

Results Presentation H1-2024

30 July 2024

Talgo

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Table of contents

- 1. Executive summary**
2. Other materials
 - I. Business performance
 - II. Financial results

ANNEX

Executive Summary – Key Highlights



Business Performance

- **Sustainability as key driver in business strategy.**
- **Strong manufacturing activity** focused on both national and international projects (Spain, Germany and Denmark mainly).
- Unique commercial momentum with large number of opportunities ahead in a moment of great product positioning.
- **Execution of manufacturing projects** and optimization of **industrial capacity as main operational challenges.**

| | H1-2024 |
|----------------|-------------------|
| Accident freq. | 8.63 ¹ |
| Severity | 0.17 ¹ |
| Backlog | €4,014 m |

Financial Results

- **Strong revenue recognition and stable EBITDA** in H1-2024.
- Maintenance contribution with **recurrent revenues and margins.**
- **Net debt increase in the period due to temporary high Working Capital**, mainly Work in Progress of projects in current industrial phase (assembly of units prior to start testing and delivery process) and delay in expected cash collections.

| | H1-2024 |
|----------|-----------------|
| Revenues | €346.1 m |
| EBITDA | €40.9 m (11.8%) |
| NFD | €357 m (4.3x) |

Outlook FY-2024

- **Revenue guidance increased** reflecting ongoing **strong manufacturing activity.**
- **Higher WC expected** in line with strong projects execution, resulting also in **higher net debt expected for FY-2024.**
- Order intake in 2024 should continue to reflect Talgo's **strong commercial momentum** and ongoing opportunities.

| | H1-2024 |
|--------------|------------------------|
| Revenues | c. 50% ² ↑ |
| EBITDA Mg. | c. 11.5% |
| NFD | c. 3.5x ³ ↑ |
| Order intake | > 1.0x ⁴ |

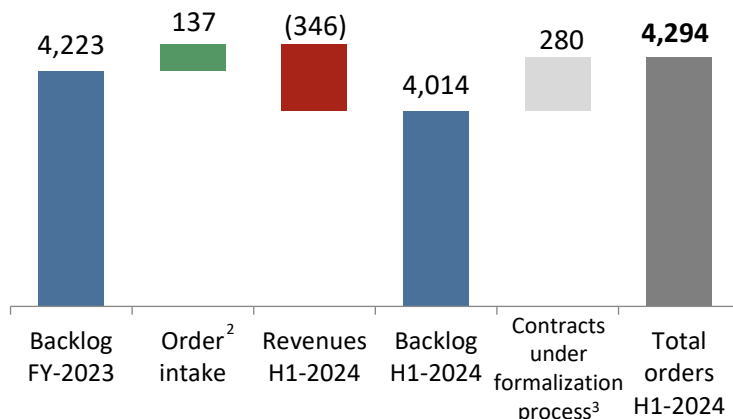
1) Accident frequency rate: Includes Talgo FTEs in Spain. Industrial accidents per million man-hours worked. FTEs (Full Time Equivalent Employees). Severity rate: Number of working days lost per 1,000 hours worked. Talgo FTEs in Spain.
 2) Backlog execution in the period 2023-2024 based on FY2022 backlog figures.
 3) Net Financial Debt to LTM EBITDA. NFD excludes repayable advances with entities of to the Spanish Public Administration relating to R&D, which are not considered financial debt.
 4) Book-to-bill ratio: Volume of new orders over LTM revenues.

Business performance (I/II)

