TALGO, S.A. AND SUBSIDIARIES

Abbreviated Consolidated Interim Financial Statements 30 June 2021

*Translation of abbreviated consolidated interim financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails".

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 31 DECEMBER 2020

(Expressed in thousands of euros)

	Notes	30.06.2021	31.12.2020
ASSETS			
Non-current assets			
Tangible fixed assets	4	62 493	62 136
Intangible assets	5	55 586	53 095
Goodwill	6	112 439	112 439
Investment in associates	8	30	29
Deferred tax assets	15	26 249	28 192
Other financial assets	8	1 219	1 079
		258 016	**256 970**
Current assets			
Stock	10	150 688	145 336
Customers and other accounts receivable	9,17	315 336	260 233
Other financial assets	8	99	10 128
Asset accruals		1 861	1 899
Cash and cash equivalents	11	218 195	228 304
		686 179	**645 900**
TOTAL ASSETS		**944 195**	**902 870**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2021.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 31 DECEMBER 2020

(Expressed in thousands of euros)

	Notes	30.06.2021	31.12.2020
EQUITY			
Capital and reserves attributable to the owners of the Parent company			
Share capital	12	38 228	38 228
Share premium	12	871	871
Treasury stock	12	(23 051)	(23 051)
Other reserves	12	1 770	1 479
Retained earnings	12	250 294	240 142
Total equity		**268 112**	**257 669**
LIABILITIES			
Non-current liabilities			
Borrowings	13	290 143	265 004
Derivatives		16	48
Deferred tax liabilities	15	8 389	8 420
Provisions for other liabilities and charges	16	52 588	53 475
Government grants		3 355	2 211
		354 491	**329 158**
Current liabilities			
Suppliers and other payables	14, 17	292 388	265 143
Current tax liabilities		70	252
Borrowings	13	26 336	48 000
Provisions for other liabilities and charges	16	2 798	2 648
		321 592	**316 043**
Total liabilities		**676 083**	**645 201**
TOTAL EQUITY AND LIABILITIES		**944 195**	**902 870**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2021.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 2020

(Expressed in thousands of euros)

	Notes	30.06.2021	30.06.2020
Net turnover	**3**	**293 323**	**216 625**
Other income		561	1 220
Stock variation for work-in-progress and finished goods		1 867	2 498
Work performed and capitalized		6 088	3 726
Procurement costs		(181 493)	(128 037)
Personnel costs	18	(70 186)	(59 046)
Other operating expenses		(22 391)	(27 251)
Amortization and depreciation charge	4,5	(9 059)	(8 065)
Other results		391	156
Operating profit		**19 101**	**1 826**
Financial income	19	817	23
Financial expenses	19	(4 736)	(3 902)
Net financial result		**(3 919)**	**(3 879)**
Profit/(Loss) before tax		**15 182**	**(2 053)**
Income tax charge	15	(5 030)	(3 651)
Profit/(Loss) for the period from continuing operations		**10 152**	**(5 704)**
Profit/(Loss) for the period		**10 152**	**(5 704)**
Attributable to: Owners of the parent	12	**10 152**	**(5 704)**
Non-controlling interests		-	-
Basic earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	12	0.08	(0.05)
Total		**0.08**	**(0.05)**
Diluted earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	12	0.08	(0.05)
Total		**0.08**	**(0.05)**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2021.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 2020

(Expressed in thousands of euros)

	30.06.2021	30.06.2020
Result for the period	**10 152**	**(5 704)**
Other comprehensive income:		
Direct assignment to equity:		
Cash flow hedge	32	9
Tax effect of the equity assignment	(8)	(2)
Transfer to results:		
Cash flow hedge	-	-
Tax effect of the cash flow hedge	-	-
Foreign currency translation	267	113
Total other comprehensive Income	**291**	**120**
Total comprehensive income for the period	**10 443**	**(5 584)**
Attributable to:		
-Owners of the parent	10 443	(5 584)
-Non-controlling interests	-	-
Total comprehensive income for the period	**10 443**	**(5 584)**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2021.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 2020

(Expressed in thousands of euros)

	Share capital (Note 12)	Share premium	Other reserves (Note 12)	Retained earnings	Other equity instruments (Note 12)	Total	Non-controlling interests	Total equity
Balance at 31 December 2019	**41 105**	**6 784**	**3 177**	**303 222**	**(62 562)**	**291 726**	**-**	**291 726**
Comprehensive Income								
Profit or loss	-	-	-	(5 704)	-	(5 704)	-	(5 704)
Other comprehensive Income								
Translation differences	-	-	113	-	-	113	-	113
Hedging derivative	-	-	7	-	-	7	-	7
Total comprehensive Income	**-**	**-**	**120**	**(5 704)**	**-**	**(5 584)**	**-**	**(5 584)**
Transactions with owners								
Acquisition of Treasury Stock (stock repurchase plan)	-	-	-	-	(13 969)	(13 969)	-	(13 969)
Capital reduction	(2 877)	-	-	-	2 877	-	-	-
Redemption of Treasury Stock	-	-	-	(50 603)	50 603	-	-	-
Other equity movements	-	(5 913)	-	5 857	-	(56)	-	(56)
Total transactions with owners	**(2 877)**	**(5 913)**	**-**	**(44 746)**	**39 511**	**(14 025)**	-	**(14 025)**
Balance at 30 June 2020	**38 228**	**871**	**3 297**	**252 772**	**(23 051)**	**272 117**	**-**	**272 117**
Balance at 31 December 2020	**38 228**	**871**	**1 479**	**240 142**	**(23 051)**	**257 669**	**-**	**257 669**
Comprehensive income								
Profit or loss	-	-	-	10 152	-	10 152	-	10 152
Other comprehensive Income								
Translation differences	-	-	267	-	-	267	-	267
Hedging derivative	-	-	24	-	-	24	-	24
Total comprehensive Income	**-**	**-**	**291**	**10 152**	**-**	**10 443**	**-**	**10 443**
Transactions with owners								
Capital reduction	-	-	-	-	-	-	-	-
Redemption of Treasury Stock	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2021	**38 228**	**871**	**1 770**	**250 294**	**(23 051)**	**268 112**	**-**	**268 112**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of changes in equity for the six months ended 30 June 2021.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND 2020

(Expressed in thousands of euros)

	30.06.2021	30.06.2020
Cash flows from operating activities		
Cash used in operations	**(4 548)**	**(23 750)**
Interest paid	(4 050)	(3 069)
Interest received	23	15
Tax paid	(2 162)	(4 724)
Net cash flow generated from operating activities	**(10 737)**	**(31 528)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(5 257)	(2 356)
Purchases of intangible assets	(6 636)	(4 932)
Financial assets investments	10 051	-
Net cash used in investing activities	**(1 842)**	**(7 288)**
Cash flows from financing activities		
Own equity instruments acquisition	-	(14 235)
Disbursements for loan repayments	(92 301)	(48 722)
Proceeds from borrowings	96 111	58 683
Lease debts	(1 340)	(1 346)
Net cash used / (generated) in financing activities	**2 470**	**(5 620)**
Net (decrease) / increase in cash, cash equivalents and bank overdrafts	**(10 109)**	**(44 436)**
Cash, cash equivalents and bank overdrafts at the beginning of period	228 304	325 550
Cash, cash equivalents and bank overdrafts at the end of period	218 195	281 114

Notes 1 to 21 form an integral part of the abbreviated consolidated statement of cash flows corresponding to the six months ended 30 June 2021.

SUMMARY

Abbreviated consolidated interim statement of financial position ended 30 June 2021 and 31 December 2020.

Abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2021 and 2020.

Abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2021 and 2020.

Abbreviated consolidated interim statement of changes in equity for the six months ended 30 June 2021 and 2020.

Abbreviated consolidated interim statement of cash flows for the six months ended 30 June 2021 and 2020.

Notes to the abbreviated consolidated interim accounts for the six months ended 30 June 2021.

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TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
(Expressed in thousands of euros)

1. General Information

Talgo, S.A. hereinafter the "Parent company", was constituted as a limited company in Spain on 30 September 2005. The Company's registered office for corporate and tax purposes is in Las Rozas, Madrid (Spain) and the Company is duly registered in the Commercial Registry of Madrid. On 28 March 2015, the company changed its name from Pegaso Rail International, S.A. to Talgo, S.A., this name change was duly registered in the Commercial Registry of Madrid on 9 April 2015.

On 7 May 2015, an Initial Public Offering was made for 45% of the shares of the Company and they were admitted to trading on the Stock Exchanges of Madrid, Barcelona, Valencia and Bilbao.

The main activity of the Parent company and its subsidiaries (the Group) is the design, manufacture and maintenance of railway rolling stock, along with auxiliary machinery for the maintenance of railway systems. According to Article 2 of the Company's bylaws, Talgo, S.A. has the following corporate purpose:

a) The manufacture, repair, conservation, maintenance, sale & purchase, import, export, representation, distribution and marketing of transport material, systems and equipment, especially relating to the railway sector.

b) The manufacture, assembly, repair, conservation, maintenance, sale & purchase, import, export, representation, distribution and marketing of engines, machinery and parts and components thereof, intended for the electromechanical, iron & steel and transport industries.

c) The research and development of products and technologies relating to the previous two paragraphs, along with the acquisition, operation, assignment and disposal of patents and trademarks relating to the corporate activity.

d) The subscription, acquisition, disposal, possession and administration of stocks, shares, or interests, within the limits set forth by the regulations governing the stock market, collective investment companies and other regulations in force that may apply.

e) The purchase, restoration, redesign, construction, leasing, promotion, operation and sale of all types of real estate.

