

Talgo, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2025 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, together with Report on Limited Review

30 September 2025

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Talgo, S.A. at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements (“the interim financial statements”) of Talgo, S.A. (“the Parent”) and Subsidiaries (“the Group”), which comprise the condensed consolidated statement of financial position as at 30 June 2025, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent’s directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Spanish Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2025 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Spanish Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to accompanying explanatory Note 2.8, which indicates, among other matters, that the Talgo Group is currently undergoing a process to strengthen its equity and financial position which would result in a change in the current shareholder structure, the acquisition of an equity interest in the Group by the public entity Sociedad Española de Participaciones Industriales (SEPI) and the arrangement of loans convertible into shares, both with the aforementioned entity and with other investors, as well as the arrangement of new syndicated financing with a view to, inter alia, adapting its financial and production capacity to the projects in progress and those in the backlog. At the date hereof, the aforementioned process had not yet been formally executed, but the Parent's directors consider that it will be completed before the end of the year. If the aforementioned transactions in progress are not formally executed, this would result in the Group needing to evaluate and implement other alternative measures to meet the aforementioned objectives. Accordingly, the potential failure to complete the envisaged transactions indicates the existence of a material uncertainty that may cast significant doubt on the use of the going concern basis of accounting. Our conclusion is not modified in respect of this matter.

Also, we draw attention to explanatory Note 2.1 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2024. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2025 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Spanish Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim condensed consolidated financial statements for the six-month period ended 30 June 2025. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Talgo, S.A.

Other Matter

This report was prepared at the request of the Board of Directors of Talgo, S.A. in relation to the publication of the half-yearly financial report required by Article 100 of Spanish Securities Market and Investment Services Law 6/2023, of 17 July.

DELOITTE AUDITORES, S.L.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

Ignacio Litago Cortés

30 September 2025



Talgo

TALGO, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements 30 June 2025

*Translation of condensed 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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 31 DECEMBER 2024

(Expressed in thousands of euros)

	Notes	<u>30.06.2025</u>	<u>31.12.2024</u>
ASSETS			
Non-current assets			
Tangible fixed assets	4	56 882	56 393
Intangible assets	5	122 848	113 065
Goodwill	6	112 439	112 439
Investments accounted under the equity method		10	10
Deferred tax assets	14	21 358	22 768
Other financial assets		<u>872</u>	<u>874</u>
		<u>314 409</u>	<u>305 549</u>
Current assets			
Stock	9	235 280	219 984
Customers and other accounts receivable	8	628 115	631 454
Other financial assets		160	110
Asset accruals		20 949	20 706
Cash and cash equivalents	10	<u>116 899</u>	<u>93 292</u>
		<u>1 001 403</u>	<u>965 546</u>
TOTAL ASSETS		<u>1 315 812</u>	<u>1 271 095</u>

Notes 1 to 21 form an integral part of the condensed consolidated interim statement of financial position ended 30 June 2025.

TALGO, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 31 DECEMBER 2024

(Expressed in thousands of euros)

	Notes	<u>30.06.2025</u>	<u>31.12.2024</u>
EQUITY			
Capital and reserves attributable to the owners of the Parent company			
Share capital	11	37 282	37 282
Share premium	11	871	871
Treasury stock	11	(4 901)	(4 901)
Other reserves	11	2 632	1 978
Retained earnings	11	<u>71 736</u>	<u>135 377</u>
		107 620	170 607
Non-controlling interests		<u>6 892</u>	<u>8 531</u>
Total equity		114 512	179 138
LIABILITIES			
Non-current liabilities			
Borrowings	12	297 983	381 621
Deferred tax liabilities	14	8 385	8 391
Provisions for other liabilities and charges and deferred incomes	15	179 370	181 888
Government grants		<u>6 077</u>	<u>6 722</u>
		491 815	578 622
Current liabilities			
Suppliers and other payables	13	365 677	346 075
Current tax liabilities		37	92
Borrowings	12	336 132	157 145
Provisions for other liabilities and charges	15	7 639	10 023
		<u>709 485</u>	<u>513 335</u>
Total liabilities		1 201 300	1 091 957
TOTAL EQUITY AND LIABILITIES		1 315 812	1 271 095

Notes 1 to 21 form an integral part of the condensed consolidated interim statement of financial position ended 30 June 2025.

TALGO, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 2024

(Expressed in thousands of euros)

	Notes	<u>30.06.2025</u>	<u>30.06.2024</u>
Net turnover	3	270 094	346 148
Other income		1 697	1 211
Stock variation for work-in-progress goods		(756)	1 455
Work performed and capitalized	4,5	19 789	20 947
Procurement costs	17.a	(155 528)	(176 420)
Personnel costs	17 b	(106 049)	(102 394)
Other operating expenses	17.c	(50 256)	(51 048)
Amortization and depreciation charge	4,5	(15 978)	(11 631)
Other results		35	321
Operating profit		(36 952)	28 589
Financial income	18	271	1 767
Financial expenses	18	(23 319)	(12 122)
Net financial result		(23 048)	(10 355)
Profit/(Loss) before tax		(60 000)	18 234
Income tax charge	14	(5 911)	(3 655)
Profit/(Loss) for the period from continuing operations		(65 717)	14 579
Profit/(Loss) for the period		(65 717)	14 579
Attributable to:			
Owners of the parent	11	(64 038)	15 022
Non-controlling interests		(1 679)	(443)
Basic earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	11	(0,52)	0.12
Total		(0,52)	0.12
Diluted earnings/(losses) per share attributable to the owners of the Company			
Continuing operations	11	(0,52)	0.12
Total		(0,52)	0.12

Notes 1 to 21 form an integral part of the condensed consolidated interim Income statement for the six months ended 30 June 2025.

TALGO, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 2024

(Expressed in thousands of euros)

	<u>30.06.2025</u>	<u>30.06.2024</u>
Result for the period	(65 717)	14 579
Other comprehensive income:		
Direct assignment to equity:		
Other income and expenses	-	(31)
Cash flow hedge, net of tax effect	-	(17)
Foreign currency translation differences	654	(510)
Transfer to results:		
Cash flow hedge	-	-
Tax effect of the cash flow hedge	-	-
Total other comprehensive income	654	(558)
Total comprehensive income for the period	<u>(65 063)</u>	<u>14 021</u>
Attributable to:		
-Owners of the parent	(63 384)	14 464
-Non-controlling interests	<u>(1 679)</u>	<u>(443)</u>
Total comprehensive income for the period	<u>(65 063)</u>	<u>14 021</u>

Notes 1 to 21 form an integral part of the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2025.

TALGO, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 2024

(Expressed in thousands of euros)

	Share capital (Note 11)	Share premium	Translation differences (Note 11)	Retained earnings	Other equity instruments (Note 11)	Total	Non- controlling interests	Total equity
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
Balance at 31 December 2024	37 282	871	1 978	135 377	(4 901)	170 607	8 531	179 138
Comprehensive Income								
Profit or loss	-	-	-	(64 038)	-	(64 038)	(1 679)	(65 717)
Other comprehensive Income								
Translation differences	-	-	654	-	-	654	-	654
Hedging derivative	-	-	-	-	-	-	-	-
Other income and expenses	-	-	-	-	-	-	-	-
Total comprehensive Income			654	(64 038)		(63 384)	(1 679)	(65 063)
Transactions with owners								
Other operations (remuneration plan note 17)	-	-	-	400	-	400	-	400
Total transactions with owners				400		400		400
Other equity movements				(3)		(3)	40	37
Balance at 30 June 2025	37 282	871	2 632	71 736	(4 901)	107 620	6 892	114 512

Notes 1 to 21 form an integral part of the condensed consolidated interim statement of changes in equity for the six months ended 30 June 2025.

TALGO, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2025 AND 2024

(Expressed in thousands of euros)

	<u>30.06.2025</u>	<u>30.06.2024</u>
Cash flows from operating activities		
Cash used in operations	(17 182)	(69 671)
Interest paid	(22 637)	(16 088)
Interest received	273	286
Tax paid	(4 239)	(4 981)
Net cash flow generated from operating activities	(43 785)	(90 454)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(1 997)	(2 323)
Purchases of intangible assets	(21 995)	(23 051)
Net cash used in investing activities	(23 992)	(25 374)
Cash flows from financing activities		
Own equity instruments acquisition	-	(1 231)
Disbursements for loan repayments	(14 999)	(78 424)
Proceeds from borrowings	106 254	151 910
Net cash used / (generated) in financing activities	91 255	72 255
Effect of exchange rate variations	129	(377)
Net (decrease) / increase in cash, cash equivalents and bank overdrafts	23 607	(43 950)
Cash, cash equivalents and bank overdrafts at the beginning of period	93 292	155 760
Cash, cash equivalents and bank overdrafts at the end of period	<u>116 899</u>	<u>111 810</u>

Notes 1 to 21 form an integral part of the condensed consolidated statement of cash flows corresponding to the six months ended 30 June 2025.



SUMMARY

Condensed consolidated interim statement of financial position ended 30 June 2025 and 31 December 2024.

Condensed consolidated interim Income Statement for the six months ended 30 June 2025 and 2024.

Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2025 and 2024.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2025 and 2024.

Condensed consolidated interim statement of cash flows for the six months ended 30 June 2025 and 2024.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2025.

