Talgo's Results 3Q 2020

12 November 2020

Talgo

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Operations successfully adapted to COVID-19 challenging dynamics

- ✓ **Comprehensive set of measures implemented** to ensure employee safety and enhance productivity
- ✓ **Health-care and safety on-board solutions development** already incorporated to fleets
- ✓ **Efficient management of supply chain disruptions** to properly deliver ongoing projects
- ✓ **Cost-cutting measures** aiming to protect business profitability while ensuring best-in-class services
- ✓ **Improved financial profile** to strengthen company liquidity

Managing COVID-19

- ✓ **Crosswise commitment with the fight against the outbreak**
- ✓ **Exemplary management of Covid-19 risks on Talgo sites**
- ✓ **Recovered pre-outbreak manufacturing pace**
- ✓ **Strong quarterly revenue increase**
- ✓ **On the road to recover profitability**
- ✓ **Suitable financial position with sound cash position**

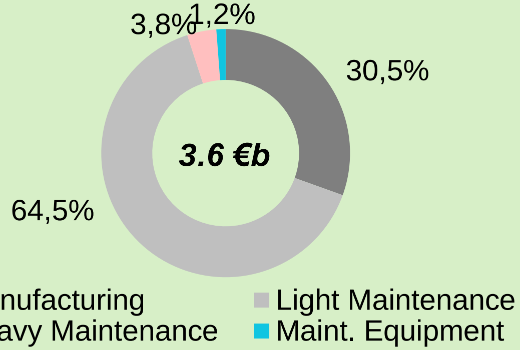
Source: Company information

Key business highlights of 9M2020

Operational highlights

- **Resilient business performance…:**
  - **Manufacturing projects on the right track** recovering pre-Covid pace.
  - **Maintenance activity** impacted in the short-term but resilient in the long run.
- **… backed by a strong backlog and an attractive pipeline** to ensure long-term business sustainability.

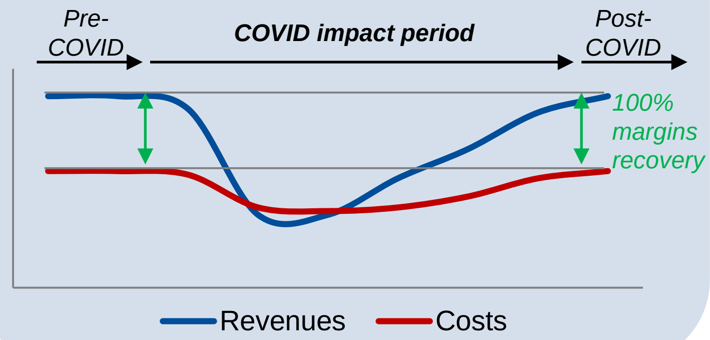
Backlog 9M2020:



Financial highlights

- P&L reflects the **correct implementation of appropriate measures** in an adverse context**:**
  - **Increasing revenues to reach 339 €m** in 9M2020 (+18% in 3Q vs 2Q 2020) mainly driven by manufacturing activity ramp-up.
  - Profitability improvement with **Adjusted EBITDA amounting 23 €m** in 9M2020 resulting on 6.7% margin.

Maintenance projects – margins evolution[(1)]:



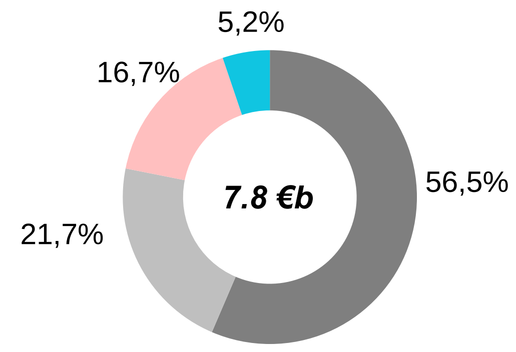
Strong manufacturing backlog accelerates industrial activity enhancing revenues increase and partially offsetting negative impact of COVID-19

(1) The graph is a simulation that does not attempt to reflect or represent real data of specific projects performance.
Source: Company information

Favorable *momentum* to consolidate business international growth

- **Attractiveness of rail as the most efficient passenger travel mode remains unaffected from COVID-19,** and is expected to continue registering reliable growths in the mid/long term.
- Moreover, COVID-19 did not substantially modified nor cancel the opportunities in Talgo's pipeline.
- In this regard, **pipeline currently amounts approximately 7.8 €b** with a wide range of national and international opportunities in diversified segments.
- **Europe remains as the main geographical area** targeted by the Company, highlighting commuter opportunities in Spain and HS/VHS in northern Europe and UK.