2. Summary of the main accounting policies applied in the preparation of the abbreviated consolidated interim accounts

2.1 Basis of presentation

These Abbreviated Consolidated Interim Financial Statements are presented in accordance with IAS 34 on Interim Financial Information and were drawn up by the Directors of the Board meeting which was held on 27 July 2021. This consolidated interim financial information has been prepared based on the accountancy records kept by Talgo, S.A. and the other companies forming part of the Group, and includes the adjustments and re-classifications necessary to achieve uniformity between the accountancy and presentation criteria followed by all the companies of the Group in accordance with the International Financial Reporting Standards (henceforth IFRS) for the purposes of the consolidated financial statements.

In accordance with that established by IAS 34, interim financial information is prepared solely in order to update the most recent consolidated annual accounts drawn up by the Group, placing emphasis on new activities, occurrences and circumstances that have taken place during these six months and not duplicating the information previously published in the consolidated annual accounts of the 2020 financial year. Therefore, adequate understanding of the information, these Abbreviated Consolidated Interim Financial Statements must be read jointly with Consolidated Annual Accounts corresponding to the 2020 financial year.

The Accounting Policies adopted in the drafting of the Abbreviated Consolidated Interim Financial Statements are consistent with those established in Consolidated Annual Accounts corresponding to the 2020 financial year, except for the standards and understanding that have come into force during the first half of 2021 and are detailed below.

2.1.1 Changes in accounting criteria

During first half of 2021 financial year no changes were made in the accounting criteria with respect to the criteria applied in 2020.

2.1.2 Entry into force of new accounting standards

During first half of 2021, the following standards and interpretations came into effect and have already been adopted by the European Union. Where applicable and appropriate, the Group has applied these rules in its preparation of the Abbreviated Consolidated Interim Financial Statements.

(Expressed in thousands of euros)

2.2.1. New standards, modifications and interpretations applicable for the year which began on 1 January 2021:

<table>
<tr><th colspan="2">New standards, modifications and interpretations:</th><th>Obligatory application for financial years starting on:</th></tr>
<tr><td colspan="3">Approved for use in the European Union</td></tr>
<tr><td colspan="3">Amendments or/and interpretations</td></tr>
<tr><td>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Benchmark interest rate reform - Phase 2</td><td>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the reform of benchmark indexes (second phase).</td><td>1 January 2021</td></tr>
<tr><td>Amendment to IFRS 4. Deferral of the application of IFRS 9.</td><td>Deferral of the application of IFRS 9 until 2023.</td><td>1 January 2021</td></tr>
<tr><td colspan="3">Not approved for use in the European Union at the date of this document publication</td></tr>
<tr><td colspan="3">Modifications</td></tr>
<tr><td>Amendment to IFRS 16, Leases. Leasehold improvements.</td><td>Amendment to extend the deadline for application of the solution of IFRS 16 provided for leasehold improvements related to COVID-19.</td><td>1 April 2021</td></tr>
</table>

Since their entry into force on 1 January 2021, the Group has been applying the aforementioned standards and interpretations, the impact of which has been taken into account in the preparation of the abbreviated consolidated interim financial statements at 30 June 2021. The status of approval of the standards by the European Union is available on the EFRAG website.

(Expressed in thousands of euros)

2.2.2. New mandatory standards, modifications and interpretations applicable for financial years subsequent to the financial year which began on 1 January 2021:

New standards, modifications and interpretations:		**Obligatory application for financial years starting on:**
Approved for use in the European Union		
Amendment to IFRS 3. Reference to the Conceptual Framework.	IFRS 3 is updated to align the definitions of assets and liabilities of a business combination with those contained in the conceptual framework.	1 January 2022
Amendment to IAS 16. Revenue before intended use.	The amendment prohibits deducting from the cost of a property, plant and equipment any revenue from the sale of items produced while the entity is preparing the asset for its intended use.	1 January 2022
Amendment to IAS 37. Onerous Contracts - Cost of fulfilling a contract.	The amendment explains that the direct cost of performing a contract comprises the incremental costs of performing that contract and an allocation of other costs that are directly related to the performance of the contract.	1 January 2022
Improvements to IFRS Cycle 2018-2020	Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Not approved for use in the European Union at the date of this document publication		
Amendments		
Amendment to IAS 1. Classification of liabilities as current or non-current	Clarifications regarding the presentation of liabilities as current or non-current.	1 January 2023
Amendment to IAS 1. Disclosure of accounting policies.	Amendments that enable entities to properly identify material accounting policy information that should be disclosed in the financial statements.	1 January 2023
Amendment to IAS 8. Definition of accounting estimate.	Modifications and clarifications on what should be understood as a change in an accounting estimate.	1 January 2023
Amendment to IAS 12. Deferred taxes arising from assets and liabilities resulting from a single transaction.	Clarifications on how entities should record deferred tax arising on transactions such as leases and decommissioning obligations.	1 January 2023
New standards		
IFRS 17 Insurance Contracts and amendments thereto	It replaces IFRS 4 and sets out the principles for recording, measurement, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information to enable users of financial information to determine the effect that insurance contracts have on the financial statements.	1 January 2023

2.3 Variations in the consolidation perimeter

During the first half of 2021 there were no changes in the scope of consolidation.

2.4 Significant accounting estimates and judgements

The consolidated results and calculation of consolidated equity are sensitive to the accounting principles and policies, valuation criteria and estimations adopted by the directors of the Parent company during the preparation of these abbreviated consolidated interim financial statements. The main principles, accounting policies and valuation criteria are detailed in Notes 2 and 4 of the consolidated annual accounts for 2020.

Estimates and judgements are assessed on an on-going basis and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable in normal circumstances.

The Group makes estimates and assumptions regarding the future. The resulting accounting estimates, by definition, are seldom equal to the corresponding actual results. Below we explain the most significant estimates and judgements made by the Group's Management:

- Estimated loss due to impairment of goodwill.

- Tax on profits and assets of a tax nature that are recognized in interim periods in accordance with IAS 34, based on the best estimate of the weighted tax rate that the Group expects for the annual period.

- Revenue recognition by percentage of completion method.

- Useful lives of intangible and tangible fixed assets.

- Calculation of provisions.

- The evolution of costs estimated in the budgets of the projects of completed works.

Impacts and uncertainties related to COVID-19 pandemic.

The global spread of SARS-CoV-2 (COVID-19) after its appearance in January 2020 has continued to affect the global economy during the first half of 2021.

The directors and Management of the Group have assessed the current situation based on the best information available. The following aspects of the results of this evaluation are highlighted:

- Liquidity risk. The general situation in the markets has led to an overall increase in liquidity tensions in the economy, as well as a contraction of the credit market. In this sense, the Group has restructured part of its bank debt during the first half of 2021 and continues to have all of its credit lines available (note 13).

- Operational risk. In the first half of 2021, the Group's activity continued to be affected by the mobility restriction measures adopted in the countries in which it carries out its operations. However, in recent months there has been a partial recovery in activity as a result of the lifting of the restrictive measures implemented to protect against the spread of the pandemic, normal levels of activity have not yet been reached in the countries in which the Group operates. As a result of this situation, the Group in Spain and Saudi Arabia continued with Temporary Suspension of Employment initiated in fiscal year 2020, which have been reduced in line with the gradual recovery of activity.

- Risk of changes in certain financial aggregates: The factors mentioned above, together with other specific factors, may lead to a decrease in the figures of relevant headings for the Group in the next financial statements, such as "Net Turnover", "Operating income" or "Profit before/after tax", or an increase in covenants associated with bank borrowings, although at the date of preparation of these abbreviated consolidated interim financial statements it is not possible to quantify their impact reliably. In this regard, the Group has complied with the covenants and other obligations associated with its bank debt in the first half of 2021 (note 13) and expects to maintain this situation at year end.

- Valuation risk of assets and liabilities: The Group has performed the appropriate analyses and calculations associated with the accounting valuation of certain assets (goodwill, non-current assets, tax credits, customers, etc.) and those relating to the need to recognize certain provisions or other types of liabilities (notes 6, 9, 15 and 16). In this regard, no indication of impairment of any of the items reviewed was detected. At the end of the first half of 2021 and following a conservative approach in the current situation described above, the Spanish tax group (note 15) has not activated tax loss carryforwards generated in that period. As soon as the estimates and the development of the Group's activity change in the current situation, these analyses will be recalculated and the assumptions re-estimated.

- Going concern risk: considering all the factors mentioned above, the directors consider that at the date of preparation of these abbreviated consolidated interim financial statements, no risks related to the application of the going concern basis have materialized.

Finally, emphasize the Group’s administrators and Management are constantly monitoring the evolution of the situation, with the aim of dealing, anticipate and minimize any possible impacts, be they financial or non-financial.

2.5 Contingent assets and liabilities

In Note 28 of the Group’s consolidated annual accounts for the year ended 31 December 2020, information is provided about the contingent assets and liabilities as at that date.

