Results Presentation Half Year 2023

27 July 2023

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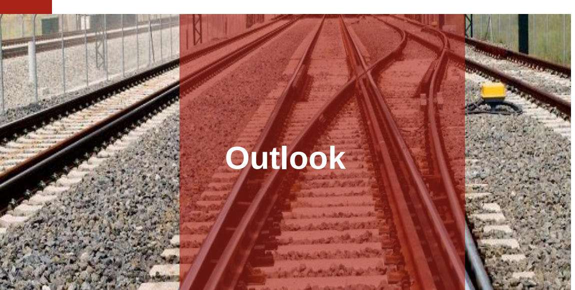
Executive Summary – Key Highlighs

- **ESG** as key element in the pursuit of business excellence. **Decreasing working accidents rates** to reflect PRL improvements.
- Strong manufacturing pace while addressing new measures to **increase capacity optimization and industrial efficiency**.
- Outstanding commercial momentum resulting on **new orders registered in the period with value amounting €1.9 bn[3]**.

	H1-2023
Accident freq.[1]	**7.21**
Severity[2]	**0.29**
Order intake	**€205 m**
Backlog	**€2,668 m**

- Revenue growth enhanced by **increasing manufacturing activity** and **supported by the stability of maintenance services**.
- **Higher aEBITDA with stable margins,** although higher financial expenses temporarily impacting net income.
- Scrip dividend completed with **83% of capital accepting shares**. Share buy-back programme to start on July 31st.

	H1-2023
Revenues	**€ 288.6 m**
aEBITDA	**€ 35.0 m**
aEBITDA Mg.	**12.1%**
NFD	**€ 175.1 m[6]**



- Industrial visibility and commercial forecasts leads Talgo to provide **long-term vision over business performance…**
- **… while confirming expected figures for FY2023.**
- Uncertainties in macroeconomic and geopolitical environment.
- **Improvement in supply chain** although still a challenge.

	FY-2023	2025-26
Revenues	**40%[4]**	**> 700 €m**
aEBITDA Mg.	**c. 12%**	**c. 14-15%**
NFD	**c. 2.0x[6]**	**Moderate**
Order intake[5]	**c. 3.0x**	**> 1.0x**

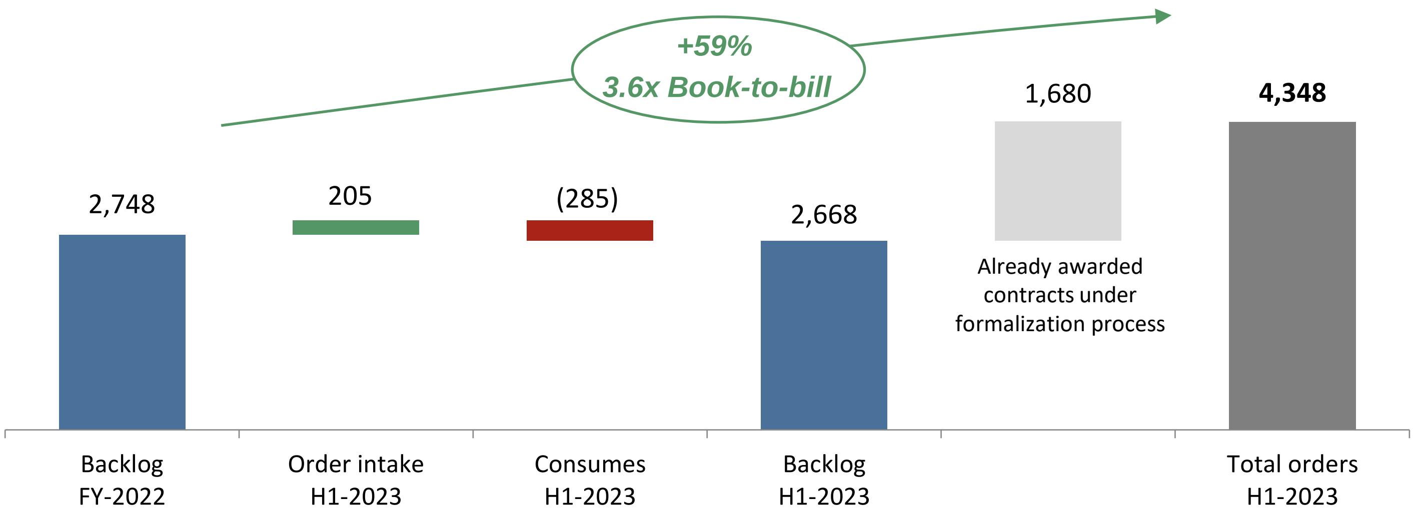
1) Accident frequency rate: Includes Talgo FTEs in Spain. Industrial accidents per million man-hours worked. FTEs (Full Time Equivalent Employees).
2) Severity rate: Number of working days lost per 1,000 hours worked. Talgo FTEs in Spain.
3) Includes mainly new extension order from DSB for €184 m, as well as DB for c. €1,400 m, which are already awarded and subject to comply with precedent condition.
4) Backlog execution in the period 2023-2024 based on FY2022 backlog figures.
5) Book-to-bill ratio: Volume of new orders over revenues.
6) Net Financial Debt to LTM aEBITDA. NFD excludes repayable advances with entities of to the Spanish Public Administration relating to R&D, which are not considered financial debt

Source: Company

I. Business performance (I/II)

- **Unique commercial momentum for Talgo leading Talgo's backlog and order intake to historical highs.**
  - DSB extension awarded in H1-2022 for eight additional Talgo 230 compositions with value amounting €184 m.
  - DB extension awarded in H1-2022 for 56 additional Talgo 230 trains with value amounting c. €1,400 m, and ENR new contract for seven night trains for € 280 m, both still pending to meet certain precedent conditions and approvals.
- Recent awards will lead **backlog to c. €4.4 bn.** On top of this, manufacturing contracts awarded comprise **upside in the maintenance services business upon delivery of such trains.**
- The commercial success registered in the recent years:
  - Provides business stability and industrial visibility for the following years.
  - Consolidates Talgo positioning in the rail-road passenger market with its technology being homologated and operated in the main European markets.
  - Reflects Talgo's transformational commercial model with **indexation clauses on manufacturing contracts** aiming to mitigate inflation risks and maximize execution efficiencies.

