**TALGO, S.A. AND SUBSIDIARIES**

# Abbreviated Consolidated Interim Financial Statements 30 June 2022

***Translation of abbreviated consolidated interim financial statements originally issued in Spanish has been translated by the Entity under its sole responsibility and is not considered official. 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 2022 AND 31 DECEMBER 2021

(Expressed in thousands of euros)

| | Notes | 30.06.2022 | 31.12.2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 4 | 60 185 | 61 125 |
| Intangible assets | 5 | 65 679 | 60 839 |
| Goodwill | 6 | 112 439 | 112 439 |
| Investment in associates | 8 | 29 | 29 |
| Deferred tax assets | 15 | 28 298 | 27 133 |
| Derivative financial instruments | 8 | 214 | 168 |
| Other financial assets | 8 | 973 | 1 134 |
| | | **267.817** | **262 867** |
| **Current assets** | | | |
| Stock | 10 | 157 239 | 133 219 |
| Customers and other accounts receivable | 9 | 431 435 | 363 871 |
| Derivative financial instruments | 8 | 2 976 | 1 218 |
| Other financial assets | 8 | 95 | 115 |
| Asset accruals | | 24 941 | 17 224 |
| Cash and cash equivalents | 11 | 139 773 | 252 978 |
| | | **756 459** | **768 625** |
| **TOTAL ASSETS** | | **1 024 276** | **1 031 492** |

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2022.

## TALGO, S.A. AND SUBSIDIARIES

## ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND 31 DECEMBER 2021

(Expressed in thousands of euros)

| | Notes | 30.06.2022 | 31.12.2021 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to the owners of the Parent company** | | | |
| Share capital | 12 | 37 757 | 37 156 |
| Share premium | 12 | 871 | 871 |
| Treasury stock | 12 | ( 7 941) | ( 3 251) |
| Other reserves | 12 | 4 751 | 2 752 |
| Retained earnings | 12 | 253 094 | 249 477 |
| | | 288 532 | 287 005 |
| Non-controlling interests | 12 | 3 730 | 3 894 |
| **Total equity** | | **292 262** | **290 899** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 224 233 | 276 649 |
| Derivatives | | - | 26 |
| Deferred tax liabilities | 15 | 9 193 | 8 707 |
| Provisions for other liabilities and charges | 16 | 50 629 | 50 966 |
| Government grants | | 3 177 | 3 152 |
| | | **287 232** | **339 500** |
| **Current liabilities** | | | |
| Suppliers and other payables | 14 | 336 930 | 357 108 |
| Current tax liabilities | | 25 | 429 |
| Borrowings | 13 | 105 827 | 41 358 |
| Provisions for other liabilities and charges | 16 | 2 000 | 2 198 |
| | | **444 782** | **401 093** |
| **Total liabilities** | | **732 014** | **740 593** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 024 276** | **1 031 492** |

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2022.

## TALGO, S.A. AND SUBSIDIARIES

## ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND 2021

(Expressed in thousands of euros)

| | Notes | 30.06.2022 | 30.06.2021 |
|---|---|---|---|
| **Net turnover** | 3 | **217 713** | **293 323** |
| Other income | | 1 056 | 561 |
| Stock variation for work-in-progress and finished goods | | ( 10 111) | 1 867 |
| Work performed and capitalized | | 7 406 | 6 088 |
| Procurement costs | | ( 87 416) | ( 181 493) |
| Personnel costs | 18 | ( 73 372) | ( 70 186) |
| Other operating expenses | | ( 36 084) | ( 22 391) |
| Amortization and depreciation charge | 4,5 | ( 8 603) | ( 9 059) |
| Other results | | 299 | 391 |
| **Operating profit** | | **10 888** | **19 101** |
| Financial income | 19 | 938 | 817 |
| Financial expenses | 19 | ( 3 504) | ( 4 736) |
| **Net financial result** | | **( 2 566)** | **( 3 919)** |
| **Profit/(Loss) before tax** | | **8 322** | **15 182** |
| Income tax charge | 15 | ( 2 997) | ( 5 030) |
| **Profit/(Loss) for the period from continuing operations** | | **5 325** | **10 152** |
| **Profit/(Loss) for the period** | | **5 325** | **10 152** |
| Attributable to: | | | |
| Owners of the parent | 12 | **5 489** | **10 152** |
| Non-controlling interests | | ( 164) | - |
| **Basic earnings/(losses) per share attributable to the owners of the Company** | | | |
| Continuing operations | 12 | **0.04** | 0.08 |
| **Total** | | **0.04** | **0.08** |
| **Diluted earnings/(losses) per share attributable to the owners of the Company** | | | |
| Continuing operations | 12 | 0.04 | 0.08 |
| **Total** | | **0.04** | **0.08** |

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2022.

## TALGO, S.A. AND SUBSIDIARIES

## ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND 2021

(Expressed in thousands of euros)

| | 30.06.2022 | 30.06.2021 |
|---|---|---|
| **Result for the period** | **5 325** | **10 152** |
| **Other comprehensive income:** | | |
| | | |
| Direct assignment to equity: | | |
| Other income and expenses | ( 25) | - |
| Cash flow hedge | 2 108 | 32 |
| Tax effect of the equity assignment | ( 528) | ( 8) |
| | | |
| Transfer to results: | | |
| Cash flow hedge | - | - |
| Tax effect of the cash flow hedge | - | - |
| Foreign currency translation | 419 | 267 |
| **Total other comprehensive Income** | **1 974** | **291** |
| | | |
| **Total comprehensive income for the period** | **7 299** | **10 443** |
| Attributable to: | | |
| -Owners of the parent | 7 463 | 10 443 |
| -Non-controlling interests | ( 164) | - |
| | | |
| **Total comprehensive income for the period** | **7 299** | **10 443** |

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2022.

## TALGO, S.A. AND SUBSIDIARIES

## ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND 2021
(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 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** | | | | | | | | |
| **Total transactions with owners** | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2021** | **38 228** | **871** | **1 770** | **250 294** | **( 23 051)** | **268 112** | **-** | **268 112** |
| **Balance at 31 December 2021** | **37 156** | **871** | **2 752** | **249 477** | **( 3 251)** | **287 005** | **3 894** | **290 899** |
| **Comprehensive income** | | | | | | | | |
| Profit or loss | - | - | - | 5 489 | - | 5 489 | ( 164) | 5 325 |
| **Other comprehensive Income** | | | | | | | | |
| Translation differences | - | - | 419 | - | - | 419 | - | 419 |
| Hedging derivative | - | - | 1 580 | - | - | 1 580 | - | 1 580 |
| Other income and expenses | - | - | - | ( 25) | - | ( 25) | - | ( 25) |
| **Total comprehensive Income** | **-** | **-** | **1 999** | **5 464** | **-** | **7 463** | **( 164)** | **7 299** |
| **Transactions with owners** | | | | | | | | |
| Acquisition of Treasury Stock | - | - | - | - | ( 4 617) | ( 4 617) | - | ( 4 617) |
| Capital increase | 601 | - | - | ( 601) | - | - | - | - |
| Other operations (remuneration plan note 18) | - | - | - | 400 | - | 400 | - | 400 |
| Distributions of dividends | - | - | - | ( 1 609) | ( 73) | ( 1 682) | - | ( 1 682) |
| **Total transactions with owners** | **601** | **-** | **-** | **( 1 810)** | **( 4 690)** | **( 5 899)** | **-** | **( 5 899)** |
| **Other equity movements** | **-** | - | - | **( 37)** | **-** | **( 37)** | **-** | **( 37)** |
| **Balance at 30 June 2022** | **37 757** | **871** | **4 751** | **253 094** | **( 7 941)** | **288 532** | **3 730** | **292 262** |

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 2022.

