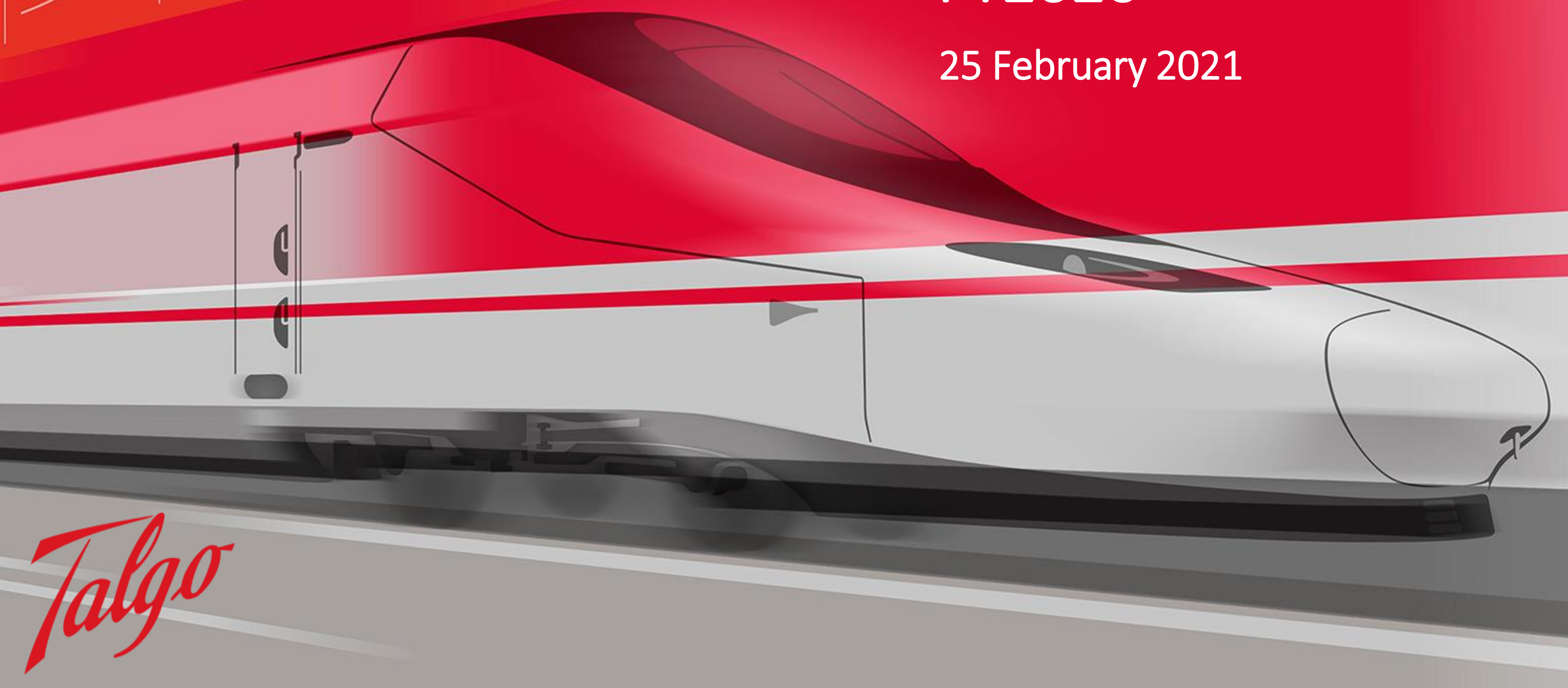
Results Presentation FY2020

25 February 2021



Contents

A strategy defined with the aim of adapting to the context generated by COVID-19 ...

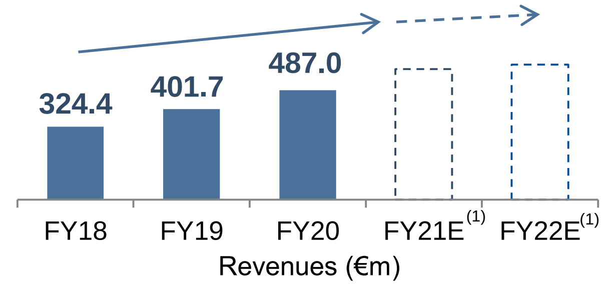
Management of COVID-19

- **Contribution to the fight against COVID-19** with the development of solutions for the health and safety of passengers
- **Successful implementation of comprehensive measures** to ensure employee safety and improve productivity
- **Efficient management of the supply chain and logistics** to ensure the correct execution of projects
- **Project flexibility** to adapt their execution to the COVID-19 context and continue to fulfil customer expectations
- **Implementation of cross-wise cost saving measures** aimed to protect the profitability of projects whilst maintaining the best service
- **Consolidation of an outstanding financial profile** with a strong capacity to finance projects

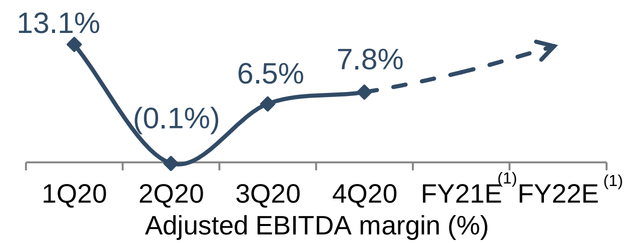
Source: Company

… that demonstrates flexibility and sustainability of the business

- **Increasing industrial activity** that is consolidating an expected cycle of revenue growth
- Gradual **recovery of maintenance activity during the second half of 2020**



- **Partial recovery of profitability registered in** 2H2020 despite the strong impact caused by the COVID-19



- **Optimal financial situation** with an adequate financing structure and a solid cash position to finance current and future projects

48.1 €m NFD[2]

-

1.4x NFD/EBITDA

- **A strong Backlog** with a positive outlook for the sector and the adequate positioning of the Company in its different markets

3.2 €b Backlog

-

387 €m of new orders

(1) Reference to FY21E and FY22E aims to represent estimated trend, and does not refer to any exact figures estimated by the Company nor the market.

