Talgo 2016 1Q Results

May 6th, 2016

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1. First quarter registered strong activity and successful financial performance

Revenues

- **Net Revenues** increased by 74% **to 150.1 €m** (86.5 €m in 2015).
- **1Q results reflect the strong manufacturing activity**, mainly on Saudi project, while maintenance services keep on track.

Profitability

- **Adjusted EBITDA and adjusted EBIT increased by 62% and 67% to 30.9 €m and 27.7 €m**, respectively, maintaining target level of margins (21% and 18%, respectively).

Net profit

- **Net Profit increased by 114% to 18 €m** (adjusted net profit reached 20 €m).

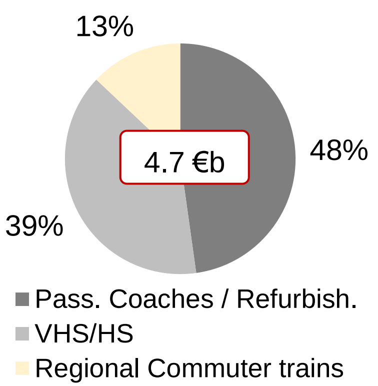
Other

- Working capital increased as expected due to normal manufacturing cycle implying an increase in NFD.
- Full year Leverage guidance is maintained due to expected payments profile.

Order intake

- **Order intake registered in first quarter pending of large tenders** expected to be awarded in 2016 mainly in Spain, NAFTA and MENA.
  - **Bids submitted** for different projects with a total **value of approximate 500 €m.**
  - **Spanish VHS tender** (1.1 €b) bids to be presented in May and outcome expected in 2016.
  - Additionally, Talgo is **working on other opportunities** that may be awarded in 2016.

18-24 months pipeline by segment



- Regarding the tenders identified as attainable for Talgo in the 18-24 months, **passenger coaches and refurbishments lead the pipeline** in terms of aggregate volume and number of tenders, while **High and Very High Speed** manufacturing tenders expected to be called throughout the year are **fewer but of greater volume.**

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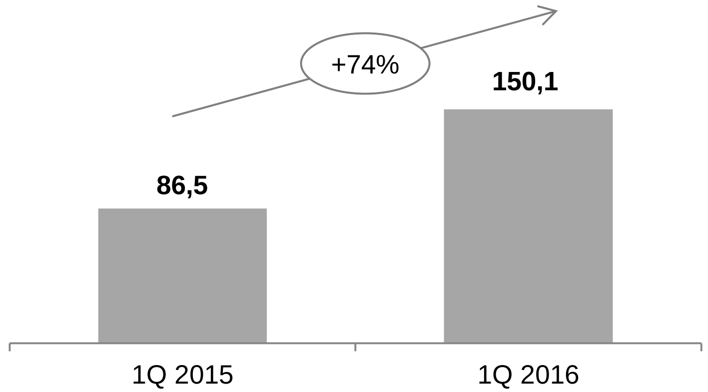
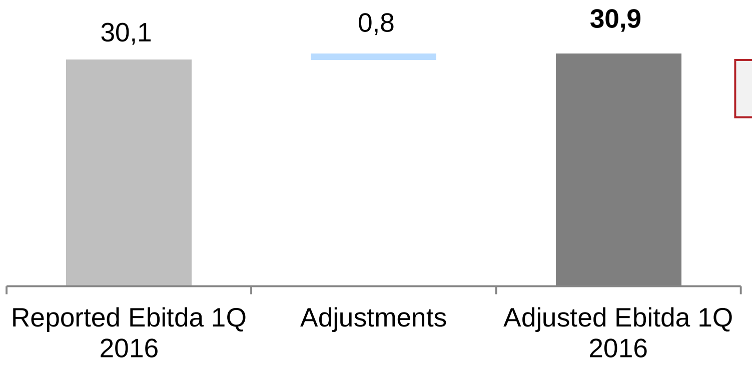
1. Increasing revenues with successfully execution performance

- Net Turnover **reached 150.1 €m. in 1Q 2016** (74% higher than 1Q 2015) mainly driven by:
  - ✓ **Execution of contracted backlog** (mainly Mecca-Medina and Kazakhstan)
  - ✓ **Increasing maintenance services**, providing recurrent and stable cash generation
  - ✓ Commercialization of **maintenance equipment**
- **Adjusted Ebitda reached 30.9 €m in 1Q 2016** boosted by the manufacturing projects, with Ebitda margin remaining over 21%.
- Adjustments made to EBITDA include mainly bank guarantee fees.

