TALGO, S.A. AND SUBSIDIARIES

Abbreviated Consolidated Interim Financial Statements 30 June 2023

*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 2023 AND 31 DECEMBER 2022

(Expressed in thousands of euros)

	Notes	30.06.2023	31.12.2022
ASSETS			
Non-current assets			
Tangible fixed assets	4	54 167	57 104
Intangible assets	5	77 579	72 295
Goodwill	6	112 439	112 439
Investment in associates	8	29	29
Deferred tax assets	15	22 897	23 072
Other financial assets	8	943	946
		268 054	**265 885**
Current assets			
Stock	10	219 453	189 518
Customers and other accounts receivable	9	397 960	416 140
Derivative financial instruments	8	181	1 882
Other financial assets	8	221	83
Asset accruals		22 969	21 876
Cash and cash equivalents	11	140 928	239 385
		781 712	**868 884**
TOTAL ASSETS		**1 049 766**	**1 134 769**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2023.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 31 DECEMBER 2022
(Expressed in thousands of euros)

	Notes	30.06.2023	31.12.2022
EQUITY			
Capital and reserves attributable to the owners of the Parent company			
Share capital	12	37 156	37 156
Share premium	12	871	871
Treasury stock	12	(4 812)	(4 812)
Other reserves	12	2 834	4 407
Retained earnings	12	251 110	243 559
		287 159	**281 181**
Non-controlling interests	12	3 826	3 895
Total equity		**290 985**	**285 076**
LIABILITIES			
Non-current liabilities			
Borrowings	13	288 108	264 488
Deferred tax liabilities	15	8 614	8 850
Provisions for other liabilities and charges	16	54 216	50 207
Government grants		2 867	2 907
		353 805	**326 448**
Current liabilities			
Suppliers and other payables	14	334 210	410 222
Current tax liabilities		25	-
Borrowings	13	68 601	111 091
Provisions for other liabilities and charges	16	2 140	1 932
		404 976	**523 245**
Total liabilities		**758 781**	**849 693**
TOTAL EQUITY AND LIABILITIES		**1 049 766**	**1 134 769**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2023.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(Expressed in thousands of euros)

	Notes	30.06.2023	30.06.2022
Net turnover	**3**	**288 569**	**217 713**
Other income		1 267	1 056
Stock variation for work-in-progress and finished goods		7 548	(10 111)
Work performed and capitalized		7 870	7 406
Procurement costs		(145 934)	(87 416)
Personnel costs	18	(83 919)	(73 372)
Other operating expenses		(43 690)	(36 084)
Amortization and depreciation charge	4,5	(8 517)	(8 603)
Other results		378	299
Operating profit		**23 572**	**10 888**
Financial income	19	1 508	938
Financial expenses	19	(13 457)	(3 504)
Net financial result		**(11 949)**	**(2 566)**
Profit/(Loss) before tax		**11 623**	**8 322**
Income tax charge	15	(4 610)	(2 997)
Profit/(Loss) for the period from continuing operations		**7 013**	**5 325**
Profit/(Loss) for the period		**7 013**	**5 325**
Attributable to: Owners of the parent	12	**7 095**	**5 489**
Non-controlling interests		(82)	(164)
Basic earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	12	0.06	**0.04**
Total		**0.06**	**0.04**
Diluted earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	12	0.06	0.04
Total		**0.06**	**0.04**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2023.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022
(Expressed in thousands of euros)

	30.06.2023	30.06.2022
Result for the period	**7 013**	**5 325**
Other comprehensive income:		
Direct assignment to equity:		
Other income and expenses	-	(25)
Cash flow hedge	(2 033)	2 108
Tax effect of the equity assignment	508	(528)
Transfer to results:		
Cash flow hedge	-	-
Tax effect of the cash flow hedge	-	-
Foreign currency translation	(48)	419
Total other comprehensive Income	**(1 573)**	**1 974**
Total comprehensive income for the period	**5 440**	**7 299**
Attributable to:		
-Owners of the parent	5 522	7 463
-Non-controlling interests	(82)	(164)
Total comprehensive income for the period	**5 440**	**7 299**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2023.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022

(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 2021	**37 156**	**871**	**2 752**	**249 477**	**(3 251)**	**287 005**	**3 894**	**290 899**
Comprehensive Income								
Profit or loss	-	-	-	5 489	-	10 152	-	10 152
Other comprehensive Income								
Translation differences	-	-	419	-	-	267	-	267
Hedging derivative	-	-	1 580	-	-	24	-	24
Other income and expenses			-	(25)				
Total comprehensive Income	**-**	**-**	**1 999**	**5 464**	**-**	**10 443**	**-**	**10 443**
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**
Balance at 31 December 2022	**37 156**	**871**	**4 407**	**243 559**	**(4 812)**	**281 181**	**3 895**	**285 076**
Comprehensive income								
Profit or loss	-	-	-	7 095	-	7 095	(82)	7 013
Other comprehensive Income	-	-	-	-	-	-	-	-
Translation differences	-	-	(48)	-	-	(48)	-	(48)
Hedging derivative	-	-	(1 525)	-	-	(1 525)	-	(1 525)
Total comprehensive Income	**-**	**-**	**(1 573)**	**7 095**	**-**	**5 522**	**(82)**	**5 440**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of Treasury Stock	-	-	-	-	-	-	-	-
Other operations (remuneration plan note 18)	-	-	-		-	-	-	-
Distributions of dividends	-	-	-	400	-	400	-	400
Total transactions with owners	**-**	**-**	**-**	**400**	**-**	**400**	**-**	**400**
Other equity movements	**-**	-	-	**56**	**-**	**56**	**13**	**69**
Balance at 30 June 2023	**37 156**	**871**	**2 834**	**251 110**	**(4 812)**	**287 159**	**3 826**	**290 985**

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 2023.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 2022
(Expressed in thousands of euros)

	30.06.2023	30.06.2022
Cash flows from operating activities		
Cash used in operations	**(56 260)**	**(101 314)**
Interest paid	(9 725)	(3 054)
Interest received	1 226	1
Tax paid	(3 258)	(2 934)
Net cash flow generated from operating activities	**(68 017)**	**(107 301)**
Cash flows from investing activities		
Purchases of property, plant, and equipment	(1 648)	(1 544)
Purchases of intangible assets	(8 980)	(8 693)
Financial assets investments	-	-
Net cash used in investing activities	**(10 628)**	**(10 237)**
Cash flows from financing activities		
Own equity instruments acquisition	-	(4 527)
Disbursements for loan repayments	(76 673)	(10 454)
Proceeds from borrowings	56 861	20 692
Dividend	-	(1 378)
Net cash used / (generated) in financing activities	**(19 812)**	**4 333**
Net (decrease) / increase in cash, cash equivalents and bank overdrafts	**(98 457)**	**(113 205)**
Cash, cash equivalents and bank overdrafts at the beginning of period	239 385	252 978
Cash, cash equivalents and bank overdrafts at the end of period	140 928	139 773

Notes 1 to 21 form an integral part of the abbreviated consolidated statement of cash flows corresponding to the six months ended 30 June 2023.