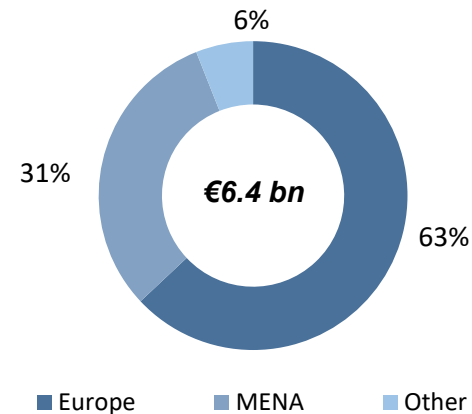


- Commercial success registered in the recent years provides **industrial visibility** for the following years and projects economic stability with **indexation clauses** that mitigates inflation risks.
- In addition, recent awards **consolidate Talgo product positioning** in the rail-road passenger market with its technology being homologated and operated in the main European markets...
- **... and enhances commercial momentum** with large number of opportunities in the pipeline amounting € 6.4 bn.
 - Strong demand coming from countries where Talgo has successfully proven its technology (Europe and MENA represents most of the company pipeline).
 - **Long-distance solutions** highly demanded due to its impact in reducing carbon emissions and energy efficiency vs. other solutions (i.e. car and plane).
 - **Entry of private operators in Europe** offers an opportunity to cost and energy efficient technologies and deliver best consumer experience to final customers.
 - **Commercial selective approach** targeting projects with indexation clauses and positive cash flow profile.

Order intake H1-2024 (€m)



Pipeline H1-2024 (€m)



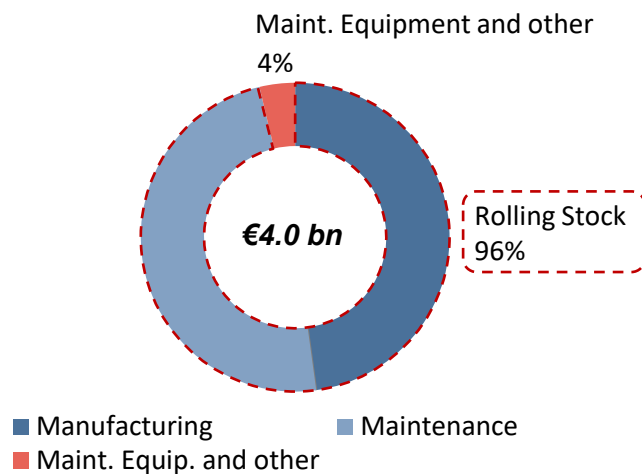
1) Project value updated according to indexation formulas at moment of project Notice to Proceed.
 2) Include adjustments in maintenance projects mainly resulting from maintenance prices updates and kms estimates
 3) Mainly include Egypt manufacturing contract.

Business performance (II/II)



- **Order backlog amounts above €4.0 bn as of June 2024**, providing **high revenues visibility** in the medium and long term:
 - Approx. **50% corresponds to manufacturing projects**, mainly passenger coaches with Talgo 230 platform as new state-of-the-art development ad-hoc for long-distance markets.
 - Approx. **80% corresponds to international projects**, mainly European markets.
- In addition, **new orders strengthen backlog quality profile** as most significant recent awards comprise extensions of existing contracts (DB, DSB and Metrolink), which **minimize execution risks and** contribute with **stability in manufacturing schedules**.
- Strengthening Talgo’s business model to mitigate future operational risks by **improving supply chain dynamics and optimizing industrial capacity**.

Order backlog H1-2024 (€m)



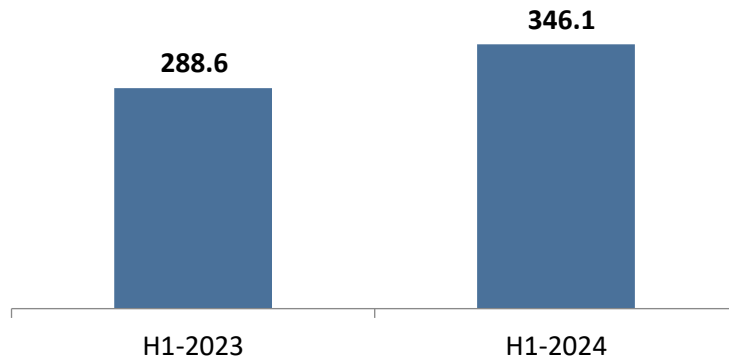
Main projects in order backlog

| Project | Country | Scope | Backlog |
|---------|--------------|------------------------|---------------|
| DB | Germany | 79 Talgo 230 trainsets | Manufacturing |
| DSB | Denmark | 16 Talgo 230 trainsets | Manufacturing |
| Renfe | Spain | VHS/HS/coaches | Maintenance |
| SRO | Saudi Arabia | VHS trains | Maintenance |
| KTZ | Kazakhstan | Passenger coaches | Maintenance |