## TALGO, S.A. AND SUBSIDIARIES

## ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022 AND 2021

(Expressed in thousands of euros)

| | 30.06.2022 | 30.06.2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Cash used in operations** | **( 101 314)** | **( 4 548)** |
| Interest paid | ( 3 054) | ( 4 050) |
| Interest received | 1 | 23 |
| Tax paid | ( 2 934) | ( 2 162) |
| **Net cash flow generated from operating activities** | **( 107 301)** | **( 10 737)** |
| **Cash flows from investing activities** | | |
| Purchases of property, plant, and equipment | ( 1 544) | ( 5 257) |
| Purchases of intangible assets | ( 8 693) | ( 6 636) |
| Financial assets investments | - | 10 051 |
| **Net cash used in investing activities** | **( 10 237)** | **( 1 842)** |
| **Cash flows from financing activities** | | |
| Own equity instruments acquisition | ( 4 527) | - |
| Disbursements for loan repayments | ( 10 454) | ( 92 301) |
| Proceeds from borrowings | 20 692 | 96 111 |
| Lease debts | - | ( 1 340) |
| Dividend | ( 1 378) | - |
| **Net cash used / (generated) in financing activities** | **4 333** | **2 470** |
| **Net (decrease) / increase in cash, cash equivalents and bank overdrafts** | **( 113 205)** | **( 10 109)** |
| Cash, cash equivalents and bank overdrafts at the beginning of period | 252 978 | 228 304 |
| Cash, cash equivalents and bank overdrafts at the end of period | 139 773 | 218 195 |

Notes 1 to 21 form an integral part of the abbreviated consolidated statement of cash flows corresponding to the six months ended 30 June 2022.

**SUMMARY**

**TALGO, S.A. AND SUBSIDIARIES**

**NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**
(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 28 July 2022. 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 2021 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 2021 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 2021 financial year, except for the standards and understanding that have come into force during the first half of 2022 and are detailed below.

2.1.1 Changes in accounting criteria

During first half of 2022 financial year no changes were made in the accounting criteria with respect to the criteria applied in 2021.

2.1.2 Entry into force of new accounting standards

During first half of 2022, 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 2022:

| **New standards, modifications, and interpretations:** | | **Obligatory application for financial years starting on:** |
|---|---|---|
| **Approved for use in the European Union** | | |
| **Amendments or/and interpretations** | | |
| Amendment to IFRS 37 Onerous contracts - Cost of fulfilling a contract (published in May 2020). | The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to the performance of the contract. | January 1, 2022 |
| Improvements to IFRS 2018-2020 Cycle (published in May 2020) | Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. | January 1, 2022 |
| Amendment to IFRS 3.<br>Reference to the Conceptual Framework (published in May 2020). | IFRS 3 is updated to align the definitions of assets and liabilities in a business combination with those contained in the conceptual framework. In addition, certain clarifications are introduced regarding the recording of contingent liabilities and contingent assets. | January 1, 2022 |
| Amendment to IAS 16. Revenue before planned use (published in May 2020) | The amendment prohibits deducting from the cost of tangible fixed assets any revenue from the sale of items produced while the entity is preparing the asset for its intended use. Revenues from the sale of such samples, together with production costs, should be recorded in the income statement. | January 1, 2022 |

Since their entry into force on 1 January 2022, 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 2022. 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 2022:

| **New standards, modifications, and interpretations:** | | **Obligatory application for financial years starting on:** |
|---|---|---|
| **Approved for use in the European Union at the date of this document publication** | | |
| **Amendments** | | |
| Amendment to IAS 1. Disclosure of accounting policies | Amendments that allow entities to adequately identify information on material accounting policies that should be disclosed in the financial statements. | 1 January 2023 |
| Amendment to IAS 8. Definition of accounting estimate | Amendments and clarifications on what should be understood as a change in an accounting estimate. | 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 |
| **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 and non-current. | 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 |
| Amendment to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9. Comparative disclosures. | Amendments to the transition requirements of IFRS 17 for insurers applying IFRS 17 and IFRS 9 for the first time at the same time. | January 1, 2023 |

## 2.3 Variations in the consolidation perimeter

During the first half of 2022 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 2021.

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 the current world situation.

The new waves of SARS-CoV-2 (COVID-19) after their appearance in January 2020 continued to affect the global economy during 2021 and to a lesser extent during the first half of 2022. Although, of the impacts generated by COVID-19, during the first half of 2022, interferences in supply chains continued to be recorded, causing delays in the delivery of materials. Additionally, the conflict of Ukraine, has produced high volatility in world markets and a scenario of scarcity of raw materials and energy shortages with the consequent effects of escalating prices.

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. Besides the general situation in the markets is causing a general increase in liquidity tensions in the financial economy as well as a contraction of the credit market, the expansionary policies implemented by central banks in previous years have provided the markets with ample liquidity. Specifically, the Group has a high volume of liquidity and, even so, during the first half of 2022 it continued to work on restructuring and optimising its bank debt. In addition, the Group has a large volume of available credit lines (note 13).

- Operational risk. In the first half of 2022, the Group's activity practically recovered the levels of activity prior to the pandemic in the maintenance services, although due to the situation of the conflict in Ukraine, certain components are being affected to a limited extent due to disruptions in the supply chains.

- Risk of changes in certain financial aggregates: The factors mentioned above could have an impact on the stage of completion of the projects and consequently on the volume of revenues recognised in the period as well as the resulting operating margin. However, at the end of the first half of 2022 the Group has complied with the covenants and other obligations associated with its bank debt (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 2022 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 main figures, with the aim of dealing, anticipate and minimize any possible impacts, either financial and non-financial.

2.5 Contingent assets and liabilities

In Note 29 of the Group's consolidated annual accounts for the year ended 31 December 2021, information is provided about the contingent assets and liabilities as at that date.

During the first half of 2022, 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, analyse segment performance, and allocate resources accordingly.

The Board of Directors monitors the business from a business line perspective, analysing 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 2022 and 30 June 2021, was obtained from the Group’s management reporting systems, and does not differ significantly from the IFRS information. It is presented below:

| | | | | **30.06.22** |
|---|---|---|---|---|
| | | | | **€ in thousands** |
| | **Rolling stock** | **Auxiliary machines and others** | **General** | **Total** |
| Total segment revenues | 199 140 | 18 573 | - | 217 713 |
| Inter-segment revenues | - | - | - | - |
| **Ordinary revenues from external customers** | **199 140** | **18 573** | **-** | **217 713** |
| Amortizations | 5 688 | 302 | 2 613 | 8 603 |
| **Operating result** | **30 880** | **( 409)** | **( 19 583)** | **10 888** |
| Financial income | 938 | - | - | 938 |
| Financial expenses | ( 2 787) | ( 233) | ( 484) | ( 3 504) |
| **Result before tax** | **29 029** | **( 642)** | **( 20 065)** | **8 322** |
| **Total Assets** | **928 664** | **66 389** | **29 223** | **1 024 276** |
| **Total Liabilities** | **609 410** | **55 134** | **67 470** | **732 014** |
| **Fixed asset investments** | **11 376** | **17** | **957** | **12 350** |

| | | | | **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 | 5 384 | 408 | 3 267 | 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** |