1. General Information
2. Summary of the main accounting policies applied in the preparation of the condensed consolidated interim accounts
3. Segment reporting
4. Tangible fixed assets
5. Intangible assets
6. Goodwill
7. Financial instruments by category
8. Customers and other accounts receivable
9. Stock
10. Cash and cash equivalents
11. Equity
12. Borrowings
13. Suppliers and other payables
14. Tax
15. Provisions, Deferred Income, warranties and other contingencies
16. Transactions and balances with related parties
17. Expenses
18. Financial expenses and income
19. Cash flows from operating activities
20. Events after the consolidated statement of financial position date
21. Explanation added for translation to English

Consolidated Director's Report that includes Glossary of Alternative Performance Measures (APMs).



TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

1. General Information

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

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

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

- a) 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 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.
- c) 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.
- d) The purchase, restoration, redesign, construction, leasing, promotion, operation, and sale of all types of real estate.

These activities may be carried out by the parent company, either wholly or in part, either directly or in any other manner permitted by law, such as through its participation in other entities with identical or similar purposes.

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

2.1 Basis of presentation

These Condensed 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 September 2025. This consolidated interim financial information has been prepared in accordance with the criteria set out in the accounting standard on Interim Financial Reporting and all the accounting principles and standards and

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

mandatory valuation criteria, so that they give a true and fair view of the Group's consolidated net worth and financial position at 30 June 2025 and of the results of its operations, changes in net worth and cash flows, consolidated, that have occurred in the Group in the interim period ended on that date. All of this is in accordance with the provisions of Article 12 of Royal Decree 1362/2007. This condensed consolidated interim financial statements has been prepared on the basis of the accounting records of Talgo, S.A. and the other companies comprising the Group and includes the adjustments and reclassifications necessary to standardise the accounting and presentation criteria followed by all the companies in the Group in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union (IFRS-EU) for the purposes of the consolidated financial statements.

The consolidated annual accounts for the 2024 financial year were prepared in accordance with the financial reporting framework detailed in the previous paragraph and therefore present a true and fair view of the Group's consolidated equity and financial position as at 31 December 2024, and of the consolidated results of its operations, changes in consolidated net equity and consolidated cash flows for the year ended 31 December 2024.

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 2024 financial year. Therefore, adequate understanding of the information, these Condensed Consolidated Interim Financial Statements must be read jointly with Consolidated Annual Accounts corresponding to the 2024 financial year prepared in accordance with IFRS-EU.

The Accounting Policies and methods used in preparing these Condensed Consolidated Interim Financial Statements are the same as those applied in the consolidated annual accounts for the 2024 financial year, except for the standards and interpretations that came into effect during the first half of 2025 and are detailed below.

These Condensed Consolidated Interim Financial Statements are presented in thousands of euros, unless otherwise stated.

2.2 Changes in accounting criteria

During first half of 2025 financial year no changes were made in the accounting criteria with respect to the criteria applied in 2024.

2.3 Entry into force of new accounting standards

During first half of 2025, 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 Condensed Consolidated Interim Financial Statements.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

2.3.1. New standards, modifications, and interpretations applicable for the year which began on 1 January 2025:

New standards, modifications, and interpretations:	
Approved for use in the European Union	
Amendments	
Amendment to IAS 21 Absence of convertibility	This amendment establishes an approach that specifies when one currency can be exchanged for another, and if not, the determination of the exchange rate to be used.

Since their entry into force on 1 January 2025, the Group has been applying the aforementioned standards and interpretations, the impact of which has been taken into account in the preparation of the condensed consolidated interim financial statements at 30 June 2025. The status of approval of the standards by the European Union is available on the EFRAG website. These standards and amendments have not had a significant impact on the Group.

2.3.2. New mandatory standards, modifications, and interpretations applicable for financial years subsequent to the financial year which began on 1 January 2025:

New standards, modifications, and interpretations:		Obligatory application for financial years starting on:
Approved for use in the European Union		
Amendments		
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
Not approved for use in the European Union		
New Standards		
IFRS 18 Presentation and Disclosure of Financial Statements.	This new standard sets out the presentation and disclosure requirements for financial statements, replacing the current IAS 1.	1 January 2027
IFRS 19 Breakdowns of subsidiaries without public accounting.	The objective of this new standard is to detail the disclosures that a subsidiary may optionally apply in issuing its financial statements.	1 January 2027
Amendments and/or interpretations		
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
Annual improvements (vol. 11)	The objective of these improvements is the quality of the standards, modifying the existing IFRS to clarify or correct minor aspects.	1 January 2026

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

2.4 Variations in the consolidation perimeter

During the first half of 2025, there were no changes in the scope of consolidation.

2.5 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 condensed 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 2024.

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:

- The successful completion of the ongoing equity and financial transactions described in note 2.8.
- Determination of the recoverable value of intangible assets, including 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.
- Determining the consideration in contracts with customers.
- Useful lives of intangible and tangible fixed assets.
- The estimation of provisions for liabilities assumed, as well as the assessment of litigation, guarantees, commitments and contingent assets and liabilities.
- The evolution of estimated costs in the budgets for construction projects in progress.
- The recognition of revenue in contracts with customers in which the performance obligations are satisfied over time.

The Board of Directors, on the basis of the assessment of operational risks, carries out the control and management of these risks, approving, where appropriate, actions to improve existing procedures.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

1) Market risk

a) Foreign currency risk.

The exchange rate risk is low, as foreign currency sales are made to the United States, Saudi Arabia and Kazakhstan and do not represent a significant weight in the Group's total turnover. When significant volumes are involved, the Group enters into currency hedging contracts, when deemed necessary, and other instruments, such as multi-currency credit facilities.

b) Price risk.

In order to mitigate sales price risk, the Group maintains 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, for which reason Group management implements interest rate risk management policies, such as the negotiation of fixed interest rates to mitigate exposure to this risk, when deemed necessary and efficient according to the interest rates prevailing in the market at any given time. In this respect, part of the Company's financing is debt negotiated at a fixed rate.

Financial liabilities at fair value through other comprehensive income, which include total interest payable as a result of certain transactions carried out by the Group, vary depending on interest rates, although the directors do not estimate significant variations with respect to the curves used to measure their fair value.

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 customers, the majority of which belong to the public sector railway sector, and therefore historically, there have been no indications of relevant credit risk arising from the solvency or late payment of these customers, in addition to that described in note 2.8.

In this regard, 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-

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

month period of the current financial year, significant effort 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 involves 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, estimating that it maintains sufficient cash to meet its liquidity requirements.

In January 2025, the promissory note programme on the Mercado Alternativo de Renta Fija was renewed (note 12). The Group is currently in the process of restructuring its financial debt and capital structure, which is expected to be completed before the end of the year, as detailed in note 2.8 below.

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.

2.6 Seasonality of the Group's transactions

Given the activities in which the Group companies are engaged, the transactions do not have a marked cyclical or seasonal character. For this reason, no specific disclosures in this respect are included in these notes to the condensed consolidated interim financial statements for the six months ended 30 June 2025.

2.7 Comparison of information

As required by International Financial Reporting Standards (IFRS) as adopted by the European Union, the information contained in these condensed consolidated interim financial statements as at 30 June 2025 presents for comparative purposes information relating to the six months ended 30 June 2024 for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and to the year ended 31 December 2024 for the condensed consolidated statement of financial position.

The comparative figures as at 30 June 2024 and for the six months ended 30 June 2024 were not subject to audit or limited review.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

2.8 Going concern principle

Talgo is undergoing a shareholder structure change in 2025 that began in 2022 and is expected to be completed before the end of the current financial year. As a result of the shareholder structure change, an investment consortium (the Investor Consortium) is expected to acquire a 27.4% stake currently held by Pegaso Transportation International SCA, once the capital increase has been completed.

From a business perspective, Talgo has increased its order book in the first half of 2025 by more than €1,099 million, reaching a new all-time record in the order backlog of €4,967 million. The order backlog will amount to approximately €7,104 million once the contracts awarded pending signature and the modification of the contract with the German railway operator Deutsche Bahn AG (hereinafter DB) are incorporated, as discussed in the following paragraphs.

The increase in the portfolio in recent years is mainly due to the successful development of the new Avril and Talgo 230 high speed platforms, which is driving its growth and consolidating its international presence, especially in the European intercity market.

The strong growth in the portfolio and the resulting industrial activity are reflected in a high level of recognised revenue during the first half of the year and, mainly, in the expected growth in the coming years.

However, the operating result for the first half of 2025 was negative, among other aspects, due to the recognition of the amendment to the contract with DB, where Talgo is currently in discussions, subject to its final formalisation, to reduce the current order from 79 Talgo 230 trains to 60 units. The amendment to the order would generate a negative financial adjustment in the train manufacturing project amounting to €37.5 million as of June 2025 in revenues and, consequently, in the operating result, which has been recognised at that date based on the principle of prudence. As a result, the agreement, which is expected to be formalised in the coming months through a Settlement Agreement to contractually record the agreed points, currently under negotiation, would adjust the new fleet quantity and include agreements on maintenance and the rescheduling of deliveries of the ICE L project, among others.

Furthermore, during the first half of the year, Talgo, its insurers and the Los Angeles County Metropolitan Transportation Authority (LACMTA) reached a negotiated agreement to close the legal proceedings initiated by the parties following LACMTA's unilateral termination of the contract in 2022. The result of the agreement reached has an estimated impact on the half year of €5 million positive in cash and €7.3 million negative in the condensed consolidated interim income statement for the period.

