



Results Presentation 1H2021

27 July 2021

Talgo

Table of contents

- 1. Key Highlights**
2. Other materials
 - I. Business performance
 - II. Financial results

ANNEX



Key Highlights of First Half 2021



(1) Includes 225 €m of contracts awarded in 1H2021 pending to be signed
 (2) Accident Frequency Index: Includes Talgo Group FTEs. Industrial accidents per million man-hours worked. Includes Talgo Group FTEs
 (3) Accident Severity Index: Number of working days per 1,000 hours worked.
 (4) Times LTM Adjusted EBITDA

I. Workforce management

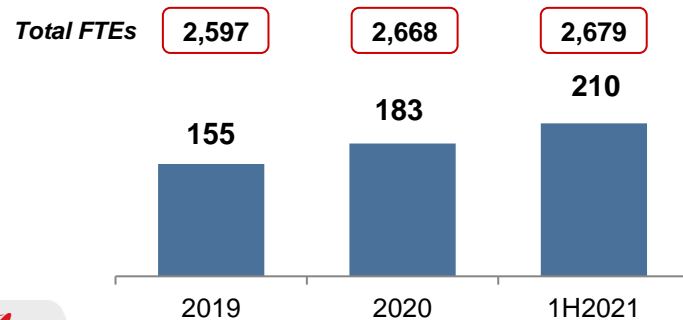
- **Health & Safety model** continuously optimized with the objective to minimize accidents in the business activity.
- Strong measures in place for the **prevention and protection of employees** in the fight against COVID-19.

	2019	2020	1H2021
Frequency Index:			
Talgo	7.47	7.85	8.69
Spain	19.50	n.a.	n.a.
Industry	31.90	n.a.	n.a.
Severity Index:			
Talgo	0.25	0.23	0.19
Spain	0.61	n.a.	n.a.
Industry	0.96	n.a.	n.a.

ORP¹ main figures 1H2021

- ✓ Accident Frequency Index²: **8.69**
- ✓ Accident Severity Index³: **0.19**
- ✓ COVID-19: **fully protected facilities**

- **Productivity committed and results oriented** workforce with **long-term collective bargaining agreement** (2021-2025) linked to productivity recently reached .



Productivity main figures 1H2021

- ✓ Labour: **five years agreement linked to productivity, closed in 1H2021**

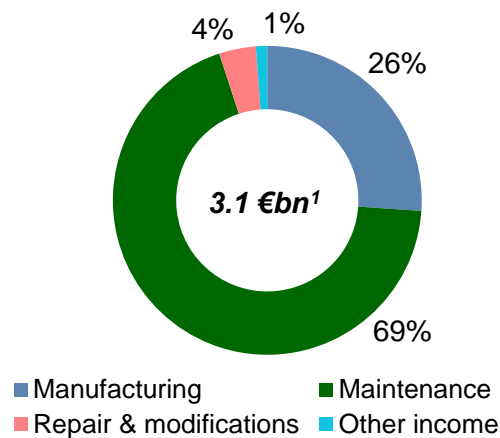
II. Business performance (I/II)

- **Reinforced organization** in both execution and commercial teams.
- **Improved lean manufacturing model** to increase efficiency and productivity.
- **Recovery of maintenance** in all markets as mobility restrictions are lifted.
- **Execution of manufacturing projects** in line with expectations, reaching high degree of progress in VHS Spanish project.

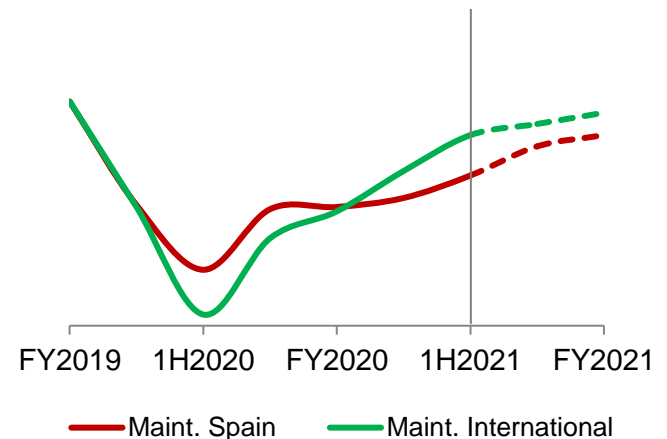
Main figures 1H2021

- ✓ Maint. activity Spain: **>65%**²
- ✓ Maint. activity International: **>85%**²
- ✓ Backlog: **3,131 €m** (3,335 €m including awards not signed in 1H2021)

Backlog 1H2021 (€m)



Maintenance activity rate (base 100)¹



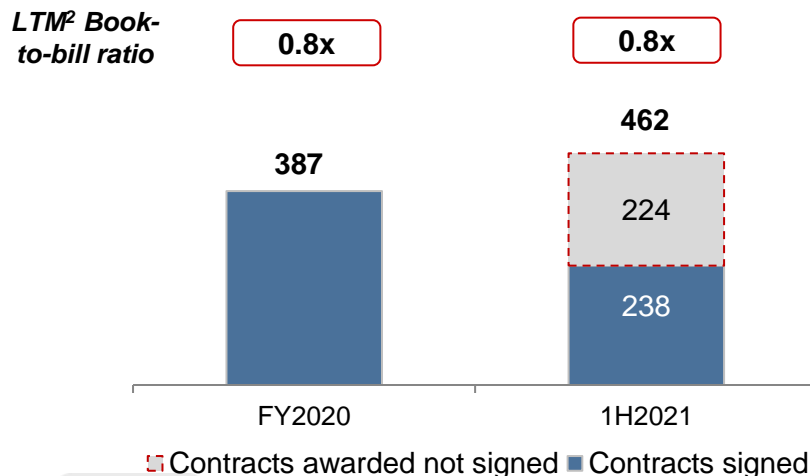
II. Business performance (II/II)

- **Strengthened backlog** to reach 238 €m, increased to **462 €m** including awards yet to be signed.
 - Manufacturing and maintenance of 13 VHS locomotives for Spain.
 - Maintenance services for VHS trains in Spain.
 - Maintenance services for Saudi VHS fleet.
- **Positive outlook** in the sector supported by ecological measures and **decarbonisation of transport in the coming years.**

