Independent auditor's report
in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

Italferr SpA

Financial Statements as of 31 December 2023

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole shareholder of
Italferr SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Italferr SpA (the Company), which comprise the statement of financial position as of 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Comparative data

The financial statements of Italferr SpA for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2023.

Direction and Coordination

The Company, as required by law, has included in the notes to the financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the financial statements of Italferr SpA does not extend to those figures.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by 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, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Italferr SpA are responsible for preparing a directors' report of Italferr SpA as of 31 December 2023, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Italferr SpA as of 31 December 2023 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the financial statements of Italferr SpA as of 31 December 2023 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 14 March 2024

PricewaterhouseCoopers SpA

Signed by

Giuseppe Caffio
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Italferr S.p.A.

2023 ANNUAL REPORT

Italferr S.p.A.

Single-member company managed and coordinated by Rete Ferroviaria Italiana S.p.A.

Share capital: €14,186,000, fully paid up

Registered office: Via Vito Giuseppe Galati 71, 00155 Rome Tax code and company registration no.: 06770620588

REA (Economic and Administrative Register) no.: 541241

VAT number: 01612901007

Website: www.italferr.it

MISSION

Italferr is the Ferrovie dello Stato Italiane group’s engineering company with over 38 years of consolidated experience in large infrastructural projects for traditional and high-speed railways, underground and road transport and the design of ports and stations in Italy and abroad.

Its mission is to build infrastructure in accordance with high quality standards, deadlines and the budget, covering all technical and management activities for the planning, design, execution, inspection and commissioning of the works.

Italferr offers innovative, high-tech services ranging from design to contracting, works management and supervision, inspection and commissioning of lines, stations and intermodal and interport hubs, project management, organisational consultancy, training and the transfer of specialised, avant-garde know-how.

COMPANY OFFICERS

Board of directors:

Chairwoman		Paola Firmi
CEO		Andrea Nardinocchi
Director		Francesca Bartoli
Director	Claudia Eccher[1]	Maddalena Boffoli[2]
Director		Franco Fenoglio

Board of statutory auditors:

Chairwoman	Micol Marisa[3]	Antonella Bientinesi[2]
Standing statutory auditor	Annamaria Madeo[3]	Maurizio Bucci[2]
Standing statutory auditor	Michele Farese[3]	Michele Zuin[2]
Alternate statutory auditor	Monica Petrella[3]	Angelica Mola[2]
Alternate statutory auditor	Luca Provaroni[3]	Giuseppe Mongiello[2]

OFFICER IN CHARGE OF FINANCIAL REPORTING

Alessandra Cardegari[4]

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.[5]

[1] In office until 23 January 2023
[2] In office from 19 May 2023
[3] In office until 19 May 2023
[4] In office from 31 May 2023 until the approval of the 2023 Financial Statements
[5] Engagement resolved upon by the Shareholders’ Meeting on 20 April 2023 for the financial years 2023 - 2025

CONTENTS

CHAIRWOMAN'S LETTER

Dear Shareholder,

2023 did not betray the expectations of the Business Plan, confirming itself as a year of growth, in which operations and financial position were put on a more sound footing for Italferr, and allowing the achievement of results of operations above expectations.

In fact, in line with the Plan's objectives, the Company further increased its turnover compared to the previous year, thanks to the increased demand for engineering services from RFI, in accordance with the objectives set out under the National Recovery and Resilience Plan (NRRP), and to maintaining the position it has gained on international markets.

With regard to the results of operations, Italferr's output came close to the Budget forecasts, reaching €378 million (just 1% below the budget target) while achieving substantial savings on operating costs (-7% compared to the budget), and thus improving its EBITDA and net result compared to original forecasts (+€19 million, equal to +26% compared to the budget, and +€16.9 million, equal to +40%, again compared to the budget, respectively).

With regard to operating performance, the support that Italferr provided to RFI to meet the targets set out under the NRRP was crucial in 2023, too: works were, in fact, taken on, and operations were started at construction sites related to the works put out to tender at the end of the previous year. The total value of the works on which work was commenced was more than €17 billion.

In order to cope with a continuously growing demand, Italferr continued the massive strengthening of its workforce, and started, at the same time, a profound company reorganisation with the aim of making the environment of its functions and departments more dynamic and fostering a more interdisciplinary work, in order to more meet the response needs demanded by its customers.

The recruiting work conducted in 2023 allowed the Company to exceed 3 thousand units at the end of the year, with an average age under 40 years. For Italferr, this last result is particularly positive since young people are actually an effective lever to support the process of change taking place in the Company, and push for innovation.

And it was precisely in the field of innovation that Italferr continued its path to growth, which led it to be recognized as the Group's B.I.M. & Digital Twin center of excellence. In fact, the Company made strides in the digital management of IT processes through B.I.M. and Digital Twin during the year, in order to extend their use to the various phases of the life cycle of the work, from design to construction, and up to maintenance.

In an era of technological and environmental challenges, the innovation in which Italferr is increasingly investing has multiple objectives: to ensure the optimization of the timing and costs demanded by its operations, to allow an improvement in the safety conditions of the infrastructure, and to maintain its competitiveness against other international Players thanks to the expertise it has achieved.

Although the year that has just ended saw Italferr mainly engaged in carrying out RFI's investments, the Company has not in fact neglected its international business by strengthening its footprint in Europe and Canada, i.e. in areas with low political risk and high profitability, and improving its ranking among the world's leading engineering companies by foreign turnover.

Italferr's key role within the Infrastructure Business Unit in the management and acceleration of investments, achievement and, indeed, surpassing of the economic objectives set out in the Budget, continuous evolution in the field of digitization of business processes with positive repercussions on safety, and the ability to gain shares in foreign markets: these, in a nutshell, are the results that Italferr achieved in 2023 by fully complying with the milestones set out in the Business Plan.

Directors' report

KEY AND GLOSSARY

ALTERNATIVE PERFORMANCE INDICATORS (NON-GAAP MEASURES)

Below is a description of the criteria used to determine the alternative performance indicators used in this report, which differ from the criteria applied to the IFRS financial statements. Management finds these indicators useful in monitoring the company's performance and believes they reflect the financial performance of its business:

Other assets, net: these reflect the sum of grants, other current and non-current assets and other current and non-current liabilities.

Other provisions: these are the sum of post-employment benefits and other employee benefits, the provision for litigation with employees and third parties, the provision for contractual risks, reflecting expected future losses on contracts with negative outcomes, deferred tax liabilities and deferred tax assets.

Working capital: this is the sum of net operating working capital and other assets, net.

Net operating working capital: this is the sum of construction contracts, current and non-current trade receivables and current and non-current trade payables.

Net non-current assets: these reflect the sum of property, plant and equipment, intangible assets and equityinvestments.

Net invested capital (NIC): this is the sum of working capital, net non-current assets and other provisions.

Operating profit margin – ROS (return on sales): this sales profitability indicator is calculated as the ratio of operating profit to revenue.

Gross operating profit (loss) margin: this profitability indicator is calculated as the ratio of gross operating profit to operating revenue.

Debt/equity ratio: this indicator is used to measure the company's debt. It is calculated as the ratio between net financial debt and equity.

Gross operating profit: this is an indicator of the performance of operations and reflects the company's core business only. It is calculated as the difference between revenue and operating costs.

Equity (E): this is a financial statements indicator calculated as the sum of share capital, reserves, retained earnings (losses carried forward) and the profit (loss) for the year.

Net financial position (NFP): this is a financial indicator calculated as the sum of non-current bank loans and borrowings and the current portion thereof, current bank loans and borrowings, current and non-current loans and borrowings from other financial backers, cash and cash equivalents and current and non-current loan assets.

Operating profit: this is an indicator of the performance of operations and is calculated as the sum of gross operating profit and amortisation and depreciation, impairment losses (impairment gains) and provisions.

ROE (return on equity): this is a profitability indicator for equity and is calculated as the ratio of profit (loss) for the year and average equity, using the average of opening equity (including the profit (loss) for the previous year) and closing equity (net of the profit (loss) for the year).

ROI (return on investment): this is a profitability indicator for invested capital through core business operations. It is calculated as the ratio of operating profit to average NIC (the average of opening and closing NIC).

Net asset turnover: this is an efficiency indicator that expresses invested capital's ability to transform into sales revenue. It is calculated as the ratio of operating revenue to average NIC (the average of opening and closing NIC).

Terms of recurrent use

The following terms are frequently used in this report in relation to the company's operations:

PPSO (Prevention and Protection Service Officer): this is a position to support the work of the Prevention and Protection Service Manager (PPSM) for the purpose of ensuring safety at the company's premises.

HS/HC (High speed/High capacity): this is the system of lines and means specifically developed for high speed and/or high capacity transport.

BIM (Building Information Modelling): this digital information system integrates multidisciplinary structured data to create a digital picture of an asset over its entire life cycle, from planning and design to construction and placement in service.

WEC (Works Execution Coordinator): this is a position that was added to the workforce under Article 81 of Legislative Decree of 9 April 2008, and is different from the employer of the contractor company, with the task of supervising and coordinating the execution of the works, ensuring that the contents of the safety and coordination plan (SCP) are applied in a proper manner.

Digital Twin: this is a virtual copy, or a model, of a real physical asset in operation. It reflects the current condition of the asset, and includes significant historical data about it. Digital twin can be used to assess the current condition of the asset and, more importantly, predict its future behaviour, refine its control, or optimize its operation.

European Rail Traffic Management System (ERTMS): this is the system that integrates the various railway networks in the EU from a functional and operational standpoint and provides for the European Train Control System.

FTE (Full time Equivalent): the number of resources needed for a company to meet its objectives assuming every resource works full time.

GIS (Geographic Information System): this is a system designed to acquire, store, manipulate, analyze, and manage all types of geographic data.

MEP (Mechanical, Electrical and Plumbing): this is a type of design that deals with managing the three areas of plant engineering: mechanical, electrical and plumbing systems.

TEFS (Technical-Economic Feasibility Study): this contains all the information needed to define the features of a project, i.e., all the surveys and diagnostics carried out to determine the engineering and safety characteristics and the sustainability report.

Project Management Consultancy (PMC): this is a one-stop-shop specialist assistance service used to manage suppliers and contractors throughout a project from its start to its completion.

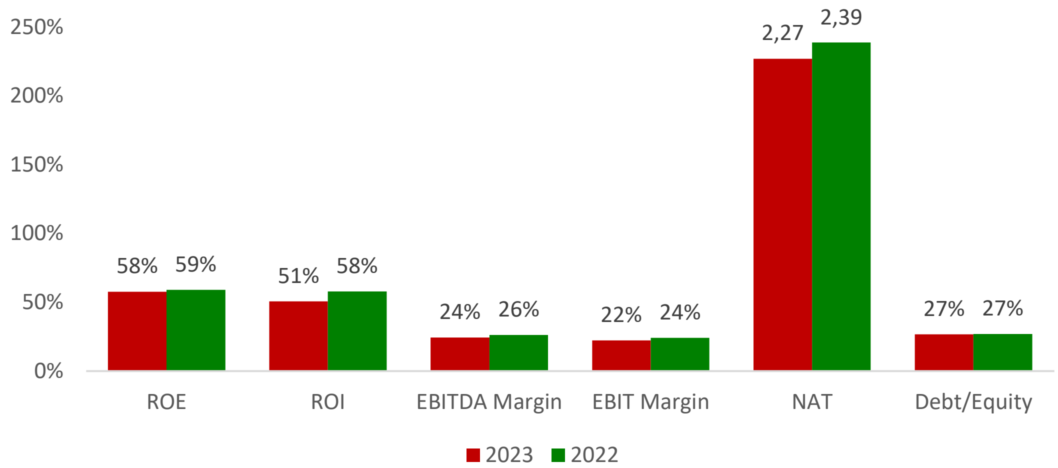
PPP (Public Private Partnership): this is a form of cooperation between public and private entities to fund and operate services of infrastructure of public interest that could not be provided or built with solely public sector investments.

Trans-European Transport Network (TEN-T): this is all the linear infrastructure (railways, roads and waterways) and points (urban hubs, ports, terminals and airports) that are deemed relevant to the EU.

2023 RESULTS

As described in more detail further on, the Company basically confirmed the results of the "record" year 2022. More specifically, it recorded a 13% growth in the value of production, compared to the previous year, thanks to a demand driven by RFI to target the goals of the NRRP, and the National Supplementary Fund. To meet demand, Italferr continued to adjust its workforce through a robust recruitment plan, and a consequent increase in operating costs, given also the trends in salaries and wages in the labour market in which the Company operates. The combined effect of the two phenomena led Italferr's EBITDA and net result to grow by 4% compared to 2022.

Invested capital remained sufficiently in line with 2022 (+2%) due to higher turnover and receipts during the year.



		2023	2022
ROE	P/E*	58%	59%
ROI	OP/ANIC*	51%	58%
EBITDA Margin	GOP/R	24%	26%
EBIT Margin	OP/R	22%	24%
NAT	R/ANIC*	2.27	2.39
Debt/Equity	Debt/Equity	27%	27%

KEY

ANIC*: Average net invested capital (average of the opening and closing balances)

OP: Operating profit

GOP: Gross operating profit

E*: Average equity (average of the opening and closing balances) net of the profit for the year

E: Equity

NFP: Net financial position

R: Revenue

P: Profit for the year

FINANCIAL POSITION AND PERFORMANCE

For the purposes of describing its financial position and performance, the Company prepared reclassified financial statements. The reclassified financial statements comprise alternative performance indicators which differ from those directly derived from the financial statements and which management deems useful in monitoring the Company's performance and in presenting the financialresults of the business. Reference should be made to the section "Key and glossary" for a description of the methods used to calculate these indicators.

Reclassified income statement

(€'000)	2023	2022	Changes	
			Amount	%
Revenue from engineering services	378,245	335,838	42,407	13%
Other revenue	581	473	108	23%
Revenue and income	**378,826**	**336,311**	**42,515**	**13%**
Operating costs	**(286,515)**	**(247,923)**	**(38,592)**	**16%**
Personnel expense	(174,600)	(139,915)	(34,685)	25%
Other costs, net	(111,915)	(108,008)	(3,907)	4%
Gross operating profit	**92,311**	**88,388**	**3,923**	**4%**
Amortisation, depreciation	(7,178)	(6,603)	(575)	9%
Impairment losses	(627)	(271)	(356)	131%
Operating profit	**84,506**	**81,514**	**2,992**	**4%**
Net financial income (expense)	(1,486)	(1,101)	(385)	35%
Income taxes	(24,159)	(23,966)	(193)	1%
Profit for the year	**58,861**	**56,447**	**2,414**	**4%**

As envisaged in the Business Plan, in 2023 the Company continued to grow in terms of production volumes: the implementation of the investments envisaged in the NRRP was decisive in this regard. During the year, numerous important works were in fact taken on by the winning contractors, the main of which concerned: the Battipaglia-Romagnano functional lot, part of the new HS/HC Salerno-Reggio Calabria line, the new Bergamo railway station, and the doubling of the Ponte San Pietro-Bergamo railway line, 7 lots that form an integral part of the new Messina, Catania Palermo railway link (Lot 3 of the Caltanissetta Xirbi - Lercara section, Lots 1 and 2 of the Lercara - Fiumefreddo section, Lots 4A and 4B of the Caltanissetta - Xirbi - Nuova Enna, and Nuova Enna - Dittaino sections, Lot 5 of the Dittaino - Catenanuova section, and Lots 1 and 2 of the Fiumefreddo - Giampilieri section), and the 2nd Lot of the Vicenza crossing, on the HS/HC Verona - Padua section. In addition, work commenced at the construction sites of the Hirpina – Orsara, and Orsara - Bovino sections of the HS/HC Naples - Bari line, the Trento bypass, an important part of one of the nine rail corridors of the TEN-T trans-European network, and operations were started on 26 sites for the installation of ERTMS systems.

The increase in production activity, substantially in line with the Budget (-1%), resulted in Italferr's revenues growing by 13% compared to the previous year.

Although to a lesser extent than in 2022, the Company continued its work on the challenging recruitment plan to adjust the workforce to the new size required by market stresses in the year under review. Despite 587 new hires, between the beginning and the end of 2023, Italferr fell short of its initial growth target assumed in the budget, mostly due to the scarcity of supply of specialist resources in the labour market, and the high turnover as a result of the boost given by government interventions in the infrastructure and construction sector: net of retirements and turnover, headcount grew by 394, and average FTEs for the year stood at 2,799 (-122 average FTEs compared to the budget, and +455 on 2022).

The value of the actual average staff in 2023 resulted in a decrease in personnel costs from what was originally expected (-6%), but a 25% increase from the previous year.

Other net costs were also lower than expected (-7%), mainly due to savings achieved in costs for services while increasing by 4% compared to 2022.

The above-described trend in revenue and costs explains the Company's higher EBITDA and net result recorded compared to the Budget for the year and their increase, albeit small, compared to the previous year.

Specifically, **revenue from engineering services** may be broken down as follows by customer and geographicalsegment:

	2023		2022		Changes	
(€'000)	Amount	% of total	Amount	% of total	Amount	% of total
RFI	337,083	89%	301,529	80%	35,554	12%
Other group companies	13,438	4%	9,772	3%	3,666	38%
Other Italian customers	3,234	1%	4,578	1%	(1,344)	-29%
Total Italy	**353,755**	**94%**	**315,879**	**94%**	**37,876**	**12%**
EU countries	1,603	0%	1,538	0%	65	4%
Non-EU countries	22,887	6%	18,421	5%	4,466	24%
Total abroad	**24,490**	**6%**	**19,959**	**6%**	**4,531**	**23%**
Revenue from engineering services	**378,245**	**100%**	**335,838**	**100%**	**42,407**	**13%**

In terms of costs, **personnel expense** grew by 25% on the previous year. The increase was attributable, for 79%, to the larger workforce (+455 average FTEs), and for the remainder (21%) to the increase in the average per capita cost as a result of the enhancement and retention policies implemented during the year.

Other costs, net, as a whole, grew by 4% over 2022. The change was affected by the increase in higher **costs for services** (+€1,252 thousand, 1% on 2022), and in **other operating costs**. The former were adversely affected by an increase in costs for ICT services, and travel and subsistence expenses (up by 15% and 33%, respectively, on 2022) as a function of the increased number of resources and construction sites at which works were started. The latter were adversely impacted by the fact that, based on the expected performance of contracts showing losses, a provision of €5,930 thousand was set aside for contractual risks (+€676 thousand on 2022), and that, due to the growth in the workforce, the contribution given to Trenitalia for free employee transport was €478 thousand higher than in 2022.

Amortisation and depreciation increased due to the purchase of IT equipment (laptops and notebooks) for new hires and to the right-of-use assets, mainly linked to the partial renewal of the car fleet, and the renewal for an additional 6 years of two leases of the Rome and Verona offices.

Finally, **Net financial expense** increased by €385 thousand, or +35%, compared to the year, mainly as a result of the higher average exposure, and interest rates applied on the short-term credit line granted by the Holding Company (+€1,692 thousand in interest expense compared to 2022). This increase was partially offset by financial income arising from the failure to exercise the call option provided for in the quotaholders' agreements between Italferr and CREW, and from the adjustment to the provision for impairment of equity investments to the quota of capital held.

It should be noted that on 28 December 2023 the deed of demerger was signed between Italferr and FS Sistemi Urbani concerning the quota (80%) held by Italferr in Cremonesi Workshop S.r.l. - CREW-, and related liabilities, with accounting and tax effective date on 1 January 2024.
In anticipation of the demerger, the quotaholders' agreements signed by Italferr and the other CREW quotaholders in 2018 were renewed before their natural expiry on 30 November 2023, and were also signed by the beneficiary FS Sistemi Urbani. In the same manner as the previously applicable ones, the new covenants also provide for a cross call/ put option for the purchase/sale of 20% of the quota capital, with exercise to take place as of the approval of the CREW 2023 Financial Statements. Since on that date the option right may only be exercised by the beneficiary, Italferr has written off both the present value of the call option, recorded in equity investments, and the corresponding financial liability, and recovered the imputed interest expense allocated in previous years (€587 thousand).
After having brought the value of the equity investment down to the 80% actually held, the Company also reduced by 20% the Provision for write-down of equity investments set aside in previous years as a result of impairment (€531 thousand).

Reclassified statement of financial position

The Company's statement of financial position at 31 December 2023 is as follows.

(€'000)	2023	2022	Changes	
			Amount	**%**
Net operating working capital	198,042	181,584	16,458	9%
Other assets, net	(42,426)	(38,817)	(3,609)	9%
Net working capital	**155,616**	**142,768**	**12,849**	**9%**
Non-current assets	34,677	37,566	(2,889)	-8%
Equity investments	350	18,652	(18,302)	-98%
Net non-current assets	**35,027**	**56,218**	**(21,191)**	**-38%**
Post-employment benefits	(12,620)	(13,448)	828	-6%
Other provisions	(24,798)	(20,151)	(4,647)	23%
Post-employment benefits and other provisions	**(37,418)**	**(33,599)**	**(3,819)**	**11%**
Net assets/(liabilities) held for sale	**15,111**		**15,111**	**n.v.**
NET INVESTED CAPITAL	**168,336**	**165,387**	**2,949**	**2%**
Current net financial (position) debt	19,264	15,588	3,676	24%
Non-current net financial debt	16,278	19,611	(3,333)	-17%
Net financial (position) debt	**35,542**	**35,199**	**343**	**1%**
Equity	**132,794**	**130,188**	**2,606**	**2%**
TOTAL COVERAGE	**168,336**	**165,387**	**2,949**	**2%**

At year end, the Company's financial position showed a Net Invested Capital in line with 2022 due to the reporting of opposite changes in the related items. Specifically:

- Net Operating Working Capital increased by 9%, compared to the previous year, due to higher trade receivables driven by the increase in sales turnover compared to 2022 (+45%): the increase was recorded in the last months of the year, and, therefore, only partly generated cash inflows in the same period;
- Net Non-current Assets decreased by 38% compared to 2022, mainly as a result of the demerger of CREW that is described in the paragraph above, and that resulted in the reclassification of the item from non-current assets to Net Assets Held for Sale, in accordance with IFRS 5;
- Other Provisions increased by 11% compared to 2022, mainly due to the allocation to the Provision for Contractual Risks that became necessary due to the estimated future losses expected from contracts in the portfolio with negative margins.

Deferred tax assets (€11,349 thousand) were reclassified from Other assets, net to Other provisions compared to the previous year. The same reclassification was also made on the comparative values for 2022 in order to allow for a consistent comparison.

On the coverage side, Short-term Financial Liabilities showed a modest increase, when considered in absolute value, compared to the previous year (+€3,676 thousand). The slight increase in short-term exposure was substantially offset by reduced medium/long-term liabilities, due to payment of the 2023 instalments of the 10-year loan obtained from FS in 2018 for the acquisition of CREW, and by reduced financial liabilities on contracts for use (formerly IFRS16) substantially based on the fees accrued in the year.

Given their amount, the changes described above did not modify the incidence of the Company's equity on total coverage, compared to the previous year and, in fact, this incidence stood at 78% in both comparative periods.

Also with regard to sources of financing, it should be noted that Italferr has benefited, since the beginning of 2022, from an uncommitted line of credit obtained from FS Italiane.

At the end of July 2023, when the credit line expired, Italferr requested and obtained from FS Italiane the renewal, and the maximum amount to be raised up to €100 million in anticipation of the growth in liquidity needs generated by increased production volumes, and by a different trend, based on contractual provisions, between the value of the activities performed, and the related billable amount. However, the exposure to FS Italiane, for the portion used under the facility agreement, remained unchanged at the end of 2023 from the end of the previous year, and amounted to €35 million.

INVESTMENTS

In 2023, Italferr invested a total of €4,277 thousand. Most of these investments (€3,061 thousand) involved right-of- use assets for properties under lease (for a total of €1,776 thousand, including €1,326 thousand for the renewal for an additional period of 6 years of two leases of the Rome office, via Galati 87, and €450 thousand for the renewal of the lease of office spaces at the Trenitalia workshop in Verona Porta Vescovo), and the new long-term car rental agreement for construction site requirements (€1,285 thousand).

The remainder of the investments consisted of:

- purchases of laptops, notebooks, and other small IT equipment for employees in Italy and abroad (€877 thousand), as well as a drone for aero-photogrammetric surveys and measurements (€8 thousand);
- furniture and accessories for workplaces (€296 thousand);
- small office equipment (€35 thousand).

RESEARCH AND DEVELOPMENT

In 2023, Italferr carried out the following testing activities for the development and enhancement of the digitalisation process through the application of BIM:

- **creation of a proprietary Digital Twin environment** with the goal of implementing a highly customizable platform for different and new uses, and targeting the development of a broad spectrum of additions and new functionalities;
- **addition of GIS and BIM for integration of geo-spatial data** into BIM processes. This approach has enabled more coordinated and integrated management of infrastructure data, facilitating decision-making processes;
- **extension of the BIM methodology to additional specialist disciplines** not previously included;
- **implementation of business intelligence tools in BIM and Digital Twin processes** to improve design coordination, and reporting to company top management;
- **monitoring of the physical and economic progress of works**: study and implementation of processes that make use of project BIM models to support monitoring of the physical and economic progress of works. Work was started on testing in collaboration with the contractor of a lot of the HS/HC Naples-Bari line;
- **digitization of works management**: study and development of digital processes to support works management activities in quality control, environment, safety, and the performance and proper execution of works.

