Talgo's Results 1Q 2020

6 May 2020

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The core measures implemented by Talgo ensure the continuity of the industrial activity...

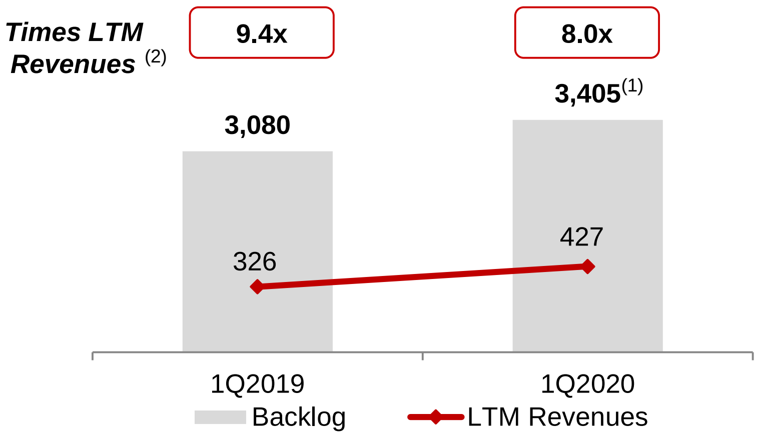
	Manufacturing activity	Maintenance activity	Other activities
COVID in 1Q2020	▪ Slowdown in manufacturing activity due to i) identified supply chain disruptions and ii) a lower productivity ratio registered. ▪ Both factories remained lockdown from March 30 to April 13 in accordance with government outbreak measures.	▪ Maintenance activity reduced since mid-March, adapting it to the customers requirements based on their operations activity. ▪ Temporary suspension of employment (ERTE) for 313 maintenance employees in Spain, to be extended until activity resume to normal level.	▪ Slow down in overhaul activity throughout the period due to the outbreak context. ▪ Normal pace in the engineering activity, with remote working system being successfully implemented.
COVID current status (May '20)	▪ Ensured high quality backlog. ▪ Manufacturing facilities returned to normal activity in April. ▪ All clients have been notified and reported with expected impact in contracted projects. ▪ Low risk of penalties given the force majeure context.	▪ Strong impact and lack of visibility in the short term: ○ Spain 77% activity slowdown. ○ Saudi Arabia, Kazakhstan, Uzbekistan and USA: 100% activity reduction. ○ Russia: partially reduced. ○ Germany: normal activity.	▪ Overhaul projects performance in line with manufacturing activity. ▪ Maintaining the measures correctly implemented in engineering and overhead activities.

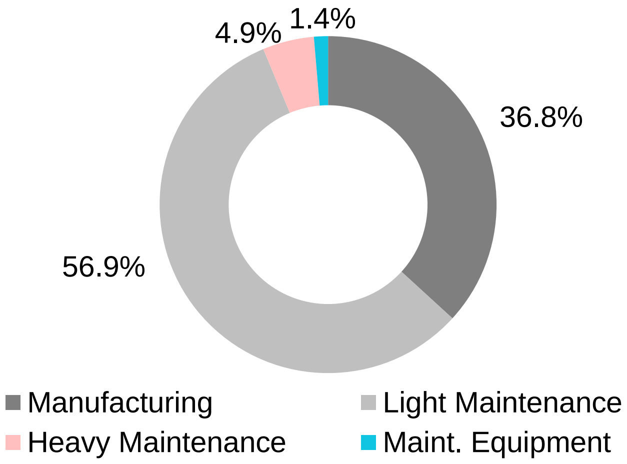
Talgo is implementing all the required measures in terms of both, projects management and occupational safety in order to ensure the good performance of the different business lines, prioritizing i) the protection of its employees health and ii) fulfillment of the commitments established with customers

... driven by a solid order book and the suitable financial position that generate visibility and positions Talgo properly for a forthcoming recovery

- ✓ **Strong order book with more than 1.2 €b in manufacturing projects** that provide long-term revenue visibility and ensure industrial activity for the period 2020-2024.
- ✓ **Customer commitment** to the continuity of ongoing manufacturing projects.
- ✓ **Adapting to the customers needs in the maintenance activity**.
- ✓ **Suitable financial position** to ensure the correct execution of the backlog.
- ✓ **In the process of implementing cost-cutting measures** in the different business lines in order to protect the margins of the business in 2020.

