TALGO, S.A. AND SUBSIDIARIES

Abbreviated Consolidated Interim Financial Statements 30 June 2019

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

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 31 DECEMBER 2018

(Expressed in thousands of euros)

	Notes	30.06.2019	31.12.2018
ASSETS			
Non-current assets			
Tangible fixed assets	4	66 068	61 558
Intangible assets	5	37 038	37 714
Goodwill	6	112 439	112 439
Investment in associates	8	10	10
Deferred tax assets	15	32 309	28 532
Other financial assets	8	2 433	2 153
		250 297	**242 406**
Current assets			
Stock	10	102 870	84 608
Customers and other accounts receivable	9,17	172 884	189 299
Other financial assets	8	10 189	73
Asset accruals		4 991	4 108
Cash and cash equivalents	11	312 282	383 733
		603 216	**661 821**
TOTAL ASSETS		**853 513**	**904 227**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position for the six months ended 30 June 2019.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 31 DECEMBER 2018

(Expressed in thousands of euros)

	Notes	30.06.2019	31.12.2018
EQUITY			
Capital and reserves attributable to the owners of the Parent Company			
Share capital	12	41 105	41 105
Share premium	12	6 784	6 784
Other reserves	12	(38 632)	(4 046)
Retained earnings	12	2 926	2 851
Treasury stock	12	295 408	281 421
Total equity		**307 591**	**328 115**
LIABILITIES			
Non-current liabilities			
Borrowings	13	247 096	284 998
Derivatives		77	-
Deferred tax liabilities	15	7 263	6 889
Provisions for other liabilities and charges	16	35 210	37 126
Government grants		1 675	1 951
		291 321	**330 964**
Current liabilities			
Suppliers and other payables	14,17	210 747	223 343
Current tax liabilities		16	124
Borrowings	13	39 533	16 772
Provisions for other liabilities and charges	16	4 305	4 909
		254 601	**245 148**
Total liabilities		**545 922**	**576 112**
TOTAL EQUITY AND LIABILITIES		**853 513**	**904 227**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of financial position for the six months ended 30 June 2019.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 2018

(Expressed in thousands of euros)

	Notes	30.06.2019	30.06.2018
Net turnover	**3**	**167 773**	**163 029**
Other income		1 052	842
Stock variation for work-in-progress and finished goods		1 544	(1 624)
Work performed and capitalized by the Company		1 582	586
Procurement costs		(57 364)	(51 638)
Personnel costs	18	(59 892)	(54 677)
Other operating expenses		(26 844)	(27 045)
Amortization and depreciation charge	4,5	(7 216)	(11 072)
Other results		140	296
Operating profit		**20 775**	**18 697**
Financial income	19	30	34
Financial expenses	19	(4 093)	(4 817)
Net financial result		**(4 063)**	**(4 783)**
Profit before tax		**16 712**	**13 914**
Income tax charge	15	(2 725)	(3 913)
Profit for the period from continuing operations		**13 987**	**10 001**
Profit for the period		**13 987**	**10 001**
Attributable to: Owners of the parent	12	13 987	10 001
Non-controlling interests		-	-
Basic earnings per share attributable to the owners of the Company			
Continuing operations	12	0.10	0.07
Total		**0.10**	**0.07**
Diluted earnings per share attributable to the owners of the Company			
Continuing operations	12	0.10	0.07
Total		**0.10**	**0.07**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim comprehensive income for the six months ended 30 June 2019.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 2018

(Expressed in thousands of euros)

	30.06.2019	30.06.2018
Profit for the period	**13 987**	**10 001**
Other comprehensive income:		
Cash flow hedges:		
Direct assignment to equity:		
Cash flow hedge	(77)	-
Tax effect of the equity assignment	19	-
Transfer to results:		
Cash flow hedge	-	-
Tax effect of the cash flow hedge	-	-
Foreign currency translation differences	133	768
Total other comprehensive Income	**75**	**768**
Total comprehensive income for the period		
Attributable to:		
-Owners of the parent	14 062	10 769
-Non-controlling interests	-	-
Total comprehensive income for the period	**14 062**	**10 769**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of comprehensive income for the six months ended 30 June 2019.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 2018

(Expressed in thousands of euros)

	Share capital (Note 12)	Share premium	Other reserves (Note 12)	Retained earnings	Other equity instruments (Note 12)	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**41 105**	**6 784**	**1 684**	**264 083**	**(121)**	**313 535**	**-**	**313 535**
Change in accounting principles	**-**	**-**	**-**	(442)	**-**	**(442)**	**-**	**(442)**
Balance at 1 January 2018	**41 105**	**6 784**	**1 684**	**263 641**	**(121)**	**313 093**	**-**	**313 093**
Comprehensive Income								
Profit or loss	-	-	-	10 001	-	10 001	-	10 001
Other comprehensive Income								
Currency exchange differences	-	-	768	-	-	768	-	768
Total comprehensive Income	**-**	**-**	**768**	**10 001**	**-**	**10 769**	**-**	**10 769**
Transactions with owners								
Acquisition of Treasury Stock (stock repurchase plan)	-	-	-	-	**-**	-	-	-
Other movements	**-**	**-**	**-**	**77**	**-**	**77**	**-**	**77**
Total transactions with owners	**-**	**-**	**-**	**77**	**-**	**77**	**-**	**77**
Balance at 30 June 2018	**41 105**	**6 784**	**2 452**	**273 719**	**(121)**	**323 939**	**-**	**323 939**
Balance at 31 December 2018	**41 105**	**6 784**	**2 851**	**281 421**	**(4 046)**	**328 115**	**-**	**328 115**
Comprehensive income								
Profit or loss	-	-	-	13 987	-	13 987	-	13 987
Other comprehensive Income								
Currency exchange differences	-	-	133	-	-	133	-	133
Hedging derivative	**-**	**-**	(58)	-	**-**	(58)	**-**	(58)
Total comprehensive Income	**-**	**-**	**75**	**13 987**	**-**	**14 062**	**-**	**14 062**
Transactions with owners								
Acquisition of Treasury Stock (stock repurchase plan)	-	-	-	-	(34 586)	(34 586)	-	(34 586)
Other equity movements	-	-	**-**	-	-	**-**	-	**-**
Total transactions with owners	**-**	**-**	**-**	**-**	**(34 586)**	**(34 586)**	-	**(34 586)**
Balance at 30 June 2019	**41 105**	**6 784**	**2 926**	**295 408**	**(38 632)**	**307 591**	**-**	**307 591**

Notes 1 to 21 form an integral part of the abbreviated consolidated interim statement of changes in equity for the six months ended 30 June 2019.

TALGO, S.A. AND SUBSIDIARIES

ABBREVIATED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 2018
(Expressed in thousands of euros)

	30.06.2019	30.06.2018
Cash flows from operating activities		
Cash used in operations	**7 119**	**(26 670)**
Interest paid	(4 517)	(4 230)
Interest received	25	34
Tax paid	(4 432)	(2 660)
Net cash flow generated from operating activities	**(1 805)**	**(33 526)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(1 061)	(1 486)
Purchases of intangible assets	(2 490)	(1 235)
Financial assets investments	(10 000)	-
Net cash used in investing activities	**(13 551)**	**(2 721)**
Cash flows from financing activities		
Own equity instruments acquisition	(34 774)	-
Disbursements for loan repayments	(49 384)	(13 493)
Proceeds from borrowings	29 021	79
Lease debts	(958)	-
Net cash used / (generated) in financing activities	**(56 095)**	**(13 414)**
Net (decrease) / increase in cash, cash equivalents and bank overdrafts	**(71 451)**	**(49 661)**
Cash, cash equivalents and bank overdrafts at the beginning of period	383 733	243 195
Cash, cash equivalents and bank overdrafts at the end of period	312 282	193 534

Notes 1 to 21 form an integral part of the abbreviated consolidated statement of cash flows corresponding to the six months ended 30 June 2019.

