resources			
404-2	Programs for upgrading employee skills and transition assistance programs	7 Human resources			
404-3	Percentage of employees receiving regular performance and career development reviews	7 Human resources			
Material topic	Occupational health and safety				
3.3	Management of material topics	7 Human resources / Health and safety			
Topic-specific GRI Standards [Social topics]					
403-1	Occupational health and safety management system	7 Human resources / Health and safety			
403-2	Hazard identification, risk assessment, and incident investigation	7 Human resources / Health and safety			
403-3	Occupational health services	7 Human resources / Health and safety			
403-4	Worker participation, consultation, and communication on occupational health and safety	7 Human resources / Health and safety			
403-5	Worker training on occupational health and safety	7 Human resources / Health and safety			
403-6	Promotion of worker health	7 Human resources / Health and safety			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	7 Human resources / Health and safety			
403-8	Workers covered by an occupational health and safety management system	7 Human resources / Health and safety			
403-9	Work-related injuries	7 Human resources / Health and safety			
403-10	Work-related ill health	7 Human resources / Health and safety			

DISCLOSURE		LOCATION	OMISSION		
NO.	DESCRIPTION		OMITTED REQUIREMENTS	REASON	EXPLANATION

GRI 3: MATERIAL TOPICS 2021

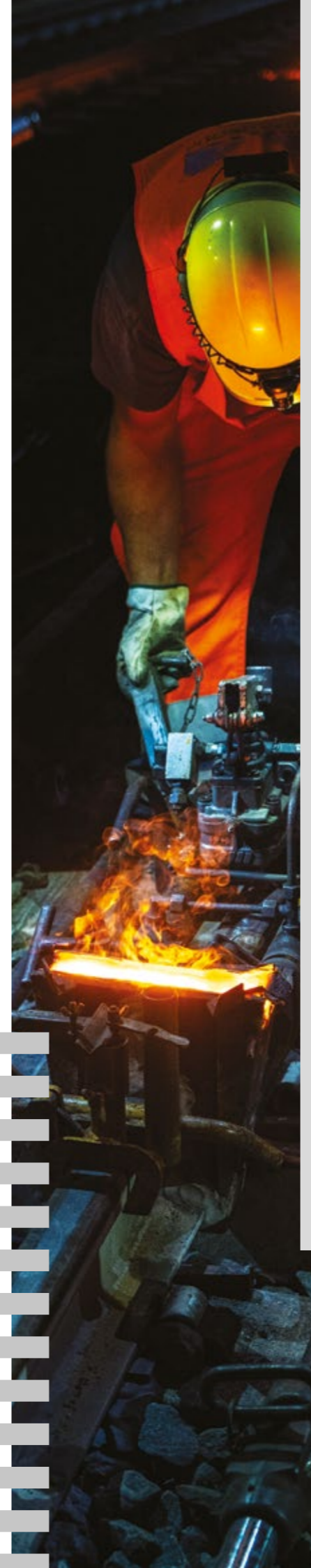
Material topic	Working environment - Diversity and equal opportunities				
3.3	Management of material topics	7 Human resources			
Topic-specific GRI Standards [Social topics]					
405-1	Diversity of governance bodies and employees	5 Governance and responsible conduct / Company bodies and committees 7 Human resources			
405-2	Ratio of basic salary and remuneration of women to men	7 Human resources			
406-1	Incidents of discrimination and corrective actions taken	7 Human resources			
Material topic	Engagement with and development of the local area/suppliers and local communities				
3.3	Management of material topics	3 Salcef's sustainable development commitment / Development of the local area and communities			
Topic-specific GRI Standards [Social topics]					
413-1	Operations with local community engagement, impact assessments, and development programs	3 Salcef's sustainable development commitment / Development of the local area and communities			
413-2	Operations with significant actual and potential negative impacts on local communities		n.a.		Disclosure not relevant to the business model and impacts of operations
Material topic	Product and service quality and safety				
3.3	Management of material topics	3 Salcef's sustainable development commitment / Product and service quality and safety			
Topic-specific GRI Standards [Social topics]					
416-1	Assessment of the health and safety impacts of product and service categories.	3 Salcef's sustainable development commitment / Product and service quality and safety			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3 Salcef's sustainable development commitment / Product and service quality and safety			
Material topic	Cybersecurity and privacy				
3.3	Management of material topics	5 Governance and responsible conduct / Compliance and anti-corruption			
Topic-specific GRI Standards [Social topics]					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	5 Governance and responsible conduct / Compliance and anti-corruption			