Backlog 1Q2020





(1) Does not include amount related to not signed projects, amounting additional 317 €m
(2) LTM o *Last Twelve Months* referring to registered revenues in the last 12 months to date (1Q2020)
Source: Company information

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Business resilience with a solid order book and appropriate financial capacity that support long-term business visibility

Revenues

- **Net Revenues reached 112.8 €m in 1Q2020**, as a result of high industrial activity at the beginning of the year and its slowdown in March due to COVID-19.
- The maintenance activity registered higher impact as a result of the corresponding declarations of alarm in the different markets where Talgo provide services.

Operational profitability

- **Correct adaptation of operations to the current outbreak situation**, with resulting external issues impacting projects profitability in the period.
- **Adjusted EBITDA reached 14.8 €m in the period (13.1% margin).**

Net Profit

- **Adjusted Net Profit reached 5.3 €m** in 1Q2020.

Capital Structure

- **Working Capital evolved as expected**, with cash consumption registered in the period driven by normal cycle of ongoing manufacturing projects.
- **Increased financial capacity**, with credit lines available amounting 135 €m as of May 2020 (90 €m in FY2019), and refinancing debt maturities expected for 2020.
- **Share Buy-back Programme was successfully executed,** reaching 9.5% in March, of which 7% will be redeemed in the following weeks. Talgo has decided on may 6th to declare the Programme expired and executed once its expiration date is reached on May 19, 2020.

Backlog

- The **order intake amounted 141 €m in 1Q2020**, mainly driven by a project awarded by DSB in Denmark for the manufacture of 8 Talgo 230 trainsets for 134 €m.
- **The backlog reached 3.4 €b at the end of 1Q2020** (1.2 €b in manufacturing).

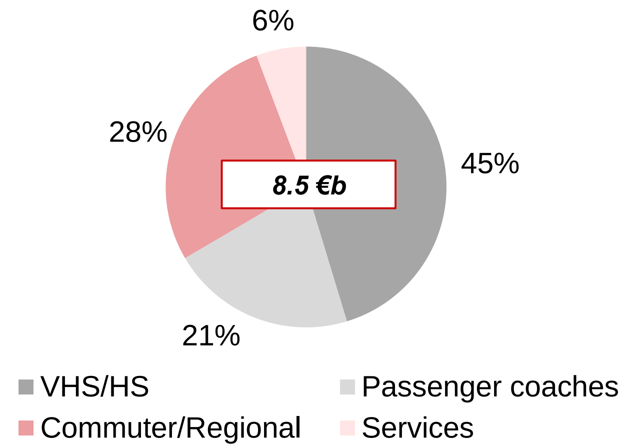
Source: Company

Positive commercial outlook where Talgo is favorably positioned with a sustainable and reliable product of reference in the market

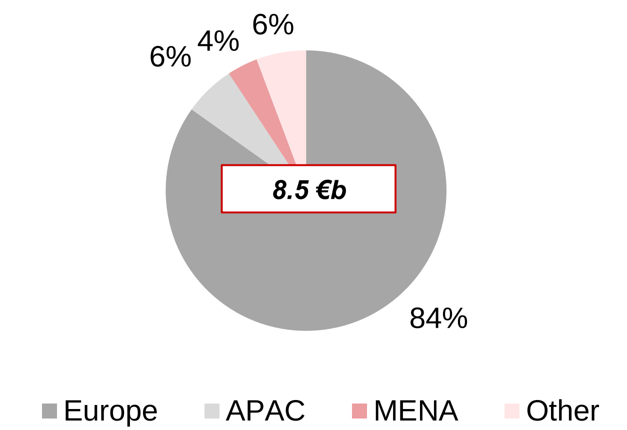
- **Talgo is currently working on more than 15 business opportunities for the next 24 months for an approximate value of 8.5 €b.**
- The current situation generated by COVID-19 is could generate certain tender delays depending on the clients capabilities to resume tender processes. However, not substantial modifications or cancellations of the opportunities included in the pipeline are expected.
- Positive perspectives in 1) High Speed segment with attractive opportunities in Europe led by the HS2 project in the United Kingdom; and 2) Commuter segment where Spain is positioned as the main source of opportunities.