As a result, during the first half of 2025, Talgo reported an EBITDA and Net Profit of €-16.5 million and €-65.7 million, respectively, which excluding the specific aspects of the adjustment of the Germany project and LACMTA, would have amounted to EUR 23.4 million and EUR -20.9 million, respectively.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

This factor, combined with losses recorded in the 2024 financial year due to the €116 million penalty imposed by Renfe for delays in the delivery of the Avril Very High Speed train (see note 15), has led to a significant reduction of the Group's equity. It should be noted that, regarding the aforementioned fine, Talgo, at the close of the first half of the year and reaffirming its full disagreement, has not made any payment and maintains its position to protect shareholders' interests against any legal action that may be taken by the customer, in line with the statements reported in the 2024 Annual Accounts.

In addition to the above, during the first half of 2025, Talgo experienced delays in payments for the project to manufacture 30 Renfe Avril Very High Speed trains, with respect to the schedule for that period, both for the amount invoiced, for which an order for payment procedure has currently been initiated (see note 8) and for the amount pending invoicing, which, together with the investment in working capital for projects currently in the production phase, and in line with their natural cycle, these delays have contributed to an increase in net financial debt, which amounted to €467 thousand as of 30 June 2025 (€404 thousand as of 31 December 2024).

Certain of the Group's financing contracts include obligations on the part of Talgo to comply with financial ratios as detailed in note 12.

In this context, during the first half of the year, Talgo initiated a process aimed at strengthening its equity and financial capacity, thereby enabling the Group to undertake the working capital investments required over the coming years to properly execute its contracted project portfolio. This process mainly involves the following points:

- the entry into its share capital of the public entity Sociedad Española de Participaciones Industriales (hereinafter SEPI);
- the formalisation of loans convertible into shares with the aforementioned public entity and with other investors, and
- the formalisation of new syndicated financing
- the issuance of a new package of guarantees

In this regard, on 29 July 2025, SEPI received authorisation from the Council of Ministers to undertake the following operations:

- Subscription to a capital increase in Talgo amounting to €45 million, excluding pre-emptive subscription rights, through the issue and circulation of a maximum of 10,588,235 shares with a nominal value of €0.301 each, of the same class and series as those currently in circulation, at an issue price of €4.25 per share, equivalent to a shareholding percentage of 7.8753% of the increased share capital.
- Subscription of an instrument convertible into Talgo shares for €30 million, at a fixed rate of 10.21% per annum, capitalisable and payable at maturity in 8 years (with a possible extension to 10 years) in cash or with delivery of shares (conversion price set at 8 years or at listed value with a 30% discount at 10 years) all at the discretion of the Talgo Group.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

The materialisation of this investment is subject to the prior or simultaneous fulfilment of a series of conditions, which are set out below:

- The acquisition by the Investment Consortium of 36,864,848 shares at a price of €4.25 per share, representing 29.8% of Talgo prior to the capital increase (this stake will be equivalent to 27.4% after the initial SEPI capital increase). These shares will be sold by Pegaso Transportation International, S.C.A. to the Investment Consortium, which comprises Clerbil, S.L., Finkatze Kapitala Finkatuz, S.A., Fundación Bancaria BBK and Fundación Bancaria Vital.
- The subscription of an instrument convertible into Talgo shares for an amount of €75 million by a group of investors (the Financing Consortium) under the same terms as SEPI's subscription. The Financing Consortium will be made up of Ekarpen Private Equity, S.A. (with 66.7%), Fundación Bancaria BBK (with 13.3%), Clerbil, S.L. (with 13.3%) and Fundación Bancaria Vital (with 6.7%).
- Approval by financial institutions of a new debt structure comprising two tranches:
 - Tranche A (CESCE Tranche): a €650 million, six-year syndicated term loan, and will include an insurance policy for working capital loans from the Spanish Export Credit Insurance Company (CESCE) with 50% coverage (€325 million). This financing would involve extending the term of the debt currently held with financial institutions, amounting to €296 millions.
 - Tranche B (non-CESCE tranche): a €120 million, three-year working capital facility, automatically extendable for two additional years.
 - A new line of guarantees worth €500 million will also be granted by financial institutions, with 50% CESCE insurance coverage and a six-year term.

As of 30 September 2025, the agreements constituting the aforementioned preconditions have not yet been formalised. However, the directors of the parent company expect full completion before the end of the year, once all agreements are finalised and the capital increase and the convertible loans are approved by the shareholders' meeting of Talgo, S.A. convened for this purpose.

Failure to complete the ongoing operations would require the Group to evaluate and implement alternative measures to strengthen its equity and financial position.

In summary, Talgo - designated by the state as a strategic entity for Spain's economic security, territorial cohesion, and industrial development - has developed a plan to strengthen its capital and financial structure to achieve its industrial growth project through four key pillars:

1. Acquisition of the shareholding package by the Investment Consortium.
2. New syndicated financing structure and issuance of guarantees.
3. Subscription of capital increase by SEPI.
4. Subscription of convertible financing via two instruments with SEPI and a Financing Consortium.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

2.9 Functional currency

The euro is the currency in which the consolidated financial statements are presented, as this is the functional currency of the Parent Company and the main environment in which the Group operates.

2.10 Correction of mistakes

In the preparation of the interim financial statements, no errors were detected that would have led to the restatement of the amounts included in the annual accounts of the financial year 2024.



TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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 and not 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 2025 and 30 June 2024, was obtained from the Group's management reporting systems, and does not differ significantly from the IFRS information. It is presented below:

	30.06.25			
	€ in thousands			
	Rolling stock	Auxiliary machines and others	General	Total
Total segment revenues	238 307	31 787	-	270 094
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	238 307	31 787	-	270 094
Amortizations	13 627	277	2 074	15 978
Operating result	(4 117)	(5 769)	(27 066)	(36 952)
Financial income	220	18	33	271
Financial expenses	20 781	1 783	755	23 319
Result before tax	(24 678)	(7 534)	(27 788)	(60 000)
Total Assets	1 202 931	80 557	32 324	1 315 812
Total Liabilities	1 124 232	39 742	37 326	1 201 300
Fixed asset investments	22 787	54	1 151	23 992

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

	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

Ordinary revenues from external customers, total assets and total liabilities reported to the Board of Directors are measured on a consistent basis.

Total net Turnover from external customers for the six-month period ended at 30 June 2025 and 2024 was distributed geographically as follows:

	€ in thousands	
	30.06.25	30.06.24
Spain	66 901	88 103
Rest of Europe	117 263	178 062
USA	13 087	7 659
Middle East and North Africa	46 808	44 241
Commonwealth of Independent States	25 198	27 795
Asia	837	288
	270 094	346 148

Total non-current assets, other than financial instruments and deferred tax assets in the first half of 2025 and 31 December 2024 are geographically distributed as follows:

	€ in thousands	
	30.06.25	31.12.24
Spain	279 665	273 141
Abroad	12 504	8 756
	292 169	281 897

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

4. Tangible fixed assets

The movements in the tangible fixed assets accounts and their corresponding accumulated depreciation and provisions during the first half of the financial years 2025 and 2024 were as follows:

	€ in thousands					
	Balance at 31.12.24	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.24
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use asset	11 305	(243)	2 443	-	-	13 505
Buildings	48 445	-	-	-	-	48 445
Technical installations and machinery	40 151	(471)	53	(11)	117	39 839
Other facilities, tools, and furniture	63 684	(4)	44	(12)	1 606	65 318
Advances and work in progress	4 643	(12)	1 629	-	(2 328)	3 932
Other fixed assets	12 015	(3)	271	(2)	964	13 245
	190 137	(733)	4 440	(25)	359	194 178
Depreciation and impairment losses						
Right-of-use asset	(4 060)	152	(1 131)	1	-	(5 038)
Buildings	(34 072)	-	(431)	-	-	(34 503)
Technical installations and machinery	(32 392)	435	(896)	11	-	(32 842)
Other facilities, tools, and furniture	(53 621)	4	(1 390)	12	-	(54 995)
Other fixed assets	(9 429)	15	(335)	1	-	(9 748)
Impairment losses	(170)	-	-	-	-	(170)
	(133 744)	606	(4 183)	25	-	(137 296)
Net book value	56 393	(127)	257	-	359	56 882

	€ in thousands					
	Balance at 31.12.23	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.24
Cost						
Land	9 894	-	-	-	-	9 894
Right-of-use assets	9 407	109	6 437	(4 648)	-	11 305
Buildings	48 222	-	-	-	223	48 445
Technical installations & machinery	39 074	248	301	(28)	556	40 151
Other facilities, tools & furniture	62 169	2	54	(385)	1 844	63 684
Advances and work in progress	3 765	7	4 035	-	(3 164)	4 643
Other fixed assets	12 039	5	207	(725)	489	12 015
	184 570	371	11 034	(5 786)	(52)	190 137
Depreciation and impairment losses						
Right-of-use assets	(6 543)	(39)	(2 126)	4 648	-	(4 060)
Buildings	(32 840)	-	(1 232)	-	-	(34 072)
Technical installations & machinery	(30 321)	(228)	(1 858)	15	-	(32 392)
Other facilities, tools & furniture	(51 192)	(2)	(2 780)	353	-	(53 621)
Other fixed assets	(9 617)	(5)	(532)	725	-	(9 429)
Impairment losses	(162)	(8)	-	-	-	(170)
	(130 675)	(282)	(8 528)	5 741	-	(133 744)
Net book value	53 895	89	2 506	(45)	(52)	56 393

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

The main additions to tangible assets in the first half of 2025 relate mainly to investments in the Rivabellosa and Las Matas factories, as well as right of use assets arising from lease contracts under IFRS16. The 2025 additions include capitalized expenses incurred by the Group for its assets per an amount of €396 thousand (31 December 2024: €1,225 thousand).