During the first half of 2021, additional liabilities may arise in the event of a tax inspection, as a result of the different possible interpretations of the governing tax legislation, amongst other factors. In any case, the directors consider that those liabilities, in the event that they were to arise, would not significantly affect the abbreviated consolidated financial statements.

3. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors, which are used to make strategic decisions, analyze segment performance and allocate resources accordingly.

The Board of Directors monitors the business from a business line perspective, analyzing the performance of the following operating segments: Rolling stock, Auxiliary machines and Others, which are reflected in the reportable segments. The Board of Directors uses Operating Profit to assess the performance of the segments.

The "Rolling stock" segment includes both manufacturing activity and the maintenance of trains manufactured using Talgo technology, since these activities are closely related.

Likewise, the “Auxiliary machines and Others” segment primarily includes the manufacture and maintenance of lathes and other equipment, as well as repairs, modifications and the sale of spare parts. The “General” segment includes general corporate expenses not directly assignable to other segments.

The segment information supplied to the Board of Directors of Talgo, S.A. for decision making relating to the six-month period ended at 30 June 2021 and 30 June 2020, was obtained from the Group’s management reporting systems and does not differ significantly from the IFRS information. It is presented below:

				30.06.21
				€ in thousands
	Rolling stock	**Auxiliary machines and others**	**General**	**Total**
Total segment revenues	275 375	17 948	-	293 323
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	**275 375**	**17 948**	**-**	**293 323**
Amortizations	6 683	408	1 968	9 059
Operating result	**41 685**	**(1 699)**	**(20 885)**	**19 101**
Financial income	817	-	-	817
Financial expenses	(4 176)	(194)	(366)	(4 736)
Result before tax	**38 326**	**(1 893)**	**(21 251)**	**15 182**
Total Assets	**872 368**	**52 684**	**19 143**	**944 195**
Total Liabilities	**545 311**	**35 585**	**95 187**	**676 083**
Fixed asset investments	**10 789**	**41**	**1 063**	**11 893**

	30.06.20 € in thousands			
	Rolling stock	**Auxiliary machines and others**	**General**	**Total**
Total segment revenues	186 048	30 577	-	216 625
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	**186 048**	**30 577**	**-**	**216 625**
Amortization and depreciation charge	5 706	283	2 076	8 065
Operating result	**17 060**	**5 187**	**(20 421)**	**1 826**
Financial income	15	-	8	23
Financial expenses	(3 124)	(348)	(430)	(3 902)
Result before tax	**13 951**	**4 839**	**(20 843)**	**(2 053)**
Total Assets	**737 594**	**91 088**	**36 991**	**865 673**
Total Liabilities	**468 840**	**50 703**	**74 013**	**593 556**
Fixed asset investments	**5 644**	**49**	**1 595**	**7 288**

Ordinary revenues from external customers, total assets and total liabilities, as reported to the Board of Directors, are valued according to uniform criteria.

Total net Turnover from external customers for the six-month period ended at 30 June 2021 and 2020 was distributed geographically as follows:

	€ in thousands	
	30.06.21	**30.06.20**
Spain	180 161	151 547
Rest of Europe	26 283	17 768
USA	8 145	9 438
Middle East and North Africa	34 452	19 895
Commonwealth of Independent States	43 637	17 440
Asia	645	537
	293 323	**216 625**

Total non-current assets, other than financial instruments and deferred tax assets in the first half of 2021 and 2020 were distributed geographically as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Spain	221 157	217 202
Overseas	9 361	10 468
	230 518	**227 670**

4. Tangible fixed assets

The movements in the accounts included within tangible fixed assets, fully depreciated and provisions during first half of 2021 and 2020 financial year were as follows:

€in thousands

	Balance at 31.12.20	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.21
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use asset	10 495	(1)	39	-	-	10 533
Buildings	48 318	10	-	-	-	48 328
Technical installations and machinery	32 484	96	197	(2)	233	33 008
Other facilities, tools and furniture	57 001	30	74	(29)	151	57 227
Advances and work in progress	7 213	1	4 917	-	(887)	11 244
Other fixed assets	10 696	1	30	-	503	11 230
	176 101	137	5 257	(31)	-	181 464
Depreciation						
Right-of-use asset	(4 900)	(2)	(1 340)	-	-	(6 242)
Buildings	(29 768)	(28)	(677)	-	-	(30 473)
Technical installations and machinery	(25 242)	(61)	(1 066)	2	-	(26 367)
Other facilities, tools and furniture	(45 920)	(30)	(1 434)	29	-	(47 355)
Other fixed assets	(8 135)	(2)	(397)	-	-	(8 534)
	(113 965)	(123)	(4 914)	31	-	(118 971)
Net book value	**62 136**	**14**	**343**	**-**	**-**	**62 493**

€ in thousands

	Balance at 31.12.19	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.20
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use asset	9 310	(199)	1 384	-	-	10 495
Buildings	48 324	(79)	60	-	13	48 318
Technical installations and machinery	31 215	(164)	1 418	(488)	503	32 484
Other facilities, tools and furniture	55 700	(83)	153	(358)	1 589	57 001
Advances and work in progress	2 426	(2)	7 094	-	(2 305)	7 213
Other fixed assets	10 071	(22)	114	(81)	614	10 696
	166 940	(549)	10 223	(927)	414	176 101
Depreciation						
Right-of-use asset	(2 186)	139	(2 853)	-	-	(4 900)
Buildings	(28 486)	79	(1 361)	-	-	(29 768)
Technical installations and machinery	(24 094)	164	(1 827)	481	34	(25 242)
Other facilities, tools and furniture	(43 745)	83	(2 730)	350	122	(45 920)
Other fixed assets	(7 385)	4	(675)	77	(156)	(8 135)
	(105 896)	469	(9 446)	908	-	(113 965)
Net book value	**61 044**	**(80)**	**777**	**(19)**	**414**	**62 136**

The nature of right-of-use asset activities relates primarily to contracts entered into, which meet the definition of a lease under IFRS 16, for offices and premises used for the Group's business activities.

The main additions to tangible assets in the first half of 2021 relate to the acquisition of computer equipment, technical installations and machinery by the subsidiary Patentes Talgo, S.L.U.

The caption Land and buildings includes the Group’s two properties located in Rivabellosa and Las Rozas (Madrid).

At 30 June 2021, tangible fixed assets with an initial cost of €69,306 thousand have been fully depreciated and were still operational (30 June 2020: €67,702 thousand).

During first half of 2021 and 2020 financial year, no valuation corrections have been either recognized or reversed due to the impairment of any individual tangible fixed asset, since it is estimated that the fair value, reduced by the costs of sale, will be higher than the value by which the asset is registered in books.

None of the Group’s tangible fixed assets were subject to guarantees.

The Group has taken out various insurance policies to cover the risks to which its tangible assets are subject and any claims that may be filed against it in connection with its business activities, on the understanding that such policies sufficiently cover the risks to which they are subject.

5. Intangible assets

The movements in the intangible assets accounts fully depreciated and provisions during first half of 2021 and 2020 financial year were as follows:

						€ in thousands
	Balance at 31.12.20	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.21
Cost						
Development	116 936	-	-	-	4 175	121 111
Industrial property	1 749	-	-	-	-	1 749
Software	16 180	29	-	-	1 323	17 532
Right-of-use asset	3 967	-	-	-	-	3 967
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	30 510	-	6 636	-	(5 498)	31 648
	194 411	29	6 636	-	-	201 076
Depreciation and impairment losses						
Development	(109 310)	-	(1 864)	-	-	(111 174)
Industrial property	(22)	-	-	-	-	(22)
Software	(14 237)	(29)	(920)	-	-	(15 186)
Right-of-use asset	(2 522)	-	(397)	-	-	(2 919)
Maintenance contracts	(13 496)	-	(964)	-	-	(14 460)
Impairment losses	(1 729)	-	-	-	-	(1 729)
	(141 316)	(29)	(4 145)	-	-	(145 490)
Net book value	**53 095**	**-**	**2 491**	**-**	**-**	**55 586**

						€ in thousands
	Balance at 31.12.19	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.20
Cost						
Development	116 670	-	-	-	266	116 936
Industrial property	1 749	-	-	-	-	1 749
Software	15 425	(82)	5	-	832	16 180
Right-of-use asset	3 967	-	-	-	-	3 967
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	16 167	-	15 855	-	(1 512)	30 510
	179 047	(82)	15 860		(414)	194 411
Depreciation and impairment losses						
Development	(106 380)	-	(2 930)	-	-	(109 310)
Industrial property	(22)	-	-	-	-	(22)
Software	(12 674)	81	(1 644)	-	-	(14 237)
Right-of-use asset	(1 728)	-	(794)	-	-	(2 522)
Maintenance contracts	(11 568)	-	(1 928)	-	-	(13 496)
Impairment losses	(1 729)	-	-	-	-	(1 729)
	(134 101)	81	(7 296)	-		(141 316)
Net book value	**44 946**	**(1)**	**8 564**	**-**	**(414)**	**53 095**

The main additions are related to Development projects the Group runs in Spain.

The Group has contracted various finance lease operations on its intangible assets, which have been classified, following the entry into force of IFRS 16, as assets with a right-to-use (note 13.b). The cost of intangible assets subject to finance leases corresponds to the right to use various IT platforms.