Talgo has submitted offers for an approximate amount of 5.2 €b related to opportunities following the Company strategy based on building a high-quality backlog to ensure long-term sustainable growth

Pipeline by segment 1Q2020 (24 months)(1)



Pipeline by geographical area 1Q2020 (24 months)(1)



(1) Approximate amounts based on available information. Maintenance is included subject to availability

Source: Company

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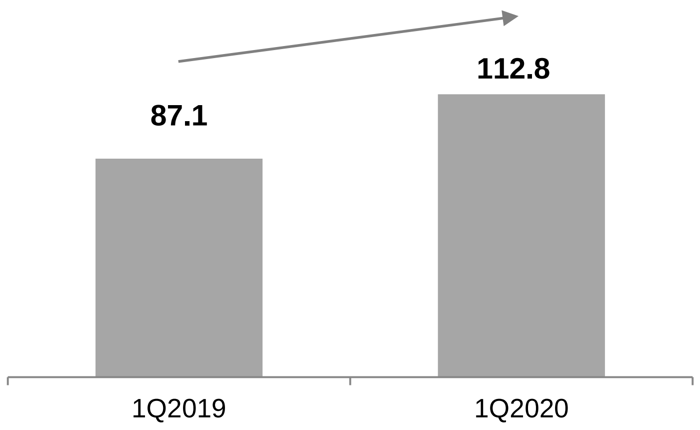
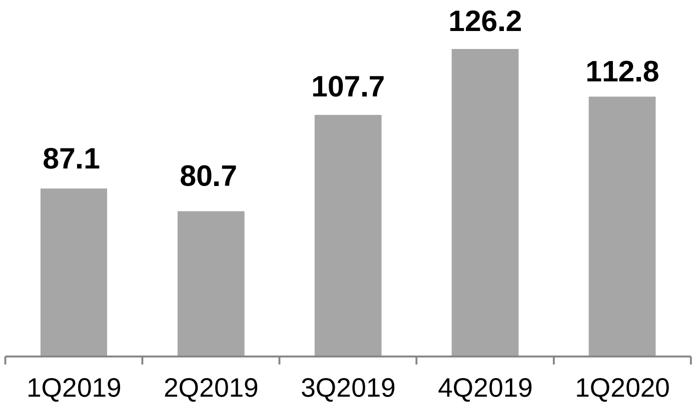
Consistent Revenues registered in the period driven by stronger manufacturing activity

Revenues QoQ (€m)



Quarterly revenues evolution (€m)

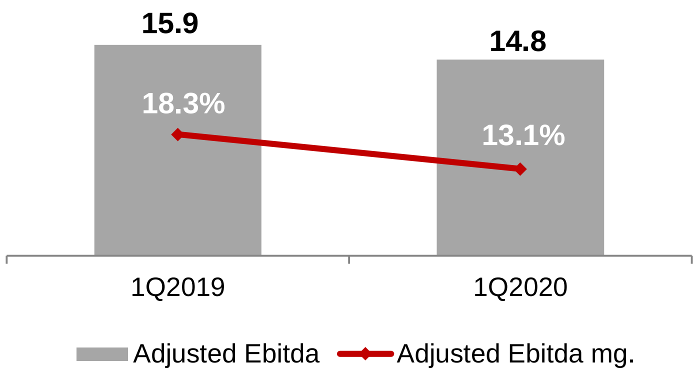


- **Revenues reached 112.8 €m in 1Q2020** (+ 29% vs. 1Q2019) driven by an increased manufacturing activity of the Spanish Very High Speed project (Renfe) and a lower maintenance activity.
- In quarterly terms, **revenues remained at the highest levels of the last three years**, regardless the impact registered by COVID that was reflected in a certain slowdown in activity.
- The solid backlog supports the industrial activity and Company's revenues for the coming years.
  - **The manufacturing projects will resume to a normalized pace**, adapting the schedules and degree of progress to the current situation and jointly with the clients.
  - **Maintenance activity has been significantly impacted**. Recovery is subject to our clients capacity to return to a normalized commercial activity, which at this stage is difficult to assess when will that happen given lack of visibility.