SUMMARY

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE ABBREVIATED CONSOLIDATED INTERIM ACCOUNTS FOR THE SIX MONTHS ENDED 30 JUNE 2019
(Expressed in thousands of euros)

1. General Information

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

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

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

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

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

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

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

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

2. Summary of the main accounting policies applied in the preparation of the abbreviated consolidated interim accounts for the six months ended 30 June 2019

2.1 Basis of presentation

These Abbreviated Consolidated Interim Financial Statements are presented in accordance with IAS 34 on Interim Financial Information and were drawn up by the Directors of the Board meeting which was held on 24 July 2019. This consolidated interim financial information has been prepared based on the accountancy records kept by Talgo, S.A. and the other companies forming part of the Group, and includes the adjustments and re-classifications necessary to achieve uniformity between the accountancy and presentation criteria followed by all the companies of the Group in accordance with the International Financial Reporting Standards (henceforth IFRS).

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 2018 financial year. Therefore, adequate understanding of the information, these Abbreviated Consolidated Interim Financial Statements must be read jointly with Consolidated Annual Accounts corresponding to the 2018 financial year.

The Accounting Policies adopted in the drafting of the Abbreviated Consolidated Interim Financial Statements are consistent with those established in Consolidated Annual Accounts corresponding to the 2018 financial year, except for the standards and understanding that have come into force during the first half of 2019 and are detailed below.

2.1.1 Changes in accounting criteria

During first half of 2019 financial year no changes were made in the accounting criteria with respect to the criteria applied in 2018.

2.1.2 Entry into force of new accounting standards

During first half of 2019, the following standards and interpretations came into effect and have already been adopted by the European Union. Where applicable and appropriate, the Group has applied these rules in its preparation of the Abbreviated Consolidated Interim Financial Statements.

(Expressed in thousands of euros)

2.2.1. New mandatory standards, modifications and interpretations for financial years after the calendar year, which began on 1 January 2019:

New standards, modifications and interpretations:		**Obligatory application for financial years starting on:**
Approved for use in the European Union		
IFRS 16. Leases (published in Jan 2016).	It replaces IAS 17 and associated interpretations. The central novelty lies in a single accounting model for leases, which will include on the balance sheet all leases (with some limited exceptions) with an impact similar to that of current leases (there will be amortization of the right-of-use asset and a financial expense for the amortized cost of the liability).	1 January 2019
Amendments or/and modifications		
Amendment to IFRS 9. Prepayment features with Negative Compensation (published October 2017).	This modification will allow the valuation at amortized cost of some financial assets to be cancelled in advance for a lesser amount than the outstanding amount of principal and interest on the principal.	1 January 2019
IFRIC 23 – Uncertainty over tax treatments (published in June 2017).	Clarifies how to apply the registration and valuation criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a particular tax treatment used by the entity.	1 January 2019
Amendment to IAS 28 Long-term interest in associates and joint ventures (published in October 2017).	Clarifies that IFRS 9 must be applied to long-term interests in an associate or a joint ventures if equity method is not applied.	1 January 2019
Amendment to IFRS 3 Business Combinations – Annual Improvement Cycle 2015-2017 (published December 2017).	Acquisition of control over a business previously registered as a joint venture.	1 January 2019
Amendment to IFRS 11 Joint Ventures – Annual Improvement Cycle 2015-2017 (published December 2017).	Acquisition of joint control over a joint venture, which constitutes a business.	1 January 2019
Amendment to IAS 12 Income Tax – Annual Improvement Cycle 2015-2017 (published December 2017).	Record of the tax impact of the remuneration of financial instruments classified as equity.	1 January 2019
Amendment to IAS 23 Interest Costs – Annual Improvement Cycle 2015-2017 (published In December 2017).	Capitalization of unpaid financing interest specifies a ready-to-use asset.	1 January 2019
Amendment of IAS 19. Modification, reduction or settlement of a plan (published In December 2017).	Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a definite benefit plan is modified, reduced or liquidated.	1 January 2019

The Group is applying the aforementioned standards and interpretations, since their entry into force on 1 January 2019, whose impacts have been taken into account in the preparation of the abbreviated consolidated interim financial statements as of 30 June 2019.

IFRS 16, Leases, replaces IAS 17, Leases, and related interpretations. This new standard incorporates most of the leases in the consolidated statement of financial position for lessees under a single model, eliminating the distinction between operating and financial leases, while the model for lessors remains without substantial changes. IFRS 16 is effective as of January 1, 2019 and the Group has decided to adopt it with the recognition of all the effects at that date, without modifying previous periods.

Under this standard, lessees have recognized a right-of-use asset and the corresponding lease liability. The right-of-use will depreciate according to the contractual term or in some cases, in its economic useful life. On the other hand, the lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the implicit interest rate of the lease, or if this could not be determined in a reliable manner, the lessee´s incremental borrowing rate. Subsequently, the liability accrues interest until its maturity.

The Group will apply exemptions for not recognizing an asset and a liability in accordance with the method described, for lease agreements with a term of less than 12 months (provided that they do not contain purchase or renewal options) and for those contracts in that the acquisition of an individual asset of the contract was less than $5 thousand. Therefore, payments for such leases will continue to be recognized as expenses within the consolidated operating result.

Additionally, the Group applies the following practical hypothesis contemplated by the standard:

- For leases classified as financial leases as of December 31, 2018 and without components for updating minimum payments for inflation, maintain at the date of adoption of IFRS 16 the balance of the asset for right-of-use and its corresponding lease liability.

- Do not reassess the conclusions previously reached for service contracts that were analyzed until December 31, 2018 under IFRIC 4, Determination of whether a contract contains a lease, in which it was concluded that there was no implicit lease.

Finally, as a result of these changes, some performance indicators of the Group, such as operating profit and EBITDA, will be affected due to the fact that what was previously recognized as an operating expense (lease expense) is now recognized in part as an operating expense, thereby reducing the financial liability (which will not affect the consolidated income statement) and, the other part, as financial expense (which will not affect the consolidated income statement if the entire lease period is considered). On the other hand, the depreciation expense of the right-of-use assets will affect the operating profit on a linear basis, but without representing an outflow of cash, which will benefit the Group's EBITDA.

The impact of the first application of the standard as of January 1, 2019 has increased tangible fixed assets and financial liabilities by an amount of €5,912 thousand (notes 4 and 13). The Group accepts the alternative 2 that the standard dictates, by which the comparative statements are not reissued and the financial liability is calculated discounting the future cash flows of the contracts previously classified as operating leases in force as of January 1, 2019. The asset is valued as the adjusted liability, where applicable, for any prepayment or accrual prior to the date of first application, in the case of contracts previously considered as financial, no adjustment will be made.

(Expressed in thousands of euros)

2.2.2. New mandatory standards, modifications and interpretations for financial years after the calendar year, which began on 1 January 2019:

New standards, modifications and interpretations:		**Obligatory application for financial years starting on :**
Not Approved for use in the European Union at the date of this document publication		
NIIF 17. Insurance contract (published in May 2017).	It replaces IFRS 4 and sets out the principles of registration, valuation, presentation and breakdown of insurance contracts in order for the entity to provide relevant and reliable information that allows users of the information to determine the effect that contracts have in the financial statements.	1 January 2021
Amendments or/and modifications		
Amendment to IFRS 3. Business definition (published October 2018).	Clarifications to the business definition.	1 January 2020
Amendment to IAS 1 and IAS 8 Definition of "materiality" (published October 2018).	Modifications to IAS 1 and IAS 8 to align the definition of "materiality" with that contained in the conceptual framework.	1 January 2020

2.3 Variations in the consolidation perimeter

No changes were made to the consolidation perimeter during first half of 2019.