SUMMARY

Abbreviated consolidated interim statement of financial position ended 30 June 2023 and 31 December 2022.

Abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2023 and 2022.

Abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2023 and 2022.

Abbreviated consolidated interim statement of changes in equity for the six months ended 30 June 2023 and 2022.

Abbreviated consolidated interim statement of cash flows for the six months ended 30 June 2023 and 2022.

Glossary of Alternative Performance Measures (APMs)

Notes to the abbreviated consolidated interim accounts for the six months ended 30 June 2023.

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3. Segment reporting
4. Tangible fixed assets
5. Intangible assets
6. Goodwill
7. Financial instruments by category
8. Other financial assets and investments in associates
9. Customers and other accounts receivable
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11. Cash and cash equivalents
12. Equity
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14. Suppliers and other payables
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16. Provisions for other liabilities and charges
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GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

All regulated information, among others, annual accounts, annual report, results presentations, investors/analysts conference calls, press release or related information issued contains alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authorities (ESMA) on October 5, 2015.

The APMs used in the abbreviated consolidated interim financial statements are aligned with market practice and described below aiming to reconcile the figures with the International Financial Reporting Standards:

- **EBITDA:** Earnings Before Interest Taxes Amortization and Depreciation ("EBITDA"). It corresponds to Net Operating Income plus amortization and depreciation.

- **EBIT:** Earning Before Interest and Taxes ("EBIT"). It corresponds to Net Operating Income.

- **Adjusted EBITDA:** Adjusted EBITDA ("aEBITDA") is a Key Performance Indicator to present the level of recurring operational performance. Adjustments to EBITDA include primary non-recurring costs as redundancies and obsolescence and guarantees expenses. These indicators are aligned with market practice and comparable to direct competitors.

- **Capex:** Capital Expenditures or investments in fixed assets dedicated for the business operations. Includes capitalised development costs. Does not include proceeds from disposals of fixed assets.

- **Net Financial Debt:** The net cash/(debt) is defined as cash and cash equivalents less all short and long-term financial liabilities, including financial leasing. Net Financial Debt excludes repayable advances with entities belonging to the Spanish Public Administration relating to R&D, which are not considered financial debt due to their recurrence and low interest rates.

- **Debt ratio**: Net Financial Debt divided by Adjusted EBITDA foir the last twelve months.

- **Gross LT Debt**: refers to all financial debt facilities with long term profile. It comprises financial loans issued with financial entities and is calculated on a nominal value basis. Does not consider deferred financial expenses, short-term debt or other debts.

- **Working Capital** is defined as the current assets and liabilities of the company, excluding financial items, this is cash and cash equivalent and short-term financial liabilities.

- **Free Cash Flow:** It is defined as the sum of net cash flows from operating and investing activities. Is the result of all net cash variations registered in a period excluding financial debt issuances/repayments, financial expenses, dividends and real treasury stock transactions or any other capital movement.

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

- **Backlog:** The backlog represents the total amount revenues expected to be accounted in the future business based on already awarded and signed contracts. It is measured based on the value signed by contract in case of manufacturing and overhaul contracts, while maintenance contracts are based on estimates considering time and unit price. It does not consider adjustments for future inflation.

- **Order intake:** represents the new orders recognized in a certain period. A new order is recognised as an order received only when the contract is awarded and signed between the parties, thus creating legal obligations between both parties. The value of new orders does not consider inflation adjustments included by contract nor any other impact from derivatives. Orders awarded in a currency other than de Euro is recognized at the spot exchange rate in moment of award.

- **Pipeline:** the Pipeline represent the theoretical value of opportunities in which the company is working on from a commercial perspective. The represented value is an estimate, and it might vary throughout the time. It does not represent any probability nor the exact value or guidance of offers submitted by the company.

- **Book-to-Bill ratio:** represents how the new orders weighting over the total backlog. Is measured as times the value of new awards represent over the total backlog at a certain date.

1. General Information

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

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

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

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

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

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

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

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

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

2.1 Basis of presentation

These Abbreviated Consolidated Interim Financial Statements are presented in accordance with IAS 34 on Interim Financial Information and were drawn up by the Directors of the Board meeting which was held on 27 July 2023. 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 2022 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 2022 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 2022 financial year, except for the standards and understanding that have come into force during the first half of 2023 and are detailed below.

2.1.1 Changes in accounting criteria

During first half of 2023 financial year no changes were made in the accounting criteria with respect to the criteria applied in 2022.

2.1.2 Entry into force of new accounting standards

During first half of 2023, 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 2023:

New standards, modifications, and interpretations:	
Not 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.
Amendment to IAS 8. Definition of accounting estimate	Amendments and clarifications on what should be understood as a change in an accounting estimate.
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.
Amendment to IFRS 17. Insurance contracts – Initial application of IFRS 17 and IFRS 9. Comparative information.	Amendments of the transition requirements of IFRS 17 of insurers applying IFRS 17 and IFRS 9 for the first time at the same time.
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.

Since their entry into force on 1 January 2023, 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 2023. The status of approval of the standards by the European Union is available on the EFRAG website.

2.2.2. New mandatory standards, modifications, and interpretations applicable for financial years subsequent to the financial year which began on 1 January 2023:

New standards, modifications, and interpretations:		**Obligatory application for financial years starting on:**
Not approved for use in the European Union		
Amendments or/and interpretations		
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments	Sets out the requirements for the presentation of the cash flow statement.	January 1, 2023
Amendment to IAS 12 Income tax	International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020); Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and Non-current Liabilities with Covenants (issued on 31 October 2022)	January 1, 2024
Improvements to IFRS 16 leases	Lease Liability in a Sale and Leaseback (issued on 22 September 2022).	January 1, 2024

2.3 Variations in the consolidation perimeter

During the first half of 2023 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 2022.

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.

