TALGO, S.A. AND SUBSIDIARIES

Abbreviated Consolidated Interim Financial Statements 30 June 2024

*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 2024 AND 31 DECEMBER 2023

(Expressed in thousands of euros)

	Notes	30.06.2024	31.12.2023
ASSETS			
Non-current assets			
Tangible fixed assets	4	53 446	53 895
Intangible assets	5	100 634	84 857
Goodwill	6	112 439	112 439
Investments accounted under the equity method		10	10
Deferred tax assets	14	24 892	23 970
Other financial assets		939	938
		292 360	**276 109**
Current assets			
Stock	9	218 525	191 667
Customers and other accounts receivable	8	546 603	470 577
Derivative financial instruments		-	23
Other financial assets		221	344
Asset accruals		24 459	21 285
Cash and cash equivalents	10	111 810	155 760
		901 618	**839 656**
TOTAL ASSETS		**1 193 978**	**1 115 765**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2024.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 31 DECEMBER 2023

(Expressed in thousands of euros)

	Notes	30.06.2024	31.12.2023
EQUITY			
Capital and reserves attributable to the owners of the Parent company			
Share capital	11	37 282	38 040
Share premium	11	871	871
Treasury stock	11	(4 901)	(13 924)
Other reserves	11	2 463	2 990
Retained earnings	11	256 037	250 018
		291 752	**277 995**
Non-controlling interests		9 885	10 291
Total equity		**301 637**	**288 286**
LIABILITIES			
Non-current liabilities			
Provisions for other liabilities and charges and deferred incomes	15	65 592	62 439
Borrowings	12	352 615	337 776
Government grants		3 452	3 627
Deferred tax liabilities	14	8 397	8 409
		430 056	**412 251**
Current liabilities			
Provisions for other liabilities and charges	15	9 106	8 833
Borrowings	12	167 642	116 185
Suppliers and other payables	13	285 518	290 061
Current tax liabilities		19	149
		462 285	**415 228**
Total liabilities		**892 341**	**827 479**
TOTAL EQUITY AND LIABILITIES		**1 193 978**	**1 115 765**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position ended 30 June 2024.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023

(Expressed in thousands of euros)

	Notes	30.06.2024	30.06.2023
Net turnover	**3**	**346 148**	**288 569**
Other income		1 211	1 267
Stock variation for work-in-progress goods		1 455	7 548
Work performed and capitalized	4,5	20 947	7 870
Procurement costs		(176 420)	(145 934)
Personnel costs	17	(102 394)	(83 919)
Other operating expenses		(51 048)	(43 690)
Amortization and depreciation charge	4,5	(11 631)	(8 517)
Other results		321	378
Operating profit		**28 589**	**23 572**
Financial income	18	1 767	1 508
Financial expenses	18	(12 122)	(13 457)
Net financial result		**(10 355)**	**(11 949)**
Profit/(Loss) before tax		**18 234**	**11 623**
Income tax charge	14	(3 655)	(4 610)
Profit/(Loss) for the period from continuing operations		**14 579**	**7 013**
Profit/(Loss) for the period		**14 579**	**7 013**
Attributable to:			
Owners of the parent	11	**15 022**	**7 095**
Non-controlling interests		(443)	(82)
Basic earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	11	0.12	0.06
Total		**0.12**	**0.06**
Diluted earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	11	0.12	0.06
Total		**0.12**	**0.06**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim Income statement for the six months ended 30 June 2024.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023
(Expressed in thousands of euros)

	30.06.2024	30.06.2023
Result for the period	**14 579**	**7 013**
Other comprehensive income:		
Direct assignment to equity:		
Other income and expenses	(31)	-
Cash flow hedge, net of tax effect	(17)	(1 525)
Foreign currency translation differences	(510)	(48)
Transfer to results:		
Cash flow hedge	-	-
Tax effect of the cash flow hedge	-	-
Total other comprehensive Income	**(558)**	**(1 573)**
Total comprehensive income for the period	**14 021**	**5 440**
Attributable to:		
-Owners of the parent	14 464	5 522
-Non-controlling interests	(443)	(82)
Total comprehensive income for the period	**14 021**	**5 440**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2024.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023

(Expressed in thousands of euros)

	Share capital (Note 11)	Share premium	Other reserves (Note 11)	Retained earnings	Other equity instruments (Note 11)	Total	Non-controlling interests	Total equity
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)
Other income and expenses	-	-	-	-	-	-	-	-
Total comprehensive Income	**-**	**-**	**(1 573)**	**7 095**	**-**	**5 522**	**(82)**	**5 440**
Transactions with owners								
Other operations (remuneration plan note 17)	-	-	-	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**
Balance at 31 December 2023	**38 040**	**871**	**2 990**	**250 018**	**(13 924)**	**277 995**	**10 291**	**288 286**
Comprehensive income								
Profit or loss	-	-	-	15 022	-	15 022	(443)	14 579
Other comprehensive Income	-	-	-	-	-	-	-	-
Translation differences	-	-	(510)	-	-	(510)	-	(510)
Hedging derivative	-	-	(17)	-	-	(17)	-	(17)
Other income and expenses	-	-	-	(31)	-	(31)	-	(31)
Total comprehensive Income	**-**	**-**	**(527)**	**14 991**	**-**	**14 464**	**(443)**	**14 021**
Transactions with owners								
Acquisition of Treasury Stock	-	-	-	-	(963)	(963)	-	(963)
Capital Decrease	(758)	-	-	(9 228)	9 986	-	-	-
Other operations (remuneration plan note 17)	-	-	-	400	-	400	-	400
Total transactions with owners	**(758)**	**-**	**-**	**(8 828)**	**9 023**	**(563)**	**-**	**(563)**
Other equity movements	**-**	**-**	**-**	**(144)**	**-**	**(144)**	**37**	**(107)**
Balance at 30 June 2024	**37 282**	**871**	**2 463**	**256 037**	**(4 901)**	**291 752**	**9 885**	**301 637**

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 2024.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2023

(Expressed in thousands of euros)

	30.06.2024	30.06.2023
Cash flows from operating activities		
Cash used in operations	**(69 671)**	**(56 260)**
Interest paid	(16 088)	(9 725)
Interest received	286	1 226
Tax paid	(4 981)	(3 258)
Net cash flow generated from operating activities	**(90 454)**	**(68 017)**
Cash flows from investing activities		
Purchases of property, plant, and equipment	(2 323)	(1 648)
Purchases of intangible assets	(23 051)	(8 980)
Net cash used in investing activities	**(25 374)**	**(10 628)**
Cash flows from financing activities		
Own equity instruments acquisition	(1 231)	-
Disbursements for loan repayments	(78 424)	(76 673)
Proceeds from borrowings	151 910	56 861
Net cash used / (generated) in financing activities	**72 255**	**(19 812)**
Effect of exchange rate variations	**(377)**	**-**
Net (decrease) / increase in cash, cash equivalents and bank overdrafts	**(43 950)**	**(98 457)**
Cash, cash equivalents and bank overdrafts at the beginning of period	155 760	239 385
Cash, cash equivalents and bank overdrafts at the end of period	111 810	140 928

Notes 1 to 21 form an integral part of the abbreviated consolidated statement of cash flows corresponding to the six months ended 30 June 2024.

SUMMARY

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) Design, 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 30 July 2024. 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 2023 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 2023 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 2023 financial year, except for the standards and understanding that have come into force during the first half of 2024 and are detailed below.

Changes in accounting criteria

During first half of 2024 financial year no changes were made in the accounting criteria with respect to the criteria applied in 2023.