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 2022 and 2021 was distributed geographically as follows:

| | | **€ in thousands** |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| Spain | 69 215 | 180 161 |
| Rest of Europe | 45 815 | 26 283 |
| USA | 9 614 | 8 145 |
| Middle East and North Africa | 69 449 | 34 452 |
| Commonwealth of Independent States | 23 291 | 43 637 |
| Asia | 329 | 645 |
| | **217 713** | **293 323** |

Total non-current assets, other than financial instruments and deferred tax assets in the first half of 2022 and 2021 were distributed geographically as follows:

| | | **€ in thousands** |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Spain | 228 596 | 225 850 |
| Overseas | 9 707 | 8 553 |
| | **238 303** | **234 403** |

## 4. Tangible fixed assets

The movements in the accounts included within tangible fixed assets, fully depreciated and provisions during first half of 2022 and 2021 financial year were as follows:

€in thousands

| | Balance at 31.12.21 | Translation differences | Additions | Disposals | Transfers | Balance at 30.06.22 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land | 9 894 | - | - | - | - | 9 894 |
| Right-of-use asset | 9 694 | 203 | 2 113 | ( 2 516) | - | 9 494 |
| Buildings | 48 449 | 83 | - | ( 1 006) | 667 | 48 193 |
| Technical installations and machinery | 35 886 | 287 | 93 | - | 446 | 36 712 |
| Other facilities, tools, and furniture | 56 718 | 88 | 17 | ( 1 065) | 1 963 | 57 721 |
| Advances and work in progress | 6 673 | 9 | 1 337 | - | ( 3 101) | 4 918 |
| Other fixed assets | 10 925 | 8 | 97 | ( 34) | 25 | 11 021 |
| | 178 239 | 678 | 3 657 | ( 4 621) | - | 177 953 |
| **Depreciation** | | | | | | |
| Right-of-use asset | ( 5 800) | ( 90) | ( 924) | 2 516 | - | ( 4 298) |
| Buildings | ( 31 190) | ( 83) | ( 669) | 1 006 | - | ( 30 936) |
| Technical installations and machinery | ( 25 101) | ( 224) | ( 1 377) | - | - | ( 26 702) |
| Other facilities, tools, and furniture | ( 46 481) | ( 88) | ( 1 451) | 1 062 | - | ( 46 958) |
| Other fixed assets | ( 8 418) | ( 11) | ( 329) | 8 | - | ( 8 750) |
| Impairment losses | ( 124) | - | - | - | - | ( 124) |
| | ( 117 114) | ( 496) | ( 4 750) | 4 592 | - | ( 117 768) |
| **Net book value** | **61 125** | **182** | **( 1 093)** | **( 29)** | **-** | **60 185** |

€ in thousands

| | Balance at 31.12.20 | Translation differences | Additions | Disposals | Transfers | Balance at 31.12.21 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land | 9 894 | - | - | - | - | 9 894 |
| Right-of-use asset | 10 495 | 184 | 2 283 | ( 3 268) | - | 9 694 |
| Buildings | 48 318 | 71 | - | - | 60 | 48 449 |
| Technical installations and machinery | 32 484 | 245 | 334 | ( 2 937) | 5 760 | 35 886 |
| Other facilities, tools, and furniture | 57 001 | 75 | 86 | ( 2 717) | 2 273 | 56 718 |
| Advances and work in progress | 7 213 | 8 | 8 324 | ( 201) | ( 8 671) | 6 673 |
| Other fixed assets | 10 696 | 7 | 170 | ( 526) | 578 | 10 925 |
| | 176 101 | 590 | 11 197 | ( 9 649) | - | 178 239 |
| **Depreciation** | | | | | | |
| Right-of-use asset | ( 4 900) | ( 167) | ( 2 378) | 1 645 | - | ( 5 800) |
| Buildings | ( 29 768) | ( 71) | ( 1 351) | - | - | ( 31 190) |
| Technical installations and machinery | ( 25 242) | ( 168) | ( 2 627) | 2 936 | - | ( 25 101) |
| Other facilities, tools, and furniture | ( 45 920) | ( 75) | ( 3 198) | 2 712 | - | ( 46 481) |
| Other fixed assets | ( 8 135) | ( 5) | ( 768) | 490 | - | ( 8 418) |
| Impairment losses | - | ( 4) | ( 120) | - | - | ( 124) |
| | ( 113 965) | ( 490) | ( 10 442) | 7 783 | - | ( 117 114) |
| **Net book value** | **62 136** | **100** | **755** | **( 1 866)** | **-** | **61 125** |

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 2022 relate mainly to investments in the Las Matas II and Rivabellosa factories.

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

At 30 June 2022, tangible fixed assets with an initial cost of €68,706 thousand have been fully depreciated and were still operational (30 June 2021: €69,306 thousand).

During first half of 2022, 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 2022 and 2021 financial year were as follows:

€ in thousands

| | Balance at 31.12.21 | Translation differences | Additions | Disposals | Transfers | Balance at 30.06.22 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Development | 121 112 | - | - | - | 2 131 | 123 243 |
| Industrial property | 1 749 | - | - | - | - | 1 749 |
| Software | 17 919 | 87 | - | ( 674) | 487 | 17 819 |
| Right-of-use asset | 3 170 | - | - | - | - | 3 170 |
| Maintenance contracts | 25 069 | - | - | - | - | 25 069 |
| Advances and work in progress | 40 605 | - | 8 693 | - | ( 2 618) | 46 680 |
| | 209 624 | 87 | 8 693 | ( 674) | - | 217 730 |
| **Depreciation and impairment losses** | | | | | | |
| Development | ( 113 028) | - | ( 1 981) | - | - | ( 115 009) |
| Industrial property | ( 22) | - | - | - | - | ( 22) |
| Software | ( 16 131) | ( 87) | ( 726) | 674 | - | ( 16 270) |
| Right-of-use asset | ( 2 451) | - | ( 182) | - | - | ( 2 633) |
| Maintenance contracts | ( 15 424) | - | ( 964) | - | - | ( 16 388) |
| Impairment losses | ( 1 729) | - | - | - | - | ( 1 729) |
| | ( 148 785) | ( 87) | ( 3 853) | 674 | - | ( 152 051) |
| **Net book value** | **60 839** | **-** | **4 840** | **-** | **-** | **65 679** |

€ in thousands

| | Balance at 31.12.20 | Translation differences | Additions | Disposals | Transfers | Balance at 31.12.21 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Development | 116 936 | - | - | - | 4 176 | 121 112 |
| Industrial property | 1 749 | - | - | - | - | 1 749 |
| Software | 16 180 | 74 | 1 | ( 96) | 1 760 | 17 919 |
| Right-of-use asset | 3 967 | - | - | ( 1 000) | 203 | 3 170 |
| Maintenance contracts | 25 069 | - | - | - | - | 25 069 |
| Advances and work in progress | 30 510 | - | 16 234 | - | ( 6 139) | 40 605 |
| | 194 411 | 74 | 16 235 | ( 1 096) | - | 209 624 |
| **Depreciation and impairment losses** | | | | | | |
| Development | ( 109 310) | - | ( 3 718) | - | - | ( 113 028) |
| Industrial property | ( 22) | - | - | - | - | ( 22) |
| Software | ( 14 237) | ( 74) | ( 1 916) | 96 | - | ( 16 131) |
| Right-of-use asset | ( 2 522) | - | ( 733) | 804 | - | ( 2 451) |
| Maintenance contracts | ( 13 496) | - | ( 1 928) | - | - | ( 15 424) |
| Impairment losses | ( 1 729) | - | - | - | - | ( 1 729) |
| | ( 141 316) | ( 74) | ( 8 295) | 900 | - | ( 148 785) |
| **Net book value** | **53 095** | **-** | **7 940** | **( 196)** | **-** | **60 839** |

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 2022, the Group held intangible assets that were fully depreciated and still operational, which had an initial cost of €119,613 thousand (30 June 2021: €114,883 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 2022 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 2022 and 31 December 2021, 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 7.24% and a growth rate of 0.5%.