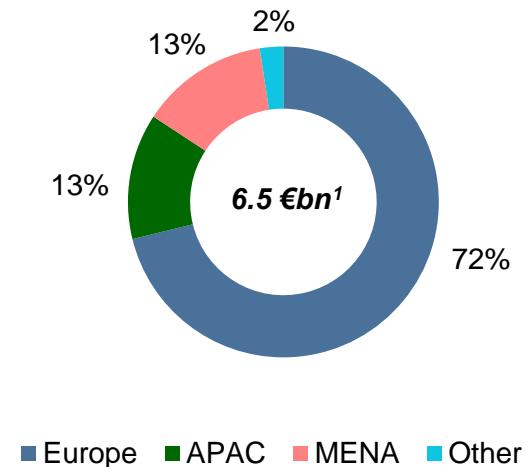
Main figures 1H2021

- ✓ Order intake: **238 €m** (462 €m including awards not signed in 1H2021)
- ✓ Pipeline: **6.5 €bn** with strong focus in European markets

Order intake 2020-1H2021 (€m)



Pipeline by geographical region 2021-2022¹



(1) The pipeline may experience modifications both in terms of tender periods and scope. Estimates based on available information. Maintenance is included subject to availability
 (2) Last Twelve Months

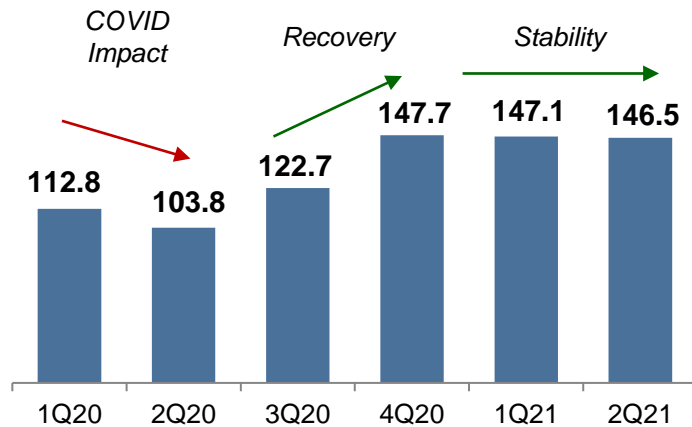
III. Financial results – P&L

- Revenues increased driven by **manufacturing activity** and supported by **recovery of maintenance** services.
- Cost-cutting measures with the **objective of reducing by 15% the overhead expenses** in the period 2021-22.
- Ongoing **recovery of margins** driven by cost-cutting measures and resumption of maintenance services in all markets.

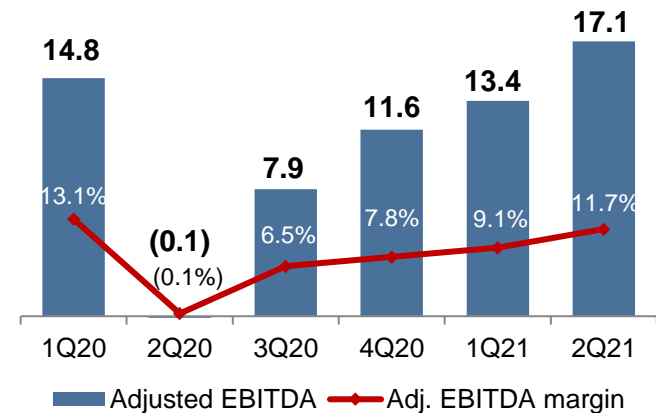
Main figures 1H2021

- ✓ Revenues **reached historical highs**
- ✓ Overhead expenses reduction¹: **c.5%**
- ✓ Adj. EBITDA: **30.5 €m (10.4% mg)**

Quarterly revenues (€m)



Adjusted EBITDA margin (%)



1) % of reduction vs. 1H2020.

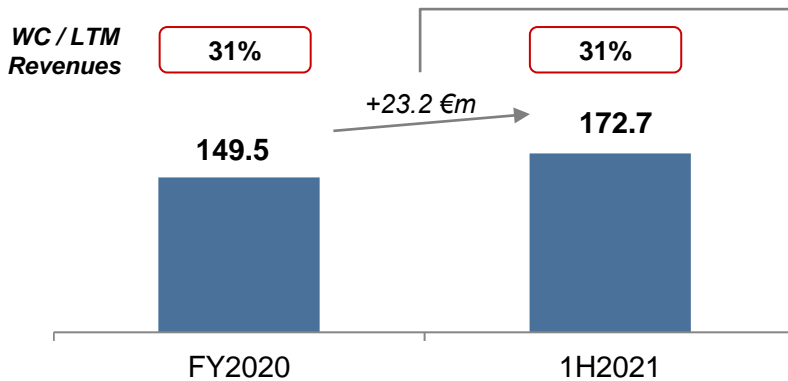
III. Financial results – Balance Sheet (I/II)

- **Stabilized Working Capital** in 1H2021.
- Working Capital management to **maximize cash generation** through optimization of receivables, payables and inventory turnover.
- **Action plan under implementation** aimed at reducing working capital requirements within the projects.

Main figures 1H2021

✓ Working Capital: **173 €m**
31% over revenues

Working Capital (€m)



Conversion of EBITDA into FCF in 1H2021 (€m)



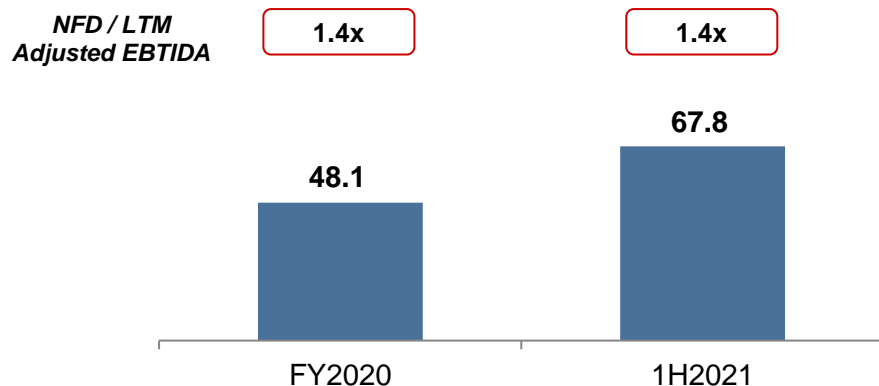
III. Financial results – Balance Sheet (II/II)

- **Financial debt renegotiated to:**
 - **Extend maturity** (from 3.12 to 3.74 years in 1H2021).
 - **Reduce average cost** (from 1.61% to 1.04% in 1H2021).
- **High financial capacity** to accommodate the growth of the business.