At 30 June 2021, the Group held intangible assets that were fully depreciated and still operational, which had an initial cost of €114,883 thousand (30 June 2020: €113,695 thousand).

The Group has taken out various insurance policies to cover the risks to which its intangible assets are subjected. The coverage of these policies is considered sufficient.

During first half 2021 and 2020 financial year, no valuation corrections were recognized or reversed due to the impairment of any individual intangible assets. The impairment tests performed on the intangible assets that were not yet operational, as at 30 June 2021 and 31 December 2020, did not show any signs of impairment.

The Group performs a quarterly impairment test of the maintenance contracts associated with the intangible asset created as a result the acquisition of 49% of the company Tarvia Mantenimiento Ferroviario, S.A. The results of this test did not indicate that the "Maintenance Contracts" showed any signs of impairment.

This impairment test was performed by discounting the cash flows of the manufacturing projects, using a discount rate of 6.4% and a growth rate of 0.5%.

6. Goodwill

The movement in goodwill was as follows:

	€ in thousands
Balance at 31.12.19	**112 439**
Additions	-
Disposals	-
Balance at 31.12.20	**112 439**
Additions	-
Disposals	-
Balance at 30.06.21	**112 439**

Goodwill impairment tests

Goodwill has been allocated to the Group's cash generating units (CGU's) on the basis of the operating segments.

The table below shows a summary of the allocation of goodwill by segment:

	€ in thousands	
	30.06.21	**31.12.20**
Rolling stock	101 886	101 886
Auxiliary machines and other	10 553	10 553
Total Goodwill	**112 439**	**112 439**

The amount recoverable from a CGU is determined on the basis of "value in use" and fair value calculations. The fair value is determined on the basis of the Group's market price.

These calculations use cash flow projections based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates.

Management determined the budgeted gross margin on the basis of past performance and expectations about the future development of the market, keeping them in line with the margins recorded in recent years. The average weighted growth rates are consistent with the forecasts included in reports in this sector. The discount rates used are pre-tax and reflect specific risks associated with each segment.

The key hypotheses used for the value in use calculations in first half of 2021 and 2020 are detailed below:

a) Growth rate in perpetuity: The Group has assumed that cash flows grow in perpetuity at an equivalent average rate that does not exceed the average growth rate of the sector in which the Group operates, over the long term.

b) Discount rate: The Group has used the weighted average cost of capital (WACC) in its calculation. It has used the weighted average of its cost of debt and its cost of own funds or capital. In turn, to obtain the Beta used in the calculation of its cost of capital, the Group has used the historical Betas of companies in the sector in which it operates as a best estimate.

c) Cash flow projections over 5 years: The Group's Management prepares and updates its business plan for the projects that correspond to the different segments defined. The main components of this plan are the margin projections, working capital and other structural costs. The business plan and therefore the projections have been prepared on the basis of experience and available best estimates.

d) Investments, Corporation tax and others: The projections include the investments necessary for the maintenance of the current assets, as well as those necessary for the implementation of the business plan. The corporation tax payment has been calculated on the basis of the expected average rate.

Key hypothesis:

The cash flows generated by the projects are regarded as the key hypothesis and represent the main indicator used by the Directors of the Group to monitor the performance of the business.

The key hypotheses used for the value in use calculations in 2020 financial year and first half 2021 were: a discount rate of 6.4% and a growth rate of 0.5%.

Sensitivity analysis:

The Group has conducted a sensitivity analysis assuming +/- 30% variations in the net cash flows of the projects.

In addition, the Group has considered sensitivity by varying the growth rate in perpetuity, by +/- 50 basis points, as well as by varying the discount rate by +/-300 basis points.

The combination of the aforementioned variables has also been subjected to sensitivity analysis. In none of the cases analysed were there any signs of impairment in the recoverable amount calculated on the basis of value in use.

These hypotheses have been used to analyze the CGU within the operating segment.

During 2020 and the first half of 2021, none of the CGUs evaluated has shown any signs of impairment.

7. Financial instruments by category

The breakdown of financial instruments by category is as follows:

	€ in thousands		
	Loans and Accounts receivable	**Money Market Funds investments**	**Total**
30 June 2021			
Assets on the statement of financial position			
Customers and other accounts receivable (note 9)*	296 936	-	296 936
Other financial assets (note 8)	1 348	-	1 348
Cash and cash equivalents (note 11)	218 195	-	218 195
	516 479	**-**	**516 479**
31 December 2020			
Assets on the statement of financial position			
Customers and other accounts receivable (note 9)*	247 269	-	247 269
Other financial assets (note 8)	1 192	10 044	11 236
Cash and cash equivalents (note 11)	228 304	-	228 304
	476 765	**10 044**	**486 809**

*The balances relating to public entities, except for grants awarded, have been excluded from the Customers and other accounts receivable balances on the statement of financial position as they are not financial instruments.

	€ in thousands		
	Financial liabilities at amortized cost	Hedge Derivatives	Total
30 June 2021			
Liabilities on the statement of financial position			
Borrowings (note 13)	316 479	-	316 479
Derivatives	-	16	16
Suppliers and other payables (note 14)*	200 518	-	200 518
	516 997	**16**	**517 013**
30 December 2020			
Liabilities on the statement of financial position			
Borrowings (note 13)	313 004	-	313 004
Derivatives	-	48	48
Suppliers and other payables (note 14)*	206 126	-	206 126
	519 130	**48**	**519 178**

*The balances relating to advances received and social security and other taxes have been excluded from the Suppliers and other payables' balance on the statement of financial position since they are not financial instruments.

8. Other financial assets and investments in associates

The breakdown of this balance is as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Other non-current financial assets and investments in associates		
Loans to third parties and other loans (note 8 a)	743	756
Deposits and guarantees (note 8 b)	476	323
Investment in associates	30	29
	1 249	**1 108**
Other current financial assets		
Money market funds investments (note 8 c)	-	10 044
Loans to third parties	51	51
Deposits and guarantees	48	33
	99	**10 128**
Total Other financial assets	**1 348**	**11 236**

a) Loans to third parties and other loans

The 'Loans to third parties' caption includes balances with related parties amounting to €641 thousand (notes 17 and 18) and a receivables balance from financial institutions relating to the monetization of loans from the CDTI amounting to €102 thousand.

b) Deposits and guarantees

The 'Deposits and guarantees' caption included in the non-current assets balance at 31 December 2020 and 30 June 2021 mainly include guarantees held by the company Patentes Talgo, S.L.U.

c) Money market funds investments

On April 19, 2019, the company Patentes Talgo, S.L.U. formalized an investment in a money market fund in the amount of €10,000 thousand, representing a total of 98,570.724 shares in the fund. This investment was characterized by its high liquidity component and whose return was linked to the value of the investment at the date of its recovery. On 11 June 2021, this investment was settled and the amount received was €10,051 thousand.

9. Customers and other accounts receivable

The Group's main customers are railway authorities in the countries in which the Group has a presence and other related clients.

The balances included under this caption relate to trade operations and do not accrue any interest.

The carrying values of the 'Customers and other accounts receivable' balances approximate to their fair values.

This caption is broken down as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Customers	82 188	70 793
Construction completed not yet invoiced	211 916	175 243
Customers – group companies and associates (note 17)	55	55
Provision for impairment losses	(4 970)	(5 048)
Customers – Net	**289 189**	**241 043**
Public entities	24 777	17 619
Sundry debtors	753	1 159
Personnel	617	412
Total	**315 336**	**260 233**

At 30 June 2021, the Group´s sale commitments amounted to €3,131 million (30 June 2020: €3,304 million).

The Group recognizes appropriate provisions based on the expected loss model on its financial assets under IFRS 9.

Movements in the provision for impairment of the Group's customer accounts receivable and other receivables balances were as follows:

	€ in thousands	
	30.06.21	**30.06.20**
At 1 January	**(5 048)**	**(4 523)**
Provision recognition	(84)	(413)
Provision reversal	153	12
Disposals	9	-
At 30 June	**(4 970)**	**(4 924)**

The remaining accounts included within the customer accounts receivable and other receivable balances do not contain any assets that have suffered any impairment.

The maximum exposure to credit risk at the consolidated financial statement position date is the carrying amount of each type of receivable account mentioned above.

The breakdown of the caption "Public Entities" is as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Public administrations tax receivables for VAT	15 498	9 306
Public administrations debtors for grants	6 377	4 655
Public administrations debtors for other taxes	1 256	812
Public administrations corporate income tax	1 646	2 846
	24 777	**17 619**

10. Stock

The composition of this caption is shown below:

	€ in thousands	
	30.06.21	**31.12.20**
Raw Materials	124 268	122 897
Work in progress	23 693	21 370
Advances	23 656	21 213
Provision for the depreciation of raw materials and work in progress	(20 929)	(20 144)
	150 688	**145 336**

At 30 June 2021, the Group's commitments for the purchase of raw materials and other services amounted to €388,818 thousand (30 June 2020: €373,913 thousand).