Order backlog H1-2023 (€m)

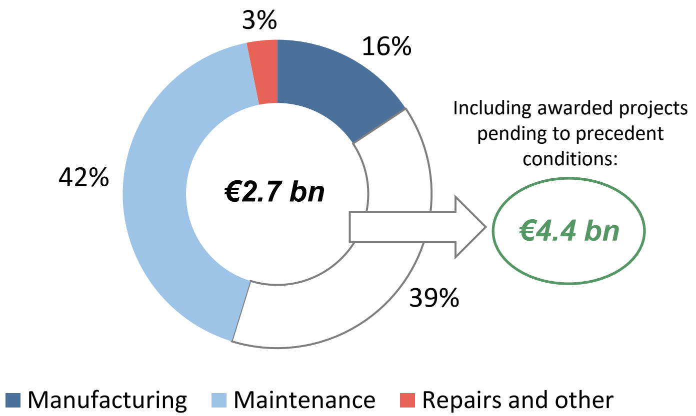


Source: Company

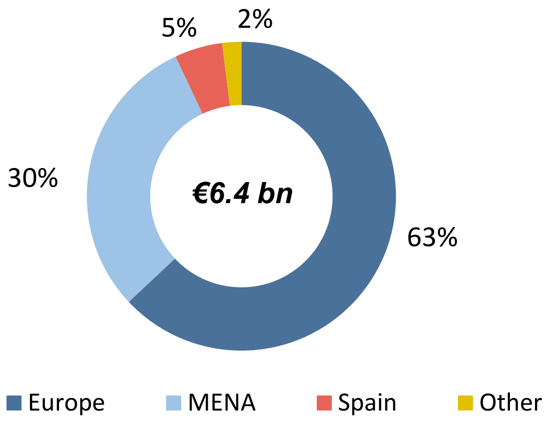
I. Business performance (II/II)

- **Manufacturing gaining pace and maintenance consolidating stability** while delivering best-in-class operating ratios**:**
  - Ramping up manufacturing activity lead by first orders of DB (Germany) and DSB project (Denmark) and supported by RENFE powerheads and night trains projects.
  - Maintenance services coming on time and on budget in all markets.
- **New orders strengthen backlog quality profile** in terms of profitability and risks. Moreover, new orders comprise mainly contract extensions (DB and DSB), thus with low execution risks.
- Talgo continues to address **new potential opportunities amounting €6.4 bn, highly concentrated in EMEA countries** with long distance segments (high speed and hauled trains or passenger coaches).
- Ongoing transformational model aiming to mitigate future operational risks:
  - **Redefinition of supply chain strategy** through widening and relocating supplier's base.
  - **Industrial optimization measures** to enhance efficiencies and maximize manufacturing capacity.

Backlog H1-2023



Pipeline by geographical area 2023-2025 [1]



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

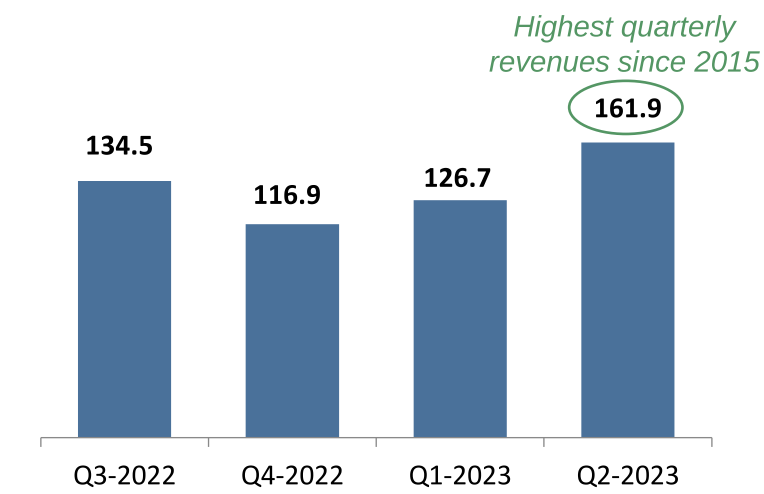
Source: Company

II. Financial results – P&L

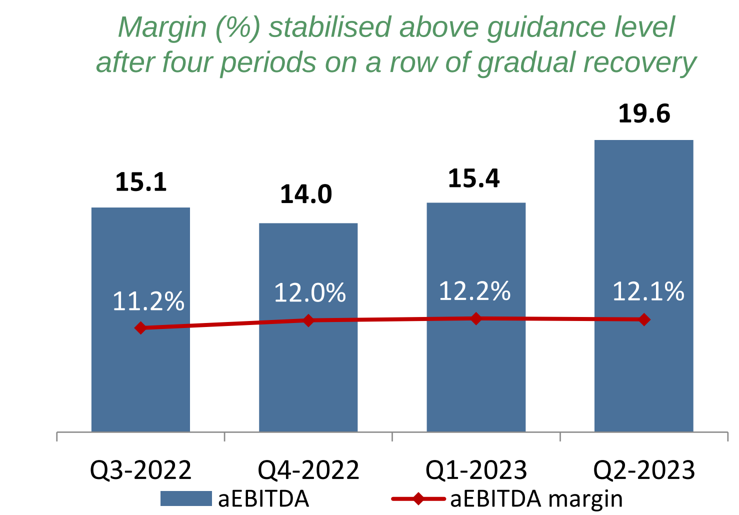
- **Revenues reached €289 m in H1-2023, 33% higher** than same period of 2022 as a result of:
  - Manufacturing projects gaining industrial activity in line with schedules, led by DB, DSB and Renfe.
  - Maintenance services as recurrent revenue contributor with upside as fleets are delivered.
- **aEBITDA increases to reach €35 m,** +50% vs. same period of 2022 driven by higher activity.
- Higher financial expenses as a result of **interest rates hikes** and to **accounting standards affecting AAD financial expenses** (in advance P&L recognition of future expenses).

	H1-2023	H1-2022
Revenues	**€289 m**	**€218 m**
aEBITDA	**€35 m** *12.1%[1]*	**€23 m** *10.7%[1]*
Net income	**€7 m**	**€5 m**

Quarterly Revenues(€m)