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 2023 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 2023, 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 2023 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 2023 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 2022, information is provided about the contingent assets and liabilities as at that date.

During the first half of 2023, 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 2023 and 30 June 2022, was obtained from the Group’s management reporting systems, and does not differ significantly from the IFRS information. It is presented below:

				30.06.23
				€ in thousands
	Rolling stock	**Auxiliary machines and others**	**General**	**Total**
Total segment revenues	273 730	14 839	-	288 569
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	**273 730**	**14 839**	**-**	**288 569**
Amortizations	6 487	234	1 796	8 517
Operating result	**48 045**	**(1 536)**	**(22 937)**	**23 572**
Financial income	1 403	40	65	1 508
Financial expenses	11 796	421	1 240	13 547
Result before tax	**37 653**	**(1 917)**	**(24 113)**	**11 623**
Total Assets	**964 622**	**53 186**	**31 958**	**1 049 766**
Total Liabilities	**643 320**	**45 457**	**70 004**	**758 781**
Fixed asset investments	**10 243**	**11**	**671**	**10 925**

				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**

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 2023 and 2022 was distributed geographically as follows:

		€ in thousands
	30.06.23	**30.06.22**
Spain	100 682	69 215
Rest of Europe	102 548	45 815
USA	8 274	9 614
Middle East and North Africa	49 633	69 449
Commonwealth of Independent States	27 221	23 291
Asia	211	329
	288 569	**217 713**

Total non-current assets, other than financial instruments and deferred tax assets in the first half of 2023 and 2022 were distributed geographically as follows:

		€ in thousands
	30.06.23	**31.12.22**
Spain	233 927	232 140
Abroad	10 258	9 698
	244 185	**241 838**

4. Tangible fixed assets

The movements in the accounts included within tangible fixed assets, fully depreciated and provisions during first half of 2023 and 2022 financial year were as follows:

€in thousands

	Balance at 31.12.22	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.23
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use asset	9 279	(46)	297	(50)	-	9 480
Buildings	48 205	-	-	-	-	48 205
Technical installations and machinery	37 978	(74)	245	-	71	38 220
Other facilities, tools, and furniture	59 114	(1)	28	-	259	59 400
Advances and work in progress	2 693	(2)	1 322	-	(526)	3 487
Other fixed assets	11 626	(1)	53	(99)	-	11 579
	178 789	(124)	1 945	(149)	(196)	180 265
Depreciation						
Right-of-use asset	(4 294)	11	(1 196)	49		(5 430)
Buildings	(31 579)	-	(623)	-		(32 202)
Technical installations and machinery	(28 075)	57	(1.221)	-		(29 239)
Other facilities, tools, and furniture	(48 426)	1	(1.320	-		(49.745)
Other fixed assets	(9 145)	2	(272)	99		(9 316)
Impairment losses	(166)					(166)
	(121 685)	71	(4 632)	148		(126 098)
Net book value	**57 104**	**(53)**	**(2 687)**	**(1)**	**(196)**	**54 167**

€ in thousands

	Balance at 31.12.21	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.22
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use assets	9 694	147	3 103	(3 665)	-	9 279
Buildings	48 449	57	-	(980)	679	48 205
Technical installations & machinery	35 886	197	887	(36)	1 044	37 978
Other facilities, tools & furniture	56 718	61	25	(1 040)	3 350	59 114
Advances and work in progress	6 673	6	2 706	(28)	(6 664)	2 693
Other fixed assets	10 925	5	187	(63)	572	11 626
	178 239	473	6 908	(5 812)	(1 019)	178 789
Depreciation						
Right-of-use assets	(5 800)	(122)	(2 037)	3 665	-	(4 294)
Buildings	(31 190)	(57)	(1 312)	980	-	(31 579)
Technical installations & machinery	(25 101)	(139)	(2 871)	36	-	(28 075)
Other facilities, tools & furniture	(46 481)	(61)	(2 921)	1 037	-	(48 426)
Other fixed assets	(8 418)	(4)	(755)	32	-	(9 145)
Impairment losses	(124)	(6)	(36)	-	-	(166)
	(117 114)	(389)	(9 932)	5 750	-	(121 685)
Net book value	**61 125**	**84**	**(3 024)**	**(62)**	**(1 019)**	**57 104**

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 2023 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 €77,911 thousand have been fully depreciated and were still operational (30 June 2022: €68,706 thousand).

During first half of 2023, 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 2023 and 2022 financial year were as follows:

€ in thousands

	Balance at 31.12.22	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.23
Cost						
Development	124 016	(16)	-	-	112	124 112
Industrial property	1 749	-	-	-	-	1 749
Software	20 371	(12)	-	(210)	178	20 327
Right-of-use asset	1 743	-	-	-	-	1 743
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	54 486	-	8 980	-	(93)	63 373
	227 434	(28)	8 980	(210)	197	236 373
Depreciation and impairment losses						
Development	(116 995)	8	(2 024)	-	-	(119 011)
Industrial property	(22)	-	-	-	-	(22)
Software	(17 432)	12	(866)	210	-	(18 076)
Right-of-use asset	(1 608)	-	(31)	-	-	(1 639)
Maintenance contracts	(17 352)	-	(964)	-	-	(18 316)
Impairment losses	(1 730)	-	-	-	-	(1 730)
	(155 139)	20	(3 885)	210	-	(158 794)
Net book value	**72 295**	**(8)**	**5 095**	**-**	**197**	**77 579**

€ in thousands

	Balance at 31.12.21	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.22
Cost						
Development	121 112	-	773	-	2 131	124 016
Industrial property	1 749	-	-	-	-	1 749
Software	17 919	59	1	(416)	2 808	20 371
Right-of-use assets	3 170	-	-	(1 427)	-	1 743
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	40 605	-	17 801	-	(3 920)	54 486
	209 624	59	18 575	(1 843)	1 019	227 434
Depreciation and impairment losses						
Development	(113 028)	-	(3 967)	-	-	(116 995)
Industrial property	(22)	-	-	-	-	(22)
Software	(16 131)	(59)	(1 659)	417	-	(17 432)
Right-of-use asset	(2 451)	-	(311)	1 154	-	(1 608)
Maintenance contracts	(15 424)	-	(1 928)	-	-	(17 352)
Impairment losses	(1 729)	-	(1)	-	-	(1 730)
	(148 785)	(59)	(7 866)	1 571	-	(155 139)
Net book value	**60 839**	**-**	**10 709**	**(272)**	**1 019**	**72 295**

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 2023, the Group held intangible assets that were fully depreciated and still operational, which had an initial cost of €121,463 thousand (30 June 2022: €119,613 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 2023 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 2023 and 31 December 2022, 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 12% and a growth rate of 0.5%.