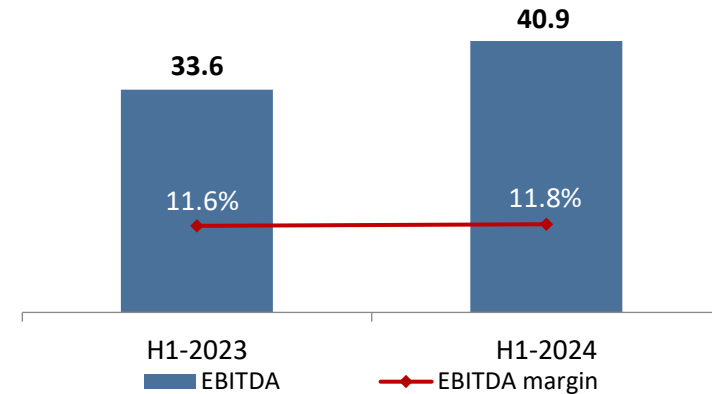
Main financial figures – P&L



Quarterly Revenues(€m)



EBITDA (€m) and margin (%)



- **Revenues amounted €346.1 m in H1-2024** enhanced by a strong manufacturing activity which **should remain in the following years** in line with projects schedules.
- The main manufacturing revenues contributors in the period were DB (Germany), DSB (Denmark) and Renfe powerheads (Spain) projects, supported by the **recurrent revenues in maintenance activity**.
- Increase of EBITDA vs. same period of 2023 with stable EBITDA margins which reflects **backlog quality and disciplined execution** of ongoing projects.
- **Financial expenses registered in the period decreased vs. same period of 2023**, although remained high as debt increased to finance the business working capital. However, activity growth and profitability lead net **income growth to reach €14.6 m in H1-2024**.

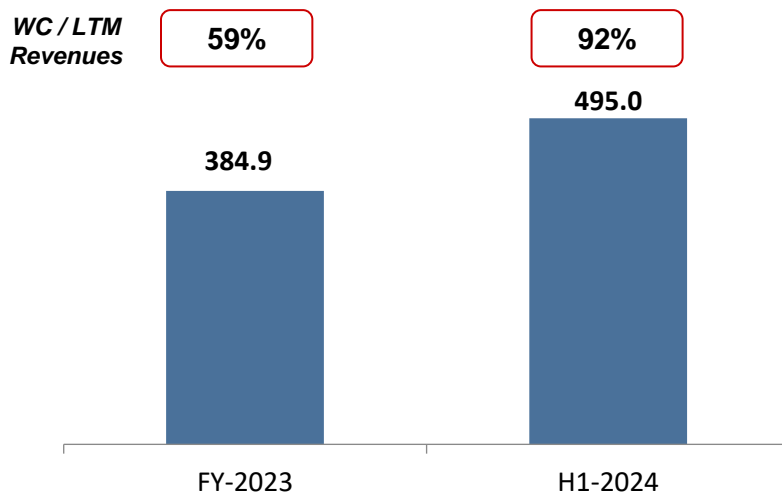
Main financial figures – Balance sheet



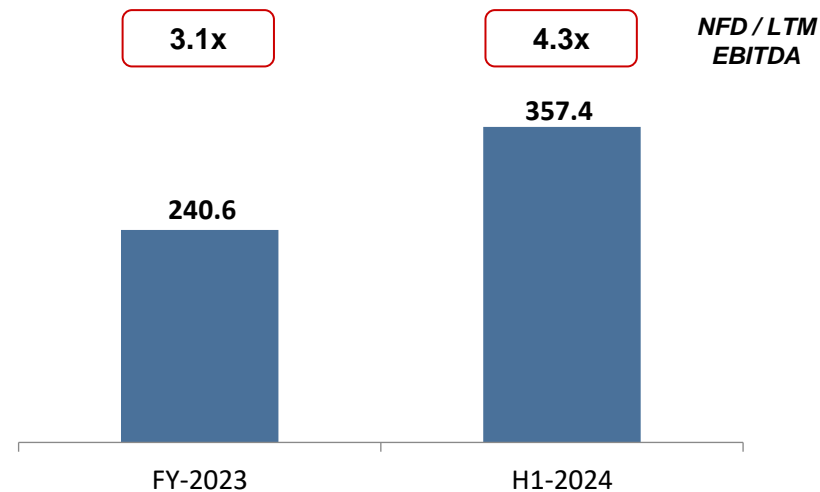
- **Working Capital increased in the period in line with current manufacturing phases.** Accounts receivables registered in the balance sheet are mainly to Work In Progress (€427 m).
- In this sense, **WIP growth amounted €102 m in H1-2024** which represents the main WC variation in the period.
- In addition, main collections expected for H1-2024 were postponed, mostly related to Spain VHS project and new projects downpayments (Egypt).
- As a result, operating cash flow was negative in the period and **net financial debt increased to reach €357 m.**
- Talgo strong balance sheet ensures the adequate financing of ongoing manufacturing projects with c. €300 m of cash and credit facilities.