2.4 Significant accounting estimates and judgements

The consolidated results and calculation of consolidated equity are sensitive to the accounting principles and policies, valuation criteria and estimations adopted by the Directors of the Parent Company during the preparation of these abbreviated consolidated interim financial statements. The main principles, accounting policies and valuation criteria are detailed in Notes 2 and 4 of the consolidated annual accounts for 2018.

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

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

- Estimated loss due to impairment of goodwill.

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

- Revenue recognition by percentage of completion method.
- Useful lives of intangible and tangible fixed assets.
- Calculation of provisions.
- The evolution of costs estimated in the budgets of the projects of completed works.

2.5 Contingent assets and liabilities

In Note 28 of the Group's consolidated annual accounts for the year ended 31 December 2018, information was provided about the contingent assets and liabilities as at that date.

During the first half of 2019, additional liabilities may arise in the event of a tax inspection, as a result of the different possible interpretations of the governing tax legislation, amongst other factors. In any case, the Directors consider that those liabilities, in the event that they were to arise, would not significantly affect the abbreviated consolidated financial statements.

3. Segment reporting

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

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

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

Likewise, the “Auxiliary machines and Others” segment primarily includes the manufacture and maintenance of lathes and other equipment, as well as repairs, modifications and the sale of spare parts.

The “General” segment includes general corporate expenses not directly assignable to other segments.

The segment information supplied to the Board of Directors of Talgo, S.A. for decision making relating to the six-month period ended at 30 June 2019 and 30 June 2018, was obtained from the Group's management reporting systems and does not differ significantly from the IFRS information. It is presented below:

	30.06.19			
	€ in thousands			
	Rolling stock	**Auxiliary machines and others**	**General**	**Total**
Total segment revenues	148 533	19 240	-	167 773
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	**148 533**	**19 240**	**-**	**167 773**
Amortization and depreciation charge	6 271	113	832	7 216
Operating result	**35 620**	**3 589**	**(18 434)**	**20 775**
Financial income	29	1	-	30
Financial expenses	(2 946)	(370)	(777)	(4 093)
Result before tax	**32 703**	**3 220**	**(19 211)**	**16 712**
Total Assets	**737 940**	**77 046**	**38 527**	**853 513**
Total Liabilities	**451 071**	**28 558**	**66 293**	**545 922**
Fixed asset investments	**2 221**	**41**	**2 850**	**5 112**

	30.06.18			
	€ in thousands			
	Rolling stock	**Auxiliary machines and others**	**General**	**Total**
Total segment revenues	149 401	13 628	-	163 029
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	**149 401**	**13 628**	**-**	**163 029**
Amortization and depreciation charge	9 655	200	1 217	11 072
Operating result	**30 229**	**5 156**	**(16 688)**	**18 697**
Financial income	31	3	-	34
Financial expenses	(3 631)	(473)	(713)	(4 817)
Result before tax	**26 629**	**4 686**	**(17 401)**	**13 914**
Total Assets	**713 964**	**86 160**	**32 936**	**833 060**
Total Liabilities	**399 640**	**34 253**	**75 228**	**509 121**
Fixed asset investments	**1 776**	**30**	**915**	**2 721**

Ordinary revenues from external customers, total assets and total liabilities, as reported to the Board of Directors, are valued in accordance with the principles consistent with those applied in the annual accounts.

Total net Turnover from external customers for the six-month period ended at 30 June 2019 and 2018 was distributed geographically as follows:

	€ in thousands	
	30.06.19	**30.06.18**
Spain	88 675	84 279
Rest of Europe	10 469	8 182
USA	9 006	9 600
Middle East and North Africa	28 139	27 549
Commonwealth of Independent States	30 443	33 309
Asia	1 041	110
	167 773	**163 029**

Total non-current assets, other than financial instruments and deferred tax assets in the first half of 2019 and exercise 2018 were distributed geographically as follows:

	€ in thousands	
	30.06.19	**31.12.18**
Spain	208 555	204 185
Overseas	6 990	7 526
	215 545	**211 711**

4. Tangible fixed assets

The movements in the accounts included within tangible fixed assets, fully depreciated and provisions during first half of 2019 and 2018 financial year were as follows:

	Balance at 31.12.17	Exchange differences	Additions	Disposals	Transfers	Balance at 31.12.18
Cost						
Land	9 894	-	-	-	-	9 894
Buildings	55 475	42	-	-	5	55 522
Technical installations and machinery	30 925	86	283	(585)	148	30 857
Other facilities, tools and furniture	53 658	44	149	(377)	453	53 927
Advances and work in progress	991	1	2 245	-	(626)	2 611
Other fixed assets	8 641	4	63	(80)	20	8 648
	159 584	177	2 740	(1 042)	-	161 459
Depreciation						
Buildings	(27 171)	(41)	(1 855)	-	-	(29 067)
Technical installations and machinery	(21 078)	(79)	(1 701)	401	-	(22 457)
Other facilities, tools and furniture	(39 563)	(43)	(2 307)	338	-	(41 575)
Other fixed assets	(6 383)	(2)	(497)	80	-	(6 802)
	(94 195)	(165)	(6 360)	819	-	(99 901)
Net book value	**65 389**	**12**	**(3 620)**	**(223)**	**-**	**61 558**

(Expressed in thousands of euros)

	Balance at 31.12.18	Transition to NIIF 16	Exchange differences	Additions	Disposals	Transfers	Balance at 30.06.19
Cost							
Land	9 894	-	-	-	-	-	9 894
Buildings	55 522	-	6	7	-	16	55 551
Technical installations and machinery	30 857	-	12	70	-	187	31 126
Other facilities, tools and furniture	53 927	-	6	-	(2)	222	54 153
Advances and work in progress	2 611	-	-	966	-	(456)	3 121
Other fixed assets	8 648	-	1	18	-	31	8 698
Right-of-use asset	-	5 912	20	1 561	-	-	7 493
	161 459	5 912	45	2 622	(2)	-	170 036
Depreciation							
Buildings	(29 067)	-	(6)	(928)	-	-	(30 001)
Technical installations and machinery	(22 457)	-	(11)	(863)	-	-	(23 331)
Other facilities, tools and furniture	(41 575)	-	(6)	(1 133)	2	-	(42 712)
Other fixed assets	(6 802)	-	-	(166)	-	-	(6 968)
Right-of-use asset	-	-	2	(958)	-	-	(956)
	(99 901)	-	(21)	(4 048)	2	-	(103 968)
Net book value	**61 558**	**5 912**	**24**	**(1 426)**	**-**	**-**	**66 068**

As a result of the entry into force of IFRS 16 (note 2.2.1) on 1 January 2019, the Group has increased its fixed assets and debt (note 13) by €5,912 thousand by the recognition of right-of-use assets relating to leases, that meet the definition of lease under IFRS 16.

The nature of the activities of the right-to-use assets relate, in essence, to the rental of offices and premises for the development of the Group's activities. During first half of 2019, Group has signed up a new rental contract with a related company Inmajor, S.A. (note 17), which has taken an increase of the right-of-use asset of €1,561 thousands.

During first half of 2019, main additions to tangible assets correspond to IT equipment renewals, which are owned by the subsidiary Patentes Talgo, S.L.U., and new technical installations –testing bench–.

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

At 30 June 2019, tangible fixed assets with an initial cost of €54,942 thousand have been fully depreciated and were still operational (30 June 2018: €53,947 thousand).

During first half of 2019 and exercise 2018, 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 fixed assets elements are subjected. The coverage of these policies is considered sufficient.