## 6. Goodwill

The movement in goodwill was as follows:

| | € in thousands |
|---|---|
| **Balance at 31.12.20** | **112 439** |
| Additions | - |
| Disposals | - |
| **Balance at 31.12.21** | **112 439** |
| Additions | - |
| Disposals | - |
| **Balance at 30.06.22** | **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 | |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| 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 2022 and 2021 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 the first half 2022 is a discount rate of 7.24% (6.4% in the first half of 2021) and a growth rate of 0.5% for the first half of 2022 and 2021.

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 analyse the CGU within the operating segment.

During 2021 and the first half of 2022, 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** | **Hedge Derivatives** | **Total** |
| **30 June 2022** | | | |
| **Assets on the statement of financial position** | | | |
| Customers and other accounts receivable (note 9)* | 415 895 | - | 415 895 |
| Derivative financial instruments (note 8) | - | 3 190 | 3 190 |
| Other financial assets (note 8) | 1 097 | - | 1 097 |
| Cash and cash equivalents (note 11) | 139 773 | - | 139 773 |
| | **556 765** | **3 190** | **559 955** |
| **31 December 2021** | | | |
| **Assets on the statement of financial position** | | | |
| Customers and other accounts receivable (note 9)* | 353 699 | - | 353 699 |
| Derivative financial instruments (note 8) | - | 1 386 | 1 386 |
| Other financial assets (note 8) | 1 278 | - | 1 278 |
| Cash and cash equivalents (note 11) | 252 978 | - | 252 978 |
| | **607 955** | **1 386** | **609 341** |

*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 2022** | | | |
| **Liabilities on the statement of financial position** | | | |
| Borrowings (note 13) | 330 060 | - | 330 060 |
| Suppliers and other payables (note 14)* | 206 365 | - | 206 365 |
| | **536 425** | **-** | **536 425** |
| **30 December 2021** | | | |
| **Liabilities on the statement of financial position** | | | |
| Borrowings (note 13) | 318 007 | - | 318 007 |
| Derivatives | - | 26 | 26 |
| Suppliers and other payables (note 14)* | 198 154 | - | 198 154 |
| | **516 161** | **26** | **516 187** |

*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 | |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| **Other non-current financial assets and investments in associates** | | |
| Investment in associates | 29 | 29 |
| Derivative financial instruments (note 8 a) | 214 | 168 |
| Loans to third parties and other loans (note 8 b) | 699 | 699 |
| Deposits and guarantees (note 8 c) | 274 | 435 |
| | **1 216** | **1 331** |
| **Other current financial assets** | | |
| Derivative financial instruments (note 8 a) | 2 976 | 1 218 |
| Loans to third parties (note 8 b) | 51 | 51 |
| Deposits and guarantees (note 8 c) | 44 | 64 |
| | **3 071** | **1 333** |
| **Total Other financial assets** | **4 287** | **2 664** |

a) Derivative financial instruments

At year-end 2021 and the first half of 2022, the subsidiary Patentes Talgo, S.L.U. has contracted derivative financial instruments with various financial institutions to hedge the risks to which some of its operations, activities and cash flows are exposed.

The subsidiary has complied with the requirements on valuation standards described in its 2021 consolidated annual accounts in note 2.17, to classify the financial instruments detailed below as hedges. In particular, they have been formally designated as such, and the hedge has been verified as effective.

The hedging derivative financial instruments in force at half year-end are as follows:

| | Classification | Type | Amount contracted | Maturity | Fair Value Current | Fair Value Non-current |
|---|---|---|---|---|---|---|
| Exchange transactions | Exchange rate hedging | Buy USD | 21 585 | 2023 | 2 911 | 192 |
| Exchange transactions | Exchange rate hedging | Buy CHF | 797 | 2022 | 65 | - |
| Interest rate transaction | Interest rate hedging | Interest rate | 5 000 | 2024 | - | 22 |

The maturity of the hedging instruments is as follows:

| € in thousands | 2022 | 2023 | 2024 | 2025 | Subsequent years | Totals |
|---|---|---|---|---|---|---|
| Exchange rate hedging | 2 976 | 192 | 22 | - | - | **3 190** |

b) Loans to third parties and other loans

The ‘Loans to third parties’ caption include balances with related parties amounting to €648 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.

c) Deposits and guarantees

The ‘Deposits and guarantees’ caption included in the non-current assets balance at 31 December 2021 and 30 June 2022 mainly include guarantees held by the subsidiary Patentes Talgo, S.L.U.

## 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 | |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Customers | 114 317 | 52 188 |
| Construction completed not yet invoiced | 297 575 | 295 834 |
| Customers – group companies and associates (note 17) | 62 | 57 |
| Provision for impairment losses | ( 3 014) | ( 2 075) |
| **Customers – Net** | **408 940** | **346 004** |
| Public entities | 21 012 | 16 520 |
| Sundry debtors | 741 | 666 |
| Personnel | 742 | 681 |
| **Total** | **431 435** | **363 871** |

At 30 June 2022, the Group´s sale commitments amounted to €2,880 million (30 June 2021: €3,131 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 | |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| **At 1 January** | **( 2 075)** | **( 5 048)** |
| Provision recognition | ( 1 110) | ( 84) |
| Provision reversal | 125 | 153 |
| Disposals | 46 | 9 |
| **At 30 June** | **( 3 014)** | **( 4 970)** |

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 | |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Public administrations tax receivables for VAT | 10 258 | 6 007 |
| Public administrations debtors for grants | 5 472 | 6 348 |
| Public administrations debtors for other taxes | 1 137 | 496 |
| Public administrations corporate income tax | 4 145 | 3 669 |
| | **21 012** | **16 520** |

## 10. Stock

The composition of this caption is shown below:

| | € in thousands | |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Raw Materials | 132 689 | 115 854 |
| Work in progress | 13 630 | 22 944 |
| Advances | 18 360 | 16 588 |
| Provision for the depreciation of raw materials and work in progress | ( 7 440) | ( 22 167) |
| | **157 239** | **133 219** |

At 30 June 2022, the Group's commitments for the purchase of raw materials and other services amounted to €383,373 thousand (30 June 2021: €388,818 thousand).

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

| | € in thousands | | | | |
|---|---|---|---|---|---|
| | **Balance at 31.12.21** | **Translation differences** | **Provision** | **Application** | **Balance at 30.06.22** |
| Provision for the depreciation of raw materials | ( 22 167) | ( 792) | ( 500) | 16 019 | ( 7 440) |
| | **( 22 167)** | **( 792)** | **( 500)** | **16 019** | **( 7 440)** |

The application of the provision for depreciation of raw materials relates mainly to the sale during the first half of 2022 of two trains held in inventory by the subsidiary Talgo Inc. The aforementioned sale resulted in a net gain for the Group of €3,096 thousand.