Main figures 1H2021

- ✓ **Net Debt¹: 68 €m (1.4x Adj. EBITDA)**
 - Avg. debt cost: **1.0%**
 - Avg. debt maturity: **3.7 years**
 - Debt maturity: **11% in 2021/22**
- ✓ **Gross cash position: 218 €m.**
- ✓ **Undrawn credit lines: 125 €m.**
- ✓ **Project-based financing: AAD²**

Net Financial Debt (€m)











Long-term loans conditions (€m)

	Gross Debt (€m)	Average Maturity (y)	Average Cost (%)
FY2019	256.5	3.03	1.72%
FY2020	279.1	3.12	1.61%
1H2021	279.7	3.74	1.04%



1) Net Financial Debt excludes repayable advances with entities belonging to the Spanish Public Administration relating to R&D, which are not considered financial debt due to their recurrence and zero interest rates.
 2) Abstract Acknowledge of Debt o Reconocimiento Abstracto de Deuda.

IV - Outlook update

Profitability	➔	<ul style="list-style-type: none"> ✓ Adjusted EBITDA in FY2021: 11-12% 	
Capital structure	➔	<ul style="list-style-type: none"> ✓ Working Capital in 2021: Contained cash consumption supported by WC Action Plan. ✓ Net Debt in 2021: 1.2 – 1.5x Adjusted EBITDA ✓ Capex in 2021: c. 25 €m 	  <i>New</i> 
Business performance	➔	<ul style="list-style-type: none"> ✓ Backlog execution in 2021-2022: 35-37% ✓ Average Book-to-Bill in 2020-2021: 1.0-1.2x 	 
Strategy	➔	<ul style="list-style-type: none"> ✓ Strategic Plan 2022-2026: For approval in 2H 2021 	 <i>New</i>
Shareholder remuneration	➔	<ul style="list-style-type: none"> ✓ Launch of a new Shareholder Remuneration Program in 1H 2022 	 <i>New</i>

1H2021 results consolidates COVID recovery and provides visibility for FY2021



Table of contents

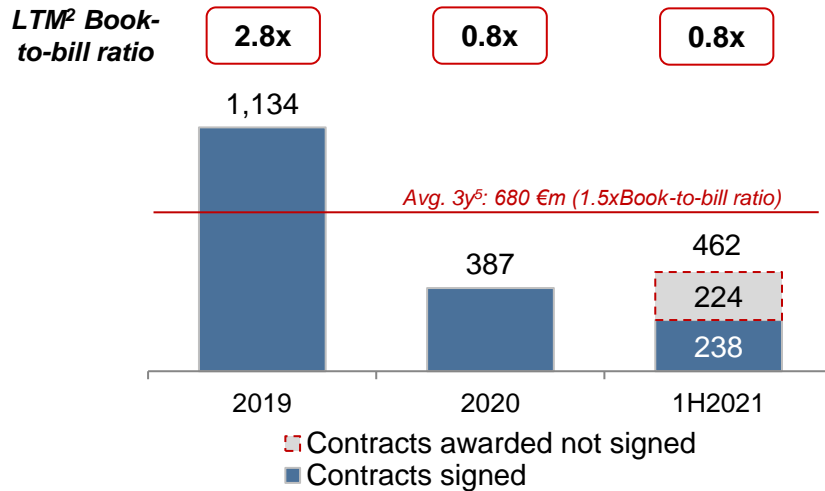
1. Key Highlights
- 2. Other materials**
 - I. Business performance**
 - II. Financial results

ANNEX



Commercial activity

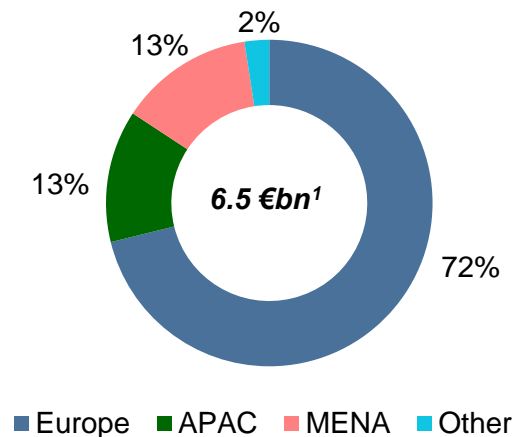
Order intake 2019-1H2021 (€m)



- **Positive investment outlook supported by environmental concerns in the passenger transportation market.**
- Greenhouse gas emissions per passenger per km in rail represent around 22% of car emissions and 14% of emissions from domestic flights⁴.
- Talgo is currently working on commercial opportunities for the short and medium term **amounting approximately 6.5 €bn.**

- During 1H 2021, **order intake amounted to 238 €m**, including mainly maintenance scope for 15 additional Spain VHS trains currently under manufacturing, and impact of price update in Saudi maintenance contract, previously to its start of operations in April 2021.
- On top of this, Talgo was awarded with a project in Spain to manufacture and maintain up to 40 VHS power heads with variable gauge and maximum speed of 330 km/h, of which a **first order was placed for the supply of 26 power heads and the maintenance of 13 trains for 196 €m³.**