The variation in the caption “Provision for the depreciation of raw materials” is as follows:

	Balance at 31.12.20	Translation differences	Provision	Application	Balance at 30.06.21
					€ in thousands
Provision for the depreciation of raw materials	(20 144)	(543)	(242)	-	(20 929)
	(20 144)	**(543)**	**(242)**	**-**	**(20 929)**

The Group has taken out several insurance policies in order to cover the risks to which its stock is subjected. The coverage of these policies is considered sufficient.

11. Cash and cash equivalents

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Cash	217 922	225 859
Cash equivalents	273	2 445
Total	**218 195**	**228 304**

The balance included under the heading “Cash equivalents” at 30 June 2021 corresponds to a deposit made by the subsidiary Talgo Inc.

The amounts included under this balance sheet item are entirely freely available.

12. Equity

Equity movement is broken down in the statement of changes in equity.

a) Share Capital and Share Premium

The variations in the number of shares and in the Share Capital account of the Parent company during first half 2021 and 2020 financial year were as follows:

		€ in thousands
	Number of shares	Share capital
At 31 December 2019	**136 562 598**	**41 105**
Capital increases	-	-
Capital reductions	(9 559 382)	(2 877)
At 31 December 2020	**127 003 216**	**38 228**
Capital increases	-	-
Capital reductions	-	-
At 30 June 2021	**127 003 216**	**38 228**

The share capital at year-end 2020 and 30 June 2021, after the operation described above, is represented by a total of 127,003,216 ordinary shares with a nominal value of €0.301.

On 10 June 2020, the General Meeting of Shareholders of the Parent company approved a share capital reduction through the redemption of a maximum of 3,560,791 treasury shares with a nominal value of €0.301 each, representing 2.8% of the Parent company's current share capital. On 13 May 2021, the Board of Directors of the Group's Parent company resolved to reduce the share capital by this amount, with a charge to freely available reserves by means of the provision of a reserve equal to the nominal value of the redeemed shares, that is, €1,072 thousand, which may only be available with the same requirements as for the reduction of share capital, pursuant to the provisions of article 335.c) of the consolidated text of the Spanish Companies Act.

At the date of preparation of these abbreviated consolidated interim financial statements, the aforementioned capital reduction has not yet been registered with the Madrid Mercantile Registry and has therefore not been recorded for accounting purposes. Once registered, the share capital of the Parent company will be represented by 123,442,425 shares with a nominal value of €0.301.

According to the reports filed with the National Securities Exchange Commission regarding the number of company shares, the following owners held significant stakes in the share capital of the Parent company, both directly and indirectly, which individually exceeded 3% of the Share Capital as at 30 June 2021:

Company	**% stake**
Trilantic Capital Investment GP Limited	35.02%
Santa Lucia S.A. Cía de Seguros	4.91%
Norges Bank	3.01%
	42.94%

b) Distribution of profits

On May 13, 2021, the General Shareholders Meeting resolved to distribute of the Parent company's profit of the year 2020, as follows:

	€ in thousands
	2020
To Reserves	43 759
	43 759

c) Translation differences

The amount of translation differences recognized within Other Reserves corresponds entirely to the translation of the functional currency of the financial statements of the Group’s subsidiaries Talgo Inc., Patentes Talgo Tashkent, L.L.C., Talgo India Private Limited and Talgo Shanghai Railways Equipment Co., Ltd.

d) Earnings per Share.

Basic Earnings per Share

The basic earnings per share are calculated by dividing the result attributable to the owners of the Parent company (net result attributable to the Group, after taxes and allocation to minority interests) by the weighted average number of ordinary shares outstanding during the financial period.

	€ in thousands	
	30.06.21	**30.06.20**
Result attributable to the Parent company´s shareholders	10 152	(5 704)
Weighted average number of outstanding ordinary shares	122 919 994	123 727 861
Basic Earnings/(Losses) per Share from continuing operations	0.08	(0.05)
	0.08	**(0.05)**

Diluted earnings per share

The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the potential dilutive effect of the stock options, warrants and debt convertible into shares at the end of each period.

	€ in thousands	
	30.06.21	**30.06.20**
Result attributable to the Parent company´s shareholders	10 152	(5 704)
Result used to determine diluted earnings per share	10 152	(5 704)
Weighted average number of outstanding ordinary shares	122 919 994	123 727 861
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122 919 994	123 727 861
Diluted earnings per share from continuing operations	0.08	(0.05)
	0.08	**(0.05)**

e) Treasury stock

As at 30 June 2021 and at 31 December 2020, the Company held 4,083,222 shares in treasury stock. The corresponding details are presented below:

	Number of shares	**Acquisition Price**	**Quotation**	**Stock price**	**%**
Shares in Treasury stock June 30, 2021	4,083,222	5.6	4.8	19,477	3.22%
Shares in Treasury stock December 31, 2020	4,083,222	5.6	4.1	16,884	3.22%

Following the capital reduction operation through the redemption of treasury stock described in section a) above, which is pending registration in the Commercial Registry, the treasury stock once this deed has been registered will comprise 522,431 treasury shares.

13. Borrowings

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Non-current		
Debt with credit institutions (note 13.a)	259 280	238 351
Lease debts (note 13.b)	3 478	3 438
Other financial liabilities (note 13.c)	27 385	23 215
	290 143	265 004
Current		
Debt with credit institutions (note 13.a)	21 290	41 147
Lease debts (note 13.b)	1 959	3 424
Other financial liabilities (note 13.c)	3 087	3 429
	26 336	48 000
Total borrowings	**316 479**	**313 004**

a) Debt with credit institutions

The detail of the loans included under Bank borrowings is as follows:

Entity	Currency	Interest rate	Grant date	Non-current	Current	Total	Interests
Entity A	EUR	Fixed	27/05/2021	30 000	-	30 000	25
Entity B	EUR	Fixed	20/12/2017	25 714	4 286	30 000	231
Entity C	EUR	Fixed	22/12/2020	20 000	-	20 000	81
Entity D	EUR	Fixed	13/12/2020	20 000	-	20 000	4
Entity E	EUR	Fixed	23/06/2020	15 000	-	15 000	3
Entity F	EUR	Fixed	23/06/2020	10 000	-	10 000	2
Entity G	EUR	Fixed	28/12/2018	5 000	5 000	10 000	-
Entity H	EUR	Fixed	22/12/2020	15 000	-	15 000	4
Entity I	EUR	Variable	12/03/2019	5 000	2 500	7 500	38
Entity J	EUR	Fixed	14/01/2019	4 125	1 500	5 625	14
Entity K	EUR	Fixed	14/01/2019	6 000	2 047	8 047	44
Entity L	EUR	Variable	02/12/2020	15 000	-	15 000	14
Entity M	EUR	Fixed	18/06/2021	31 000	-	31 000	9
Entity N	EUR	Variable	18/06/2021	25 000	5 000	30 000	4
Entity O	EUR	Fixed	15/04/2020	32 441	-	32 441	91
Bank guarantees and credit facilities interests				-	-	-	393
				259 280	**20 333**	**279 613**	**957**

The contracts included in the table above contain a number of associated obligations and covenants known as Guarantee Ratio, Commitment Ratio and Financial Expense Ratio, which the Group has not breached since the beginning of the contracts, together with the other obligations and commercial restrictions set out therein.

At 30 June 2021, the Group held lines of credit amounting to €125,000 thousand (€150,000 thousand at 31 December 2020) not maintaining outstanding balances of the aforementioned lines of credit at the end of the 2020 fiscal year or at June 30, 2021.

The breakdown of the 'Debt with credit institutions' balances by year of maturity is shown below:

						€ in thousands
30 June 2021	**2021**	**2022**	**2023**	**2024**	**Subsequent years**	**Total**
Debt with credit institutions	12 185	20 261	87 785	52 059	108 280	**280 570**
31 December 2020	**2021**	**2022**	**2023**	**2024**	**Subsequent years**	**Total**
Debt with credit institutions	41 147	15 146	82 571	31 904	108 730	**279 498**

b) Lease debts

Within this heading of the interim consolidated financial statement are registered, among others, debts incurred for lease contracts that meet the requirements of IFRS 16 (notes 4 and 5).

c) Other financial liabilities

The Other current and non-current financial liabilities captions are broken down as follows:

		€ in thousands
	30.06.21	**31.12.2020**
Non-current		
Debts due to reimbursable advances	19 924	16 843
Other debts	7 461	6 372
	27 385	**23 215**
Current		
Debts due to reimbursable advances	2 908	3 278
Other debts	179	151
	3 087	**3 429**
Total Other financial liabilities	**30 472**	**26 644**

c.1) Debts due to reimbursable advances

This caption includes debts that the Group's subsidiary Patentes Talgo, S.L.U. holds with the Center for Industrial Technological Development (CDTI) for various technological development projects, as well as with the Ministry for Education and Science. These loans accrue interest at a lower rate than charged in the market, as such the Group recognizes a grant to reflect the difference between the two rates.

c.2) Other Debts

This caption at 30 June 2021 included mainly non-current debt convertible into grants amounting to €7,248 thousand (€6,159 thousand at 31 December 2020). These are funds received from the European Commission for the “Shift2Rail”, “RODEMAV”, LETS GO and VITTAL ONE research projects, as well as the funds received from the Research Centre for Technological Development for the PARFAIT project.

The fair value of the same approximates their carrying amount.