6. Goodwill

The movement in goodwill was as follows:

	€ in thousands
Balance at 31.12.21	**112 439**
Additions	-
Disposals	-
Balance at 31.12.22	**112 439**
Additions	-
Disposals	-
Balance at 30.06.23	**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	
	30.06.23	**31.12.22**
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 2023 and 2022 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 2023 is a discount rate of 12% (7.24% in the first half of 2022) and a growth rate of 0.5% for the first half of 2023 and 2022.

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 2022 and the first half of 2023, 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 2023			
Assets on the statement of financial position			
Customers and other accounts receivable (note 9)*	375 567	-	375 567
Derivative financial instruments (note 8)	-	181	181
Other financial assets (note 8)	1 193	-	1 193
Cash and cash equivalents (note 11)	140 928	-	140 928
	517 688	**181**	**517 869**
31 December 2022			
Assets on the statement of financial position			
Customers and other accounts receivable (note 9)*	409 387	-	409 387
Derivative financial instruments (note 8)	-	1 882	1 882
Other financial assets (note 8)	1 058	-	1 058
Cash and cash equivalents (note 11)	239 385	-	239 385
	649 830	**1 882**	**651 712**

*****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 2023			
Liabilities on the statement of financial position			
Borrowings (note 13)	356 709	-	356 709
Suppliers and other payables (note 14)*	273 693	-	273 693
	630 402	**-**	**630 402**
30 December 2022			
Liabilities on the statement of financial position			
Borrowings (note 13)	375 579	-	375 579
Derivatives	-	-	-
Suppliers and other payables (note 14)*	263 520	-	263 520
	639 099	**-**	**639 099**

***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
	30.06.23	**31.12.22**
Other non-current financial assets and investments in associates		
Investment in associates	29	29
Loans to third parties and other loans (note 8 b)	648	648
Deposits and guarantees (note 8 c)	295	298
	972	**975**
Other current financial assets		
Derivative financial instruments (note 8 a)	181	1 882
Loans to third parties (note 8 b)	51	51
Deposits and guarantees (note 8 c)	170	32
	402	**1 965**
Total Other financial assets	**1 374**	**2 940**

a) Derivative financial instruments

At year-end 2022 and the first half of 2023, 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 2022 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	Non-current
Exchange transactions	Exchange rate hedging	Buy USD	1 333	2023	125	-
Interest rate transaction	Interest rate hedging	Interest rate	2 500	2023	56	-

The maturity of the hedging instruments is as follows:

	€ in thousands					
	2023	2024	2025	2026	Subsequent years	Totals
Exchange rate hedging	181	-	-	-	-	181

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 €51 thousand.

c) Deposits and guarantees

The ‘Deposits and guarantees’ caption included in the non-current assets balance at 31 December 2022 and 30 June 2023 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	
	30.06.23	**31.12.22**
Customers	97 470	95 176
Construction completed not yet invoiced	270 429	303 983
Customers – group companies and associates (note 17)	1 587	1 589
Provision for impairment losses	(2 975)	(2 667)
Customers – Net	**366 511**	**398 081**
Public entities	30 353	16 463
Sundry debtors	520	840
Personnel	576	756
Total	**397 960**	**416 140**

At 30 June 2023, the Group´s sale commitments amounted to €2,668 million (30 June 2022: €2,880 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	
	30.06.23	**30.06.22**
At 1 January	**(2 667)**	**(2 075)**
Provision recognition	(398)	(1 110)
Provision reversal	48	125
Disposals	42	46
At 30 June	**(2 975)**	**(3 014)**

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	
	30.06.23	**31.12.22**
Public administrations tax receivables for VAT	19 770	3 831
Public administrations debtors for grants	7 960	9 710
Public administrations debtors for other taxes	771	1 246
Public administrations corporate income tax	1 852	1 676
	30 353	**16 463**

10. Stock

The composition of this caption is shown below:

	€ in thousands	
	30.06.23	**31.12.22**
Raw Materials	190 676	169 329
Work in progress	20 719	13 727
Advances	20 302	17 721
Provision for the depreciation of raw materials and work in progress	(12 244)	(11 259)
	219 453	**189 518**

At 30 June 2023, the Group’s commitments for the purchase of raw materials and other services amounted to €303,844 thousand (30 June 2022: €383,373 thousand).

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

					€ in thousands
	Balance at 31.12.22	**Translation differences**	**Provision**	**Application**	**Balance at 30.06.23**
Provision for the depreciation of raw materials	(11 259)	53	(1 050)	12	(12 244)
	(11 259)	**53**	**(1 050)**	**12**	**(12 244)**

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	
	30.06.23	**31.12.22**
Cash	130 928	209 385
Cash equivalents	10 000	30 000
Total	**140 928**	**239 385**

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 2022 financial year and first half 2023 were as follows:

		€ in thousands
	Number of shares	**Share capital**
At 31 December 2021	**123 442 425**	**37 156**
Capital increases	1 997 596	601
Capital reductions	(1 997 596)	(601)
At 31 December 2022	**123 442 425**	**37 156**
Capital increases	-	-
At 30 June 2023	**123 442 425**	**37 156**

The share capital at half year 2023 is represented by a total of 123,442,425 ordinary shares with a nominal value of €0.301.

On 29 June 2023, 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 June 2023, 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.

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 2023:

Company	**% stake**
Pegaso Transportation Internacional, S.C.A.(*)	40.0%
Torrblas S.L.	5.0%
	45.0%

(*) Pegaso Transportation International SCA is an investment vehicle which is controlled by Trilantic Capital Investment GP Limited.

b) Distribution of profits

On June 29, 2023, the General Shareholders Meeting resolved to distribute of the Parent company's profit of the year 2022, as follows:

	€ in thousands
	2022
To Reserves	10 379
	10 379

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	
	30.06.23	**30.06.22**
Result attributable to the Parent company´s shareholders	7 095	5 489
Weighted average number of outstanding ordinary shares	122 512 104	122 761 580
Basic Earnings/(Losses) per Share from continuing operations	0.06	0.04
	0.06	**0.04**

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	
	30.06.23	**30.06.22**
Result attributable to the Parent company´s shareholders	7 095	5 489
Result used to determine diluted earnings per share	7 095	5 489
Weighted average number of outstanding ordinary shares	122 512 104	122 761 580
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122 512 104	122 761 580
Diluted earnings per share from continuing operations	0.06	0.04
	0.06	**0.04**

e) Treasury stock

Talgo's Board of Directors, at its meeting held on 30 June 2023, approved a Shareholder Remuneration Programme for a maximum of €12 million, which shall be accomplished through a scrip dividend and a share buyback programme.