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7.2

SASB - GRI MATRIX



SECTORS		INFRASTRUCTURE - ENGINEERING & CONSTRUCTION SERVICES	MATERIAL TOPIC	SALCEF GROUP'S NFS			
DIMENSION	GENERAL ISSUE CATEGORY	DISCLOSURE TOPIC / CODE		GRI STANDARD	DISCLOSURE	CHAPTER/PARAGRAPH	
Environment	Ecological impacts	Environmental Impacts of Project Development / IF-EN-160a.1	Number of incidents of non-compliance with environmental permits, standards, and regulations	Ethics and integrity in business operations and compliance	2-27	Compliance with laws and regulations	5 Governance and responsible conduct / Compliance and anti-corruption
		Environmental impacts of project development / IF-EN-160a.2	Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	Supply chain management	308-1	New suppliers that were screened using environmental criteria	6 Supply chain management
					308-2	Negative environmental impacts in the supply chain and actions taken	n.a.
Social Capital	Product quality and safety	Structural integrity & safety / IF-EN-250a.1	Amount of defect- and safety-related rework costs	Product and service quality and safety	416-1	Assessment of the health and safety impacts of product and service categories	3 Salcef's sustainable development commitment / Product and service quality and safety
		Structural integrity & safety / IF-EN-250a.2	Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3 Salcef's sustainable development commitment / Product and service quality and safety
Human capital	Employee health & safety	Workforce health & safety / IF-EN-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Occupational health and safety	403-9	Work-related injuries	7 Human resources / Health and safety

SECTORS		INFRASTRUCTURE - ENGINEERING & CONSTRUCTION SERVICES	MATERIAL TOPIC	SALCEF GROUP'S NFS			
DIMENSION	GENERAL ISSUE CATEGORY	DISCLOSURE TOPIC / CODE		GRI STANDARD	DISCLOSURE	CHAPTER/PARAGRAPH	
Business Model & Innovation	Product design & lifecycle management	Lifecycle impacts of buildings & infrastructure / IF-EN-410a.1	Number of (1) commissioned projects certified to a third-party multiattribute sustainability standard and (2) active projects seeking such certification				
		Lifecycle impacts of buildings & infrastructure / IF-EN-410a.2	Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design				
		Climate impacts of business mix / IF-EN-410b.1	Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects	Energy consumption and efficiency	302-5	Reductions in energy requirements of products and services	n.a.
		Climate impacts of business mix / IF-EN-410b.2	Amount of backlog cancellations associated with hydrocarbon related projects	Investments - innovation and digitalisation	203-1	Infrastructure investments and services supported	Annual report
Climate impacts of business mix / IF-EN-410b.3	Amount of backlog for non-energy projects associated with climate change mitigation						



SASB - GRI MATRIX

SECTORS		INFRASTRUCTURE - ENGINEERING & CONSTRUCTION SERVICES	MATERIAL TOPIC	SALCEF GROUP'S NFS			
DIMENSION	GENERAL ISSUE CATEGORY	DISCLOSURE TOPIC / CODE		GRI STANDARD	DISCLOSURE	CHAPTER/PARAGRAPH	
Leadership & Governance	Business ethics	Business ethics / IF-EN-510a.1	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	205-1	Operations assessed for risks related to corruption	5 Governance and responsible conduct / Compliance and anti-corruption	
		Business ethics / IF-EN-510a.2	Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices	205-3	Confirmed incidents of corruption and actions taken	5 Governance and responsible conduct / Compliance and anti-corruption	
		Business ethics / IF-EN-510a.3	Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behavior in the project bidding processes	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	5 Governance and responsible conduct / Compliance and anti-corruption	
				2-23	Policy commitments	5 Governance and responsible conduct / Management policies and systems	
				205-2	Communication and training about anti-corruption policies and procedures	3 Salcef's sustainable development commitment	
Environment	Energy Management	Energy Management / RT-IG-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Energy consumption and efficiency	302-1	Energy consumption within the organization	8 Environmental impact management / Energy, emissions and climate change
					302-2	Energy consumed outside of the organization	Information not available / incomplete
Human Capital	Employee health & safety	Employee health & safety / RT-IG-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	403-9	Work-related injuries	7 Human resources / Health and safety	