14. Suppliers and other payables

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.21	**31.12.20**
Suppliers	187 322	195 111
Associate and multigroup companies’ suppliers (note 17)	3 408	2 846
Advances on orders	83 326	51 332
Social Security and other taxes	8 544	7 685
Personnel	9 788	8 169
Total	**292 388**	**265 143**

15. Income tax

The Parent company and its subsidiary, Patentes Talgo, S.L.U., have formed the consolidated Tax Group 65/06 since 2006.

In the year 2010, the subsidiary Talgo Kazakhstan, S.L.U. was incorporated into the aforementioned tax group and during 2017 was incorporated the company Motion Rail, S.A.U., the latter having left in 2019.

The tax on the Group's profit before tax differs from the theoretical amount that would be obtained using the weighted average tax rate applicable to the profits of the consolidated companies as follows:

	€ in thousands	
	30.06.21	**30.06.20**
Profit/(Loss) before tax	**15 178**	**(2 053)**
Consolidated tax at 25%	3 795	(513)
Tax effects of:		
Differences by tax rates in each country	(921)	(289)
Permanent differences	48	127
Activation of deductions	-	-
Deferred tax adjustments	(207)	-
Tax credit carryforwards pending activation	2 315	4 326
Tax expense	**5 030**	**3 651**

During the 2020 financial year, the Directors of the Parent company, following a conservative criterion, have decided not to activate the tax loss carryforwards generated during the financial year or the deductions generated, although they are expected to be used in the near future. The same approach has been maintained for the first half of 2021.

The Parent company and its subsidiary Patentes Talgo, S.L.U. keep open the economic-administrative claim arising from the tax assessments signed in disagreement in 2019. The amount claimed by the Administration is supported by a bank guarantee and the main aspects of the settlement agreement are described in note 25 to the consolidated annual accounts for 2020.

The Parent company's Directors and its tax advisers consider that they correctly declared the adjusted taxes and have therefore filed the aforementioned claims.

Additionally, the tax Group has open to verification the last 4 financial years for the rest of taxes that are not being subject to verification but applicable. In the rest of the countries where the Group operates, all the taxes that are applicable to the different companies are open to verification in the financial years that indicate their respective tax legislations.

As a result of, amongst other things, the different possible interpretations of the tax legislation in force, additional liabilities may arise in the event of a tax inspection. However, the directors consider that any liabilities that may arise would not significantly affect these financial statements.

The analysis of deferred taxes based on the timing of their recovery is as follows:

	€ in thousands	
	30.06.21	31.12.20
Deferred tax assets:		
- Deferred tax assets to be recovered in more than 12 months	26 249	28 192
	26 249	28 192
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered in more than 12 months	8 389	8 420
	8 389	8 420
Deferred tax assets (net)	**17 860**	19 772

The movement in the deferred tax asset balance during the first half 2021 and 2020 financial year was as follows:

						€ in thousands
	Balance at 31.12.20	Translation differences	Additions	Disposals	Other Movements	Balance at 30.06.21
Temporary differences						
Guarantees	4 374	-	4 056	(5 654)	-	2 776
Other concepts	3 740	-	807	(1 078)	-	3 469
Tax Credits						
Tax loss carryforwards	17 425	138	-	(212)	-	17 351
Deductions	2 653	-	-	-	-	2 653
	28 192	**138**	**4 863**	**(6 944)**	**-**	**26 249**

						€ in thousands
	Balance at 31.12.19	Translation differences	Additions	Disposals	Other Movements	Balance at 31.12.20
Temporary differences						
Guarantees	4 190	-	4 384	(4 131)	(69)	4 374
Other concepts	3 863	-	1 308	(1 431)	-	3 740
Tax Credits						
Tax loss carryforwards	18 284	(514)	5	(405)	55	17 425
Deductions	2 653	-	-	-	-	2 653
	28 990	**(514)**	**5 697**	**(5 967)**	**(14)**	**28 192**

The aforementioned deferred tax assets were registered on the statement of financial position on the basis that the Directors of the Parent company consider that, given the most accurate estimate of the Group’s future results, these assets will be feasibly recoverable.

				€ in thousands
	Tax credits	Deductions	Other Concepts	Total
Balance at 31 December 2019	**18 284**	**2 653**	**8 053**	**28 990**
Credit/(Charge) to income statement	5	-	130	135
Other movements and transfers	(864)	-	(69)	(933)
Balance at 31 December 2020	**17 425**	**2 653**	**8 114**	**28 192**
Credit/(Charge) to income statement	(212)	-	(1 869)	(2 081)
Other movements and transfers	138	-	-	138
Balance at 30 June 2021	**17 351**	**2 653**	**6 245**	**26 249**

Other Concepts and tax credits

The Other concepts caption is generated, mainly, due to temporary differences arising from the allocations made during the financial year to provisions for major repairs, amortization of fixed assets and other similar concepts.

Similarly, the Group has registered deferred tax assets on the statement of financial position that are associated with the tax loss carry forwards generated by the subsidiary Talgo Inc., considered, based on their current assessment of the business of the subsidiary that is likely to be generated, in the future, taxable income to allow its recovery.

At 30 June 2021, the tax loss carry forwards pending offset in the USA, relating to the subsidiary Talgo Inc., amounted to €32,081 thousand (€31,378 thousand at 31 December 2020) and their expiry dates are detailed below:

	€ in thousands	Final year
2004	6 386	2024
2005	7 825	2025
2006	6 657	2026
2012	3 582	2032
2020	7 631	Indefinite
	32 081	

Of these, at June 30, 2021, an amount of €20,351 thousands is activated (€22,519 thousands at December 31, 2020).

At June 30, 2021, the tax loss carryforwards, both activated and non-activated, pending to be offset of the Tax Group 65/06 are the following:

Year	**€ in thousands**
2015	33 107
2018	23 933
2019	36 733
2020	18 879
2021	9 256
	121 908

The movement in the deferred tax liabilities balance during the first half 2021 and 2020 financial year was as follows:

		€ in thousands	
	Cash flow hedge	**Other concepts**	**Total**
Balance at 31 December 2019	**-**	**7 646**	**7 646**
Credit / (Charge) to income statement	-	845	845
Tax (credit) / charge to equity	-	-	-
Other movements	-	(71)	(71)
Balance at 31 December 2020	**-**	**8 420**	**8 420**
Credit / (Charge) to income statement	-	(31)	(31)
Tax (credit) / charge to equity	-	-	-
Other movements	-	-	-
Balance at 30 June 2021	**-**	**8 389**	**8 389**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

16. Provisions for other liabilities and charges

The changes in provisions for other liabilities and expenses under current and non-current liabilities in the first half of 2021 were as follows:

						€ in thousands
	Non-current			Current		
	Other provisions	Guarantee provision	Total	Other provisions	Guarantee provision	Total
Balance at 31/12/2020	**31 303**	**22 172**	**53 475**	**124**	**2 524**	**2 648**
Provisions	2 887	-	**2 887**	488	-	**488**
Applications	(2 396)	(1 663)	**(4 059)**	(124)	-	**(124)**
Transfers	-	214	**214**	-	(214)	**(214)**
Translation differences	-	71	**71**	-	-	**-**
Balance at 30/06/2021	**31 794**	**20 794**	**52 588**	**488**	**2 310**	**2 798**

At the 2020 year-end and the first half 2021 financial year, the Group has recognized the necessary provisions to meet its service guarantees, which normally cover a period of between 2-3 years and other obligations included in the contracts signed.

The ‘Other provisions’ caption includes, on the one hand, the provision recognised in 2019 relating to the tax assessments signed in disagreement explained in note 15 and in the consolidated annual accounts for 2020, on the other hand, the reasonable estimates made by the Group in connection with contractual obligations relating to maintenance contracts signed with customers, mainly in connection with major maintenance costs.

At 30 June 2021, the Group had a volume of bank guarantees and surety bonds amounting to €833 million (June 2020: €739 million), of which €642 million (June 2020: €519 million) correspond to manufacturing projects, either as performance bonds or advances received.

The remaining sum comprises bank guarantees provided to public entities for the awarding of grants, for bidding in tender competitions and for other items.

At 30 June 2021, the amount available from the bank guarantee lines amounted to €896 million (€1,058 million at the closing of June 2020).

By virtue of the agreement signed between the Consorcio Español Alta Velocidad Meca-Medina and the end customer, all of the members of the Consortium shall be jointly and severally liable to the end customer, and each member of the consortium may, in any case, make a claim against the other parties, according to the distribution of the execution of the contract.

The Group’s Management is not aware of any contingent liabilities that it may have in the normal course of its business, other than those provided for at the end of the first half of

2021.

a) Commitments to purchase fixed assets

At 30 June 2021, the Group had commitments to purchase fixed assets amounting to €11,793 thousand (30 June 2020: €6,116 thousand).

b) Lease commitments

The directors of the consolidated Group do not expect significant changes in the future lease contracts, in force at the first half 2021 financial year and December 2020.

17. Transactions and balances with related parties

The Group conducts all of its transactions with related parties at market prices. In addition, the transfer prices are adequately supported and so, the Directors of the Parent company consider that there is no significant risk that any significant liabilities may arise in the future for this concept. All the accounts and transactions between the consolidated companies were eliminated during the consolidation process and so are not disclosed in this note.