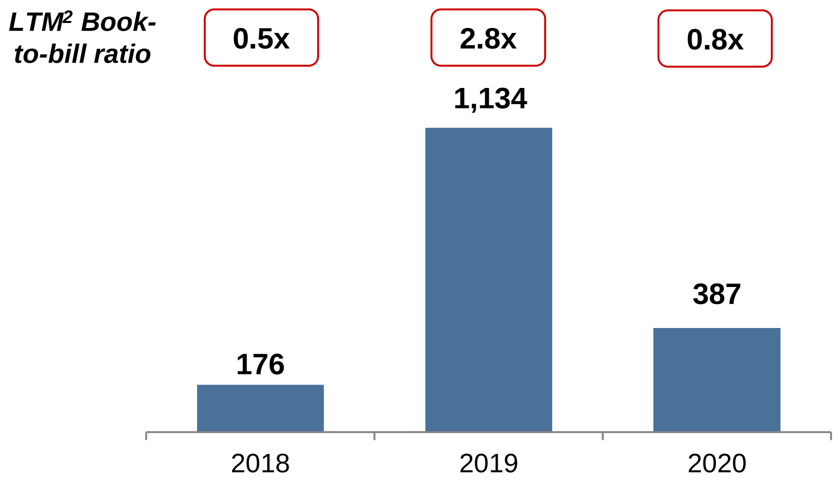
(2) Does not include loans with public administrations relating to R&D activity

Source: Company

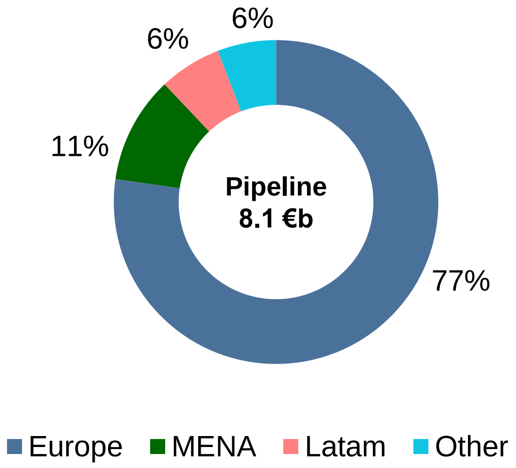
Contents

Significant opportunities in all business segments with an emphasis on European markets

Evolution of project awards 2018 – 2020 (€m)



Pipeline by geographical region 2021-2022[1]



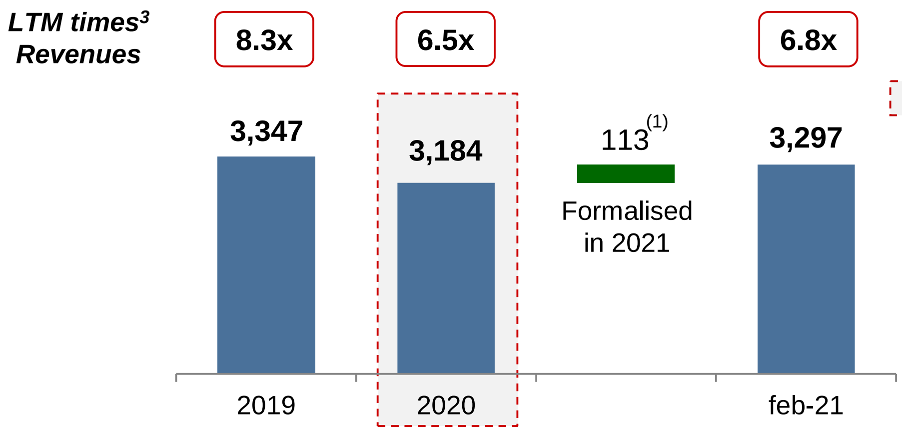
- During 2020, contracts worth 387 €m were formalised, primarily including:
  - **A manufacturing project for the Danish state operator DSB** to manufacture eight Talgo 230 trains (134 €m), as part of a framework agreement with a maximum investment of 500 €m.
  - Formalisation of the **maintenance contract for 15 VHS trains for Renfe** (204 €m)[3].
- In addition, Talgo continued with its intense volume of activity during the year supported by a **positive investment outlook for the railway sector over the medium and long term as a means of the most environmental-friendly passenger transport mode.**
- In this sense, Talgo is currently working on commercial opportunities that are expected to be awarded in the short and medium term **with a combined value of approximately 8.1 €b,** of which 12% are located in Spain and 10% correspond to the extension of framework agreements that have already been signed.

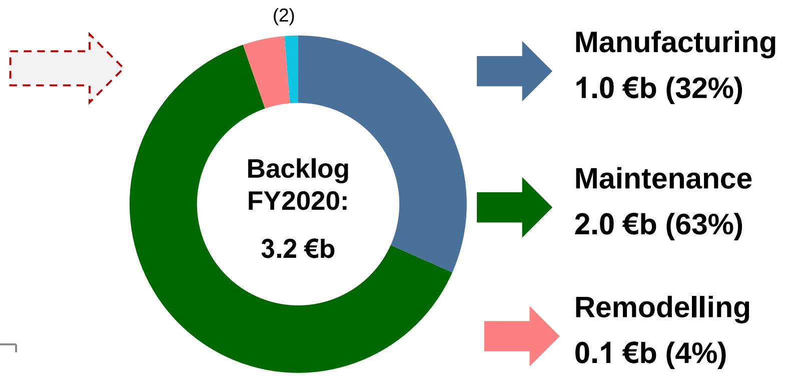
(1) The pipeline may experience modifications both in terms of tender periods and scope.
(2) LTM = Last twelve months
(3) Contract awarded in 2017, which was formalised in September 2020.

Source: Company information

Diversified, high-quality backlog as the basis for ensuring long-term business growth and sustainability

Backlog 2020 (€m)





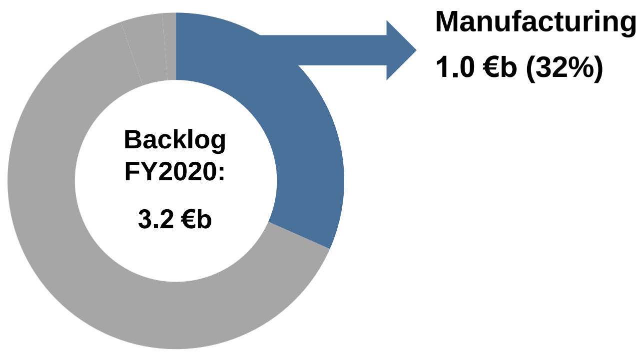
- Talgo's commercial strategy is grounded in the selection of high-quality projects that ensure the **sustainability of the business** and **contribute to raising the Group's profile in international markets**.
- The proper implementation of Talgo's strategy is reflected in a **solid portfolio worth 3.2 €b, comprising high-quality projects**, which ensure…
  - … a **high level of industrial activity** for the period 2020-2024, boosted by a significant number of manufacturing and remodelling projects with highly international presence (80% of the backlog)…
  - … and **long-term stability** sustained by a growing maintenance portfolio.
- In addition, it is worth noting the robustness of the Backlog, **which has not seen any significant modifications to any of its project** despite the adverse conditions generated by COVID.