Pipeline by segment (24 months)[1]



Macro trends enhancing rail passenger transportation industry

- ✓ **Environmental awareness** to enhance modal shift from air to rail travel in Europe
- ✓ Most increasingly **convenient transport mode** in terms of time and cost efficiency
- ✓ **Increasing trend to concentration in large cities** further the current extraordinary COVID-19 context

Demand for rolling stock is expected to outperform across accessible markets lead by opportunities in VHS/HS segment (+8% CAGR in the period 2020-2025)[2]

(1) Approximate amounts based on available information. Maintenance is included subject to availability
(2) UNIFE WRMS 2020-2025
Source: Company

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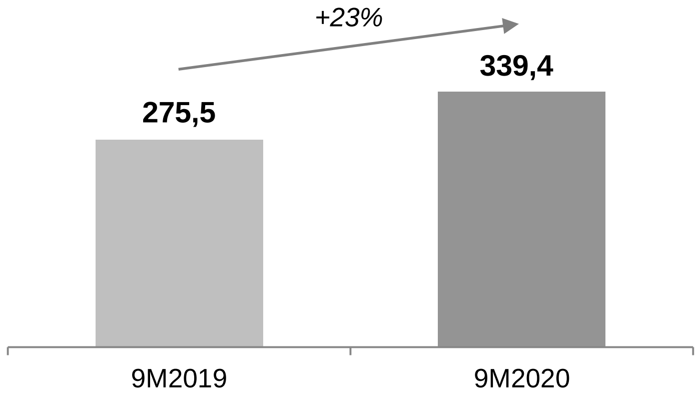
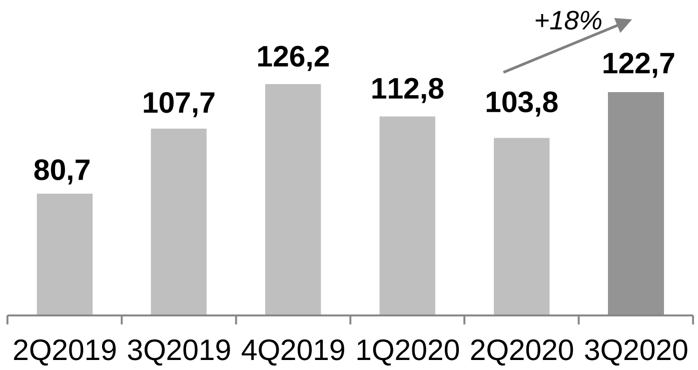
Strong backlog execution to consolidate revenue ramp-up phase

Cumulative revenues - QoQ (€m)



Quarterly revenues evolution (€m)

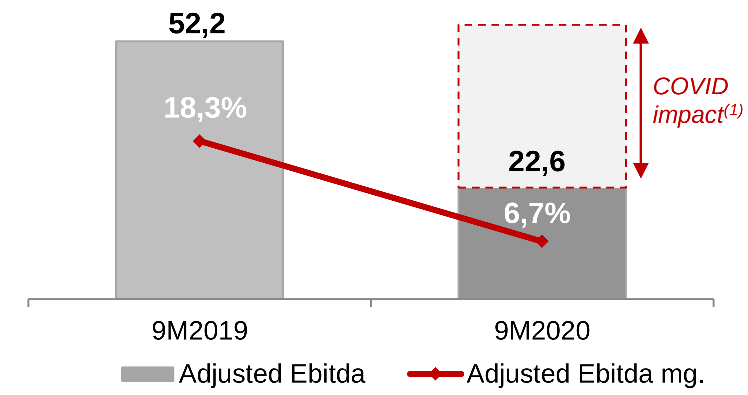


- **Revenues significantly increased in 9M2020 to reach 339.4 €m** (122.7 €m in 3Q2020) in line with the expected ramp-up driven by the execution of manufacturing projects in the backlog.
- In quarterly terms, remarkable increase compared to 2Q2020 as a result of:
  1. Operational measures **successfully implemented to normalize manufacturing pace**.
  2. A slight activity increase in al installed bases except in Saudi Arabia where fleet is still out of service.
- As a result, **business performance is gradually getting back to normalized level of activity**. However, **maintenance business line is still significantly impacted** and full resume of operations will be linked to mobility measures, which as of today still leaves room for significant uncertainty.