The details of the transactions conducted between the Group and other related parties are detailed below:

a) Transactions with the Parent company's significant shareholders

The loans granted to the managers are detailed in notes 8.a. and 18.

b) Transactions with the Parent company’s Board members

During the first half 2021, the remunerations accrued to the members of the Board of Directors for the performance of this role amounted to €518 thousand (30 June 2020: €271 thousand).

c) Commercial transactions with related parties:

	€ in thousands	
	30.06.21	**30.06.20**
Provision of services		
Trilantic Capital Management GP LTD	544	-
Income	**544**	**-**

	€ in thousands	
	30.06.21	**30.06.20**
External services:		
Consorcio Español de Alta Velocidad Meca-Medina, S.A.	-	539
Expenses	**-**	**539**

d) Commercial balances with related parties:

	€ in thousands	
	30.06.21	**31.12.20**
Customers – group companies and associates (note 9)	55	55
Customers – group companies and associates	**55**	**55**

	€ in thousands	
	30.06.21	**31.12.20**
Suppliers – group companies and associates (note 14)	3 408	2 846
Suppliers – group companies and associates	**3 408**	**2 846**

e) Foreign currency transactions

The amounts involved in the transactions that were carried out in foreign currencies are as follows:

	€ in thousands	
	30.06.21	**30.06.20**
Purchases	14 487	10 896
Sales	24 739	23 236

18. Employee benefit expenses

a) The breakdown of this caption is as follows:

	€ in thousands	
	30.06.21	**30.06.20**
Wages, salaries and similar	51 860	43 751
Contributions and provisions for defined pension contributions and other obligations	1 367	1 200
Other welfare charges	16 959	14 095
	70 186	**59 046**

The Wages, salaries and similar caption includes compensation costs, which amounted to €794 thousand as at 30 June 2021 (30 June 2020: €195 thousand) and the cost relating to the remuneration paid to Senior Management explained in note 18.b.

b) Compensation for the Senior Management and directors of the Group:

The remuneration paid to the senior management team, which is understood to comprise the members that form the Steering Committee, amounted to €1,134 thousand in terms of fixed and short-term variable remuneration (€1,020 thousand in terms of fixed and short-term variable remuneration at 30 June 2020). The remuneration paid to the Group's directors in terms of fixed and short-term variable remuneration amounted to €2,130 thousand (€718 thousand as at 30 June 2020).

The Group has taken out life insurance for all its employees, including management personnel. The cost of this insurance for management personnel amounted to 23 thousand at 30 June 2021 (€27 thousand at 30 June 2020). The amount corresponding to the pension plan of this same collective amounted to €45 thousand at 30 June 2021 (€49 thousand at 30 June 2020). In addition, the Group has taken out civil liability insurance policies for some members of its Senior Management, whose coverage is considered sufficient.

During 2015, the subsidiary Patentes Talgo, S.L.U. granted loans to members of the management team for the purchase of shares of the Parent Company amounting to €879 thousand. This loan has been partially repaid along with its interest during the first half of the 2017 financial year, with a balance of €641 thousand at 30 June 2021. The aforementioned loans accrue interest at a rate that is linked to Euribor plus a market spread (note 8.a).

A Long-Term Incentive Plan (2019-2021) was approved in 2019 as a system of variable remuneration in shares, the receipt of which was conditional upon the fulfilment of certain strategic and share value objectives of the Parent company and the permanence of the beneficiary during the vesting period (3 years). The maximum amounts of such remuneration, to be accrued over 3 years and received only if the objectives of the plan are achieved, amounted to €1,240 thousand, in the case of directors, and €1,118 thousand for senior management. The directors of the Parent company, taking into account the evolution of the objectives linked to the business plan during the financial year 2020, as well as in the financial year 2021, have considered the accrual of the plan highly improbable, so that at the end of the first half of 2021 no amount has been recognized for this concept.

The distribution of the average headcount by job category and gender at 30 June 2021 and 2020 is as follows:

	30.06.21		30.06.20	
	Men	**Women**	**Men**	**Women**
Board members and Senior Management	10	3	11	3
Management	42	3	39	4
Middle management	324	56	295	46
Technicians	1 925	303	1 953	286
	2 301	**365**	**2 298**	**339**

19. Financial income and expenses

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.21	**30.06.20**
Interest expenses:		
- Bank borrowings and other charges	(4 736)	(3 086)
- Exchange rate differences	-	(816)
Financial expenses	**(4 736)**	**(3 902)**
- Interest income on short-term deposits with credit institutions and change in the fair value of financial instruments	15	23
- Exchange rate differences	802	-
Financial income	**817**	**23**
Net financial result	**(3 919)**	**(3 879)**

20. Cash flows from operating activities

The breakdown of cash generated from operations is as follows:

	€ in thousands	
	30.06.21	**30.06.20**
Profit/(Loss) for the year before tax	**15 182**	**(2 053)**
Adjustments for:		
- Amortization of tangible fixed assets (note 4)	4 914	4 440
- Depreciation of intangible assets (note 5)	4 145	3 625
- Net change in provisions (note 16)	(808)	(1 010)
- Valuation adjustments for impairment (notes 9 and 10)	173	1 931
- Financial expenses (note 19)	4 736	3 086
- Financial income (note 19)	(15)	(23)
- Allocation of grants	(203)	(237)
- Other income and expenses	1 235	(594)
Changes in working capital (excluding the effects of the acquisition and translation differences on consolidation):	**(33 907)**	**(32 915)**
Stocks (note 10)	(5 506)	(28 162)
Other financial assets (note 8)	(155)	(86)
Customers and other account receivables (note 9)	(54 113)	1 802
Suppliers and other payables (note 14)	25 905	(6 939)
Other assets short-term	(38)	470
Cash flows from operating activities:	**(4 548)**	**(23 750)**

21. Events after the consolidated statement of financial position date

There have been no subsequent events that could have a significant effect on these abbreviated interim financial statements.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2021
(Expressed in thousands of euros)

Organizational structure

The main responsibilities of the Group's Board of Directors include: strategy management, allocation of resources, risk management, operational control and accounting and financial reporting prepared by the Group.

The Group's Steering Committee comprises both members of the board of directors, as well as the heads of each one of the business lines (segments) and other key management personnel. During these meetings, the Committee analyses the performance of the business along with other aspects relating to the Group's strategy.

Strategy

In recent years, the Group's strategy has allowed it to: generate stable margins in the key Rolling Stock business line, research and develop new markets and gradually increase the volume of business it undertakes internationally, with the overseas business gaining weight over the domestic business in recent years, indicating a clear trend for the future.

The key of the strategy has been the development of the business towards products and services that add greater value and are adapted to the needs demanded in the market.

Business model

Talgo's business model is sufficiently flexible to adapt to changing market circumstances in the global economic context, which, supported by a strict financial model, has allowed it to progressively increase turnover while maintaining stable margins.

In addition, Talgo has strengthened its strategic position in recent years by investing heavily in the development of new products to meet the needs of the market, more efficient trains with greater capacity such as the AVRIL and the Vittal, as well as increasing the production capacity of its manufacturing centres in Spain in order to meet the growth in the order backlog.

Business performance

The Group's EBITDA (earnings before interest, tax, depreciation and amortization) at the end of the first half of 2021 amounted to €28.3 million, compared with €11.8 million in the previous period.

The Group's EBIT (earnings before interest and tax) at the end of the first half of 2021 amounted to €19.1 million, compared with €1.8 million in the previous year.

The result after tax at the end of the first half of 2021 amounted to a profit of €10.2 million, compared with a loss of €5.7 million the same period the previous year.

At the end of the first half of 2021, the Group's order backlog amounted to €3,131 million (€3,304 million at 30 June 2020).

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2021
(Expressed in thousands of euros)

Business development and COVID impacts and measures

The Group has continued to execute, in the first half of 2021, the construction contracts that it holds in its portfolio.

With regard to the project for of 30 AVRIL type high-speed trains for RENFE (15 of them with UIC gauge tritension and a maximum speed at 330 km/h and another 15 trains with variable gauge), during the first half of the year the manufacturing of the trains has continued in the factories of Rivabellosa (Álava) and Las Matas II (Madrid) and at the end of January the on-track tests of the first units started.

During the first half of 2021, the Group has also continued technical development work and first manufacturing phases of the following contracts: i) supply of 23 trains under the framework contract with the German railways (Deutsche Bahn) for the manufacture of up to 100 self-propelled trains for a maximum speed of 230 km/h, ii) the contract for the supply of two new high-speed trains for the Uzbekistan state railway company (UTY) identical to those already in service in the country, iii) the contract for the supply of 6 trains with capacity for nearly 500 passengers for the Egyptian National Railways (ENR), which also includes the maintenance of the trains for a period of 8 years, iv) the contract for the supply and maintenance of an AVRIL-type Testing train for the Spanish railway infrastructure manager ADIF, v) the contract with the Danish operator DSB for the supply of 8 Talgo 230 type trains (of the same series as those of Deutsche Bahn) as well as the supply for 16 years of maintenance spare parts as part of a framework contract of up to €500 million.