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

At 30 June 2025, tangible fixed assets with an initial cost of €85,967 thousand have been fully depreciated and were still operational (31 December 2024: €85,081 thousand).

During first half of 2025, 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.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

5. Intangible assets

The movements in the intangible assets accounts included and their corresponding accumulated depreciation and provisions during the first half of the financial years 2025 and 2024 were as follows:

	€ in thousands					
	Balance at 31.12.24	Translation differences	Additions	Disposals	Transfers	Balance at 30.06.25
Cost						
Development	213 038	(104)	-	-	45	212 979
Industrial property	1 749	-	-	-	-	1 749
Software	24 886	(77)	82	(450)	762	25 203
Right-of-use asset	1 331	-	-	(203)	-	1 128
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	25 459	-	21 913	-	(1 166)	46 206
	<u>291 532</u>	<u>(181)</u>	<u>21 995</u>	<u>(653)</u>	<u>(359)</u>	<u>312 334</u>
Depreciation and impairment losses						
Development	(132 888)	57	(9 600)	-	-	(142 431)
Industrial property	(22)	-	-	-	-	(22)
Software	(21 303)	77	(1 230)	450	-	(22 006)
Right-of-use asset	(1 319)	-	(1)	192	-	(1 128)
Maintenance contracts	(21 208)	-	(964)	-	-	(22 172)
Impairment losses	(1 727)	-	-	-	-	(1 727)
	<u>(178 467)</u>	<u>134</u>	<u>(11 795)</u>	<u>642</u>	<u>-</u>	<u>(189 486)</u>
Net book value	113 065	(47)	10 200	(11)	(359)	122 848

	€ in thousands					
	Balance at 31.12.23	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.24
Cost						
Development	166 349	47	-	-	46 642	213 038
Industrial property	1 749	-	-	-	-	1 749
Software	23 463	41	129	(68)	1 321	24 886
Right-of-use assets	1 541	-	-	(210)	-	1 331
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	29 526	-	43 844	-	(47 911)	25 459
	<u>247 697</u>	<u>88</u>	<u>43 973</u>	<u>(278)</u>	<u>52</u>	<u>291 532</u>
Depreciation and impairment losses						
Development	(121 199)	(17)	(11 672)	-	-	(132 888)
Industrial property	(22)	-	-	-	-	(22)
Software	(18 980)	(41)	(2 185)	68	(165)	(21 303)
Right-of-use asset	(1 632)	-	(62)	210	165	(1 319)
Maintenance contracts	(19 280)	-	(1 928)	-	-	(21 208)
Impairment losses	(1 727)	-	-	-	-	(1 727)
	<u>(162 840)</u>	<u>(58)</u>	<u>(15 847)</u>	<u>278</u>	<u>-</u>	<u>(178 467)</u>
Net book value	84 857	30	28 126	-	52	113 065

Development costs at 30 June 2025 and 31 December 2024 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.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

The main additions to fixed assets under construction relate to costs incurred in the development of the Hympulso, Eurail, Intercity Platform (Parfait II) projects. The 2025 additions include capitalized expenses incurred by the Group for its assets per an amount of €19,393 thousand (31 December 2024: €19,439 thousand).

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 9.5% and a growth rate of 1%.

During first half 2025 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 2025 and 31 December 2024, did not show any signs of impairment.

At 30 June 2025 there are intangible assets with an original cost of €138,245 thousand that are fully amortised and still in use (31 December 2024: €137,022 thousand).

6. Goodwill

The movement in goodwill was as follows:

	<u>€ in thousands</u>
Balance at 31.12.23	112 439
Additions	-
Disposals	-
Balance at 31.12.24	112 439
Additions	-
Disposals	-
Balance at 30.06.25	<u>112 439</u>

Goodwill impairment tests

Goodwill has been allocated to the Group's cash generating units (CGU's) which have been identified according to operating segments.

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

	<u>30.06.25</u>	<u>€ in thousands</u> <u>31.12.24</u>
Rolling stock	101 886	101 886
Auxiliary machines and other	10 553	10 553
Total Goodwill	<u>112 439</u>	<u>112 439</u>

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.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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.

As at 30 June 2025, the Group has updated the impairment test performed as at 31 December 2024, the main assumptions of which are set out in note 8 to the consolidated financial statements for the 2024 financial year.

The key hypotheses used for the value in use calculations in first half of 2025 are detailed below:

- a) Growth rate in perpetuity: It is assumed that cash flows will grow at an average rate equivalent to no more than the long-term average growth for the sector in which the Group operates.
- b) Discount rate: The weighted average cost of capital (WACC) has been used to calculate this. The Group 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 6 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 on which they are based and the projections used have been prepared on the basis of experience and the best estimates available and cover 6 years, which is the basis for the syndicated financing currently being formalised (see note 2.8).
- d) Perpetual projections from year 6 onwards: the perpetual projections consider a revenue and margin base in line with the last projected 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.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

Key hypothesis:

The cash flows generated by the projects have been considered as the main key assumption and the main metric used by the Group's management to monitor the business performance.

The key hypotheses used for the value in use calculations in the first half 2025 and 2024 final year is a discount rate of 9.5% and a growth rate of 1%.

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 +/- 300 basis points, as well as by varying the discount rate by +250 and -150 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 the first half of 2025 and 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	Total
30 June 2025			
Assets on the statement of financial position			
Equity instruments	10	-	10
Customers and other accounts receivable (note 8)	-	166 612	166 512
Other financial assets	-	1 032	1 032
Cash and cash equivalents (note 10)	-	116 899	116 899
	10	284 443	284 453
31 December 2024			
Assets on the statement of financial position			
Equity instruments	10	-	10
Customers and other accounts receivable (note 8)	-	176 758	176 758
Other financial assets	-	984	984
Cash and cash equivalents (note 10)	-	93 292	93 292
	10	271 034	271 044

*The balances corresponding to 'Customers and other accounts receivable' caption don not include the balance corresponding to "Construction completed not yet invoiced" as these are not considered financial instruments, being mostly classified as contract assets according to IFRS15.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

	€ in thousands		
	Financial liabilities at amortized cost	Fair value through other comprehensive income	Total
30 June 2025			
Liabilities on the statement of financial position			
Borrowings (note 12)	613 690	20 425	634 115
Suppliers and other payables (note 13)*	234 661	-	234 661
	848 351	20 425	868 776
31 December 2024			
Liabilities on the statement of financial position			
Borrowings (note 12)	522 884	15 882	538 766
Suppliers and other payables (note 13)*	254 159	-	254 159
	777 043	15 882	792 925

* 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	
	30.06.25	31.12.24
Customers	152 316	169 109
Construction completed not yet invoiced	461 603	454 696
Customers – associates companies (note 16)	1 119	63
Provision for impairment losses	(3 013)	(3 102)
Customers – Net	612 025	620 766
Public entities	15 067	9 832
Sundry debtors	483	490
Personnel	540	366
Total	628 115	631 454

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 customer allows the company to advance 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. The cumulative amount advanced in nominal values, which corresponds to the total available under this facility amounts to €324 million

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

euros at 30 June 2025 and at the close of 2024. This facility generates a financial liability at the time of its assignment to the financial institutions for the fair value of the interest assumed at the initial moment and, subsequently, an effect on financial results due to the revaluation of the same (notes 12 and 18, respectively).

In addition, the investee Patentes Talgo, S.L.U., in the context of the second order of the previous contract, entered into certain contracts with financial institutions for the non-recourse assignment of future credit rights associated with a contract in progress, for up to 60% of the contract award value. As of December 31, 2024, it has obtained funds from the entities for an amount of 62 million euros, based on certain production milestones reached. During the first half of the financial year 2025, additional funds in the amount of 89 million euros were obtained, bringing the amount drawn down to €151 million as at 30 June 2025. This facility generates, at the time the funds are obtained, a commercial liability initially recorded as a contractual liability (which, as at 30 June 2025, is reducing the construction completed not yet invoiced due to the progress of the project) and, on the other hand, a financial liability for the fair value of the interest assumed at the initial moment and, subsequently, an effect on the financial result due to the revaluation of the same (notes 12 and 18, respectively).

At 30 June 2025, the Group's sale commitments amounted to €4,967 million (31 December 2024: €4,173 million) of which €4,893 million relate to rolling stock and €74 million to auxiliary machines and other. Of the amount related to rolling stock, approximately 52% 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 (kilometres travelled, cars in circulation, among others) can reach up to 40 years, with the average life of current contracts being 13 years.