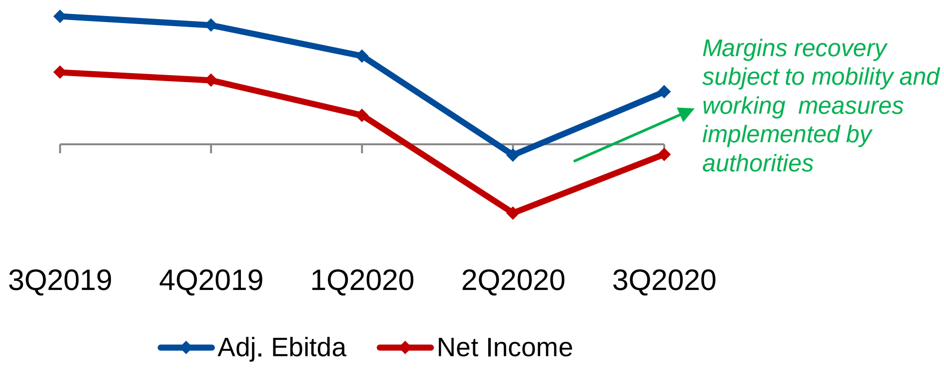
Source: Company

Flexibility as one of main pillars of Talgo's business model enabling effective cost-cutting measures implementation

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



Quarterly Adj. EBITDA and Net Income (€m)



- Adjusted EBITDA margins recovery in 3Q2020 (from -0,1% to 6.5%) confirms the **strong capacity of the business to recover normalized profitability** once 1) services business rapidly react to higher levels of interurban mobility and 2) execution of high quality manufacturing projects upturns.
- In addition, during the period Talgo designed and implemented noteworthy contingency plans and significant cost-cutting measures aimed to adapt the costs base to the current adverse scenario.
- **Adjusted EBITDA[2] in 9M2020** decreased to 22.6 €m (6.7% margin) dragged by:
  - **Cost overruns in manufacturing projects** due to supply chain disruptions and identified lower productivity in 2Q2020. However, such **disruptions were successfully mitigated during 2Q/3Q2020.**
  - **Maintenance services significantly impacted** in the period given the lower demand registered due to force majeure (COVID-19).

(1) "COVID impact" is a theoretical simulation based on the Adjusted EBITDA margin guidance provided in February 2020 (16,5% mg), subsequently withdrawn in march 2020 due to COVID-19 context
(2) Adjustment to EBITDA includes non-recurrent costs, mainly guarantees considered to be financial costs, and layoffs.

Source: Company

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Final remarks and outlook

- ✓ **Strict packages of measures and protocols aimed to protect employees remain as first priority of the company at this stage**
- ✓ **9M2020 results confirm Talgo's reliable capacity to successfully adapt its cost structure to adverse situations**
- ✓ **Resilient order book at historical highest levels with high quality projects ensures high workload and revenues over the following years**
- ✓ **Consistent vocation of European and global authorities to enhance and encourage investments in rail as most environmental friendly travel mode**
- ✓ **The company is proactively working on several projects that could be financed by the EU Recovery Fund *(Next Generation EU)***
- ✓ **Strong balance sheet with limited short and medium term financial debt maturities and over 150 €m of available credit lines to provide surplus liquidity**
- ✓ **Lack of visibility over mobility measures and its impact on demand for rail services still limits company capacity to provide guidance for years 2020 and 2021**

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Appendix 1. Profit & Loss

Profit & Loss Account (€m)	9M20	9M19	% Change
Total net turnover	**339.4**	**275.5**	***23.2%***
Other income	8.3	4.0	*109.7%*
Procurement costs	(202.5)	(101.1)	*100.3%*
Employee welfare expenses	(90.3)	(90.4)	*(0.1%)*
Other operating expenses	(36.3)	(41.2)	*(11.7%)*
EBITDA	**18.6**	**46.8**	*(60.2%)*
% Ebitda margin	*5.5%*	*17.0%*	
Other adjustments	4.0	5.4	*(25.2%)*
Adjusted EBITDA	**22.6**	**52.2**	***(56.6%)***
% Adj. Ebitda margin	*6.7%*	*18.9%*	
D&A (inc. depreciation provisions)	(15.0)	(12.0)	*25.1%*
EBIT	**3.6**	**34.8**	***(89.6%)***
% Ebit margin	*1.1%*	*12.6%*	
Other adjustments	4.0	5.4	*(25.2%)*
VitTal Amortization	1.7	1.7	*0.0%*
Adjusted EBIT	**9.3**	**41.9**	***(77.7%)***
% Adj. Ebit margin	*2.7%*	*15.2%*	
Net financial expenses	(6.8)	(4.9)	*39.4%*
Profit before tax	**(3.2)**	**29.9**	**(110.7%)**
Tax	(4.4)	(5.0)	*(12.3%)*
Profit for the period	**(7.6)**	**24.9**	***(130.4%)***
Adjusted Profit for the period	**(6.3)**	**26.2**	***(124.2%)***

Source: Company information