2.2 Entry into force of new accounting standards

During first half of 2024, the following standards and interpretations became effective and have already been adopted by the European Union and, where applicable, have been applied by the Group in the preparation of these 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 2024:

New standards, modifications, and interpretations:	
Approved for use in the European Union at the date of this document publication	
Amendments	
Amendment to IAS 1 Classification of liabilities as current and non-current and those subject to covenants.	Clarifications regarding the presentation as current or non-current of liabilities and in particular of those with maturities conditional on compliance with covenants.
Amendment to IFRS 16 Lease liability on a sale and leaseback.	This amendment clarifies the subsequent accounting for lease liabilities arising in sale and leaseback transactions.
Amendment to IAS 7 and IFRS 7 Supplier Financing Arrangements	This amendment introduces disclosure requirements specific to supplier financing arrangements and their effect on an entity's liabilities and cash flows, including liquidity risk and related risk management.

Since their entry into force on 1 January 2024, 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 2024. 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 2024:

New standards, modifications, and interpretations:		**Obligatory application for financial years starting on:**
Not approved for use in the European Union		
New Standards		
IFRS 18 Presentation and Disclosure of Financial Statements.	The purpose of this new Standard is to prescribe the presentation and disclosure requirements for financial statements, replacing IAS 1 currently in force.	1 January 2027
IFRS 19 Disclosures of subsidiaries not accounted for using the equity method.	The objective of this new standard is to provide details of the disclosures that a subsidiary may have as an option in the preparation of its financial statements.	1 January 2027
Amendments		
Amendment to IAS 21 Absence of Convertibility	This amendment introduces an approach that specifies when one currency can be exchanged for another and, if not, how to determine the exchange rate to be used.	1 January 2025
Amendment to IFRS 7 and IFRS 9 Classification and measurement of financial instruments.	This amendment clarifies the criteria for the classification of certain financial assets, as well as the criteria for the derecognition of financial liabilities settled through electronic payment systems. It also introduces additional disclosure requirements.	1 January 2026

2.3 Variations in the consolidation perimeter

During the first half of 2024, the company OOO Talgo, based in Russia, was wound up, with no material impact on the Group's consolidated financial statements.

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 2023.

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 I the budgets of the project 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:

1) Market risk

a) Foreign currency risk. The foreign currency risk is low, as most transactions are carried out in the functional currency. In addition, foreign currency sales to other countries outside the aforementioned environment are made to the United States, Saudi Arabia and Kazakhstan, although they do not represent a significant weight in the Group's total turnover.

b) Price risk. In order to mitigate sales price risk, the Group maintains a a highly competitive pricing structure, through the clauses that are established and concluded in the various contracts that it enters into with its customers and suppliers.

c) Cash flow interest rate risk. The Group's exposure to interest rate risk arises from long-term debt. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and therefore Group management implements policies to manage interest rate risk, such as negotiating fixed interest rates to mitigate exposure to this risk or entering into hedging derivative instruments.

2) Credit risk

The Group's main financial assets comprise cash and cash equivalents, customers and other receivables and other financial assets, which represent the Group's maximum exposure to credit risk in terms of its financial assets.

The Group's credit risk is mainly attributable to its trade liabilities. The amounts reflected on the consolidated statement of financial position are net of any provisions for bad debt.

The Group operates with a portfolio of clients who mostly belong to the public rail sector, for which no indication of relevant credit risk derived from the solvency, or late payments of such customers has become apparent.

Nevertheless, the Group's financial management considers this risk to be a key aspect in the day-to-day management of the business and focuses its efforts on adequate monitoring and control of the development of receivables and non-performing loans. During the six-month period of the current financial year, significant efforts have been made to monitor and recover overdue receivables, as well as a detailed analysis of the risk of default and insolvency by customer, with monthly analyses of the ageing of receivables to cover potential insolvency risks. The Group has established a customer acceptance policy based on the periodic evaluation of liquidity and solvency risks, which are very relevant aspects when evaluating the various tenders to which it submits bids.

The Group only works with reputable, prestigious financial institutions, which have credit ratings that indicate that they do not pose any risk of insolvency.

3) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through sufficient committed credit facilities and the ability to liquidate market positions. Group management regularly monitors the Group's liquidity forecasts based on expected short and long term cash flows. The Group maintains sufficient cash to meet its liquidity requirements.

The general market situation has led to general tightening of liquidity in the economy and a contraction of the credit market. In this context the Group has continued to strengthen its financial capacity through new bank borrowings, the formalisation of a Promissory Note Programme in the Mercado Alternativo de Renta Fija (“MARF”) and credit policies in the first half of 2024 (note 12).

The Group's directors and Management are constantly monitoring the evolution of the main figures, with the aim of dealing, anticipate and minimize any possible impacts, either financial or non-financial.

2.5 Contingent assets and liabilities

In Note 29 of the Group's consolidated annual accounts for the year ended 31 December 2023, information is provided about the contingent assets and liabilities as at that date.

During the first half of 2024, 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 2024 and 30 June 2023, was obtained from the Group's management reporting systems, and does not differ significantly from the IFRS information. It is presented below:

	30.06.24 € in thousands			
	Rolling stock	Auxiliary machines and others	General	Total
Total segment revenues	316 430	29 718	-	346 148
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	**316 430**	**29 718**	**-**	**346 148**
Amortizations	9 408	283	1 940	11 631
Operating result	**56 896**	**(3 143)**	**(25 164)**	**28 589**
Financial income	1 627	127	13	1 767
Financial expenses	10 626	832	664	12 122
Result before tax	**47 897**	**(3 848)**	**(25 815)**	**18 234**
Total Assets	**1 102 093**	**64 793**	**27 092**	**1 193 978**
Total Liabilities	**805 400**	**36 257**	**50 684**	**892 341**
Fixed asset investments	**23 636**	**90**	**1 648**	**25 374**

	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**

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 202 and 2023 was distributed geographically as follows:

	€ in thousands	
	30.06.24	**30.06.23**
Spain	88 103	100 682
Rest of Europe	178 062	102 548
USA	7 659	8 274
Middle East and North Africa	44 241	49 633
Commonwealth of Independent States	27 795	27 221
Asia	288	211
	346 148	**288 569**

Total non-current assets, other than financial instruments and deferred tax assets in the first half of 2024 and 31 December 2023 are geographically distributed as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Spain	258 299	243 781
Abroad	8 220	7 410
	266 519	**251 191**

4. Tangible fixed assets

The movements in the accounts included within tangible fixed assets and the related accumulated depreciation and provisions during the first half of the financial years 2024 and 2023 were as follows:

€in thousands

	Balance at 31.12.23	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.24
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use asset	9 407	79	1 499	(1 246)	-	9 739
Buildings	48 222	-	-	-	223	48 445
Technical installations and machinery	39 074	126	265	-	665	40 130
Other facilities, tools, and furniture	62 169	1	-	(87)	1 334	63 417
Other fixed assets	12 039	2	56	-	173	12 270
Advances and work in progress	3 765	3	2 002	-	(2 395)	3 375
	184 570	211	3 822	(1 333)	-	187 270
Depreciation and impairment losses						
Right-of-use asset	(6 543)	(35)	(1 094)	1 246	-	(6 426)
Buildings	(32 840)	-	(616)	-	-	(33 456)
Technical installations and machinery	(30 321)	(111)	(947)	-	-	(31 379)
Other facilities, tools, and furniture	(51 192)	(1)	(1 413)	87	-	(52 519)
Other fixed assets	(9 617)	(4)	(261)	-	-	(9 882)
Impairment losses	(162)	-	-	-	-	(162)
	(130 675)	(151)	(4 331)	1 333	-	(133 824)
Net book value	**53 895**	**60**	**(509)**	**-**	**-**	**53 446**

€ in thousands

	Balance at 31.12.22	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.23
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use assets	9 279	(84)	212	-	-	9 407
Buildings	48 205	-	-	-	17	48 222
Technical installations & machinery	37 978	(140)	146	-	1 090	39 074
Other facilities, tools & furniture	59 114	-	215	(37)	2 877	62 169
Other fixed assets	11 626	(4)	307	(101)	211	12 039
Advances and work in progress	2 693	(4)	4 995	-	(3 919)	3 765
	178 789	(232)	5 875	(138)	276	184 570
Depreciation and impairment losses						
Right-of-use assets	(4 294)	27	(2 276)	-	-	(6 543)
Buildings	(31 579)	-	(1 261)	-	-	(32 840)
Technical installations & machinery	(28 075)	134	(2 380)	-	-	(30 321)
Other facilities, tools & furniture	(48 426)	-	(2 803)	37	-	(51 192)
Other fixed assets	(9 145)	4	(576)	100	-	(9 617)
Impairment losses	(166)	4	-	-	-	(162)
	(121 685)	169	(9 296)	137	-	(130 675)
Net book value	**57 104**	**(63)**	**(3 421)**	**(1)**	**276**	**53 895**

The main additions to tangible assets in the first half of 2024 relate mainly to investments in the Rivabellosa factory, investments in infrastructure and hardware for information systems, as well as right of use assets arising from lease contracts under IFRS16. The 2024 additions include capitalized expenses incurred by the Group for its assets per an amount of €361 thousand (31 December 2023: €1,008 thousand).