| | H1-2024 | H1-2023 |
|---------------------------------|-----------------------------|-----------------------------|
| Working Capital | €495 m 92% ² | €304 m 56% ² |
| Net Financial Debt ¹ | €357 m 4.3x ³ | €175 m 2.8x ³ |
| Operating CF | €(100) m | €(70) m |

Working Capital (€m)



Net Financial Debt¹ (€m)



1) Net Financial Debt excludes repayable advances with entities belonging to the Spanish Public Administration relating to R&D, not considered financial debt.
 2) Working Capital over LTM revenues.
 3) Net Financial Debt over LTM Ebitda

Outlook FY-2024



| | <i>Current Outlook</i> | <i>Outlook update FY-2024</i> |
|-----------------------------------|---|--|
| Profitability → | ✓ EBITDA: c. 11.5% | → EBITDA: c. 11.5% |
| Capital structure → | ✓ Working Capital: Stable ³ | → ↑ Working Capital: Increase ³ |
| | ✓ Net Financial Debt: c. 3.0x EBITDA | → ↑ Net Financial Debt: c. 3.5x EBITDA |
| | ✓ Capex: c. €30 m ¹ | → Capex: c. €30 m ¹ |
| Business performance → | ✓ 2023-24 backlog execution: c. 45% ² | → ↑ 2023-24 backlog execution: c. 50% ² |
| | ✓ Average Book-to-Bill ratio: >1.0x | → Average Book-to-Bill ratio: >1.0x |
| Shareholder remuneration → | ✓ Dividend payment for 2024 pending to be defined | → Not defined |



1) Does not include project R&D investments.
 2) Over backlog FY2022 (2,748 €m).
 3) Measured as % over revenues