With regard to the activity of remodelling railway material, work has continued on transformation 13 RENFE Hotel train compositions into compositions suitable for running at 330 km/h. Finally, it should be noted that activities continued in the United States to refurbish 74 railway units for the Los Angeles County Metropolitan Transportation Authority (LACMTA), and with the technical phase of the contract with the Southern California Regional Rail Authority (SCRRA) to execute a program to remodel the first 50 of up to 121 railway vehicles, with the first phases of the remodelling having already begun.

With regard to train maintenance activity, during the first half of 2021 the Group continued to execute multi-annual train maintenance contracts in the various countries where it is established, such as Spain (RENFE and ADIF), Kazakhstan (KTZ), Uzbekistan (UTY), the United States (Amtrak and Oregon State), Germany (Deutsche Bahn and other railway operators), Russia (RZD) and Saudi Arabia. Maintenance activity has continued to be strongly affected, in all markets where Talgo is present, by the mobility measures generated to combat COVID-19.

In some of these countries, especially in Arabia, given the increase in the fleet in operation, new employees have been hired and trained to carry out the necessary activities.

With respect to the maintenance equipment activity, production of lathes and measuring equipment has continued during the first semester. Additionally, as a complement to this activity, the Group has continued with its maintenance work and the sale of spare parts for the equipment installed throughout the world.

The Group, continuing with its policy of innovation and diversification of its product portfolio, during the first half of 2021 and among other projects, has continued with the development and testing of optimization and improvement for the 2nd generation of the AVRIL high-speed train platform. At the same time, various transversal projects are being carried out in a wide range of areas such as interoperability, digitalization and industry 4.0, signalling, safety, passenger experience and accessibility, energy efficiency and sustainability, lightening of materials and mechatronic solutions, self-configuration, versatile installations for automated on-railway diagnostics, neural networks for the application of intelligence to large volumes of data and parameters, improvements in comfort, noise and vibration, standardization, additive manufacturing, element joints, new less contaminating fuels for the traction chain such as hydrogen and optimization of wheel wear.

As mentioned in note 2.4, the different waves of SARS-CoV-2 (COVID-19) have significantly affected the global economy due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, which has been evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

Due to the measures adopted to prevent the spread of the pandemic in Spain and in other countries around the world where the Group has a presence, in particular those relating to mobility restrictions, the activity of the Talgo Group has been significantly affected in the first semester of 2021. In all the projects underway, our clients have been informed of the possible consequences that these could have in terms of time. The impact on construction and remodelling projects has been caused, fundamentally, by delays in the collection of materials from national and international suppliers who have been affected by the pandemic, as well as lower productivity ratios in the facilities.

On the maintenance services side, the sharp drop in activity of our main customers in all the markets in which the Group is present (RENFE, SRO, Amtrak, Deutsche Bahn, Pazzazierski Perevorski, Uzbekistan Temir Yollari, etc) has led to a significant reduction in expected revenues during the first half of the year, and has therefore affected business margins, although in recent months there has been a gradual recovery in activity as a result of the partial lifting of the mobility restriction measures, although normal activity levels have not yet been reached by the end of the first half of 2021. As a result of the decrease in activity, a Temporary Suspension of Employment was approved at various locations where the Group operates, which has been gradually reduced in line with the recovery of activity.

Likewise, to prevent the spread of COVID-19, various measures have been adopted to limit the movement of people, strict risk prevention and healthcare protocols have been applied for employees, such as the suspension of staff travels, the temporary closure of various work centres and the reorganization of shifts and workspaces, more flexible working hours and teleworking has been strongly promoted, which has led to additional investments in technology. Moreover, investments have been made in protective equipment and materials, diagnostic tests available to the entire workforce, and donations have been made to various entities to contribute to preventing the spread of the virus.

As mentioned in note 2.4, in order to avoid the liquidity risk associated with the current situation, the Group has continued to renegotiate maturities of bank debt and to maintain available lines of credit (note 13).

The Group has established specific working committees and procedures to monitor and manage the evolution of its operations at any time, in order to minimize their impact. And along these lines it continues with its policy of cost optimization in all its areas of activity.

Research and development activities

The constant task of research and development of new products has earned Talgo international recognition, allowing it to compete with other railway equipment manufacturers in different tenders worldwide. Today we can see Talgo trains running daily in Spain, Russia, Kazakhstan, Uzbekistan, Saudi Arabia and the United States, among other countries.

From the very beginning of its activity and, if possible, with more emphasis in recent years, Talgo promotes innovation as the fundamental pillar on which the present is sustained and, above all, the future of the Group. In addition, this principle is understood from a corporate point of view, without focusing solely on product, but on generating and improving initiatives that involve the whole innovation ecosystem that encompasses Talgo, taking advantage of all the collective creative potential and generating an even more powerful innovative culture. In this way, innovation helps the Group to weave a system that allows us to anticipate future challenges, promote surveillance and technological foresight activities, and generate an even more optimal environment for both evolutionary and disruptive thinking.

To this end, we work with a model of our own creation based on the corporate Innovation Strategy, which promotes a focus on continuous improvement by promoting new initiatives at a global level year after year. An example of this is the development of the "Corporate Venturing" area, whose main task is the systematic search for companies and technologies that, in an agile manner, can improve the Group's product portfolio. To this end, a specialised team from the innovation department, supported by consultants with extensive experience in this field, works continuously with the aim of linking, through this mechanism, the aforementioned innovation strategy with the railway market, both present and future.

Also noteworthy are the Knowledge Management, Open Innovation, Creativity, Technology Transfer and Innovation Acceleration tools used in the Group, which are enabling an evolution towards a much deeper understanding of the causes and consequences of each of the critical activities, towards a broader concept of collaborative innovation, and towards a much more direct and structured innovation model.

Talgo continues its policy of investment in research and development activities which seek to continually improve products and maintenance services. It is worth highlighting, among others, collaborations in projects and working groups with different European partners, including universities and technological centers of high reputation, as well as some of the main railway industries. Some of the major collaborations of this kind are framed within the Shift2Rail programme, which is also included in the European Commission's "Horizon 2020" initiative, where Talgo has a very important role in some of the key traction projects, lightening of primary structure through the use of composite materials, active rolling systems, energy efficiency and noise and vibration improvement.

From the outset, Talgo has been and continues to be committed to the design and manufacture of tailor-made products, with the aim of meeting the specific needs of customers, offering customised solutions, which is favoured by the size, structure and values of the Group. This philosophy of work and permanent attention to the customer marks the difference between the Group and its competitors and is highly valued in commercial competitions.

Also noteworthy is Talgo's intense and ongoing commitment to sustainability, manufacturing lighter and increasingly efficient trains, responding to the commitment to provide railway operators with products that provide the backbone of the territory, promoting development and improving connections between towns and cities while contributing to the sustainability of transport and preserving the environment. A clear example of this is the development of the Vittal One train, on which work is currently underway, a dual hydrogen train that will be able to run with hydrogen technology on non-electrified tracks and with conventional electric traction on catenary tracks, which represents a green, innovative and efficient alternative to replace trains with diesel traction.

Risk policy

The directors consider that the Group's main risks are typical for the businesses in which it operates and are inherent to the industry and the current macroeconomic environment. The Group actively manages its main risks and considers that the controls that it has designed and implemented in this sense are effective for the mitigation of their impact in the event that they materialize.

The main objective of the Group's financial risk management is to ensure the availability of funds to meet its commitments with third parties. This management is based on risk identification, tolerance analysis and hedging to mitigate those risks.

Quality and environment

Quality, the environment and risk prevention are fundamental elements in the Group's activities and culture. Proof of this is the Environmental Certificate under the UNE in ISO 14001 standard for the Design, Manufacture and Maintenance of railway material.

In carrying out the activities, priority is given to improving the efficiency of our management systems in a sustainable and safe manner and with the quality that allows us to achieve the maximum satisfaction of our customers, employees and suppliers. Materials that favour the recyclability and recoverability of products are promoted, and measures that develop Ecodesign and the Circular Economy are established.

To this end, there is a commitment to deliver products and services free of defects and environmental impacts, to comply with existing legislation and regulations, to establish actions to eradicate the root cause and future repetitions of the problems identified and to promote continuous training and professional development of personnel.

This commitment is promoted at all levels of the organization and in all countries where the Group is present. Proof of this is the process of implementing management systems in the foreign subsidiaries, adjusting existing processes to the new requirements and ensuring that they are implemented in a standardised manner.

In addition, the implementation and certification, according to the requirements of the IRIS quality standard, which is specific to the railway sector, is a powerful tool for improving all processes based on a profound reflection that allows the points of improvement in the organization to be clearly identified, thus allowing for greater efficiency and competitiveness that results in the internationalization of the Group.

Likewise, the integration of the Quality and Innovation Management Systems is a transversal tool for all the Group's processes, which allows us to organize the activity and direct it day by day towards continuous improvement and professional and industrial excellence.

The principles governing these activities are set out in the Group's quality, prevention and environmental policies, which are aligned with ISO 9001, ISO 14001 and IRIS standards, and principles on Circular Economy and Sustainable Development goals.

Information about delaying payments to suppliers

The Group's Spanish companies are making an effort to gradually adjust their payment periods to adapt to the provisions of Law 15/2010.

The maximum legal payment period applicable to Spanish companies is 60 days.

Own shares

The Parent company holds 4,083,222 own shares as at June 30, 2021 (note 12.e).

Significant events after the statement of financial position date

The subsequent events are detailed in note 21.