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

At 30 June 2024, tangible fixed assets with an initial cost of €82,848 thousand have been fully depreciated and were still operational (31 December 2023: €80,257 thousand).

During first half of 2024, 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 accounts included within intangible assets and the related accumulated depreciation and provisions during the first half of the financial years 2024 and 2023 were as follows:

€ in thousands

	Balance at 31.12.23	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.24
Cost						
Development	166 349	28	-	-	14 553	180 930
Industrial property	1 749	-	-	-	-	1 749
Software	23 463	26	49	-	550	24 088
Right-of-use asset	1 541	-	-	-	-	1 541
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	29 526	-	23 002	-	(15 103)	37 425
	247 697	54	23 051	-	-	270 802
Depreciation and impairment losses						
Development	(121 199)	(7)	(5 236)	-	-	(126 442)
Industrial property	(22)	-	-	-	-	(22)
Software	(18 980)	(21)	(1 069)	-	-	(20 070)
Right-of-use asset	(1 632)	-	(31)	-	-	(1 663)
Maintenance contracts	(19 280)	-	(964)	-	-	(20 244)
Impairment losses	(1 727)	-	-	-	-	(1 727)
	(162 840)	(28)	(7 300)	-	-	(170 168)
Net book value	**84 857**	**26**	**15 751**	**-**	**-**	**100 634**

€ in thousands

	Balance at 31.12.22	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.23
Cost						
Development	124 016	(31)	-	-	42 364	166 349
Industrial property	1 749	-	-	-	-	1 749
Software	20 371	(23)	237	(8)	2 886	23 463
Right-of-use assets	1 743	-	-	(202)	-	1 541
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	54 486	-	20 566	-	(45 526)	29 526
	227 434	(54)	20 803	(210)	(276)	247 697
Depreciation and impairment losses						
Development	(116 995)	7	(4 211)	-	-	(121 199)
Industrial property	(22)	-	-	-	-	(22)
Software	(17 432)	23	(1 579)	8	-	(18 980)
Right-of-use asset	(1 608)	-	(226)	202	-	(1 632)
Maintenance contracts	(17 352)	-	(1 928)	-	-	(19 280)
Impairment losses	(1 730)	-	3	-	-	(1 727)
	(155 139)	30	(7 941)	210	-	(162 840)
Net book value	**72 295**	**(24)**	**12 862**	**-**	**(276)**	**84 857**

Development costs at 30 June 2024 and 31 December 2023 mainly include costs incurred by Patentes Talgo, S.L.U. for the development of high-speed projects, regional trains, and auxiliary machines for maintenance, among others.

The main additions to fixed assets under construction relate to costs incurred in the development of the Hympulso, Eurail, Intercity Platform (Parfait) and Bogie high-speed projects. The 2024 additions include capitalized expenses incurred by the Group for its assets per an amount of €20,586 thousand (31 December 2023: €17,260 thousand).

Similarly, during the first half of the 2024 financial year, the transfers made from fixed assets in progress to the Development heading correspond to the Parfait project (Intercity Platform).

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 10.8% and a growth rate of 0.5%.

During first half 2024 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 2024 and 31 December 2023, did not show any signs of impairment.

At 30 June 2024, the Group held intangible assets that were fully depreciated and still operational, which had an initial cost of €135,813 thousand (31 December 2023: €135,451 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.

6. Goodwill

The movement in goodwill was as follows:

	€ in thousands
Balance at 31.12.22	**112 439**
Additions	-
Disposals	-
Balance at 31.12.23	**112 439**
Additions	-
Disposals	-
Balance at 30.06.24	**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	
	30.06.24	**31.12.23**
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, which are projected by estimating recurring cash flows and 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 2024 and exercise 2023 fiscal year 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) Perpetual projections from year 5 onwards: the perpetual projections consider a revenue and margin base in line with the projected fifth year, eliminating the seasonality of working capital inherent to manufacturing projects.

e) 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 2024 and 2023 final year is a discount rate of 10.8% and a growth rate of 0.5%.

Sensitivity analysis:

The Group has conducted a sensitivity analysis combining variations in net cash flows of up to 30%.

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 +/-200 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 2023 and the first half of 2024, 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			
	Equity method investments	**Amortised cost**	**Fair value through changes in equity**	**Total**
30 June 2024				
Assets on the statement of financial position				
Customers and other accounts receivable (note 8)*	-	532 373	-	532 373
Equity instruments	10	-	-	10
Other financial assets	-	1 160	-	1 160
Cash and cash equivalents (note 10)	-	111 810	-	111 810
	10	**645 343**	**-**	**645 353**
31 December 2023				
Assets on the statement of financial position				
Customers and other accounts receivable (note 8)*	-	459 838	-	459 838
Equity instruments	10	-	-	10
Derivative financial instruments	-	-	23	23
Other financial assets	-	1 282	-	1 282
Cash and cash equivalents (note 10)	-	155 760	-	155 760
	10	**616 880**	**23**	**616 913**

*The balances relating to public entities, with the exception of grants awarded, have been excluded from the 'Customers and other accounts receivable' caption as they are not financial instruments.

	€ in thousands		
	Financial liabilities at amortized cost	**Fair value through other comprehensive income**	**Total**
30 June 2024			
Liabilities on the statement of financial position			
Borrowings (note 12)	498 208	22 049	520 257
Suppliers and other payables (note 13)*	269 401	-	269 401
	767 609	**22 049**	**789 658**
31 December 2023			
Liabilities on the statement of financial position			
Borrowings (note 12)	426 430	27 531	453 961
Suppliers and other payables (note 13)*	261 561	-	261 561
	687 991	**27 531**	**715 522**

* 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. Customers and other accounts receivable

The Group's main customers are the railway administrations of the countries in which the Group operates and other related customers. The Group does not have any doubts about the creditworthiness and solvency of the aforementioned clients, based on the sector they belong to, and their experience.

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

This caption is broken down as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Customers	98 294	126 362
Construction completed not yet invoiced	427 597	325 475
Customers – associates companies (note 16)	1 587	1 587
Provision for impairment losses	(2 893)	(3 204)
Customers – Net	**524 585**	**450 220**
Public entities	20 476	19 150
Sundry debtors	593	535
Personnel	949	672
Total	**546 603**	**470 577**

The subsidiary Patentes Talgo, S.L.U. signed during 2021 contracts with credit institutions that implement a non-recourse financial facility offered and provided by a client, in the context of an ongoing manufacturing project. Through these contracts, the client allows this company to anticipate partial collections of the contract at any time for up to 60% of contract of the first 23 trains that make up the order. This facility matures on the date on which the milestone for provisional acceptance of the trains is reached or, in any case, on the maximum date specified in the contract on which the customer pays the sum of the advances made to the financial institution. This facility gives rise to a financial liability and a financial expense in accordance with notes 12 and 18 respectively. The total available under this facility amounts to €324 million as at 30 June 2024 and 2023 final year.