SECTORS		INFRASTRUCTURE - ENGINEERING & CONSTRUCTION SERVICES	MATERIAL TOPIC	SALCEF GROUP'S NFS		
DIMENSION	GENERAL ISSUE CATEGORY	DISCLOSURE TOPIC / CODE		GRI STANDARD	DISCLOSURE	CHAPTER/PARAGRAPH
Business Model & Innovation	Product design & lifecycle management	Fuel economy & emissions in use-phase / RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	302-3	Energy intensity	8 Environmental impact management / Energy, emissions and climate change
		Fuel economy & emissions in use-phase / RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment			
		Fuel economy & emissions in use-phase / RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	305-4	GHG emissions intensity	8 Environmental impact management / Energy, emissions and climate change
		Fuel economy & emissions in use-phase / RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines			
Materials sourcing & efficiency	Materials sourcing / RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	Supply chain management	2-6	Activities, value chain and other business relationships	Profile and operations Structure 1 Business model and strategy / Our values 1 Business model and strategy / Business relations 1 Business model and strategy / The strategy
				308-1	New suppliers that were screened using environmental criteria	6 La gestione della catena di fornitura
				308-2	Negative environmental impacts in the supply chain and actions taken	Non pertinente
				414-1	New suppliers that were screened using social criteria	6 Supply chain management
				414-2	Negative social impacts in the supply chain and actions taken	n.a.
				301-1	Materials used by weight or volume	8 Environmental impact management / Materials
Materials sourcing & efficiency	Remanufacturing design & services / RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services	Materials and use of natural resources	301-2	Recycled input materials used	8 Environmental impact management / Materials
				301-3	Reclaimed products and their packaging materials	n.a.



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7.3

EU TAXONOMY TABLES



PORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN 2023

*Legenda

- I = Climate change mitigation
- II = Climate change adaptation
- III = Water and marine resources
- IV = Circular economy
- V = Pollution
- VI = Biodiversity/ ecosystems

ECONOMIC ACTIVITIES	NACE CODE	TURNOVER (€ MILLION)	% OF TURNOVER			SUBSTANTIAL CONTRIBUTION (%)						DO NO SIGNIFICANT HARM (YES/NO)						MINIMUM SAFEGUARDS (YES/NO)	TAXONOMY-ALIGNED TURNOVER (%)	ELIGIBLE ACTIVITIES (A)	TRANSITION ACTIVITIES (T)										
						I*	II*	III*	IV*	V*	VI*	I*	II*	III*	IV*	V*	VI*														
BUSINESS UNIT																															
A Taxonomy-eligible activities																															
A1 Environmentally-sustainable activities																															
Taxonomy-aligned environmentally-sustainable activities																															
Track & Light Civil works	6.14	Railway transport infrastructures	F.42.12	404,021,864	55.69%														100%	YES	YES	YES	YES	YES	YES	YES	YES	YES	55.7%	A	
Energy, Signalling & Telecommunications	6.14	Railway transport infrastructures	F.42.12	94,699,732	13.05%														100%	YES	YES	YES	YES	YES	YES	YES	YES	YES	13.1%	A	
Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	127,407,441	17.56%														100%	N/A	YES	YES	YES	YES	YES	YES	YES	YES	17.6%	A	
Rail Grinding & Diagnostics	6.14	Railway transport infrastructures	F.42.12	18,625,458	2.57%														100%	YES	YES	YES	YES	YES	YES	YES	YES	YES	2.6%	A	
Railway Machines	3.3	Manufacture of low-carbon technologies for transport	C.33.17	1,298,538	0.18%														100%	YES	YES	YES	YES	YES	YES	YES	YES	YES	0.2%	A	
		Turnover from environmentally-sustainable activities (taxonomy-aligned) (A.1)		646,053,033	89.06%																							89.06%	89.06%	0%	
A.2 Taxonomy-eligible but not environmentally-sustainable activities (not taxonomy-aligned)																															
Track & Light Civil works	6.14	Railway transport infrastructures	F.42.12	525,912	0.07%																										
Energy, Signalling & Telecommunications	6.14	Railway transport infrastructures	F.42.12	123,270	0.02%																										
Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	165,845	0.02%																										
Rail Grinding & Diagnostics	6.14	Railway transport infrastructures	F.42.12	24,245	0.00%																										
Railways Machines	3.3	Manufacture of low-carbon technologies for transport	C.33.17	9,393,906	1.29%																										
		Turnover from taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		10,233,178	1.41%																										
		Total turnover from eligible activities (A.1 + A.2)		656,286,211	90.47%																										
B Taxonomy-non-eligible																															
		Turnover from taxonomy-non-eligible activities (B)		69,146,402	9.53%																										
		TOTAL (A)+(B)		725,432,613	100.00%																										

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PORTION OF CAPEX ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN 2023

- *Legend**
- I = Climate change mitigation
 - II = Climate change adaptation
 - III = Water and marine resources
 - IV = Circular economy
 - V = Pollution
 - VI = Biodiversity/ ecosystems