(Expressed in thousands of euros)

5. Intangible assets

The movements in the intangible assets accounts fully depreciated and provisions during first half of 2019 and 2018 financial year were as follows:

	Balance at 31.12.17	Exchange differences	Additions	Disposals	Transfers	Balance at 31.12.18
Cost						
Development	104 104	-	-	-	11 406	115 510
Industrial property	1 749	-	-	-	-	1 749
Software	15 908	44	35	(768)	195	15 414
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	11 598	-	6 799	-	(11 601)	6 796
	158 428	44	6 834	(768)	-	164 538
Amortization and impairment losses						
Development	(90 066)	-	(13 122)	-	-	(103 188)
Industrial property	(22)	-	-	-	-	(22)
Software	(11 496)	(42)	(1 439)	732	-	(12 245)
Maintenance contracts	(7 712)	-	(1 928)	-	-	(9 640)
Impairment losses	(1 729)	-	-	-	-	(1 729)
	(111 025)	(42)	(16 489)	732	-	(126 824)
Net book value	**47 403**	**2**	**(9 655)**	**(36)**	**-**	**37 714**

	Balance at 31.12.18	Exchange differences	Additions	Disposals	Transfers	Balance at 30.06.19
Cost						
Development	115 510	-	-	-	901	116 411
Industrial property	1 749	-	-	-	-	1 749
Software	15 414	6	2	-	705	16 127
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	6 796	-	2 488	-	(1 606)	7 678
	164 538	6	2 490	-	-	167 034
Amortization and impairment losses						
Development	(103 188)	-	(1 594)	-	-	(104 782)
Industrial property	(22)	-	-	-	-	(22)
Software	(12 245)	(4)	(610)	-	-	(12 859)
Maintenance contracts	(9 640)	-	(964)	-	-	(10 604)
Impairment losses	(1 729)	-	-	-	-	(1 729)
	(126 824)	(4)	(3 168)	-	-	(129 996)
Net book value	**37 714**	**2**	**(678)**	**-**	**-**	**37 038**

The main additions in first half 2019 are related to Development projects the Group runs in Spain.

At 30 June 2019, the Group held intangible assets that were fully depreciated and still operational, which had an initial cost of €111,142 thousand (30 June 2018: €62,314 thousand).

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

During first half 2019 and 2018, no valuation corrections were recognized or reversed due to the impairment of any individual intangible assets. Furthermore, the impairment tests performed on the intangible assets that were not yet operational as at 30 June 2019 and 31 December 2018 did not show any signs of impairment.

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

This impairment test was performed by discounting the cash flows of the manufacturing projects, using a discount rate of 8.1% and a growth rate of 0.5%.

6. Goodwill

The movement in goodwill was as follows:

	€ in thousands
Balance at 31.12.17	**112 439**
Additions	-
Disposals	-
Balance at 31.12.18	**112 439**
Additions	-
Disposals	-
Balance at 30.06.19	**112 439**

Goodwill impairment tests

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

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

	€ in thousands	
	30.06.19	**31.12.18**
Rolling stock	101 886	101 886
Auxiliary machines and other	10 553	10 553
Total Goodwill	**112 439**	**112 439**

The amount recoverable from a CGU is determined on the basis of "value in use" calculations. These calculations use cash flow projections based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates.

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

The key hypotheses used for the value in use calculations in first half of 2019 and 2018 are detailed below:

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

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

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

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

Key hypothesis:

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

The key hypotheses used for the value in use calculations in first half 2019 and exercise 2018 were: a discount rate of 8.1% and a growth rate of 0.5%.

Sensitivity analysis:

The Group has conducted a sensitivity analysis assuming +/- 30% variations in the net cash flows of the projects.
In addition, the Group has considered sensitivity by varying the growth rate in perpetuity, by +/- 50 basis points, as well as by varying the discount rate by +/-300 basis points.
The combination of the above variables has also been subjected to sensitivity analysis.

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

During 2018 and the first half of 2019, none of the CGUs evaluated has shown any signs of impairment.

7. Financial instruments by category

The breakdown of financial instruments by category is as follows:

			€ in thousands
	Loans and Accounts receivable	**Hedge Derivatives**	**Total**
31 December 2018			
Assets on the statement of financial position			
Customers and other accounts receivable (note 9)*	185 294	-	185 294
Other financial assets (note 8)	2 236	-	2 236
Cash and cash equivalents (note 11)	383 733	-	383 733
	571 263	**-**	**571 263**
30 June 2019			
Assets on the statement of financial position			
Customers and other accounts receivable (note 9)*	168 252	-	168 252
Other financial assets (note 8)	12 632	-	12 632
Cash and cash equivalents (note 11)	312 282	-	312 282
	493 166	**-**	**493 166**

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

	€ in thousands		
	Hedge Derivatives	**Financial liabilities at amortized cost**	**Total**
31 December 2018			
Liabilities on the statement of financial position			
Borrowings (note 13)	-	301 770	301 770
Suppliers and other payables (note 14)*	-	101 932	101 932
	-	**403 702**	**403 702**
30 June 2019			
Liabilities on the statement of financial position			
Borrowings (note 13)	-	286 629	286 629
Derivatives	77	-	77
Suppliers and other payables (note 14)*	-	115 652	115 652
	77	**402 281**	**402 358**

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

8. Other financial assets and investments in associates

The breakdown of this balance is as follows:

		€ in thousands
	30.06.19	**31.12.18**
Other non-current financial assets and investments in associates		
Loans to third parties and other loans (note 8 a)	857	852
Deposits and guarantees (note 8 b)	1 576	1 301
Investment in associates	10	10
	2 443	**2 163**
Other current financial assets		
Money market funds investments (note 8 c)	10 000	-
Loans to third parties	51	51
Deposits and guarantees (note 8 b)	138	22
	10 189	**73**
Total other financial assets	**12 632**	**2 236**

a) Loans to third parties and other loans

The ‘Loans to third parties’ caption includes balances with related parties amounting to €652 thousand (notes 17 and 18) and a receivables balance from financial institutions relating to the monetization of loans from the CDTI amounting to €205 thousand.

b) Deposits and guarantees

The ‘Deposits and guarantees’ caption included in the non-current assets balance at 31 December 2018 and 30 June 2019 mainly comprises a deposit made by the Group’s American subsidiary, Talgo Inc., for the maintenance contract held by this subsidiary.

c) Money market funds investments

On April 19, 2019, the company Patentes Talgo, S.L.U. has formalized an investment in a money market fund in the amount of €10,000 thousand, representing a total of 98,570,724 shares in the fund. This investment is characterized by its high liquidity component and whose return is linked to the value of the investment at the date of its recovery.

9. Customers and other accounts receivable

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

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

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

This caption is broken down as follows:

	€ in thousands	
	30.06.19	**31.12.18**
Customers	104 657	102 100
Construction completed not yet invoiced	63 286	80 182
Customers – group companies and associates (note 17)	1 338	3 562
Provision for impairment losses	(4 579)	(4 522)
Customers – Net	**164 702**	**181 322**
Public entities	6 489	6 150
Sundry debtors	1 261	1 466
Personnel	432	361
Total	**172 884**	**189 299**

At 30 June 2019, the Group´s sale commitments amounted to €3,251 million (30 June 2018: €2,739 million).

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

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

	€ in thousands	
	30.06.2019	**30.06.2018**
At 1 January	**4 522**	**4 838**
Provision recognition	96	833
Disposals	(39)	(1 271)
At 30 June	**4 579**	**4 400**

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

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

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

	€ in thousands	
	30.06.19	**31.12.18**
Public administrations tax receivables for VAT	1 146	1 311
Public administrations debtors for grants	1 857	2 145
Public administrations debtors for other taxes	765	461
Public administrations corporate income tax	2 721	2 233
	6 489	**6 150**

10. Stock

The composition of this caption is shown below:

	€ in thousands	
	30.06.19	**31.12.18**
Raw Materials	73 596	61 809
Work in progress	20 524	18 888
Advances	17 083	12 320
Provision for the depreciation of raw materials	(8 333)	(8 409)
	102 870	**84 608**

At 30 June 2019, the Group's commitments for the purchase of raw materials and other services amounted to €343,628 thousand (30 June 2018: €89,433 thousand).