At 30 June 2024, the Group´s sale commitments amounted to €4,014 million (31 December 2023: €4,223 million) of which €3,858 million relate to rolling stock and €156 million to auxiliary machines and other. Of the amount related to rolling stock, approximately 49% corresponds to manufacturing projects whose execution period is estimated to be carried out in the next 5-7 years. In the case of the maintenance portfolio, depending on the contract, the recognition of execution obligations can reach up to 40 years, with the average life of current contracts being 12 years.

The ageing breakdown of the debt with customers, net of the corresponding provision, is as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Balances not yet due	496 443	381 964
Between 0 and 1 month	1 971	16 659
Between 1 and 3 months	13 535	6 604
Between 3 and 6 months	169	6 212
Between 6 and 12 months	1 182	4 471
More than 12 months	11 285	34 310
	524 585	**450 220**

The amount of the not yet due balance contains executed manufacturing pending invoicing that at year-end has not met the milestones stipulated in the contract for invoicing. In this regard, these amounts will be invoiced in a short period of time, once certain aspects associated with the milestone have been met.

At 30 June 2024, the customer accounts receivable balances that have suffered impairment and have been provisioned against amounts to €2,893 thousand (2023: €3,204 thousand). The ageing analysis of these accounts is as follows.

	€ in thousands	
	30.06.24	**31.12.23**
Between 0 and 3 months	-	-
Between 3 and 6 months	-	-
More than 6 months	2 893	3 204
	2 893	**3 204**

In general, the Group recognizes provisions for all balances over which it has reasonable doubts regarding their recoverability. Overdue balances that have not been provisioned against relate to delays in payments from customers regarding which there is no doubt in terms of their recoverability.

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

	€ in thousands	
	30.06.24	**30.06.23**
At 1 January	**(3 204)**	**(2 667)**
Provision recognition	(142)	(398)
Provision reversal	386	48
Disposals	67	42
At 30 June	**(2 893)**	**(2 975)**

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.

Assets and liabilities under contract

Details of the aggregate balance and movement of contract assets and liabilities during the first 6 months of the financial year 2024 and during the financial year 2023 are as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Construction completed but not yet invoiced	427 597	325 475
Advances received for contract work (note 13)	(6 678)	(16 345)
Net	**420 919**	**309 130**

	€ in thousands
Balance at 31 December 2022	**167 101**
Revenues	651 996
Invoicing	(440 844)
Advance payments	(70 436)
Others	1 313
Balance at 31 December 2023	**309 130**
Revenues	346 148
Invoicing	(169 858)
Advance payments	(62 530)
Others	(1 971)
Balance at 30 June 2024	**420 919**

Public Entities

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

	€ in thousands	
	30.06.24	**31.12.23**
Public administrations tax receivables for VAT	2 415	1 667
Public administrations debtors for grants	6 246	8 411
Public administrations debtors for other taxes	1 510	1 096
Public administrations corporate income tax	10 305	7 976
	20 476	**19 150**

9. Stock

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Raw Materials	187 779	173 239
Work in progress	20 386	18 931
Advances	23 239	10 295
Provision for the depreciation of raw materials	(12 879)	(10 798)
	218 525	**191 667**

At 30 June 2024, the Group's commitments for the purchase of raw materials and other services amounted to €532,755 thousand (31 December 2023: €216,542 thousand).

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

						€ in thousands
	Balance at 31.12.23	**Translation differences**	**Addition**	**Application**	**Transfers**	**Balance at 30.06.24**
Provision for the depreciation of raw materials	(10 798)	(37)	(1 409)	477	(1 112)	(12 879)
	(10 798)	**(37)**	**(1 409)**	**477**	**(1 112)**	**(12 879)**

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.

10. Cash and cash equivalents

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Cash	111 810	145 760
Other Cash equivalents	-	10 000
Total	**111 810**	**155 760**

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

11. 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 2023 financial year and first half 2024 were as follows:

		€ in thousands
	Number of shares	Share capital
At 31 December 2022	**123 442 425**	**37 156**
Capital increases	2 935 351	884
At 31 December 2023	**126 377 776**	**38 040**
Capital reduction	(2 517 562)	(758)
At 30 June 2024	**123 860 214**	**37 282**

The share capital at half year 2024 is represented by a total of 123,860,214 ordinary shares with a nominal value of €0.301.

On 29 June 2023, the General Shareholders' Meeting of the Parent company approved a Capital reduction from reserves by a determinable amount, through the redemption of treasury shares with a par value of 0.301 euros, offering shareholders an increase in earnings per share.

On 30 June 2023, the Parent company's Board of Directors agreed to reduce share capital through the redemption of 2,517,562 treasury shares with a nominal value of €0.301 each amounting to €758 thousand. The aforementioned transaction of capital reduction was filed in the Commercial Registry of Madrid.

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 2024:

Company	**% stake**
Pegaso Transportation Internacional, S.C.A.(*)	40.0%
Torrblas S.L.	5.0%
Amundi	3.0%
	48.0%

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

b) Distribution of profits

On June 27, 2024, the General Shareholders Meeting resolved to distribute of the Parent company's profit of the year 2023, as follows:

	€ in thousands
	2023
To Reserves	12 759
	12 759

c) Translation differences

The exchange rate difference recognized within “Other reserves” corresponds entirely to the translation of the functional currency of the financial statements of the Group’s subsidiaries with a functional currency other than the euro.

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	
	30.06.24	**30.06.23**
Result attributable to the Parent company´s shareholders	15 022	7 095
Weighted average number of outstanding ordinary shares	122 903 313	122 512 104
Basic Earnings/(Losses) per Share from continuing operations	0.12	0.06
	0.12	**0.06**

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	
	30.06.24	**30.06.23**
Result attributable to the Parent company´s shareholders	15 022	7 095
Result used to determine diluted earnings per share	15 022	7 095
Weighted average number of outstanding ordinary shares	122 903 313	122 512 104
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122 903 313	122 512 104
Diluted earnings per share from continuing operations	0.12	0.06
	0.12	**0.06**

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, S.A. Ordinary General Shareholders' Meeting held on 29 June 2023 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 par 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 of Talgo S.A. to perform all necessary or reasonable actions to implement said resolution.

Exercising this delegation of powers, the Talgo's Board of Directors, at its meeting held on 30 June 2023, agreed to implement the Capital Increase resolution, establishing the corresponding terms and conditions in areas not agreed upon in the General Shareholders' Meeting.

As a result of the Scrip Dividend, 83% of the company's shareholders chose to receive the dividend in shares. Therefore, the final number of ordinary shares with a par value of €0.301 cents per unit issued in the Capital Increase was 2,935,351 shares. The nominal amount of the increase was €884 thousand.

The holders of the remaining 17% of the rights of free allocation accepted the Company's irrevocable commitment to purchase the rights. Thus, Talgo, S.A. 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 was made on 24 July 2023. The Company was assigned the shares corresponding to the rights of free allocation, a total of 26,580 shares amounting to €89 thousand, for its participation in the capital through treasury shares.

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 buy back 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 was implemented in the period from 31 July 2023 to 30 April 2024, until the ceiling established as Maximum Repurchase Programme Investment has been reached, in this case, 2,935,351 shares. The Repurchase programme ended on 22 January 2024, after a total of 2,517,562 shares had been purchased.

After carrying out the Repurchase Programme, the Company has reduced the Company's share capital by a nominal amount of 758 thousand euros, through the redemption of 2,517,562 shares with a nominal value of €0.301 each, representing 1.99% of the Company's share capital. The purpose of the capital reduction is 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 2024.