The following actions were taken to implement this Remuneration Programme. Firstly, the Talgo Ordinary General Shareholders' Meeting held on 29 March 2022 resolved, under item eight of the agenda, to increase Talgo's share capital charged to reserves (the “Capital Increase”) by a determinable amount, through the issuance of new ordinary shares with a nominal value of €0.301 each, with no share premium, of the same class and series as those currently in circulation.

This capital increase allows Talgo to execute the first part of the planned Remuneration Programme through a Scrip Dividend or Flexible Dividend, through which the Company's shareholders are given the option of receiving the dividend in shares or in cash, by selling the rights of free allocation of new shares to the Company itself (at a guaranteed price) or on the market. The Capital Increase seeks to remunerate in shares the shareholders who have opted to receive the dividend in shares.

The above-mentioned General Shareholders' Meeting resolution agreed to authorise the Company’s Board of Directors to perform all necessary or reasonable actions to implement said resolution.

The Scrip Dividend has excuted on July, 2023, which the 83% of the company's shareholders chose to receive the dividend in shares. Therefore, the final number of ordinary shares with a nominal value of €0.301 cents per unit issued in the Capital Increase was 2,935,351 shares. The nominal amount of the increase was €883,541 thousand.

The holders of the remaining 17% of the rights of free allocation accepted the Company’s irrevocable commitment to purchase the rights. Thus, the Company acquired a total of 20,705,109 rights for a total gross amount of €1,926 thousand, subsequently waiving the shares corresponding to the rights of free allocation acquired under the above-mentioned purchase commitment. The cash payment to shareholders who opted to sell the rights of free allocation to the Company will be made on 24 July, 2023.

To comply with the Shareholder Remuneration Program, on 30 June 2023, the Company's Board of Directors also simultaneously agreed to conduct a programme to buyback its treasury shares (the “Repurchase Programme”) pursuant to the authorisation granted by the General Shareholders' Meeting held on 29 June 2023 under item 9 of the agenda and under the provisions of Regulation 596/2014 and Delegated Regulation (EU) 2016/1052 of the Commission, of 8 March 2016, supplementing Regulation (EU) No. 596/2014 on market abuse as regards regulatory technical standards concerning the conditions applicable to buyback programmes and stabilisation measures.

Under the provisions of the above-mentioned agreement, the purpose of the Repurchase Programme is to reduce the Company's share capital through the redemption of treasury shares previously acquired on the market, and in the same number as the shares previously issued in the Capital Increase from the Scrip Dividend. Therefore, shareholders who opted to receive the dividend in shares via the Scrip Dividend will receive remuneration through an increase in their shareholding in the company, also correcting the dilutive effect from the shareholders who chose to receive the dividend paid in cash.

The Repurchase Programme will be implemented on July 31, 2023, until the ceiling established as Maximum Repurchase Programme Investment has been reached, in this case, 2,935,351 shares corresponding to the same number of shares previously issued.

After carrying out the Repurchase Programme, the Company reduced the Company's share capital through the redemption of 2,935,351 shares with a nominal value of €0.301 each, representing 2.32% of the Company's share capital. The purpose of the capital reduction was to redeem treasury stock, thus contributing to the Company's Shareholder Remuneration Programme by increasing earnings per-share.

Outside of the above-mentioned shareholder remuneration programme, the parent company has not made any acquisitions of treasury shares in 2023.

As at 30 June 2023 and at 31 December 2022 the Parent Company held 930,321. The corresponding details are presented below:

	Number of shares	Acquisition Price	Quotation	Stock price	%
Shares in Treasury stock June 30, 2023	930 321	4.9	3.4	3 117	0.75%
Shares in Treasury stock December 31, 2022	930 321	4.9	3.3	3 070	0.75%

13. Borrowings

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.23	**31.12.22**
Non-current		
Debt with credit institutions (note 13.a)	253 315	232 339
Lease debts (note 13.b)	3 220	2 924
Other financial liabilities (note 13.c)	31 573	29 225
	288 108	264 488
Current		
Debt with credit institutions (note 13.a)	58 333	99 091
Lease debts (note 13.b)	1 134	2 469
Other financial liabilities (note 13.c)	9 134	9 531
	68 601	111 091
Total borrowings	**356 709**	**375 579**

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	28
Entity B	EUR	Fixed	20/12/2017	17 143	4 286	21 429	17
Entity C	EUR	Fixed	22/12/2020	10 000	10 000	20 000	92
Entity D	EUR	Fixed	13/12/2020	10 000	10 000	20 000	-
Entity E	EUR	Fixed	23/06/2020	15 000	-	15 000	4
Entity F	EUR	Fixed	23/06/2020	-	2 500	2 500	14
Entity G	EUR	Fixed	28/12/2018	1 125	1 500	2 625	8
Entity H	EUR	Fixed	22/12/2020	2 047	2 024	4 071	25
Entity I	EUR	Variable	12/03/2019	-	15 000	15 000	48
Entity J	EUR	Fixed	14/01/2019	31 000	-	31 000	23
Entity K	EUR	Variable	14/01/2019	25 000	5 000	30 000	16
Entity L	EUR	Variable	02/12/2020	15 000	-	15 000	119
Entity M	EUR	Variable	18/06/2021	7 000	-	7 000	1
Entity N	EUR	Fixed	18/06/2021	15 000	-	15 000	47
Entity O	EUR	Variable	15/04/2020	20 000	-	20 000	282
Entity P	EUR	Variable	31/03/2022	5 000	-	5 000	12
Entity Q	EUR	Fixed	16/09/2020	15 000	-	15 000	16
Entity R	EUR	Fixed	12/04/2023	15 000	-	15 000	148
Entity S	EUR	Variable	30/06/2022	10 000	-	10 000	18
Entity T	EUR	Variable	09/06/2023	10 000	-	10 000	29
Bank guarantees and credit facilities interests	EUR	-	-	-	-	-	2 076
				253 315	**50 310**	**303 625**	**3 023**

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

At 30 June 2023, the Group held lines of credit amounting to €120,000 thousand (€135,000 thousand at 31 December 2021) with a drawn down balance at 30 June 2023 of €5,000 thousand (€8,816 thousand at 31 December 2022).