aEBITDA (€m) and margin (%) - QoQ



(1) aEbitda margin

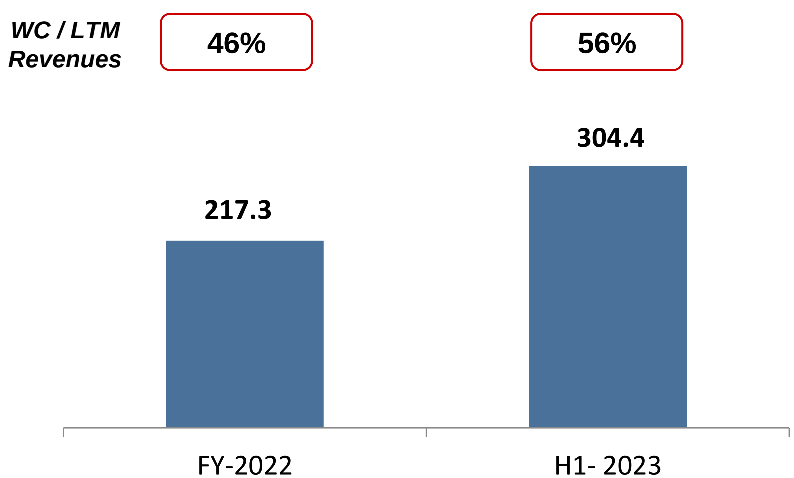
Source: Company

II. Financial results – Balance sheet

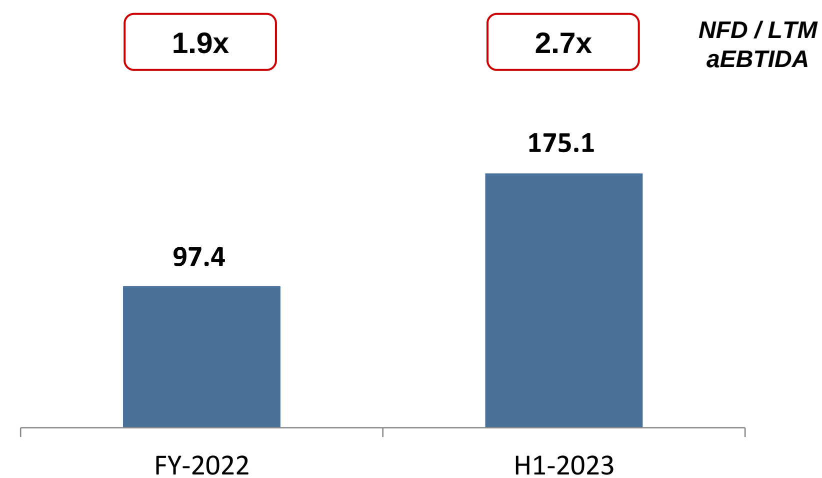
- Working Capital and Net Financial Debt increased in line with manufacturing phases, but **improved leverage ratios**:
  - FY-2023 expectations remain unchanged, supported by expected Renfe VHS project **collections linked to trains deliveries.**
  - **AAD[2] structure (DB project)** used in line with project degree of completion (not disposals in H1-2023).
- Strong financial capacity to finance projects under execution and business growth**.**

	H1-2023	H1-2022
Working Capital	**€304 m** ***56%[3]***	**€278 m** ***58%[3]***
Free Cash Flow	**€(69) m**	**€(115) m**
Net Financial Debt[1]	**€175 m** ***2.7x[4]***	**€163 m** ***2.8x[4]***

Working Capital (€m)



Net Financial Debt[1] (€m)



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 subsidized interest rates.

2) Abstract Acknowledge of Debt. Structure for advance payments from the project
3) Working Capital over LTM revenues
4) Net Financial Debt over LTM aEbitda

Source: Company

III. Outlook

	Targets FY2023	H1-2023 Update
Profitability	✓ aEBITDA: **c. 12%**	c. 12%
Capital structure	✓ Working Capital: **Stable**	Working Capital stable[3]
	✓ Net Financial Debt: **c. 2.0x aEBITDA**	c. 2.0x
	✓ Capex: **c. €30 m**	c. €30 m[1]
Business performance	✓ 2023-24 backlog execution: **c. 40%[2]**	c. 40%[2] in 2023-24
	✓ Average Book-to-Bill ratio: **> 2.0x**	c. 3.0x
Shareholder remuneration	✓ Shareholder Remuneration: **€12 m** *(Scrip Dividend + share buy-back)*	**Scrip Dividend finished** (83% chose shares) **Starting Share Buy-back**

Confirmed guidance for the year 2023

1) Does not include project R&D investments.
2) Over backlog FY2022.
3) Measured as % over revenues

Source: Company

III. Outlook - Business long term vision (I/II)

Backlog

- **Backlog at historical highs** driven by recent awards providing long-term revenues visibility
- Commercial momentum to support **additional opportunities in core markets**

New paradigm

- New contracts with **indexation clauses** to protect margins over inflation volatility
- **Relocating and widening base of suppliers** to reduce supply chain risks
- **Adapting offers conditions and required returns** to higher financial costs

Technology

- Talgo 230 platform and Talgo Avril as **technology of reference in core markets**
- **Best-in-class efficiency ratios** benefiting clients (low energy consumption and greenhouse gas emissions)

Commercial

- Entering new markets will **consolidate presence of Talgo's technology** and generate competitive advantages by i) achieving new references on targeted markets and ii) obtaining homologation of own technology across Europe

Industrial

- **Industrial optimization process** based on following pillars:
  - Capacity increase
  - Enhancing technological capabilities in line with the industry trends
  - Empower digital transformation
  - Enhance outsourcing on non-key components and services
  - Standardization of processes

1) No incluye inversiones en I+D.
2) En base a la cartera de pedidos de diciembre 2022.
3) Medido como % sobre ingresos

III. Outlook - Business long term vision (II/II)

	Long-term expectations (3 years time)	
Revenues	**Over €700 m**	Revenues expected to reach historical highs in accordance with current backlog and schedules
aEBITDA	**14-15%**	Margins to remain strong consolidating best-in-class profitability ratios on the industry
Debt profile	**Moderate leverage profile**	Moderate leverage profile with focus on cash flow generation
Shareholder remuneration	**Expected to grow with results**	Maintain shareholders remuneration according to business results and with flexible programs

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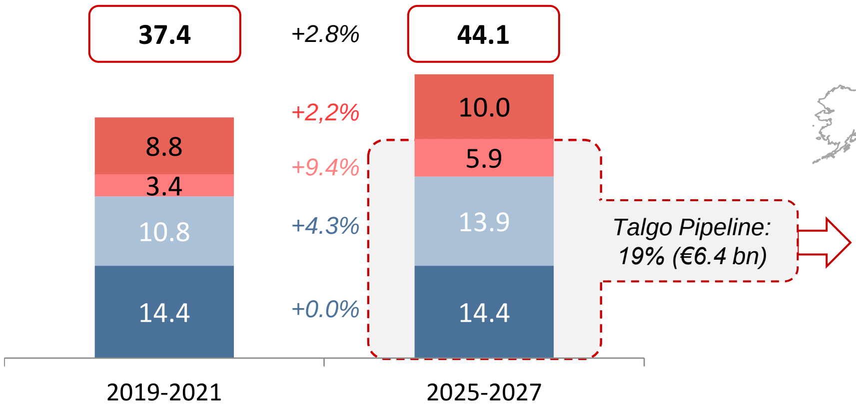
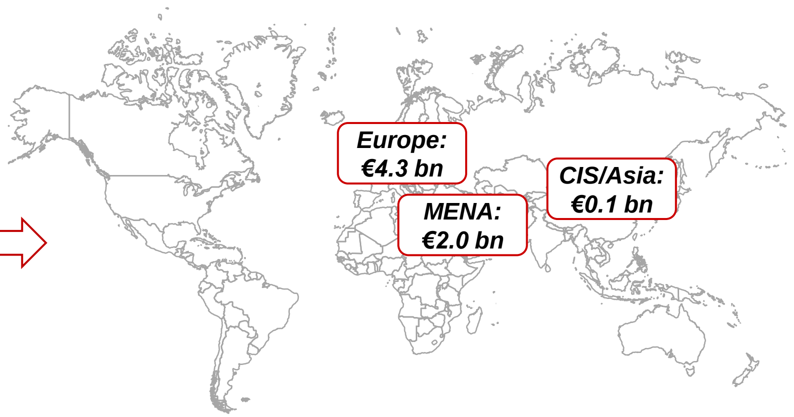
Commercial activity