As at 30 June 2024 and at 31 December 2023 the Parent Company held 956,901 and 3,254,740 shares, respectively. The corresponding details are presented below:

	Number of shares	Acquisition Price	Quotation	Stock price	%
Shares in Treasury stock June 30, 2024	956 901	4.82	4.02	3 847	0.77%
Shares in Treasury stock December 31, 2023	3 254 740	4.1	4.4	14 288	2.58%

12. Borrowings

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Non-current		
Debt with credit institutions (note 12.a)	313 450	292 206
Lease debts (note 12.b)	1 777	1 210
Other financial liabilities (note 12.c)	37 388	44 360
	352 615	337 776
Current		
Debt with credit institutions (note 12.a)	83 600	101 010
Debt securities and other marketable securities (note 12.d)	68 845	-
Lease debts (note 12.b)	1 731	1 945
Other financial liabilities (note 12.c)	13 466	13 230
	167 642	116 185
Total borrowings	**520 257**	**453 961**

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
Entity A	EUR	Fixed	27/05/2021	30 000	-	30 000
Entity B	EUR	Fixed	20/12/2017	12 857	4 286	17 143
Entity C	EUR	Fixed	23/12/2020	-	10 000	10 000
Entity D	EUR	Fixed	22/12/2020	7 000	5 000	12 000
Entity E	EUR	Fixed	14/01/2019	-	1 125	1 125
Entity F	EUR	Fixed	14/01/2019	-	2 048	2 048
Entity G	EUR	Variable	13/11/2023	15 000	-	15 000
Entity H	EUR	Fixed	18/06/2021	31 000	-	31 000
Entity I	EUR	Variable	16/06/2023	-	24 941	24 941
Entity J	EUR	Variable	22/07/2022	15 000	-	15 000
Entity K	EUR	Variable	29/09/2022	7 000	-	7 000
Entity L	EUR	Fixed	31/03/2022	15 000	-	15 000
Entity M	EUR	Variable	15/07/2022	17 143	2 857	20 000
Entity N	EUR	Fixed	12/04/2023	15 000	-	15 000
Entity O	EUR	Variable	15/06/2023	10 000	-	10 000
Entity P	EUR	Variable	22/12/2023	12 000	-	12 000
Entity Q	EUR	Variable	19/09/2023	10 000	-	10 000
Entity R	EUR	Mixed	05/07/2023	10 000	-	10 000
Entity S	EUR	Variable	01/03/2024	79 783	-	79 783
Entity T	EUR	Variable	09/06/2023	6 667	3 333	10 000
Entity U	EUR	Variable	10/02/2023	5 000	-	5 000
Entity V	EUR	Fixed	06/10/2022	15 000	-	15 000
Credit facilities	-	-	-	-	23 384	23 384
Interest	-	-	-	-	6 626	6 626
				313 450	**83 600**	**397 050**

Certain finance agreements contain covenants on financial leverage ratios, some of which were not complied with at the end of June 2024, although the Group has remedied and plans to remedy these breaches within the period stipulated for this purpose in the corresponding contracts (90 days).

At 30 June 2024, the Group has available credit facilities of €120,000 thousand (€140,000 thousand at 31 December 2023) of which €23,384 thousand were drawn at 30 June 2024 (€58,541 thousand at 31 December 2023).

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

						€ in thousands
30 June 2024	**2024**	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Debt with credit institutions	34 974	48 871	132 935	139 197	41 073	**397 050**
31 December 2023	**2024**	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Debt with credit institutions	101 010	58 910	133 005	59 219	41 072	**393 216**

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	
	30.06.24	**31.12.2023**
Non-current		
Debts due to reimbursable advances	11 628	13 029
Other debts	25 760	31 331
	37 388	**44 360**
Current		
Debts due to reimbursable advances	2 749	2 514
Other debts	10 717	10 716
	13 466	**13 230**
Total Other financial liabilities	**50 854**	**57 590**

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 are remunerated at below market rates and the Group recognises the corresponding subsidy for the difference with market rates.

c.2) Other Debts

This caption at 30 June 2024 includes mainly non-current debt convertible into grants amounting to €14,035 thousand (€14,064 thousand at 31 December 2023). 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 and IDAE funds for Hympulso project.

This heading also includes the estimated fair value of the liability assumed by the Group in the non-recourse transfer of financial assets to lenders, which is settled periodically (notes 8 and 18). The fair value of this liability varies according to Euribor. At 30 June 2024 the total valuation of this liability amounts to €22,049 thousand (€27,531 thousand euros at 31 December 2023).

The remaining amount corresponds to sureties received.

d) Debt securities and other marketable securities

During the first half of 2024, the Group has formalised a Promissory Note Programme “Commercial Paper Programme TALGO 2024”, with a maximum total nominal amount of 150 million euros, which was included in the Mercado Alternativo de Renta Fija ("MARF") on 15 February 2024. The programme allows for the issuance of promissory notes with maturities ranging from 3 business days to 731 calendar days at an interest rate fixed for each issue. As at 30 June 2024, issues of €70 million had been closed and no promissory notes were redeemed, leaving an outstanding nominal balance of €70 million.

Promissory notes are initially recognised at the fair value of the consideration received adjusted for directly attributable transaction costs. Periodically, the accrual of implicit interest is recognised using the effective interest method of the transaction, adjusting the amount of the debt by the value of the accrued interest. At 30 June 2024, the value of the promissory notes recorded in the Group's liabilities is €68,845 thousand.

13. Suppliers and other payables

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.24	**31.12.23**
Suppliers	252 050	226 627
Suppliers - associates companies (note 16)	6 898	18 026
Advances received for contract work	6 678	16 345
Social Security and other taxes	9 439	12 155
Personnel	10 453	16 908
Total	**285 518**	**290 061**

14. Tax

The Parent company and its subsidiary, Patentes Talgo, S.L.U. and Talgo Kazajstan, 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. Reconciliation is as follows:

	€ in thousands	
	30.06.24	**30.06.23**
Profit before tax	**18 234**	**11 623**
Permanent differences	4 045	3 775
Spanish tax group exempt income	(28 565)	(34 137)
Consolidated tax at 25%	**(1 571)**	**(4 685)**
Tax loss carryforwards non capitalized	1 507	5 642
Subsidiary tax rate differences	19	150
Tax expense permanent establishments	4 560	4 116
Consolidated adjustments	(845)	(845)
Others	(15)	232
Tax expense	**3 655**	**4 610**

Decreases in permanent differences mainly correspond to the exempt income in Spain of permanent establishments, the pre-tax result of which is included in the Group's pre-tax profit and subsequently adjusted to the parent company's taxable income as a permanent difference.

During the first half of 2024 and 2023 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 2023.

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 30.06.24	31.12.23
Deferred tax assets:		
- Deferred tax assets to be recovered in more than 12 months	24 892	23 970
	24 892	**23 970**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered in more than 12 months	8 397	8 409
	8 397	**8 409**
Deferred tax assets (net)	**16 495**	**15 561**

The movement in the deferred tax asset balance during the first half 2024 and 2023 financial year was as follows:

€ in thousands

	Balance at 31.12.23	Translation differences	Additions	Disposals	Other Movements	Balance at 30.06.24
Temporary differences						
Guarantees	4 629	-	6 049	(5 237)	-	5 441
Other concepts	3 611	-	579	(469)	-	3 721
Tax Credits						
Tax loss carryforwards	13 077		-	-	-	13 077
Deductions	2 653	-	-	-	-	2 653
	23 970		**6 628**	**(5 706)**	**-**	**24 892**

€ in thousands

	Balance at 31.12.22	Translation differences	Additions	Disposals	Other Movements	Balance at 31.12.23
Temporary differences						
Guarantees	3 312	-	4 638	(3 626)	305	4 629
Other concepts	3 210	-	2 249	(1 848)	-	3 611
Tax Credits						
Tax loss carryforwards	13 897	(11)	-	(809)	-	13 077
Deductions	2 653	-	-	-	-	2 653
	23 072	**(11)**	**6 887**	**(6 283)**	**305**	**23 970**

€ in thousands

	Tax credits	Deductions	Other Concepts	Total
Balance at 31 December 2022	**13 897**	**2 653**	**6 522**	**23 072**
Credit/(Charge) to income statement	(809)	-	1 413	604
Other movements and transfers	(11)	-	305	294
Balance at 31 December 2023	**13 077**	**2 653**	**8 240**	**23 970**
Credit/(Charge) to income statement	-	-	922	922
Other movements and transfers	-	-	-	-
Balance at 30 June 2024	**13 077**	**2 653**	**9 162**	**24 892**

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.