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

	€ in thousands	
	30.06.25	31.12.24
Balance not yet due	525 859	528 967
Between 0 and 1 months	11 032	15 566
Between 1 and 3 months	18 361	29 073
Between 3 and 6 months	26 386	12 070
Between 6 and 12 months	10 917	6 783
More than 12 months	19 470	28 307
	621 025	620 766

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, which in some cases may occur in the long term. This item also includes outstanding balances to be invoiced amounting to €97 million associated with Renfe's 30 Avril Very High-Speed trains project, as described in note 2.8. On the other hand, past due balances include invoices amounting to €22 million associated with the same project, for which the Group has initiated a payment order procedure.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

At 30 June 2025, the customer accounts receivable balances that have suffered impairment and have been provisioned against amounts to €3,013 thousand (2024: €3,102 thousand). The ageing analysis of these accounts is as follows:

	€ in thousands	
	30.06.2025	31.12.24
Between 0 and 3 months	-	-
Between 3 and 6 months	-	-
More than 6 months	3 013	3 102
	<u>3 013</u>	<u>3 102</u>

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	
	30.06.25	30.06.24
At 1 January	(3 102)	(3 204)
Provision recognition	(412)	(142)
Provision reversal	295	386
Disposals	206	67
At 30 June	(3 013)	(2 893)

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 2025 and during the financial year 2024 are as follows:

	€ in thousands	
	30.06.25	31.12.24
Construction completed but not yet invoiced	461 603	454 696
Advances received for contract work (note 13)	(124 668)	(77 046)
Net	336 935	377 650

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

	<u>€ in thousands</u>
Balance at 31 December 2023	309 130
Revenues	669 216
Invoicing	(476 410)
Advance payments	(120 579)
Others	(3 707)
Balance at 31 December 2024	377 650
Revenues	270 094
Invoicing	(162 393)
Advance payments	(150 510)
Others	2 094
Balance at 30 June 2025	336 935

Public Entities

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

	<u>30.06.25</u>	<u>€ in thousands</u> <u>31.12.25</u>
Public administrations tax receivables for VAT	8 381	2 864
Public administrations debtors for grants	3 322	3 492
Public administrations debtors for other taxes	385	648
Public administrations corporate income tax	2 979	2 828
	15 067	9 832

9. Stock

The breakdown of this caption is as follows:

	<u>30.06.25</u>	<u>€ in thousands</u> <u>31.12.24</u>
Raw Materials	201 124	181 127
Work in progress	13 269	14 025
Advances	36 999	37 159
Provision for the depreciation of raw materials	(16 112)	(12 327)
	235 280	219 984

At 30 June 2025, the Group's commitments for the purchase of raw materials and other services amounted to €603,413 thousand (31 December 2024: €544,857 thousand).

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

	<u>Balance at</u> <u>31.12.24</u>	<u>Translation</u> <u>differences</u>	<u>Addition</u>	<u>Application</u>	<u>€ in thousands</u> <u>Balance at</u> <u>30.06.25</u>
Provision for the depreciation of raw materials	(12 327)	600	(6 790)	2 405	(16 112)
	(12 327)	600	(6 790)	2 405	(16 112)

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

The provisions made in the first half of 2025 relate mainly to the impairment of the inventories of the subsidiary Talgo Inc following the agreement reached with one of its customers (see note 2.8).

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	
	30.06.25	31.12.24
Cash	116 899	93 292
Other Cash equivalents	-	-
Total	116 899	93 292

The balance indicated in this caption on the statement of financial position is fully and freely available. However, there is a commitment, within the framework of a financing contract, to maintain a minimum available balance of 40 million euros.

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 2024 financial year and first half 2025 were as follows:

	Number of shares	€ in thousands Share capital
At 31 December 2023	126 377 776	38 040
Capital increases	(2.517.562)	(758)
At 31 December 2024	123 860 214	37 282
Capital reduction	-	-
At 30 June 2025	123 860 214	37 282

The share capital at half year 2025 is represented by a total of 123,860,214 ordinary shares with a nominal value of €0.301.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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 2025:

	<u>30.06.2025</u>
Company	
Pegaso Transportation Internacional, S.C.A.(*)	37.5%
Torblas S.L.	5.0%
Torreal sociedad de capital riesgo	3.5%
	<u>46.0%</u>
	<u>31.12.2024</u>
Company	
Pegaso Transportation Internacional, S.C.A.(*)	40.0%
Torblas S.L.	5.0%
	<u>45.0%</u>

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

As indicated in notes 2.8, Talgo is undergoing a process of change in its shareholding structure.

b) Distribution of profits

The Parent Company's proposed appropriation of profit for the year 2024 is as follows:

	<u>€ in thousands</u>
	<u>2024</u>
To Negative result from previous years	(2 234)
	<u>(2 234)</u>

c) Translation differences

The translation difference correspond entirely to the translation of the functional currency of the financial statements of subsidiaries whose functional currency is not the euro.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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	
	30.06.25	30.06.24
Result attributable to the Parent company's shareholders	(64 038)	15 022
Weighted average number of outstanding ordinary shares	122 903 313	122 903 313
Basic Earnings/(Losses) per Share from continuing operations	<u>(0,52)</u>	<u>0,12</u>
	<u>(0,52)</u>	<u>0,12</u>

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	
	30.06.25	30.06.24
Result attributable to the Parent company's shareholders	(64 038)	15 022
Result used to determine diluted earnings per share	(64 038)	15 022
Weighted average number of outstanding ordinary shares	122 903 313	122 903 313
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122 903 313	122 903 313
Diluted earnings per share from continuing operations	<u>(0,52)</u>	<u>0,12</u>
	<u>(0,52)</u>	<u>0,12</u>

e) Treasury stock

As at 30 June 2025 and at 31 December 2024 the Parent Company held 956,901 treasury shares. The corresponding details are presented below:

	Number of shares	Acquisition Price	Quotation	Stock price	%
Shares in Treasury stock June 30, 2025	956 901	4.82	2.96	2 832	0.77%
Shares in Treasury stock December 31, 2024	956 901	4.82	3.36	3 215	0.77%

The Parent Company has not made any acquisitions of own shares during the first half of 2025.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

12. Borrowings

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.25	31.12.24
Non-current		
Debt with credit institutions (note 12.a)	255 615	350 445
Lease creditors (note 12.b)	7 273	5 239
Other financial liabilities (note 12.c)	35 095	25 937
	<u>297 983</u>	<u>381 621</u>
Current		
Debt securities and other marketable securities (note 12.d)	83 086	84 376
Debt with credit institutions (note 12.a)	236 315	54 995
Lease creditors (note 12.b)	1 583	2 105
Other financial liabilities (note 12.c)	15 148	15 672
	<u>336 132</u>	<u>157 145</u>
Total borrowings	<u>634 115</u>	<u>538 766</u>

a) Debt with credit institutions

The breakdown of the Bank borrowings caption is as follows:

Entity	Currency	Interest rate	Grant date	Non-current	Current	Total	Interests
Entity A	EUR	Fixed	27/05/2021	-	30 000	30 000	25
Entity B	EUR	Fixed	20/12/2017	-	12 857	12 857	7
Entity C	EUR	Fixed	22/12/2020	-	7 000	7 000	2
Entity D	EUR	Variable	13/11/2023	15 000	-	15 000	286
Entity E	EUR	Fixed	18/06/2021	-	31 000	31 000	23
Entity F	EUR	Variable	22/07/2022	15 000	-	15 000	101
Entity G	EUR	Variable	29/09/2022	7 000	-	7 000	1
Entity H	EUR	Fixed	31/03/2022	15 000	-	15 000	45
Entity I	EUR	Variable	15/07/2022	-	18 571	18 571	313
Entity J	EUR	Fixed	12/04/2023	-	15 000	15 000	140
Entity K	EUR	Variable	15/06/2023	-	10 000	10 000	26
Entity L	EUR	Variable	22/12/2023	12 000	-	12 000	-
Entity M	EUR	Variable	19/09/2023	10 000	-	10 000	11
Entity N	EUR	Mixed	05/07/2023	9 500	500	10 000	162
Entity O	EUR	Variable	01/03/2024	79 851	-	79 851	1 185
Entity P	EUR	Variable	31/07/2024	25 000	-	25 000	198
Entity Q	EUR	Variable	07/10/2024	29 830	5 000	34 830	-
Entity R	EUR	Variable	16/01/2025	29 100	-	29 100	227
Entity S	EUR	Variable	09/06/2023	3 334	3 333	6 667	28
Entity T	EUR	Variable	10/02/2023	5 000	-	5 000	10
Entity U	EUR	Fixed	06/10/2022	-	15 000	15 000	-
Interest and costs of guarantees and credit facilities.	-	-	-				2 396
				<u>255 615</u>	<u>148 261</u>	<u>403 876</u>	<u>5 186</u>

Talgo has certain loan agreements with financial institutions that include obligations to comply with financial ratios. As of 30 June 2025, Talgo has failed to meet a ratio in one of its contracts in which it has a half-yearly ratio obligation, which is why short-term debt amounting to €37,143 thousand has been classified, although, at the date of preparation of

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

these condensed consolidated interim financial statements, the Group's management has obtained a waiver of early repayment for the aforementioned non-compliance, subject to the completion of the transactions described in note 2.8. In addition, Talgo has initiated discussions with the financial institutions with which it has financial ratio compliance obligations at year-end in order to anticipate the transactions in progress and, where appropriate, adapt these obligations to the new syndicated financing structure that is expected to be formalised before the end of the year (see note 2.8).