Rolling stock market and Talgo's pipeline[1]



Talgo pipeline 2023-2025: €6.4 bn



Input

- Commercial and execution track-record
- State-of-the-art technology
- Best efficiency ratios for operators
- Framework agreements in place
- Commercial selective approach
- Indexation clauses in new projects

Context

- Railroad passenger transportation industry, key to successfully address decarbonization process in global transport system
- Long-distance segments gaining momentum
- Liberalization process in Europe

Output

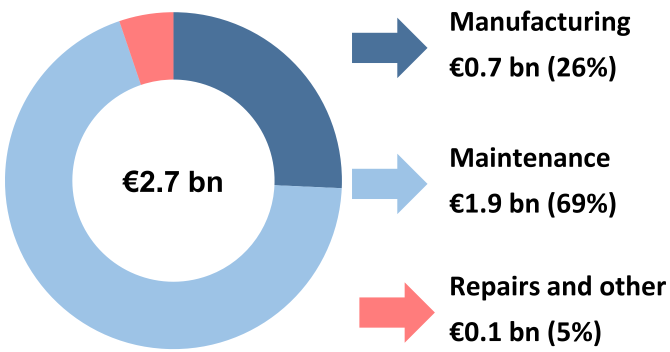
Talgo's unique positioning in the long-distance segments to address new growing opportunities

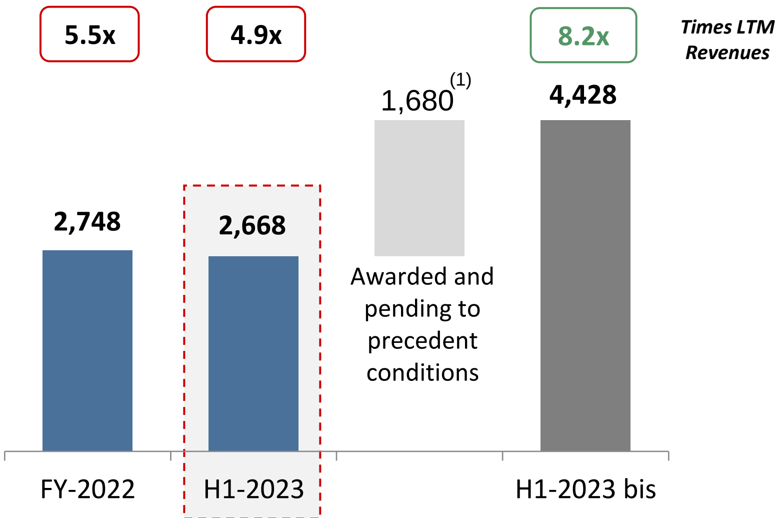
(1) Accessible market. The pipeline may experience modifications both in terms of tender periods and scope. Estimates based on available information. Maintenance is included subject to availability.

Source: Company

Backlog breakdown

Backlog H1-2023 (€m)





- **Talgo's backlog to reach historical highs in 2023 driven over € 1.8 bn of new orders registered in the year.**
  - New orders would drive **manufacturing backlog to represent over 50% of order book**, providing visibility of the strong level of industrial activity over the next years.
  - Most of new orders are contract extensions with **low execution risks and significant commercial impact** on Talgo's commercial positioning worldwide.
- **High backlog quality profile** with recovered efficiency and productivity ratios, reflected in margins recovery.
- **Manufacturing backlog mainly comprising by international projects** (Germany and Denmark) expected to be executed in the following 24/36 months.
- **On the other hand, 69% of the backlog corresponds to maintenance services** which provides long-term revenues visibility with a consolidated and steady growing maintenance backlog.

(1) Includes Egypt night trains and DB extension projects, signed in august 2022 and May 2023, respectively, and pending to finance approval as precedent conditions.

Source: Company

Manufacturing projects – High Speed

Backlog H1-2023

Manufacturing
€0.7 bn (26%)

Renfe Avril VHS (Spain)

- Project scope – €900 m:
  - Manufacture of 30 VHS “Avril” trains.
  - Maintenance for a period of 30 years[1].
- Project status:
  - **Start of deliveries in the coming months.**
  - **Strong cash collections expected** as trains are delivered.

Renfe VHS powerheads (Spain)

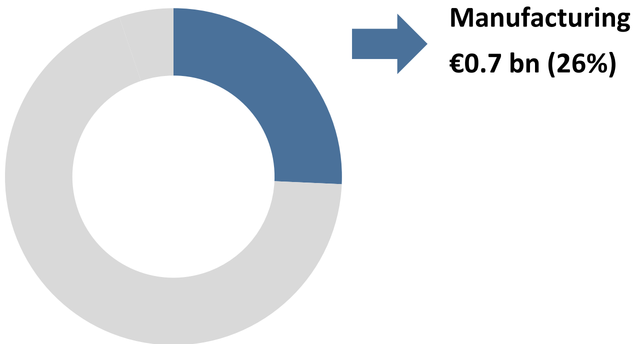
- Project scope – €161 m:
  - Manufacture of 23 powerheads and the maintenance[1] of 13 trains.
  - Option for additional 12 Powerheads.
- Project status:
  - Under execution.

(1) Maintenance will be executed through a JV Talgo/RENFE

Source: Company

Manufacturing projects – Long distance / passenger coaches

Backlog H1-2023



DB Talgo 230 km/h (Germany)

- Project scope – €1.9 bn (€2.5 bn)[1]:
  - Framework contract for up to 100 Talgo 230 trains.
  - Initial order for 23 trains.
  - **Second order awarded in H1-2023 for 56 trains[2].**
  - **Maintenance scope under negotiation.**
- Project status:
  - **Under manufacturing of first order.**
  - **First units already sent for testing activities.**
  - AAD[3] structure partially implemented.

DSB Talgo 230 (Denmark)

- Project scope – €336 m (€500 m)[1]:
  - Framework contract worth up to €500 m.
  - Initial order for 8 trains, technical assistance for maintenance and materials.
  - **Second order awarded in H1-2023 for 8 trains.**
- Project status:
  - **Under manufacturing of first order.**

ENR Talgo 160 km/h (Egypt)

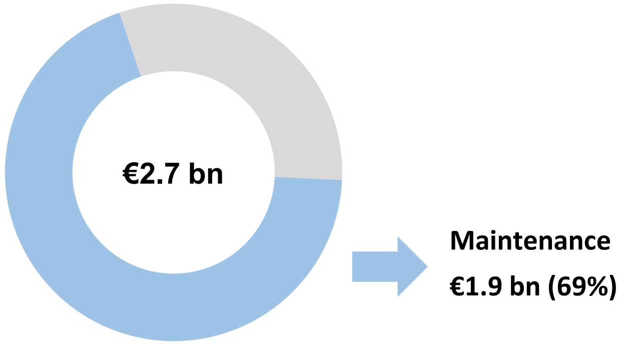
- Project scope – €157 m:
  - Manufacture of 6 trains and their maintenance for a period of 8 years.
- Project status:
  - **Under delivery process.**

(1) Approximate maximum estimated for the total scope of the framework contract.
(2) Second order formalization pending to precedent conditions related to close financing structure, expected for Q3-2023
(3) Abstract Acknowledge of Debt, with access for up to 60% of the total value of the contract, which allows the project cash collection in advance.