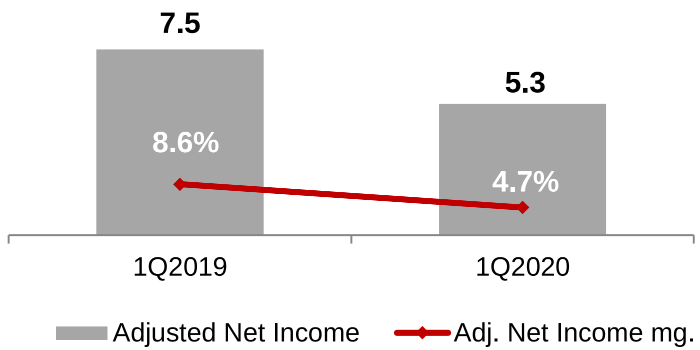
Source: Company

Business model based on strict cost-watching and long-term maintenance contracts to provide sustainable business performance

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



Adjusted Net Income (€m) and margin (%)



- **Adjusted EBITDA(1)** in the period remained stable vs. same period of previous year reaching 14.8 €m in 1Q2020. However, margins reflected the extraordinary situation caused by the outbreak context that resulted in lower but sustained to **Adjusted EBITDA margin of 13.1%**.
- During March and April, the Company designed relevant contingency plans and significant cost-cutting measures in order to protect the margins. In this regard, it is worth highlighting the **50% reduction of the Board of Directors, President and CEO remuneration for 2020.**
- **Adjusted Net Profit reached 5.3 €m in 1Q2020 (4.7% margin)**, lower than the same period in 2019, although it reflects financial savings achieved due to a lower volume of guarantees and lower cost of financial debt.

(1) Adjustment to EBITDA includes non-recurrent costs, mainly guarantees and layoffs

Source: Company

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Appendix 1. Profit & Loss

Profit & Loss Account (€m)	1Q2020	1Q2019	% Change
Total net turnover	**112,8**	**87,1**	***29,6%***
Other income	2,8	1,4	*93,5%*
Procurement costs	(63,1)	(28,1)	*124,1%*
Employee welfare expenses	(28,6)	(28,7)	*(0,5%)*
Other operating expenses	(10,1)	(17,3)	*(41,9%)*
EBITDA	**13,9**	**14,3**	*(3,0%)*
% Ebitda margin	*12,3%*	*16,4%*	
IFRS 16 adjustment	(0,7)	(0,4)	*90,4%*
Other adjustments	1,6	1,6	*(1,1%)*
Adjusted EBITDA	**14,8**	**15,6**	***(5,0%)***
% Adj. Ebitda margin	*13,1%*	*17,9%*	
D&A (inc. depreciation provisions)	(4,6)	(3,5)	*29,0%*
EBIT	**9,3**	**10,8**	***(13,6%)***
% Ebit margin	*8,2%*	*12,3%*	
Other adjustments	1,6	1,6	*(1,1%)*
Avril/ViTtal Amortization	0,6	0,6	*0,0%*
Adjusted EBIT	**11,5**	**12,9**	***(11,4%)***
% Adj. Ebit margin	*10,2%*	*14,9%*	
Net financial expenses	(1,7)	(2,0)	*(15,4%)*
Profit before tax	**7,6**	**8,8**	**(13,2%)**
Tax	(2,7)	(1,7)	*58,8%*
Profit for the period	**4,9**	**7,1**	***(30,5%)***
Adjusted Profit for the period	**5,3**	**7,5**	***(28,8%)***

Source: Company information