(1) Assuming that Talgo holds a 51% stake in the maintenance contract for the very high speed trains in Spain, which will be executed through a JV with Renfe.
(2) Portfolio of maintenance equipment with a contract value of 42 €m at the end of 2020.
(3) LTM = Last twelve months

Source: Company information

Manufacturing projects – High Speed

Backlog 2020 (€m)



Renfe Avril VHS (Spain)

- Project scope – 897 €m:
  - Manufacture of 30 VHS “Avril” trains.
  - Maintenance for a period of 30 years.
- Project execution:
  - In the manufacturing and assembly phase.
  - Delivery scheduled from 2021.
  - Consumption of limited cash during 2020 and 2021 with its subsequent recovery from the end of 2021 and in 2022.

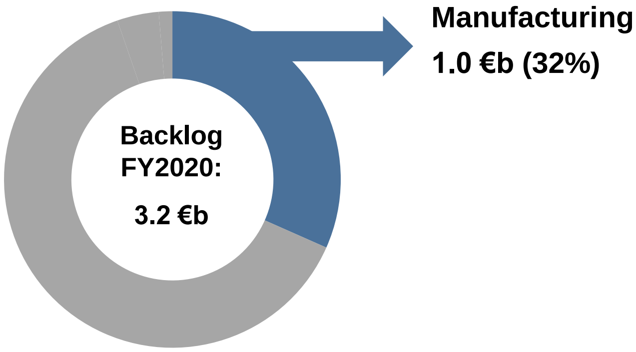
UTY Uzbekistan AV (Uzbekistan)

- Project scope – 57 €m:
  - Manufacture of 2 HS Talgo 250 trains.
  - Manufacture of 4 additional coaches.
  - Supply of material and equipment.
- Project execution:
  - In the initial phase of manufacturing and assembly.
  - Delivery scheduled for 2022.
  - Project financed by the FIEM(1) with an optimal cash profile.

(1) Spanish Government fund.
Source: Company information

Manufacturing projects – Long distance / Passenger coaches

Backlog 2020 (€m)



DB Talgo 230 km/h (Germany)

- Project scope – 550 €b (2.3 €b)[1]:
  - Framework contract for the manufacture of up to 100 Talgo 230 trains.
  - Initial order for the manufacture of 23 trains.
- Project execution:
  - In the design and engineering phases.
  - Delivery scheduled from 2023.
  - Potential AAD[2] structure.

DSB Talgo 230 (Denmark)

- Project scope – 134 €b (500 €b)[1]:
  - Framework contract worth up to 500 €m.
  - Initial order for the manufacture of 8 trains, along with maintenance and materials.
- Project execution :
  - In the design and engineering phases.
  - Delivery scheduled from 2023.

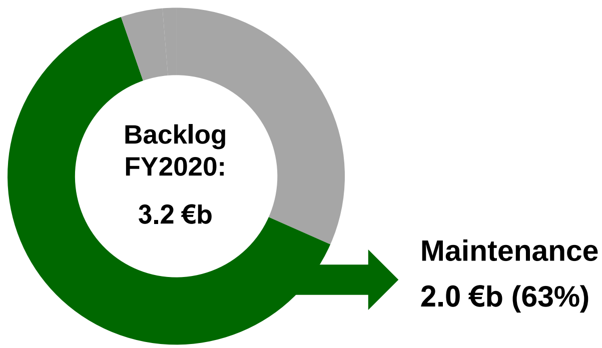
ENR Talgo 160 km/h (Egypt)

- Project scope – 157 €m:
  - Manufacture of 6 trains and their maintenance for a period of 8 years.
- Project execution:
  - In the design and engineering phases.
  - Delivery scheduled from 2022.

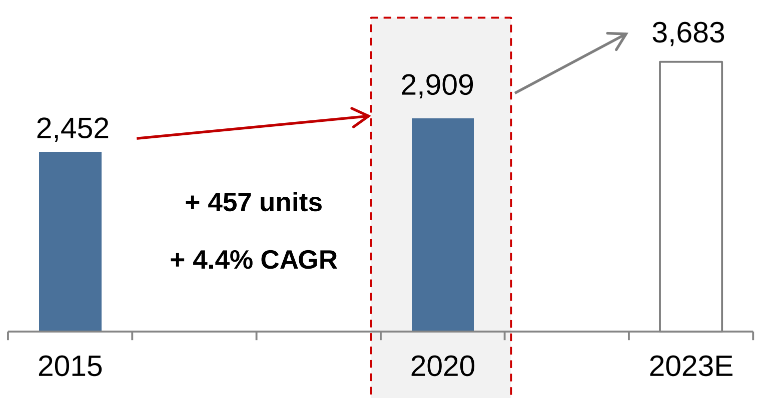
(1) Maximum scope of the framework contract.
(2) Abstract Acknowledge of Debt, with access for up to 60% of the total value of the contract, which allows the project cash to be optimised.
(3) Source: Company information

Light maintenance projects

Backlog 2020 (€m)



Fleet maintained in # of units(2)



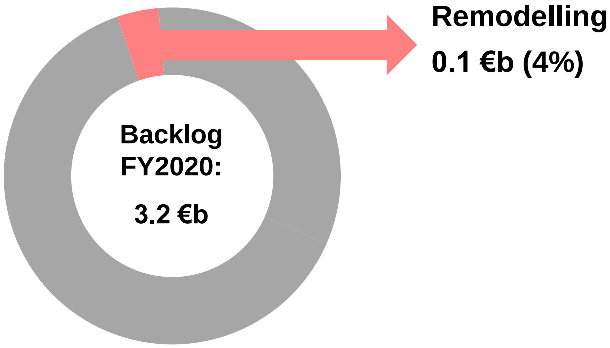
- **COVID-19 had a very significant impact on the maintenance activity during 2020,** with a sharp decline and even the temporary suspension of commercial services in the majority of the markets in which the Group has a presence.
- We expect maintenance activity to **progressively recover to reach normalized activity by 2020,** and enhanced by:
  - **High ratios of reliability and availability** as a result of a solid *track-record*.
  - **Consolidated relationships** with clients over the long-term.
  - **Generation of recurrent cash flows** and revenues.
- The current manufacturing portfolio with associated maintenance already awarded ensure **strong growth of the installed base** for the coming years, expecting to **reach nearly 3,700 units by 2023.**
- Additionally, there is additional potential to exceed more than 4,000 units by 2024 driven by current manufacturing contracts with no initial maintenance scope.

(1) Includes both locomotives and motor heads. Note: c. In Germany, Talgo maintains 80 additional units (stable during the period 2015-2020) manufactured by third parties. Those units (coaches) are approximately twice as long as Talgo's standard coaches.