Italferr promotes a structured and systematic process to implement synergies capable of accelerating the development and integration of innovative ideas and solutions in the company, including in relation to the new Group organizational structure. With this in mind, the Company carried out, during 2023, the following projects in the area of:

- **Open Innovation*:***
  - Open Italy 2023 programme, under which Italferr carried out the following Proofs of Concept (POCs):
    - ✓ *CX 360*: the experimentation aims to streamline a platform, based on advanced artificial intelligence models, which enables customers to view and interact with complex engineering solutions;
    - ✓ *DocsGuard-AI*: leveraging artificial intelligence, the experimentation aims to automatically query documents in order to extract information of interest, and identify likely vulnerabilities inherent in projects, as well as extract additional information useful for risk analysis;
    - ✓ *Rain - Track Alert for Critical Infrastructure*: the experimentation aims to develop an early warning tool in the event of precipitation that may trigger hydrogeological instability to the detriment of rail infrastructure;
    - ✓ *Climate 4 Vulnerability*: the experimentation aims to develop a digital application that allows future climate conditions to be taken into account in the hydraulic design of rail infrastructure.
  - Safety Challenge: co-design, promoted by the Parent Company and in which Italferr participated as Mentor, to identify innovative solutions, which, through the use of artificial intelligence, are able to improve and safeguard the health and safety of FS Group workers.

- **National and international funded projects:**
  - Horizon Europe Program, in which Italferr carried out the RECONMATIC and MOST-H2 projects, dealing, respectively, with circular management of demolition and construction waste, and absorbent materials for hydrogen storage;
  - Life Program, in which Italferr carried out the LIFE SILENT project - "Sustainable Innovations for Longlife Environmental Noise Technologies", which deals with the development of sustainable and environmentally friendly solutions for noise mitigation in complex and densely populated urban areas;
  - Europe's Rail Joint Undertaking partnership: the FS Italiane group is a founding member of the partnership that establishes funding for research and innovation projects in the railway sector, and Italferr is involved in two flagship projects:
    - ✓ IAM4RAIL on the "Intelligent & Integrated asset management" with the research initiatives "Climate Resilience" to define a methodology for assessing the resilience of rail infrastructure to climate change, and "Blockchain for certification," for the development of a framework for managing rail infrastructure certifications via blockchain;
    - ✓ MADE4RAIL on "Maglev-derived systems for Rail", to assess the maturity of magnetic levitation technologies and technical-economic sustainability in rail application scenarios.
- **National funded projects:**
  - *BIM for Rail-LCA – MISE Call for tender*, developed as part of the Intelligent Factory Call promoted by the Ministry of Economic Development, aims to integrate the Life Cycle Assessment (LCA) analysis into the BIM design to compare the different design solutions, and support the assessment of more sustainable technical solutions in the various stages of the design. The project was concluded in the second half of 2023.
  - Research Program on "*National Sustainable Mobility Center*", supported by NRRP financial resources allocated to the Ministry of University and Research: Italferr participates in the initiative under the coordination of FS Italiane, and is involved on two Spokes: CNMS - Spoke 4 - WP2 concerning the study of alternative methods of train powering, and CNMS - Spoke 9 - WP3 concerning issues related to urban mobility.
- **Other projects:**
  - *Participation in the IRIDE Service Segment project*: the project is part of the larger IRIDE project managed by ESA - European Space Agency - with the support of the Italian Space Agency (ASI), which aims to launch a constellation of satellites for observing Italy. Italferr's role in the project is as a "Pilot User" to test the services that will be developed;
  - *Monitoring contamination in the soil by indirect drone surveys.*

In addition to in-house research, Italferr pursued and commenced wok on collaboration in scientific fields with Research Centers and Universities during the year, in the areas of railway engineering and digital methodologies.

Since it does not deal with the development of original methodologies and software, but merely adapting existing solutions to the needs of the railway sector, Italferr did not capitalize any of the research costs it incurred in 2023 (€1,121 thousand, including the cost of €11,758 hours of dedicated specialist personnel), as in previous years.

PERFORMANCE OF SUBSIDIARIES

Cremonesi Workshop – CREW Srl

CREW is an engineering and architectural company with 36 years of experience. It provides its customers with integrated architectural design, civil engineering and plant engineering services. Italferr acquired 80% of this company in 2018.

As reported in the preceding paragraphs, on 28 December 2023 the company was subject to a demerger in favour of FS Sistemi Urbani: with the demerger, which became effective from 1 January 2024, Italferr transferred to the affiliate the entire quota it held in CREW, and any related liabilities.

Over the years, CREW has expanded its organization, and diversified its activities across various sectors: currently, the company operates in the field of civil, structural and mobility urban architecture, in the areas of both design and works management, and MEP. In 2023, too, CREW maintained 21st place, by turnover, among the top 200 Italian companies in architecture, engineering and construction in the prestigious Guamari ranking, thanks to its versatility and achievements.

The year 2023 was a very positive one for CREW, which saw it significantly increase both its turnover (+90% on 2022) and net profit, which more than tripled compared to 2022.

The increase in revenues was driven both by a sharp acceleration of the contracts gained from RFI, against the framework agreement signed in 2022 in a grouping with Italferr for station upgrading, and by the completion of the high-margin "Superbonus 110%" contracts.

As for contracts gained in the year, it is important to note:

- the awarding, after the preliminary and final design, also of the executive architectural design of the Piazza Venezia station, and the preliminary and final architectural design of the Chiesanuova, Piazza Navona and San Pietro stations of Line C of the Rome metro;
- the design contract, received from Trenitalia, for the redevelopment of 30 rest rooms, distributed throughout the country. The contract was obtained after the development of 4 pilot projects at the stations of Naples, Turin, Rome Termini and Foligno;
- the contract, received from FS Sistemi Urbani, for preliminary and final architectural and plant design of the future Headquarters of the FS Group, at the Ligini Towers in the EUR district of Rome;
- the signing of a Framework Agreement with FS Sistemi Urbani for the design of parking lots, and other assets owned by FS Sistemi Urbani, throughout the country.

In response to the increase in managed contracts, and the resulting production volumes, during 2023, CREW expanded the company organization by establishing two departments, i.e. the Operations Department and the Technical Department, and by increasing its workforce: the company's resources increased, in fact, from 63 at the end of 2022 to 74 at the end of 2023, with an annual average of 66 resources.

In terms of capital and financial performance, CREW recorded an increase in net invested capital at the end of 2023 over the previous year, mainly due to the fact that it has accrued substantial tax credits that will be recovered in the next 4 financial years against the activities performed on "Superbonus 100%" contracts.

The 2023 results are summarised in the table below compared to the previous year.

€'000

	2023	2022	Changes	%
Revenue from engineering services	16,033	8,436	7,597	90%
Other revenue	11	18	(7)	-39%
Operating costs	(8,184)	(6,175)	(2,009)	33%
Gross operating profit	7,860	2,279	5,581	>200%
Operating profit	7,640	2,050	5,590	>200%
Profit for the year	**5,400**	**1,513**	**3,887**	**>200%**
Invested capital	9,275	5,082	4,193	83%
Net financial debt	(365)	(367)	2	-1%
Average number of employees (FTEs)	66	52	14	27%

I.E.S. - Infrastructure Engineering Services d.o.o.

In foreign countries, Italferr also operates through its wholly-owned subsidiary in Serbia, Infrastructure Engineering Services (IES).

The company provides support in the field of structural and architectural design, and works supervision, as well as operational support for Italian and foreign contracts on Italferr's behalf.

Since 2019, it also began diversifying its backlog, acquiring contracts from Customers on the Serbian market.

In particular, production in 2023 was developed in the following activities:

- support to Italferr in the design of noise barriers as part of RFI's Noise Remediation Plan, and in the design of works for the suppression of level crossings, under a contract that Italferr also acquired from RFI;
- supervision of works, in grouping with Italferr, on the Niš-Brestovac section for the contract with the Serbian Ministry of Finance, signed in May 2022. The Niš-Brestovac section is part of the formerly "X - tenth" corridor of the European network and, in the grouping, I.E.S. participates with activities equivalent to about 40% of the total;
- support to design control and audit for Italferr's Canadian contract: "Civil Hazard Log Update and V&V for Hurontario LRT of Safety related requirements";
- support to design under the Italferr's contract in Baltic countries: "Engineering services for preparation, procurement and supervision of Rail Baltica Control-Command and Signalling subsystem deployment."

The delay in the activation of some contracts in the portfolio from Italy no-captive market helped to close the year with a result lower than the budget estimate by about 15.5%, reaching a revenue value of about €1.3 million.

However, this unforeseen production development did not reduce the expansion and enhancement of experience and capabilities in civil engineering and works supervision of I.E.S., which, in fact, continued its work on the training of the group of experts in technology, electric traction, substations and telecommunications.

Against the forecast of new production volumes, and the need to diversify specialist skills, the workforce stood at 23 resources at year end.

The backlog of contracts with the Serbian Ministry of Finance, and of activities for the Hurontario and Baltic projects, combined with an expected increase in activities in support of Italferr in Saudi Arabia, enables I.E.S. to forecast growth in production volumes and profit margins in 2024 compared to the year just ended, and, in particular, with a production value of more than €1.5 million.

As in previous years, alongside orders from Italferr, I.E.S. has sought to enrich its own portfolio of independent and local contracts. It has, thus, recently signed a first contract for a "Tunnel Emergency Plan according to the TSI SRT for the Bubanj Potok and Leštane railway tunnels" with the largest Serbian engineering company.

As an addition to disclosures, the table below shows the main financial statements highlights of I.E.S. in 2023, compared to the previous year.

€'000

	2023	2022	Changes	%
Revenue from engineering services	1,277	1,492	(215)	-14%
Operating costs	(1,251)	(1,300)	49	-4%
Gross operating profit	26	192	(166)	-86%
Operating profit	8	185	(177)	-96%
Profit for the year	**3**	**152**	**(149)**	**-98%**
Invested capital	703	748	(45)	-6%
Net financial debt	(256)	(205)	(51)	25%
Average number of employees (FTEs)	22	21	1	5%

THE MACROECONOMIC CONTEXT [1]

Against a backdrop of heightened geo-political tensions[2], high inflation, albeit with a downward trend, and unfavourable financial conditions for households and businesses, the world economy continued to grow during 2023, moderately decelerating from the previous year. In particular, restrictive financing conditions have generated a significant impact on domestic demand, weakening the performance of goods trade, and worsening the short-term outlook for world trade, especially in advanced countries. However, according to the latest economic data the situation is very heterogeneous among the major economies: in the United States, signs of a prospective slowdown are beginning to appear; in China, no factors are emerging to revive growth, and Europe is struggling to recover from the stagnation that has characterised it for one year now.

Inflationary pressures generated by the price of natural gas continued to abate, despite a brief period of volatility due to tensions in the Middle East: thanks to high storage levels and abundant supply, the price at the end of December 2023 was, on the decline, just above €30/mwh[3].

Crude oil (Brent) prices rose again in the summer months, exceeding $90 per barrel, following the announcement of production cuts by Saudi Arabia and Russia and increased demand for oil from the travel and transportation sector. In the latter part of 2023, in the face of expected declining international demand and with U.S. oil production at record highs, Brent was trading below $80 per barrel, despite further announcements of cuts by OPEC.

Inflation has been falling across the board[4] as a result of falling energy commodity prices from last year's peaks, but the core component is following a more gradual path of return. Against this backdrop, the Federal Reserve and the European Central Bank have reaffirmed their close surveillance of price trends, keeping monetary policy rates unchanged, even at the end of 2023, placed at the maximums, with the prospect of a possible reduction around mid-2024.

[1] Source: Prometeia macroeconomic data, December 2023.
[2] While the war in Ukraine has now lasted for about 20 months, a new armed conflict has been going on in the Gaza Strip between the State of Israel and the Hamas paramilitary group since October 2023.
[3] Values refer to the reference natural gas price for European markets (Title Transfer Facility, TTF).
[4] According to the most recent Prometeia estimates, the harmonised index of consumer prices (HICP) for the Eurozone showedinflation of 5.4% in 2023 (2022: 8.4%) while the HICP for the US showed price increases of 4.1% (2022: 8%).

International trade data	2022	2023
	(% change on previous year)	
GDP		
World	**3.3**	**3.1**
Advanced countries	**2.6**	**1.5**
US	1.9	2.4
Japan	0.9	1.7
Eurozone	3.4	0.5
Emerging countries	**3.6**	**4.1**
China	3	5.5
India	6.5	7
Latin America	3.7	2.2
Oil (Brent, $ per barrel)	99.0	82.5
International trade	3	-0.6

Source: Prometeia, December 2023

In considering this scenario, according to Prometeia estimates, growth in global GDP came to +3.1% in 2023 compared to 2022 while the trend in world trade appeared to be slightly downward (-0.6%).

Growth projections for 2024 suggest another decline in the global GDP growth rate (+2.6%), with industrialised nations slowing the most (+1.1%), alongside emerging countries (+3.6%).

In the **United States**, with the decisive contribution of household consumption and residential property investment, GDP accelerated strongly in the third quarter (+1.3% over the previous quarter). The resilience of the labor market may continue to make a positive contribution to disposable income, but the depletion of the hoard accumulated during the pandemic, and a reduction in the propensity to save, result in less favourable conditions for consumption growth in the coming quarters. However, the slowdown in China's economy enabled a strengthening of the U.S. position in the global context, with the dollar appreciating against major currencies, reflecting significant capital inflows.

In **China**, the third quarter stunned on a positive note with GDP growth of +1.3% on a cyclical basis. This trend is largely attributable to household consumption, although it was largely affected by the statistical effect related to weakness throughout 2022, rather than a real change in preferences. Household bank deposits, in fact, continued to grow at rates above the pre-pandemic average, signalling low confidence in an upcoming recovery, due to both persistently high unemployment and uncertainty about the development of the real estate market. The outlook is therefore for more moderate growth than in pre-pandemic years, with more downward than upward risks, especially when incorporating geopolitical considerations that result in trade barriers.

In the **Eurozone**, weakness, which until mid-2023 seemed to characterise Germany in particular, spread to other countries in the second half of the year, leading to substantial stagnation. As in the U.S., in Europe the resilience of the labour market suggests a positive contribution to disposable income, but households continue to save more than they did before the pandemic, suggesting the possibility of weak private consumption even in early 2024. The annual comparison between European countries shows the growth in economy in Italy (+0.7%) coming in second to Spain (+2.4%) and France (+0.8%), but slightly higher than the EMU average (+0.5%). Weakness in the German economy stands out (-0.2%).

	2022	2023	2022	2023
	GDP		Inflation	
	(% change on previous year)		*(% change on previous year)*	
Eurozone	**3.4**	**0.5**	**8.4**	**5.4**
Germany	1.9	-0.2	8.7	6
France	2.5	0.8	5.9	5.7
Italy	3.9	0.7	8.2	5,7*
Spain	5.8	2.4	8.3	3.4

Source: Prometeia, December 2023

**source: ISTAT, January2023*

Against the backdrop of slowing global growth, since the positive effects of resuming operations after the pandemic, and the consolidation of the negative effects of inflation and restrictive monetary policies have worn off, the **Italian economy** has been virtually at a standstill for the past year. Considering the main aggregates of domestic demand, gross fixed investments and imports have stagnated, but noteworthy, particularly in the summer months, are the good performance of exports, despite the weakness of the international cycle and of Germany, and the resilience of household spending. Although high inflation has continued to cut purchasing power, durable goods[1] and services in fact continue to drag consumption. In particular, a spending choice has been affirmed, which, in response to a tighter constraint, shifted household demand towards services (particularly those related to sociality) while savings were preferred in the categories of food (non-durables), and clothing (semi-durables).

In 2023, Italian GDP growth came to +0.7 on the previous year. The consumer price index for all of Italy, which was moderate during the second half of the year, showed growth of +5.7% on 2022.

GDP and main components	2023			
	Q1	Q2	Q3	Q4
	% change on previous quarter			
GDP	0.6	-0.4	0.1	-0.1
Domestic demand	1.1	0.2	-0.8	0
Spending by households and private-not-for-profits	0.6	0	0.7	-0.1
Public administration spending	0.4	-1	0	0
Gross fixed investments	1	-2	-0.1	0.3
- construction	0.3	-3.8	0.5	0
- other durable goods	1.7	-0.2	-0.7	0.7
Exports of goods and services	-1.4	-1.1	0.6	0.5
Imports of goods and services	0.2	0.7	-2	0.9

Sources: Prometeia, December 2023

[1] The growth in consumption of durable goods finds justification in the automotive sector, evidenced by the trends in new vehicle registrations (2023 closed at +19% on 2022).

MARKET PERFORMANCE

Italy

During the year, the construction market continued to show a significant development, and Italy improved its ranking by 5 positions, compared to the previous year, placing 17th in the world ranking Global Attractiveness Index, compiled by "The European House - Ambrosetti", including the most attractive countries for investment and, more generally, for business development.

MRT-Mass Rapid Transit (tramways, metros, monorails, trolley buses, urban and suburban railways), a sector considered to be strategic, has received a significant boost mainly from NRRP funds, and ministerial or European funds (e.g., Development and Cohesion Fund).

Europe

Although, during the course of the year, the European Union's economy lost momentum compared to original forecasts, its performance was confirmed as growing, and many of its Member States maintained their position in world rankings in terms of attractiveness for investment.

A positive contribution to the performance of the European economy was given by investments from Member States financed with Next Generation EU funds, a substantial part of which have been in the rail sector, which is considered to be strategic for reducing the environmental impact of passenger transport in Europe.

Outside the European Union, the United Kingdom was confirmed as an evolving market for High Speed Rail investment even though, in October, Prime Minister Rishi Sunak declared that phase 2 of High Speed Rail (HS2), from Birmingham to Manchester, will not go ahead.

North America

The U.S. is experiencing a moment of great ferment from the standpoint of reviving rail investment, in a sharp reversal of the past 40-year trend of underfunding in the infrastructure sector.

Although somewhat delayed from the launch of the Biden Administration's Infrastructure Bill, the emerging scenario is one of a gradual implementation of the massive funding ($66 billion) that has been announced.

For Italferr, the main sector in which to invest is High Speed Rail, an area in which the Company's distinctive skills may find interest from its American counterparties.

The U.S. market context relies on certain requirements that must be considered according to an approach based on local presence: in the U.S., in fact, the "Buy America" is in force, which privileges American companies, operators and products. This also applies to engineering companies, which, if only to participate in tenders, must demonstrate that they have an "American" vehicle with appropriate licenses in the country.

Canada

Thanks to the considerable federal funds earmarked to extend and upgrade its passenger transport systems, especially in the mass transit sector, Canada continues to offer attractive opportunities in the metropolitan sector of major cities (Vancouver in British Columbia, Calgary and Edmonton in Alberta, Montreal and Quebec City in Quebec, and Toronto in Ontario), and in the long-haul sector through the announced new High Frequency rail connection between Quebec City and Toronto.

Latin America

The Latin American recovery plan is still incomplete and inconsistent, more extensive in countries with stronger institutions, and more tax leverage, like Chile, Colombia and Brazil (the latter has adopted a new railway legal framework that provides for a licensing scheme with the aim of facilitating investment in rail infrastructure, and developing Brazil's rail network by 40% by 2035).

Middle East

The easing of Covid-19 restrictions, and rise in hydrocarbon prices have started to re-energise a market that had been lethargic for many years. Specifically, there has been a vigorous recommencement of investment plans by many states, including the United Arab Emirates, Bahrain, Oman and, especially, Saudi Arabia. Indeed, Saudi Arabia is continuing its updating process, which has entailed massive investments in infrastructure for the modernisation of the country unavoidable, in line with the objectives outlined in "Vision 2030", the plan that calls on all major players to design and build the infrastructure. Initiatives like NEOM are bright examples of the general technological and specific railway innovation in progress.

Central Asia and Far East

The consequences of the serious political tensions and social inequality in this region are provoking internal turmoil and cross-border conflicts scuppering the possibility of recovery expected as the pandemic restrictions are relaxed. However, growth in some of the Central Asian countries remains strong.

In **Central Asia**, the continuation of the ongoing conflict between Russia and Ukraine continues to have an effect on reshaping Central Asian alliances, raising the level of attention from the European Union, which fits into the dynamics historically involving Russia and China. In particular, Italy hosted the Italy-Uzbekistan Business Forum in June, which saw the participation of many Uzbek and Italian industrial entities and, among others, SACE as a supporter of some projects.

In view of the infrastructure needs in the area, which is a centre of gravity for connections between Caspian and Black Sea, the focus on the Caucasian countries is confirmed while, however, considering the possible reverberations of the ongoing conflict on the stability of the region.

India

The infrastructure sector continues to be a key factor in the Indian economy. The Indian government puts significant emphasis on this sector since it is a crucial to India's overall growth, and seeks to ensure that adequate infrastructure is built on schedule throughout the country.

The Indian government is trying to create intense momentum through policies to ensure top-notch infrastructure in India: major infrastructure and industrial projects are underway in the country, which are worth more than a trillion dollars.

For 2018-2030, the government has proposed investments in railway infrastructure of €750 billion. The infrastructure sector remains a driving force for the Indian economy, and is expected to remain so in the coming years.

Indeed, the Indian market has confirmed the main customers' plans, although some delays are noted, thanks to a solid financing system supported by severalsources of financing, including leading international and regional investment banks.

Although the country's operational complexities have not diminished, investment plans for the Indian railways have moved forward, and with them the planned infrastructural developments. The growth rate of the Indian economy remains one of the highest in the world, as much in railway as in mass transit, freight transport and even roads.

Australia

Australia continues to roll out large investment programmes for the infrastructure and transport sectors, but has initiated a general review on the allocation of funds in order to rationalize interventions.

The Government in office from 2022 has also revived prospects for the construction of a High Speed rail network to connect Australia's major cities, although with timelines not yet clearly defined. The High-Speed Rail Authority, established in late 2022, started its operations in June 2023, and as early as August of that year, it made its first inspections to implement and review business cases to support the first projects. In addition, each of the Australian states has put in place substantial investment plans for local transport to connect the suburbs of major cities with the urban centres where production and business are concentrated. Nor is the effect of the preparations for the 2032 Brisbane Olympics negligible, with dedicated investments. However, the general increase in the cost of funding has forced the central and local Governments to carefully review plans that could impact the future implementation of expected projects.

Africa

The African continent is compensating the negative effects of the pandemic with higher commodities prices, and this has enabled it to resume direct investments in mining and the related infrastructure (rails and ports). Given the continent's vast size and its heterogeneous geographic, demographic and economic conditions, Africa presents certain areas with significant political instability, and other areas where the development process is picking up speed. Opportunities in the infrastructure sector must therefore be related to the complexity of the context, and embedded in the broader pattern of ongoing international relations.

Performance by business segment

Intragroup

In In Italy, Italferr mainly operates with the FS Italiane group companies. In 2022, it signed contracts with them for a total of €1,073.5 million, including €1,060 million with RFI (roughly 98.7 % of total contracts).

The significant value of the contracts gained from RFI was mostly due to checks of executive design, and the works management on the 2nd Functional Lot "Vicenza Crossing" of the HS/HC Bologna-Padua railway line (€67.3 million), Lot 1a Battipaglia-Romagnano of the new HS Salerno - Reggio Calabria line, and interconnection with the existing Battipaglia-Potenza line (€67.2 million), the construction of the first 4 lots from Fiumetorto to Nuova Enna on the Palermo - Catania - Messina railway route (whose total value is €149.2 million), and the works management for the Florence Rail Link, and HS Station (€45.7 million).

In addition to the contracts for the supervision of executive design and works management, in 2023, Italferr acquired from RFI new contracts for the development of the TEFSs of the New Passo Corese-Rieti line (€39. 3 million), Lots 1b Romagnano-Bonabitacolo, and 1c Buonabitacolo-Praja of the HS Salerno - Reggio Calabria line (€11.0 million), the final design related to the Spoleto - Terni track-doubling (€11.7 million), and the track variant of the Bari Santo Spirito - Palese section (€8.9 million).

During 2023, contracts were also signed with Ferservizi (€7.9 million) for the design and works management related to the "Energy Project" established with the aim of generating distributed electricity from renewable sources for a gradual independence from fossil fuels of the country's railway system in order to optimize energy consumption that will see Italferr involved during 2024.

Again during the year, Italferr gained contracts from ANAS (€0.7 million) for consulting and assistance services for the testing of the IHMS (Infrastructure Health Monitoring System), for the support and testing of the application of a new methodology for the planning of hydrogeological instability mitigation interventions, the application of the Envision Guideline to the State Road SS675 Umbro Laziale project, and the preparation of the documentation necessary to launch on the market an initial expression of interest to implement the charging infrastructure by exploiting ANAS appurtenances.

Finally, Italferr acquired contracts from TELT S.A.S (€0.9 million) for works management for the construction of the Base Tunnel on the Italian side, the open-air works of the Susa Plain, the Bussoleno Interconnection Tunnel, and the base tunnel of the cross-border section envisaged in the project for the construction of the new Turin-Lyon rail link.

The table below shows the value of contracts acquired in the year, broken down by customer and service type:

in millions of euros

Customer	Service type			Total	% of total
	Consultancy	Design	Works management		
RFI	101.2	261.1	697.7	1,060.0	98.7%
Ferrovie del Sud Est	0.9	0.2	1.6	2.8	0.3%
Trenitalia	0.2	0.1	0.1	0.4	0.0%
Ferservizi		7.1	0.9	8.0	0.7%
FS	0.1			0.1	0.0%
FS Sistemi Urbani	0.7			0.7	0.1%
T.E.L.T.			0.9	0.9	0.1%
ANAS	0.7			0.7	0.1%
Total	**103.9**	**268.5**	**701.2**	**1,073.5**	**100.0%**

The contract backlog amounted to €2,028 million at 31 December 2023.