The amount of loans as at 30 June 2025 that include the obligation to comply with financial ratios at year-end amounts to €197,764 thousand, of which €80,000 thousand corresponds to entities with which Talgo is in negotiations to formalise the aforementioned syndicated financing.

At 30 June 2025, there are financing agreements amounting to €311,764 thousand that contain cross-default clauses in the event of default on payments exceeding, as a general rule, €40 million.

As indicated in note 2.8 above, it should be noted that the Group is in the process of refinancing its bank debt.

At 30 June 2025, the Group has available credit facilities of €1,955 thousand (€120,000 thousand at 31 December 2024), with a nominal amount of €83,046 thousand drawn down at 30 June 2025 (€145 thousand at 31 December 2024). At 30 June 2025 the value of the debt for credit lines recorded in the Group's liabilities amounts to €82,868 thousand.

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

	€ in thousands					
30 June 2025	2025	2026	2027	2028	Subsequent years	Total
Debt with credit institutions	112 215	120 627	151 658	37 571	69 859	491 930
31 December 2024	2025	2026	2027	2028	Subsequent years	Total
Debt with credit institutions	54 995	117 833	146 100	32 013	54 499	405 440

b) Lease debts

This heading in the consolidated interim statement of financial position includes lease liabilities that meet the requirements of IFRS 16 (notes 4 and 5).

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

c) Other financial liabilities

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

	€ in thousands	
	30.06.25	31.12.2024
Non-current		
Debts due to reimbursable advances	9 167	10 103
Other debts	25 928	15 834
	35 095	25 937
Current		
Debts due to reimbursable advances	2 360	2 872
Other debts	12 788	12 800
	15 148	15 672
Total Other financial liabilities	50 243	41 609

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 2025 includes mainly non-current debt convertible into grants amounting to €9,661 thousand (€9,666 thousand at 31 December 2024). This heading mainly includes the funds received by the European Commission for the RAIL4EARTH y IAM4RAIL research projects, as well as funds received from the Center for Industrial Technological Development (CDTI) for the VITTAL ONE and LETS GO projects and IDAE funds for Hymпульso project.

This heading also includes the estimated fair value of the liability assumed by the Group in the non-recourse transfer of financial assets and future credit rights under the contract with a customer to creditor financial institutions, which is settled periodically (notes 8 and 18). The fair value of this liability varies according to Euribor. At 30 June 2025 the total valuation of this liability amounts to €20,425 thousand (€15,882 thousand euros at 31 December 2024).

In addition, a loan granted by RENFE to Tarvia Mantenimiento Ferroviario, S.A., amounting to 8,452 thousand euros (2,695 thousand euros at 31 December 2024), is also recognised. This loan accrues interest at market rates. At 30 June 2025 the interest on this loan was fully paid. At the end of 2024 the unpaid interest accrued amounted to 28 thousand euros.

The remaining amount corresponds to sureties received.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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.

During the first half of the 2025 financial year, promissory notes of €71.2 million were redeemed under this programme, leaving a nominal balance of €14.3 million at the end of June 2025, maturing in various tranches until September 2025.

On 20 January 2025, the Board of Directors approved the establishment of a commercial paper programme called '*Commercial Paper Programme TALGO 2025*' with a maximum balance of 150 million euros and a period of 12 months. This programme renews the programme incorporated in the Mercado Alternativo de Renta Fija ('MARF') on 15 February 2024.

The programme allows for the issue of promissory notes in terms ranging from 3 working days to 730 calendar days at an interest rate established for each issue. As at 30 June 2025, issues amounting to 81.5 million euro have been closed, with 11.5 million euro of promissory notes having been redeemed, leaving an outstanding nominal balance of 70 million euro, maturing in various tranches up to June 2026.

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 2025, the value of the promissory notes recorded in the Group's liabilities is €83,086 thousand.

13. Suppliers and other payables

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.25	31.12.24
Suppliers	231 618	244 183
Suppliers - associates companies (note 16)	-	3 937
Advances received for contract work (note 8)	124 668	77 046
Social Security and other taxes	6 348	14 870
Personnel	3 043	6 039
Total	365 677	346 075

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

14. Tax

The Parent Company and its subsidiaries Patentes Talgo, S.L.U., Talgo Kazakhstan, S.L.U. and Motion Rail, S.A. are included in the Consolidated Tax Group 65/06.

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	
	30.06.25	30.06.24
Profit / (Loss) before tax	(60 000)	18 234
Permanent differences	3 982	4 045
Exempt income Spanish tax group	(28 654)	(28 565)
Consolidated tax at 25%	(21 168)	(1 571)
Tax loss carryforwards non capitalized	23 630	1 507
Subsidiary tax rate differences	(142)	19
Tax expense permanent establishments	4 265	4 560
Consolidated adjustments	(845)	(845)
Others	(23)	(15)
Tax expense	5 717	3 655

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 2025 and 2024 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 inspection reports signed in disagreement during the 2019 financial year. In view of the aforementioned settlement agreements, the amount claimed by the Administration is guaranteed and the main aspects of the settlement agreement are described in note 26 of the consolidated annual accounts for the 2024 financial year.

The Parent company's Directors and its tax advisers consider that they correctly declared the regularised taxes, which is why they have lodged 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.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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	
	30.06.25	31.12.24
Deferred tax assets:		
- Deferred tax assets to be recovered in more than 12 months	21 358	22 768
	21 358	22 768
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered in more than 12 months	8 385	8 391
	8 385	8 391
Deferred tax assets (net)	12 973	14 377

The movement in the deferred tax asset balance during the first half 2025 and 2024 financial year was as follows:

	€ in thousands					
	Balance at 31.12.24	Translation differences	Additions	Disposals	Other Movements	Balance at 30.06.25
Temporary differences						
Guarantees	5 922	-	5 173	(5 931)	-	5 164
Other concepts	1 116	-	103	(755)	-	464
Tax Credits						
Tax loss carryforwards	13 077	-	-	-	-	13 077
Deductions	2 653	-	-	-	-	2 653
	22 768	-	5 276	(6 686)	-	21 358

	€ in thousands					
	Balance at 31.12.23	Translation differences	Additions	Disposals	Other Movements	Balance at 31.12.24
Temporary differences						
Guarantees	4 629	-	5 931	(4 625)	(13)	5 922
Other concepts	3 611	-	1 484	(1 769)	(2 210)	1 116
Tax Credits						
Tax loss carryforwards	13 077	-	-	-	-	13 077
Deductions	2 653	-	-	-	-	2 653
	23 970	-	7 415	(6 394)	(2 223)	22 768

	€ in thousands			
	Tax credits	Deductions	Other Concepts	Total
Balance at 31 December 2023	13 077	2 653	8 240	23 970
Credit/(Charge) to income statement	-	-	1 021	1 021
Other movements and transfers	-	-	(2 223)	(2 223)
Balance at 31 December 2024	13 077	2 653	7 038	22 768
Credit/(Charge) to income statement	-	-	(1 410)	(1 410)
Other movements and transfers	-	-	-	-
Balance at 30 June 2025	13 077	2 653	5 628	21 358

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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, 2025, 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, as well as for the amortization and depreciation of fixed assets and other similar concepts.

At 30 June 2025, the tax loss carryforwards pending offset in the USA, relating to the subsidiary Talgo Inc., are as follows:

	<u>€ in thousands</u>	<u>Final Year</u>
2005	7 935	2025
2006	6 750	2026
2012	3 632	2032
2020	7 497	Indefinite
2022	4 390	Indefinite
2023	10 812	Indefinite
2024	5 786	Indefinite
2025	8 812	Indefinite
	<u>55 614</u>	

At June 30, 2025, the capitalised tax loss carryforwards pending to be offset of the Tax Group 65/06 are the following:

<u>Year</u>	<u>€ in thousands</u>
2018	23 933
2019	28 375
	<u>52 308</u>

At June 30, 2025, the uncapitalised tax loss carryforwards pending to be offset of the Tax Group 65/06 are the following:

<u>Year</u>	<u>€ in thousands</u>
2015	33 080
2019	8 358
2020	18 989
2021	23 350
2022	43 587
2023	19 010
2024	154 179
2025	82 650
	<u>383 203</u>



TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

At June 30, 2025, the uncapitalised tax loss carryforwards of subsidiary Tarvia Mantenimiento Ferroviario, S.A. which which are not yet offset, are as follows:

Año	Miles de euros
2023	2 601
2024	3 044
2025	3 057
	8 702

Tax liabilities.

The movement in the deferred tax liabilities balance during the first half 2025 and 2024 financial year was as follows:

	€ in thousands		
	Cash flow hedge	Other concepts	Total
Balance at 31 December 2023	687	7 722	8 409
Credit / (Charge) to income statement	-	669	669
Tax (credit) / charge to equity	(687)	-	(687)
Balance at 31 December 2024	-	8 391	8 391
Credit / (Charge) to income statement	-	-	-
Tax (credit) / charge to equity	-	(6)	(6)
Balance at 30 June 2025	-	8 385	8 385

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 2025 were as follows:

	Non current			€ in thousands
	Deferred income	Other provisions	Guarantee provision	Total
Balance at 31.12.24	25 020	130 869	25 999	181 888
Provisions	5 174	-	-	5 174
Applications	(3 407)	-	(2 408)	(5 815)
Transfers	-	(202)	(1 451)	(1 653)
Translation differences	-	(99)	(125)	(224)
Balance at 30.06.25	26 787	130 568	22 015	179 370



TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

	Current			€ in thousands
	Deferred income	Other provisions	Guarantee provision	Total
Balance at 31.12.24	164	6 911	2 948	10 023
Provisions	-	-	3 425	3 425
Applications	-	(2 493)	(4 959)	(7 452)
Transfers	-	202	1 451	1 653
Translation differences	-	8	(18)	(10)
Balance at 30.06.25	164	4 628	2 847	7 639

At the 2024 year-end and the first half 2025 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 2024, on the other hand, a provision of €1,195 thousand for onerous contracts held by Patentes Talgo, S.L.U. and Talgo Inc. at 30 June 2024, with €366 thousand classified in the long term and €829 thousand in the short term.