Source: Company

Light maintenance activity

Backlog H1-2023



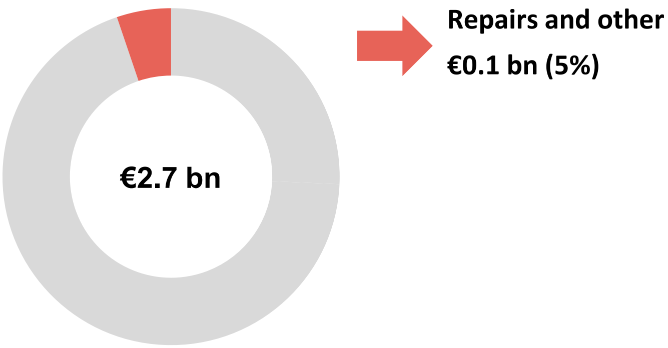
Location of fleet maintained

- **Installed base stable during H1-2023 with successful delivery services** and recurrent revenue contribution**.**
- Stable maintenance backlog with significant upside driven by the existing manufacturing backlog:
  - All **contracts are inflation indexed**, thus protected to prices volatility.
  - Recurrent **cash flow contributor** and low capital intensive.
  - **Growing installed base** to increase in the coming years (Spain, Germany, Egypt).

Source: Company

Repairs and overhaul projects

Backlog H1-2023



Metrolink remodelling (USA)

- Project scope – $35 m:
  - Remodelling of up to 121 vehicles with an initial order for 50 vehicles
- Project status:
  - **Under execution.**

Conversion of night trains into VHS (Spain)

- 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 status:
  - **Under execution.**

Remodelling of HS compositions (Spain)

- Project scope – €35 m:
  - Activities to remodel and update 44 compositions of HS trains.
- Project status:
  - **Under execution.**

LACMTA remodelling (USA)

- Project scope – $73 m:
  - Activities to repair and overhaul 74 coaches of the Red Line.
- Project status:
  - **Project terminated as per communication received from client in H1-2022,** thus works have been stopped pending to further resolution.
  - **Currently under litigation process.**

(1) Talgo "night trains"

Source: Company

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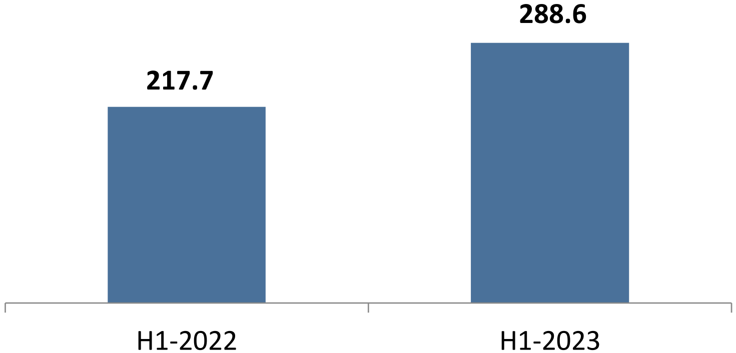
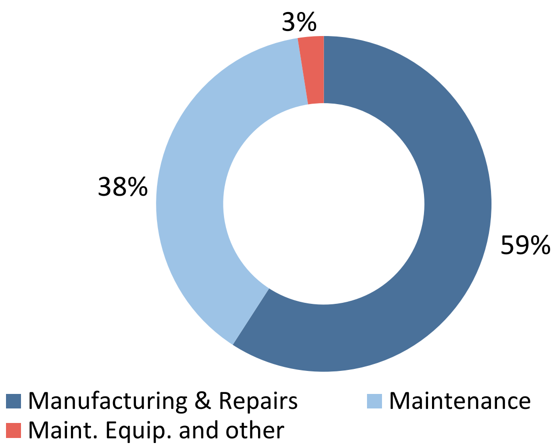
Profit and Loss – Revenues

Revenues (€m)



Revenues by business line(1)

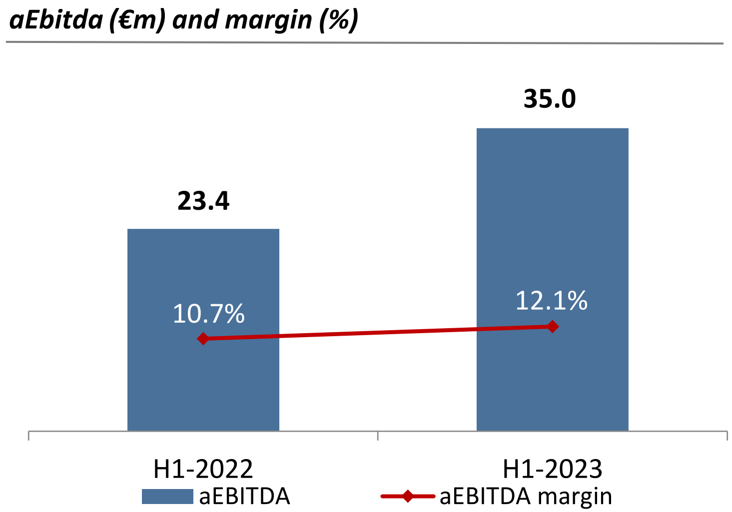


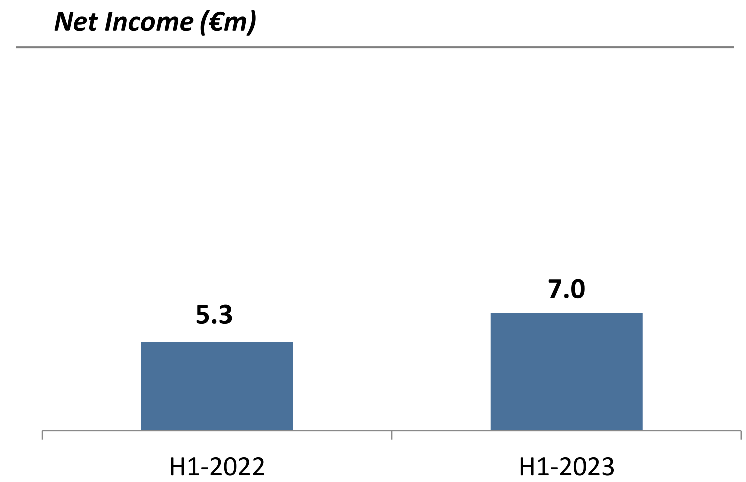
- Strengthening manufacturing backlog imply upside expectations in terms of revenue growth, as it is already comprising H1-2023 financial figures.
- In this sense, **revenues increased by 33% in H1-2023 vs. same period of previous year, to reach €288.6 m**, as a result of an **expected higher manufacturing activity**, trend expected to consolidate in the following years.
- The main **manufacturing revenues contributors** in the period were DB (Germany), ENR (Egypt), DSB (Denmark) projects, as well as overhaul and refurbishment projects, mainly the projects for Renfe in Spain.
- Supply chain disruptions started to stabilise in the period, although not yet solved subject to political and economic international constrains.