Again at year end, work commenced on negotiations for additional contracts worth a total of €113.47 million. The contractual documentation for these projects has already been sent to customers.

The bids that Italferr has submitted, which should lead to the execution of contracts in 2024, are detailed by customer and service type in the table below.

in millions of euros

Customer	Service type			Total
	Consultancy	Design	Works managements	
RFI	18.3	44.4	45.4	108.0
Ferrovie del Sud Est		0.8		0.8
FS Security		0.3	0.4	0.8
Trenitalia	0.3			0.3
FS Sistemi Urbani		3.4		3.4
Busitalia	0.2			0.2
Total	**18.7**	**48.9**	**45.8**	**113.5**

The market

On the non-captive **Italian market**, Italferr continued to diversify its business, focusing on urban and metropolitan public transport projects, large railway projects and its entry into new markets.

During the year, the Company drew up designs for urban public transport projects that had been awarded, including the Skymetro in Genoa, and developed support to the Municipal Government of Genoa at the services conference stage for the Four Axes of Strength project. Project activities related to the Bergamo tramway line were also completed during the year.

In addition to developing the local public transport market, Italferr deepened its commitment on cross-border projects with additional implementation orders relating to TELT contracts for the HS Turin-Lyon line on both the French and Italian sides.

During 2023, Italferr continued its work on providing Technical Support to the Extraordinary Commissioner Function of the A24 - A25 Motorway through the development of the activities envisaged in the existing Agreement with the A24 - A25 Commissioner.

Within the scope of this Agreement, Italferr prepared the tender documents for the structural upgrading of several viaducts on the motorway, and started the activity of verifying the projects (technical and economical feasibility of the project and detailed design) submitted by the contractors that had been awarded the first lots for the execution of the structural safety works on the first 15 viaducts, considered to be of priority interest (Lots I, II and III).

In addition, the Company commenced its work, as part of the Smart Road Framework Agreement, on the Audit of the executive design of the dynamic monitoring of the first 40 viaducts of the A24 - A25 motorway, and completed the design support activity for the Technical and Economic Feasibility for the upgrade of the Gran Sasso watersystem.

In **Europe**, Italferr continued its business activities to enter the highly competitive Nordic and English markets.

In the **Baltic states**, the Company continued its work on the TEN-T Rail Baltica Project, financed with the Recovery Fund of the Next Generation EU, by developing two major design, procurement support and works management contracts in the area of energy and signalling subsystems, and by winning the Works Supervision contract for the execution of civil works for 230 km of High Speed line in Latvia.

In the **United Kingdom**, Italferr finalized bids, during the year, for design activities related to Lots 1 and 2 of Track Urban Phase 1, and 2A for HS2 project railway systems and technologies.

In **Balkans**, and, more specifically in Serbia, Italferr started business activities for the tender for Works Supervision of the High Speed section between Belgrade and Niš. It should be noted that the Adriatic-Balkan area is of particular interest to the Italian government, which, through the Ministry of Foreign Affairs and Economic Cooperation, has developed a Strategic Action Plan offering a survey of the state of economic relations with the countries in the region - Albania, Bosnia-Herzegovina, Croatia, Kosovo, North Macedonia, Montenegro, Serbia and Slovenia -, and outlines lines of action to strengthen the role and presence of the Italian business system in the area, looking at both opportunities in the transport infrastructure sector and those in the energy transition sector.

In the **U.S.**, Italferr participated in the DBFOM Track and Systems tender for the California HS rail: however, the Californian Authority cancelled the tender at the end of the year. In addition, the Company maintains high interest in the Houston - Dallas HS line project in Texas, but the project is still on standby in connection with the definition of financing and project management.

In 2023, following the work performed in the past two years, Italferr continued its operations in **Canada** for the Mobilinx consortium to build the tramway line in Hurontario (Toronto), and started those in support of the CONNECT 6ix Consortium for design and consulting services as part of the RSSOM (Rolling Stock, Systems, Operations and Maintenance) initiative on the Metro Ontario Line with two contracts relating to design for the Track & Alignment project and technical assistance for RAMS (Reliability, Availability, Maintainability, Safety) services, respectively.

As part of the PTUS (Pape Tunnel and Underground Stations) initiative, Italferr was, in addition, awarded the design for the Metro Ontario Line itself, supporting the Pape North Connect consortium engaged in the construction of three km of twin tunnels, two underground stations, the interface with Line 2 of the Toronto Transit Commission, and related works.

In **Latin America**, Italferr continued its work on the Colombian project for the first underground line in Bogotá, with local and international financing, and, furthermore, it successfully completed activities related to the Transandine project, in Peru. Finally, the Company continued to explore opportunities for further work in Colombia and Peru, as well as opportunities for new ventures in Chile and Brazil.

In the **Middle East**, Italferr is focused on the Saudi market, having won the design services for the Greenfield High Speed line called South Connector, which is part of the futuristic NEOM project, the most important "Giga Project" in Saudi Arabia to build a new, resilient and sustainable city.

Also in Saudi Arabia and pending the final award of the PMC work on the Saudi Landbridge project, submitted by Italferr in Joint Venture with international Players, Italferr has, in addition, prepared additional bids, currently in the tender phase, as part of the infrastructure development of the NEOM project, and has submitted bids, together with international Partners already identified, for the design services related to a tramway line in Qiddiya, the new capital of entertainment, sports and the arts, which is part of the Saudi Vision 2030 Plan.

Finally, Italferr submitted a bid for design services related to the Design & Build initiative concerning the cross-border rail link between the United Arab Emirates and Oman: the new passenger and freight rail line will connect the cities Abu Dhabi and Sohar.

In the **Indian market**, Italferr, through the offices in New Delhi and Mumbai, continued working on projects (mainly PMC), which it had acquired in previous years. In recent years, the pandemic in India had a significant adverse impact on the cost of labour for international experts, which has not returned to pre- pandemic levels. Available experts are also much more difficult to find. Italferr has, in addition, continued its scouting activities for new business initiatives, although it has noted a gradual slowdown in the import of know-how in favour of the use of skills and knowledge that have been acquired in local areas.

In **Australia**, Italferr started, during 2023, the development of the first phase of the project of the section of the line from Gowrie to Kagaru (126 km) following an award for the execution of the works to the Consortium for which it was designer together with other international Players. Works were then suspended by the Australian government following a review of priorities. However, the works of the first phase were successfully completed. During 2023 Italferr also commenced its work on the tender for the Logan and Gold Coast Faster Rail project, relating to the doubling of the existing railway line between Beeinleigh and Kuraby, on the east coast of Australia, in the Brisbane area.

The non-captive contract backlog of Italferr amounted to €83.7 million at the end of 2023.

Performance of main competitors

The geopolitical challenges the world is facing, as well as climate change, have directed the choices of Governments to support the economy, promoting more sustainable and resilient solutions, than in the past.

These guidelines have led to a partial reconfiguration of markets and, in any case, growth in demand for infrastructure. Top players operating in the international design market have reacted promptly to the stresses of the changed environment by reconfiguring their activities to control rising production costs, and generate more sustainable solutions while achieving an increase in their turnover: according to the 2023 ranking by the US magazine ENR (Engineering News-Record), the foreign turnover of the top 225 engineering companies operating globally is up by 8.8% on the previous year. In absolute terms, the turnover of the world's leading engineering companies stood at USD200.9 billion, including USD76.3 billion in revenue abroad, surpassing pre-Covid values.

Whereas the global engineering service market consists of large, mostly Anglo-Saxon, multi-national players, the Italian market is still dominated by small- and medium-sized enterprises. In this context, Italferr continues to play a leading role in the industry by confirming itself at the 1st place in Guamari's 2023 ranking of the top 200 engineering companies operating in Italy (the chart below shows the highlights of the top 15) while, globally, Italferr improves its position in the rankings by reaching 110th place of engineering companies based on total annual turnover (+8 positions compared to 2022), and 143rd place by foreign turnover (+1 position compared to 2022).

Ranking 2023	Ranking 2022	Società	Fatturato 2022 (Mio EUR)
1	1	ITALFERR Gruppo Ferrovie dello Stato Italiane	336
2	2	RINA	187
3	3	eni progetti	138
4	6	TECNE	126
5	4	ITALCONSULT	118
6	5	acea ingegneria e servizi	118
7	7	PROGER	110
8	8	SINA	91
9	9	DBA GROUP	85
10	11	SOGESID SPA Ingegneria Territorio Ambiente	53
11	10	SIPAL	51
12	15	F&M ingegneria	46
13	13	ARTELIA	41
14	17	Jacobs	41
15	14	italsoft	40

THE ENVIRONMENT

Sustainability

In line with the guidelines set out in the EU Green Deal, and the FS Italiane group's strategies for achievement of the Sustainable Development Goals (SDGs), several years ago, Italferr began integrating sustainability more effectively into its infrastructure projects.

This led the Company to develop and fine-tune an integrated, systematic and multi-disciplinary approach to developing infrastructure projects, geared towards land rebalancing, using solutions that protect the environment, using resources in an efficient manner with a view to circular economy, protecting and enhancing cultural heritage, landscapes, the environment and biodiversity, a more resilient infrastructure, and creating new sustainable mobility and value scenarios for the development of local communities, and the inclusion of settled communities.

For this purpose, Italferr has adopted Company guidelines, updated from time to time according to the development of methodologies and regulations, and working and coordination groups, which deal with all specific issues of sustainable infrastructure design, from the environmental, social and economic points of view.

Since it is aware of the determinant role that engineering can play in taking tangible actions to help reduce greenhouse gas emissions, Italferr has, for several years, voluntarily decided to apply the UNI ISO 14064 standard to quantify and report on the greenhouse gas emissions produced by its design and construction activities for the new transport infrastructure. The Carbon Footprint method, certified by a Third-party Body, enables the Company to calculate the carbon footprint of each project, thus becoming an effective operating tool that directs designers in the refinement of design solutions, and drives contracting companies to procure the most sustainable construction materials during the execution of the work.

The year 2023 was a significant year during which there was the confirmation of the systemic use of the "CO_2 rate scale", which was also integrated into the STR Vision 4AS software for an automated inventory of the CO_2 equivalent emissions of materials, transport and processing in the construction of infrastructure works. This makes it possible to rapidly assess the impacts of works on climate change. During the year the CO_2 rate scale was confirmed in accordance with the ISO 14064 standard by the certifying body as part of the audits, which involved the application of calculation to the final design of the new "Variante Val di Riga" rail link variant project.

In the sustainability integration process, stakeholder engagement assumes value in order to identify the priority needs of local areas, and to make people understand the role of infrastructure as an active component of landscape transformation and redevelopment processes. With this in mind, Italferr has developed Stakeholder Engagement activities that have led to the drafting of specific sustainability analyses, thus allowing to highlight the benefits offered in the long term by each infrastructure project under consideration.

Italferr's model has been implemented on the basis of both the guidance of the "Guidelines for the preparation of the technical and economic feasibility study as the basis for the public contracting of works under the NRRP and Supplementary National Plan", issued by the Ministry of Infrastructure and Transport, both in relation to the provisions of the new Code of Public Contracts (Legislative Decree no. 36/2023). For the Technical and Economic Feasibility Studies financed under the NRRP, specific assessments have also been carried out on the environmental objectives set out in Regulation (EU) 2020/852 (the Taxonomy Regulation) to ensure application of the Do No Significant Harm (DNSH) principle.

In addition, the Company has long adopted the Envision Protocol, the first rating system and certified tool for assessing the sustainability of works, which outlines guidelines for integrating sustainability criteria into the design and implementation of infrastructure interventions, enhancing their social, economic and environmental benefits. This protocol has been applied for the design of point and linear works, both at the TEFSs, and Final Design stages.

A Territorial Impact Assessment model has also been developed to assess the benefits of infrastructure projects in terms of territorial cohesion, which is based on a set of performance indicators consistent with the efficiency, quality and territorial identity criteria (Espon, 2006), the cohesion objectives relating to the Europe 2020 Strategy (Smart Growth, Sustainable Growth and Inclusive Growth), and the priority objectives of the 2021-2027 Cohesion Policy.

Finally, the Sustainable Procurement process was launched to help raise the sustainability profile of Italferr's supply chain, which provides, in particular, for the inclusion of sustainability criteria within technical specifications, and negotiation activities for significant product categories, in order to outline and strengthen a business model capable of nurturing a process of sustainable development, and also in implementation of the FS Group's Sustainability Governance Model.

Environmental Management System

The Company, for some years now, has decided to adopt, on a voluntary basis, an Integrated Management System in the areas of Quality, Environment, and Occupational Health and Safety to comprehensively address these three key areas, and implement a process of continuous improvement.

In this area, Italferr obtained, in 2023, too, the confirmation of its ability to ensure the effectiveness of the system it had adopted by maintaining the certificate of conformity of its Integrated Management System to the requirements of the ISO 9001 (Quality management system), ISO 14001 (Environmental management system), and ISO 45001 (Occupational Safety management system) standards, following the positive outcome, with no "non-conformities," of the Audit conducted by Quaser Certificazioni.

In 2023, too, Italferr distinguished itself, as mentioned above, in the field of environmental sustainability, obtaining the certification of conformity of the "methodology for quantifying and reporting greenhouse gas emissions generated by the design and construction activities of transport infrastructure" with the requirements of the ISO 14064-1 standard.

CUSTOMERS

For several years, Italferr has been digitalising its processes so that performance meets the expectations of the Group companies and its customers. This process is fully in line with the FS Italiane group's Business Plan, in which the digitalisation of processes is a key factor for the improvement of infrastructure. This key role is evidenced by the delivery of some of the main projects to the customer RFI, which apply BIM, and by a strong development in the use of the Digital Twin, as an opportunity to engage local and industry stakeholders, as well as a strategic tool for authorisation processes.

Digital technology is also a key turning point for the world of construction sites. As part of its works management activities, Italferr continued, in fact, its work on projects to digitalise and innovate processes in order to make them more efficient. This also entailed various upgrades for integrated contracts, non-captive contracts, and technological projects such as the ERTMS.

In order to govern the ongoing digitization process in a unified manner, the Company has already intervened, since the previous financial year, on the organization of its technology department, rethinking it according to the new approach of a hub & spoke operating model, and also assigning it the role of Digital Rail Infrastructure Development at the end of 2023.

The steps forward made, and the fine-tuning of the organization have enabled Italferr to take on the role of the Group's B.I.M. Competence Center and Digital Twin, and will provide the impetus for new uses of advanced technological tools, in the areas of Mass Transit, and monitoring of existing works, areas in which the first experiments were carried out during 2023.

HUMAN RESOURCES

In 2023, the Company ramped up efforts to increase the number and quality of its workforce in the pursuit of the objectives in the new Business Plan, and in response to market challenges.
The Company's total workforce showed a net increase of 394 people.

HDC	31.12.2023	31.12.2022	Changes
Managers	85	72	13
Junior managers	854	711	143
White collars	2,032	1,825	207
Employees	**2,971**	**2,608**	**363**
Seconded	(5)	(8)	3
Temporary staff	61	33	28
Total	**3,027**	**2,633**	**394**

After taking account of the trend in promotions and employee turnover, and excluding seconded employees, the Company's workforce was broken down as follows at 31 December 2023:

Actual HDC	31.12.2022	New hires	Departures	Hiring of temporary staff	Net change	31.12.2023
Employees	2,608	512	(186)	37	363	2,971
Seconded	(8)	3			3	(5)
Temporary staff	33	72	(7)	(37)	28	61
Total workforce	**2,633**	**587**	**(193)**	**0**	**394**	**3,027**

The average number of employees was 2,799 as in 2023, as illustrated in the table below[1]:

Average FTE	2023	2022	Change
Managers	78	64	14
Junior managers	771	656	115
White collars	1,917	1,560	357
Employees	**2,766**	**2,280**	**486**
Temporary staff	33	64	(31)
Total	**2,799**	**2,344**	**455**

Temporary staff remained a pool for hires on an open-ended basis, in addition to providing flexibility.

Relationships with trade unions

In 2023, practically no employees abstained from work to participate in strikes.

The new organizational structure launched in the middle of the year, and the recruitment plan were explained to the National Trade Unions. Meetings were also held at local level in Naples and Reggio Calabria.

[1] FTE: Full time equivalent.

Finally, at the end of 2023, the program of task forces to support NRRP priority projects was shared with the National Trade Unions.

Recruitment, management and development

In 2023, in preparation for the challenges of the Business Plan, and NRRP, work continued on strengthening the skills of the team dedicated to the selection of new resources, and on making the work methodologies and process timing more efficient, in order to meet the growing needs of the Line Departments, linked to increased production volumes.

The actions put in place during the year resulted in the identification and recruitment of 515 resources, the transformation of 37 temporary employment contracts into permanent employment contracts, and the signing of 72 new temporary employment contracts.

In order to convey the vision of an open, supportive and welcoming environment, the project of "caring" new hires was strengthened through onboarding sessions, direct acquaintance with the Human Resource Business Partner (HRBP) of reference, immediate Buddy assignment, and timely delivery of the digital kit.

Again during the year, in order to enhance company competencies, a significant programme of job-level transitions and salary measures was carried out, with special focus on employees belonging to the Works Management Departments.

Furthermore, work was strengthened on the program of extension of the three-year "stability pacts" with the aim of protecting corporate know-how for identified critical roles and/or for retention/attraction actions.

In addition, in order to promote the "agile working mode", a new remote working agreement was signed at the Group level during 2023, which will also allow access to the other roles of the Works Management Departments (Works Management and Safety Coordinator in the execution phase).

With regard to staff development, 710 resources were assessed during 2023 (+125% over the previous year, of which: 312 in Graduates Development Center, 299 for access and growth in Junior Managers area, 80 positions for Middle Management positions, and 19 for Senior Management). For Junior Managers area assessments, a new methodology was adopted with the introduction of Hogan tests, internationally recognized as among the most reliable to assess the managerial potential of each resource.

Organisational structure

As previously reported, during the year the Company underwent a major reorganization designed and implemented to make it more flexible, more integrated and more dynamic, capable of dealing with the growing complexity of the market in which it operates, and transforming constraints into opportunities.

Based on these principles, the main cornerstones of the reorganization, launched on 15 June, were:

- strengthen the team supporting project managers entrusted with the management of contracts with Italferr's customers;
- establish a specialist structure, the Construction Engineering Department, dedicated to operation of construction sites, work scheduling, interference, and field and project engineering;
- concentrate all activities dedicated to innovation and digitization in a single structure: this involved assigning the full digital design of rail infrastructure to the Technology Innovation and Digital Spoke Department, which, as a result of this expansion of competence, changed its name to "Tid Spoke & Digital Rail Infrastructure Development."

Training

Since 2023, Italferr has structured the training proposal within “Learning Spaces” defined according to functional areas. Specifically, 8 clusters have been identified, which in turn have been divided according to the content of the training courses. This framework has made it possible to better structure the training offer, and to propose targeted initiatives to the Departments based on the training needs both in terms of professional upgrading and soft skills.

From January to December 2023, 2,848 resources were trained, for a total of over 199 thousand hours (approximately 8 days per capita), of which more than 50% was for technical and professional training and refresher courses, confirming the Company’s vocation towards investing in lifelong learning. In addition, through training courses, the Company’s core professionals - e.g., engineers, geologists, architects, project managers, BIM professionals and ERTMS experts - earned credits, and national and international certifications.

In addition, during the year, Italferr activated and implemented new guidance courses, and kicked off stage one of the managerial training upgrade to support operational roles called upon facing growing complexities, including by attending FS group-wide courses.

Lastly, again in 2023, the Company continued providing qualified training to the group companies and to third parties to drive professional growth in the engineering sector.

Safety training required by Legislative decree no. 81/2008

In 2023, the Company carried out many regulatory compliance activities, which also included some organisational changes.

With regard to the latter, a new PPSO has been appointed within the Rome Protection and Prevention Service, and the PPSO for the Verona office, previously in ancillary service, has been confirmed on a permanent basis.

Occupational safety training involved 3,349 employees for a total of 14,477 hours. Most of the trainers came from RFI.

With regard to regulatory compliance, the following procedures were performed during the year:

- the annual evacuation drills with the participation of all employees in each office at the time of simulation of the various types of hazards according to the multi-year program (e.g., fire, earthquake, gas leakage, explosion, etc.);
- the periodic meetings (Article 35 of Legislative Decree no. 81/2008), and the inspections required by Article25 of Legislative Decree no. 81/2008 for all offices;
- the medical check-ups as part of the health screening programme: 1,878 employees underwent medical examinations, and 264 tetanus vaccinations were carried out during 2023.

In November, the Company renewed its ISO45001:2018 certification, which did not report any Non-Conformities.

In addition, despite the end of the emergency state from SARS-CoV-2, work continued on delivering FFP2-type masks, at the gatehouses, upon request, and on delivering training to new hires while informing them about the currently applicable rules to be complied with in the matter of Occupational Safety, as required by the Group Provisions.

MAIN EVENTS OF THE YEAR

INTERNATIONALISATION PROJECTS

- **15 February 2023:** Italferr signed the contract for preparatory activities related to the "Inland Rail Gowrie to Kagaru PPP" project in Australia. At present, subsequent phases of the project have been suspended by the Australian government, which is reprioritizing the intervention.
- **17 March 2023**: Italferr acquired from the Mobilinx consortium the technical assistance contract for the Hurontario Light Rail Transit Project, an integrated transport project that aims to relieve traffic congestion in the metropolitan areas of the cities of Toronto and Hamilton, in southern Ontario. Later, in September, the consortium awarded a further contract to Italferr to audit and validate safety requirements related to the same project.
- **13 April 2023:** following the award in November 2022, Italferr signed the contract with the Municipal Government of Genoa for the TEFS, final design and safety coordination during the design phase of the Skymetro, the elevated extension of the Genoa metro line to connect Brignole to Molassana, in Val Bisagno.
- **1 July 2023**: the design contract was acquired from Arcadis for the tracks of the Ontario Line Subway, a 15.6 km long rapid transit line, half of which will be underground. The line is part of the larger Rolling Stock System Operation and Maintenance (RSSOM) project. In early 2024, the same customer also contracted Italferr for Risk Assessment Method Statements (RAMS).
- **19 July 2023:** Italferr signed the contract for Engineering (Design Review and Project Management), and Works Management Services related to the construction, and warranty period of the approximately 230km-long double-track HS (249km/h) line in Latvia, part of the global "Rail Baltica" project.
- **30 August 2023**: Italferr was confirmed among the best engineering companies at global level, according to the annual ranking of the American magazine Engineering News-Record (ENR), considered among the world's most authoritative in the construction, engineering and architecture industry. The Company gained ground over last year, taking 143rd place in the Top 225 International Design Firms ranking, which considers global engineering firms by overseas turnover, and 110th place in the Top 150 Global Design Firms in terms of global turnover.
- **11 September 2023:** the contract for Detailed Design services regarding civil works of the NEOM South Connector line was acquired from a Joint Venture led by Webuild, and the winning bidder of the design and construction of 57 km of high-speed railway line in NEOM, Saudi Arabia.
- **8 November 2023**: the contract for Technical and Economic Design Audit (TEFS and final design) for the execution of structural upgrades of 15 viaducts of the A24 and A25 highways was acquired from the Extraordinary Commissioner. In addition, during the year, the Extraordinary Commissioner formalized addenda to the Agreement signed with Italferr in previous years related to technical support for Design & Build tenders for the structural upgrading of the motorway viaducts.

OTHER EVENTS

- **15 June 2023**: work commenced on the official adoption of Italferr's new organizational structure, which had been strongly desired by top management to make the Company more flexible, and capable of facing the challenges it will face in the coming years. The reorganization involved all operating units, with the exception of the Department responsible for the non-Captive activities in Italy and abroad.
- **12 October 2023:** the St. Peter's Basilica Digital Twin project was awarded in the Survey and Monitoring category at the 2023 Going Digital Award of Infrastructure, organized by Bentley Systems in Singapore. As part of the competition, in addition to the Digital Twin of St. Peter's Basilica, the TEFS enriched of Lot 1 of the HS/HC Salerno-Reggio Calabria

line was selected as a finalist. The projects were shortlisted from more than 300 applications submitted from 51 countries, and 253 leading global engineering companies following an evaluation by a jury of industry experts.

- **28 December 2023:** the deed of partial demerger of Italferr S.p.A. in favor of FS Sistemi Urbani S.r.l. was signed, as a result of which the latter became the owner of 80% of the quotas of Cremonesi Workshop S.r.l. - CREW- as from 1 January 2024. In addition to the quota, the demerger also entailed the transfer of any associated liabilities. The net value of the transferred business unit is €281 thousand.

RISK FACTORS

The achievement of an organization's goals may be affected by events of different kinds that result in an inherent condition of risk/opportunity or uncertainty, which must be identified and managed to avoid, contain, or accept the potential adverse effects produced by its occurrence.

Italferr's risk management work, performed by the function of the same name, directly reporting to the Chief Executive Officer, forms an integral part of the ICRMS, and is carried out in accordance with the rules and methodologies set out in the specific Framework, inspired by the Corporate Governance Code, and national and international best practices, including the UNI ISO 31000:2018 standard "Risk Management - Principles and Guidelines", and the "COSO Enterprise Risk Management Framework - Integrating with Strategy and Performance."