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 | |
|---|---|---|
| | 30.06.22 | 31.12.21 |
| Cash | 139 773 | 252 978 |
| Cash equivalents | - | - |
| **Total** | **139 773** | **252 978** |

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 2021 financial year and first half 2022 were as follows:

| | | € in thousands |
|---|---|---|
| | Number of shares | Share capital |
| **At 31 December 2020** | **127 003 216** | **38 228** |
| Capital increases | - | - |
| Capital reductions | ( 3 560 791) | ( 1 072) |
| **At 31 December 2021** | **123 442 425** | **37 156** |
| Capital increases | 1 997 596 | 601 |
| **At 30 June 2022** | **125 440 021** | **37 757** |

The share capital at half year 2022 is represented by a total of 125,440,021 ordinary shares with a nominal value of €0.301.

On 29 March 2022, the Board of Directors of the Group's Parent company resolved to increase the share capital of the Company from reserves to remunerate shareholders (scrip dividend) by a determinable amount, through the issue of new ordinary shares with a nominal value of €0.301 and no issue premium, of the same class and series as those currently outstanding, charged against the reserves, and it offered to shareholders the option to sell their free allocation rights to shares to the Company at a guaranteed price or in the market.

In exercise of the aforementioned delegation of powers, the Board of Directors of the Company, at its meeting held on 30 March 2022, resolved, among other resolutions, to execute the Capital Increase resolution, setting the terms and conditions of the Capital Increase in all matters not provided for by the General Shareholders' Meeting.

On 31 May 2022, the aforementioned capital increase was carried out through the issue of 1,997,596 shares for a total amount of €601 thousand; and it was registered in the Commercial Registry of Madrid on 13 July 2022. The new shares put into circulation began trading on the market on 3 June 2022.

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 2022:

| **Company** | **% stake** |
|---|---|
| Pegaso Transportation Internacional, S.C.A.(*) | 39.40% |
| Santa Lucia S.A. Cía. de Seguros | 4.91% |
| | **44.31%** |

(*) 100% of the voting rights held by Pegaso Transportation Internacional. S.C.A. in Talgo, S.A. are assigned to Pegaso Transportation, S.A.R.L. (General Partner), which in turn is wholly owned by Trilantic Capital Management Gp Limited.

b) Distribution of profits

On March 29, 2022, the General Shareholders Meeting resolved to distribute of the Parent company's profit of the year 2021, as follows:

| | **€ in thousands** |
|---|---|
| | **2022** |
| To Reserves | 2 245 |
| | **2 245** |

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, LLC., 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 | |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| Result attributable to the Parent company´s shareholders | 5 489 | 10 152 |
| Weighted average number of outstanding ordinary shares | 122 761 580 | 122 919 994 |
| Basic Earnings/(Losses) per Share from continuing operations | 0.04 | 0.08 |
| | **0.04** | **0.08** |

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 | |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| Result attributable to the Parent company´s shareholders | 5 489 | 10 152 |
| Result used to determine diluted earnings per share | 5 489 | 10 152 |
| Weighted average number of outstanding ordinary shares | 122 761 580 | 122 919 994 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 122 761 580 | 122 919 994 |
| Diluted earnings per share from continuing operations | 0.04 | 0.08 |
| | **0.04** | **0.08** |

e) Treasury stock

On 30 March 2022, the Board of Directors of the parent Company agreed to carry out a repurchase program of their own shares (the “Repurchase Program”) in accordance with the authorization conferred on them by the General Shareholders’ Meeting held on 29 March 2022, under item 9 on the agenda and pursuant to the provisions of Regulation 596/2914 and Delegated Regulation (EU) 2016/1052 from the Commission, dated 8 March 2016, which supplemented Regulation (EU) nº 596/2014 concerning market abuse with regards to the regulatory technical standards relating to the conditions applicable to repurchase programs and stabilization measures.

In accordance with the provisions of that resolution, the Repurchase Program aims to reduce the Company’s share capital through the redemption of shares, following the agreement subjected to and approved by the General Shareholders’ Meeting held on 29 March 2022, all in the context of the capital increase agreements charged against reserves, with the aim of rewarding the shareholders (“Scrip Dividend”) as proposed and approved in the aforementioned General Shareholders’ Meeting.

On 30 March 2022, the Board of Directors resolved to carry out a capital increase, charged to reserves, and they fixed the maximum reference value for that execution at €10 million and a 2,420,439 maximum number of new shares to be issued.

(Expressed in thousands of euros)

The price at which the Parent Company undertook to purchase from its shareholders the free allocation rights corresponding to the aforementioned execution of the capital increase was established at a gross fixed amount of 0.078 euros per right.

All Parent Company's shareholders who acquired shares prior to 1 April 2022 and whose transactions had been settled prior to 5 April 2022 received one free allocation right for each Talgo share held. Therefore, those shareholders received one new share for every 51 old shares.

On 22 April 2022, the negotiation period for the free allocation rights corresponding to the capital increase agreed on 29 March 2022 ended. The owners of 83% of the free allocation's rights (101,877,396 rights in total) received new shares in the Parent Company. Therefore, the definitive number of ordinary shares with a nominal unitary value of €0.301 issued in the capital increase were 1,997,596 shares, and so the nominal amount of the capital increase amounted €601 thousands.

The owners of 17% of the free allocation rights accepted the Parent Company's irrevocable commitment to purchase their rights. As a result, the Parent Company purchased 21,564,979 rights for a total gross amount of €1,682 thousands pursuant to the purchase commitment aforementioned; the cash consideration payable to those shareholders who opted to sell their free allocation rights to the Parent Company took place on 26 April 2022. The Parent Company was allocated the shares corresponding to the free allocation rights, allocating to it 17,890 shares for an amount of €73 thousand.

The execution of the Repurchase Program is in force from 5 May 2022 to 5 November 2022, reaching the maximum limit established as the Maximum Investment in the Repurchase Program (of 1,997,596 shares or €10 million). At the end of the half-year 2022, the Company has acquired a total of 864,806 shares for a total disbursed amount of €3,214 thousands euros, with an amount of 98 thousand euros pending remaining to be settled at the end of June 2022, which was settled in the first days of July 2022.

As at 30 June 2022 the Parent Company held 1,795,127 shares (549,986 shares at 31 December 2021). The corresponding details are presented below:

| | Number of shares | Acquisition Price | Quotation | Stock price | % |
|---|---|---|---|---|---|
| Shares in Treasury stock June 30, 2022 | 1 795 127 | 4.4 | 3.2 | 5 762 | 1.43% |
| Shares in Treasury stock December 31, 2021 | 549 986 | 5.6 | 5.4 | 2 986 | 0.45% |

## 13. Borrowings

The breakdown of this caption is as follows:

| | € in thousands 30.06.22 | 31.12.21 |
|---|---|---|
| **Non-current** | | |
| Debt with credit institutions (note 13.a) | 196 625 | 248 081 |
| Lease debts (note 13.b) | 4 091 | 2 663 |
| Other financial liabilities (note 13.c) | 23 517 | 25 905 |
| | 224 233 | 276 649 |
| **Current** | | |
| Debt with credit institutions (note 13.a) | 100 211 | 36 024 |
| Lease debts (note 13.b) | 2 139 | 2 065 |
| Other financial liabilities (note 13.c) | 3 477 | 3 269 |
| | 105 827 | 41 358 |
| **Total borrowings** | **330 060** | **318 007** |