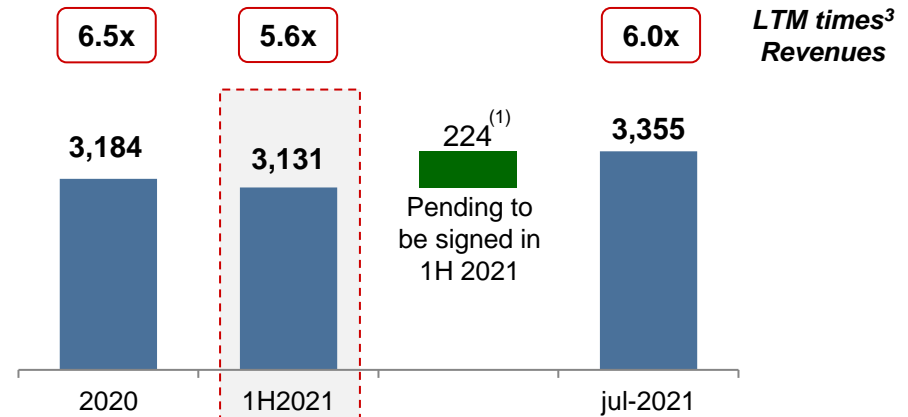
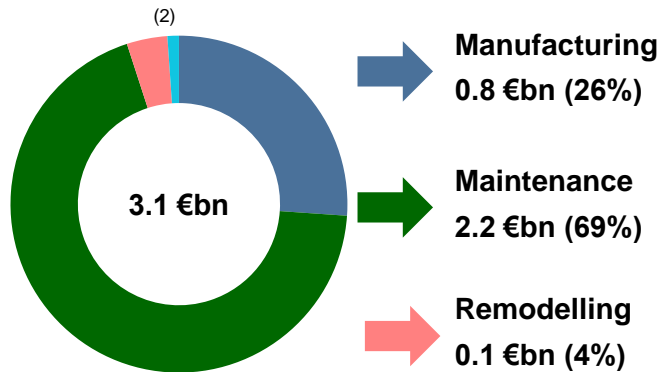
Pipeline by geographical region 2021-2022⁽¹⁾



(1) The pipeline may experience modifications both in terms of tender periods and scope. Estimates based on available information. Maintenance is included subject to availability
 (2) LTM = Last twelve months
 (3) Includes maintenance scope which will be executed through a JV with Renfe.
 (4) UNIFE WRMS 2020-2025
 5) Yearly average. Period 2H 2018 to 1H2021

Backlog breakdown

Backlog 1H2021 (€m)



- Talgo's backlog is the result of a **selective commercial policy** aimed at providing highest added value in terms of technological and cost-efficiency for operators.
- The current backlog provides an **upside of over 2.0 €bn through extensions in manufacturing projects** in Spain, Germany and Denmark. On top of this, maintenance contracts are likely to be extended in all geographies until the end of the useful life of the fleets, which would add significant upside in this business line.
- **Backlog as of June 2021 amounted to 3.1 €bn** (or 3.4 €bn if projects awarded pending to be signed are considered), which ensures:
 - **High level of industrial activity** for the period 2021-2024, supported by over 800 €m of manufacturing and overhaul projects with high international presence (70% of the backlog).
 - **Long-term revenues visibility** supported by a steady growing maintenance backlog.



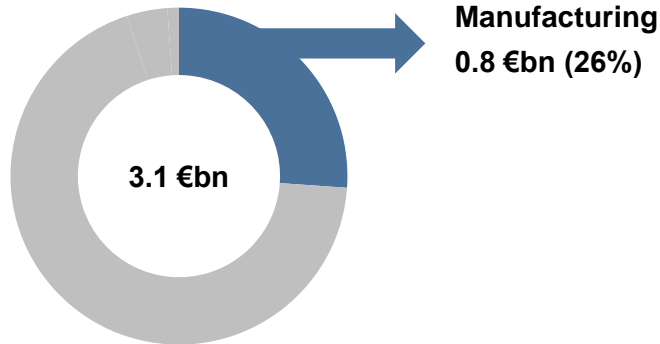
(1) Assuming that Talgo holds a 51% stake in the maintenance contract for the powerheads, which will be executed through a JV with Renfe.

(2) Backlog of maintenance equipment with a contract value of 37 €m in 1H2021.

(3) LTM = Last twelve months

Manufacturing projects – High Speed

Backlog 1H2021 (€m)



Renfe Avril VHS (Spain)⁽²⁾

- Project scope – 900 €bn¹:
 - Manufacture of 30 VHS “Avril” trains.
 - Maintenance for a period of 30 years.
- Project execution:
 - In **last manufacturing phases and already under testing activity**. High degree of progress.
 - **Cash consumption expected in 2020-2021**

UTY Uzbekistan AV (Uzbekistan)

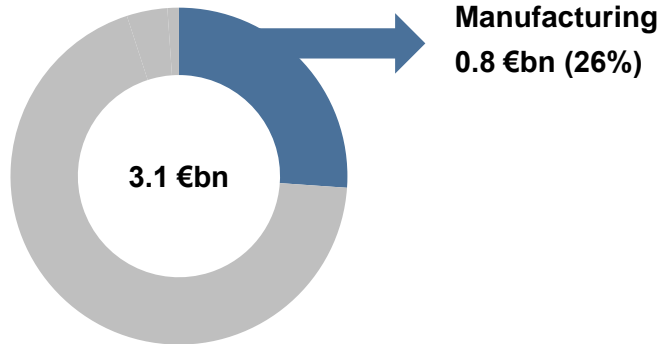
- Project scope – 57 €m:
 - Manufacture of 2 HS T250 trains and coaches
 - Supply of material and equipment.
- Project execution:
 - **Last phases of manufacturing** and starting delivery process. **High degree of progress.**
 - Project **financed by FIEM⁽¹⁾** - good cash profile.

Renfe VHS powerheads (Spain)

- Project scope – 161 €m⁽²⁾:
 - Manufacture of 23 powerheads and the maintenance of 13 trains.
 - Option for additional 12 Powerheads.
- Project execution:
 - **Recently awarded (1H2021).**

Manufacturing projects – Long distance / Passenger coaches

Backlog 1H2021 (€m)



DB Talgo 230 km/h (Germany)

- Project scope – 550 €m (2.3 €bn)¹:
 - Framework contract for the manufacture of up to 100 Talgo 230 trains.
 - Initial order for the manufacture of 23 trains.
 - Maintenance scope under negotiation.
- Project execution:
 - Starting **manufacturing phase**.
 - **AAD⁽²⁾ structure used throughout the life of the project.**

DSB Talgo 230 (Denmark)

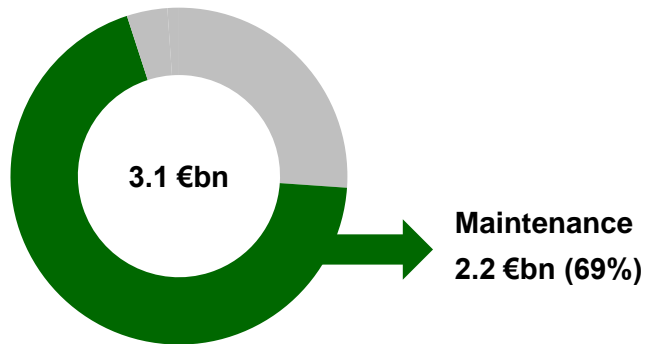
- Project scope – 134 €m (500 €m)¹:
 - Framework contract worth up to 500 €m.
 - Initial order for the manufacture of 8 trains, along with technical assistance and materials.
- Project execution :
 - In the **design and engineering phases**.