Source: Company information

Heavy maintenance projects and remodelling

Backlog 2020 (€m)



Conversion of night trains into VHS (España)

- Project scope – 107 €m:
  - Conversion of Talgo S7 compositions "night trains".
  - The initial project includes 156 coaches (13 compositions) with an option for an additional 72 coaches (6 compositions).
- Project execution:
  - In the execution phase.
  - Delivery scheduled from 2021.

LACMTA remodelling (USA)

- Project scope – 73 $m:
  - Activities to repair and overhaul 74 coaches of the Red Line.
- Project execution:
  - In the execution phase.
  - 58 months (awarded in September 2016).

Metrolink remodelling (USA)

- Project scope – 35 $m:
  - Remodelling of up to 121 vehicles with an initial order for 50 vehicles
- Project execution:
  - In the execution phase.
  - First deliveries 15 months from the issuance of the order to start work (*Notice To Proceed*) which was issued in July 2019.

Source: Company information

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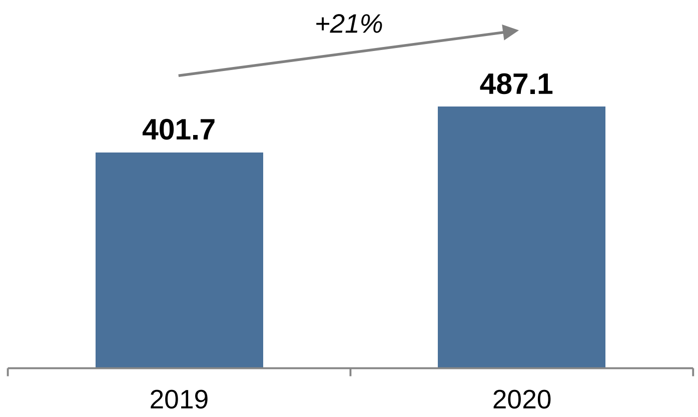
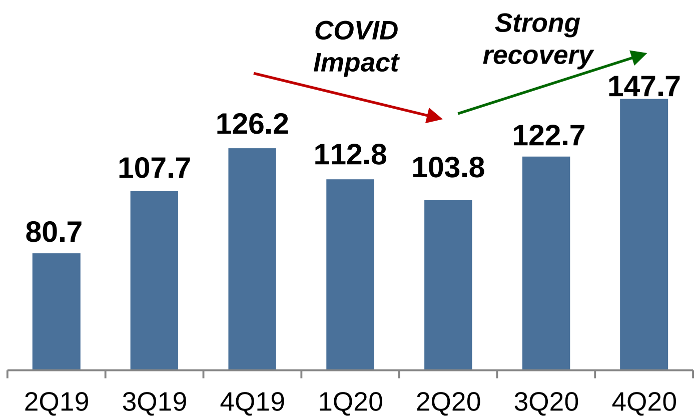
Strong industrial activity and the partial recovery of the maintenance business drove revenue growth during the period

Cumulative revenues - YoY (€m)



Quarterly revenues (€m)



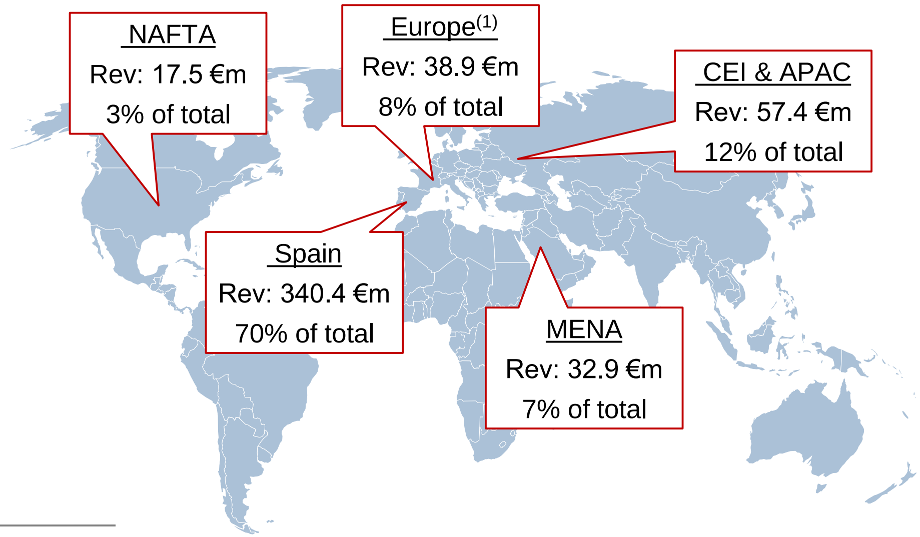
- Revenues continued to increase during the fourth quarter of 2020 to register four year highs and **drive revenues for the full year 2020 to 487.1 €m.**
  - **The projects in Spain (VHS) and Germany were the main drivers of industrial activity** and of a new cycle of revenue growth that began in 2020 and that is expected to continue in 2021 and 2022.
  - **Maintenance activity remained stable in 4Q2020** despite the appearance of new waves of the coronavirus in different markets, although it remained well below its full operational capacity.
- As a result, the **performance of the business is gradually returning to a normalised level**, although we expect COVID-19 impact will still be reflected in the business during 2021.
- The improvements in terms of the infection rate and the rate of vaccination against COVID-19 are expected to enable the stable recovery of the maintenance business.

Source: Company

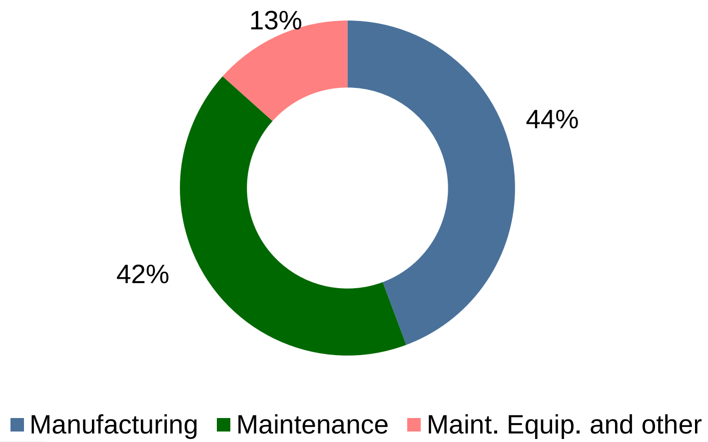
Europe as a platform for promoting geographic diversification

- **International activity decreased during the period to account for 30% of the revenues** for the year, due to the greater activity associated with the VHS project in Spain.
- Nevertheless, Talgo's portfolio at the end of 2020 was at an **all time high in terms of international diversification** by number of projects, representing 80% of the manufacturing backlog.