At June 30, 2024, the Group has analysed the recoverability of these deferred tax assets, by using projections of results based on the business plans prepared by Management for the coming years, making the corresponding adjustments to the previous projections to convert them into the taxable tax base for each period and considering the limitations on the deductibility of financial expenses and offsetting of tax bases and deductions established in current tax legislation. It is estimated that their recoverability based on the business plan will be less than 10 years.

Other concepts and tax credits

The 'Other assets' caption is generated mainly due to temporary differences arising from the allocations made during the financial year to provisions for bad debt, penalties and other similar concepts, as well as for the amortization and depreciation of fixed assets.

At 30 June 2024, the tax loss carryforwards pending offset in the USA, relating to the subsidiary Talgo Inc., amounted to €55,932 thousand and their expiry dates are detailed below:

	€ in thousands	**Final year**
2004	6 904	2024
2005	8 687	2025
2006	7 390	2026
2012	3 977	2032
2020	8 208	Indefinite
2022	4 806	Indefinite
2023	11 926	Indefinite
2024	4 034	Indefinite
	55 932	

At June 30, 2024, the capitalised tax loss carryforwards pending to be offset of the Tax Group 65/06 are the following:

Year	**€ in thousands**
2018	23 933
2019	28 375
	52 308

At June 30, 2024, the uncapitalised tax loss carryforwards pending to be offset of the Tax Group 65/06 are the following:

Year	**€ in thousands**
2015	33 080
2019	8 358
2020	18 989
2021	23 350
2022	43 587
2023	19 010
2024	4 084
	150 458

At June 30, 2024, the uncapitalised tax loss carryforwards of subsidiary Tarvia Mantenimiento Ferroviario, S.A. which which are not yet offset, are as follows:

Year	€ in thousands
2023	2 601
2024	632
	3 233

Tax liabilities.

The movement in the deferred tax liabilities balance during the first half 2024 and 2023 financial year was as follows:

	€ in thousands		
	Cash flow hedge	**Other concepts**	**Total**
Balance at 31 December 2022	**540**	**8 310**	**8 850**
Credit / (Charge) to income statement	-	94	94
Tax (credit) / charge to equity	(535)	-	(535)
Balance at 31 December 2023	**5**	**8 404**	**8 409**
Credit / (Charge) to income statement	-	(7)	(7)
Tax (credit) / charge to equity	(5)	-	(5)
Balance at 30 June 2024	**-**	**8 397**	**8 397**

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.

15. Provisions, Deferred Income, warranties and other contingencies

The changes in provisions and deferred income under current and non-current liabilities in the first half of 2024 were as follows:

	€ in thousands			
	Non current			
	Deferred income	**Other provisions**	**Guarantee provision**	**Total**
Balance at 31.12.23	**29 785**	**12 004**	**20 650**	**62 439**
Provisions	3 559	-	-	3 559
Applications	(3 855)	-	-	(3 855)
Transfers	(1 135)	(92)	4 586	3 359
Translation differences	20	(7)	77	90
Balance at 30.06.24	**28 374**	**11 905**	**25 313**	**65 592**

				€ in thousands
	Current			
	Deferred income	Other provisions	Guarantee provision	Total
Balance at 31.12.23	**-**	**6 538**	**2 295**	**8 833**
Provisions	-	1 608	6 233	7 841
Applications	-	(2 264)	(1 071)	(3 335)
Transfers	134	56	(4 586)	(4 396)
Translation differences	-	163	-	163
Balance at 30.06.24	**134**	**6 101**	**2 871**	**9 106**

At the 2023 year-end and the first half 2024 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 of €11,522 thousand recognised in 2019 relating to the tax assessments signed in disagreement explained in note 14 above and in note 26 of the consolidated annual accounts for 2023, on the other hand, a provision of €5,320 thousand for onerous contracts held by Patentes Talgo, S.L.U. and Talgo Inc. at 30 June 2024, with €343 thousand classified in the long term and €4,977 thousand in the short term.

Deferred income includes the Group's reasonable estimates of contractual obligations related to maintenance contracts signed with customers, mainly related to the cost of major maintenance and major spare parts delivery commitments.

Bank guarantees and surety bonds.

At 30 June 2024, the Group had a volume of bank guarantees and surety bonds amounting to €1,131 million (December 2023: €1,195 million), of which €924 million (December 2023: €1,006 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 2024, the amount available from the bank guarantee lines and surety bonds amounted to €609 million (December 2023: €508 million).

Contingencies

During the first half of 2024, there have been no significant changes to the status of the claims and disclosures set out in note 29 to the 2023 consolidated financial statements. 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 2024.

Commitments to purchase assets.

At 30 June 2024, the Group had commitments to purchase assets amounting to €4,383 thousand (30 June 2023: €4,221 thousand).

Lease commitments.

The directors of the consolidated Group do not expect significant changes in the future lease contracts, in force at the first half 2024 financial year and December 2023.

16. 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 Management

The loans granted to the managers are detailed in note 17.

b) Transactions with the Parent company’s Board members

During the first half 2024, the remunerations accrued to the members of the Board of Directors for the performance of this role amounted to €275 thousand (30 June 2023: €275 thousand).

c) Commercial transactions with related parties:

	€ in thousands	
	30.06.24	**30.06.23**
Other operating expenses		
Consorcio Español Alta Velocidad Meca Medina	84	837
Expense	**84**	**837**

d) Commercial balances with related parties:

	€ in thousands	
	30.06.24	**31.12.23**
Consorcio Español Alta Velocidad Meca Medina	1 587	1 587
Customers – associates companies (note 8)	**1 587**	**1 587**

	€ in thousands	
	30.06.24	**31.12.23**
Consorcio Español Alta Velocidad Meca Medina	6 898	18 026
Suppliers – associates companies (note 13)	**6 898**	**18 026**

e) Foreign currency transactions

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

	€ in thousands	
	30.06.24	**30.06.23**
Purchases	12 771	20 438
Sales	40 648	39 165

17. Employee benefit expenses

a) The breakdown of this caption is as follows:

	€ in thousands	
	30.06.24	**30.06.23**
Wages, salaries and similar	75 275	61 482
Contributions and provisions for defined pension contributions and other obligations	2 049	1 745
Other welfare charges	25 070	20 692
	102 394	**83 919**

The Wages, salaries and similar caption includes compensation costs, which amounted to €570 thousand as at 30 June 2024 (30 June 2023: €192 thousand) and the cost relating to the remuneration paid to Senior Management explained in note 17.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 €692 thousand in terms of fixed and short-term variable remuneration (€634 thousand at 30 June 2023). The remuneration paid to the Group's directors in terms of fixed and short-term variable remuneration amounted to €1,678 thousand (€1,363 thousand as at 30 June 2023).

The Group has taken out life insurance for all its employees, including management personnel. The cost of this insurance for management personnel amounted to €25 thousand at 30 June 2024 (€23 thousand at 30 June 2023). The amount corresponding to the pension plan of this same collective amounted to €29 thousand at 30 June 2024 (€28 thousand at 30 June 2023). The Group has taken out civil liability insurance policies for its Board and Management members, 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 €635 thousand at 30 June 2024. The aforementioned loans accrue interest at a rate that is linked to Euribor plus a market spread. 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 2023 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, 2024, the accrual of €400 thousand euros.