ENR Talgo 160 km/h (Egypt)

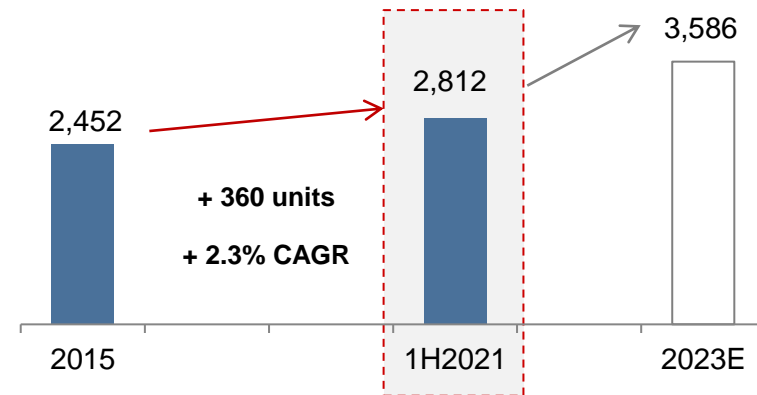
- Project scope – 157 €m:
 - Manufacture of 6 trains and their maintenance for a period of 8 years.
- Project execution:
 - In the **design and engineering phases**.
 - Delivery scheduled from **2022-2023**.

Light maintenance projects

Backlog 1H2021 (€m)



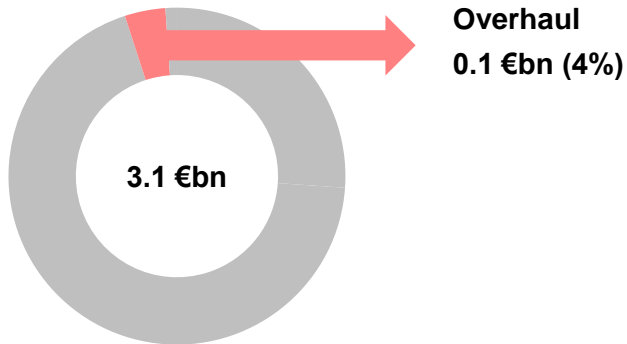
Fleet maintained in # of units⁽¹⁾



- Maintenance activity remained strongly impacted during the first months of 2021.
- However, services started to **progressively recover in 2Q2021**, mainly enhanced by the **start of maintenance operations in Saudi and the mobility increase in national and international markets**.
- The current manufacturing backlog with associated maintenance already awarded ensures **strong growth of the installed base** for the coming years, expecting to **reach nearly 3,600 units by 2023**.
- Additionally, there is additional potential to reach close to 4,000 units by 2024-2025 driven by current manufacturing contracts with no initial maintenance scope.

Overhaul / heavy maintenance projects

Backlog 1H2021 (€m)



Conversion of night trains into VHS (España)

- Project scope – 107 €m:
 - Conversion of Talgo S7 compositions⁽¹⁾.
 - The initial project includes 156 coaches (13 compositions) with an option for additional 72 coaches (6 compositions).
- Project execution:
 - In the execution phase.

LACMTA remodelling (USA)

- Project scope – 73 \$m:
 - Activities to repair and overhaul 74 coaches of the Red Line.
- Project execution:
 - In the execution phase.

Metrolink remodelling (USA)

- Project scope – 35 \$m:
 - Remodelling of up to 121 vehicles with an initial order for 50 vehicles
- Project execution:
 - In the execution phase.

Table of contents

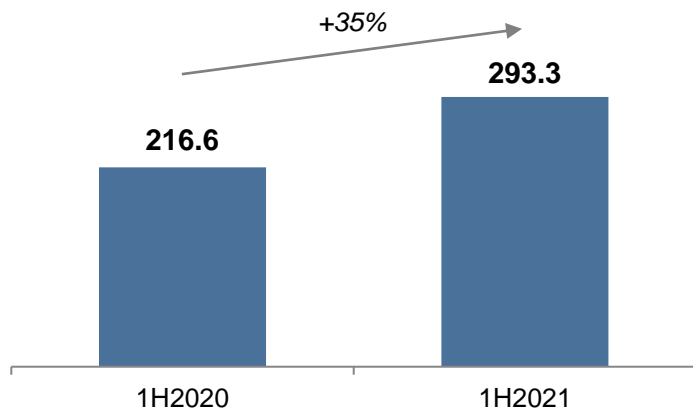
1. Key Highlights
- 2. Other materials**
 - I. Business performance
 - II. Financial results**

ANNEX

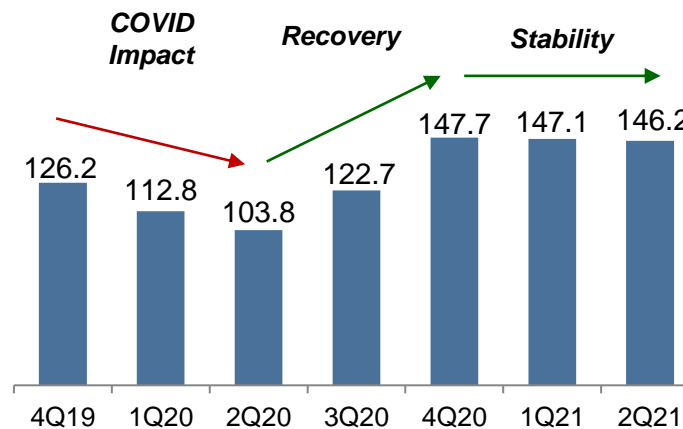


Profit & loss – Revenues

Cumulative revenues - YoY (€m)