Revenues in 2020 by geographical region (€m)



Revenues by business line[2] (€m)

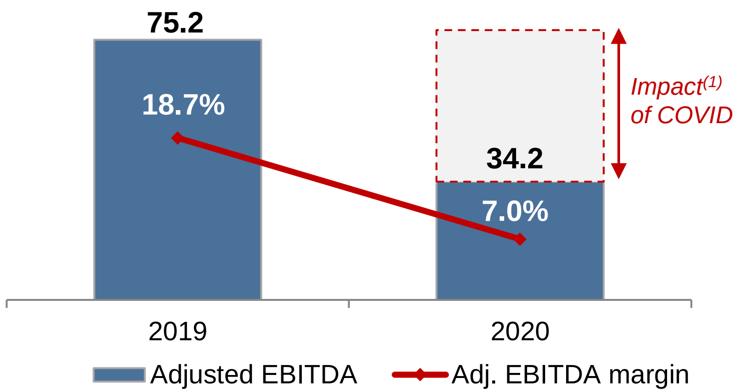


- The impact of Covid-19 on the maintenance activity and, on the other hand, the increased level of industrial activity boosted **manufacturing revenues to account for 44% of the total[1].**
- Nevertheless, the strength of the maintenance activity and its potential driven by a sizeable Backlog and a young installed base, together with Talgo's recognised know-how, **generates visibility over the long term and ensures a robust basis for revenue and cash generation.**

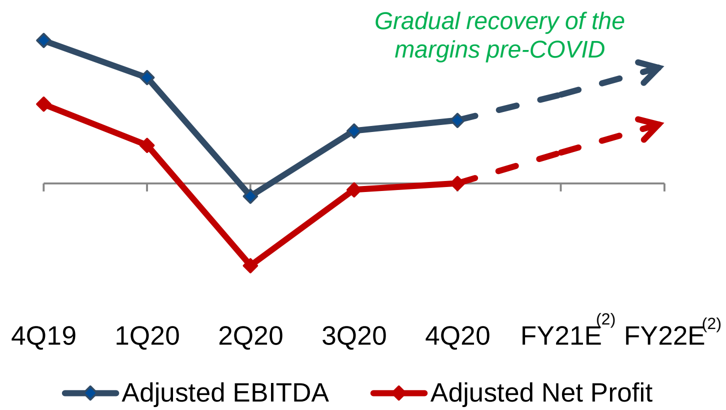
(1) Excluding Spain
(2) Calculated as a three-year average (2018-2020)
Source: Company

Profit & loss – EBITDA

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



Quarterly adjusted EBITDA and Adjusted Net Profit (%)



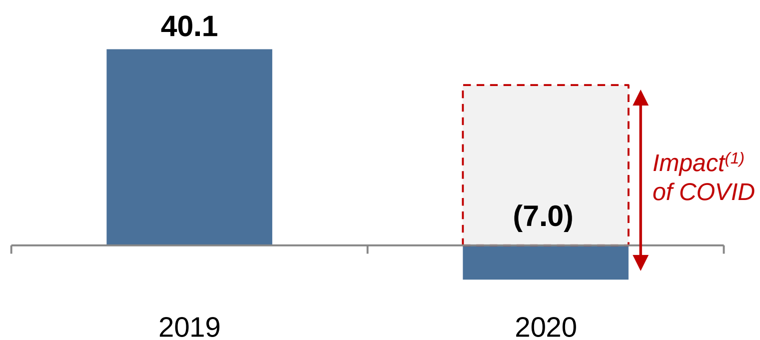
- **Adjusted EBITDA[2] amounted to 34.2 €m in 2020** (with a margin of 7.0%) due to:
    - **Lower productivity and higher cost over-runs relating to the supply chain of the manufacturing projects,** primarily during the first half of the year.
    - **Lower maintenance activity due to COVID-19,** although cost-saving measures were implemented, which succeeded in t partially reducing the impact on the profitability of those projects.
- The **positive reaction in the margin during the second half of the year** resulting from the increase in industrial activity and the partial recovery of maintenance activity, confirms the business's ability to recover normalised profitability as soon as interurban mobility returns to normal.
- In this regard, however, we expect **margins to recover gradually throughout 2021 to reach normalized levels by 2022.**

(1) Estimated range taking as a reference the guidance supplied by the Company in February 2020 and subsequently withdrawn in March 2020 in the context of Covid-19.
(2) Reference to FY21E and FY22E aims to represent estimated trend, and does not refer to any exact figures estimated by the Company nor the market.
(3) The adjustments to EBITDA include non-recurring costs, primarily guarantees considered as financing costs, and redundancies.

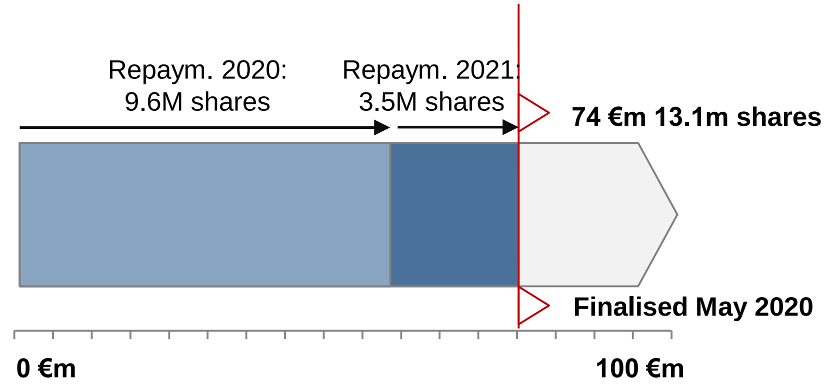
Source: Company

P&L – Net Result and shareholder remuneration (i)

Adjusted Net Result (€m)



Share Buy-back Programme 2018-2020

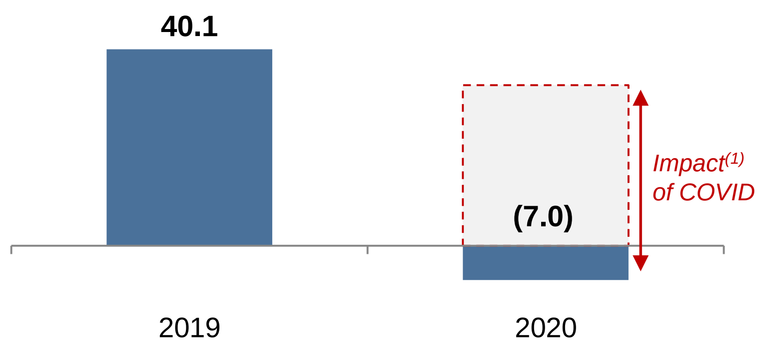


- **The adjusted Net Profit in 2020 decreased to -7.0 €m** as a result of:
  - The impact of COVID-19 on the profitability of projects.
  - Higher financial costs generated by a higher volume of gross financial debt and credit lines in order to ensure the availability of cash in the context generated by COVID-19.
  - The non-activation of tax credits for tax losses in Spain with other tax frameworks.
- In addition, the full depreciation of two Talgo S8 trains sold to the State of Wisconsin in 2009 was recognised in 2020. The trains were returned before they went into commercial operation for reasons unrelated to the product and with the corresponding compensation demanded by Talgo and duly paid by the client. The depreciation recognised in 2020 amounted to 11 €m, which was included as an adjustment to EBIT and Net Profit so as to not distort the on-going results of the Group.