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

					€ in thousands
	Balance at 31.12.18	**Exchange differences**	**Provision**	**Application**	**Balance at 30.06.19**
Provision for the depreciation of raw materials	(8 409)	(34)	(115)	225	(8 333)
	(8 409)	**(34)**	**(115)**	**225**	**(8 333)**

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

11. Cash and cash equivalents

The breakdown of this caption is as follows:

		€ in thousands
	30.06.19	**31.12.18**
Cash	307 964	380 044
Cash equivalents	4 318	3 689
Total	**312 282**	**383 733**

The balance included in “Cash equivalents” corresponds to a deposit made by the subsidiary Talgo, Inc. whose maturity is daily and which accrues a yearly market interest rate. The balance indicated in this caption on the statement of financial position is fully and freely available.

12. Equity

Equity movement can be seen in the statement of changes in equity.

a) Share Capital and Share Premium

The variations in the number of shares and in the Share Capital account of the Parent Company during first half 2019 and 2018 financial year were as follows:

		€ in thousands
	Number of shares	**Share capital**
At 31 December 2017	**136 562 598**	**41 105**
Capital increases	-	-
Capital reductions	-	-
	136 562 598	**41 105**
At 31 December 2018	-	-
Capital increases	-	-
Capital reductions	-	-
At 30 June 2019	**136 562 598**	**41 105**

As at 31 December 2018 and at June 2019 the Parent Company's share capital comprised 136,562,598 shares and had a nominal value of €0.301.

According to the reports filed with the National Securities Exchange Commission regarding the number of company shares, the following owners held significant stakes in the share capital of the Parent Company, both directly and indirectly, which individually exceeded 3% of the Share Capital as at 30 June 2019:

Company	**% stake**
Trilantic Capital Investment GP Limited	35.02%
Santa Lucia S.A. Cía de Seguros	5.02%
	40.04%

b) Distribution of profits

On May 21, 2019, the General Shareholders Meeting resolved to distribute of the Parent company's profit of the year 2018, as follows:

	€ in thousands
	2018
To Reserves	12 242
Losses from previous years	1 372
	13 614

c) Foreign Currency Translation.

The amount of Foreign Currency Translation recognized within other reserves corresponds entirely to the translation of the functional currency of the financial statements of the Group's subsidiaries Talgo Inc., Patentes Talgo Tashkent, L.L.C., Talgo India Private Limited and Talgo Shanghai Railways Equipment Co., Ltd.

d) Earnings per Share.

Basic Earnings per Share.

The basic earnings per share are calculated by dividing the profit 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 in issue during the financial period.

	€ in thousands	
	30.06.19	**30.06.18**
Profits attributable to the Company´s Shareholders	13 987	10 001
Weighted average number of outstanding ordinary shares	136 562 598	136 562 598
Basic Earnings per Share	0.10	0.07
	0.10	**0.07**

Diluted earnings per share

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

	€ in thousands	
	30.06.19	**30.06.18**
Profits attributable to the Company´s Shareholders	13 987	10 001
Profit used to determine diluted earnings per share	13 987	10 001
Weighted average number of ordinary shares in circulation	136 562 598	136 562 598
Weighted average number of ordinary shares for the purposes of diluted earnings per share	136 562 598	136 562 598
Diluted Earnings per Share	0,10	0.07
	0,10	**0.07**

e) Treasury stock

As at 30 June 2019 and at 31 December 2018, the Company held 6,846,485 and 790,798 shares in treasury stock. The corresponding details are presented below:

	Number of shares	**Acquisiton Price**	**Quotation**	**Stock price**	**%**
Shares in Treasury stock June 30, 2019	6,846,485	5.6	5.5	37,656	5.01%
Shares in Treasury stock December 31, 2018	790,798	5.1	5.3	4,215	0.58%

The acquisition of the aforementioned shares was carried out in accordance with the Share Repurchase Plan, whose term are defined in Note 14 of the consolidated annual accounts for 2018, which were approved by the Board of Directors on 15 November 2018.

13. Borrowings

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.19	**31.12.18**
Non-current		
Debt with credit institutions (note 13.a)	222 755	265 559
Lease debts (note 13.b)	6 225	-
Other financial liabilities (note 13.c)	18 116	18 528
	247 096	284 998
Current		
Debt with credit institutions (note 13.a)	34 302	12 290
Lease debts (note 13.b)	1 402	-
Other financial liabilities (note 13.c)	3 829	3 888
	39 533	16 772
Total borrowings	**286 629**	**301 770**

a) Debt with credit institutions

On 21 December 2017, a financing contract was signed with the European Investment Bank for a maximum amount of up to €30,000 thousand, which was fully drawn during 2018 financial year. The balance as of 30 June 2019 amounts to €30,000 thousand and is classified in the non-current liability, being the date of its first repayment in the 2021 financial year, which bears a fixed market interest rate.

The aforementioned contracts contain a number of associated obligations and covenants known as the Guarantee Ratio, the Commitment Ratio, the Financial Expense Ratio, which the Group has complied with since the beginning of the contract.

On April 16, 2015, the Parent company and the subsidiary Patentes Talgo S.L.U. formalized a loan contract by an initial amount of €100,000 thousand, which bears a fixed market interest rate.

During the first half of 2019, the loan was partially amortized in the amount of €27,500 thousand, with an outstanding balance remaining at the end of June 2019, once the costs associated with this loan have been deducted, of €32,460 thousand, approximately, which is in the current liability of the Group's parent company registered.

The aforementioned contract contains a number of associated and covenant obligations that the Group has fulfilled.

On July 29, 2016, the subsidiary Patentes Talgo, S.L.U. entered into loan agreements amounting to €50,000 thousand with two financial institutions, €25,000 thousand with each of them, which accrue a fixed market interest rate. During the first half of 2019, certain terms of these contracts have been renegotiated, resulting in an early cancellation of €5,000 thousand in each of them, and a change in the maturity schedule, going from having a maturity stipulated in 2020 to a partial depreciation schedule between 2021 and 2024.

As of 30 June 2019, the non-current liability of the consolidated interim financial statement is recorded at approximately €39,990 thousand corresponding to those contracts, after deducting the costs associated.

In addition, interest and commissions accrued in the current liability amount of €147 thousand are recorded in the current liability.

These contracts contain a number of associated obligations and covenants that the Group has fulfilled during the term of the agreement.

On December 19, 2016, the subsidiary Patentes Talgo, S.L.U. entered into a loan agreement in the amount of €55,000 thousand, having been extended by €6,500 thousand during the year 2017. It bears a fixed market interest rate. During the first half of 2019, certain terms of the contract have been renegotiated, extending the single maturity of the contract to 2025.

The net outstanding amount of the associated costs is recorded in the non-current liability in its entirety. The aforementioned contract contains a number of associated obligations and covenants that the Group has fulfilled during the term of the contract. In addition, interest and commissions accrued in the short term amounting to €61 thousand are registered.

During the first half 2017 financial year, the subsidiary Patentes Talgo, S.L.U. entered loan agreements amounting to €55,000 thousand with three financial institutions, one of this loan in the amount €25,000 thousand and the rest in amount €15,000 thousand each one of them, which accrue a fixed market interest rate. They are recorded in the non-current liability in their entirety since as of June 30, 2019 the maturity of the same is more than twelve months. These contracts contain a number of associated obligations and covenants that the Group has fulfilled during the term of the agreement. In addition, in the short term, interest and commissions accrued are recorded in the amount of €77 thousand.

On December 21, 2018, the Group through the company Patentes Talgo, S.L.U. entered into a loan agreement in the amount of €10,000 thousand, which accrues a fixed market interest rate and with a grace period of 12 months. It is registered in the non-current liability in its entirety, since as of June 30, 2019 the maturity of its first installment is more than 12 months. In addition, interest and commissions accrued in the short term amounting to €60 thousand are registered.