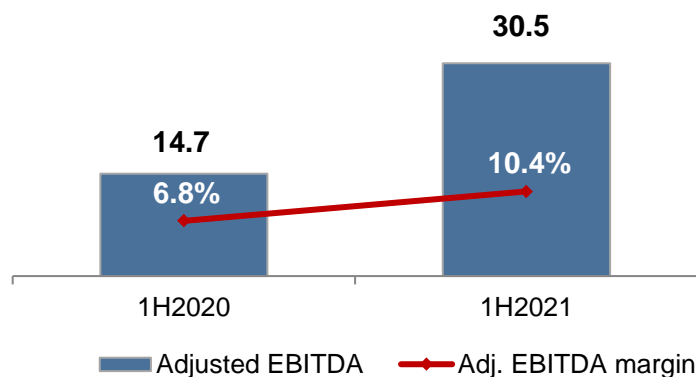
Quarterly revenues (€m)



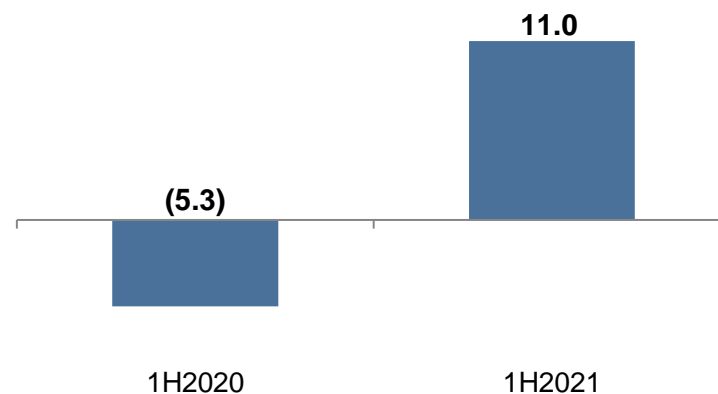
- Revenues increased mainly driven by the following:
 - **Manufacturing activity lead by VHS project in Spain**, consolidating the expected cycle of high revenues recognition, and which should continue throughout 2021 and 2022.
 - **Maintenance activity under recovery** in all geographies due to the start of operations in Saudi and the increase in the interurban mobility. Such recovery in the second half of the year however, will be subject to outbreak evolution.
 - **Continuity on the execution of the overhaul projects** in Spain and USA.
- Revenues reached **historical highs at 293 €m in 1H2021** with a **high quality and diversified backlog**.

Profit & loss – EBITDA and Net Profit

Adjusted EBITDA⁽¹⁾ (€m) and margin (%)



Adjusted Net Profit (€m)

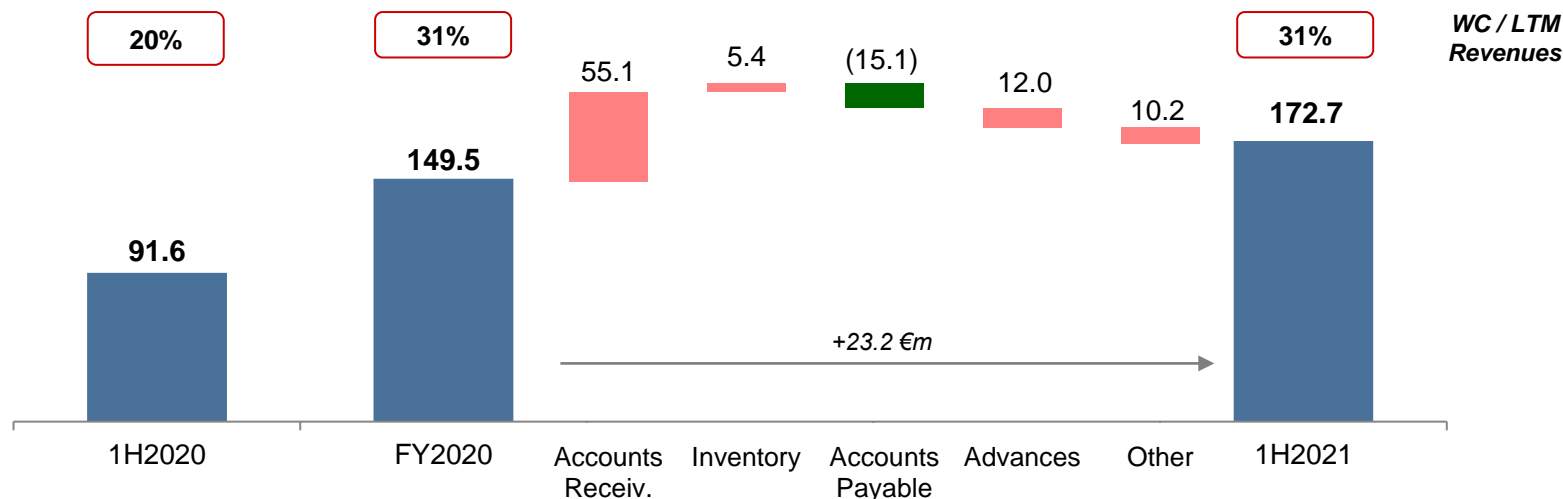


- **Adjusted EBITDA⁽¹⁾ amounted to 30.5 €m in 1H2021** driven by **partial recovery of maintenance activity** in the period, and strong cost-watching measures backed by the implementation of an objective to **decrease up to 15% of overhead expenses in the period 2021-2022**.
- **EBITDA improvement during the first half of the year reflects Talgo's capacity to recover profitability by 1) adapting its operations to external adverse conditions; and 2) successfully implementing its cost saving plan to reduce overhead expenses.**
- Regardless the abovementioned, activity still affected by COVID-19 mainly in the maintenance business line due to remaining mobility restrictions.
- Below EBITDA:
 - Financial costs remained stable in the period, which would decrease in 2H2021 driven by lowered interest rates agreed for long-term loans.
 - Higher corporate tax registered due to the expected increase of maintenance activity in the period.