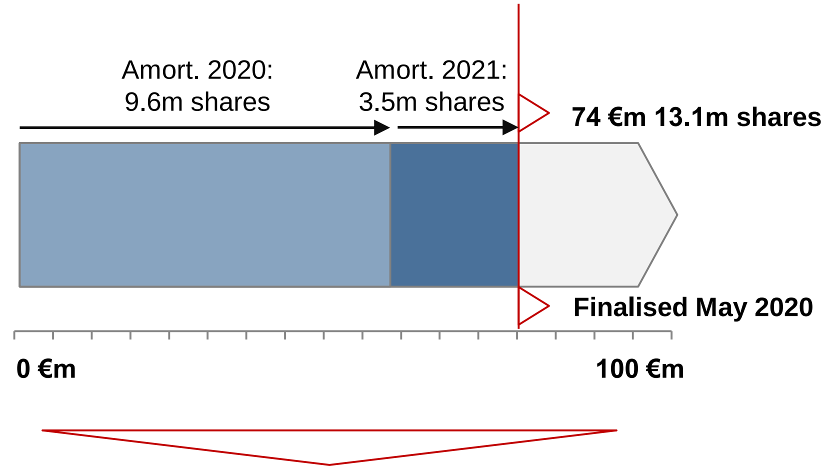
1) Estimated range taking as a reference the guidance supplied by the Company in February 2020 and subsequently withdrawn in March 2020 in the context of Covid-19.
Source: Company

P&L – Net Result and shareholder remuneration (ii)

Adjusted Net Result (€m)



Share Buy-back Programme 2018-2020



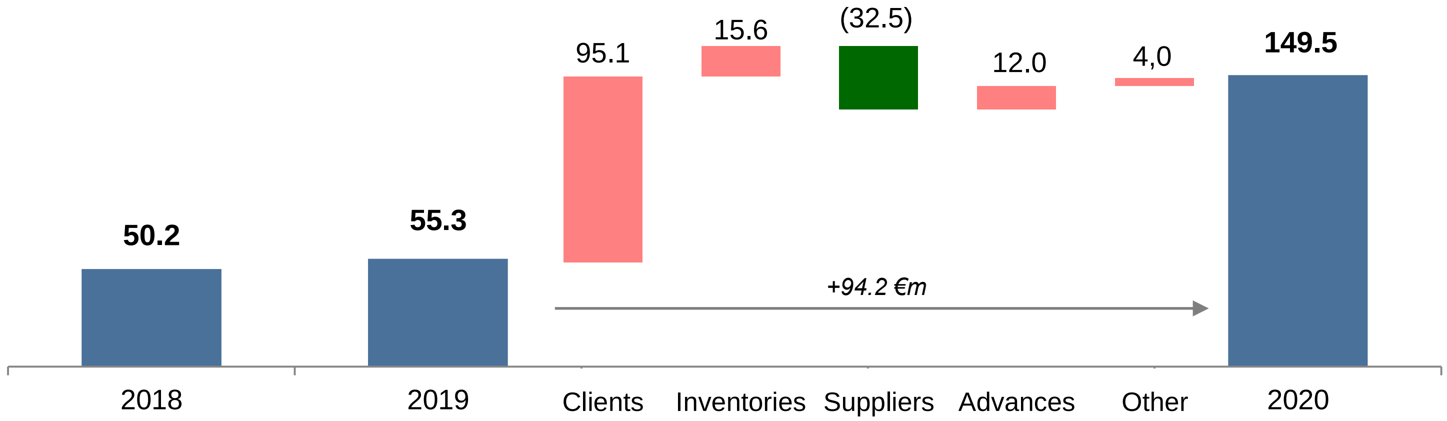
- In terms of **shareholder remuneration,** the Share Buy-back Programme, whose execution was carried out between November 2018 and March 2020, was finalised in May 2020.
- As a result of the Programme executed:
  - ✓ **74 €m was invested in the acquisition of 13 million own shares** (9.6% of the Share Capital), at an average price of 5.6 €/share.
  - ✓ During 2020, the first redemption of 9.6 million shares was completed, accounting for 7.0% of the Share Capital, with the remaining shares pending to de redeemed during 2021 (3.6 million shares).
- After cancelling all of the shares acquired under the scope of the Program, the **shareholders will benefit from an 11% increase in their stake in the company and a higher Profit per Share.**

1) Estimated range taking as a reference the guidance supplied by the Company in February 2020 and subsequently withdrawn in March 2020 in the context of Covid-19.
Source: Company

Balance sheet – Working Capital

- **The Working Capital increased during 2020 as per the forecasts and in line with the normal progress** of the projects underway given the high-quality nature of the projects, which confer a **low-risk profile to the volume of WC generated.**
- The Working Capital profile of the main projects underway :
  - **Spain MAV project (Renfe)**: it has an adequate profile with collection milestones scheduled throughout the project, and with a forecast period of cash consumption during 2020 and 2021.
  - **Germany Talgo 230 project (DB)**: potential AAD[(1)] structure, which allows Talgo to demand payment for up to 60% of the total contract value in advance, although at the end of 2020, there had been no need to make use of the instrument provided.