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

						€ in thousands
30 June 2023	**2023**	**2024**	**2025**	**2026**	**Subsequent years**	**Total**
Debt with credit institutions	29 309	37 059	58 970	115 019	71 291	**311 648**
31 December 2022	**2023**	**2024**	**2025**	**2026**	**Subsequent years**	**Total**
Debt with credit institutions	99 091	52 059	49 565	79 543	51 172	**331 430**

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	
	30.06.23	**31.12.2022**
Non-current		
Debts due to reimbursable advances	20 126	15 349
Other debts	11 447	13 876
	31 573	**29 225**
Current		
Debts due to reimbursable advances	2 646	3 042
Other debts	6 488	6 489
	9 134	**9 531**
Total Other financial liabilities	**40 707**	**38 756**

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 2023 includes mainly non-current debt convertible into grants amounting to €11,173 thousand (€11,062 thousand at 31 December 2022). This heading mainly includes the funds received by the European Commission for the "Shift2Rail", “RAIL4EARTH y IAM4RAIL research projects, as well as funds received from the Center 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	
	30.06.23	**31.12.22**
Suppliers	258 451	248 715
Associate and multigroup companies' suppliers (note 17)	7 030	5 403
Advances on orders	43 365	136 882
Social Security and other taxes	17 152	9 820
Personnel	8 212	9 402
Total	**334 210**	**410 222**

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	
	30.06.23	**30.06.22**
Profit/(Loss) before tax	**11 623**	**8 322**
Consolidated tax at 25%	-	-
Tax effects of:		
Differences by tax rates in each country	4 381	3 958
Deferred tax adjustments	229	(961)
Tax expense	**4 610**	**2 997**

During the first half of 2023 and 2022 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 2022.

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	
	30.06.23	**31.12.22**
Deferred tax assets:		
- Deferred tax assets to be recovered in more than 12 months	22 897	23 072
	22 897	**23 072**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered in more than 12 months	8 614	8 850
	8 614	**8 850**
Deferred tax assets (net)	**14 283**	**14 220**

The movement in the deferred tax asset balance during the first half 2023 and 2022 financial year was as follows:

						€ in thousands
	Balance at 31.12.22	**Translation differences**	**Additions**	**Disposals**	**Other Movements**	**Balance at 30.06.23**
Temporary differences						
Guarantees	3 312	-	4 117	(3 626)	-	3 803
Other concepts	3 210	-	602	(1 253)	-	2 559
Tax Credits						
Tax loss carryforwards	13 897	(15)	-	-	-	13 882
Deductions	2 653	-	-	-	-	2 653
	23 072	**(15)**	**4 719**	**(4 879)**	**-**	**22 897**

						€ in thousands
	Balance at 31.12.21	**Translation differences**	**Additions**	**Disposals**	**Other Movements**	**Balance at 31.12.22**
Temporary differences						
Guarantees	3 597	-	3 326	(3 606)	(5)	3 312
Other concepts	3 325	-	1 412	(1 521)	(6)	3 210
Tax Credits						
Tax loss carryforwards	17 558	324	-	(3 985)	-	13 897
Deductions	2 653	-	-	-	-	2 653
	27 133	**324**	**4 738**	**(9 112)**	**(11)**	**23 072**

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 2021	**17 558**	**2 653**	**6 922**	**27 133**
Credit/(Charge) to income statement	(3 985)	-	(389)	(4 374)
Other movements and transfers	324	-	(11)	313
Balance at 31 December 2022	**13 897**	**2 653**	**6 522**	**23 072**
Credit/(Charge) to income statement	-	-	(160)	(160)
Other movements and transfers	(15)	-	-	(15)
Balance at 30 June 2023	**13 882**	**2 653**	**6 362**	**22 897**

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 2023 and 31 December 2022, the tax loss carryforwards pending offset in the USA, relating to the subsidiary Talgo Inc., amounted to $41,701 thousand and their expiry dates are detailed below:

	$ in thousands	Final year
2004	6 837	2024
2005	8 602	2025
2006	7 317	2026
2012	3 938	2032
2020	8 128	Indefinite
2022	5 439	Indefinite
2023	1 440	Indefinite
	41 701	

Of these, at 30 June 2023 and 31 December 2022, an amount of $3,854 thousands is activated (€22.484 thousands at 30 June 2022).

At June 30, 2023, 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
2018	22 078
2019	34 091
2020	17 728
2021	21 594
2022	45 186
2023	6 178
	146 855

The movement in the deferred tax liabilities balance during the first half 2023 and 2022 financial year was as follows:

	€ in thousands		
	Cash flow hedge	**Other concepts**	**Total**
Balance at 31 December 2021	**346**	**8 361**	**8 707**
Credit / (Charge) to income statement	-	337	337
Tax (credit) / charge to equity	(194)	-	(194)
Other movements	-	-	-
Balance at 31 December 2022	**152**	**8 698**	**8 850**
Credit / (Charge) to income statement	-	(18)	(18)
Tax (credit) / charge to equity	211	-	211
Other movements	-	(429)	(429)
Balance at 30 June 2023	**363**	**8 251**	**8 614**

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 2023 were as follows:

	Non-current			Current		
	Other provisions	Guarantee provision	Total	Other provisions	Guarantee provision	Total
Balance at 31/12/2022	**33 281**	**16 926**	**50 207**	**115**	**1 817**	**1 932**
Provisions	3 315	-	3 315	-	-	-
Applications	(2 723)	-	(2 723)	-	1 869	1 869
Transfers	1 813	1 661	3 474	-	(1 661)	(1 661)
Translation differences	(12)	(45)	(57)	-	-	-
Balance at 30/06/2023	**35 674**	**18 542**	**54 216**	**115**	**2 025**	**2 140**

€ in thousands

At the 2022 year-end and the first half 2023 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 2022, 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 2023, the Group had a volume of bank guarantees and surety bonds amounting to €1,146 million (June 2022: €955 million), of which €949 million (June 2022: €755 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 2023, the amount available from the bank guarantee lines amounted to €554 million (€803 million at the closing of June 2022).

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 2023.

a) Commitments to purchase fixed assets

At 30 June 2023, the Group had commitments to purchase fixed assets amounting to €4,221 thousand (30 June 2022: €4,684 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 2023 financial year and December 2022.