Balance Sheet – Working Capital

- The Working Capital increased to reach 172.7 €m in 1H2021 as expected, driven by the industrial cycle of the manufacturing projects underway.
- Working Capital remained at 31% over LTM Revenues as a result of the implementation of a Working Capital Improvement Action Plan aimed to improve cash management through cash collection programs and optimization of inventory, among others.
- Talgo started to use AAD structure⁽¹⁾, in order to stabilize the cash flow of the project, considering the degree of progress of the project in the volume of advances required.

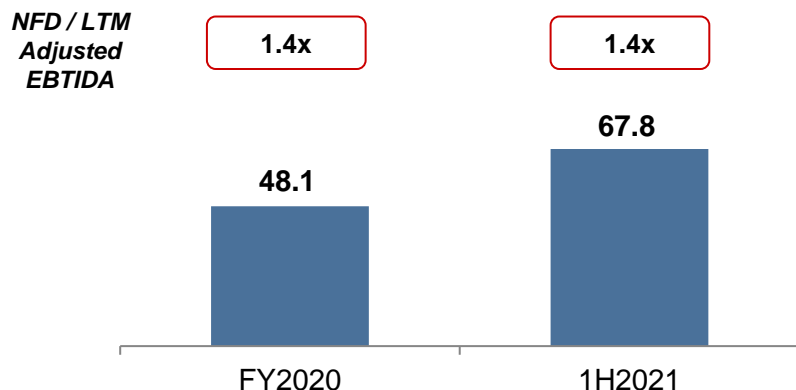
Working Capital (€m)



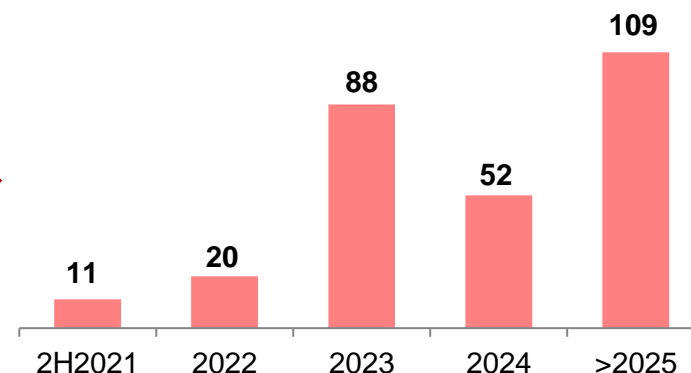
(1) Abstract Acknowledge of Debt, with access to advance payments for up to 60% of the contract value.
Source: Company information

Balance Sheet – Net Financial Debt

Net Financial Debt (€m)⁽¹⁾



LT bank debt – Repayment schedule (€m)



- **Increased average debt maturity** from 3.12 to 3.74 years in 1H2021, while **reducing average debt cost** from 1.61% to 1.04%.
- High capacity to finance company growth:
 - **11% debt maturity in 2021 and 2022.**
 - The **gross cash position amounts to 218 €m.**
 - **Undrawn credit lines** amounting 125 €m.
 - **Additional financial capacity** through project-based instruments (AAD).

Financial debt breakdown (€m)

€m	1H2021
Long-term bullet or semi-bullet	204
Long-term debt with annual repayments	46
European Investment Bank	30
Gross Financial debt	280

	Gross Debt (€m)	Average Maturity (y)	Average Cost (%)
FY2019	256.5	3.03	1.72%
FY2020	279.1	3.12	1.61%
1H2021	279.7	3.74	1.04%

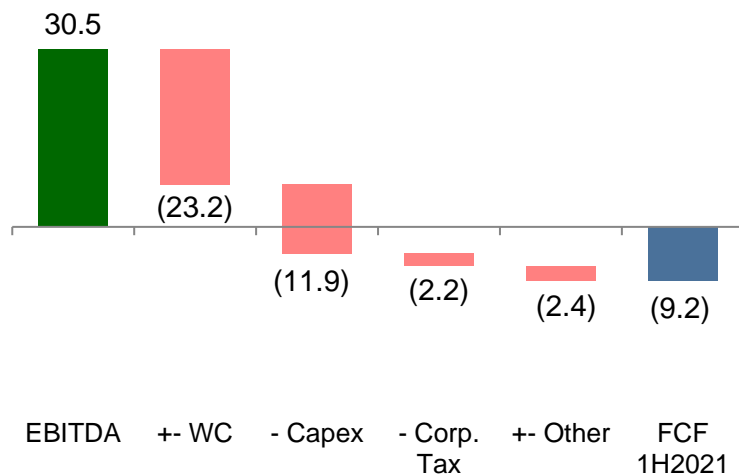


1) Net Financial Debt excludes repayable advances with entities belonging to the Spanish Public Administration relating to R&D, which are not considered financial debt due to their recurrence and zero interest rates.

Cash Flow – Free Cash Flow

- EBITDA increase in the period was offset by Working Capital requirements due to the increased industrial activity, resulting on a **negative Free Cash Flow of -9.2 €m in 1H2021**.
- Capex for the period amounted to 11.9 €m**, in line with forecast at the beginning of the year (c. 25 €m for 2021), of which **50% were related to R&D activities**.
- Manufacturing activity stabilization, start of product deliveries, increasing services and an active Working Capital management should benefit the FCF generation in the following years.**

Conversion of EBITDA into FCF in 1H2021 (€m)



Free Cash Flow for the period 1H2019-1H2021 (€m)