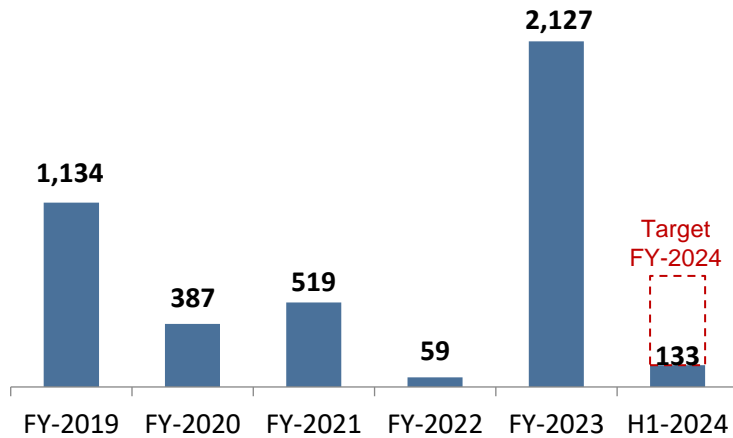


Table of contents

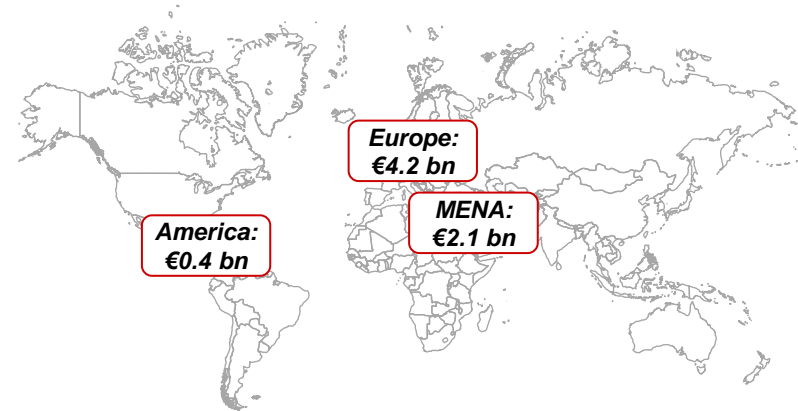
1. Executive summary
- 2. Other materials**
 - I. Business performance**
 - II. Financial results

ANNEX

Order intake in H1-2024 (€m)



Talgo pipeline – Main target for 2024-2026¹

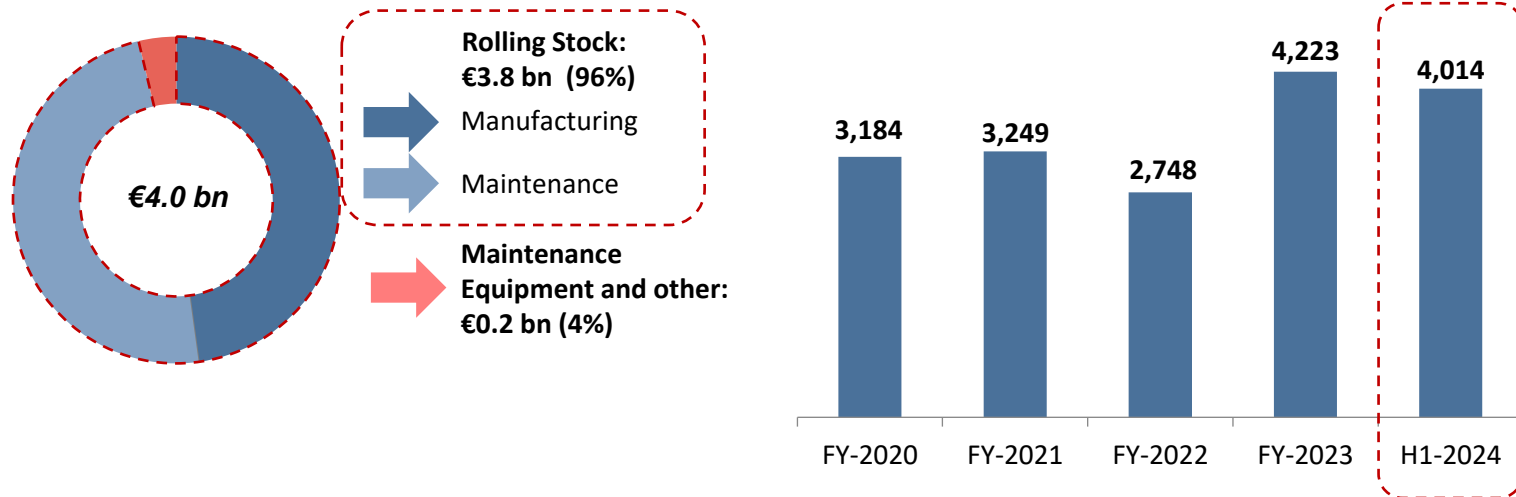


- Talgo is currently targeting **opportunities for the next 24 months with value amounting € 6.7 bn**, and additional € 20-25 bn are under monitoring and close analysis.
 - European countries as main target market with over 60% of current pipeline.
 - High-speed segments still represents largest portion of pipeline, followed by long-distance projects.
 - Current transport trends towards a decarbonization process benefits inter-city segments where Talgo is very well positioned in targeted markets.
- As of June 2024, **Talgo order intake amounted €133 m** which mainly comprise maintenance and overhaul projects extensions in Europe and USA.

(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.