Following a conservative criterion, in 2024 the investee Patentes Talgo, S.L.U. recorded a provision of €116 million, corresponding to the maximum amount of penalties established in the contract for the supply of 15 high-speed trains for UIC gauge and 15 high-speed trains with sliding track, imposed by RENFE (see note 2.8).

The heading "Deferred income" includes reasonable estimates made by the Group related to contractual obligations in connection with maintenance contracts signed with customers, mainly related to costs for major maintenance work and commitments to deliver spare parts.

Bank guarantees and surety bonds.

At 30 June 2025, the Group had a volume of bank guarantees and surety bonds amounting to €1,290 million (December 2024: €1,234 million), of which €1,102 million (December 2024: €1,022 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 2025, the amount available from the bank guarantee lines and surety bonds amounted to €372 million (December 2024: €466 million).

Contingent assets and liabilities

Information on contingent assets and liabilities at that date is provided in note 29 of the notes to the Group's consolidated financial statements for the year ended 31 December 2024.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

During the first half of 2025, Talgo and the Los Angeles County Metropolitan Transportation Authority (LACMTA) have reached a negotiated settlement agreement, thereby ending the legal proceedings between the parties (see note 2.8).

There have been no significant changes to those detailed in note 29 to the consolidated financial statements for 2024 financial year.

On the other hand, the Company's Directors consider that tax settlements have been properly carried out, so that even if discrepancies arise in the interpretation of current regulations regarding the tax treatment of transactions, any resulting effects, if they materialise, would not significantly affect these condensed consolidated interim financial statements.

Commitments to purchase assets.

At 30 June 2025, the Group had commitments to purchase assets amounting to €25,407 thousand (30 June 2024: €4,383 thousand).

Lease commitments.

The directors of the consolidated Group do not expect significant changes to the outstanding future lease contracts at the end of June 2025 and December 2024.

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 2025, the remunerations accrued to the members of the Board of Directors for the performance of this role amounted to €218 thousand (30 June 2024: €275 thousand).

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

c) Commercial transactions with related parties:

	€ in thousands	
	30.06.25	30.06.24
Other operating expenses		
Consortio Español Alta Velocidad Meca Medina	105	84
Expense	105	84

d) Commercial balances with related parties:

	€ in thousands	
	30.06.25	31.12.24
Consortio Español Alta Velocidad Meca Medina	1 119	63
Customers – associates companies (note 8)	1 119	63

	€ in thousands	
	30.06.25	31.12.24
Consortio Español Alta Velocidad Meca Medina	-	3 937
Suppliers – associates companies (note 13)	-	3 937

e) Foreign currency transactions

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

	€ in thousands	
	30.06.25	30.06.24
Purchases	25 357	12 771
Sales	46 005	40 648

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

17. Expenses

a) Procurement cost:

The breakdown of the 'Procurement cost' caption is as follows:

	€ in thousands	
	30.06.25	30.06.24
Consumption of raw materials and other consumables	116 042	126 856
Other external expenses	35 101	48 642
Impairment of raw materials and other supplies	4 385	922
	155 528	176 420

b) Personnel cost:

b.1) The breakdown of "Personnel cost" caption is as follows:

	€ in thousands	
	30.06.25	30.06.24
Wages, salaries and similar	76 874	75 275
Contributions and provisions for defined pension contributions and other obligations	2 226	2 049
Other welfare charges	26 949	25 070
	106 049	102 394

The Wages, salaries and similar caption includes lower compensation costs, which amounted to -30 thousand of euros as at 30 June 2025 due to a reversal of a provision made in the previous year (30 June 2024: €570 thousand) and the cost relating to the remuneration paid to Senior Management explained in note 17.b.2.

b.2) 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 €664 thousand in terms of fixed and short-term variable remuneration (€692 thousand at 30 June 2024). The remuneration paid to the Group's directors in terms of fixed and short-term variable remuneration amounted to €798 thousand (€1,678 thousand as at 30 June 2024).

The Group has taken out life insurance for all its employees, including senior management, with the cost for senior management during the first half of 2025 €31 thousand (€25 thousand at 30 June 2024). The amount corresponding to the pension plan of this same collective amounted to €32 thousand at 30 June 2025 (€29 thousand at 30 June 2024). The Group maintains civil liability policies for its Board and Management members, with an annual premium of €76 thousand, the 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 2025. The aforementioned

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

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 first half of 2025, an accrual based on this commitment in the amount of 400 thousand euros has been recognized in the profit and loss account (400 thousand euros at 30 June 2024).

b.3) Average headcount

The distribution of the average headcount by job category and gender at 30 June 2025 and 2024 is as follows:

	30.06.25		30.06.24	
	Men	Women	Men	Women
Board members and Senior Management	5	2	5	2
Management	57	8	54	8
Middle management	399	72	378	71
Technicians	2 608	407	2 517	385
	3 069	489	2 954	466

c) Other operating expenses:

The breakdown of "Other operating expenses" caption is as follows:

	€ in thousands	
	30.06.25	30.06.24
External Services	55 844	46 279
Taxes	498	196
Losses, impairment, and variation in provisions	(6 304)	4 298
Other current operating expenses	218	275
	50 256	51 048

The breakdown of the 'External Services' caption is as follows:

	€ in thousands	
	30.06.25	30.06.24
Research and development expenses	-	1
Leases and royalties	2 678	2 137
Repairs and maintenance	4 111	4 965
Independent professional services	4 456	4 023
Transport	4 581	4 664
Insurance premiums	3 703	4 208
Banking and similar services	427	386
Publicity and Merchandising	227	1 035
Travel expenses	5 290	6 301
Supplies	2 898	2 769
Other operating expenses	27 473	15 790
Total External Services	55 844	46 279

The Group's directors do not expect any significant changes to the future operating lease contracts in relation to the contracts in force during the first half of 2025.



TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

18. Financial income and expenses

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.25	30.06.24
Interest expenses:		
- Bank borrowings and other charges	(18 842)	(12 122)
- Exchange rate differences	(4 477)	-
Financial expenses	(23 319)	(12 122)
- Interest income from financial institutions and other items	271	286
- Exchange rate differences	-	1 481
Financial income	271	1 767
Net financial result	(23 048)	(10 355)

During the first half of the year 2025 an amount of €3,848 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	
	30.06.25	30.06.24
Profit/(Loss) for the year before tax	(60 000)	18 234
Adjustments for:		
- Amortization of tangible fixed assets (note 4)	4 183	4 331
- Depreciation of intangible assets (note 5)	11 795	7 300
- Net change in provisions (note 15)	(4 027)	4 506
- Valuation adjustments for impairment (notes 8 and 9)	4 369	688
- Financial expenses (note 18)	18 842	12 122
- Financial income (note 18)	(271)	(286)
- Allocation of grants	(876)	(204)
- Other income and expenses	(2 151)	(1 727)
Changes in working capital:	10 954	(114 635)
Stocks (note 9)	(19 081)	(28 939)
Other financial assets	(50)	122
Customers and other account receivables (note 8)	10 042	(75 986)
Suppliers and other payables (note 13)	20 645	(6 212)
Other assets short-term	(602)	(3 620)
Cash flows from operating activities:	(17 182)	(69 671)

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONDESED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

(Expressed in thousands of euros)

20. Events after the consolidated statement of financial position date

Talgo continues with the process of changing its shareholding structure and strengthening its capital and financial structure, which began in the 2022 financial year, as explained in note 2.8.

There have been no additional subsequent events that could have a significant effect on these condensed consolidated interim 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 2025

(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 flexible enough to adapt to changing market circumstances in the global economic context, which, supported by a strict financial model, has enabled it to progressively increase turnover.

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 2025 amounted to €16.5 million of loss (€41 million in the same period in 2024). In relative terms, the Ebitda margin in this period was (6.09%) (11.8% in the same period of 2024).

The Group's EBIT (earnings before interest and tax) at the end of the first half of 2025 amounted to €37 million of losses (€29 million in June 2024) and the result after tax at the end of this period was €66 million of losses (€15 million in the same period in 2024).

Normal business dynamics and the project cycle increased operating funds requirements to €511 million at the end of June (€495 million at the end of June last year). On the other hand, investments during the period amounted to €24 million.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

The final cash position on 30 June 2025 was €117 million, resulting in a Net Financial debt of €467 million (€357 million at the end of June 2024) and a ratio of n.d DFN over Ebitda year-on-year. The company is currently in a period of restructuring its financial debt in conjunction with the entry of a new shareholder to replace the investment fund that has been participating in the company for the last 15 years.