The distribution of the average headcount by job category and gender at 30 June 2024 and 2023 is as follows:

	30.06.24		30.06.23	
	Men	Women	Men	Women
Board members and Senior Management	5	2	5	2
Management	54	8	50	7
Middle management	378	71	353	69
Technicians	2 517	385	2 205	323
	2 954	**466**	**2 613**	**401**

18. Financial income and expenses

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.24	30.06.23
Interest expenses:		
- Bank borrowings and other charges	(12 122)	(13 457)
Financial expenses	**(12 122)**	**(13 457)**
- Interest income from financial institutions and other items	286	1 226
- Exchange rate differences	1 481	282
Financial income	**1 767**	**1 508**
Net financial result	**(10 355)**	**(11 949)**

During the first half of the year 2024 an amount of €518 thousand has been recognised as a result of the change in value of the financial liability mentioned in note 12 relating to the financial facility mentioned in note 8.

19. Cash flows from operating activities

The breakdown of cash generated from operations is as follows:

	€ in thousands	
	30.06.24	**30.06.23**
Profit/(Loss) for the year before tax	**18 234**	**11 623**
Adjustments for:		
- Amortization of tangible fixed assets (note 4)	4 331	4 632
- Depreciation of intangible assets (note 5)	7 300	3 885
- Net change in provisions (note 15)	4 506	2 461
- Valuation adjustments for impairment (notes 8 and 9)	688	1 388
- Financial expenses (note 18)	12 122	13 547
- Financial income (note 18)	(286)	(1 226)
- Allocation of grants	(204)	(203)
- Other income and expenses	(1 727)	(1 124)
Changes in working capital:	**(114 635)**	**(91 153)**
Stocks (note 9)	(28 939)	(30 920)
Other financial assets	122	(135)
Customers and other account receivables (note 8)	(75 986)	16 175
Suppliers and other payables (note 13)	(6 212)	(75 180)
Other assets short-term	(3 620)	(1 093)
Cash flows from operating activities:	**(69 671)**	**(56 260)**

20. Events after the consolidated statement of financial position date

There have been no subsequent events that could have a significant effect on these annual accounts.

21. Explanation added for translation to English

These consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Certain accounting practices applied by the Group that conform to these standards may not conform to that regulatory framework may not conform to other generally accepted accounting principles in other countries.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2024
(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 of the strategy has been the development of the business towards products and services that add greater value and are adapted to the needs demanded in the market.

Business model

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

In addition, Talgo has strengthened its strategic position in recent years by investing heavily in the development of new products to meet 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 2024 amounted to €41 million (€34 million in the same period in 2023). In relative terms, the Ebitda margin in this period was 11.8% (11.6% in the same period of 2023).

The Group's EBIT (earnings before interest and tax) at the end of the first half of 2024 amounted to €29 million (€24 million in June 2023) and the result after tax at the end of this period was €15 million (€7 million in the same period the previous year).

Normal business dynamics and the project cycle increased operating funds requirements to €495 million at the end of June (€304 million at the end of June last year). On the other hand, investments during the period amounted to €25 million.

The final cash position on 30 June 2024 was €112 million, resulting in a Net Financial debt of €357 million (€175 million at the end of June 2023) and a ratio of 4.3x DFN over Ebitda year-on-year, with an amortisation profile and availability of credit facilities that make the balance sheet very solid and provide the Group with an extraordinary financial capacity to finance current and future projects.

Business development and global economic impact

The first half of 2024 does not yet reflect a significant increase in the Group's order intake. The Group is awaiting the award of contracts for the supply and maintenance of trains and equipment, which could lead to an additional increase in the order book and the expected workload in 2024, even above the level reached in 2023, which was Talgo's all-time high.

New contracts

In May 2024, the American Southern California Regional Rail Authority (SCRRA) decided to exercise the option for the refurbishment of 38 additional cars under the framework contract signed with its subsidiary Talgo Inc. This refurbishment will be carried out in consortium with the Canadian company Systra.

It should also be noted that in the first half of 2024, the Group was awarded various contracts, including (i) the supply of cafeteria equipment for high-speed trains, (ii) the repair of various accidents or track collisions, and (iii) the supply of various pit winches for train maintenance for various customers, such as MVB Magdeburg, ACE/SRT, LEB Lausanne and Ferrocarrils de la Generalitat Catalana; (iv) renewal of train maintenance contracts for Deutsche Bahn and several railway operators at the German subsidiary Talgo (Deutschland) GmbH.

Backlog execution.

The Group continued to execute its order book in the first half of 2024, with a high level of industrial activity that increased the Group's net revenues to €346 million, up 20% from €288 million in the first half of 2023.

With regard to the production portfolio, during the first six months of 2024 the on-track testing of the 30 AVRIL high-speed trains for RENFE continued in Spain and France (15 with UIC gauge and a maximum speed of 330 km/h, and another 15 with sliding tracks). On 12 April 2024, RENFE took delivery of the first units to put them into commercial service, which was inaugurated on 21 May 2024.

In addition, during the January to June 2024 Talgo also continued development and construction work on the following contracts: i) the supply of 79 trains under the framework contract with Deutsche Bahn for the manufacture of up to 100 self-propelled trains with a maximum speed of 230 km/h; ii) the contract for the supply and maintenance of one AVRIL Auscultador train for the Spanish railway infrastructure manager ADIF; iii) the contract with the Danish operator DSB for the supply of 8 Talgo 230 trains (of the same series as those of Deutsche Bahn) and the supply of fleet parts for their maintenance for 16 years, under a framework contract worth up to 500 million euros; and finally, iv) the contract for the supply of 26 AVRIL high-speed trainsets for RENFE.

With regard to the modification of rolling stock, work has continued on the conversion of the 13 hotel trains to those capable of running at 330 km/h, and on the modernisation of the S130 and 730 trains, all owned by RENFE. Finally, it should be noted that the contract with the Southern California Regional Rail Authority (SCRRA) for a refurbishment programme of the first of up to a maximum of 121 coaches is already in full swing. As mentioned above, this contract has been extended to a total of 88 coaches to be refurbished. With regard to the contract for the refurbishment of 74 railcars for the Los Angeles County Metropolitan Transportation Authority (LACMTA), following the customer's notice of termination dated 6 May 2022, work on the contract remains suspended and the case is currently being litigated.

In terms of train maintenance activities, the Group continued in the first six month of 2024 to execute multi-year train maintenance contracts in the various countries where it is present, such as Spain (RENFE and ADIF), Kazakhstan (KTZ), Uzbekistan (UTY), the United States (Oregon State), Germany (Deutsche Bahn and other railway operators), Saudi Arabia (SAR) and Egypt (ENR). With regard to the maintenance equipment activity, the production of lathes and measuring equipment will continue in the first half of 2024, with numerous new contracts guaranteeing the continuity of this activity. In addition, to complement this activity, the Group continued its maintenance work and the sale of spare parts for the equipment installed throughout the world.

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, 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, focusing both on the product and on generating initiatives that involve the entire innovation ecosystem, thus harnessing all the collective creative potential and creating an even more powerful innovative culture. In this way, innovation helps the Group to weave a system that enables it to anticipate future challenges and create an optimal environment for innovation.

To this end, the company is working with its own creation model based on the corporate strategy of continuous innovation. An example of this is the strengthening of the company's corporate venturing unit, Talgo Inspire, whose main mission is to systematically seek solutions that will enable the Group to improve its portfolio of products, services and processes through open innovation collaboration.

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 its 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: Europe's Rail, of which Talgo, together with Indra, has been a founding member since December 2021. Within Europe's Rail, Talgo is continuing its 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 new "Hympulso" project to design, build and install, for the first time in the world, a propulsion system based on a renewable hydrogen fuel cell on a high-speed train. This project builds on Talgo's experience with the previous prototype and will improve the environmental performance of trains currently using diesel traction on non-electrified lines.

In addition, Talgo is developing a product standardization project aimed at improving the Group's competitiveness in terms of deadlines and costs and better meeting the needs of our current and future customers.