(1) Calculated as an average of LTM revenues registered in the period H1-2021 to H1-2023

Source: Company

Profit and Loss – EBITDA and Net Income





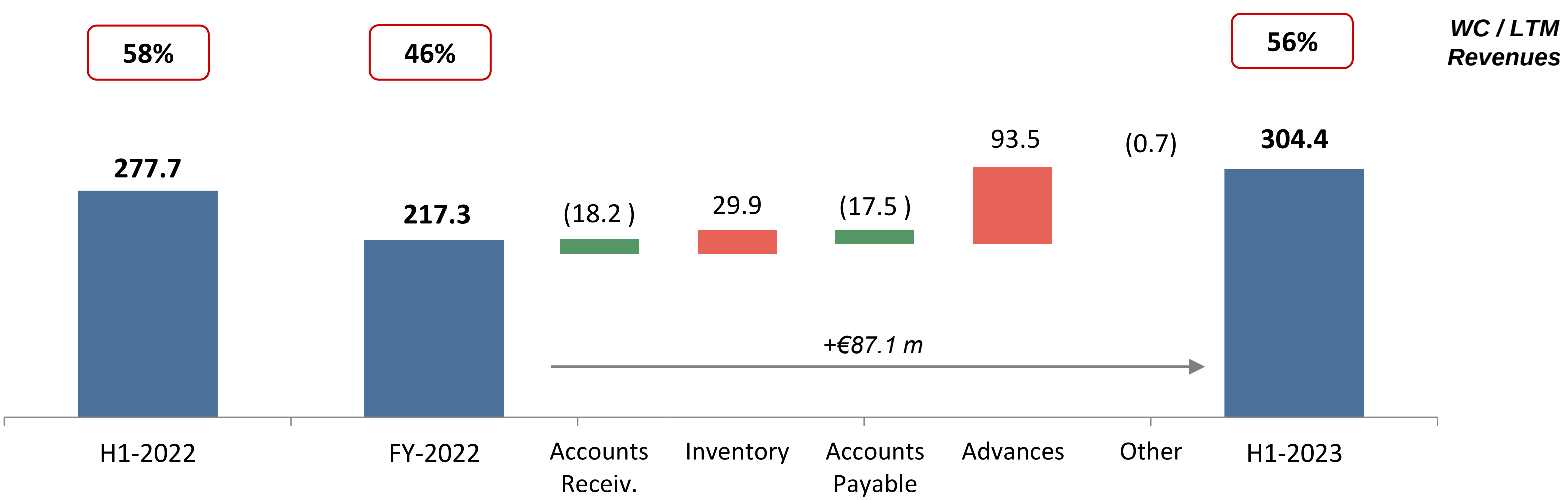
- **Revenues increased by 50% in H1-2023** vs. same period of previous year to reach €35.0 m, while **margins also registered steady recovery to reach 12.1%.**
  - **Business profitability stabilised at healthy double-digit margin.**
  - **Supply chain disruptions** still impact manufacturing projects, mainly regarding transportation issues and suppliers from eastern countries.
  - **Clients open to include indexation** clauses in new projects which mitigate inflation risks of the backlog.
- **Net Profit increased to €7.0m** in the period, which represents an increase of 32% vs. same period of 2022:
  - However, significant **interest rates hikes undertaken by central banks** impact long-term debt and project financing costs and subsequently increased group's financial expenses.
  - In addition, extraordinary financial expenses are registered in 2023 as a result of IFRS requirements affecting AAD financing structure, which requires the advance recognition of future financial expenses of the project.
  - High effective corporate tax reflecting **different results in the markets with presence**.

Source: Company

Balance Sheet – Working Capital

- **Working Capital increased in H1-2023 to reach €304.4 m** in line with cycle of manufacturing projects.
- Working Capital reflects degree of progress of projects, and its unevenness correspond to the normal business and projects profile. Thus, **current increasing revenue recognition driven by manufacturing projects are resulting on temporarily high working capital intensity**.
- However, **low credit risk of clients, low execution risk of current projects and strong liquidity of the company reduces real risk of working capital employed and supports projects performance.**
  - Spain VHS project remains as main working capital upward driver, with the whole fleet already finished (30 trains) and pending to start deliveries and subsequent strong cash-ins.
  - ENR (Egypt) deliveries and DSB (Denmark) signing activated corresponding cash collection milestones in the period

Working Capital (€m)

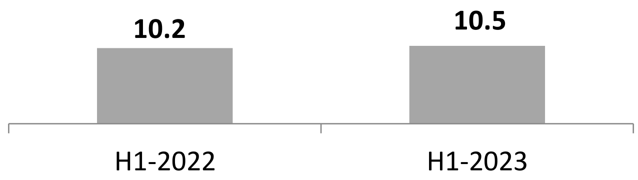


(1) Abstract Acknowledge of Debt, with access to advance payments for up to 60% of the contract value.