Business development and global economic impact

The first half of financial year 2025 reflects a significant increase in the Group's order intake, bringing the Group's order book back to record highs, mainly due to the new contract for the supply and maintenance of 65 trains for Flixtrain. The Group is also awaiting new contracts for the supply and maintenance of trains and equipment, which could further boost the order book and expected workload in 2025.

New contracts

In May 2025, the German company Flixtrain awarded Talgo the contract for the supply of 65 Intercity 230 km/h trains and their maintenance for a period of 15 years. This fact reinforces Talgo's position in a market as demanding as the Central European market and shows the confidence that the interoperable product supplied by the company for the whole of Europe has in the railway market.

In addition, it should be noted that during the first half of 2025 the Group has been awarded various contracts, including i) supply of fleet parts and spare parts, as well as numerous contracts for modifications and improvements and services for trains under maintenance or in the construction phase, ii) repair of various accidents or track rolling, and iii) supply of several pit winches for train maintenance for different customers such as Stadler or Alstom KSA. (iv) extension of train maintenance contracts for Deutsche Bahn and various railway operators at the German subsidiary Talgo (Deutschland) GmbH.

Backlog execution

The Group continued to execute its order book in the first half of 2025, with a high level of industrial activity that increased the Group's net revenues to €270 million, down 22% from €346 million in the first half of 2024.

With regard to the manufacturing portfolio, during the first six months of 2025, commercial operation continued in Spain of 27 of the 30 AVRIL type high-speed trains for RENFE (15 of them with UIC gauge and with a maximum speed of 330 km/h and another 15 trains with sliding tracks). These 27 trains were partially taken over by RENFE last year and have been improving their reliability and availability during this first year of operation. The rest of the trains have been undergoing multiple operation tests in Spain and tests in France during this first half of the year and are expected to be partially taken over in the coming months. At the end of 2024, RENFE expressed to Talgo its determination to maintain the decision to impose a penalty for late delivery of the trains. Talgo has expressed its disagreement (see note 2.8 to the condensed consolidated interim financial statements).

In addition, during the January to June 2025 Talgo also continued development and construction work on the following contracts: i) the supply of 79 trains under the framework

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

contract with Deutsche Bahn for the manufacture of up to 100 self-propelled trains with a maximum speed of 230 km/h, contract where Talgo is currently in negotiations for its modification as mentioned in note 2.8 of the accompanying condensed consolidated interim financial statements; ii) the contract for the supply and maintenance of one AVRIL Auscultador train for the Spanish railway infrastructure manager ADIF; iii) the contract with Danish operator DSB for the supply of 16 Talgo 230 trains, as well as the supply of spare parts and technical assistance for their maintenance as part of a framework contract worth up to €500 million; 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 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 programme to refurbish 88 cars up to a maximum of 121 rail vehicles continues to be executed, and the process of refurbishing the cars is already in full swing. With regard to the contract for the refurbishment of 74 railcars for the Los Angeles County Metropolitan Transportation Authority (LACMTA), following the notification received from the customer on 6 May 2022 calling for the termination of the contract, an agreement was reached on 15 May 2025 to cancel the contract by means of compensation to Talgo by the customer and its insurance companies.

In terms of train maintenance activities, the Group continued in the first six months of 2025 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 2025, with numerous new contracts guaranteeing the continuity of this business area. Additionally, the Group has continued its maintenance work and the sale of spare parts for the equipment installed worldwide.

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

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

corporate venturing unit, Talgo Inspire, whose main task is to systematically search for solutions that, by collaborating through open innovation, enable the Group to improve its portfolio of products, services and processes.

Also noteworthy are the well-established Knowledge Management, Strategic Intelligence, Creativity and Technology Transfer tools used, which crystallise the Group's critical knowledge and reinforce collaborative innovation within a much more direct and structured innovation model.

The aim of Talgo's Strategic Intelligence work is to systematically capture, analyse, disseminate and exploit information on the company's environment in order to define opportunities for innovation, warn of changes that could pose a threat to the company and 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 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 principal risks are those typical of the activities in

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

which it operates inherent in the industry itself and the current macroeconomic environment. The Group actively manages the principal risks and considers that the controls designed and implemented in this regard are effective in mitigating their impact, should they materialise.

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

Quality, the environment and risk prevention are fundamental elements in the Group's activities and culture. Proof of this is the Environmental Certificate under the UNE ISO 14001 standard for the activities of Design, Manufacture and Maintenance of railway material and the company's strategic environmental plan with 4 fundamental axes: the fight against climate change, maintaining a transparent and consolidated Environmental Management System, promotion of the circular economy and eco-design, minimisation of impacts and improvement of sustainability.

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

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 standardised 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

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

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

At 30 June 2025, the parent company holds 956,901 treasury shares (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.



TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

All regulated information, including interim financial statements with explanatory notes, annual accounts, annual reports, results presentations, investor/analyst conference calls, press releases or related published information, contains 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 are in line with market practice and 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-25	jun-24	2024
Operating Profit	(37)	29	(71)
Amortization and depreciation (notes 4, 5, 8 y 9)	21	12	25
Gains/(Losses) on disposal of fixed	-	-	-
Operating result - EBITDA	(16)	41	(47)

- 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. Working Capital:

- a) **Definition:** The measure that explains the reconciliation between EBITDA and Free Cash Flow before taxes and investments.
- 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

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

of Funds and their variation, in the notes to the half-yearly results reported to the CNMV.

€m	jun-25	jun-24	2024
Inventory (note 9)	235	219	220
Trade and other receivables (note 8)	628	546	631
Other current assets	21	25	21
Suppliers and other accounts payable (note 13)	(366)	(286)	(346)
Provisions for other liabilities and charges (note 15)	(8)	(9)	(10)
Working Capital	511	495	516

- 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.

3. 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).

€m	jun-25	jun-24	2024
Non-current bank borrowings (note 12)	256	313	350
Current bank borrowings and bonds and other marketable securities (note 12)	319	152	139
Finance leases (note 12)	9	4	7
Cash and cash equivalents (note 10)	(117)	(112)	(93)
Net Financial Debt	467	357	404

- 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.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

4. 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-25	jun-24	2024
Cash Flow from Operating Activities (note 19)	(17)	(70)	(73)
Taxes paid	(4)	(5)	(1)
Cash Flow from investing activities	(24)	(25)	(49)
Operating Cash Flow	(45)	(100)	(123)

- 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.

5. 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.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2025

(Expressed in thousands of euros)

6. 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

TALGO, S.A. AND SUBSIDIARIES

The Board of Directors of the company TALGO, S.A. has prepared on 30 September 2025 the Abbreviated Consolidated Interim Financial Statements corresponding to the first half of 2025.

The members of the Board of Directors of the Company hereby declare that they have unanimously signed the abovementioned Abbreviated Consolidated Interim Financial Statements for the first half of 2025.



Carlos de Palacio y de Oriol
Chairman



Gonzalo Urquijo Fernandez de Aroz
CEO

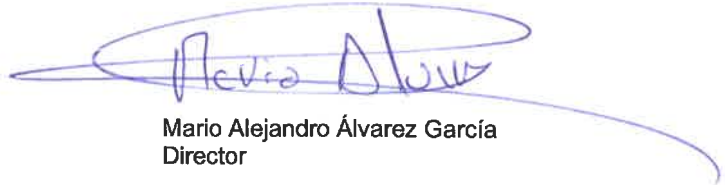


Marisa Poncela García
Director

Antonio Oporto del Olmo
Director



María José Zueco Peña
Director



Mario Alejandro Álvarez García
Director

This document is signed by all members of the Board of Directors of the Company as a sign of their agreement.

Fdo: María José Zueco Peña
Secretary



TALGO, S.A. AND SUBSIDIARIES

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Carlos de Palacio y de Oriol
Chairman

Gonzalo Urquijo Fernandez de Aroz
CEO

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Marisa Poncela García
Director

Antonio Oporto del Olmo
Director

María José Zueco Peña
Director

Mario Alejandro Álvarez García
Director

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Fdo: María José Zueco Peña
Secretary

**STATEMENT OF RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30
JUNE 2025**

The members of the Board of Directors of Talgo, S.A. declare that, to the best of their knowledge, the abbreviated consolidated interim financial statements for the first half of the financial year 2025 (1 January 2025 - 30 June 2025) prepared by the Board of Directors at its meeting held on 30 September 2025 and drawn up in accordance with the applicable accounting principles give a true and fair view of the net worth, financial position and results of Talgo, S.A. and of the companies included in the consolidation taken as a whole, and that the consolidated interim management report includes a true and fair analysis of the required information.

Madrid, on 30 September 2025.



Carlos de Palacio y de Oriol
Chairman

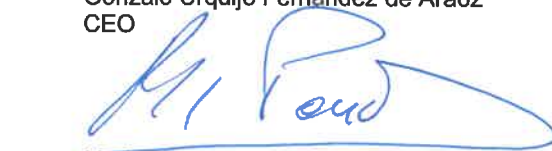


Gonzalo Urquijo Fernández de Aroz
CEO

Antonio Oporto del Olmo
Director



María José Zueco Peña
Director



Marisa Poncela García
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STATEMENT OF RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30
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Madrid, on 30 September 2025.

Carlos de Palacio y de Oriol
Chairman

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Antonio Oporto del Olmo
Director

Gonzalo Urquijo Fernández de Araoz
CEO

Marisa Poncela García
Director

María José Zueco Peña
Director

Mario Alejandro Álvarez García
Director