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 2023, the remunerations accrued to the members of the Board of Directors for the performance of this role amounted to €275 thousand (30 June 2022: €373 thousand).

c) Commercial transactions with related parties:

	€ in thousands	
	30.06.23	**30.06.22**
Other operating expenses		
Consorcio Español Alta Velocidad Meca Medina	837	-
Expense	**837**	**-**

d) Commercial balances with related parties:

	€ in thousands	
	30.06.23	**31.12.22**
Customers – group companies and associates (note 9)	1 587	1 589
Customers – group companies and associates	**1 587**	**1 589**

	€ in thousands	
	30.06.23	**31.12.22**
Suppliers – group companies and associates (note 14)	7 030	5 403
Suppliers – group companies and associates	**7 030**	**5 403**

e) Foreign currency transactions

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

	€ in thousands	
	30.06.23	**30.06.22**
Purchases	20 438	20 804
Sales	39 165	30 794

18. Employee benefit expenses

a) The breakdown of this caption is as follows:

	€ in thousands	
	30.06.23	**30.06.22**
Wages, salaries and similar	61 482	53 837
Contributions and provisions for defined pension contributions and other obligations	1 745	1 570
Other welfare charges	20 692	17 965
	83 919	**73 372**

The Wages, salaries and similar caption includes compensation costs, which amounted to €192 thousand as at 30 June 2023 (30 June 2022: €424 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 €634 thousand in terms of fixed and short-term variable remuneration (€943 thousand in terms of fixed and short-term variable remuneration at 30 June 2022). The remuneration paid to the Group's directors in terms of fixed and short-term variable remuneration amounted to €1,363 thousand (€1,453 thousand as at 30 June 2022).

(Expressed in thousands of euros)

The Group has taken out life insurance for all its employees, including management personnel. The cost of this insurance for management personnel amounted to €23 thousand at 30 June 2023 (€28 thousand at 30 June 2022). The amount corresponding to the pension plan of this same collective amounted to €28 thousand at 30 June 2023 (€40 thousand at 30 June 2022). 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 €648 thousand at 30 June 2023. 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. 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 maximum amounts of this remuneration, which is accrued over three years and only received if the plan's objectives are met, amount to €3,100 thousand. The amount accrued at 30 June is zero euros.

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 2022 financial year, an accrual of €800 thousand euros has been recognized in the profit and loss account based on this commitment, being as of June 30, 2022, the accrual of €400 thousand euros.

The distribution of the average headcount by job category and gender at 30 June 2023 and 2022 is as follows:

	30.06.23		**30.06.22**	
	Men	**Women**	**Men**	**Women**
Board members and Senior Management	5	2	8	4
Management	50	7	43	7
Middle management	353	69	346	69
Technicians	2 205	323	1 929	300
	2 613	**401**	**2 326**	**380**

19. Financial income and expenses

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.23	**30.06.22**
Interest expenses:		
- Bank borrowings and other charges	(13 457)	(3 504)
- Exchange rate differences	-	-
Financial expenses	**(13 457)**	**(3 504)**
- Interest income on short-term deposits with credit institutions and change in the fair value of financial instruments	1 226	1
- Exchange rate differences	282	937
Financial income	**1 508**	**938**
Net financial result	**(11 949)**	**(2 566)**

20. Cash flows from operating activities

The breakdown of cash generated from operations is as follows:

	€ in thousands	
	30.06.23	**30.06.22**
Profit/(Loss) for the year before tax	**11 623**	**8 322**
Adjustments for:		
- Amortization of tangible fixed assets (note 4)	4 632	4 750
- Depreciation of intangible assets (note 5)	3 885	3 853
- Net change in provisions (note 16)	2 461	(774)
- Valuation adjustments for impairment (notes 9 and 10)	1 388	(14 534)
- Financial expenses (note 19)	13 547	3 504
- Financial income (note 19)	(1 226)	(1)
- Allocation of grants	(203)	(480)
- Other income and expenses	(1 124)	1 433
Changes in working capital (excluding the effects of the acquisition and translation differences on consolidation):	**(91 153)**	**(107 387)**
Stocks (note 10)	(30 920)	(8 501)
Other financial assets (note 8)	(135)	181
Customers and other account receivables (note 9)	16 175	(70 931)
Suppliers and other payables (note 14)	(75 180)	(20 419)
Other assets short-term	(1 093)	(7 717)
Cash flows from operating activities:	**(56 260)**	**(101 314)**

21. Events after the consolidated statement of financial position date

On 6 July, Tarvia Mantenimiento Ferroviario S.A. carried out a capital increase of 16,000 thousand euros, of which 8,160 thousand euros was contributed by Patentes Talgo, S.L.U. and the rest by its other shareholder.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2023
(Expressed in thousands of euros)

Organizational structure

The main responsibilities of the Group's Board of Directors include strategy management, allocation of resources, management of risks and operational control, as well as ownership of the accounts and financial reports prepared by the Group.

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

Strategy

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

The key to the success of the Group's 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 market needs, such as new self-configurable and interoperable trains and more efficient trains with higher capacity such as in the case of the AVRIL and the Vittal, and by 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 2023 amounted to €32.1 million, compared with €19.5 million in the previous period.

The Group's EBIT (earnings before interest and tax) at the end of the first half of 2023 amounted to €23.6 million, compared with €10.9 million in the previous year.

The result after tax at the end of the first half of 2023 amounted to a profit of €7 million, compared with €5.3 million in the same period the previous year.

At the end of the first half of 2023, the Group's order backlog amounted to €2,668 million (€2,880 million at 30 June 2022).

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2023
(Expressed in thousands of euros)

Business development and global economic impact

The Group has continued to execute, in the first half of 2023, the construction contracts that it holds in its portfolio.

With regard to the project for 30 AVRIL type high-speed trains for RENFE (15 of them with UIC triple gauge and with a maximum speed of 330 km/h and another 15 trains with sliding tracks), during the first half of the year, the on-track testing phase os the trains for their homologation in Spain and France has continued, with the first trains scheduled to be put into service in the last quarter of 2023.

During the first half of 2023 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), whose last train was delivered last May (5 months in advance), 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.