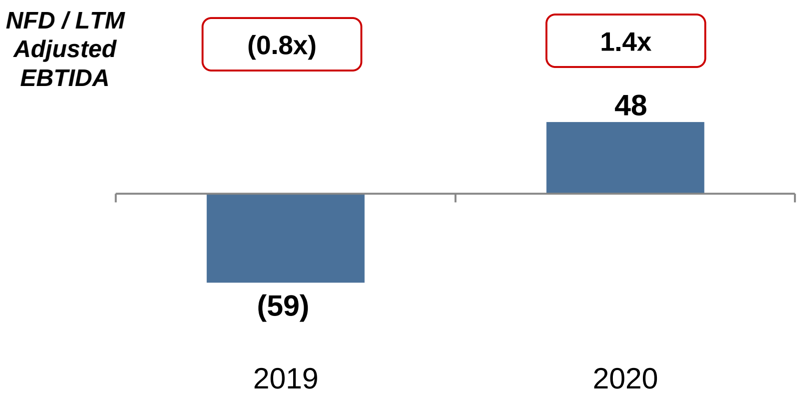
Working Capital (€m)



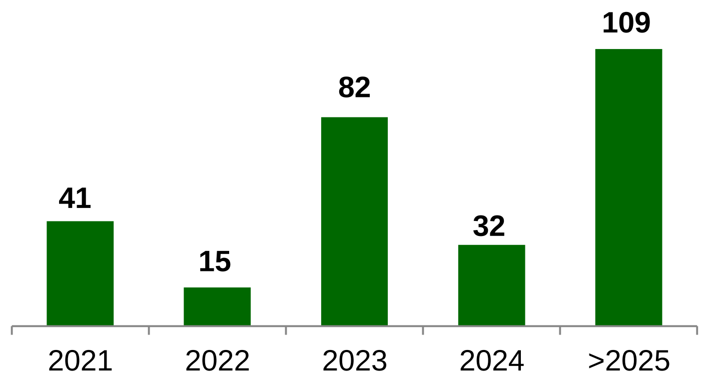
(1) *Abstract Acknowledge of Debt*, with access to upfront payments for up to 60% of the contract value.
Source: Company information

Balance sheet – Net Financial Debt

Net Financial Debt (€m)(1)(2)



LT bank debt – Repayment schedule (€m)



- Talgo has a sound financial profile with an **outstanding capacity to finance the Company's growth** over the next years:
  - The **gross cash position amounts to 228 €m.**
  - **Additional 150 €m** fully available through credit lines.
  - **20% debt maturity in 2021 and 2022.**
  - **Additional financial capacity** through project-based instruments (AAD).

Financial debt breakdown (€m)

€m	2020
Long-term debt with bullet maturity	134
Long-term debt with annual repayments	115
European Investment Bank	30
Gross Financial debt	**279**

	Gross Debt (€m)	Average Maturity (y)	Average Cost (%)
FY2018	250.5	2.32	1.94%
FY2019	256.5	3.03	1.72%
FY2020	**279.1**	**3.12**	**1.61%**

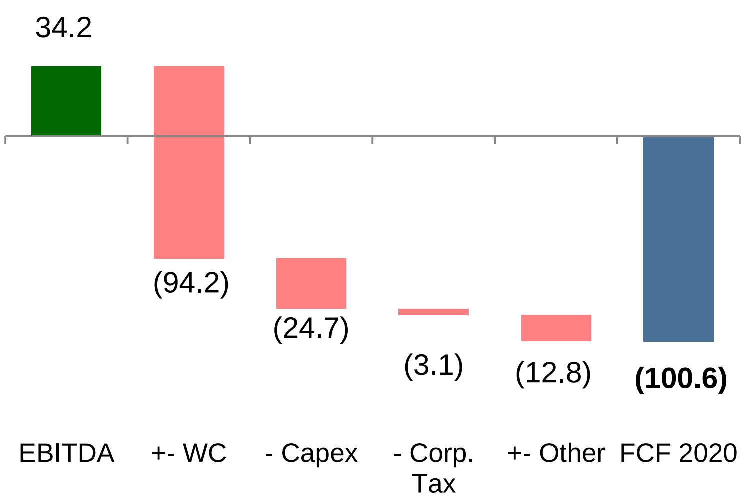
Source: Company information

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 zero interest rates.
2) Talgo has an additional 10 €m in remunerated funds considered available, although due to accounting requirements, that amount is recorded as "other current assets".

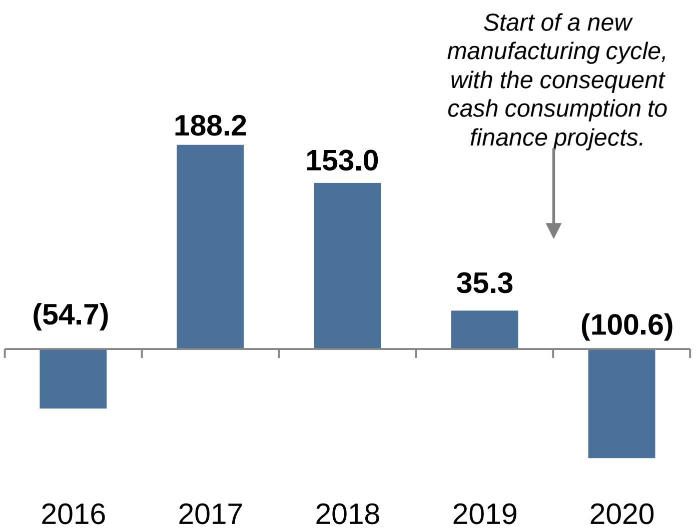
Cash Flow – Free Cash Flow

- The increased industrial activity registered during the year, together with the reduction in maintenance activity generated a **negative Free Cash Flow of -101 €m during the period.**
- The manufacturing projects **progressed adequately in the phases of greater industrial activity and more intensive WC, in line with forecasts** and in advance of reaching the most significant collection milestones, which are scheduled for 2022 and 2023.
- **Capex for the period amounted to 24.7 €m**, which is lower than forecast at the beginning of the year (c. 40 €m for 2020) due to the measures implemented in order to protect the cash balance and postpone non-essential investments.

Conversion of EBITDA into FCF in 2020 (€m)



Free Cash Flow for the period 2016-2020 (€m)



Source: Company information

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Outlook for the business during 2021

Business performance

- ✓ Revenue growth driven by higher manufacturing activity and the gradual recovery of maintenance activity: **35-37% of the Backlog during the period 2021-2022.**
- ✓ Commitment to sustained and selective growth**: >1.2x average Book-to-Bill ratio during the period 2020-2021.**

Profitability

- ✓ Gradual recovery in profitability, subject to mobility restrictions and their impact on the group's maintenance activity: **Adjusted EBITDA of 10-12% for 2021.**

Cash Flow and Capital Structure

- ✓ **Continuation in 2021 of the net investment cycle in terms of WC** to finance projects underway, prioritising the efficient and optimal use of the available financial capacity.
- ✓ Capex: **25 €m for 2021,** with 14 €m corresponding to R&D activities.

