



Results H1 2023

Talgo increases revenues and net profit by more than 30% in the first half of the year

- Revenues reach €289 m, representing a 33% increase compared to the same period last year, driven by an increase in manufacturing activity and stable revenues from maintenance services
- Net profit increases by 32% up to June and reaches €7 m
- Projects for European operators Deutsche Bahn (Germany), DSB (Denmark), and Renfe will continue to be the main revenue contributors in the coming months
- Talgo has a solid order backlog (€2.7 bn) and expects to reach an all-time high in 2023, following the addition of a further €1.8 bn in awarded new orders pending to precedent conditions for their formalization, which provides visibility of industrial activity for the coming years
- Talgo has distributed a dividend of €12 m, 20% higher than the previous year

Madrid, July 27th, 2023. - Talgo S.A., a leading company in the design, manufacture, and maintenance of high-speed light trains, registered a revenue of €288.6 m in the first half of 2023, representing a 33% increase compared to the €217.7 m in the same period of the previous year. This revenue growth is mainly driven by the increase in manufacturing activity, a trend that is expected to continue in the coming years, as well as stable recurring revenues from maintenance services.

Manufacturing revenues account, as an average for more than half of total revenues, with major contributors in first half of 2023 being the manufacturing projects for European operators Deutsche Bahn (Germany), DSB (Denmark), and for the Egyptian operator ENR, as well as the project for the manufacturing of 40 locomotives and refurbishment of trains for Renfe that will constitute the 107 series.

The company registered an adjusted EBITDA of €35 m in the first half of 2023, 50% higher than in the same period of the previous year, driven by increased industrial activity. EBITDA margins stabilized in the first half of the year after four consecutive quarters of gradual recovery, reaching 12.1% compared to 10.7% a year earlier, slightly above expectations. Net profit reached €7 m in the first half of 2023, up by 32% compared to the same period of the previous year.

The Working capital (WC) increased to €304.4 m in the first half of the year, reflecting the increase in activity and the current stage of projects in progress. This increase corresponds to the degree of progress of manufacturing projects and the current project cycle and is in line with the normal business and projects profile. However, the company's backlog, and the ongoing projects that comprise it, have low execution and credit risks.

Capex investments for the period amounted to €10.5 m, in line with the forecast at the beginning of the year, of which 85% were related to R&D investments.

In terms of Net Financial Debt, the company has a solid financial profile, with diversified sources of funding, an average maturity profile of long-term debt of 2.75 years at an average cost of 2.35%, and with only €66 m in maturities for 2023 and 2024. This solid financial position gives Talgo a high capacity to finance current and future projects.

Note: This press release contains alternative performance measures ("APM") as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on October 5th, 2015. The breakdown and definitions of these measures, which are intended to be reconciled to International Financial Reporting Standards, can be found in the First Quarter of 2023 Results Presentation, which can be accessed through the website of the Spanish Securities and Exchange Commission (www.cnmv.es) or through Talgo's investor website (<https://investors.talgo.com/es/informaci%C3%B3n-financiera-trimestral-2023>).



Order backlog at an all-time high

At the end of first half of 2023, Talgo has a diversified order backlog of €2.7 bn. Of this, 26% of the total, which accounts for € 700 m, corresponds to manufacturing and refurbishment projects, guaranteeing a high level of industrial activity in the medium and long term. Maintenance services account for up to €1.9 bn of the backlog, which generates a high degree of visibility of revenues and cash flow in the long term.

Talgo's order backlog could reach above €4.0 bn by year end, an all-time high after the addition of a further €1.8 bn from new orders registered in the year, including a second order for 56 Talgo 230 ICE L trains under the 100-unit framework contract signed in 2019, thereby adding to the first order of 23 trains which is currently under execution.

The long-distance train project for the Danish operator DSB was also extended in the first half of the year, for a total of 8 new trains, and spare parts for their maintenance, for €184 m. This new order is part of the framework agreement signed in 2020 and doubles the initial order of 8 trains, amounting Talgo's fleet for DSB to 16 trains. The first order is currently in the manufacturing phase.

Update of other ongoing projects

With regard to the intercity train project for the Egyptian operator ENR, the company has delivered the trains, which have completed their commercial operation in July 2023, more than five months ahead of schedule.

As for the Avril, the very high-speed train project for Renfe, Talgo will begin deliveries to the Spanish railway operator in the coming months. It is the first train to face the challenge of running at a commercial speed of over 300 km/h on both international and European gauge tracks. It will also enable to increase the commercial speed on routes that require variable gauge, currently limited to 250 km/h and which are mainly located in the northwest quadrant of the Iberian Peninsula.

2023 Outlook

The industrial visibility and commercial forecasts lead Talgo to reaffirm its outlook for the year. Consistent with its commitment to sustained and selective growth, the company has improved its commercial expectations with an increase in the book-to-bill ratio from 2.0x to 3.0x, showing Talgo's positive commercial momentum. In terms of profitability, the company maintains its adjusted EBITDA forecast at 12%, as a result of the good performance of projects.

Net Financial Debt remains at 2.0 times adjusted EBITDA, in line with its previously established target for 2023.

Regarding Talgo's commercial activity, the company is currently working on several business opportunities with a total value of approximately €6.4 bn. Of this, 68% corresponds to business opportunities in Europe and, mainly, to long-distance and intercity project opportunities. Talgo's unique technology positions the company as one of the most highly competitive in its sector, exporting its products and services internationally and successfully adapting them to each country's specific regulations.

Committed to its shareholders

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Talgo launched in the first half of 2023 a Remuneration Program amounting to €12 m, representing a 20% increase over the previous year. This time too, the program is implemented through 'Scrip Dividend' and share buyback program, giving shareholders a choice between shares or cash.

Approximately 83% of the company's shareholders decided to receive the dividend in shares, rather than in cash, thus reinforcing their position in Talgo's share capital, which is, once again, a clear sign of shareholders' support and confidence in the company's future.

The Share Buyback Program is expected to start in the coming days. This program provides for the subsequent redemption of shares acquired, in order to eliminate the dilutive effect on shareholders who chose to receive their dividend in cash, and at the same time will increase the stake of shareholders who decided to receive their remuneration shares, generating a real remuneration for all shareholders.

About Talgo

Talgo S.A. is a leading company in the design, manufacture and maintenance of high-speed light trains with a manufacturing presence, among other countries: in Spain, Germany, Kazakhstan, Uzbekistan, Saudi Arabia, Egypt and the United States. The Company is recognized worldwide for its innovative capabilities, unique and distinctive technology and reliability. Talgo is Renfe's main supplier of high-speed and ultra high-speed trains and the supplier of trains in the "Haramain" high-speed railway line project between Mecca and Medina in Saudi Arabia. Talgo is also the manufacturer chosen by the German operator Deutsche Bahn and the Danish operator DSB to decarbonize its network with the Talgo 230 long-distance trains.

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