ECONOMIC ACTIVITIES	NACE CODE	CAPEX (€ MILLION)	CAPEX %	SUBSTANTIAL CONTRIBUTION (%)						DO NO SIGNIFICANT HARM (DNSH) (YES/NO)						MINIMUM SAFEGUARDS (YES/NO)	TAXONOMY-ALIGNED CAPEX (%)	ELIGIBLE ACTIVITIES (A)	TRANSITION ACTIVITIES (T)									
				I*	II*	III*	IV*	V*	VI*	I*	II*	III*	IV*	V*	VI*													
BUSINESS UNIT																												
A Taxonomy-eligible activities																												
A.1 Environmentally sustainable activities Taxonomy-aligned activities																												
Track & Light Civil works	6.14	Railway transport infrastructures	F.42.12	28,092,209	54.40%												100%	YES	YES	YES	YES	YES	YES	YES	54.40%	A		
Energy, Signalling & Telecommunications	6.14	Railway transport infrastructures	F.42.12	1,740,634	3.37%												100%	YES	YES	YES	YES	YES	YES	YES	3.37%	A		
Rail Grinding & Diagnostics Engineering	6.14	Railway transport infrastructures	F.42.12	11,185,440	21.66%												100%	YES	YES	YES	YES	YES	YES	YES	21.66%	A		
	6.14	Railway transport infrastructures	F.42.12	42,429	0.08%												100%	YES	YES	YES	YES	YES	YES	YES	0.08%	A		
CapEx for environmentally-sustainable activities (taxonomy-aligned) (A.1)				41,060,712	79.51%																				79.51%	79.51%	0%	
A.2 Taxonomy-eligible but not environmentally-sustainable activities																												
Track & Light Civil works	6.14	Railway transport infrastructures	F.42.12	36,567	0.07%																							
Energy, Signalling & Telecommunications	6.14	Railway transport infrastructures	F.42.12	2,266	0.00%																							
Rail Grinding & Diagnostics Engineering	6.14	Railway transport infrastructures	F.42.12	14,560	0.03%																							
Railways Machines	3.3	Manufacture of low-carbon technologies for transport	C.33.17	4,587,016	8.88%																							
CapEx for taxonomy-eligible but not environmentally-sustainable activities (not taxonomy-aligned) (A.2)				4,640,465	8.99%																							
Total CapEx for eligible activities (A.1 + A.2)				45,701,177	88.50%																							
B Taxonomy-non-eligible																												
CapEx for taxonomy-non-eligible activities (B)				5,939,164	11.50%																							
TOTAL (A+B)				51,640,342	100.0%																							

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PORTION OF OPEX FOR PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN 2023

*Legend

- I = Climate change mitigation
- II = Climate change adaptation
- III = Water and marine resources
- IV = Circular economy
- V = Pollution
- VI = Biodiversity/ ecosystems

ECONOMIC ACTIVITIES	NACE CODE	OPEX (€ MILLION)	OPEX %	SUBSTANTIAL CONTRIBUTION (%)						DO NO SIGNIFICANT HARM (DNSH) (YES/NO)						MINIMUM SAFEGUARDS (YES/NO)	TAXONOMY-ALIGNED OPEX (%)	ELIGIBLE ACTIVITIES (A)	TRANSITION ACTIVITIES (T)
				I*	II*	III*	IV*	V*	VI*	I*	II*	III*	IV*	V*	VI*				
BUSINESS UNIT																			
A Taxonomy-eligible activities																			
A.1 Environmentally-sustainable activities Taxonomy-aligned activities																			
Track & Light Civil works	6.14	Railway transport infrastructures	F.42.12	14,091,440	67.79%														
Energy, Signalling & Telecommunications	6.14	Railway transport infrastructures	F.42.12	1,612,152	7.76%														
Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	3,655,703	17.59%														
		OpEx for environmentally-sustainable activities (taxonomy-aligned) (A.1)		19,359,296	93.13%														
A.2 Taxonomy-eligible but not environmentally-sustainable activities (not taxonomy-aligned)																			
Track & Light Civil works	6.14	Railway transport infrastructures	F.42.12	18,343	0.09%														
Energy, Signalling & Telecommunications	6.14	Railway transport infrastructures	F.42.12	2,099	0.01%														
Heavy Civil Works	6.14	Railway transport infrastructures	F.42.12	4,759	0.02%														
Railway Machines	3.3	Manufacture of low-carbon technologies for transport	C.33.17	768,147	3.70%														
		OpEx for taxonomy-eligible but not environmentally-sustainable activities (not taxonomy-aligned) (A.2)		793,347	3.82%														
		Total OpEx for taxonomy-eligible activities (A.1 + A.2)		20,152,643	96.94%														
B Taxonomy-non-eligible																			
		OpEx for taxonomy-non-eligible activities (B)		635,405	3.06%														
		TOTAL (A)+(B)		20,788,048	100.0%														

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