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 in all of the countries where the Group has a presence. This is evidenced by the process that the Group is performing at their foreign subsidiaries, adapting existing processes to the new requirements and always ensuring they are applied on a standardized basis.

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

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

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 956,901 treasury shares as of 30 June 2024 (note 11).

Significant events after the statement of financial position date

The subsequent events that may have a significant influence are detailed in note 20.

(Expressed in thousands of euros)

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

All regulated information, including but not limited to financial statements, annual report, results presentations, investor/analyst conference calls, press releases or related published information, includes Alternative Performance Measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authorities (ESMA) on 5 October 2015.

The APMs used in the consolidated financial statements, which are in line with market practice, are described below in order to reconcile the figures to International Financial Reporting Standards (IFRS):

1. EBITDA:

    a) Definition: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is identified as the gross operating result.
    b) Reconciliation: It is calculated by eliminating from the "Operating Results" the amounts recorded in the headings "Amortization of fixed assets" and "Impairment and result from disposal of fixed assets".

€m	jun-24	jun-23	2023
Operating Profit	29	24	59
Amortization y Depreciation (notes 4,5,8 y 9)	12	10	17
Gains (Losses) on disposal of fixed assets	-	-	-
Operating result - EBITDA	**41**	**34**	**76**

    c) Explanation of use: Provides an approximation of operating results that represent cash movements in the given period, being the best approximation to the operating cash flow before taxes which reflects cash generation before the variation in operational funding needs. EBITDA is considered a benchmark in the financial markets, generally accepted, and widely used to compare and evaluate businesses and behaviors, or to assess the level of leverage using the net financial debt to EBITDA indicator.
    d) Comparison: The company provides comparative figures for previous years.
    e) Consistency: The criteria used to calculate EBITDA is the same as the previous year.

2. Adjusted EBITDA:

    a) Definition: Adjusted EBITDA is the main indicator used by the Group's management to analyze and measure business performance. This measure is included in 2023 for comparative purposes but will be eliminated in future years.
    b) Reconciliation: This indicator is calculated by deducting from EBITDA those expenses or costs that are not directly related to the revenues generated by the Group in each period, as well as items reflecting non-recurring items that are not expected to recur in subsequent years.

(Expressed in thousands of euros)

€m	jun-24	jun-23	2023
Operating result - EBITDA	41	34	76
Compensation and HR	1	1	2
Scrap and obsolescence	-	-	2
Guarantees and others	1	1	2
Adjusted EBITDA	**43**	**35**	**82**

c) Explanation of use: Its use facilitates the analysis of the evolution of the Group's operating costs and margins. This indicator seeks the comparability of the company's information with its competitors.
d) Comparison: The company provides comparative figures for previous years
e) Consistency: The criteria used is the same as the previous year.

3. Working Capital:

a) Definition: It is the investment necessary to carry out the current activity of the company.
b) Reconciliation: This is defined as the company's current assets and liabilities, excluding all items that are classified as Net Financial Debt and other liabilities, i.e. cash and cash equivalents and short-term financial liabilities. The company provides a reconciliation of the balance sheet items with the Operating Needs of Funds and their variation, in the notes to the half-yearly results reported to the CNMV.

€m	jun-24	jun-23	2023
Inventory (note 9)	219	219	192
Non-recurrent assets held for sale	-	-	-
Customers and other accounts receivable (note 8)	546	398	471
Other current assets	25	23	22
Suppliers and other payabales (note 13)	(286)	(334)	(290)
Provisionsfor other liabilities and charges (note 15)	(9)	(2)	(9)
Working Capital	**495**	**304**	**385**

c) Explanation of use: This measure is used by management in managing and making decisions related to the business's cash conversion cycle, since effective management of working capital is essential to guarantee the company's solvency. At the same time, it is useful for the financial community since it allows measuring financial efficiency in operations.
d) Comparison: The company provides comparative figures for previous years
e) Consistency: The criteria used is the same as the previous year.

4. Net Financial debt and ratio:

a) Definition: Net financial debt is defined as cash and cash equivalents less all short- and long-term financial liabilities, including financial leases.
b) Reconciliation: Net Financial Debt excludes repayable advances to entities belonging to the Spanish Public Administration related to R&D, which are not considered financial debt due to their recurring nature, as well as liabilities generated by the financial facility (notes 8 y 12).

(Expressed in thousands of euros)

€m	jun-24	jun-23	2023
Non-recurrent borrowings (note 12)	313	253	292
Reurrent borrowings (note 12)	152	58	101
Financial Leasings (note 12)	4	5	3
Cash and equivalents (note 10)	(112)	(141)	(156)
Net Financial Debt	**357**	**175**	**241**
Net Financial Debt/ Adjusted Ebitda	**4,3**	**2,8**	**2,9**

c) Explanation of use: This indicator is in line with market practice and is useful to the financial community in determining the financial position, solvency or liquidity of the company. In addition, the debt-to-equity ratio allows the leverage ratio to be compared with the operating profit, providing useful information for estimating the number of years the company will need to repay its net financial debt from operating activities The company provides a reconciliation of the balance sheet items used to calculate net financial debt and the leverage ratio in the notes to the half-yearly financial statements filed with the CNMV.
d) Comparison: The company provides comparative figures for previous years.
e) Consistency: The criteria used is the same as the previous year.

5. Operating Cash Flow:

a) Definition: It is defined as the sum of cash flows from operating and investment activities. Talgo assumes operating cash flow to be the net cash generation in a period after financing working capital movements, payments for investments and payments for taxes.
b) Reconciliation: calculated based on cash variations from operating activities, adding taxes paid and cash flows from investment activities.

€m	jun-24	jun-23	2023
Cash Flow from Operating Activities (note 19)	(70)	(56)	(82)
Taxes paid	(5)	(3)	(14)
Cash Flow from investing activities	(25)	(11)	(19)
Operating Cash Flow	**(100)**	**(70)**	**(114)**

c) Explanation of use: Operating cash flow provides useful information about the cash conversion of operating profit. It is intended to provide information on the cash generated in a period before it is used for debt service, debt and equity movements. It therefore provides an understanding of the entity's actual cash generation from operations.
d) Comparison: The company provides comparative figures for previous years.
e) Consistency: The criteria used is the same as the previous year.

6. Order book (Backlog) and ratio over revenues:

a) Definition: The order book represents the volume that will be recognized in the future under the heading "Net amount of turnover" of the consolidated income statement, based on contracts already awarded and signed. It is measured on the basis of the signed value per contract for manufacturing and overhaul contracts, while for maintenance contracts it is based on estimates of time and unit price. It does not include adjustments for future inflation.
b) Conciliation: n.a.
c) Explanation of use: Considering that Talgo's activity and revenues are based on the execution of project contracts, this indicator provides an insight into industrial activity and the volume of future revenue already committed by contract and is therefore considered essential to adequately manage expectations for the activity. The ratio obtained by dividing the order backlog for the current period by the net revenue of the consolidated income statement for the last twelve months helps to provide the aforementioned visibility according to the size and pace of execution of the company.
d) Comparison: The company provides comparative figures for previous years.
e) Consistency: The criteria used is the same as the previous year.

7. Awards (order intake) and ratio on net amount of turnover (book-to-bill):

a) Definition: represents the volume of new orders recognised in a given 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 in the contract. Orders awarded in a currency other than the euro are accounted for at the spot rate of exchange at the time of award. The ratio represents the weighting of new orders over revenue.
b) Reconciliation: The ratio used is the result of dividing the order intake for the year by the revenue in the consolidated income statement for the period. It is measured as the number of times that the amount of new orders is equal to the net revenue recognised in the last twelve months.
c) Explanation of use: The evolution of this indicator as well as the ratio provides a useful indication of the growth capacity of the business, as it incorporates a higher volume of future revenues than the recognised revenues (order backlog consumed) in the same period.
d) Comparison: The company provides comparative figures for previous years.
e) Consistency: The criteria used is the same as the previous year