### a) Debt with credit institutions

The breakdown of the Bank borrowings caption 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 | 21 429 | 4 286 | 25 715 | 10 |
| Entity C | EUR | Fixed | 22/12/2020 | 20 000 | - | 20 000 | 67 |
| Entity D | EUR | Fixed | 13/12/2020 | 20 000 | - | 20 000 | 4 |
| Entity E | EUR | Fixed | 23/06/2020 | - | 15 000 | 15 000 | 47 |
| Entity F | EUR | Fixed | 23/06/2020 | - | 10 000 | 10 000 | 31 |
| Entity G | EUR | Fixed | 28/12/2018 | - | 5 000 | 5 000 | - |
| Entity H | EUR | Fixed | 22/12/2020 | 15 000 | - | 15 000 | 4 |
| Entity I | EUR | Variable | 12/03/2019 | 2 500 | 2 500 | 5 000 | 26 |
| Entity J | EUR | Fixed | 14/01/2019 | 2 625 | 1 500 | 4 125 | 9 |
| Entity K | EUR | Fixed | 14/01/2019 | 4 071 | 2 000 | 6 071 | 34 |
| Entity L | EUR | Variable | 02/12/2020 | 15 000 | - | 15 000 | 14 |
| Entity M | EUR | Fixed | 18/06/2021 | 31 000 | - | 31 000 | 23 |
| Entity N | EUR | Variable | 18/06/2021 | 20 000 | 5 000 | 25 000 | 2 |
| Entity O | EUR | Fixed | 15/04/2020 | - | 32 474 | 32 474 | 91 |
| Entity P | EUR | Fixed | 31/03/2022 | 15 000 | - | 15 000 | - |
| Entity Q | SAR | - | 16/09/2020 | - | 21 420 | 21 420 | 34 |
| Entity R | EUR | - | 30/06/2022 | - | 98 | 98 | - |
| Bank guarantees and credit facilities interests | | | | - | - | - | 512 |
| | | | | **196 625** | **99 278** | **295 903** | **933** |

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.

In addition, at 30 June 2022 the Group has a debt with credit institutions recorded under current liabilities amounting to €98 thousand corresponding to the purchase of treasury stock (note 12) pending settlement.

At 30 June 2022, the Group held lines of credit amounting to €123,580 thousand (€125,512 thousand at 31 December 2021) with a drawn down balance at 30 June 2022 of €21,420 thousand (€15,133 thousand at 31 December 2021).

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

| | | | | | | € in thousands |
|---|---|---|---|---|---|---|
| **30 June 2022** | **2022** | **2023** | **2024** | **2025** | **Subsequent years** | **Total** |
| Debt with credit institutions | 12 319 | 109 179 | 52 059 | 31 708 | 91 571 | **296 836** |
| **31 December 2021** | **2022** | **2023** | **2024** | **2025** | **Subsequent years** | **Total** |
| Debt with credit institutions | 36 024 | 87 742 | 52 059 | 31 708 | 76 572 | **284 105** |

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 |
|---|---|---|
| | **30.06.22** | **31.12.2021** |
| **Non-current** | | |
| Debts due to reimbursable advances | 16 630 | 18 473 |
| Other debts | 6 887 | 7 432 |
| | **23 517** | **25 905** |
| **Current** | | |
| Debts due to reimbursable advances | 3 299 | 3 118 |
| Other debts | 178 | 151 |
| | **3 477** | **3 269** |
| **Total Other financial liabilities** | **26 994** | **29 174** |

c.1) Debts due to reimbursable advances

This caption includes debts that the subsidiary Patentes Talgo, S.L.U. holds with the Centre 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 2022 includes mainly non-current debt convertible into grants amounting to €6,673 thousand (€7,219 thousand at 31 December 2021). This includes mainly the funds received by the European Commission for the "Shift2Rail" research project, as well as funds received from the Centre for Industrial Technological Development (CDTI) for the PARFAIT, VITTAL ONE and LETS GO projects.

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 | |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Suppliers | 192 215 | 181 183 |
| Associate and multigroup companies’ suppliers (note 17) | 7 424 | 3 035 |
| Advances on orders | 119 356 | 146 743 |
| Social Security and other taxes | 11 209 | 12 211 |
| Personnel | 6 726 | 13 936 |
| **Total** | **336 930** | **357 108** |

## 15. Income tax

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

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 | |
|---|---|---|
| | 30.06.22 | 30.06.21 |
| **Profit/(Loss) before tax** | **8 322** | **15 182** |
| Consolidated tax at 25% | - | - |
| Tax effects of: | | |
| Differences by tax rates in each country | ( 3 958) | ( 3 124) |
| Deferred tax adjustments | 961 | ( 1 906) |
| **Tax expense** | **2 997** | **5 030** |

During the first half of 2022 and 2021 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 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 26 to the consolidated annual accounts for 2021.

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 Spaniard 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 | |
|---|---|---|
| | 30.06.22 | 31.12.21 |
| **Deferred tax assets:** | | |
| - Deferred tax assets to be recovered in more than 12 months | 28 298 | 27 133 |
| | **28 298** | **27 133** |
| **Deferred tax liabilities:** | | |
| - Deferred tax liabilities to be recovered in more than 12 months | 9 193 | 8 707 |
| | **9 193** | **8 707** |
| **Deferred tax assets (net)** | **19 105** | **18 426** |

The movement in the deferred tax asset balance during the first half 2022 and 2021 financial year was as follows:

| | | | | | | € in thousands |
|---|---|---|---|---|---|---|
| | Balance at 31.12.21 | Translation differences | Additions | Disposals | Other Movements | Balance at 30.06.22 |
| **Temporary differences** | | | | | | |
| Guarantees | 3 597 | - | 3 754 | ( 3 606) | - | 3 745 |
| Other concepts | 3 325 | - | 1 772 | ( 997) | - | 4 100 |
| **Tax Credits** | | | | | | |
| Tax loss carryforwards | 17 558 | 397 | - | ( 155) | - | 17 800 |
| Deductions | 2 653 | - | - | - | - | 2 653 |
| | **27 133** | **397** | **5 526** | **( 4 758)** | **-** | **28 298** |

| | | | | | | € in thousands |
|---|---|---|---|---|---|---|
| | Balance at 31.12.20 | Translation differences | Additions | Disposals | Other Movements | Balance at 31.12.21 |
| **Temporary differences** | | | | | | |
| Guarantees | 4 374 | - | 3 606 | ( 4 319) | ( 64) | 3 597 |
| Other concepts | 3 740 | - | 899 | ( 1 344) | 30 | 3 325 |
| **Tax Credits** | | | | | | |
| Tax loss carryforwards | 17 425 | 352 | - | ( 219) | - | 17 558 |
| Deductions | 2 653 | - | - | - | - | 2 653 |
| | **28 192** | **352** | **4 505** | **( 5 882)** | **( 34)** | **27 133** |

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 2020** | **17 425** | **2 653** | **8 114** | **28 192** |
| Credit/(Charge) to income statement | ( 219) | - | ( 1 158) | ( 1 377) |
| Other movements and transfers | 352 | - | ( 34) | 318 |
| **Balance at 31 December 2021** | **17 558** | **2 653** | **6 922** | **27 133** |
| Credit/(Charge) to income statement | ( 155) | - | 923 | 768 |
| Other movements and transfers | 397 | - | - | 397 |
| **Balance at 30 June 2022** | **17 800** | **2 653** | **7 845** | **28 298** |

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 carryforwards 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 2022 and 31 December 2021, the tax loss carryforwards pending offset in the USA, relating to the subsidiary Talgo Inc., amounted to $37,017 thousand and their expiry dates are detailed below:

| | $ in thousands | Final year |
|---|---|---|
| 2004 | 6 763 | 2024 |
| 2005 | 9 299 | 2025 |
| 2006 | 7 911 | 2026 |
| 2012 | 4 257 | 2032 |
| 2020 | 8 787 | Indefinite |
| | **37 017** | |

Of these, at 30 June 2022 and 31 December 2021, an amount of $23,354 thousands is activated (€22.484 thousands at 30 June 2022).