The Risk Management function adopts a risk approach that involves sharing risk analyses with the process owners concerned, according to the following models:

- enterprise risk management, concerning all aspects of corporate operations;
- strategic risk management, concerning strategic planning, and operational programming;
- international & project risk management, concerning corporate project initiatives abroad.

In continuity with the past, in 2023, Italferr carried out a control self risk assessment campaign focused on operational and business risks, and one dedicated to the identification of top risks & opportunities on the strategic objectives of the Business Plan. In addition, it carried out 3 risk and opportunity analyses provided for in the management systems that ensure compliance with the requirements of HSQE systems (ISO 9001, ISO 14001, ISO 45001), BIM management system (UNI/referencepolicy no. 78), and maintenance of the Type-B Inspection Body (ISO 17020). Finally, several dozens of project risk analyses were also carried out, which, predominantly, covered the main projects that are part of the NRRP.

In carrying out risk management activities, Italferr adopts the FS Group's taxonomy, which is structured into the following 4 macro-categories (Strategic, Operational, Compliance, ESG) that group specific types of risk.

Category	Risk	Description
STRATEGIC	Market	Risks arising from market developments that may impair or reduce the ability to create added value and profitability
	Macroeconomic	Risks describing macroeconomic shocks that may affect a country, a continent or have global repercussions
	Financial	Risks involving unexpected variability of investments (exchange rate, interest rate, liquidity)
	International	Risks arising from the Group's initiatives in international contexts
OPERATIONAL	Infrastructure & Means	Risks with negative effects on the management and development of the rail and road network and infrastructure as well as the rail, bus, and ferry fleets
	Technology, Digital & Cyber	Risks related to the digital transition process, development and management of IT systems, also in relation to cyber crime events
	Procurement	Supply chain risks (supplier qualification, negotiation process, contract management)
	People and Organisation	Risks arising from lack of in-house expertise, inadequate training programmes, inadequate turnover planning process and ineffective recruitment and retention policies
	Safety	Risks related to environmental protection, occupational safety and operational safety
COMPLIANCE	Regulatory	Risks involving adverse changes in the regulatory framework within which the Group and its Companies operate and risks of violations of international and/or national laws and regulations
	Legal and Contractual	Risk of breach of contract and litigation management
ESG	Environmental	Risks related to climate change and policies for the transition to a low-carbon economy
	Social and protection of human rights	Risks related to social tensions and lack of or reduced respect for human rights
	Ethics	Risks arising from intentional misconduct or corrupt behaviour by persons inside or outside the Group, in order to obtain an improper or illegal advantage

The main events to which Italferr is potentially exposed and an indication of the main management actions adopted are briefly and not exhaustively represented below.

Strategic risks:

	Risk	Management actions	Opportunities
Market	• Increased competitiveness and new entrants	• Improving the quality of service provided including through indicators of customer experience	• Regulatory developments in favour of environmentally friendly transport models
Macroeconomic	• Inflationary scenario and price increases • Commodity and raw material price volatility • Unfavorable macroeconomic environment (e.g. recession, stagnation) • Geopolitical instability and conflicts	• Continuous monitoring of trends in key macroeconomic indicators and commodity and energy price trends • Energy efficiency	
International	• Customers' financial resources highly dependent on fees/grants received from the Government, and other Agencies • Failure to meet obligations by clients or counterparties to a financial instrument • Difficulty in meeting obligations associated with financial liabilities • Fluctuation in interest rates and exchange rates	• Definition of minimum requirements for financial counterparties (credit rating, limits on concentration and financial products that can be used) • Monitoring cash flow, financing, and liquidity nees • Hedging transactions through derivative instruments	
	• Exposure of foreign invested capital to political, social and economic changes (Country Risk)	• Centralization of the international business management and coordination function	• Export of expertise (e.g., engineering, consulting and certification services)

Operational risks

	Risk	Management actions	Opportunities
Infrastructure & means	• Critical issues/delays in the authorisation procedures of projects • Critical issues/delays in the implementation of infrastructure works • Failure/obsolescence of facilities and technologies supporting rail and road infrastructure • Rail and road infrastructure performance gaps • Temporary unavailability of national and international rail/road infrastructure	• Monitoring of physical, economic and financial performance of infrastructure interventions • Risk-based approach (Project Risk Management) • Intercompany task force - National Recovery and Resilience Plan • Gradual extension of the railway traffic coordination system (SCCM) • Increased capacity of rail network • Temporary unavailability of national and international rail/road infrastructure	

	Risk	Management actions	Opportunities
Technology, Digital & Cyber	• Excessive concentration of essential services on digital platforms • Critical issues in upgrading of technology and digital architecture and infrastructure • New cyber vulnerabilities related to the introduction of new systems/platforms • Obsolescence/inadequacy/unavailability of technology and digital tools • Failure to leverage enterprise data for business uses • Loss of confidentiality, integrity or availability of data	• Distribution of essential services across multiple digital platforms • Updating of technological and organisational safety measures • Definition of crisis management procedures • Strengthening of the Cyber Security Operation Center (C-SOC) • Adoption of Group common platform • Training and awareness initiatives	New digital (Artificial Intelligence) and technological (Quantum Computing) tools
Procurement	• Criticality in the availability of goods/services in the marketplace • Inadequacy of contractors/general contractors and/or technical subjects • Inadequate definition of needs for goods, services and works	• Supplier qualification system and vendor rating (including "ESG rating") • Definition of governance and procedures • Updating of the requirements plan • Definition of flexible contractual instruments • Insourcing of critical processes	
People and Organisation[1]	• Specialized skills that are difficult to find in the marketplace • Loss of key personnel • Staff motivation, sense of belonging and worklife balance • Remuneration policies and compensation system • Staff understaffing	• Talent Performance Development System • Upskilling and reskilling of staff • Development and optimization of tools and methodologies to support selection and training processes • Diversity&Inclusion plan and interventions to support the Group's internal people (internal caring, social policies, engagement) • Signing of agreements and understandings related to work organization • Strengthening of recruitment plan	
Safety	• Accidental events leading to injury (occupational safety) • No participation in safety training courses • Non-compliance with company safety procedures • Loss of key personnel	• Company integrated management system • Specialist training courses	

Compliance risks

Risk		Management actions	Opportunities
Regulatory	• Changes in national and international standards and regulations • Non-compliance with national and international legislation/regulations/standards	• Monitoring of legislative and regulatory developments • Talks with public bodies and other national and international stakeholders • Definition, implementation and monitoring of compliance programs • Training/information initiatives	
Legal and contractual	• •Breaches of contract • Contracts not in line with current regulations/procedures • Disputes with suppliers, customers, staff or third-party entities	• Monitoring litigation developments • Accounting provisions for litigation losses	

ESG risks

Risk		Management actions	Opportunities
Environmental	• Acute and chronic physical climate hazards • Transitional climate risks	• Vulnerability assessment of assets and territories • Real-time monitoring of climate phenomena, assets and territories • Planning of asset-specific adaptation interventions • Design and implementation of natively climate-resilient assets • Scenario analysis for assessing business impacts and resilience	
Social issue and protection of human rights	• Discriminatory practices • Critical issues with internal and external stakeholders	• Group Code of Ethics • Internal and external training, information and communication campaigns • Diversity&Inclusion initiatives • Stakeholder engagement initiatives	
Ethics	• Bribery, fraud and/or collusive arrangements between employees and counterparties, both public and private	• Code of Ethics and Group Anti-Corruption Policy • Corporate management and control models • Adherence to the United Nations Global Compact • Internal and external training, information and communication campaigns • Signing of conventions, protocols and agreements with institutional Authorities/Bodies • Monitoring implementation of NRRP works	

- In being aware that an adequate Governance structure is crucial to strategic objectives, in 2021, the Company adopted a single anti-corruption framework, structured into the Organisational Model 231, and the Anti-Bribery & Corruption management system (the "ABC system"), adopted on a voluntary basis, to reinforce its company anti-corruption measures, already embedded in the Model 231, thus extending its scope of action. In 2023, Italferr's Board of Directors also updated the Company's Organisational and Management Model following changes in some of the company Departments and Organisational Units, updates of company documents, and in order to also introduce certain regulatory amendments and developments relating to types of offences falling within the scope of Legislative Decree no. 231/2001.

During the year, Italferr's Supervisory Body (OdV) held periodic meetings on matters under its competence, and did not report to the Board of Directors any significant critical issues arising from the audits it carries out.

OTHER INFORMATION

Branches

Italferr operates in Italy with local units in Bari, Bologna, Florence, Genoa, Milan, Naples, Palermo, Reggio Calabria, Rome, Turin and Verona.

The Company has 10 foreign branches in Bogotá (Colombia), Bron (France), Brisbane (Australia), Bucharest (Romania), Doha (Qatar), Cairo (Egypt), Istanbul (Turkey), Lima (Peru) and New Delhi (India), Toronto (Canada), and 4 offices in Addis Ababa (Ethiopia), Riga (Latvia), Riyadh (Saudi Arabia), and Tashkent (Uzbekistan).

Litigation and disputes

Introduction

This section details the most significant criminal proceedings at the reporting date. Unless otherwise indicated, up to the date of preparation of this report, no information had arisen that would indicate that the Company is exposed to contingent liabilities or losses of any amount, nor is any information known with a potentially material impact on the Company's financial position and financial performance. Furthermore, where appropriate, the Company has joined the criminal proceedings as a civil party claiming damages.

Specifically:

In 2023, following criminal proceedings initiated by the public prosecutors against former or current company representatives, there were no definitive rulings against senior management (company officers or general managers) for any of the following:

- particularly serious fraudulent crimes entailing substantial damage to the Company or leading to the application of restrictive measures;
- fraudulent crimes covered by Legislative decree no 231/2001;
- additional negligent criminal acts covered by Law no. 190/2012.

Furthermore, reference should be made to the notes to the financial statements for details on material disputes and proceedings in place with employees, third party suppliers of services and/or contractors, the tax authorities, the regions, etc., and for which, where necessary, accruals were made to specific provisions for risks and charges.

Details on contingent assets and liabilities, as defined in the Group's policies, are also provided in the notes to the financial statements.

Criminal proceedings pursuant to Legislative Decree no. 231/2001

After the criminal proceedings before the Court of Brindisi were dismissed, no further events relevant under Legislative Decree no. 231/2001 emerged.

Other significant criminal proceedings

Regardless of how contingent liabilities and assets are defined based on materiality, in 2023 there were no criminal proceedings and/or updates to proceedings already reported in previous years that have resulted in definitive rulings against former and current senior management (company officers or general managers) for any of the following:

- fraudulent crimes covered by Legislative decree no. 231/2001;
- additional negligent crimes covered by Law no. 190/2012;
- particularly serious fraudulent crimes entailing substantial damage to the company or leading to the application of restrictive measures.

In 2023, there were no criminal proceedings and updates to proceedings already reported in previous years that have resulted in definitive rulings against former and current senior management (company officers or general managers) following serious railway incidents (that led to the death or serious injuries to employees or customers).

Directors' fees

€

Chairwoman		Annual fees
Fixed remuneration		45,000

CEO and General Manager		Annual fees
Fixed fee for the position:	fee for the position of CEO pursuant to article 2389.3 of the Italian Civil Code	50,000
Fixed fee for the position:	position as General Manager	230,000
Performance-based fee:	position as General Manager	100,000

Participation in the national tax consolidation scheme

As Italferr meets the requirements of the Consolidated income tax act (article 117 and subsequent articles of Presidential decree no. 917 of 22 December 1986), it has opted to participate in the national tax consolidation scheme (as consolidated company) with FS Italiane S.p.A. (as consolidator).

The Board of Directors extended the option, already exercised in the three years prior to 2004, until the 2024 tax period.

Disclosure required by article 2497-ter of the Italian Civil Code

During the year, the Company did not take any decisions explicitly covered by Article 2497-ter of the Italian Civil Code, with the exception of one case concerning the demerger of the quota in Cremonesi Workshop S.r.l. - CREW , 80% owned by Italferr, in favor of FS Sistemi Urbani, as beneficiary. The transaction fell within the framework of the corporate reorganization by Business Units carried out by FS with the intention of providing the sector parent company in the Urban Business Unit, FS Sistemi Urbani, in fact, with its own technical department with engineering and architectural skills, capable of ensuring the enhancement of the Group's non-capital property assets, and establishing a footprint in the urban regeneration sector.

Although it was the result of management and coordination activities performed by FS, the demerger was fully supported by Italferr since the main strategic objectives that had, at the time, determined the acquisition of the majority quota in CREW had been achieved, or rather had failed in light of the changed geopolitical and economic environment.

TREASURY SHARES

During the year, the Company neither held nor sold treasury shares or shares of its parent, Ferrovie dello Stato Italiane S.p.A., directly or indirectly.

RELATED PARTY TRANSACTIONS

Transactions between Italferr and the FS Italiane group companies and their transactions with other related parties are carried out correctly in terms of substance and to the parties' mutual financial benefit based on normal market conditions which are defined with the assistance of independent experts, when necessary. Intragroup transactions are carried out in the pursuit of the common goal of improving efficiency and therefore creating value for the entire FS Italiane group.

These processes and transactions are carried out in accordance with sector regulations, the Italian Civil Code and tax laws, in line with the group's and its own administrative/accounting procedures and considering the specific characteristics of the activities performed by many group companies.

OUTLOOK

The complexity that characterizes the current geopolitical scenario, with the new front of conflict in the Middle East added to that in Ukraine, certainly has certainly an impact on businesses whose true extent is difficult to understand at the moment. The energy price increases that were expected as early as 2023 can no longer be procrastinated, and the import of materials will experience price increases as a result of the attacks on merchant ships that are occurring in the Red Sea.

However, although the geopolitical environment does not present reassuring prospects, Italferr has updated, and approved, at the Board of Directors' meeting, its Business Plan for the ten-year period 2024 – 2033, thus substantially confirming the trend in turnover forecast in the previous Plan both towards the Group and the market, albeit with some prudence on the side of operating costs. This forecast is based on the following assumptions:

- level of demand for engineering services ensured by the continuation, by RFI, of investments financed by NRRP resources, and also made possible by the contribution to compliance with the time schedule given by Italferr's activity in 2023;
- limited impact of expected price increases on energy and material costs, since Italferr provides intellectual services, and, is not, therefore, a "capital and energy-intensive" company;
- increased competitiveness of companies in the labour market with consequent growth in the cost of qualified personnel;
- low impact of existing conflicts on the Company's international business given the de-risking policy implemented a few years ago under which Italferr has favoured low-risk geographic areas with high opportunities given the high level of demand for transport infrastructure (North America, Europe, Australia, and India);
- technology and innovation as enabling factors to keep the Company competitive in the market, and exploit new business opportunities (infrastructure monitoring, and engineering support to the Group's Energy sector);
- sustainability as a distinctive element capable of producing projects that can reduce CO_2 emissions while ensuring increasingly higher safety standards, and thus respecting the cornerstones of the green economy.

Thanks also to the new positioning achieved through growth in size, and in the level of in-house innovation, Italferr aims to increasingly strengthen its role as a provider of engineering services of excellence for the Infrastructure Business Unit, by exploiting the synergies that the Business Unit allows, supporting with its activity the initiatives in favour of the climate and energy transition, and maintaining, at the same time, high attention to the market in order not to lose the position achieved at the international level and, indeed, to grow it over time.

The goals set are certainly ambitious, but Italferr has the knowledge, corroborated by its achievements to date, that it can meet the challenges posed by ongoing megatrends at global level.

Rome, 28 February 2024

Chief Executive Officer

Financial statements as at and for the year ended 31 December 2023

Financial statements

Income statement

in euros

	Note	2023	2022
Revenue and income		**378,825,197**	**336,311,615**
Revenue from sales and services	*(4)*	378,259,872	335,859,788
Other income	*(5)*	565,325	451,827
Operating costs		**(294,319,363)**	**(254,798,004)**
Personnel expense	*(6)*	(174,600,190)	(139,915,519)
Raw materials, consumables, supplies and goods	*(7)*	(737,638)	(416,810)
Services	*(8)*	(101,363,269)	(99,157,558)
Other operating costs	*(9)*	(9,813,193)	(8,433,255)
Amortisation/depreciation, provisions and impairment losses	*(10)*	(7,805,074)	(6,874,861)
Operating profit		**84,505,833**	**81,513,612**
Net financial income (expense)		**(1,486,386)**	**(1,101,135)**
Financial income	*(11)*	3,027,092	1,777,092
Financial expense	*(12)*	(4,513,478)	(2,878,226)
Pre-tax profit		**83,019,447**	**80,412,477**
Income taxes	*(13)*	(24,158,867)	(23,965,554)
Profit for the year		**58,860,580**	**56,446,923**

Statement of comprehensive income

in euros

	Note	2023	2022
Profit for the year		**58,860,580**	**56,446,923**
Items that will not be reclassified to profit or loss, net of the tax effect			
Net actuarial losses	*(24)*	(84,294)	(1,476,918)
Tax effect	*(24)*	20,231	354,460
Total comprehensive income		**58,796,517**	**55,324,465**

Statement of financial position

in euros

	Note	31/12/2023	31/12/2022
Assets			
Non-current assets			
Property, plant and equipment	*(14;15)*	34,675,804	37,561,750
Intangible assets	*(16)*	786	4,251
Equity investments	*(18)*	349,992	18,652,244
Financial assets (including derivatives)	*(19)*	1,279	963
Deferred tax assets	*(17)*	11,348,744	9,845,114
Other assets	*(20)*	368,973	309,731
Total		**46,745,579**	**66,374,054**
Current assets			
Financial assets (including derivatives)	*(19)*	16,327,544	14,513,612
Cash and cash equivalents	*(22)*	5,377,938	10,838,396
Trade receivables and service contracts	*(21)*	389,105,471	320,225,488
Other assets	*(20)*	6,262,018	10,316,232
Assets held for sale and disposal groups	*(23)*	15,111,314	0
Total		**432,184,286**	**355,893,728**
Total assets		**478,929,865**	**422,267,782**
Equity			
Share capital	*(24)*	14,186,000	14,186,000
Reserves	*(24)*	56,477,843	56,285,277
Retained earnings	*(24)*	3,269,445	3,269,445
Profit for the year	*(24)*	58,860,580	56,446,923
Total		**132,793,868**	**130,187,644**
Liabilities			
Non-current liabilities			
Loans and borrowings	*(25)*	6,000,000	7,500,000
Employee benefits	*(26)*	12,619,561	13,448,144
Provisions for risks and charges	*(27)*	36,135,909	29,942,955
Financial liabilities (including derivatives)	*(28)*	10,279,626	12,112,104
Deferred tax liabilities	*(29)*	11,309	53,204
Other liabilities	*(29)*	0	4,309,803
Total		**65,046,405**	**67,366,210**
Current liabilities			
Current portion of non-current loans and borrowings	*(25)*	36,500,000	36,500,000
Financial liabilities (including derivatives)	*(28)*	4,469,447	4,439,899
Tax liabilities	*(31)*	1,631,517	989,986
Trade payables	*(30)*	191,253,429	138,933,525
Other liabilities	*(29)*	47,235,198	43,850,517
Total		**281,089,592**	**224,713,927**
Total liabilities		**346,135,997**	**292,080,138**
Total equity and liabilities		**478,929,865**	**422,267,782**

Statement of changes in equity

in euros	Share capital	Reserves					Retained earnings	Profit for the year	Total equity
		Legal reserve	Extraordinary reserve	Other reserves	Actuarial reserve for employee benefits	Total reserves			
Balance at 1 January 2022	**14,186,000**	**2,837,200**	**57,389,073**	**676,643**	**(5,744,617)**	**55,158,299**	**3,269,445**	**45,130,187**	**117,743,930**
Profit for the year								56,446,923	56,446,923
Profit recognised directly in equity					1,122,457	1,122,457			1,122,457
Comprehensive income	**0**	**0**	**0**	**0**	**1,122,457**	**1,122,457**	**0**	**56,446,923**	**57,569,380**
Allocation of profit for the previous year			4,520			**4,520**		(4,520)	0
Dividend distribution								(45,125,666)	(45,125,666)
Balance at 31 December 2022	**14,186,000**	**2,837,200**	**57,393,593**	**676,643**	**(4,622,160)**	**56,285,276**	**3,269,445**	**56,446,923**	**130,187,644**
Balance at 1 January 2023	**14,186,000**	**2,837,200**	**57,393,593**	**676,643**	**(4,622,160)**	**56,285,276**	**3,269,445**	**56,446,923**	**130,187,644**
Profit for the year								58,860,580	58,860,580
Profit recognised directly in equity					64,064	**64,064**			64,064
Comprehensive income	**0**	**0**	**0**	**0**	**64,064**	**64,064**	**0**	**58,860,580**	**58,924,644**
Allocation of profit for the previous year			128,503			**128,503**		(128,503)	0
Dividend distribution								(56,318,420)	(56,318,420)
Balance at 31 December 2023	**14,186,000**	**2,837,200**	**57,522,096**	**676,643**	**(4,558,096)**	**56,477,843**	**3,269,445**	**58,860,580**	**132,793,868**

Statement of cash flows

in euros

	Note	31 Dec. 2023	31 Dec. 2022
Profit for the year		**58,860,580**	**56,446,923**
Income taxes	*(13)*	24,158,867	23,965,554
Financial (income)/expense	*(11);(12)*	1,486,386	1,101,135
Amortisation and depreciation	*(10)*	7,178,428	6,603,219
Accruals	*(10)*	16,023,605	12,306,369
Impairment losses	*(10)*	(6,150)	2,489
Accruals for employee benefits	*(26)*	15,255	16,624
Gains (losses) on sales	*(14)*	3,120	
Change in trade receivables	*(21)*	(68,879,983)	(58,581,716)
Change in trade payables	*(30)*	52,319,903	14,671,668
Change in other liabilities	*(29)*	1,897,259	4,980,965
Change in other assets	*(20)*	4,004,152	408,809
Utilisation of the provisions for risks and charges	*(27)*	(9,830,652)	(10,467,575)
Payment of employee benefits	*(26)*	(1,370,365)	(2,111,927)
Income taxes paid, net of reimbursed tax assets	*(13)*	(27,589,705)	(28,523,408)
Net financial income received/(expense paid)	*(11);(12)*	(2,481,221)	(678,060)
Net cash flows generated by operating activities		**55,789,480**	**20,141,068**
Increases in property, plant and equipment	*(14)*	(1,216,172)	(1,338,349)
Increases in intangible assets	*(16)*		
Increases in equity investments	*(18)*		(1)
Investments, before grants		**(1,216,172)**	**(1,338,350)**
Decreases in property, plant and equipment	*(14);(15)*	954	187,002
Decreases in equity investments	*(18)*	3,722,912	158
Decreases		**3,723,866**	**187,160**
Net cash flows generated by (used in) investing activities		**2,507,695**	**(1,151,190)**
Lease payments (net of contributions) - Change in lease liabilities	*(28)*	(4,124,965)	(4,540,695)
Repayment of non-current loans	*(25)*	(1,500,000)	(1,500,000)
Disbursement and repayment of current loans	*(25)*		35,000,000
Change in other financial assets	*(19)*	(316)	1,083
Dividends	*(24)*	(56,318,420)	(45,125,666)
Net cash flows used in financing activities		**(61,943,700)**	**(16,165,277)**
Total cash flows		**(3,646,526)**	**2,824,601**
Opening cash and cash equivalents		**25,352,007**	**22,527,406**
Closing cash and cash equivalents		**21,705,482**	**25,352,007**
of which: intragroup current account:		*16,327,544*	*14,513,612*

Notes to the financial statements

1 Introduction

Italferr S.p.A. (the "Company" or "Italferr") was set up in accordance with Italian law and is based in Italy. Its registered office is in Via Vito Giuseppe Galati 71, Rome.

The Company is managed and coordinated by Rete Ferroviaria Italiana S.p.A. ("RFI") by contract.

The directors approved the publication of these financial statements on 28 February 2024 and they will be submitted to the shareholders for approval and subsequently filed within the terms of law. The shareholders have the power to make changes to these financial statements.

The consolidated financial statements are prepared by Ferrovie dello Stato Italiane S.p.A. ("FS Italiane", or the "Parent", or the "Holding Company"), which is Italferr's direct parent. The parent has its registered office in Piazza della Croce Rossa 1, Rome, and the consolidated financial statementscan be obtained at the above address in accordance with the terms and methods set out in the current regulations.

PricewaterhouseCoopers S.p.A. was assigned the engagement to carry out the statutory audit of the financial statements for the three-year period 2023 – 2025.

2 Basis of preparation

These financial statements at 31 December 2023 have been prepared in accordance with IFRS (which include the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect at the reporting date ("IFRS"). Specifically, the company consistently applies the IFRS to all periods presented in these financial statements.

Furthermore, these financial statements have been prepared on the basis of the best knowledge of IFRS and best practices. Any future interpretation guidelines and updates will be reflected in subsequent years, in accordance with the procedures provided for by the IFRS over time.

The financial statements have been prepared and presented in Euro, which is the Company's functional currency, i.e.,the currency of the primary economic environment in which it operates. All amounts included in the tables of the following notes, except as otherwise specified, are expressed in thousands of euros.

These financial statements comprise a statement of financial position, an income statement, a statement ofcomprehensive income, a statement of changes in equity, a statement of cash flows and the notes thereto; specifically:

- the statement of financial position has been prepared by classifying assets and liabilities as "current/non-current",with the specific separation of assets/liabilities held for sale or included in a disposal group;
- the income statement has been prepared by classifying operating costs by nature, indicating the profit (loss) from continuing operations separately from any profit (loss) from discontinued operations;
- the statement of comprehensive income includes the profit (loss) for the year and other changes in equity attributable to transactions that are not carried out with owners in their capacity as owners;
- the statement of changes in equity shows the profit (loss) for the year separately from any other changes not through profit or loss;
- the statement of cash flows has been prepared by presenting cash flows from operating activities using the indirect method.