On January 14, 2019, the subsidiary company Patentes Talgo, S.L.U. has entered into a loan agreement amounting to 10,000 thousand, linked to a fixed market interest rate. The debt incurred is repaid within a period of 5 years from the end of the 12-month grace period, with the payment of the first installment being 24 months after the date of formalization, so that the entire outstanding debt is registered in non-current liabilities as of June 30, 2019. In addition, €55 thousand are recorded in the non-current liability regarding commissions and interest accrued.

In the first half of the 2019 financial year, the Group through the company Patentes Talgo, S.L.U. has entered into a loan agreement amounting to 7,500 thousand linked to a fixed market interest rate. The contract is amortized in 5 years, starting from the end of the grace period of the principal of 12 months from the date of disbursement. The outstanding debt is recorded in the current and non-current liability in the amount of €750 and €6,750 thousand, respectively. In addition, €18 thousand are recorded in the non-current liability regarding commissions and interest accrued.

On January 11, 2019, the dependent company Patentes Talgo, S.L.U. has entered into a loan agreement amounting to 10,000 thousand, linked to 6-months Euribor rate. The contract is amortized in 8 half-yearly installments, being the last installment in February 2024. As of June 30, 2019, the contract is registered in the non-current liability in its entirety. In addition, 57 thousand are recorded in the non-current liability regarding commissions and interest accrued.

At 30 June 2018, the Group held lines of credit amounting to €75,000 thousand (€100,000 thousand at 31 December 2018) not maintaining outstanding balances of the aforementioned lines of credit at the end of the 2018 fiscal year or at June 30, 2019.

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

						€ in thousands
30 June 2019	**2020**	**2021**	**2022**	**2023**	**Subsequent years**	**Total**
Debt with credit institutions	34 302	23 544	50 900	25 896	122 415	**257 057**
31 December 2018	**2019**	**2020**	**2021**	**2022**	**Subsequent years**	**Total**
Debt with credit institutions	12 290	131 476	36 150	11 146	86 787	**277 849**

b) Lease debts

Within this heading of the interim consolidated financial statement has, among others, debts incurred for lease contracts that meet the requirements of IFRS 16 , as explained in notes 2.2.1 and 4. With the entry into force of this standard and the disappearance of the distinction of operating and financial leases, the Group has unified and recognized the contracts that meet the definition of leasing under a unique model.

c) Other financial liabilities

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

	€ in thousands	
	30.06.19	**31.12.18**
Non-current		
Debts due to reimbursable advances	14 786	15 604
Other debts	3 330	2 924
	18 116	**18 528**
Current		
Debts due to reimbursable advances	3 699	3 758
Other debts	130	130
	3 829	**3 888**
Total other financial liabilities	**21 945**	**22 416**

c.1) Debts due to reimbursable advances

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

c.2) Other Debts

This caption at 30 June 2019 included mainly non-current debt convertible into grants amounting to €3,290 thousand (€2,884 thousand at 31 December 2018). These are funds received from the European Commission for the research project "Roll2Rail", “Shift2Rail” and “RODEMAV”, whose fair values approximate their carrying amount.

14. Suppliers and other payables

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.19	**31.12.18**
Suppliers	105 651	89 163
Associate and multigroup companies' suppliers (note 17)	2 906	2 399
Advances on orders	86 637	97 937
Social Security and other taxes	8 458	23 474
Personnel	7 095	10 370
Total	**210 747**	**223 343**

15. Income tax

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

In the year 2010, the subsidiary Talgo Kazakhstan, S.L.U. was incorporated into the aforementioned tax group and during 2017 has been incorporated the company Motion Rail, S.A.U.

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

	€ in thousands	
	30.06.19	**30.06.18**
Profit before tax	**16 712**	**13 914**
Consolidated tax at 25%	4 178	3 479
Tax effects of:		
Differences due to deferring tax rates in each country	(1 177)	729
Permanent differences	75	81
Activation of deductions	(351)	(376)
Tax expense	**2 725**	**3 913**

The Parent company and its subsidiary Patentes Talgo, S.L.U. received on July 10, 2017 from tax authorities a notification of partial verification of corporate income tax for the years 2012 to 2015 and personal income from the years 2013 to 2015. The Administrators of the companies under verification consider that the settlements of the aforementioned taxes have been properly practised, so even if discrepancies arise in the current regulatory interpretation for the tax treatment given to operations, any liabilities resulting, if materialized, would not significantly affect the accompanying financial statements.

In addition, the Spanish Tax Group has opened for inspection the last 4 fiscal years the remaining taxes that are not being audited by the tax authorities that are applicable to it. In the other countries in which the Group operates, all taxes applicable to the different companies in the fiscal years indicated by their respective tax laws are open for inspection.

As a result, among others, of the different possible interpretations of existing tax legislation, additional liabilities could arise as a result of an inspection. In any event, the Administrators consider that such liabilities, if they occur, would not significantly affect the financial statements.

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

	€ in thousands	
	30.06.19	**31.12.18**
Deferred tax assets:		
- Deferred tax assets to be recovered in more than 12 months	32 309	28 532
	32 309	**28 532**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered in more than 12 months	7 263	6 889
	7 263	**6 889**
Deferred tax assets (net)	**25 046**	**21 643**

The movement in the deferred tax asset balance during the first half 2019 and exercise 2018 was as follows:

						€ in thousands
	Balance at 31.12.18	**Exchange differences**	**Additions**	**Disposals**	**Other Movements**	**Balance at 30.06.19**
Temporary differences						
Guarantees	4 524	-	3 993	(4 534)	10	3 993
Other concepts	4 564	-	317	(898)	(4)	3 979
Tax Credits						
Tax losses carryforwards	17 709	36	4 933	(427)	-	22 251
Deductions	1 735	-	351	-	-	2 086
	28 532	**36**	**9 594**	**(5 859)**	**6**	**32 309**

						€ in thousands
	Balance at 31.12.17	**Exchange differences**	**Additions**	**Disposals**	**Other Movements**	**Balance at 31.12.18**
Temporary differences						
Guarantees	3 100	-	4 534	(3 099)	(11)	4 524
Other concepts	3 742	-	1 514	(692)	-	4 564
Tax Credits						
Tax losses carryforwards	14 198	252	4 156	(711)	(186)	17 709
Deductions	-	-	1 224	-	511	1 735
	21 040	**252**	**11 428**	**(4 502)**	**314**	**28 532**

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

				€ in thousands
	Tax credits	**Deductions**	**Other Concepts**	**Total**
Balance at 31 December 2017	**14 198**	**-**	**6 842**	**21 040**
Credit/(Charge) to income statement	4 156	1 224	2 257	7 637
Other movements and transfers	(645)	511	(11)	(145)
Balance at 31 December 2018	**17 709**	**1 735**	**9 088**	**28 532**
Credit/(Charge) to income statement	4 933	351	(1 122)	4 162
Other movements and transfers	(391)	-	6	(385)
Balance at 30 June 2019	**22 251**	**2 086**	**7 972**	**32 309**

b) Other Concepts and tax credits

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

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

At 30 June 2019, the negative taxable bases pending offset in the USA, relating to the subsidiary Talgo Inc., amounted to €30,440 thousand (€32,752 thousand at 31 December 2018) and their expiry dates are detailed below:

	€ in thousands	**Final year**
2004	11 691	2024
2005	8 122	2025
2006	6 909	2026
2012	3 718	2032
	30 440	

At June 30, 2019, the negative tax bases pending to be offset of the Tax Group 65/06 are the following:

Year	**€ in thousands**
2015	33 107
2018	16 613
2019	19 732
	69 452

Deferred tax liabilities

The movement in the deferred tax liabilities balance during the financial years 2018 and 2019 was as follows:

	€ in thousands		
	Cash flow hedge	**Other concepts**	**Total**
Balance at 31 December 2017	**-**	**6 151**	**6 151**
Credit / (Charge) to income statement	-	738	738
Tax (credit) / charge to equity	-	-	-
Other movements	-	-	-
Balance at 31 December 2018	**-**	**6 889**	**6 889**
Credit / (Charge) to income statement	-	374	374
Tax (credit) / charge to equity	-	-	-
Other movements	-	-	-
Balance at 30 June 2019	**-**	**7 263**	**7 263**

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

16. Provisions for other liabilities and charges

	€ in thousands					
	Non-current			**Current**		
	Other provisions	**Guarantee provision**	**Total**	**Other provisions**	**Guarantee provision**	**Total**
Balance at 31/12/2018	**20 102**	**17 024**	**37 126**	**1 314**	**3 595**	**4 909**
Provisions	1 526	69	**1 595**	371	150	**521**
Applications	(2 442)	-	**(2 442)**	(677)	(1 522)	**(2 199)**
Transfers	-	(1 074)	**(1 074)**	-	1 074	**1 074**
Exchange differences	-	5	**5**	-	-	**-**
Balance at 30/06/2019	**19 186**	**16 024**	**35 210**	**1 008**	**3 297**	**4 305**

At the 2018 year-end and the first half 2019 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 primarily includes the reasonable estimates made by the Group regarding the contractual obligations associated with the maintenance contracts signed, which mainly relates to the costs of large maintenance works signed with customers.

At 30 June 2019, the Group had a volume of bank guarantees and surety bonds amounting to €952 million (June 2018: €999 million), of which €847 million (June 2018: €925 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 2019, the amount available from the bank guarantee lines amounted to €842 million (€337 million at the closing of June 2018).

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

The Group's Management is not aware of any contingent liabilities that it may have in the normal course of its business, other than those provided for at the end of the first half of 2019.

a) Commitments to purchase fixed assets

At 30 June 2019, the Group had commitments to purchase fixed assets amounting to €2,773 thousand (30 June 2018: €4,840 thousand).

b) Lease commitments

The directors of the consolidated Group do not expect significant changes in the future lease contracts, in force at the first half 2019 financial year and December 2018.

17. Related party and foreign currency transactions

The Group conducts all of its transactions with related parties at market prices. In addition, the transfer prices are adequately supported and so, the Directors of the Parent Company consider that there is no significant risk that any significant liabilities may arise in the future for this concept.

All the accounts and transactions between the consolidated companies were eliminated during the consolidation process and so are not disclosed in this note.

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

a) Transactions with the Parent Company's significant shareholders

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

b) Transactions with the Parent Company's Board members

During the first half 2019, the remunerations accrued to the members of the Board of Directors for the performance of this role amounted to €392 thousand (30 June 2018: €330 thousand).

Commercial transactions with related parties:

		€ in thousands
	30.06.19	**30.06.18**
External services:		
Inmajor, S.A.	19	-
Consorcio Español de Alta Velocidad Meca-Medina, S.A.	228	553
Expenses	**247**	**553**

c) Commercial balances with related parties:

		€ in thousands
	30.06.19	**31.12.18**
Customers – group companies and associates (note 9)	1 338	3 562
Customers – group companies and associates	**1 338**	**3 562**

		€ in thousands
	30.06.19	**31.12.18**
Suppliers – group companies and associates (note 14)	2 906	2 399
Suppliers – group companies and associates	**2 906**	**2 399**

At 30 June 2019 and at the 2018 year-end, the “Customers and Suppliers–group companies and associates” caption corresponded to a balance held with Consorcio Español Alta Velocidad Meca Medina, S.A.

		€ in thousands
	30.06.19	**30.06.18**
Long Term leases debts (note 13)	1 299	-
Short Term leases debts (note 13)	262	-
Leases debts	**1 561**	**-**

The balances recorded under the headings detailed above correspond to future payments arising from a lease formalized during the first half of the 2019 financial year by the company Patentes Talgo, S.L.U. with the related company Inmajor, S.A. (notes 4 and 13).

d) Foreign currency transactions

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

	€ in thousands	
	30.06.2019	**30.06.2018**
Purchases	11 413	15 367
Sales	32 119	19 474

18. Employee benefit expenses

a) The breakdown of this caption is as follows:

	€ in thousands	
	30.06.19	**30.06.18**
Wages, salaries and similar	45 086	41 511
Contributions and provisions for defined pension contributions and other obligations	1 149	1 048
Other welfare charges	13 657	12 118
	59 892	**54 677**

The 'Wages, salaries and similar' caption includes compensation costs, which amounted to €290 thousand as at 30 June 2019 (30 June 2018: €476 thousand) and the cost relating to the remuneration paid to Senior Management explained in note 18.b.

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

During the first half 2019, the remuneration paid to the senior management team, which is understood to comprise the members that form the Steering Committee, amounted to €1,211 thousand in terms of fixed and short-term variable remuneration (€1,226 thousand in the first half of 2018). The remuneration paid to the Group's Directors in terms of fixed and short-term variable remuneration amounted to €1,037 thousand as at 30 June 2019 (€826 thousand as at 30 June 2018).

The Group has taken out life insurance for all of its employees, including management personnel. The cost of this insurance for management personnel amounted to €26 thousand at 30 June 2019 (€24 thousand at 30 June 2018). The amount corresponding to the pension plan of this same collective amounted to €49 thousand at 30 June 2019 (€42 thousand at 30 June 2018). In addition, the Group has taken out civil liability insurance policies for some members of its Senior Management, whose coverage is considered sufficient.

During 2015, the subsidiary Patentes Talgo, S.L.U. granted loans to members of the management team for the purchase of shares of the Parent Company amounting to €879 thousand. This loan has been partially repaid along with its interest during the first half of the 2017 financial year, amounted to €652 thousand at 30 June 2019. The aforementioned loans accrue interest at a rate that is linked to Euribor plus a market spread (note 8).

The distribution of the average headcount by job category and gender at 30 June 2019 and 2018 is as follows:

	30.06.2019		30.06.2018	
	Men	**Women**	**Men**	**Women**
Board members and Senior Management	11	3	12	3
Management	38	3	34	3
Middle management	239	31	219	25
Technicians	1 760	237	1 639	220
	2 048	**274**	**1 904**	**251**

19. Financial income and expenses

The breakdown of this caption is as follows:

	€ in thousands	
	30.06.19	**30.06.18**
Interest expenses:		
Bank borrowings and other charges	(4 059)	(4 661)
Exchange differences	(34)	(156)
Financial expenses	**(4 093)**	**(4 817)**
Interest income on short term deposits with credit institutions	25	4
Interest income on short term deposits with related parties	5	30
Financial income	**30**	**34**
Net financial result	**(4 063)**	**(4 783)**

20. Cash flows from operating activities

The breakdown of cash generated from operations is as follows:

	€ in thousands	
	30.06.2019	**30.06.2018**
Profit for the year before tax	**16 712**	**13 914**
Adjustments for:		
- Depreciation of tangible fixed assets (note 4)	4 048	3 161
- Amortization of intangible assets (note 5)	3 168	7 911
- Net change in provisions (note 16)	(2 525)	706
- Valuation adjustments for impairment (notes 9 and 10)	(53)	-
- Financial expenses (note 19)	4 059	4 661
- Financial income (note 19)	(30)	(34)
- Allocation of grants	(287)	(625)
- Other income and expenses	(1 698)	(1 439)
Changes in working capital (excluding the effects of the acquisition and exchange differences on consolidation):	**(16 275)**	**(54 925)**
Stocks (note 10)	(18 094)	(1 960)
Other financial assets (note 8)	(384)	23 000
Customers and other account receivables (note 9)	16 603	(68 403)
Suppliers and other payables (note 14)	(13 517)	(7 562)
Other assets short-term	(883)	-
Cash flows from operating activities:	**7 119**	**(26 670)**

21. Events after the consolidated statement of financial position date

No subsequent events have taken place between the close of the abbreviated interim financial statements and the date of which they were prepared.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2019
(Expressed in thousands of euros)

Organizational structure

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

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

Strategy

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

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

Business model

The Group's business model is sufficiently flexible to be adapted to the conditions of the market in the global economic context.