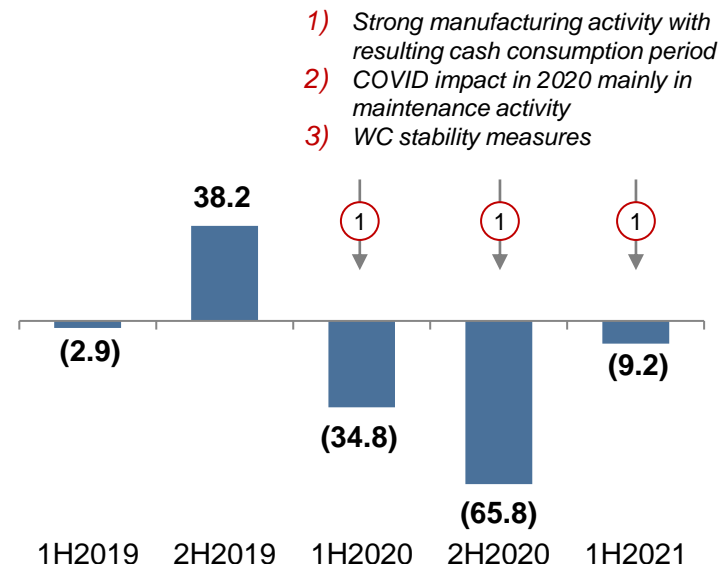


Table of contents

1. Key Highlights
2. Other materials
 - I. Business performance
 - II. Financial results

ANNEX



Annex 1. P&L

Profit & Loss Account (€m)	1H21	1H20	% Change
Total net turnover	293.3	216.6	35.4%
Other income	7.5	4.5	68.3%
Procurement costs	(180.2)	(124.3)	45.0%
Employee welfare expenses	(70.2)	(59.0)	18.9%
Other operating expenses	(22.1)	(25.9)	(14.8%)
EBITDA	28.3	11.8	139.6%
<i>% Ebitda margin</i>	9.7%	5.5%	
Other adjustments	2.2	2.9	(23.7%)
Adjusted EBITDA	30.5	14.7	107.8%
<i>% Adj. Ebitda margin</i>	10.4%	6.8%	
D&A (inc. depreciation provisions)	(9.2)	(10.0)	(7.7%)
EBIT	19.1	1.8	945.7%
<i>% Ebit margin</i>	6.5%	0.8%	
Other adjustments	2.2	2.9	(23.7%)
ViTtal Amortization	1.1	0.6	100.0%
Adjusted EBIT	22.4	5.2	327.1%
<i>% Adj. Ebit margin</i>	7.6%	2.4%	
Net financial expenses	(3.9)	(3.9)	1.0%
Profit before tax	15.2	(2.1)	(839.2%)
Tax	(5.0)	(3.7)	37.7%
Profit for the period	10.2	(5.7)	(278.0%)
Adjusted Profit for the period	11.0	(5.3)	(307.8%)

Annex 2. Balance sheet

Balance Sheet (€m)	June 2021	June 2020	Dec 2020
FIXED ASSETS	258.0	248.0	257.0
Tangible + intangible assets	118.1	105.2	115.2
Goodwill	112.4	112.4	112.4
Other long term assets	27.5	30.4	29.3
CURRENT ASSETS	686.2	617.7	645.9
Inventories	150.7	157.3	145.3
Non- current assets held for sale	0.0	0.0	0.0
Accounts receivable	315.3	167.1	260.2
Other current assets	2.0	12.2	12.0
Cash & cash equivalents	218.2	281.1	228.3
TOTAL ASSETS	944.2	865.7	902.9

Balance Sheet (€m)	June 2021	June 2020	Dec 2020
SHAREHOLDERS EQUITY	268.1	272.1	257.7
Capital Stock	38.2	38.2	38.2
Share premium	0.9	0.9	0.9
Consolidated reserves	1.8	3.3	1.5
Retained earnings	250.3	252.8	240.1
Other equity instruments	(23.1)	(23.1)	(23.1)
NON-CURRENT LIABILITIES:	354.5	293.0	329.2
Debt with credit institutions	259.3	217.6	238.4
Provisions	52.6	43.6	53.5
Other financial liabilities	30.9	22.1	26.7
Other long-term debts	11.7	9.8	10.7
CURRENT LIABILITIES:	321.6	300.5	316.0
Accounts payable	292.5	238.1	265.4
Debt with credit institutions	21.3	49.0	41.1
Other financial liabilities	5.0	6.7	6.9
Provisions for other liabilities and other	2.8	6.7	2.6
TOTAL S. EQUITY + LIABILITIES	944.2	865.7	902.9

Annex 2. Balance sheet (2)

Financial debt (€m)	June 2021	June 2020	Dec 2020
Long term financial liabilities	259.3	217.6	238.4
Short term financial liabilities	21.3	49.0	41.1
Financial leasings	5.4	1.5	6.9
Cash & cash equivalents	(218.2)	(291.1)	(238.3)
Net financial debt	67.8	(23.1)	48.1
Adjusted EBITDA LTM	50.0	56.6	34.2
Net financial debt / Adj EBITDA (LTM)	1.4x	(0.4)x	1.4x

Balance Sheet - Working Capital (€m)	June 2021	June 2020	Dec 2020
Inventories	150.7	157.3	145.3
Non current assets hed for sale	0.0	0.0	0.0
Account trade receivables	315.3	167.1	260.2
Other current assets	2.0	12.2	12.0
Trade and other payables	(229.2)	(174.9)	(214.1)
Advances received	(63.3)	(63.3)	(51.3)
Provisions for other liabilities and other	(2.8)	(6.7)	(2.6)
Working Capital	172.7	91.6	149.5

Annex 3. Cash flow statement

Cash flow statement (€m)	1H21	1H20	% Change	2020
Net income	10.2	(5.7)	(278.0%)	(17.4)
Corporate income tax	5.0	3.7	37.7%	5.1
Depreciation & Amortization	9.1	8.1	12.3%	16.7
Financial income/Financial expenses	4.7	3.1	54.1%	6.2
Other result adjustments	0.4	0.1	341.1%	14.2
Changes in working capital	(33.9)	(32.9)	3.0%	(101.2)
Operating cashflows after changes in WC	(4.6)	(23.8)	(80.8%)	(76.4)
Net interest expenses	(4.0)	(3.1)	31.9%	(6.0)
Provision and pension payments	0.0	0.0	n.a.	0.0
Income tax paid	(2.2)	(4.7)	(54.2%)	(3.1)
Other collection and payments	0.0	0.0	n.a.	0.0
Net cash flows from operating activities	(10.7)	(31.5)	(65.9%)	(85.6)
Capex	(1.8)	(7.3)	(74.7%)	(24.7)
Changes in financial assets and liabilities	2.5	8.6	(71.3%)	27.2
Dividends payments	0.0	(14.2)	n.a.	(14.2)
Net cash flows from financing activities	2.5	(5.6)	(144.0%)	13.0
Net variation in cash & cash eq.	(10.1)	(44.4)	(77.2%)	(97.3)

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