Shareholder remuneration

- ✓ **Second repayment of shares associated with the Repurchase Program[1]** scheduled for 2021 (3.6 million shares corresponding to 2.8% of the share capital[2])

ESG

- ✓ Commitment to a sustainable and socially responsible management: **Issue of Talgo's first Annual S&R Report in 2021 in accordance with GRI standards.**

The objectives for 2021 are to continue with the proper execution of the projects in the portfolio, to use financial resources efficiently and to grow selectively, whereby ensuring the sustainability of the business over the LT

1) Share Buy-back Programme program in accordance with the agreements approved at the shareholders' AGM in 2019.
2) The share capital comprises 127,003,216 shares at the end of 2020.
Source: Company

Conclusions

- ✓ The Results for 2020 leave behind the worst of an unprecedented global health crisis, which had a significant impact on the transport and mobility sectors.
- ✓ Talgo guarantees its commitment to employees and to society as a whole in the fight against COVID-19.
- ✓ The correct execution of projects and the efficient management of costs and financial resources confirm the validity of a business model that can be successfully adapted to adverse situations.
- ✓ A robust and diversified Backlog as the basis for boosting industrial activity and consequently revenues, already visible in 4Q 2020.
- ✓ Gradual recovery of profitability in 2021 and 2022.
- ✓ Strong balance sheet and significant liquidity level with a long-term debt maturity profile and available credit lines worth more than 150 €m.
- ✓ Clear willingness of European and global organisations to encourage investment in the railway sector as the most ecological transport mode (the liberalisation of the railway space in the EU, Next Generation EU Funds, etc.).

Contents

Annex 1. Income statement

Profit & Loss Account (€m)	2020	2019	% Change
Total net turnover	**487.1**	**401.7**	***21.3%***
Other income	14.8	13.1	*12.5%*
Procurement costs	(296.6)	(162.6)	*82.4%*
Employee welfare expenses	(123.7)	(127.2)	*(2.7%)*
Other operating expenses	(53.6)	(56.9)	*(5.9%)*
EBITDA	**28.0**	**68.1**	*(58.9%)*
% Ebitda margin	*5.7%*	*16.9%*	
Other adjustments	6.2	7.2	*(13.5%)*
Adjusted EBITDA	**34.2**	**75.2**	***(54.6%)***
% Adj. Ebitda margin	*7.0%*	*18.7%*	
D&A (inc. depreciation provisions)	(31.2)	(17.2)	*81.1%*
EBIT	**(3.2)**	**50.8**	***(106.3%)***
% Ebit margin	*(0.7%)*	*12.7%*	
Other adjustments	6.2	7.2	*(13.5%)*
Depreciation USA S8 trains	11.2	-	
ViTtal Amortization	2.2	2.2	*0.0%*
Adjusted EBIT	**16.4**	**60.2**	***(72.8%)***
% Adj. Ebit margin	*3.4%*	*15.0%*	
Net financial expenses	(9.1)	(7.9)	*14.5%*
Profit before tax	**(12.3)**	**42.9**	**(128.7%)**
Tax	(5.1)	(4.5)	*15.2%*
Profit for the period	**(17.4)**	**38.4**	***(145.4%)***
Adjusted Profit for the period	**(7.4)**	**40.1**	***(118.4%)***

Source: Company information

Annex 2. Balance sheet

Balance Sheet (€m)	Dec 2020	Dec 2019
FIXED ASSETS	**257.0**	**249.9**
Tangible + intangible assets	115.2	106.0
Goodwill	112.4	112.4
Other long term assets	29.3	31.5
CURRENT ASSETS	**645.9**	**632.9**
Inventories	145.3	129.8
Non- current assets held for sale	0.0	0.0
Accounts receivable	260.2	165.1
Other current assets	12.0	12.5
Cash & cash equivalents	228.3	325.6
TOTAL ASSETS	**902.9**	**882.9**

Balance Sheet (€m)	Dec 2020	Dec 2019
SHAREHOLDERS EQUITY	**257.7**	**291.7**
Capital Stock	38.2	41.1
Share premium	0.9	6.8
Consolidated reserves	1.5	3.2
Retained earnings	240.1	303.2
Other equity instruments	(23.1)	-62.6
NON-CURRENT LIABILITIES:	**329.2**	**273.3**
Debt with credit institutions	238.4	198.7
Provisions	53.5	44.2
Other financial liabilities	26.7	20.8
Other long-term debts	10.7	9.6
CURRENT LIABILITIES:	**316.0**	**317.9**
Accounts payable	265.4	244.9
Debt with credit institutions	41.1	58.6
Other financial liabilities	6.9	7.2
Provisions for other liabilities and other	2.6	7.2
TOTAL S. EQUITY + LIABILITIES	**902.9**	**882.9**

Source: Company information

Annex 2. Balance sheet (2)

Financial debt (€m)	Dec 2020	Dec 2019
Long term financial liabilities	238.4	198.7
Short term financial liabilities	41.1	58.6
Financial leasings	6.9	8.9
Cash & cash equivalents	(238.3)	(325.6)
Net financial debt	**48.1**	**(59.3)**
Adjusted EBITDA LTM	34.2	72.9
Net financial debt / Adj EBITDA (LTM)	**1.4x**	**(0.8)x**

Working Capital (€m)	Dec 2020	Dec 2019
Inventories	145.3	129.8
Non current assets hed for sale	0.0	0.0
Account trade receivables	260.2	165.1
Other current assets	12.0	12.5
Trade and other payables	(214.1)	(181.6)
Advances received	(51.3)	(63.3)
Provisions for other liabilities and other	(2.6)	(7.2)
Working Capital	**149.5**	**55.3**

Source: Company information

Annex 3. Cash flow statement

Cash flow statement (€m)	2020	2019	*% Change*
Net income	(17.4)	38.4	*(145.4%)*
Corporate income tax	5.1	4.5	*15.2%*
Depreciation & Amortization	16.7	15.8	*5.9%*
Financial income/Financial expenses	6.2	8.3	*(25.4%)*
Other result adjustments	14.2	(6.5)	*(317.0%)*
Changes in working capital	(101.2)	1.7	*n.a.*
Operating cashflows after changes in WC	**(76.4)**	**62.1**	***n.a.***
Net interest expenses	(6.0)	(7.1)	*(14.6%)*
Provision and pension payments	0.0	0.0	*n.a.*
Income tax paid	(3.1)	(8.7)	*(64.3%)*
Other collection and payments	0.0	0.0	*n.a.*
Net cash flows from operating activities	**(85.6)**	**46.3**	***n.a.***
Capex	**(24.7)**	**(23.3)**	***5.9%***
Changes in financial assets and liablities	27.2	(22.3)	*n.a.*
Dividends payments	(14.2)	(58.9)	*n.a.*
Net cash flows from financing activities	**13.0**	**(81.2)**	***n.a.***
Net variation in cash & cash eq.	**(97.3)**	**(58.2)**	***67.1%***

Source: Company information

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