At June 30, 2022, 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 | 33 080 |
| 2018 | 23 933 |
| 2019 | 36 733 |
| 2020 | 18 989 |
| 2021 | 22 504 |
| 2022 | 5 038 |
| | **140 277** |

The movement in the deferred tax liabilities balance during the first half 2022 and 2021 financial year was as follows:

| | € in thousands | | |
|---|---|---|---|
| | **Cash flow hedge** | **Other concepts** | **Total** |
| **Balance at 31 December 2020** | **-** | **8 420** | **8 420** |
| Credit / (Charge) to income statement | - | ( 57) | ( 57) |
| Tax (credit) / charge to equity | 346 | - | 346 |
| Other movements | - | ( 2) | ( 2) |
| **Balance at 31 December 2021** | **346** | **8 361** | **8 707** |
| Credit / (Charge) to income statement | - | ( 29) | ( 29) |
| Tax (credit) / charge to equity | 528 | - | 528 |
| Other movements | ( 13) | - | ( 13) |
| **Balance at 30 June 2022** | **861** | **8 332** | **9 193** |

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 2022 were as follows:

| | € in thousands | | | | | |
|---|---|---|---|---|---|---|
| | **Non-current** | | | **Current** | | |
| | **Other provisions** | **Guarantee provision** | **Total** | **Other provisions** | **Guarantee provision** | **Total** |
| **Balance at 31/12/2021** | **31 979** | **18 987** | **50 966** | **150** | **2 048** | **2 198** |
| Provisions | 3 114 | - | 3 114 | - | - | - |
| Applications | ( 2 114) | ( 73) | ( 2 187) | - | ( 1 701) | ( 1 701) |
| Transfers | - | ( 1 503) | ( 1 503) | - | 1 503 | 1 503 |
| Translation differences | - | 239 | 239 | - | - | - |
| **Balance at 30/06/2022** | **32 979** | **17 650** | **50 629** | **150** | **1 850** | **2 000** |

At the 2021 year-end and the first half 2022 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 2021, 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 2022, the Group had a volume of bank guarantees and surety bonds amounting to €955 million (June 2021: €833 million), of which €755 million (June 2021: €642 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 2022, the amount available from the bank guarantee lines amounted to €803 million (€896 million at the closing of June 2021).

The subsidiary Patentes Talgo, S.L.U. has an arbitration in progress with cross-claims between parties, at the half year it has not concluded, based on its best estimate and taking into account the opinion of its legal advisors, the company has registered an amount of €28,581 thousand under the heading "Short-term creditors and other account payable" and respectively €21,490 thousand under the heading "Short-term accruals and deferrals", according to the execution progress of the project. It is not estimated that additional liabilities arose.

By virtue of the agreement signed between the Consorcio Español Alta Velocidad Meca-Medina and the end customer, all 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 2022.

a) Commitments to purchase fixed assets

At 30 June 2022, the Group had commitments to purchase fixed assets amounting to €4,684 thousand (30 June 2021: €11,793 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 2022 financial year and December 2021.

## 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.b. and 18.

b) Transactions with the Parent company’s Board members

During the first half 2022, the remunerations accrued to the members of the Board of Directors for the performance of this role amounted to €373 thousand (30 June 2021: €518 thousand).

c) Commercial transactions with related parties:

| | | € in thousands |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| **Provision of services** | | |
| Trilantic Capital Management GP LTD | - | 544 |
| **Income** | **-** | **544** |

d) Commercial balances with related parties:

| | | € in thousands |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Customers – group companies and associates (note 9) | 62 | 57 |
| **Customers – group companies and associates** | **62** | **57** |

| | | € in thousands |
|---|---|---|
| | **30.06.22** | **31.12.21** |
| Suppliers – group companies and associates (note 14) | 7 424 | 3 035 |
| **Suppliers – group companies and associates** | **7 424** | **3 035** |

e) Foreign currency transactions

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

| | **€ in thousands** | |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| Purchases | 20 804 | 14 487 |
| Sales | 30 794 | 24 739 |

## 18. Employee benefit expenses

a) The breakdown of this caption is as follows:

| | **€ in thousands** | |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| Wages, salaries and similar | 53 837 | 51 860 |
| Contributions and provisions for defined pension contributions and other obligations | 1 570 | 1 367 |
| Other welfare charges | 17 965 | 16 959 |
| | **73 372** | **70 186** |

The Wages, salaries and similar caption includes compensation costs, which amounted to €424 thousand as at 30 June 2022 (30 June 2021: €794 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 943 thousand in terms of fixed and short-term variable remuneration (€1,134 thousand in terms of fixed and short-term variable remuneration at 30 June 2021). The remuneration paid to the Group's directors in terms of fixed and short-term variable remuneration amounted to €1,453 thousand (€2,130 thousand as at 30 June 2021).

The Group has taken out life insurance for all its employees, including management personnel. The cost of this insurance for management personnel amounted to €28 thousand at 30 June 2022 (€23 thousand at 30 June 2021). The amount corresponding to the pension plan of this same collective amounted to €40 thousand at 30 June 2022 (€45 thousand at 30 June 2021). 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 €647 thousand at 30 June 2022. The aforementioned loans accrue interest at a rate that is linked to Euribor plus a market spread (note 8.b).

During 2021, the Long-Term Incentive Plan (2021-2023) was approved as a system of variable remuneration in cash with a share purchase commitment, the receipt of which is conditional upon the achievement of certain strategic objectives and the value of the Company's shares and the beneficiary's permanence during the vesting period (3 years). The Company's directors, considering the evolution of the objectives linked to the business plan during the financial year 2021 and first half 2022, as well as the prospects foreseen for 2023, have decided to record a provision for this concept amounting to €531 thousand, the amount accrued for this concept at 30 June 2022 being €1,592 thousand. Additionally, the CEO has signed a commitment of remuneration in 889,878 shares of the Parent Company as a retention incentive, payable according to certain future events. During the first half 2022 financial year, an accrual of €400 thousand euros has been recognized in the profit and loss account based on this commitment, being as of June 30, 2022, the accrual of €1,033 thousand euros.

The distribution of the average headcount by job category and gender at 30 June 2022 and 2021 is as follows:

| | 30.06.22 | | 30.06.21 | |
|---|---|---|---|---|
| | **Men** | **Women** | **Men** | **Women** |
| Board members and Senior Management | 8 | 4 | 10 | 3 |
| Management | 43 | 7 | 42 | 3 |
| Middle management | 346 | 69 | 324 | 56 |
| Technicians | 1 929 | 300 | 1 925 | 303 |
| | **2 326** | **380** | **2 301** | **365** |

## 19. Financial income and expenses

The breakdown of this caption is as follows:

| | € in thousands | |
|---|---|---|
| | **30.06.22** | **30.06.21** |
| **Interest expenses:** | | |
| - Bank borrowings and other charges | ( 3 504) | ( 4 736) |
| - Exchange rate differences | - | - |
| **Financial expenses** | **( 3 504)** | **( 4 736)** |
| - Interest income on short-term deposits with credit institutions and change in the fair value of financial instruments | 1 | 15 |
| - Exchange rate differences | 937 | 802 |
| **Financial income** | **938** | **817** |
| **Net financial result** | **( 2 566)** | **( 3 919)** |