It offers value to the Group's stakeholders over the long term, supported by the Group's financial model, which has allowed it to gradually increase revenues whilst maintaining stable margins and generating profitability for the interested parties.

Over the last three years, the Group has strengthened its strategic position, through significant investments in the development of new products, to meet the demands of the market, i.e. the need for more efficient, higher capacity trains, such as the case of AVRIL and EMU. It has also increased production capacity at its manufacturing facilities in Spain in order to handle the growth in its order portfolio.

Business performance

The Group's EBITDA at the end of the first half of 2019 amounted to €27.9 million, compared with €29.8 million in the previous period.

The Group's EBIT at the end of the first half of 2019 amounted to €20.8 million, compared with €18.7 million in the previous period.

The profit after tax at the end of the first half of 2019 amounted to €13.9 million, €10 million in the previous period.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2019
(Expressed in thousands of euros)

At the end of the first half of 2019, the Group's order backlog amounted to €3,251 million (€2,739 million at 30 June 2018)

Business performance

The Group has continued to deliver the construction contracts, in the first half of 2019 that it held in its portfolio. Among these contracts, the 36 high-speed trains for the Mecca-Medina route for the Saudi Arabian SRO state railway company, of which 35 units have already been sent to Arabia. This project is already in its last phases of testing and at the same time they are simultaneous with commercial services with travelers using 12 trains. In addition, the company has continued the technical development and early manufacturing phases for the supply to RENFE of the 15 high-speed trains for wide UIC tritension (with maximum speed at 330 km/h) + 15 additional trains with variable gauge, where Talgo has successfully marketed its new AVRIL train model.

During the first half of the Group has managed to expand its order book of trains with three new projects such as: (i) a framework contract with the German railways (Deutsche Bahn) for the manufacture of up to 100 self-propelled trains for a maximum speed of 230 km/h. Within that framework contract, a first order for the supply of 23 trains has been signed on the same day, (ii) a contract for the supply of two new high-speed trains for the Uzbekistan State Railway Company (UTY) identical to those they are already in service in the country, and (iii) a contract for the supply of 6 trains with capacity for about 500 passengers for the Egyptian state railway company ENR (National Egyptian Railways). In addition, the project calls for the maintenance of trains for a period of 8 years.

Likewise, the Group's parent company in Spain has been executing the contract for the transformation of 13 hotel train compositions of the 7 series to compositions suitable for circulating at 330 km/h (with option to 6 additional compositions). Currently, the engineering work of the self-propelled units continues and concluding the delivery of the 2 forward towed units that will later also be transformed into self-propelled.

Apart from the above, and within the line of business of large train maintenance operations, the subsidiary Talgo Inc. in the United States has been developing in the facilities leased to The Milwaukee City Council the remodeling of 74 units for the Metro Los Angeles (LACMTA), once the latter awarded Talgo Inc. the expansion of 36 optional units as well as additional upgrades such as firefighting equipment (MMFSS) and closed circuit television (CCTV). Additionally, on May 10, 2019, the Southern California Regional Rail Authority (SCRRA) awarded Talgo Inc. and SYSTRA Consulting Inc. an order to execute a remodeling program of up to 121 vehicles of which 50 will be part of an initial phase and the remaining 71 will be subject to option. This order reinforces the commitment that Talgo has been making for this new line of business of large maintenance operations.

During the first half of 2019, the Group has continued in Spain to perform maintenance activities for RENFE Operadora for its stock of hauled, Intercity and high-speed trains. Similarly, it has continued to provide train maintenance services through its permanent establishments in Russia, Kazakhstan and Uzbekistan for the national railway companies Temir Zholy and Temir Yollari. On the other hand, the maintenance of trains manufactured by Talgo and other operators continues to be carried out in the United States and

Germany respectively.

The Group, following the innovation policy and diversification of its product portfolio, during this first half of 2019 and among other projects, has continued performing optimization tests on the prototype of the new AVRIL High-Speed train and with the development of a Talgo smart urban train. and other transversal projects for optimization in areas such as interoperability, digitization and industry 4.0, signage, safety, passenger experience and accessibility, energy efficiency and sustainability, lightening of materials, comfort, noise and vibration, element joints, traction and wear.

Significant events after the statement of financial position date

The subsequent events are detailed in note 21.

Research and development activities

Continual commitment to innovation and sustainable development of new products, has earned Talgo international recognition and enabled it to successfully participate in different railway tenders on a global scale. Today, Talgo trains are seen traveling across Spain, Russia, Kazakhstan, Uzbekistan, Saudi Arabia and the USA.

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

To achieve this, we work with a model of corporate innovation that promotes a continuous improvement approach, encouraging year after year new initiatives at the global level. An example of this is the consolidation of the Knowledge Management System of Talgo, which serves to strengthen and grow the main asset of the organization: the knowledge of its employees. Its purpose is to better share existing knowledge and to generate more quickly new knowledge, basic requirements to achieve improvements in projects and processes of all kinds, including innovation. To this end, among other initiatives, it has been promoted the creation of Communities and collaborative Groups that serve as a forum to share and work in a transversal way on key knowledge of the company, that in this environment are managed to develop in an agile way and from a multidisciplinary approach.

Another initiative already underway and firmly established in Talgo is "Technological Radar". This tool enables to identify, select, capture and monitor all external information that could be transformed into corporate knowledge and add value to the Group's technological development, helping to minimize risks during the decision-making process and providing better strategic foresight capacities to handle possible technological changes in the railway sector in a more effective way.

Moreover, the tools of "open innovation" that are used to allow an evolution towards an even wider concept of collaborative innovation are also noteworthy, in which the individual creativity of the workers and other agents is exploited, as well as the different approaches of each one, we get innovative and effective solutions to the company's challenges. These tools are exemplified through creative problem-solving sessions and through challenges open to the public, both inside and outside the company.

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

Thanks to the aforementioned, Talgo has gone from being a local company, whose innovative processes focused on the satisfaction of a single internal customer, to be a company whose innovative activity focuses on the international market, and that not only competes with the state of the art of technology worldwide, but tries to anticipate the needs of its customers of the future.

Since its beginnings Talgo bet and keeps betting on the design and manufacture of tailored products, with the aim of satisfying the specific needs of the clients through customized solutions; what is favored by the size, structure and values of the company. This philosophy of work and of permanent attention to the client makes the difference in front of its competitors, being a very valued aspect in the commercial competitions.

Talgo continues looking to the future convinced to confront and overcome new challenges, taking advantage of the innovative and creative capacity of its excellent human capital; and understanding the railway as a whole system, which only seen from its most global perspective will allow this dream, over 75 years, to go ahead driven by an innovative spirit that has been from the outset its hallmark.

Risk policy

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

The main objective of the Group's financial risk management policy is to ensure the availability of funds to fulfil its commitments to third parties. That management is based on the identification of risks, and the analysis of the tolerance and coverage of the instruments to mitigate those risks.

Quality and the environment

Quality, the environment and the prevention of risks are fundamental elements in the Group's business and culture.

During the performance of its activities, the Group places a strong emphasis on improving its management systems in a sustainable and safe way in order to obtain the maximum satisfaction of its clients, employees and suppliers.

This commitment is promoted and encouraged at all levels of the organization and across all of the countries in which the Group has a presence.

The principles that govern these activities are captured in the Group's policy for quality, prevention and the environment, which complies with the guidelines set out by the following regulations: ISO 9001 and IRIS and ISO 14001.

Information about delaying payments to suppliers

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

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

Own shares

The Parent company holds 6,846,485 own shares as of June 30, 2019 (note 12.e).