The annual report also includes the directors’ report accompanying the financial statements.

These financial statements have been prepared on a going-concern basis, as the directors established that there are no financial or operational indicators or any other indications of critical issues about the company’s ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months.

Reference should be made to note 31 - Financial risk management for a description of the Company’s financial risk management procedures.

The financial statements have been prepared on the historical cost basis, except for those items which are measured at fair value, as required.

Furthermore, “current” refers to the 12 months immediately after the reporting date, while “non-current” refers to periods more than 12 months after the reporting date.

These financial statements have been prepared using the same accounting policies applied when drawing up the financial statements at 31 December 2022, except for that set out below.

3 Accounting policies

The most significant information on accounting policies and standards applied to the preparation of these financial statements is reported below.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, net of accumulated depreciation and impairment losses, if any. The purchase or production cost includes any charges that are directly incurred to make assets available for use, as well as dismantlement and removal charges, if any, that will be incurred as a result of contractual obligations that require the asset to be returned to its original conditions. Any financial expense that is directly attributable to the acquisition, construction or production of qualifying assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers. Leasehold improvements or costs to upgrade and transform property, plant and equipment are recognised under assets.

Any charges incurred for ordinary maintenance and repairs are directly charged to profit or loss when incurred. Costs to expand, upgrade or improve the structural elements owned or used by third parties are capitalised when they meet the requirements for separate recognition as assets or as parts of an asset, applying the component approach, whereby a component must be accounted for separately if its useful life can be measured independently.

Depreciation is charged systematically and on a straight-line basis using rates that reflect the assets’ useful life.

The useful lives of property, plant and equipment and their residual value are reviewed and updated, where necessary,at least at each reporting date. Land is depreciated only for the portion related to capitalised reclamation charges.

The depreciation rates and useful lives are as follows:

	Depreciation rate
Owner-occupied buildings	3%
Leasehold improvements	Residual lease term
Ordinary office equipment and furniture	12%
Furnishings	15%
Machinery, devices and sundry equipment	15%
Electromechanical and electronic office equipment	40%
Mobile phones	40%
Cars, motor vehicles and similar	25%

Leased assets

i. Identification

At the inception date of the lease (i.e., the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease) and, subsequently, the company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed. In particular, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the company accounts for each lease component within the contract as a lease separately from non-lease components of the contract, which are accounted for in accordancewith other standards.

The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee. It is determined by assessing the length of the non-cancellable period of a lease, i.e., the period in which the contract is enforceable, including any rent-free periods provided to the lessee by the lessor. In addition to this term, the company considers:

- the period covered by the option to renew the lease if the company is reasonably certain to exercise the renewal option;
- periods after the termination option if the company is reasonably certain not to exercise the option.

Options to terminate the lease held only by the lessor are not considered.
The Company has opted not to recognise short-term leases (i.e., those with a term of 12 months or less) or leases for low-value assets (i.e., assets that, when new, are worth €10,000 and leases with a total contractual value of €10,000or less) in accordance with IFRS 16. The Company recognises the lease payments associated with these types of leasesas an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

ii. Subsequent measurement

At the commencement date of a lease, the company recognises the right-of-use asset under the relevant non-currentassets caption depending on the nature of the asset subject to the lease contract and the lease liability in current andnon-current financial liabilities. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The Company measures the lease liability at the present value of the remaining lease payments, discounted using theinterest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee’s incremental borrowing rate if it cannot. The lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate, any residual value guarantees, theexercise price of a purchase option (if the company is reasonably certain to exercise that option), the exercise price of an extension option (if the company is reasonably certain to exercise that option) and payments of penalties for terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease).

The right-of-use asset is subsequently depreciated on a straight-line basis over the entire term of the contract, unlessthe contract provides for the transfer of ownership at the end of the lease or the cost of the lease reflects the fact thatthe purchase option will be exercised. If the lease transfers ownership of the underlying asset to the lessee by the endof the lease term, the company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are calculated using the same depreciation requirements as those for the relevant intangible assets or property, plant and equipment. Furthermore, the right-of-use asset is recognised net of any impairment losses on the cash- generating unit (CGU) to which it has been allocated and is adjusted to reflect the remeasurement of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured whenever there is a change in future lease payments resulting from a change in an index or a rate used to determinethose payments, a change in the amount that the company expects to be payable under a residual value guarantee orwhen the company changes its assessment of an option to purchase the underlying asset or extend or terminate the lease. If the lease liability is remeasured, the company adjusts the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any remaining amount is recognised in profit or loss.

In the statement of financial position, the company includes right-of-use assets within the same captions as that within which the corresponding assets would be presented if they were owned, and the lease liabilities in other financial liabilities. In the income statement, interest expense on the lease liability is a component of financial expense and is presented separately from the depreciation charge for the right-of-use asset.

Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance, that can be controlled and can generate future economic benefits. They are recognised at purchase and/or production cost, including any directly-attributable expenses incurred to make the asset available for use, net of accumulated amortisation (except for intangible assets with an indefinite useful life) and impairment losses, if any. Interest expense, if any, that accrues during and for the development of intangible assets, is considered part of the purchase cost. Amortisation begins when the asset is available for use and is charged on a straight-line basis over its estimated useful life. Specifically, the company has the following main intangible assets:

(a) *Industrial patent and intellectual property rights* are amortised on a straight-line basis over their useful life.

(b) *Research and development costs*

Research costs are expensed when incurred, while development costs are recognised among intangible assets if all of the following conditions are met:

- the project is clearly identified and the relevant costs can be reliably identified and measured;
- the technical feasibility of the project is proven;
- the intention to complete the project and sell the intangible assets generated thereby is proven;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset for producing the intangible assets generated by the project is proven;
- the technical and financial resources needed to complete the project are available.

Any development costs recognised among intangible assets are amortised starting from when the result generated by the project can be used. They are amortised over five years.

If the research and development stages of an internal project to produce an intangible asset cannot be separated, the relevant cost is fully expensed as though it were exclusively incurred in the research stage.

The gain or loss arising from the derecognition of an intangible asset is equal to the difference between the net disposal proceeds and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

Impairment losses on intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment with a finite useful life

At each reporting date, a test is carried out to check if there is any evidence that property, plant and equipment and intangible assets may be impaired. For this purpose, account is taken of both external and internal sources of information. With respect to internal sources of information, the following must be considered: the obsolescence of orphysical wear and tear of the asset, significant changes, if any, in the use of the asset and the economic performanceof the asset with respect to expectations. As regards external sources of information, the following must be considered: the trend in the market prices of the assets, any changes in technology, markets or laws, the trend in market interestrates or in the cost of capital used to measure investments.

If any such indication exists, the company estimates the recoverable amount of the asset, recognising the impairmentloss in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, i.e., the present value of the future cash flows expected to be derived from the asset. In calculating value in use, the expected future cash flows are discounted using a discount rate which reflects the time value of money, compared to the investment period and risks specific to the asset. The recoverable amount of an asset that does not generate largely independent cash flows is calculated in relation to the CGU (cash-generating unit) to which this asset belongs.

Impairment losses are recognised in profit or loss when the carrying amount of the asset, or of the related CGU to which the asset is allocated, exceeds its recoverable amount. Impairment losses on CGU are first allocated to reduce the carrying amount of the goodwill, if any, allocated to the cash-generating unit and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit and within the limits of the related recoverable amount. If the reasons behind the impairment loss cease to exist, the carrying amount of the asset is reversed through profit or loss without exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years and had the related amortisation or depreciation been charged.

Investments in subsidiaries, associates, joint arrangements and other investments

Investments in subsidiaries, associates and joint arrangements are measured at cost, including directly-attributable costs, adjusted for impairment.

The Company's investments in companies that are neither subsidiaries nor associates nor joint ventures and which are not listed in an active market and for which the use of an appropriate measurement model is not reliable, are in any case measured at cost, which is considered the best estimate of the fair value of the investment. The investments are subsequently measured at fair value through profit or loss.

Impairment losses (impairment test) on investments measured at cost are recognised in profit or loss. If the reasons for an impairment loss no longer apply, the carrying amount of the investment is reinstated up to its original cost. Impairment gains are recognised in profit or loss.

Financial instruments

i. Classification and measurement of financial assets

The Company's financial assets are classified and measured considering both the business model used to manage suchassets and their contractual cash flow. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The company performs SPPI (Solely Payment of Principal and Interest) tests on each instrument to determine whether these contractual cash flows are solely payments of principaland interest (in which case the SPPI test is passed).

Financial assets are classified in one of the following categories at initial recognition:

- at amortised cost (AC);
- at fair value through other comprehensive income (FVOCI);
- at fair value through profit or loss (FVTPL);

(a) *Financial assets measured at amortised cost*

This category includes all financial assets that meet both of the following conditions:

- the financial asset is held solely to collect contractual cash flows (HTC - Held To Collect - business model); and
- the contractual cash flows are solely payments of principal and interest (SPPI test passed). In this category, financial instruments are initially recognised at fair value, inclusive of transaction costs, and subsequently measured at amortised cost. Interest, calculated using the effect interest method, impairment losses (impairmentgains), exchange gains (losses) and gains (losses) on derecognition are recognised in profit or loss.

(b) *Financial assets at fair value through other comprehensive income (FVTOCI)*

Financial assets at fair value through other comprehensive income:

- the asset is held to collect not only contractual cash flows but also the cash flows generated from its sale (HTC&Smodel); and
- the contractual cash flows are solely payments of principal and interest (SPPI test passed).

In this category, the financial assets are initially measured at fair value, inclusive of transaction costs. Interest (calculated using the effect interest method), impairment losses (impairment gains), exchange gains (losses) and gains (losses) on derecognition are recognised in profit or loss. Other fair value gains or losses are recognised in OCI. Upon derecognition, all cumulative gains or losses previously recognised in OCI will be reclassified to profit or loss.

For information about equity instruments which fall under the scope of IFRS 9, reference should be made to the paragraph on Investments in subsidiaries, associates, joint arrangements and other investments.

(c) *Financial assets at fair value through profit or loss (FVTPL)*

This category includes all financial assets that are not classified as measured at amortised cost or at FVOCI.

They are initially and subsequently measured at fair value. Transaction costs and fair value gains and losses are recognised in profit or loss.

ii. Classification and measurement of financial liabilities

Loans and borrowings, trade payables and other financial liabilities are initially recognised at fair value, net of directly- attributable costs, and are subsequently measured at amortised cost, applying the effective interest method. When there is a change in the estimated expected cash flows, the carrying amount of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the effective internal rate as initially determined. Loans and borrowings, trade payables and other financial liabilities are classified under current liabilities, except for those with a contractual term of more than twelve months after the reporting date and those forwhich the company has an unconditional right to defer their settlement for at least twelve months after the reporting date. Loans and borrowings, trade payables and other financial liabilities are derecognised when repaid and when thecompany has transferred all risks and charges related to the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and available bank deposits and any other forms of short-term investment, with an initial maturity of three months or less, net of impairment losses calculated in accordance with IFRS 9.

At the reporting date, current account overdrafts are classified in the statement of financial position as loans and borrowings under current liabilities. Cash and cash equivalents are measured at fair value, which normally coincides with their nominal amount, through profit or loss.

Employee benefits

<u>Short-term benefits</u>

Short-term benefits comprise wages, salaries, related social security contributions, holidays paid and incentives paid out in the form of bonuses payable in the twelve months after the reporting date. These benefits are accounted for aspersonnel expense components in the period in which the employees provide their service.

Defined benefit and defined contribution plans

The Company has both defined benefit and defined contribution plans in place. The defined contribution plans are managed by third-party fund managers, in relation to which there are no legal or any other obligations to pay additional contributions if the fund does not have sufficient assets to meet the commitments with employees. With respect to the defined contribution plans, the company pays contributions, either voluntarily or as required by contract, into public and private insurance pension funds. Contributions are recognised as personnel expense on an accruals basis. Advance payments for contributions are recognised as an asset that will be repaid or offset against future payments, if due.

A defined benefit plan is a plan that cannot be classified as a defined contribution plan. Under defined benefit plans, the amount of the benefit to be paid to the employee can be quantified only after the termination of the employmentrelationship, and is linked to one or more factors, such as age, years of service and remuneration. Therefore, definedbenefit obligations are determined by an independent actuary using the projected unit credit method. The present value of defined benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high- quality corporate) bonds issued in the foreign currency in which the liability will be settled and that takes account of the term of the related pension plan. Actuarial gains and losses are fully recognised in equity in the relevant year, taking account of the related deferred tax effect.

Specifically, the company manages a defined benefit plan that consists of post-employment benefits (Italian "TFR"). Italian companies are required to accrue a provision pursuant to article 2120 of the Italian Civil Code, which is treated as deferred remuneration and is based on employees' duration of service and the remuneration they receive during that time. Starting from 1 January 2007, Law no. 296 of 27 December 2006, the "2007 Finance Act" and subsequent decrees and regulations introduced significant amendments to TFR regulations, including the employees' right to choose to transfer the TFR being accrued either to supplementary pension funds or to the "Treasury Fund" managed by INPS(the Italian Social Security Institute). Consequently, the obligation to INPS and the contributions paid into supplementary pension funds are now treated, pursuant to IAS 19 - Employee benefits, as defined contribution plans,while the amounts recognised under post-employment benefits at 1 January 2007 are still treated as defined benefit plans.

The Company also has a defined benefit pension plan in place, the "Free Travel Card" that gives current and retired employees and their relatives, the right to use – free of charge or, in some cases, for an admission fee – Trenitalia's railway services.

Consequently, in accordance with the above-mentioned actuarial techniques, a provision is recognised which reflects the discounted charge for retired employees entitled to benefits, and the benefits accrued for employees in force to be disbursed at the end of the employment. The same accounting treatment is applied to the Free Travel Card benefits and the effects arising from actuarial gains and losses as for post-employment benefits.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount and/or due date is unknown at the reporting date. A provision is recognised when there is a present obligation (legal or constructive), as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. The provisions are stated as the best estimate of the expenditure required to settle the obligation. The discount rate used to determine the present value of the liability reflects current market values and considers therisk specific to each liability.

Where the effect of the time value of money is material and the settlement dates of obligations can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific tothe liability. The increase in the provision due to the passage of time is recognised as interest expense.

Risks for which a liability is only possible are disclosed in the specific section on contingent liabilities without accruing any provisions.

Revenue from contracts with customers

i. Initial recognition and subsequent measurement

The Company recognizes revenue so that the transfer of goods and/or services to the customer is expressed in an amount that reflects the consideration to which the Company believes it is entitled as fees for the transfer of those goods and/or services.

Revenue is recognised using the five-step model, which entails: i) identifying the contract with the customer; ii) identifying the performance obligations in the contract; iii) determining the transaction price; iv) allocating the transaction price to the performance obligations in the contract; and v) recognising revenue.

Revenue is measured considering the contract terms and the commercial practices usually applied to transactions withcustomers. The transaction price is the amount of consideration (which may include fixed or variable amounts, or both) to which the company expects to be entitled in exchange for transferring promised goods or services to a customer. Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset (good/service). The total consideration of contracts for the provision of services is allocated among all services based on the selling prices of the related services as if they had been sold separately. For each contract, the reference element for the recognition of revenue is the single performance obligation. For each performance obligation, the company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e.,an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. For performance obligations satisfied over time, revenue is recognised over time, assessing the progress towards complete satisfaction of the performance obligation at each reporting date. The company measures progress in accordance with an input method (cost-to-cost method). Accordingly, revenue is recognised based on the inputs used to satisfy the obligation up to the reporting date, compared to the total inputs assumed to satisfy the entire obligation. When the inputs are distributed consistently over time, the company recognises the corresponding revenue on a straight-line basis. In some circumstances, when the company is unable to reasonably measure the outcome of a performance obligation, revenue is recognised only to the extent of the costs incurred.

The nature and timing of performance obligations and the significant terms for the satisfaction of performance obligations are summarised below for the company’s main contracts with customers:

Italferr carries out design, works management and supervision and project management consulting (PMC) activities. Each activity is governed by a separate contract whereby the performance obligation coincides with the contractually-agreed performance.

Italferr’s contracts are generally of a long-term nature.

Design contracts, which normally last two years, provide for the transfer of ownership to the customer upon finaldelivery of all the works comprising the project.

When carrying out this activity, revenue is recognised using the cost-to-cost method and progress payments are madein accordance with contract agreements.

In general, design contracts provide for an initial invoice issued when the contracts are signed.

At year end, Italferr compares the value of the activities carried out with that of the initial progress payment invoices issued and, where the latter exceed the former and it is not reasonable to expect that production will reach or exceedthe value of the progress payments in the next 12 months, the company considers the difference as a significant financing component in the contract.

With respect to works management and supervision contracts, the performance obligation is satisfied at the end of the relevant work site activities. Therefore, the contractually-agreed invoicing is considered a progress payment in this case as well.

Since these contracts allow Italferr to issue invoices based on the work progress approved by customers, progress payments are never of a financial nature.

PMC contracts generally consist of consulting services for design and assistance in procurement, construction and interface management, and sometimes also include testing and commissioning. These are complex services mainly requested by foreign public bodies which lack specific know-how in tenders and/or management of investments in large infrastructure works.

Although they comprise a series of different activities, each activity cannot be considered a separate performance obligation because customers requesting PMC services do not consider them useful individually, but only as a whole. Indeed, in PMC contracts, the individual contract obligations are not separate and independent.

PMC contracts are of a long-term nature. They are normally invoiced following the same pattern as for design contracts.

ii. Existence of a significant financing component

When a significant financing component exists, revenue is adjusted, both when companies are financed by their customer (advance collection) and when they finance it (deferred collection). The existence of a significant financing component is identified when the contract is signed by comparing expected revenue against the payments to be received. It is not recognised if the period between when the entity transfers a promised good or service and when the customer pays for that good or service is one year or less.

Grants related to income

They refer to amounts paid by the government or other public authorities to the Company tooffset costs and charges incurred. They are recognised under “Revenue from sales and services” and “Other income”.

Dividends

They are recognised in profit or loss when the shareholder’s right to receive payment arises, which usually coincides with the shareholder’s resolution approving dividend distribution.

Dividends distributed to the company's shareholder are presented as a change in equity and recognised under liabilities when their distribution is approved by the shareholder.

Cost recognition

Costs are recognised when they relate to goods and services acquired or consumed in the year or by systematicallocation.

Income taxes

Current taxes are calculated based on estimated taxable profit and in accordance with ruling tax legislation. Deferred tax assets, related to carry forward tax losses, are recognised when it is probable that future taxable profit will be available against which these losses can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applied in the years in which the differences will be realised or settled.

Current taxes, deferred tax assets and liabilities are recognised in profit or loss, except for those relating to items recognised under other comprehensive income and directly taken to equity. In the latter cases, deferred tax assets are recognised under the "Tax effect" caption under other comprehensive income or directly in equity, respectively. Deferred tax assets and liabilities are offset when they are levied by the same tax authorities, there is a legally enforceable right to set off the recognised amounts and a settlement on a net basis is expected.

Taxes other than income taxes, such as indirect taxes and duties, are included in profit or loss under Other operating costs.

Translation of foreign currency amounts

Any transactions in a currency other than the company's functional currency are recognised at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the Euroare subsequently adjusted at the closing rate. Non-monetary assets and liabilities denominated in a currency other than the Euro are recognised at historical cost using the exchange rate prevailing at the date of initial recognition. Exchange differences are taken to profit or loss.

Assets and liabilities held for sale and disposal groups

Non-current assets and liabilities (or disposal groups) whose book value will be recovered primarily through sale rather than through their continued use are classified as held for sale, and presented separately from other assets and liabilities in the statement of financial position. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a part of the entity that has been disposed of, or classified as held for sale, and:

- represents a major line of business or geographic area of operation;
- is part of a coordinated plan to divest a major line of business or geographic area of activity;
- is a subsidiary acquired solely for the purpose of resale.

The results of discontinued operations - whether discontinued or classified as held for sale and being sold - are shown separately in the income statement, net of tax effects. The corresponding amounts for the previous year, if any, are reclassified and shown separately in the separate income statement, net of tax effects, for comparative purposes. Non-current assets and liabilities (or disposal groups) classified as held for sale are initially recognised in accordance with the specific IFRS of reference applicable to each asset and liability and, subsequently, are recognised at the lower of carrying amount and relative fair value, net of costs to sell. Any subsequent impairment losses are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale against an entry in the income statement.

A reversal of an impairment loss is instead recognised for each subsequent increase in the fair value of an asset, net of costs to sell, but only up to the amount of the previously recognised cumulative impairment loss.

NEW STANDARDS

First-time adoption of standards, amendments and interpretations

The following new standards are effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 Presentation of financial statement and IFRS Practice Statement 2: disclosure of accounting policies; and Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors: definition ***of accounting estimates***

On 12 February 2021, the IASB issued amendments to the following standards:

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates - Amendments to IAS 8.

The amendments improve accounting policy disclosures so that they provide more useful information to investors andother primary users of the financial statements and distinguish changes in accounting estimates from changes in accounting policies.

The application of the aforementioned changes, where applicable and due to their nature, did not result in any material impact on this Report.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

On 7 May 2021, the IASB issued amendments to IAS 12 Income taxes clarifying how companies should account fordeferred tax on certain transactions such as leases and decommissioning obligations.

The application of the aforementioned changes, where applicable and due to their nature, did not result in any material impact on this Report.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The new standard for accounting for insurance contracts, endorsed by Regulation (EU) 2021/2036 of the European Commission, replaces the interim standard IFRS 4. The objective of the new standard is to ensure that an entity provides relevant information that gives a true view of the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also includes presentation and disclosure requirements to improve comparability among entities in this industry.

The new standard has not resulted in any significant impacts on this Report.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules

On 23 May 2023, the IASB published an amendment to IAS 12, which introduces a temporary exception to the recognition of deferred taxes related to the application of the provisions of Pillar Two published by the OECD.

Companies can apply the exception immediately, but disclosure requirements are prescribed for financial years beginning on or after 1 January 2023.

The application of the aforementioned changes, where applicable and due to their nature, did not result in any material impact on this Report.

Standards, amendments and interpretations recently endorsed by the European Union not yet applied

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

On 22 September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), which clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements of IFRS 15 to be accounted for as a sale. All amendments are effective from 1 January 2024.

Standards, amendments and interpretations not yet endorsed by the European Union

For those newly-issued amendments, standards and interpretations that have not completed the process for endorsement by the European Union, but which deal with matters currently or potentially present in the FS Group, the assessment of the possible impacts that their application could determine on the financial statements is underway, taking into consideration the effective date of their effectiveness. In particular, these include:

- *Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current and classification of liabilities as current or non-current*

  On 23 January 2020, the IASB issued amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current which clarify how to classify liabilities as current or non-current. The amendments were initially meant to go into force as from 1 January 2022, but the IASB postponed the effective date to 1 January 2024 with the issue of a second document on 15 June 2020. Subsequently, on 31 October 2022 the IASB published an additional amendment on "Non-current Liabilities with Covenants (Amendments to IAS 1)" to clarify how conditions that an entity must meet within 12 months of the balance sheet date affect the classification of a liability. All amendments are effective from 1 January 2024.

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*

  On 25 May 2023, an amendment to IAS 7 was published by the IASB, which aims to add disclosure requirements and guidance within existing disclosure requirements by requiring entities to provide qualitative and quantitative information on supplier financing arrangements. All amendments are effective from 1 January 2024.

- *Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*
  On 15 August 2023, an amendment to IAS 21 was published by the IASB with the aim of specifying when a currency is exchangeable into another currency, how to determine the exchange rate when a currency is not exchangeable into another currency, and in the latter case the information to be provided. All amendments are effective from 1 January 2025.

USE OF ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the directors applied standards and methods, which in some circumstances relyon difficult and subjective valuations and estimates based on past experience and on assumptions that are from time to time considered to be reasonable and realistic depending on the circumstances. Therefore, the actual amounts of certain financial statements captions calculated according to the above estimates and assumptions may differ in the future, even materially, from those reported in the financial statements, because of the uncertainty that characterisesthe assumptions and conditions on which the estimates are based, including the Russian invasion of Ukraine, the macroeconomic situation and the energy crisis, the exacerbation of the crisis in the Middle East, which may trigger scenarios with varied and diverse effects. Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in profit or loss when they affect the year only. If the revision affects both current and future years, the change is recognised in the year the revision is made and in the related future years.

Therefore, actual results may differ, even materially, from these estimates following possible changes in the factors considered in the determination of these estimates.

The following accounting standards require the most subjectivity from the directors in the preparation of estimates and would have a material impact on the financial figures if there were a change in the conditions underlying the assumptions used:

Fair value measurement

Controlling investments acquired at cost are tested for impairment annually to check that the acquisition cost matches the fair value, i.e., the subsidiaries' ability to generate future results in line with the expectations underlying the acquisition cost. Italferr calculates the fair value of controlling investments acquired at cost using the discounted cash flow method. These cash flows are estimated based on the latest approved plan of the subsidiaries.