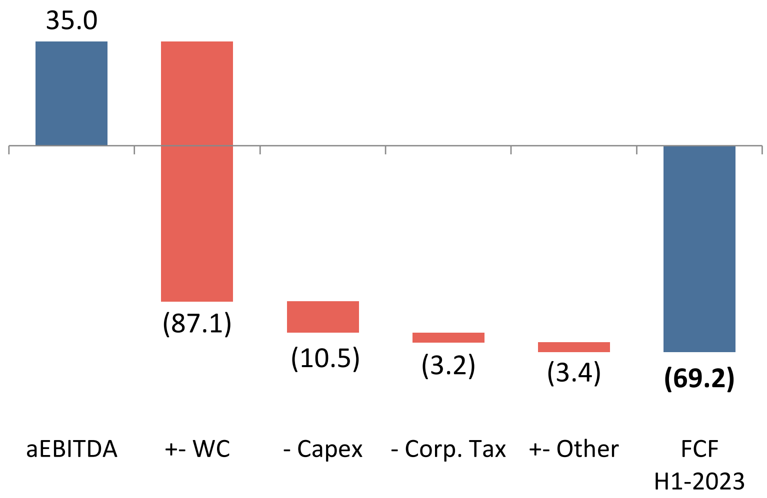
Source: Company

Balance Sheet – Free Cash Flow

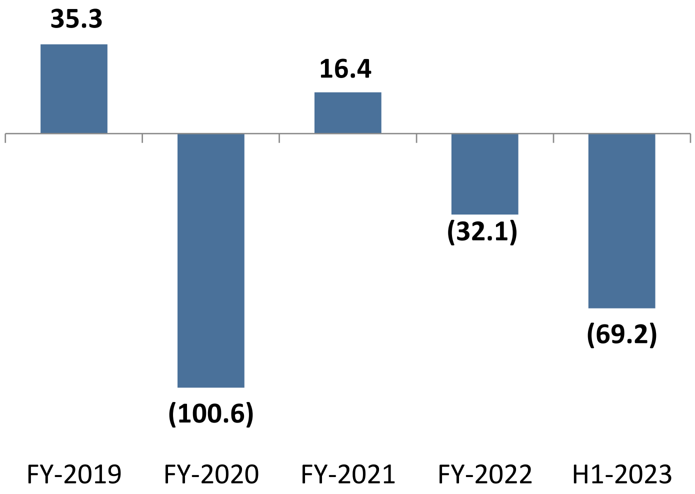
- Higher working capital requirements resulted on cash flow consumption in the period and offset the EBITDA generated delivering negative FCF.
- However, **cash flow profile is expected to improve and stabilise as both, revenues and industrial activity gets to recurrence**, and deliveries of already manufacturing executed projects accelerate**.**
- **Capex amounted to €10.5 m in H1-2023**, in line with forecast at the beginning of the year, of which **85% corresponds to R&D activities.**



Conversion of aEBITDA into FCF in H1-2023 (€m)



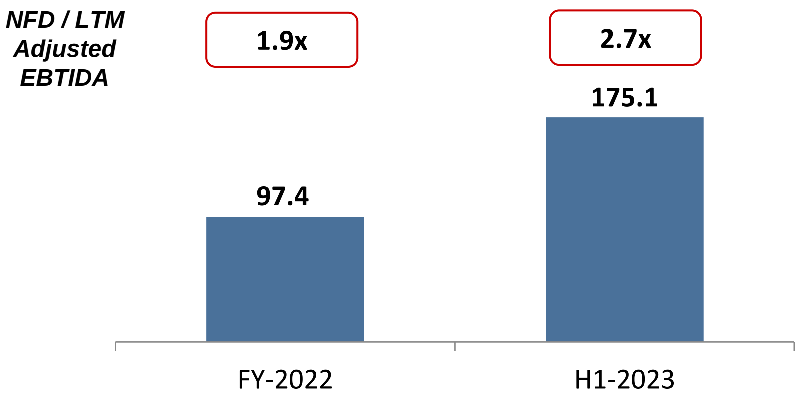
Free Cash Flow (€m)



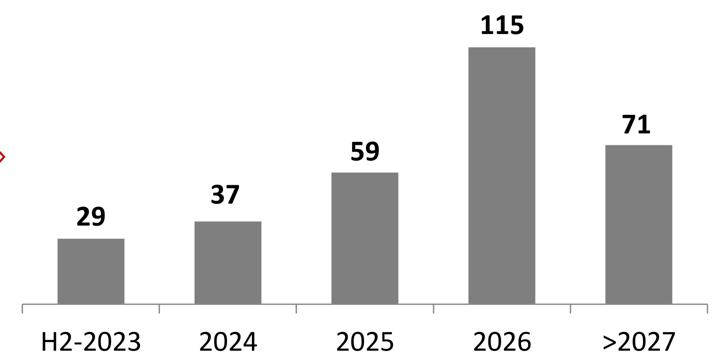
Source: Company

Balance Sheet – Net Financial Debt

Net Financial Debt (€m)[1]



Total financial debt[2] ***– Repayment schedule (€m)***



- **Sound financial profile with only €66 m of maturities for 2023 and 2024**, and diversified funding sources.
- Monetary policy from central banks remained hawkish, with interest rates growth of over 400 bps in one year period. In this context, Talgo maximizes the efficient use of cash and financing.
- **Overall, financing and project bonds issuing capacity is high to successfully ensure backlog execution**.
- On top of this, Talgo continue to **widen and diversify financial capacity** to enable future business growth.

Long-term gross financial debt breakdown (€m)

	Gross LT Debt (€m)	Average Maturity (y)	Average Cost (%)
FY-2020	279.1	3.12	1.61%
FY-2021	268.4	3.40	1.03%
FY-2022	320.1	2.45	1.68%
H1-2023	**303.6**	**2.75**	**2.35%**

63% of long-term debt is at fixed cost

(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 subsidized interest rates

(2) Includes all long-term loans maturities for 2023 and short-term debt comprising credit lines and financial leasings.

Source: Company

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Annex 1 – P&L

Profit & Loss Account (€m)	H1-2023	H1-2022	% Change
Total net turnover	**288.6**	**217.7**	***32.5%***
Other income	10.6	9.9	*6.6%*
Procurement costs	(138.7)	(99.0)	*40.2%*
Employee welfare expenses	(83.9)	(73.4)	*14.4%*
Other operating expenses	(42.9)	(35.8)	*19.9%*
EBITDA	**33.6**	**19.5**	***72.1%***
% Ebitda margin	*11.6%*	*9.0%*	
Other adjustments	1.4	3.9	*(63.2%)*
Adjusted EBITDA	**35.0**	**23.4**	***49.7%***
% Adj. Ebitda margin	*12.1%*	*10.7%*	
D&A (inc. depreciation provisions)	(10.0)	(8.6)	*16.0%*
EBIT	**23.6**	**10.9**	***116.5%***
% Ebit margin	*8.2%*	*5.0%*	
Other adjustments	1.4	3.9	*(63.2%)*
ViTtal Amortization	0.4	1.1	*(62.5%)*
Adjusted EBIT	**25.4**	**15.9**	***60.0%***
% Adj. Ebit margin	*8.8%*	*7.3%*	
Net financial expenses	(11.9)	(2.6)	*365.6%*
Profit before tax	**11.6**	**8.3**	***39.7%***
Tax	(4.6)	(3.0)	*53.8%*
Profit for the period	**7.0**	**5.3**	***31.7%***

Source: Company

Annex 2 – Balance Sheet (I/II)

Balance Sheet (€m)	June 2023	June 2022	Dec 2022
FIXED ASSETS	**268.1**	**267.8**	**265.9**
Tangible + intangible assets	131.7	125.9	129.4
Goodwill	112.4	112.4	112.4
Other long term assets	23.9	29.5	24.0
CURRENT ASSETS	**781.7**	**756.5**	**868.9**
Inventories	219.5	157.2	189.5
Non- current assets held for sale	0.0	0.0	0.0
Accounts receivable	398.0	431.4	416.1
Other current assets	23.4	28.0	23.8
Cash & cash equivalents	140.9	139.8	239.4
TOTAL ASSETS	**1,049.8**	**1,024.3**	**1,134.8**