## 20. Cash flows from operating activities

The breakdown of cash generated from operations is as follows:

| | € in thousands | |
|---|---|---|
| | 30.06.22 | 30.06.21 |
| **Profit/(Loss) for the year before tax** | **8 322** | **15 182** |
| Adjustments for: | | |
| - Amortization of tangible fixed assets (note 4) | 4 750 | 4 914 |
| - Depreciation of intangible assets (note 5) | 3 853 | 4 145 |
| - Net change in provisions (note 16) | ( 774) | ( 808) |
| - Valuation adjustments for impairment (notes 9 and 10) | ( 14 534) | 173 |
| - Financial expenses (note 19) | 3 504 | 4 736 |
| - Financial income (note 19) | ( 1) | ( 15) |
| - Allocation of grants | ( 480) | ( 203) |
| - Other income and expenses | 1 433 | 1 235 |
| **Changes in working capital (excluding the effects of the acquisition and translation differences on consolidation):** | **( 107 387)** | **( 33 907)** |
| Stocks (note 10) | ( 8 501) | ( 5 506) |
| Other financial assets (note 8) | 181 | ( 155) |
| Customers and other account receivables (note 9) | ( 70 931) | ( 54 113) |
| Suppliers and other payables (note 14) | ( 20 419) | 25 905 |
| Other assets short-term | ( 7 717) | ( 38) |
| ***Cash flows from operating activities:*** | **( 101 314)** | **( 4 548)** |

## 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 2022**
(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 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 2022 amounted to €19.5 million, compared with €28.3 million in the previous period.

The Group's EBIT (earnings before interest and tax) at the end of the first half of 2022 amounted to €10.9 million, compared with €19.1 million in the previous year.

The result after tax at the end of the first half of 2022 amounted to a profit of €5.3 million, compared with €10.2 million in the same period the previous year.

At the end of the first half of 2022, the Group's order backlog amounted to €2,880 million (€3,131 million at 30 June 2021). This reduction is mainly caused by the cessation of activity in Russia as indicated below.

**TALGO, S.A. AND SUBSIDIARIES**

**CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2022**
(Expressed in thousands of euros)

**Business development and world situation impacts and measures**

The Group has continued to execute, in the first half of 2022, 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 end of the manufacturing of the trains has continued in the factories of Rivabellosa (Álava) and Las Matas II (Madrid) and the performance of dynamic tests for the certification of the trains in Spain, with tests planned to begin in France during the second half of the year.

During the first half of 2022, 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 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, iii) the contract for the supply and maintenance of an AVRIL-type Testing train for the Spanish railway infrastructure manager ADIF, iv) 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 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 phase of the remodelling being currently executed. Regarding the contract for the remodelling of 74 railway units for the Los Angeles County Metropolitan Transportation Authority (LACMTA), after the notification received from the client on May 6, 2022, requesting the termination of the contract, its activities have been paralyzed and currently negotiations are held with the client to agree on its definitive resolution or its continuation.

With regard to train maintenance activity, during the first half of 2022 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) and Saudi Arabia. Maintenance activity has practically recovered same level of activity as those prior to the pandemic period. On March 4, 2022, and due to circumstances of force majeure, the Talgo Group decided to cease its activity and business of technical maintenance and repair of passenger trains in Russia, which was communicated on that same date to our client FPK (subsidiary of RZD).

In some of these countries, especially in Arabia and Uzbekistan, given the increase in the fleets in operation, new employees have been hired and trained to carry out the necessary activities. Also noteworthy is the opening of the new maintenance centre in Cairo (Egypt) where activities will be carried out for the new trains acquired by ENR and for which it has been providing employees and material resources.

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 2022 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, development of hydrogen traction trains, and of a self-configurable and interoperable railway platform. At the same time, various transversal projects are being carried out in a wide range of areas such as digitalization and industry 4.0, signalling, TCMS, safety, passenger experience and accessibility, energy efficiency and sustainability, lightening of materials and mechatronic solutions, motored rodals, versatile installations for automated on-railway diagnostics, remote diagnosis and recognition of components through AI and 5G communication, neural networks for the application of intelligence to large volumes of data and parameters, improvements in comfort, noise and vibration, standardization of components and processes, additive manufacturing, new technologies for element joints and optimization of wheel wear.

As mentioned in note 2.4, the different waves of SARS-CoV-2 (COVID-19) and currently the Ukraine invasion, 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 raw material and energy prices, volatility of exchange rates and a forecasted increase of interest rates.

The Talgo Group's activity has been affected during 2020, 2021 and the first half of 2022 by the impacts generated by COVID-19 and the conflict in Ukraine on supply chains and price increases in components and raw materials. However, in all projects underway, our customers have been informed of the possible consequences that they could suffer in terms of deadlines.

The Talgo Group is also suffering, as in the rest of the railway industry, the impacts due to the current hyperinflation scenario caused by the invasion of Ukraine, the shortage of raw materials and energy and the breakdown of supply chains. To try to mitigate these effects, the company is currently, apart from other internal saving measures, trying to negotiate with some of our clients the contractual prices for the supply of trains to try to update them.

**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, 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 collaborate 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.

The aim of Talgo's Strategic Intelligence work is to systematically capture, analyse, disseminate, and exploit information (technological, competitive, legislative, etc.) on the company's environment in order to define opportunities for Talgo that are reflected in a list of proposals for annual innovation projects, to warn of changes that could pose a threat to the company and to help detect opportunities for success.

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 centres of high reputation, as well as some of the main railway industries. Some of the main collaborations of this type are part of the two major European initiatives dedicated to railway innovation, promoted by the European Commission: Shift2Rail, in which Talgo plays a very important role in key traction projects, lightening of structures through the use of composite materials, active systems for rolling, energy efficiency and noise and vibrations improvement; and Europe's Rail, successor to the previous one, of which Talgo, together with Indra, is a founding member since December 2021. In Europe's Rail, Talgo will continue its lines of work, with a strong focus on developing technologies to improve the efficiency, attractiveness and operating and maintenance costs of its trains.

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.

In short, Talgo continues to look to the future, convinced of facing and overcoming new challenges. Only the continuous improvement of a railway system, seen from its most global perspective, will allow this dream, now in its seventieth year, to continue, which definitively links the Group to an innovative spirit that has been its, de facto, hallmark from the outset.

**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.

During the performance of its activities, priority is given to improving the efficiency of our management systems in a sustainable, safe manner and quality in order to obtain the maximum satisfaction of its clients, 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 that 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 and encouraged at all the levels of the organization and across all of the countries in which the Group has a presence. This is evidenced by the process of implementing the Management Systems that the Group has carried out in its subsidiaries abroad, adjusting the existing processes to the new requirements and always ensuring they are applied on a standardized basis.

In addition, the implementation and certification, according to the requirements of the IRIS quality standard, specific to the railway sector, is a powerful tool for improving all the processes based on a thorough reflection that allows us to clearly identify the points for improvement in the organisation, which leads to greater efficiency and competitiveness that results in the internationalisation of the Group.

Moreover, the Quality and Innovation Management Systems implemented act as a tool covering all the processes of the Group, organizing them, and making them improve on a daily basis to finally reach the professional and industrial excellence. This is one of our most important commercial strategies.

The principles governing these activities are set out in the Group's policy for quality, prevention, and the environment, which comply with the guidelines set out by the following regulations: ISO 9001, ISO 14001 and IRIS, 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 1,795,127 own shares as of June 30, 2022 (note 12.e).

**Significant events after the statement of financial position date**

The subsequent events are detailed in note 21.