In relation to this issue, it must be considered that, for the purposes of the financial statements as at 31 December 2023, the Company reclassified the value of the equity investment in Cremonesi Workshop S.r.l. to assets held for sale, in accordance with IFRS 5, and therefore among current assets. This approach was adopted due to the fact that, on 28 December 2023, a deed was signed for the partial demerger of a business unit (within which the equity investment in Cremonesi Workshop S.r.l. is also included) from Italferr to beneficiary FS Sistemi Urbani with effective date on 1 January 2024. Therefore, the Company deemed it appropriate to reclassify this equity investment to current assets, and show it, in compliance with the aforementioned principle, at the lower of purchase cost (net of write-downs made in previous years), and the realisable value inferable from the deed of partial demerger.

Impairment losses on property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with a finite life are tested for impairment. Impairment losses arerecognised when there is evidence that it will be difficult to recover the related carrying amount through the use or sale of the asset. Impairment tests require the directors to make subjective valuations based on the information available within the company and in the market, as well as from past experience. Furthermore, when a potential impairment loss exists, the company calculates such loss using suitable valuation techniques. The correct identification of impairment indicators and the estimates for calculating them depend on factors that may vary over time, thus affecting valuations and estimates made by the directors.

Provisions for risks and charges

Provisions are accrued against legal and tax risks which represent the risk of a negative outcome. The recognised provisions relating to these risks reflect the best estimate made by the directors at the reporting date. This estimate entails the adoption of assumptions that depend on factors which may vary over time and which may have significanteffects compared to the current estimates made by the directors for the preparation of the Company's financial statements.

Taxes

Deferred tax assets are recognised based on the income expected in future years. The valuation of any expected income for the purposes of the recognition of deferred taxes depends on factors that may vary over time and determine significant effects on the measurement of deferred tax assets.

OPERATING SEGMENTS

At the date of these financial statements, the company had no debt instruments or shares quoted on a regulated market and was included in the scope of consolidation of the FS Italiane group, which provides information on its operating segments in the notes to the consolidated financial statements, in accordance with IFRS 8.2 b.

4 Revenue from sales and services (€378,260 thousand)

Revenue from sales and services €378,260 thousand in 2023 and may be analysed as follows:

€'000

	2023	2022	Changes
Revenue from contracts with customers	378,245	335,838	42,407
Other revenue from sales and services	15	22	(7)
Total revenue from sales and services	**378,260**	**335,860**	**42,400**

As shown in the table above, revenue from sales and services almost entirely relate to the engineering services, which increased by €42,407 thousand on the previous year thanks to higher production volumes while the average profitability of the contracts in portfolio, although it remained at high values, did not match that recorded in 2022.

Italferr's engineering services are generally of a long-term nature. Furthermore, ownership of the right to use the results of the services provided is transferred upon completion. Consequently, over the life of the acquired contracts, Italferr recognises the progress of the work performed and issues progress bills to customers. The difference between the progress made and the invoiced amount results in contract assets or liabilities.

The table below shows contract assets and liabilities.

€'000

	31.12.2023	31.12.2022
Contract assets	292,570	268,301
Contract liabilities	(150,830)	(104,846)

The table below shows the significant changes in the balances of contract assets and liabilities during the year:

€'000

2023	Contract assets			Contract liabilities			Income statement		
	Intragroup	Third parties	Total	Intragroup	Third parties	Total	Intragroup	Third parties	Total
1 January	**262,165**	**6,137**	**268,301**	**(101,371)**	**(3,475)**	**(104,846)**			
Revenue recognised during the year which was included in the opening balance of contract liabilities				10,124	19,799	29,922	10,124	19,799	29,922
Increases in contract liabilities, net of the amounts released to revenue during the year				(180,026)	(11,164)	(191,190)			
Reclassification from "contract assets" recognised at the start of the year to receivables	(193,898)	(14,871)	(208,769)						
Increases in contract assets due to the provision of services	207,627	16,773	224,400	110,116	(9,917)	100,199	317,743	6,856	324,599
Increases in contract assets due to changes in the assessment of the percentage of completion	8,978	(340)	8,638	14,552	533	15,085	23,530	194	23,723
31 December	**284,872**	**7,699**	**292,570**	**(146,606)**	**(4,224)**	**(150,830)**	**351,396**	**26,848**	**378,245**
Change in assets/liabilities	**22,707**	**1,562**	**24,269**	**(45,235)**	**(749)**	**(45,984)**			

€'000

2022	Contract assets			Contract liabilities			Income statement		
	Intragroup	Third parties	Total	Intragroup	Third parties	Total	Intragroup	Third parties	Total
	188,470	**7,896**	**196,367**	**(87,523)**	**(4,647)**	**(92,170)**			
Revenue recognised during the year which was included in the opening balance of contract liabilities	45,916	28,100	74,017	4,575	422	4,997	50,492	28,522	79,014
Increases in contract liabilities, net of the amounts released to revenue during the year	(154,033)	(20,139)	(174,172)	(97,882)	(4,525)	(102,407)			
Increases in contract assets due to the provision of services	165,232	(9,234)	155,998	72,168	4,928	77,096	237,400	(4,306)	233,094
Increases in contract assets due to changes in the assessment of the percentage of completion	16,579	(486)	16,093	7,291	347	7,638	23,870	(140)	23,731
31 December	**262,165**	**6,137**	**268,301**	**(101,371)**	**(3,475)**	**(104,846)**	**311,762**	**24,076**	**335,838**
Change in assets/liabilities	**73,694**	**(1,760)**	**71,935**	**(13,847)**	**1,172**	**(12,676)**			

The table below gives a breakdown of revenue from sales and services by geographical segment and moment of recognition:

€'000

	2023	2022	Changes
Geographical segment			
Italy	353,755	315,879	37,876
Europe	1,603	1,537	66
Non-EU	22,887	18,422	4,465
From contracts with customers	**378,245**	**335,838**	**42,407**
Moment of recognition			
Over time	378,245	335,838	42,407
From contracts with customers	**378,245**	**335,838**	**42,407**
Other revenue from sales and services	**15**	**22**	**(7)**
Total revenue from sales and services	**378,260**	**335,860**	**42,400**

5 Other income (€565 thousand)

Other income is detailed in the table below:

€'000

	2023	2022	Changes
Indemnities	6	27	(21)
Supplier vetting	93	89	4
Grants related to income	434	280	154
Repayments	19	30	(11)
Other	13	26	(13)
Other income	**565**	**452**	**113**

The increase of the year was mainly due to grants related to income obtained in the year for the specific "FA3 – IAMARAIL" project (€285 thousand), where the Parent Company is the beneficiary of the partnership composed of Italferr, RFI and Trenitalia, within the scope of the Europe's Rail Joint Undertaking (ERJU) project.

6 Personnel expense (€174,600 thousand)

This caption can be analysed as follows:

€'000

	2023	2022	Changes
Wages and salaries	118,883	97,628	21,255
Social security charges	32,658	24,542	8,116
Other expense for employees	8,241	6,962	1,279
Post-employment benefits	7,897	6,394	1,503
Post-employment benefits/Free Travel Card service costs	15	17	(2)
Net accruals/releases for employees	56	(2,653)	2,709
Employees	**167,750**	**132,890**	**34,860**
Temporary workers, seconded employees and work experience	1,745	3,233	(1,488)
Other personnel-related expense	5,105	3,792	1,313
Other costs	**6,850**	**7,025**	**(175)**
Total	**174,600**	**139,915**	**34,685**

Personnel expense showed a total increase of €34,685 thousand on the previous year, mainly due to:

- an increase in wages and salaries, and related contributions totalling €29,371 thousand, due to a rise in workforce, and the development and retention policies implemented during the year;
- an increase in Other expenses for employees, mainly as a result of the increase in overtime and travel, due to the growth in the number of resources and the start of operations at construction sites.

On the contrary, net accruals/releases showed a reduction compared to 2022 since the latter period benefitted from a contingent asset that had arisen from the renewal of the National Collective Labour Agreement and, therefore, it was not recurring.

Other costs remained substantially in line with the previous year (-€175 thousand) due to a decrease in average temporary workers employed in 2023 compared to 2022, which offset the increase in costs for training (+€285 thousand), meal vouchers (+€656 thousand), and health benefits (+€372 thousand).

The table below gives a breakdown of the company's average number of employees by category:

average FTE

	2023	2022	Changes
Managers	78	64	14
Junior managers	771	656	115
White collars	1,917	1,560	357
Total employees	**2,766**	**2,280**	**486**
Temporary workers	33	64	(31)
Total flexible staff	**33**	**64**	**(31)**
Total	**2,799**	**2,344**	**455**

7 Raw materials, consumables, supplies and goods (€738 thousand)

They can be analysed as follows:

€'000

	2023	2022	Changes
Materials and consumables	738	417	321
Total	**738**	**417**	**321**

The caption includes the cost incurred to purchase raw materials and consumables, and those related to accident prevention equipment used in operations. The increase that this item recorded in the two comparative periods was mainly due to the purchase of small electrical and electronic devices used in higher-tech activities (+€243 thousand on 2022).

8 Services (€101,363 thousand)

This caption can be analysed as follows:

€'000

	2023	2022	Changes
Engineering services	55,547	58,867	(3,320)
Administrative and IT services	19,094	16,972	2,122
Facility	5,244	5,424	(180)
Travel and accommodation	7,312	5,505	1,807
Insurance	2,654	2,392	262
Professional services	2,280	2,547	(267)
Utilities	1,924	1,866	58
Services provided by the parent	1,935	1,462	473
External communications and advertising expense	265	167	98
Lease payments, building expense and registration tax	2,020	1,221	799
Hires and other	1,592	1,437	155
Other	1,496	1,298	198
Total	**101,363**	**99,158**	**2,205**

This caption rose by a total of €2,205 thousand on the previous year, mainly as a result of the following factors:

- a reduction in costs for engineering services (€3,320 thousand) due to the different mix of contracts managed during the year, compared to the previous year;
- an increase in costs for administrative and IT services (+€2,122 thousand) due to growth in services received from affiliates FS Technology (IT services) and Ferservizi (personnel administration), and, to a large extent, occurred as a result of the increase in resources employed in the Company;
- an increase in travel and accommodation costs (+€1,807 thousand), also due to growth in the number of resources and work related to the delivery of works and start of operations at construction sites;

- an increase in building expense and ancillary services related to leased offices (+€799 thousand), largely due to the fact that, in 2022, the lease of the Rome office in Via San Martino della Battaglia, and that concerning additional spaces at the Genoa office had started during the year. In addition, in 2023, charges related to the foreign offices in India increased due to growth in resources employed, and in Latvia and Canada as a result of the full-scale start-up of operations;
- an increase in costs for services provided by the parent (+€473 thousand) due to the renewal of the Global Management Services contract, which enriched the catalogue of services offered by FS Italiane, and used by its subsidiaries;
- a reduction in costs for outsourced engineering services (-€3,320 thousand) due to a change in the mix, compared to the previous year, of the contracts in the portfolio, which resulted in less recourse to third-party support.

9 Other operating costs (€9,813 thousand)

Other operating costs are detailed in the table below:

€'000

	2023	2022	Changes
Contribution for Free Travel Cards	2,226	1,748	478
Membership fees	231	345	(114)
Entertainment expenses	13	13	0
Other	745	330	415
Net accruals/releases	6,136	5,456	680
Local taxes and duties	462	541	(79)
Total	**9,813**	**8,433**	**1,380**

The contribution for the Free Travel Card is the amount paid to Trenitalia for the free transport of Italferr employees: the amount showed an increase, compared to 2022, due to a rise in the workforce of Italferr.

Net accruals/releases rose on 2022 and may be analysed as follows:

- the probable liabilities for litigation in case they lose the case, which the Company estimated by considering pending litigation (€206 thousand);
- the net accrual to the provision for losses on contracts (€5,930 thousand), which consists of the value of expected credit losses on contracts with negative margins.

10 Amortisation/depreciation, provisions and impairment losses (€7,805 thousand)

It may be analysed as follows:

€'000

	2023	2022	Changes
Amortisation	**3**	**3**	**0**
Depreciation of property, plant and equipment	2,172	2,325	(153)
Depreciation of right-of-use assets for leased assets	4,891	4,275	616
Adjustments of right-of-use assets	112	0	112
Depreciation	**7,175**	**6,600**	**575**
Total amortisation/depreciation	**7,178**	**6,603**	**575**
Impairment losses on property, plant and equipment	0	187	(187)
Net impairment (gains) losses on financial assets	633	83	550
Impairment losses on cash and cash equivalents	(6)	2	(4)
Net impairment (gains) losses	**627**	**272**	**359**
Total amortisation/depreciation and impairment losses	**7,805**	**6,875**	**930**

Amortisation/depreciation amount to €7,178 thousand. For additional information, reference should be made to notes 14, 15 and 16.

Impairment (gains) losses, which increased by €359 thousand, is the result of adjusting the balance of financial receivables falling within the scope of application of IFRS 9.

11 Financial income (€3,027 thousand)

This caption can be analysed as follows:

€'000

	2023	2022	Changes
Financial income from non- current loans and securities	587	0	587
Other financial income	700	45	655
Dividends	1,017	567	450
Exchange gains	723	1,165	(442)
Total	**3,027**	**1,777**	**1,250**

Financial income from non-current loans and securities (€587 thousand) concerns the cancellation of the financial charges that Italferr had recognised in previous years against the financial liability recognized at the time of the call option for the acquisition of 20% of CREW's capital. The option was provided for in quotaholders' agreements, which were then renewed, and the expiration for its new exercise does not allow Italferr to exercise it. As a result, the Company has written off the call option, and the corresponding financial liability, and a contingent asset has been recognized for undue interest.

Other financial income showed an increase of €655 thousand, was mainly attributable to interest income accrued on the intercompany account (€478 thousand), and interest income accrued on the tax credit that the Company has collected for the years 2020 to 2022 in India.

Dividends showed an increase of €450 thousand on 2022, mainly due to higher dividends distributed by CREW (+418 thousand on the previous year).

The decrease in Exchange gains (by €442 thousand) was attributable to the fluctuation in exchange rates of some of the currencies in the countries where the Company's headquarters and branches are located.

12 Financial expense (€4,513 thousand)

Financial expense is detailed in the table below:

€'000

	2023	2022	Changes
Interest cost	611	649	(38)
Interest expense to parents	2,606	531	2,075
Other financial expense	508	528	(20)
Exchange losses	1,320	1,170	150
Adjustments of impairment loss on equity investment	(532)	0	(532)
Total	**4,513**	**2,878**	**1,635**

Interest expense to parents increased by €2,075 thousand on the previous year, mainly due to the sharp increase in interest rates applied on the short-term credit line granted by FS Italiane.

The increase in exchange losses (€150 thousand) was attributable to a less favourable trend in exchange rates, mainly the US dollar and the Indian rupee.

The increase in financial expenses was partly mitigated by the adjustment to the provision for impairment losses (€532 thousand) established in previous years against the Impairment of CREW. The adjustment was necessary because the provision had also been quantified by taking into account the additional 20% of CREW's capital represented by the call option: having written off the latter value, the provision for impairment of equity investments was adjusted to 80% of the value of the quota actually owned by Italferr.

13 Income taxes, current and deferred tax assets and liabilities (€24,159 thousand)

Income taxes can be analysed as follows:

€'000

	2023	2022	Changes
IRAP	3,968	3,845	123
IRES	21,621	20,683	938
Current foreign taxes	515	691	(176)
Deferred tax assets and liabilities	(1,566)	(1,737)	171
Adjustments to prior year income taxes	(379)	484	(863)
Total	**24,159**	**23,966**	**193**

The above table shows that the caption increased by €193 thousand compared to 2022, mostly as a result of the higher taxable profit achieved due to the rise in production volumes, and average contract profitability.

A reconciliation of taxes calculated using the theoretical and effective tax rates is reported below.

Reconciliation of the actual tax rate

€'000

Reconciliation of the actual tax rate	2023		2022	
	Amount	%	Amount	%
Profit for the year	58,861		56,447	
Total income taxes	24,159		23,966	
Pre-tax profit	83,020		80,413	
IRES theoretical tax (national tax rate)	**19,925**	**24.0%**	**19,299**	**24.0%**
Lower taxes				
Other decreases	(3,073)	-3.8%	(2,974)	-3.7%
Higher taxes				
Accruals to provisions	3,872	4.8%	2,999	3.7%
Prior year expense	20	0.0%	231	0.3%
Other increases	877	1.1%	1,128	1.4%
Total current income taxes (IRES)	**21,621**	26.9%	**20,683**	**25.7%**
IRAP (regional tax on production)	**3,968**	4.9%	**3,845**	**4.8%**
Foreign taxes	**515**	0.6%	**691**	**0.9%**
Difference on estimated prior year taxes	**(379)**	-0.5%	**484**	**0.6%**
Total deferred tax	**(1,566)**	-1.9%	**(1,737)**	**-2.2%**
Total	**24,159**	**30.0%**	**23,966**	**29.8%**

14 Property, plant and equipment (€34,676 thousand)

The opening and closing balances of property, plant and equipment and changes therein are shown in the table below.

The assets' estimated useful lives did not change during the year.

€'000

	Land and building	Industrial and commercial equipment	Other assets	Assets under construction and payments	Total
Historical cost	40,305	1,472	20,648	187	62,612
Depreciation and impairment losses	(12,305)	(1,028)	(16,630)		(29,963)
Balance at 1.1.2022	**28,000**	**444**	**4,018**	**187**	**32,649**
Investments	9,084	10	2,638		11,732
Depreciation	(4,345)	(148)	(2,107)		(6,600)
Exchange differences	(9)				(9)
Disposals and divestments	(6)		(17)		(23)
Other changes				(187)	(187)
Total changes	**4,724**	**(138)**	**514**	**(187)**	**4,913**
Historical cost	48,889	1,482	22,871		73,242
Depreciation and impairment losses	(16,165)	(1,176)	(18,339)		(35,680)
Balance at 31.12.2022	**32,724**	**306**	**4,532**	**0**	**37,562**
Investments	1,776	35	2,466		4,277
Depreciation	(4,703)	(148)	(2,213)		(7,064)
Exchange differences	(20)		9		(11)
Disposals and divestments			(4)		(4)
Other changes	(85)		1		(84)
Total changes	**(3,032)**	**(113)**	**259**	**0**	**(2,886)**
Historical cost	49,312	1,517	24,145		74,975
Depreciation and impairment losses	(19,619)	(1,324)	(19,355)		(40,299)
Balance at 31.12.2023	**29,693**	**193**	**4,790**	**0**	**34,676**

The above table includes, among other things, changes in right-of-use assets, which are broken down and commented on in note15 "Right-of-use assets."

After excluding right-of-use assets, the changes recorded in the item during the year were due to the following activities:

- the investments for a total of €1,216 thousand which concerned:
    - the purchase of laptops, notebooks and other small IT equipment for Italianand foreign employees (€877 thousand), as well as a drone for aero-photogrammetric surveys and measurements (€8 thousand);
    - furniture and furnishings for offices (€296 thousand);
    - small office equipment (€35 thousand);
- disposals of furniture based on the gradual restyling of the Rome office according to a smart office approach (€47 thousand) and of furniture of the Riyadh office due to relocation of the office (€86 thousand), as well as sales of PCs following their replacement due to obsolescence (€86 thousand). The sold/disposed assets had

almost all been fully depreciated: from the sales made, the Company realized capital gains of €8 thousand (from sales of Hardware), and capital losses of €3 thousand (from sales of furniture and furnishings).

At 31 December 2023, there were no mortgages or liens on property, plant and equipment.

15 Right-of-use assets (Lessee)

Changes in right-of-use assets are analysed below.

€'000

	Land and buildings	Other assets	Total
Historical cost	14,564	3,008	17,572
Depreciation and impairment losses	(5,466)	(679)	(6,145)
Balance at 1.1.2022	**9,098**	**2,329**	**11,427**
Investments	9,084	1,310	10,394
Depreciation	(3,676)	(599)	(4,275)
Exchange differences	(9)		(9)
Contract termination	(6)	(18)	(24)
Total changes	**5,393**	**693**	**6,086**
Historical cost	23,148	3,154	26,302
Depreciation and impairment losses	(8,657)	(1,207)	(9,864)
Balance at 31.12.2022	**14,491**	**1,947**	**16,438**
Investments	1,776	1,285	3,061
Depreciation	(4,147)	(856)	(5,003)
Exchange differences	(20)	9	(11)
Other changes	29	(1)	28
Total changes	**(2,362)**	**437**	**(1,925)**
Historical cost	23,570	3,766	27,336
Depreciation and impairment losses	(11,442)	(1,384)	(12,826)
Balance at 31.12.2023	**12,128**	**2,382**	**14,510**

During the year Italferr renewed lease contracts amounting to €1,776 thousand (€1,326 thousand for renewal for an additional 6 years of two leases of the Rome office, via Galati 87, and €450 thousand for renewal of the lease of office spaces at the Trenitalia workshop in Verona Porta Vescovo), and entered into a new long-term car hire agreement for construction site needs (€1,285 thousand).

Lease liabilities and the related changes of the year are shown below:

€'000

Changes in lease liabilities	2023
Lease liabilities - 1 January	**16,552**
New right-of-use assets	1,835
Financial expense	487
Payments	4,125
Lease liabilities – 31 December	**14,749**

The following table shows the impacts on profit or loss:

€'000

	2023
Depreciation of right-of-use assets	4,891
Adjustments of right-of-use assets	112
Interest expense on lease liabilities	478
Costs related to leases not covered by IFRS 16	3,612
Total impact on profit or loss	**9,093**

Extension options

At the commencement date of each lease, the Company assesses if it is reasonably certain that it will exercise the extension/termination options and subsequently updates its assessment if a significant event or a significant change incircumstances under its control occurs. The table below shows potential future payments:

€'000

Lease liabilities	Future lease payments	Historical rate of exercise of the extension option
14,749	(4,125)	85%

16 Intangible assets (€1 thousand)

The table below shows the opening and closing balances of intangible assets and changes in the year.

€'000

	Industrial patents and intellectual property rights
Historical cost	13
Amortisation and impairment losses	(6)
Balance at 1.1.2022	**7**
Investments	0
Amortisation	(3)
Total changes	**(3)**
Historical cost	13
Amortisation and impairment losses	(9)
Balance at 31.12.2022	**4**
Historical cost	13
Amortisation and impairment losses	(9)
Balance at 1.1.2023	**4**
Investments	0
Amortisation	(3)
Total changes	**(3)**
Historical cost	13
Amortisation and impairment losses	(12)
Balance at 31.12.2023	**1**

Following the demerger of the ICT business unit in 2019, all software owned by Italferr was transferred to FSTechnology, except for that purchased by foreign offices. In 2023, no new investments were made in the foreign offices of Italferr.

17 Deferred tax assets and deferred tax liabilities (€11,338 thousand)

The table below shows deferred tax assets and deferred tax liabilities at 31 December 2023 and changes of the yeardue to the main temporary differences between carrying amounts and the related tax amounts.

€'000

	31.12.2022	Incr.(decr.) through profit or loss	Incr. / (decr.) through OCI	31.12.2023
Deferred tax assets:	**9,845**	**1,524**	**(20)**	**11,349**
Provisions for risks and charges	8,478	1,515		9,993
Employee benefits	(74)		(20)	(94)
Other items	1,441	9		1,450
Deferred tax liabilities	**(53)**	**42**	**0**	**(11)**
Other items	(53)	42		(11)

The main change of 2023 relates to deferred tax assets recognised on accruals to the provision for contractual risks,while changes in deferred tax liabilities relate to unrealised exchange gains.

It should be noted that deferred tax assets are recognized based on the assumption that they will be recovered.

18 Equity investments (€350 thousand)

The tables below show the opening and closing balances of equity investments, broken down by category, and changes in 2023 and 2022.

€'000

	31.12.2023	31.12.2022	Changes
Equity investments in:			
Subsidiaries	350	18,652	(18,302)
Joint arrangements		0	0
Total	**350**	**18,652**	**(18,302)**

This item showed a substantial change from the previous year following the demerger of the 80% quota held in CREW in favour of FS Sistemi Urbani.

The transaction fell within the framework of the corporate reorganization by Business Units carried out by FS Italiane with the intention of providing the sector parent company in the Urban Business Unit, FS Sistemi Urbani, with its own technical department with engineering and architectural skills, capable of ensuring the enhancement of the Group's non-capital property assets, and establishing a footprint in the urban regeneration sector.

Although it was the result of management and coordination activities performed by FS Italiane, the demerger was fully supported by Italferr since the main strategic objectives that had, at the time, determined the acquisition of the majority quota in CREW had been achieved, or rather had failed in light of the changed geopolitical and economic environment.

The Demerger Balance Sheet underlying the deed was prepared by using book values as at 30 June 2023, and considering in the branch not only the equity investment but also any associated assets and liabilities.

The deed of demerger was signed by the companies involved on 28 December 2023, with effective date from 1 January 2024.

After taking the above into account, Italferr did not need to subject the equity investment to the Impairment test for the purposes of these Financial Statements.

Finally, the net value of the equity investment as at 31 December 2023 was reclassified to current assets in accordance with IFRS 5 regarding the classification of non-current assets held for sale/disposal.

The tables below show Italferr's investees and their changes in 2023 and 2022, respectively.