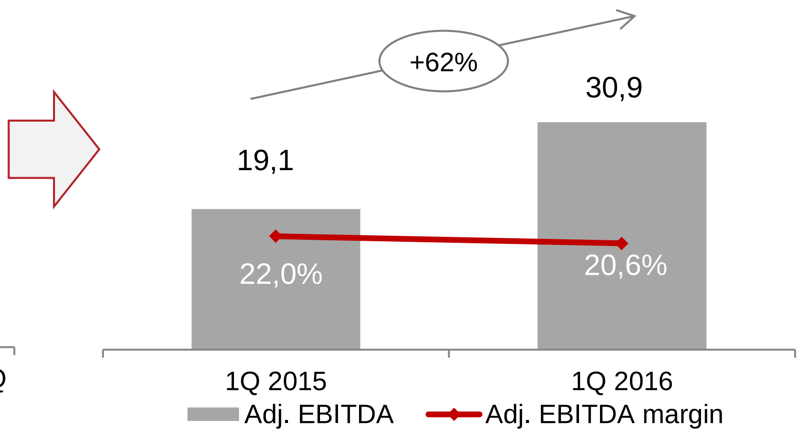
Net turnover (€m)



Reported to adjusted EBITDA bridge (€m)



Adj. EBITDA (€m) and Adj. EBITDA margin (%)



Source: Company information

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1. First quarter results in line with Company expectations

	Outlook feb-2016	Performance 1Q 2016	Outlook update mar-16
Business performance: Manufacturing / Maintenance activity	▪ Backlog execution 30-35% for 2015-2016 ▪ Net Turnover according to the “percentage of completion” of the projects. ▪ Manufacturing rhythm adaptation according to clients needs, if required. ▪ Sizeable pipeline expected to be awarded in 2016-2017.	▪ Strong Backlog execution and revenue recognition mainly due to Mecca-Medina project, in line with initial expectations. ▪ Order intake registered in 1Q 2016 pending of large tenders in 2016.	▪ We reiterate our estimates of backlog execution over 30% for 2015-2016. ▪ Recurrent revenues coming from maintenance activity. ▪ Pipeline with large upcoming tenders in second half of the year.
Profitability	▪ EBITDA margins in 2016 expected to remain above 20%.	▪ 20% EBITDA margin registered in 1Q, in line with initial expectations.	▪ Ongoing projects are expected to continue with same level of profitability.
Cash Flow and Capital Structure	▪ Cash consumption due to ongoing projects stage. ▪ Growth capex: c. 9 €m. ▪ Maintain Net Debt / EBITDA below 1.0x.	▪ Working Capital needs reflect manufacturing program. ▪ Growth capex : 1.3 €m. ▪ Comfortable liquidity position with 74 €m of available credit lines.	▪ Working Capital to remain high but stable through 2016. ▪ New orders would provide additional cash inflows.

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APPENDIX

Appendix 1. Profit & Loss

Profit & Loss Account (€m)	1Q16	1Q15	% Change
Total net turnover	**150.1**	**86.5**	***73.5%***
Other income	1.8	0.8	*124.5%*
Procurement costs	(84.7)	(34.3)	*147.2%*
Employee welfare expenses	(23.4)	(24.2)	*(3.2%)*
Other operating expenses	(13.7)	(12.8)	*7.2%*
EBITDA	**30.1**	**16.1**	*86.8%*
% Ebitda margin	*20.1%*	*18.6%*	
Other adjustments	0.8	1.3	*(39.5%)*
Long-term stock compensation plan	-	1.6	*(100.0%)*
Adjusted EBITDA	**30.9**	**19.1**	***62.3%***
% Adj. Ebitda margin	*20.6%*	*22.0%*	
D&A (inc. depreciation provisions)	(5.2)	(4.5)	*15.9%*
EBIT	**25.0**	**11.7**	***114.0%***
% Ebit margin	*16.6%*	*13.5%*	
Other adjustments	0.8	1.3	*(39.5%)*
Long-term stock compensation plan	-	1.6	*(100.0%)*
AVRIL Amortization	2.0	2.0	*0.0%*
Depreciation provisions	-	0.0	*(100.0%)*
Adjusted EBIT	**27.7**	**16.6**	**67.1%**
% Adj. Ebit margin	*18.5%*	*19.2%*	
Net financial expenses	(1.8)	(0.5)	*300.7%*
Profit before tax	**23.1**	**11.2**	**106.4%**
Tax	(4.9)	(2.7)	
Profit for the period	**18.2**	**8.5**	***113.7%***
Adjusted Profit for the period	**20.3**	**12.1**	**68.0%**

Source: Company information


Talgo
THANK YOU!