It is worth noting that the subsidiary Patentes Talgo, S.L.U. has been awarded three new train supply contracts, consolidating our manufacturing portfolio and the confidence of our customers, and ensuring production at the factories for the coming years. The first contract, for the construction of 7 night trains for the Egyptian National Railways (ENR), was signed in 2023 and its formalisation is subject to the agreement of the FIEM financing, which is currently being negotiated between the parties. The second contract, signed by the Danish State Railways (DSB) in April 2023 and approved by the Danish Parliament in June, covers the delivery of 8 additional Type 230 trainsets and 16 cab cars. This contract is part of the framework contract awarded in 2020 with an expected investment of up to €500 million. In addition, last May, Deutsche Bahn confirmed a new order to Talgo for the supply of 56 additional trains in addition to the 23 already ordered in 2019, all within the framework contract awarded at that time for the manufacture of up to 100 Talgo 230 trains.
The formalisation of the project is subject to project financing, a milestone expected to be achieved in the third quarter of 2023.

In relation to the activity of remodelling railway material, work continued on the transformation of 13 RENFE Hotel train sets to suitable for running at 330 km/h. Finally, the technical phase of the contract with the Southern California Regional Rail Authority (SCRRA) for the implementation of a refurbishment programme for the first 50 of up to a maximum of 121 rolling stock is continuing, with the refurbishment of the cars already in full process. In relation to the contract for the refurbishment of 74 cars for the customer Los Angeles Metro (LACMTA), on 6 May 2022, the aforementioned customer notified the termination of the contract, contract activities were suspended and the case is currently in court for resolution.

With regard to the train maintenance activity, in 2023 the Group continued to execute multi-year train maintenance contracts in the various countries where the Group is established, such as Spain (RENFE and ADIF), Kazakhstan (KTZ), Uzbekistan (UTY), United States (Amtrak and ODOT), Germany (Deutsche Bahn and other railway private operators), Saudi Arabia (SRO) and the and the last new one in Egypt, which will be operational in December 2022.

In some of these countries, particularly Egypt, new staff continue to be recruited and trained to carry out the required activities, given the increasing number of operational fleets.

With regard to the maintenance equipment activity, production of lathes and measuring equipment continued during the first half 2023. In addition, as a complement to this production activity, the Group has continued with its maintenance work and the sale of spare parts for the equipment installed throughout the world.

In line with the Group's policy of innovation and diversification of its product portfolio, during the first half of 2023 and among other projects, it has continued with the development and optimisation and improvement tests for the 2nd generation of the AVRIL high-speed train platform, the development of hydrogen traction trains and a self-configurable and interoperable railway platform. In parallel, different transversal projects are being carried out, among others, in very diverse areas such as interoperability, digitalisation and industry 4.0, signalling, TCMS, safety, passenger experience and accessibility, energy efficiency and sustainability, lightening of materials, and mechatronic solutions, motorised rolling stock, versatile installations for automated track diagnostics, telediagnosis and recognition of components using artificial intelligence and 5G communication, neural networks for applying intelligence to large volumes of data and parameters, comfort improvements, standardisation of processes and components, additive manufacturing, new technologies for joining elements, and optimisation of wheel wear.

Likewise, the Group, as in the rest of the railway industry, is suffering the impacts of inflation, the shortage of raw materials and the breakdown of supply chains caused by the current global economic and political situation. To try to mitigate these effects, the Group has currently developed an action plan with implemented measures that include, among others, reducing overheads, transferring inflationary risk to customers through indexation formulas, reaching long-term agreements with suppliers and strengthening the contractual framework of new commercial contracts.

Research and development activities

Continual commitment to innovation and sustainable development has earned Talgo international recognition as a highly competitive rolling stock manufacturer and enabled it to successfully participate in different railway tenders on a global scale. Today Talgo trains are seen traveling across Spain, Kazakhstan, Uzbekistan, Saudi Arabia, Egypt or the USA among other countries.

Since the beginning of its activity, and even with more emphasis in the recent years Talgo bets for innovation as the main pillar on which present and mainly future of the Group is sustained. In addition, this principle is understood from a corporate point of view, not being focused only on product, but in generating and improving activities, which involve the whole innovation ecosystem which surrounds Talgo. In this way, we take advantage of the whole creative collective potential and generating an even more powerful innovative culture. In this way, innovation helps the Group to knit a system which permits overcoming future challenges, promotes technological surveillance and forecast activities, and generates an even more optimum environment for the evolutionary and disruptive thinking.

With this objective, we work with an Innovation Model 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 would be the "Corporate Venturing" area development whose fundamental task is the systematic search for companies and technologies that, in an agile way, can improve the Group's product portfolio. To this end, from the direction of innovation, a specialized team, supported by advisors 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, Strategic Intelligence, Open Innovation, Creativity, Technology Transfer and Innovation Acceleration tools used in the Group, which are enabling an evolution towards a much deeper understanding of causes and consequences of each of the company's critical activities, towards a broader concept of collaborative innovation, and towards a much more agile 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 has continued its policy of investing in research and development activities that seek to continuously improve its products and maintenance services. Among others, it has collaborated with various partners at European level, including universities and prestigious technology centres, as well as some of the main railway industries. Some of the main collaborations of this type are framed within the two major European initiatives dedicated to railway innovation, promoted by the European Commission: Shift2Rail, where Talgo plays a very relevant role in key traction projects, lightening of structures through the use of composite materials, active systems for rolling, energy efficiency and improvement of noise and vibrations; and Europe's Rail, successor of 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 project underway to develop traction based on hydrogen cells, which will improve the environmental performance of trains currently using diesel traction on non-electrified lines.

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 octogenarian , 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 the environment

The quality, the environment and the prevention of risks are fundamental elements in the Group business and culture. A sample of this, is the Environmental Certificate, under the norm UNE in ISO 14001 hold by the Design, Manufacturing and rolling stock Maintenance activities.

During the performance of our activities, the Group places a strong emphasis on improving its management systems in a sustainable and safe way 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, the Group is committed to delivering products and services in perfect conditions and not causing any environmental impact; meeting the applicable regulations and standards; establishing actions to eradicate the source of the identified problems as well as preventing them to occur again and promoting both a continuous training and the professional capacities of the 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 that the Group is performing at their foreign subsidiaries, 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 company.

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 the Group's most important commercial strategies.

The breakdown of the expenses incurred by the Group to protect and improve the environment is disclosed in note 32 to the consolidated financial statements for the year 2022. The costs relating to the prevention of risks form part of the costs of the projects.

The principles that govern these activities are captured 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.

Treasury stock

The Parent company holds 930,321 treasury shares as of 30June, 2023 (note 12.e).

Significant events after the statement of financial position date

The subsequent events that may have a significant influence are detailed in note 21.