Balance Sheet (€m)	June 2023	June 2022	Dec 2022
SHAREHOLDERS EQUITY	**291.0**	**292.3**	**285.1**
Capital Stock	37.2	37.8	37.2
Share premium	0.9	0.9	0.9
Consolidated reserves	2.8	4.8	4.4
Retained earnings	251.1	253.1	243.6
Other equity instruments	(4.8)	(7.9)	(4.8)
Equity attributable to minority interests	3.8	3.7	3.9
NON-CURRENT LIABILITIES	**353.8**	**287.2**	**326.4**
Debt with credit institutions	253.3	196.6	232.3
Provisions	54.2	50.6	50.2
Other financial liabilities	34.8	27.6	32.1
Other long-term debts	11.5	12.4	11.8
CURRENT LIABILITIES	**405.0**	**444.8**	**523.2**
Accounts payable	334.2	337.0	410.2
Debt with credit institutions	58.3	100.2	99.1
Other financial liabilities	10.3	5.6	12.0
Provisions for other liabilities and other	2.1	2.0	1.9
TOTAL S. EQUITY + LIABILITIES	**1,049.8**	**1,024.3**	**1,134.8**

Source: Company

Annex 2 – Balance Sheet (II/II)

Financial debt (€m)	June 2023	June 2022	Dec 2022
Long term financial liabilities	253.3	196.6	232.3
Short term financial liabilities	58.3	100.2	99.1
Financial leasings	4.4	6.2	5.4
Cash & cash equivalents	(140.9)	(139.8)	(239.4)
Net financial debt	**175.1**	**163.3**	**97.4**
Adjusted EBITDA LTM	64.1	59.1	52.5
Net financial debt / Adj EBITDA (LTM)	**2.7x**	**2.8x**	**1.9x**

Balance Sheet - Working Capital (€m)	June 2023	June 2022	Dec 2022
Inventories	219.5	157.2	189.5
Account trade receivables	398.0	431.4	416.1
Other current assets	23.4	28.0	23.8
Trade and other payables	(290.9)	(217.6)	(273.3)
Advances received	(43.4)	(119.4)	(136.9)
Provisions for other liabilities and other	(2.1)	(2.0)	(1.9)
Working Capital	**304.4**	**277.7**	**217.3**
WC / LTM revenues	56%	58%	46%

Source: Company

Annex 3 – Cash Flow Statement

Cash flow statement (€m)	H1-2023	H1-2022	% Change	FY2022
Net income	7.0	5.3	*32%*	1.4
Corporate income tax	4.6	3.0	*54%*	13.5
Depreciation & Amortization	8.5	8.6	*(1%)*	17.8
Financial income/Financial expenses	12.2	3.5	*249%*	11.6
Other result adjustments	2.5	(14.4)	*n.a.*	14.1
Changes in working capital	(91.2)	(107.4)	*(15%)*	(70.8)
Operating cashflows after changes in WC	**(56.3)**	**(101.3)**	***n.a.***	**(12.3)**
Net interest expenses	(8.5)	(3.1)	*178%*	(9.3)
Income tax paid	(3.3)	(2.9)	*11%*	(3.7)
Net cash flows from operating activities	**(68.0)**	**(107.3)**	***(37%)***	**(25.2)**
Capex	**(10.6)**	**(10.6)**	**-**	**(22.4)**
Changes in financial assets and liablities	(19.8)	10.2	*(294%)*	42.9
Dividends payments and treasury stock	0.0	(5.9)	-	(9.6)
Net cash flows from financing activities	**(19.8)**	**4.3**	***(557%)***	**33.2**
FX effect	**-**	**-**		**0.8**
Net variation in cash & cash eq.	**(98.5)**	**(113.6)**	***(13%)***	**(13.6)**

Source: Company

Alternative Performance Measures: definitions

All regulated information, among others, annual accounts, annual report, results presentations, investors/analysts conference calls, press release or related information issued contains alternative performance measures (APMs) as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authorities (ESMA) on October 5, 2015.

The following APMs are used in the Presentation are considered to be in line with market commonly used practices and aims to reconcile the figures with the International Financial Reporting Standards (IFRS):

- ***EBITDA:*** *Earnings Before Interest Taxes Amortization and Depreciation ("EBITDA"). It corresponds to Net Operating Income plus amortization and depreciation. This indicator are aligned with market practice.*
- ***EBIT:*** *Earning Before Interest and Taxes ("EBIT"). It corresponds to Net Operating Income. This indicator is aligned with market practice.*
- ***Adjusted EBITDA:*** *Adjusted EBITDA ("aEBITDA") is a Key Performance Indicator to present the level of recurring operational performance. Adjustments to EBITDA include primary non-recurring costs as redundancies and obsolescence and guarantees expenses. These indicators are aligned with market practice and comparable to direct competitors.*
- ***Capex:*** *Capital Expenditures or investments in fixed assets dedicated for the business operations. Includes capitalised development costs. Does not include proceeds from disposals of fixed assets.*
- ***Net Financial Debt:*** *The net cash/(debt) is defined as cash and cash equivalents less all short and long-term financial liabilities, including financial leasing. 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 low interest rates.*
- ***Debt ratio****: Net Financial Debt divided by Adjusted EBITDA*
- ***Gross LT Debt****: refers to all financial debt facilities with long term profile. It comprises financial loans issued with financial entities and is calculated on a nominal value basis. Does not consider deferred financial expenses, short-term debt or other debts.*
- ***Working Capital****: is defined as the current assets and liabilities of the company, excluding financial items, this is cash and cash equivalent and short-term financial liabilities.*
- ***Free Cash Flow****: It is defined as the sum of net cash flows from operating and investing activities. Is the result of all net cash variations registered in a period excluding financial debt issuances/repayments, financial expenses, dividends and real treasury stock purchases.*
- ***Backlog:*** *The backlog represents the total amount revenues expected to be accounted in the future business based on already awarded and signed contracts. It is measured based on the value signed by contract in case of manufacturing and overhaul contracts, while maintenance contracts are based on estimates considering time and unit price. It does not consider inflation adjustments.*
- ***Order intake:*** *represents the new orders recognized in a certain period. A new order is recognised as an order received only when the contract is awarded and signed between the parties, thus creating legal obligations between both parties. The value of new orders does not consider inflation adjustments included by contract nor any other impact from derivatives. Orders awarded in a currency other than the Euro are recognized at the spot exchange rate in moment of award.*
- ***Pipeline:*** *the Pipeline represent the theoretical value of opportunities in which the company is working on from a commercial perspective. The represented value is an estimate, and it might vary throughout the time. It does not represent any probability nor the exact value or guidance of offers submitted by the company.*
- ***Book-to-Bill ratio:*** *represents how the new orders weighting over revenues recognised in a period and aims to provide visibility over the years needed to execute that volume of new orders considering LTM revenues. Is measured as times the value of new awards represent over the last twelve months revenues.*

Source: Company

Talgo