€'000

	Carrying amount 31.12.2022	Changes in the year				Carrying amount 31.12.2023	Accumulated loss allowance
		Acquis./ subscript.	Impairment losses/(gains)	Reclassifications	Other changes		
Investments in subsidiaries							
CREW - Cremonesi Workshop	18,302		532	(15,111)	(3,723)	0	(2,128)
I.E.S.	350					350	
Investments in joint arrangements							
JV Turchia (Italferr - Altinok e Italferr - SWS)	0					0	
Non-controlling interests							
Consorcio Supervisor Plmb[2]							

€'000

	Carrying amount 31.12.2021	Changes in the year				Carrying amount 31.12.2022	Accumulated loss allowance
		Acquis./ subscript.	Impairment losses/(gains)	Reclassifications	Other changes		
Investments in subsidiaries							
CREW - Cremonesi Workshop	18,302					18,302	(2,660)
I.E.S.	350					350	
Investments in joint arrangements							
JV Turchia (Italferr - Altinok e Italferr - SWS)	1				(1)	0	
Non-controlling interests							
Consorcio Supervisor Plmb[1]							

The zeroing of the value of the quota in CREW is dealt with at the beginning of these notes. The values and reasons for each movement that the quota recorded during 2023 are specified below.

In 2018, upon the acquisition of 80% of the quotas in CREW, Italferr and the minority quotaholders signed certain quotaholders' agreements that provided for a cross option to buy/sell (call/put options) the remaining 20%, to be exercised in the 5th year, by 30 November 2023. In anticipation of the demerger, the parties signed new

[2] Colombian consortium (set up with Metropolitana Milanese, the Spanish Ayesa and the Colombian MAB Ingenierìa de Valor). Italferr's share is 25% and as the consortium does not have a consortium fund, the equity investment was recognised at a symbolic amount of €1.

quotaholders' agreements, replacing the expiring ones. The new covenants maintained the call/ put option by stating the term for its first exercise on the date of the approval of the CREW 2023 Financial Statements by the Quotaholders' Meeting. Since, on that date, the equity investment would no longer be at Italferr's disposal, the Company wrote off the present value of the call option (€3,723 thousand), which it had recorded among non-current financial assets, reduced the provision for impairment losses (€532 thousand) by 20%, and reclassified the new net value of CREW (€15,111 thousand) to Assets held for sale/disposal.

The following table compares the carrying amounts of investments in subsidiaries, associates and joint arrangementswith the corresponding interests in equity:

€'000

	Registered office	Share/ quota capital	Profit for the year	Equity at 31.12.2023	Investment %	Share of equity (a)	Carrying amount at 31.12.2023 (b)	Difference (b-a)
Investments in subsidiaries								
CREW - Cremonesi Workshop Srl	Brescia - Italy	100	5,400	9,639	80%	7,711	0	(7,711)
I.E.S.	Belgrade - Serbia	338	2	956	100%	956	350	(606)
Investments in joint arrangements								
JV Italferr - SWS	Istanbul - Turkey	0	35	102	50.0%	51		(51)

The following is a summary of the financial statements highlights of the subsidiaries, associates and joint arrangements:

€'000

31.12.2023	% of investment	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenue	Costs	Profit for the year
Investments in subsidiaries										
CREW - Cremonesi Workshop Srl	80%	16,625	245	16,870	6,949	281	7,230	16,044	(10,644)	5,400
I.E.S.	100%	1,228	37	1,265	9	299	308	1,277	(1,275)	2
Investments in joint arrangements										
JV Italferr-SWS & Italferr Adi Ortakligi	50.0%	29	75	104	2	0	2	1	35	35

19 Non-current and current financial assets – (including derivatives) (€16,329 thousand)

The following table shows the composition of financial assets at 31 December 2023, compared to 31 December 2022:

€'000

	31.12.2023			31.12.2022			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Securities	1		**1**	1		**1**	0	0	**0**
Intragroup current account		16,328	**16,328**		14,514	**14,514**	0	1,814	**1,814**
Total financial assets	**1**	**16,328**	**16,329**	**1**	**14,514**	**14,515**	**0**	**1,814**	**1,814**

The increase of the year is entirely due to the balance of the intragroup current account held with the parent of €1,814 thousand.

Securities include Astaldi shares and the participating financial instruments assigned to Italferr, as unsecured creditor,after the completion of Astaldi S.p.A.'s composition with creditors procedure. The amount is adjusted at the year-end on the basis of securities' market price.

20 Other non-current and current assets (€6,631 thousand)

These consist of the following:

€'000

	31.12.2023			31.12.2022			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Other assets from group companies		646	**646**		1,721	**1,721**		(1,075)	**(1,075)**
VAT assets		2,183	**2,183**		2,728	**2,728**		(545)	**(545)**
Sundry assets	369	3,244	**3,613**	310	4,956	**5,266**	59	(1,712)	**(1,653)**
Advances to suppliers		190	**190**		292	**292**		(102)	**(102)**
Prepayments and accrued income - third parties		645	**645**		1,082	**1,082**		(437)	**(437)**
Total gross value of other assets	**369**	**6,908**	**7,277**	**310**	**10,779**	**11,089**	**59**	**(3,871)**	**(3,812)**
Loss allowance		(646)	**(646)**		(463)	**(463)**		(183)	**(183)**
Total other assets	**369**	**6,262**	**6,631**	**310**	**10,316**	**10,626**	**59**	**(4,054)**	**(3,995)**

VAT credits refer to the tax advance, which showed a residual balance of €4,190 thousand at 31 December, net of monthly payments.

Other assets from group companies decreased by €1,075 thousand due to the full use of the credit for tax consolidation against the payments of IRES tax advances of €19,901 thousand during the year.

Sundry assets - non-current include guarantee deposits for the lease of buildings and other assets, while the current portion (€3,244 thousand) comprises amounts due from personnel and social security institutions (€250 thousand), and other assets (€2,994 thousand), mainly consisting of VAT credits and other tax assets related to foreign offices to be recovered. These assets decreased by €1,712 thousand, on the previous year, since receivables were collected from the Indian Tax Authorities during the year, on account of withholding tax for the period 2020-2022.

Advances to suppliers (€190 thousand) are for engineering service engagements assigned to third parties.

Prepayments and accrued income decreased by €437 thousand due to a different timing of insurance premium payment deadlines compared with the previous year.

The following table gives a breakdown of other non-current and current assets by geographical segment:

€'000

	31.12.2023	31.12.2022	Changes
Italy	3,394	5,345	(1,951)
Eurozone	43	53	(10)
Other European countries (non-Euro EU)	13	13	0
Other countries	3,181	5,215	(2,034)
Total net of the loss allowance	**6,631**	**10,626**	**(3,995)**

21 Current trade receivables (€389,105 thousand)

Trade receivables may be analysed as follows:

€'000

	31.12.2023	31.12.2022	Changes
Ordinary customers	13,442	12,135	1,307
Government authorities and other public authorities	114	349	(235)
Group companies	89,201	46,247	42,954
Contract assets	292,846	268,532	24,314
Gross value of trade receivables	**395,603**	**327,263**	**68,340**
Loss allowance	(6,498)	(7,037)	539
Total trade receivables	**389,105**	**320,226**	**68,879**

The increase in amounts due from group companies (+€42,954 thousand), compared to 2022, was due to the higher turnover from invoices issued to RFI in the last period of the year.

Contract assets increased by €24,314 thousand compared to 2022, both due to the growth in production volumes, especially with RFI, and because a portion of the contracts in progress failed to reach the contractual milestones at year end in order to proceed with the billing of the fees due.

Amounts due from third-party customers also showed an increase (€1,307 thousand), compared to 2022, as a result of contracts acquired both in Saudi Arabia and in Canada.

Contract assets are broken down by the main types of assets and counterparty below.

€'000

	31.12.2023			31.12.2022		
	Work in progress	**Advances and progress billings**	**Total contract assets**	**Work in progress**	**Advances and progress billings**	**Total contract assets**
RFI	1,491,189	(1,222,268)	268,921	1,456,538	(1,206,856)	249,682
Other group companies - Italy	38,058	(21,830)	16,227	30,576	(17,928)	12,648
Third parties	9,227	(8,724)	504	10,290	(8,761)	1,529
Total Italy	**1,538,474**	**(1,252,823)**	**285,652**	**1,497,404**	**(1,233,545)**	**263,859**
Other customers	38,327	(31,132)	7,195	50,902	(46,229)	4,673
Total abroad	**38,327**	**(31,132)**	**7,195**	**50,902**	**(46,229)**	**4,673**
Total contract assets	**1,576,801**	**(1,283,954)**	**292,846**	**1,548,306**	**(1,279,774)**	**268,532**

The maximum exposure to credit risk, broken down by geographical segment, is as follows:

€'000

	31.12.2023	31.12.2022	Changes
Italy	379,250	312,187	67,063
Eurozone	118	213	(95)
Other European countries (non-Euro EU)	59	56	3
Other non-EU European countries	708	330	378
Other countries	8,970	7,440	1,530
Total trade receivables net of the loss allowance	**389,105**	**320,226**	**68,879**

22 Cash and cash equivalents (€5,378 thousand)

As shown in the table below, this caption basically comprises cash deposited with bank and postal accounts, which is not transferred to the intragroup current account held with the Parent.

€'000

	31.12.2023	31.12.2022	Changes
Bank and postal accounts	5,363	10,828	(5,465)
Cash and cash equivalents	19	20	(1)
Gross value	**5,382**	**10,848**	**(5,466)**
Loss allowance	(4)	(10)	6
Total net of the loss allowance	**5,378**	**10,838**	**(5,460)**

23 Assets (liabilities) held for sale and disposal groups (€15,111 thousand)

The item includes the value of the quota in Cremonesi Workshop S.r.l. - CREW, for €15.111 thousand following the reclassification carried out against the demerger of the quota in favour of the affiliate FS Sistemi Urbani.

The caption may be analysed as follows:

€'000	Carrying amount at 31.12.2022	Changes for the year	Carrying amount at 31.12.2023
80% acquisition cost	17,239		17,239
Call value	3,723	(3,723)	0
Provision for impairment losses on equity investments	(2,660)	532	(2,128)
Total value of CREW	**18,302**	**(3,191)**	**15,111**

For a description of the changes that were recorded during the year, please refer to Note 18 to these financial statements, only specifying that:

- against the cancellation of the value of the call option, as an offsetting entry to financial liabilities for €4,309 thousand, contingent financial assets amounting to €586 thousand were recognized in the income statement, due to the fact that the difference between the values of assets and liabilities represented the amount of imputed interest recorded in previous years;
- the adjustment to the provision for impairment losses to 80% of the value of the quota generated contingent assets, recognized in the income statement, of €532 thousand.

24 Equity (€132,794 thousand)

Changes in the main equity captions in 2023 and 2022 are analysed in the table at the beginning of these notes.

Share capital

The Company's entirely subscribed and paid-up share capital on 31 December 2023 consists of 14,186 ordinary shareswith a nominal amount of €1,000 each, for a total of €14,186,000;

Legal reserve: this reserve did not change during the year, as in 2007 it reached the legal minimum of 20% of sharecapital and amounts to €2,837 thousand;

Extraordinary reserve: this reserve amounts to €57,522 thousand. The increase on the previous year end is due tothe undistributed portion of the profit for 2022.

Other reserves: these consist of the following:

- *Reserve as per article 13 of Legislative decree no. 124/1993* (€33 thousand: this reserve includes the portion of profit for the year accrued up to 2000 and equal to 3% of post-employment benefits transferred to supplementarypension funds. Pursuant to article 13.6 of Legislative decree no. 124/1993, an amount not exceeding 3% of the annual accrual of post-employment benefits transferred to supplementary pension funds was deductible for income tax purposes, provided that the deductible amount was accrued in a specific equity reserve. Article 13.6 was repealed by article 3.1.c).1 of Legislative decree no. 47/2000;
- *Translation reserve* (€644 thousand): this reserve includes net unrealized exchange gains which, pursuant to article 2426.8-bis of the Italian Civil Code, must be taken to a non-distributable reserve until they are realised. At the end of 2023, the Company's valuation of foreign currency items resulted in the recognition of net losses, and therefore, the reserve set aside as at 31 December 2022 is distributable.

Actuarial reserve for employee benefits: this reserve has a negative balance of €4,558 thousand and includes the actuarial losses on employee benefits taken directly to equity (€84 thousand), net of the tax effect (€20 thousand), recording a net difference of €64 thousand compared to 2022.

Retained earnings: this reserve amounts to €3,269 thousand. It was set up in 2010 upon the first-time adoption ofthe IFRS and includes the adjustments to the opening balances (1 January 2009) of post-employment benefits, the Free Travel Card and non-current assets, net of the related tax, as well as the change in the profit for 2009 due to therestatement of balances for the first-time adoption of the IFRSs.

Profit for the year

The profit for 2023 from continuing operations amounts to €58,861 thousand.

The origin, availability and distribution of equity captions, as well as their use in the past three years, are shown below:

€'000

Origin	Balance at 31.12.2023 (a+b)	Unavailable portion (a)	Available portion (b)	Possibility of use	Summary of uses in the past three years		
					Capital increase	Coverage of losses	Dividends
Share capital	**14,186**						
Income-related reserves:							
Legal reserve	2,837	2,837		2,837			
Extraordinary reserve	57,522		57,522	A,B,C			
Reserve as per art. 13 Leg. decree no. 124/93	33		33	B			
Translation reserve	644		644	A,B,C			
IFRS reserve	(4,558)	(4,558)					
Retained earnings	3,269	3,269					
TOTAL	**73,933**	**1,548**	**58,199**		**0**	**0**	**0**

Key: A: capital increase; B. coverage of losses; C: dividends

25 Non-current and current loans and borrowings (€42,500 thousand)

They can be analysed as follows:

€'000

Non-current loans and borrowings, net of current portion	31.12.2023	31.12.2022	Changes
Loans and borrowings from Group companies	6,000	7,500	(1,500)
Total	**6,000**	**7,500**	**(1,500)**

The amount shown in the above table reflects the residual portion, net of the current portion, of the loan obtained from the parent in 2018 to acquire an investment in CREW. The loan is repayable in half-year instalments in arrears at a fixedrate of 3.65%. It should be noted that the financial liability, being related to the acquisition of the CREW quota, has been recorded in the Balance Sheet of the demerger in favour of FS Sistemi Urbani and, therefore, as from 1 January 2024, it will be transferred to the subsidiary together with any other assets and liabilities pertaining to the branch.

€'000

Current loans and borrowings and current portion of non-current loans and borrowings	31.12.2023	31.12.2022	Changes
Loans and borrowings from Group companies (current portion)	36,500	36,500	0
Total	**36,500**	**36,500**	**0**

The current portion at 31 December 2023 includes the utilisation of the revolving credit line which was granted by theparent to meet the company's liquidity needs (€35,000 thousand).

The characteristics of the outstanding loans are shown in the table below:

€'000

Creditor	Currency	Nominal interest rate	Year of expiry	31.12.2023		31.12.2022	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount
Ferrovie dello Stato Italiane S.p.A	EUR	3.65%	2028	15,000	7,500	15,000	9,000
Ferrovie dello Stato Italiane S.p.A	EUR	Variable rate	2023	100,000	35,000	60,000	35,000
Total loans and borrowings				**115,000**	**42,500**	**75,000**	**44,000**

The reconciliation between the total changes in financial assets and liabilities broken down by monetary and non-monetary items is given below.

€'000

Cash flows generated by/ (used in) operating activities	31.12.2022	Monetary items (statement of cash flows)	Non-monetary items		31.12.2023
			New leases	Other	
Cash and cash equivalents	(10,838)	5,460			(5,378)
Disbursement (repayment) of current and non-current loans and borrowings	44,000	(1,500)			42,500
Change in other financial assets	(14,514)	(1,814)			(16,328)
Change in other financial liabilities	16,552		1,834	(3,637)	14,749
Total	**35,200**	**2,146**	**1,834**	**(3,637)**	**35,543**

The table below provides an analysis of the net financial position, shown in the reclassified statement of financial position,as presented in the 2023 directors' report compared with 31 December 2022:

€'000

Net financial position	**31.12.2023**	**31.12.2022**	**Changes**
Current net financial position			
Cash and cash equivalents	5,378	10,838	(5,460)
Intragroup current account	16,328	14,514	1,814
Other financial liabilities	(36,500)	(36,500)	0
Other	(4,469)	(4,440)	(29)
Total current net financial position	**(19,263)**	**(15,588)**	**(3,675)**
Non-current net financial debt			
Other financial liabilities	(6,000)	(7,500)	1,500
Other	(10,280)	(12,111)	1,831
Non-current net financial debt	**(16,280)**	**(19,611)**	**3,331**
Net financial position	**(35,543)**	**(35,199)**	**(344)**

26 Employee benefits (€12,620 thousand)

Changes in the present value of liabilities for defined benefit obligations are shown in the table below.

€'000

	31.12.2023	**31.12.2022**	**Changes**
Present value of post-employment benefit obligations	12,218	13,087	(869)
Present value of Free Travel Card obligations	402	361	41
Total present value of obligations	**12,620**	**13,448**	**(828)**

€'000

	31.12.2023	**31.12.2022**	**Changes**
Opening balance	13,448	16,363	(2,915)
Service costs (*)	15	17	(2)
Interest cost (*)	463	657	(194)
Actuarial (gains) losses recognised in equity			0
- changes in financial assumptions	257	(2,309)	2,566
- past experience	(351)	832	(1,183)
Advances/utilisations and other changes	(1,212)	(2,112)	900
Closing balance	**12,620**	**13,448**	**(828)**

(*) through profit or loss

Starting from 1 January 2007, the post-employment benefits being accrued are transferred either to INPS (the ItalianSocial Security Institute) or to supplementary pension funds. Consequently, the post-employment benefit obligation set out above solely includes amounts vested up to 31 December 2006, which are remeasured each year in accordancewith the IAS 19 requirements for defined benefit plans, as both the Italian post-employment benefits and use of freetravel cards are considered as such. Italferr measured its liability to each employee by discounting the post-employment benefits that it will be required to pay upon termination of employment (uncertain).

In its measurement, the Company considered demographic-actuarial factors, such as its employees' mortality and invalidity rates, employee turnover and historical figures of advances paid.

In addition to the actuarial gains or losses on post-employment benefits and free travel card benefits recognised in equity, Italferr recognised the following in profit or loss:

- the service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current year;
- the interest cost, which is the interest accrued on post-employment benefits and free travel card benefits.

Actuarial assumptions

The main assumptions for the actuarial estimate process are described below.

	31.12.2023	31.12.2022
Discount rate (post-employment benefits)	2.95%	3.57%
Discount rate (Free Travel Card)	3.17%	3.77%
Annual increase rate of post-employment benefits	3.00%	3.23%
Inflation rate (post-employment benefits)	2.00%	2.30%
Inflation rate (Free Travel Card)	2.00%	2.30%
Expected turnover rate for employees (post-employment benefits)	3.00%	3.00%
Expected turnover rate for employees (Free Travel Card)	3.00%	3.00%
Expected rate of advances (post-employment benefits)	2.00%	2.00%
Mortality	RG48 mortality rate published by the General Accounting Office	
Disability	INPS tables broken down by gender and age	
Retirement age	100% upon meeting the compulsory general insurance requirements	

The following table shows the results of the sensitivity analysis performed to assess the effects that would have beenrecorded in terms of changes in the present value of liabilities for defined benefit obligations, following reasonably possible changes in actuarial assumptions.

The table below shows the average duration of the defined benefit obligations and the disbursements provided by the plan.

	Post-employment benefits	Free Travel Card
Inflation rate +0.25%	12,306,925	414,744
Inflation rate -0.25%	12,130,243	388,903
Discount rate +0.25%	12,081,158	389,086
Discount rate -0.25%	12,358,430	414,667
Turnover rate +1%	12,232,182	-
Turnover rate -1%	12,202,793	-
Plan duration	5.3	18
Estimated future payments - first year	2,190,183	21,892
Estimated future payments - second year	3,042,668	23,113
Estimated future payments - third year	1,226,050	23,018
Estimated future payments - fourth year	391,523	23,848
Estimated future payments - fifth year	1,051,029	24,370

27

28 Provisions for risks and charges (€36,136 thousand)

The following table shows the opening and closing balances and changes in the year of the provisions for risks and charges. There are no current portions:

€'000

Provisions for risks and charges	31.12.2022	Accruals	Reclassifications	Release of excess provisions	Utilisation and other changes	31.12.2023
Litigation with employees	208	151			(94)	265
Litigation with third parties	5,467	206				5,673
Provision for losses on contracts	24,268	15,666			(9,736)	30,198
Utilisation of the provisions for risks and charges	**29,943**	**16,023**	**0**	**0**	**(9,830)**	**36,136**
of which current portion	*0*					*0*
of which non-current portion	*29,943*	*16,023*			*(9,830)*	*36,136*

The net increase in provision for litigation with employees (€57 thousand) is calculated on the basis of updated estimates of loss of litigation outstanding with the Company's counterparties.

The provision for litigation with third parties increased by €206 thousand as a result of new claims for compensation ofdamage brought against the Company in the year, including as jointly and severally liable with customers and/or RFI.

The provision for losses on contracts relates to the measurement of the lifetime profit or loss of contracts in progress required by IAS 37. The increase of €5,930 thousand includes the accruals made for expected future losses on contracts with a negative outcome, mostly acquired during the year, net of releases for losses accrued during the year in line with progress made on contracts with a negative outcome.

29 Non-current and current financial liabilities (including derivatives) (€14,749 thousand)

Financial liabilities solely comprise lease liabilities related to the lease of Italferr's offices and cars as follows:

€'000

	31.12.2023			31.12.2022			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial liabilities									
Lease liabilities	10,280	4,469	**14,749**	12,112	4,440	**16,552**	(1,832)	29	**(1,803)**
Total	**10,280**	**4,469**	**14,749**	**12,112**	**4,440**	**16,552**	**(1,832)**	**29**	**(1,803)**

The table below shows the interest rates used to discount future payments.

Engineering	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y
First quarter 2023	4.58%	4.48%	4.75%	4.77%	4.96%	5.04%	5.19%	5.24%	5.34%	5.50%
Second quarter 2023	4.75%	4.68%	4.79%	4.78%	4.90%	4.98%	5.11%	5.19%	5.28%	5.41%
Third quarter 2023	5.13%	5.06%	5.03%	5.01%	5.13%	5.19%	5.29%	5.37%	5.45%	5.58%
Fourth quarter 2023	4.98%	4.84%	4.81%	4.86%	5.03%	5.15%	5.27%	5.36%	5.46%	5.62%

30 Other non-current and current liabilities (€47,235 thousand)

€'000

	31.12.2023			31.12.2022			Changes		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Social security charges payable		24,466	**24,466**		18,216	**18,216**		6,250	**6,250**
Other liabilities with Group companies		366	**366**		3,468	**3,468**		(3,102)	**(3,102)**
Other liabilities and accrued expenses and deferred income	0	22,403	**22,403**	4,310	22,167	**26,477**	(4,310)	236	**(4,074)**
Total	**0**	**47,235**	**47,235**	**4,310**	**43,851**	**48,161**	**(4,310)**	**3,384**	**(926)**

Social security charges payable (€24,466 thousand) include the accrued 14th month pay and holidays accrued but notyet taken, along with the amount due to Inarcassa of €13,589 thousand.

Other liabilities with Group companies include the liability for the tax consolidation scheme and specifically the IRES payments on account transferred to the parent (€19,901 thousand), net of current taxes.

The current portion of Other liabilities, amounting to €22,403 thousand, includes, among others:

- amounts due to personnel for remuneration accrued but not yet paid (€11,627 thousand);
- holidays accrued but not yet taken at 31 December 2022 (€2,134 thousand);
- tax liabilities for withholdings applied to employees and freelancers (€4,963 thousand).

The non-current portion of Other liabilities has been zeroed out because it relates to the call option for the additional quota of 20% of Crew, provided for in the previously applicable Quotaholders' Agreements, which are now superseded.

31 Current trade payables (€191,253 thousand)

The Company’s trade payables are solely current and may be broken down as follows:

€'000

	31.12.2023	31.12.2022	Changes
Suppliers	23,863	24,110	(247)
Group companies	16,560	9,978	6,582
Contract liabilities	150,830	104,846	45,984
Total	**191,253**	**138,934**	**52,319**

The higher change in this caption relates to contract liabilities for contract work in progress and is attributable to the higher progress billings that occurred in recent months as new contracts were signed especially with RFI.

Contract liabilities are broken down by counterparty below.

€'000

	31.12.2023	31.12.2022	Changes
RFI	139,722	96,144	43,578
Other Group companies	6,884	5,227	1,657
Third parties	4,224	3,475	749
Contract liabilities	**150,830**	**104,846**	**45,984**

32 Tax liabilities (€1,632 thousand)

This caption includes the 2023 IRAP (regional production) tax liability due, net of advances paid during the year (€3,732 thousand), and foreign tax liabilities (€1,503 thousand) due by the foreign branches.

€'000

	2023	2022	Changes
IRAP	129	198	(69)
Foreign tax liabilities	1,503	792	711
Tax liabilities	**1,632**	**990**	**642**

33 Financial risk management

The Company's activities expose it to various types of risk as a result of its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk, and interest risk and currency risk in particular.

Financial assets and financial liabilities measured in accordance with IFRS 9 may be analysed as follows.

€'000

	2023	2022
Trade receivables at amortised cost	389,105	320,226
Cash and cash equivalents at amortised cost	5,359	10,838
Other assets at amortised cost	5,637	10,626
Other financial assets at amortised cost	16,328	14,515
Other financial assets at FVTPL	351	18,652
Total financial assets	**416,780**	**374,856**
Loans at amortised cost	42,500	44,000
Trade payables at amortised cost	191,253	138,934
Other liabilities at amortised cost	47,240	48,160
Other financial liabilities at amortised cost	14,749	16,552
Total financial liabilities	**295,742**	**247,645**

This section provides information on the company's exposure to each of the risks listed above, the objectives, policies and processes for the management of these risks and the methods used to assess them, as well as capital management. These financial statements also include additional quantitative information. The Company's risk management focuses on the volatility of financial markets and is aimed at minimising, where possible, potential undesired effects on its financial position and results of operations.

The carrying amounts of financial assets and liabilities, other than tax assets and equity investments, in the statementof financial position match those determined in accordance with IFRS 7.

CREDIT RISK

Italferr's financial assets showed an increase on the previous year (+€41,924 thousand), not because of a worsening in average collection times but because of the growth in production volumes that occurred during the year, which led Contract Assets to increase against the Group.

Consequently, this trend does not represent a risk as it is due to the different performance of the company's production with respect to progress billings as provided for in the contracts with customers.

With regard to credit risk deriving from investing activities, the company applies a liquidity investment policy which is managed by the parent and defines:

- the minimum requirements of the financing counterparty in terms of creditworthiness and the related concentration thresholds; and
- the types of financial products that can be used.

With respect to the derivatives used for hedging purposes and which can potentially generate credit exposure to counterparties, the Company has a specific policy that defines concentration thresholds by counterparty and credit rating.

With respect to the assessment of customers' credit risk, the Company manages and analyses the risk of all new significant customers, regularly checks their commercial and financial exposure and monitors the collection of the amounts due from the public administration within the contractually-agreed timeframe.

The following tables show the Company's exposure to credit risk at 31 December 2023 and 2022, broken down by category and counterparty. For information about the gross balance and the loss allowance, reference should be made to the notes to the relevant captions.

€'000

31.12.2023	PA	Third party customers	Financial institutions	Group companies	Total
Current and non-current trade receivables	504	15,229		373,372	389,105
Other non-current and current assets	157	3,013		2,817	5,987
Current and non-current financial assets				16,328	16,328
Cash and cash equivalents			5,359		5,359
Total financial assets	**661**	**18,243**	**5,359**	**392,517**	**416,780**

€'000

31.12.2022	PA	Third party customers	Financial institutions	Group companies	Total
Current and non-current trade receivables	1,559	11,471		307,195	320,226
Other non-current and current assets	43	5,061		4,439	9,544
Current and non-current financial assets		1		14,514	14,515
Cash and cash equivalents			10,818		10,818
Total financial assets	**1,602**	**16,533**	**10,818**	**326,148**	**355,102**

The tables below give a breakdown of financial assets and trade receivables at 31 December 2023 and 2022 by past due brackets:

€'000

31.12.2023	Not past due	Past due 0-180	Past due 181-360	Past due 360-720	Past due >720	Total
Public administration, Italian government and regions (gross)	661	0	0	0	114	775
Loss allowance	(0)	0	0	0	(114)	(115)
Public administration, Italian government and regions (net)	**661**	**0**	**0**	**0**	**0**	**661**
Group companies	389,276	3,182	76	0	231	392,765
Loss allowance	(246)	(2)	(0)	0	(0)	(248)
Group companies (net)	**389,030**	**3,180**	**76**	**0**	**231**	**392,517**
Third party customers	15,352	3,798	309	525	5,041	25,024
Loss allowance	(831)	(116)	(294)	(499)	(5,041)	(6,781)
Third party customers (net)	**14,521**	**3,682**	**15**	**25**	**(0)**	**18,243**
Financial institutions	5,363	0	0	0	0	5,363
Loss allowance	(4)	0	0	0	0	(4)
Financial institutions (net)	**5,359**	**0**	**0**	**0**	**0**	**5,359**
Total exposure, net of the loss allowance	**409,570**	**6,862**	**91**	**25**	**231**	**416,780**

€'000

31.12.2022	Not past due	Past due 0-180	Past due 181-360	Past due 360-720	Past due >720	Total
Public administration, Italian government and regions (gross)	1,563	83			154	1,800
Loss allowance	(1)	(83)			(114)	(198)
Public administration, Italian government and regions (net)	**1,562**	**0**	**0**	**0**	**40**	**1,602**
Group companies	325,288	770	53	31	211	326,353
Loss allowance	(204)	(0)	(0)	(0)	(0)	(205)
Group companies (net)	**325,084**	**769**	**53**	**31**	**211**	**326,148**
Third party customers	16,383	713	308	303	5,924	23,630
Loss allowance	(587)	(373)	(267)	(198)	(5,672)	(7,097)
Third party customers (net)	**15,795**	**339**	**41**	**105**	**253**	**16,533**
Financial institutions	10,829					10,829
Loss allowance	(10)					(10)
Financial institutions (net)	**10,818**	**0**	**0**	**0**	**0**	**10,818**
Total exposure, net of the loss allowance	**353,260**	**1,108**	**94**	**136**	**504**	**355,102**

The total exposure and the impairment losses of each category were reclassified by risk class at 31 December 2023 and 2022, as per Standard & Poor's rating, are shown below:

€'000

31.12.2023	TOTAL	AMORTISED COST		
		12-months expected credit losses	*Lifetime-not impaired*	*Lifetime-impaired*
from AAA to BBB-	393,036	114	392,922	
from BB to BB+	30,892	3,046	24,992	2,853
Gross carrying amounts	423,928	3,160	417,914	2,853
Loss allowance	(7,148)	(3,160)	(1,134)	(2,853)
Carrying amount	**416,780**	**0**	**416,780**	**0**

€'000

31.12.2022	TOTAL	AMORTISED COST		
		12-months expected credit losses	*Lifetime-not impaired*	*Lifetime-impaired*
from AAA to BBB-	329,340	114	329,226	
from BB to BB+	33,273	3,760	26,659	2,853
Gross carrying amounts	362,612	3,874	355,885	2,853
Loss allowance	(7,510)	(3,874)	(783)	(2,853)
Carrying amount	**355,102**	**0**	**355,102**	**0**

Changes in impairment losses and gains on financial assets are detailed below. The Company does not have financialassets measured at FVTPL or FVOCI at year end.

€'000

2023	12-months expected credit losses	Lifetime- not impaired	Lifetime-impaired	TOTAL
Balance at 31 December 2022	**3,875**	**782**	**2,853**	**7,510**
Net impairment loss	(714)	1,341		627
Utilisation of the allowance		(989)		(989)
Balance at 31 December 2023	**3,161**	**1,134**	**2,853**	**7,148**

€'000

2022	12-months expected credit losses	Lifetime- not impaired	Lifetime-impaired	TOTAL
Balance at 31 December 2021	**3,484**	**1,089**	**2,853**	**7,426**
Net impairment loss	391	(256)		135
Utilisation of the allowance		(51)		(51)
Balance at 31 December 2022	**3,875**	**782**	**2,853**	**7,510**

LIQUIDITY RISK

Liquidity risk is the risk that an entity may have difficulties in complying with the obligations associated with financial liabilities to be settled by delivering cash or another financial asset. Italferr's cash flows, cash requirements and the liquidity are monitored by it and the parent and the latter's Finance & Investor Relations division to ensure efficient and effective management of financial resources. The Company's objective is the prudent management of the liquidityrisk arising from ordinary operations. This requires maintaining adequate cash and cash equivalents and uncommittedcredit lines. To this end, the parent uses uncommitted credit lines agreed with major banks.

At 31 December 2023, Italferr does not have current loans and borrowings relating to the revolving credit facility granted by the parent, while non-current loans and borrowings reflect the residual amount due to the parent for the loan obtained to acquire its investment in CREW at the end of 2018.

The following tables show the due dates of contractual financial liabilities at 31 December 2023 and 2022, including interest to be paid:

€'000

31.12.2023	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years	Contractual cash flows
Shareholder loans	35,000	1,766	3,361	3,139		43,265
Lease liabilities	2,702	2,315	3,780	6,774	498	16,070
Non-derivative financial liabilities	**37,702**	**4,081**	**7,141**	**9,912**	**498**	**59,335**
Trade payables	**40,423**	**150,830**				**191,253**
TOTAL FINANCIAL LIABILITIES	**78,125**	**154,911**	**7,141**	**9,912**	**498**	**250,588**

€'000

31.12.2022	6 months or less	6-12 months	1-2 years	2-5 years	After 5 years	Contractual cash flows
Shareholder loans	35,000	1,818	3,474	4,791		45,083
Lease liabilities	2,521	2,440	4,250	7,092	1,752	18,055
Non-derivative financial liabilities	**37,521**	**4,258**	**7,724**	**11,883**	**1,752**	**63,138**
Trade payables	**34,087**	**104,846**				**138,933**
TOTAL FINANCIAL LIABILITIES	**71,608**	**109,104**	**7,724**	**11,883**	**1,752**	**202,071**

For completeness of disclosure purposes, the following tables show the repayments of non-derivative financial liabilities and trade payables within one year, 1-5 years and after five years:

€'000

31.12.2023	Carrying amount	Within one year	1-5 years	After 5 years
Shareholder loans	42,500	36,500	6,000	0
Lease liabilities	14,749	4,469	9,786	493
Non-derivative financial liabilities	**57,249**	**40,969**	**15,786**	**493**
Trade payables	**191,253**	**191,253**		

€'000

31.12.2022	Carrying amount	Within one year	1-5 years	After 5 years
Shareholder loans	44,000	36,500	7,500	0
Lease liabilities	16,552	4,440	10,402	1,710
Non-derivative financial liabilities	**60,552**	**40,940**	**17,902**	**1,710**
Trade payables	**138,933**	**138,933**		

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate following changesin market prices, due to changes in exchange rates, interest rates or prices of equity instruments.

In the performance of its operations, the Company is mostly exposed to the risks of fluctuations in exchange rates and, to a lesser extent, fluctuations in interest rates.

The objective of market risk management is to keep the Company's exposure to this risk within acceptable levels, whileoptimising returns on investments.

Market risk includes both interest rate risk and currency risk as detailed below.

INTEREST RATE RISK

The Company meets its cash needs using a credit facility granted by the parent at a variable interest rate while, as wasdescribed for liquidity risk, its sole non-current loan, again from the parent for the acquisition of an investment in CREW, bears a fixed interest rate.

The Company's objective, in line with the Group policies, is to limit the cash flow fluctuations associated with financingtransactions in place and, where possible, to exploit the opportunities of optimising borrowing costs offered by the indexing of variable-rate debt.

The table below shows loans and borrowings:

€'000

31.12.2023	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	After 5 years
Variable rate	35,000	35,000	35,000			
Fixed rate	7,500	7,500	1,500	3,000	3,000	
Balance at 31 December 2023	**42,500**	**42,500**	**36,500**	**3,000**	**3,000**	

€'000

31.12.2022	Carrying amount	Contractual cash flows	Current portion	1-2 years	2-5 years	After 5 years
Variable rate	35,000	35,000	35,000			
Fixed rate	9,000	9,000	1,500	3,000	4,500	
Balance at 31 December 2022	**44,000**	**44,000**	**36,500**	**3,000**	**4,500**	

CURRENCY RISK

The Company is mainly active in Italy and in Eurozone countries. Therefore, the risk arising from the different currencies in which it operates is very limited.

Italferr's main contracts in foreign currencies at year end were those acquired in Saudi Arabia and Canada. All contracts are in local currency, except for the contract in Arabia which is denominated in euros. This contributes to further reducing currency risk.

The following table shows the notional amount of Italferr's exposure to currency risk at 31 December 2023 and 2022.

in foreign currency/thousands

31.12.2023		Foreign currency for €1	Balance in foreign currency			Equivalent amount in €
	Currency	Exchange rate at 31.12.2023	Trade receivables	Trade payables	Gross exposure in statement of fin pos	Net exposure in €
AED	United Arab Emirates	4.06		5	(5)	**(1)**
AUD	Australian dollar	1.63		146	(146)	**(90)**
CAD	Canadian dollar	1.46	770	116	654	**447**
COP	Colombian peso	4,267.52	(2,656)	6,201,802	(6,204,458)	**(1,454)**
DZD	Algerian dinar	148.27		491	(491)	**(3)**
EGP	Egyptian pound	34.16		843	(843)	**(25)**
ETB	Ethiopian Birr	62.24		15	(15)	**(0)**
INR	Indian rupee	91.90	255,069	50,165	204,904	**2,230**
PEN	Peruvian nuevo sol	4.08	1,377	4	1,372	**336**
QAR	Qatari riyal	4.02		43	42,645	**10,602**
RON	Romanian new leu	4.98		18	(18)	**(4)**
SAR	Saudi Arabian riyal	4.14		996	(996)	**(240)**
TRY	Turkish lira	32.65		50	(50)	**(2)**
USD	US dollar	1.11	651	5	646	**584**
UZS	Uzbekistani som	13,637.30		195,016	(195,016)	**(14)**
	Total in €					**12,366**

in foreign currency/thousands

31.12.2022		Foreign currency for €1	Balance in foreign currency			Equivalent amount in €
	Currency	Exchange rate at 31.12.2022	Trade receivables	Trade payables	Gross exposure in statement of fin pos	Net exposure in €
AED	United Arab Emirates	3.92		23	(23)	**(6)**
AUD	Australian dollar	1.57	34	58	(24)	**(15)**
CAD	Canadian dollar	1.44	807		807	**559**
CHF	Swiss franc	0.98		27	(27)	**(27)**
COP	Colombian peso	5,172.47	0	3,904,205	(3,904,205)	**(755)**
DZD	Algerian dinar	146.51		491	(491)	**(3)**
EGP	Egyptian pound	26.40		429	(429)	**(16)**
ETB	Ethiopian birr	57.16		14	(14)	**(0)**
GBP	British pound	0.89	77		77	**87**
INR	Indian rupee	88.17	192,567	42,490	150,077	**1,702**
KWD	Kuwaiti dinar	0.33			0	**0**
PEN	Peruvian nuevo sol	4.05	1,377	3	1,373	**339**
QAR	Qatari riyal	3.88	368	131	237	**61**
RON	Romanian new leu	4.95		22	(22)	**(4)**
SAR	Saudi Arabian riyal	4.00		488	(488)	**(122)**
TRY	Turkish lira	19.96		47	(47)	**(2)**
USD	US dollar	1.07	532	424	108	**101**
UZS	Uzbekistani som	11,977.03		176,019	(176,019)	**(15)**
	Total in €					**1,883**

CAPITAL MANAGEMENT

The Company's objective is to safeguard its ability to continue as a going concern in order to ensure returns to the shareholder and benefits to the other stakeholders.

It also aims to maintain an optimal capital structure in order to reduce the cost of debt.

34 Additional information

- **Contingent assets and contingent liabilities**

  The Company has not recognised any contingent assets.

  The total value of proceedings for which the Company's legal counsels have reported a "possible" risk of losing the case, based on the claim, net of revaluation and interest, amounts to approximately €10.3 million. The proceedings under consideration mainly relate to claims for damages and/or compensation filed by railway contractors or third parties as a result of the performance of railway works (e.g., buildings occupied, expropriated or damaged during the execution).

  The above economic value does not take into account the litigation managed directly and exclusively by RFI, by virtue of the existing contractual agreements with Italferr.

- **Audit fees**

  Pursuant to article 37.16 of Legislative decree no. 39/2010 and article 2427.16-bis of the Italian Civil Code, the total fees due to the independent auditors are €109 thousand, excluding other fees due for non-audit services.

- **Directors' and statutory auditors' fees**

  The following fees were paid to directors and statutory auditors for the performance of their duties:

€'000

	2023	2022	Changes
Directors (*)	142	151	(9)
Statutory auditors	41	41	0
Total	**183**	**192**	**(9)**

(*) These include all fees for the positions of chairman and CEO, including any performance-based amounts, according to the arrangement. The amount also includes the fees for the other directors

In addition to the above fees, the independent members of the Supervisory Body received fees of €45 thousand for 2023.

- **Management and coordination**

  The new governance model adopted by the FS Italiane Group in May 2022 identifies the Group's division heads, i.e., companies directly controlled by the parent and selected to perform, either through investments or on the basis of contracts, management and technical, organisational and operational coordination for the companies operating in the aforementioned divisions, including risk management models, systems and protocols.

  Based on the new model and considering its business activities, Italferr has been included in the Infrastructure division headed by RFI.

Since RFI is the head of its division, the highlights of the financial statements of RFI at 31 December 2022 are shown below.

€'000

Statement of financial position	31.12.2022	31.12.2021
Assets		
Total non-current assets	40,315,221	39,615,861
Total current assets	5,163,611	4,221,683
Assets held for sale and disposal groups		
Total assets	**45,478,832**	**43,837,544**
Equity		
Share capital	31,528,425	31,528,425
Reserves	58,069	(6,173)
Retained earnings	2,245,760	2,134,844
Profit for the year	262,965	274,649
Total equity	**34,095,220**	**33,931,745**
Liabilities		
Total non-current liabilities	3,131,747	3,437,404
Total current liabilities	8,251,866	6,468,395
Total liabilities	**11,383,613**	**9,905,799**
Total equity and liabilities	**45,478,832**	**43,837,544**

€'000

Income statement	2022	2021
Revenue	3,233,448	3,057,006
Operating costs	(2,712,798)	(2,604,660)
Amortisation and depreciation	(136,970)	(110,746)
Net impairment gains	(101,903)	(69,350)
Accruals	30,000	
Net financial income (expense)	(48,811)	2,400
Income taxes		
Profit for the year	**262,965**	**274,649**

- **Transactions with key managers**

The general conditions that govern transactions with key managers and the parties related to them are not more favourable than those applied, or that could have been reasonably applied, to similar transactions with managers otherthan key managers associated with the same entities at market conditions.

Key managers' remuneration are as follows:

€'000

	2023	2022
Short-term benefits	877	2,108
Post-employment benefits	57	192
Total	**934**	**2,300**

The short-term benefits paid during the year do not include the variable portion of remuneration which, indicatively, does not exceed €200 thousand. It will be paid in 2023 after checking that the goals set for the year have been achieved.

During the year, no other long-term benefits were paid to key managers considered as related parties.

- **Other related party transactions**

The main transactions between the Company and its related parties, which were all carried out on an arm's lengthbasis, are described below.

Trade and other transactions:

	Assets	Liabilities
Subsidiaries		
I.E.S. d.o.o.		Trade and other: provision of services
CREW Cremonesi Workshop Srl	Trade; guarantees	Trade and other: provision of services
Parent		
Ferrovie dello Stato Italiane	Trade and other: engineering services; funding of training; group VAT Financial: intragroup current account	Trade and other: provision of services, group VAT; guarantees Financial: intragroup current account and non-current loans and borrowings
Other companies		
ANAS	Trade and other: provision of services	Trade and other: provision of services
BBT	Trade and other: provision of services	
Busitalia Rail Service		Trade and other: provision of services
FS Technology SpA		Trade and other
FSE Infrastruttura	Trade and other: engineering services	Trade and other: provision of services
Ferservizi	Trade and other: engineering services	Trade and other: leases and provision of services
FS Sistemi Urbani	Trade and other: engineering services Financial: guarantee deposits	Trade and other: leases
FS Security	Trade and other: engineering services	
Grandi Stazioni Immobiliare		Trade and other: leases
Grandi Stazioni Rail	Trade and other: engineering services	Trade and other: leases
Italcertifer		Trade and other: provision of services
Infrarail S.r.l.		Trade and other: provision of services
Mercitalia Shunting & Terminal		Trade and other: provision of services
FS Park	Trade and other: engineering services	Trade and other: leases and provision of services
RFI	Trade and other: engineering services Financial: guarantee deposits	Trade and other: leases and provision of services
TELT	Trade and other: engineering services	
Trenitalia	Trade and other: engineering services	Trade and other: provision of services

	Assets	Liabilities
Other related parties		
ENI Group		Trade and other: provision of services
Enel Group		Trade and other: provision of services
Cassa depositi e prestiti Group	Trade and other: provision of services	Trade and other: employee benefits
IPZS Group		Trade and other: employee benefits
RAI Group		Trade and other: employee benefits
Eurofer		Trade and other: employee benefits
Expo 2015		Trade and other: provision of services
Previndai		Trade and other: provision of services
Other funds		Trade and other: employee benefits

The table below summarises the statement of financial position and income statement balances as at and for the year ended 31 December 2023 generated by related party transactions.

Trade and other transactions:

€'000

	31.12.2023				2023	
	Assets	Liabilities	Guarantees	Commitments	Costs	Revenue
Parent	**3,953**	**(4,780)**			**(1,972)**	**145**
Ferrovie dello Stato Italiane	3,953	(4,780)			(1,972)	145
Subsidiaries	**87**	**(446)**			**(994)**	**12**
I.E.S. doo		(224)			(547)	
Cremonesi Workshop	59	(222)			(447)	12
Joint arrangements	**14**	**0**			**0**	**6**
SWS & ITALFERR	14					6
Other group companies	**372,884**	**(158,309)**			**(28,994)**	**351,245**
Anas	184	(86)			(86)	287
BBT	145				465	250
Busitalia Rail Service		(50)			(88)	
Ferservizi	3,291	(5,627)			(5,655)	2,632
FE1 FSE Infrastruttura	3,255	(4,501)				3,912
FS Sistemi Urbani	1,383	(449)			(30)	787
FS Security						134
FS Technology SpA	6	(1,700)			(19,126)	
Grandi Stazioni Rail	66	(34)			(7)	10
Grandi Stazioni Immobiliare		(53)			(337)	
Italcertifer					(35)	
Infrarail S.r.l	12				61	
FS Park	247	(3)			(7)	554
Mercitalia		(63)			(99)	1
RFI	353,587	(141,221)			(1,183)	337,083
T.E.L.T. Sas (formerly L.T.F. Sas)	595	(245)				1,413
Trenitalia	10,113	(4,277)			(2,867)	4,182

€'000

	31.12.2023				2023	
	Assets	Liabilities	Guarantees	Commitments	Costs	Revenue
Other related partiers	**0**	**(891)**			**(2,343)**	**277**
Enel Group		(16)			(14)	
ENI Group		(5)			(14)	
Cassa Depositi e Prestiti Group		(128)			(285)	277
IPZS Group		(3)			(30)	
RAI Group						
Eurofer		(234)			(1,045)	
EXPO 2015		(24)				
Previndai		(481)			(767)	
Other pension funds					(188)	

Financial transactions:

€'000

	31.12.2023				2023	
	Assets	Liabilities	Guarantees	Commitments	Costs	Revenue
Parent						
Ferrovie dello Stato Italiane	16,327	(42,500)	2,100		(2,607)	478
TOTAL	**16,327**	**(42,500)**	**2,100**	**0**	**(2,607)**	**478**

Guarantees and commitments

The Company has neither issued nor received collateral. However, it has issued the following sureties to Group companies and third parties as guarantees:

- bank sureties of €18,386 thousand, including, in particular:
  - ✓ €15,000 thousand to guarantee the negotiation and signing of contracts for derivative transactions carried outthrough FS Italiane and not yet released by the latter at the end of 2023;
  - ✓ €2,100 thousand as a direct and independent commitment to FS Italiane to guarantee the loan it granted toCREW Cremonesi Workshop S.r.l., a subsidiary of Italferr;
  - ✓ €1,134 thousand to guarantee the Rome and Naples leases.
- bid bonds in the form of bank and insurance sureties of €11,615 thousand to contracting authorities and/or third-party customers in order to participate in calls for bids or for the payment of advances and performance bonds.

In turn, Italferr received performance bonds for awarded contracts in the form of sureties of €29,062 thousand.

Public funding

The following table provides the information required by article 1.125-129 of Law no. 124/2017 as reformulated by article 35 of Law decree no. 34/2019 (converted into Law no. 58/2019).

€'000

Provider		Amount
Fondimpresa	Training funding	21
Total		**21**

€'000

Provider	Amount
Europe's Rail Joint Undertaking (ERJU)	285
HADEA (European Health and Digital Executive Agency)	118
ESA (European space Agency)	32
Total	**435**

In 2023, the Company obtained a loan of €285 thousand for activities carried out in partnership with RFI, and other Entities in support of the MADE4RAIL project under the EU initiative called Europe's Rail Joint Undertaking (ERJU). This project aims to introduce Maglev-Derived System (MDS) in Europe, which aims to explore non-traditional high-speed transport systems based on new technologies.

The Company also obtained a European Union (HADEA) grant of €118 thousand, for the project regarding the development of safe technologies for the storage and transport of hydrogen, and for the sustainable management of construction and demolition waste, through the use of BIM, in addition to funding of €32 thousand from the ESA (European Space Agency) to develop a satellite-technology based system to support work site activities.

35 Events after the reporting date

- On 24 January 2024, following the collapse of the Silkyara highway tunnel in the Indian state of Uttarakhand, Italferr received thanks from the President of ITA - *Association Ides Tunnels et de l'espace souterrain-Arnold Dix*, for the valuable support provided by the Company in the rescue operations of the 41 trapped Indian miners.
- On 30 January 2024, Italferr, as part of a design team and together with contractors Webuild and FCC, signed a contract for the development and construction of the "Pape Tunnel and Underground Stations (PTUS)" section of the Ontario Line in Canada. The new line will be located in the heart of the Greater Toronto Region, where the population is expected to increase rapidly from the current 6 million to more than 8 million by 2030. Italferr will be responsible for the design of the precast tunnel liner (PCTL), fire safety and ventilation systems for the TBM tunnel specified by Infrastructure Ontario (IO) and Metrolinx.

36 Proposed allocation of the profit for the year

The Company's financial statements as at and for the year ended 31 December 2023 show a profit for the year of €58,860,580.

We propose:

- distributing a dividend of €58,857,714, or €4,149 to each of the 14,186 shares;
- allocating the residual profit for the year, equal to €2,866, to the extraordinary reserve.

Rome, 28 February 2024

Chief Executive Officer