Backlog overview

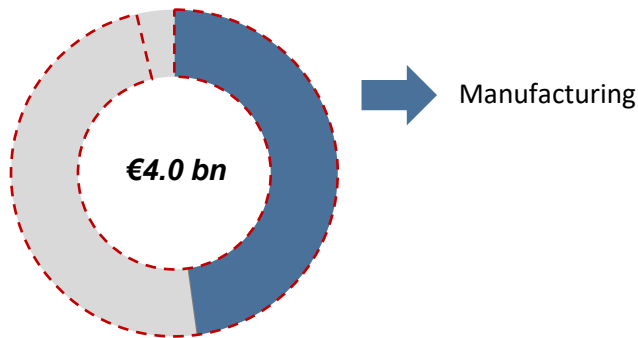
Backlog H1-2024



- Talgo's backlog amounted € 4.0 bn as of June 2024:
 - Renfe project comprising 30 VHS Avril trains already under delivery and expected to continue throughout the year.
 - **Balanced backlog between manufacturing** (ensure strong revenue growth with execution schedule for a period of 2-5 years) **and maintenance** (recurrent cash and revenues generation).
 - **80% of the backlog corresponds to international projects**, reflecting internationalisation process.
- Most of new orders are **contract extensions with low execution risks and significant commercial impact** on Talgo's commercial positioning worldwide.
- **Talgo technology gaining commercial momentum** on the back of the proven track-record, unique technology and key positioning of railroad transport in the ongoing global decarbonization process.

Backlog breakdown – Manufacturing projects

Backlog H1-2024



High Speed

- Renfe VHS trains (Spain) – €900 m:
 - Manufacture of 30 VHS “Avril” trains and maintenance for a period of 30 years¹.
 - **Delivery process started in April 2024**, and more than half of the fleet already delivered by the end of June 2024.
- Renfe VHS powerheads (Spain) – €161 m:
 - Manufacture of 23 powerheads and the maintenance of 13 trains and option for additional 12 units.
 - **Under execution.**

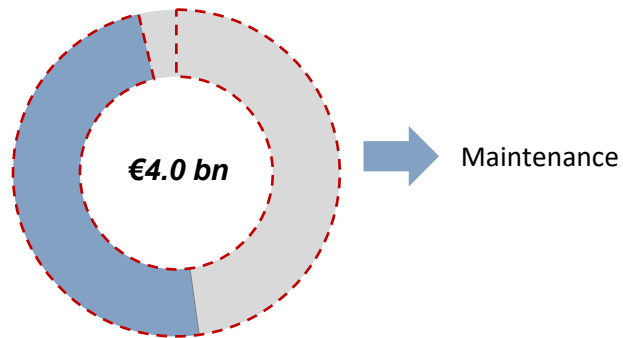
Long distance (intercity)

- DB Talgo 230 km/h (Germany) – c. €2,100 m:
 - Contract for up to 100 Talgo 230 trains.
 - Order under execution for 79 trains. **First units already sent for testing activities**
 - **Maintenance scope under negotiation as of June.**
- DSB Talgo 230 (Denmark) – €300 m:
 - Contract for maximum investment of €500 m.
 - Order under execution for 16 compositions, technical assistance for maintenance and materials. **Under execution.**

(1) Maintenance executed through a JV Talgo/RENFE

Backlog breakdown – Maintenance activity

Backlog H1-2024



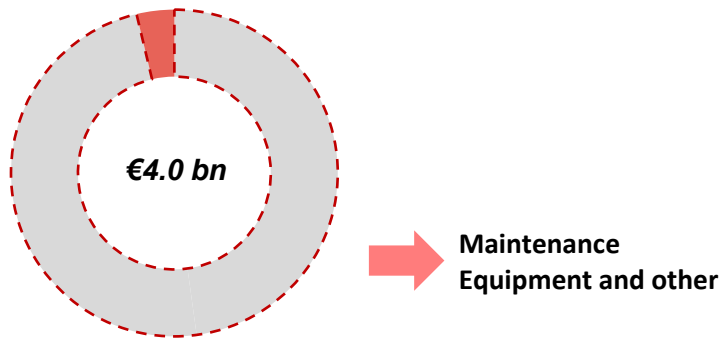
Location of maintenance contracts



- **Installed base stable with over 3,000 vehicles maintained during H1-2024 delivering successful delivery services and recurrent revenue contribution.**
- **Average maturity of maintenance backlog reach 12 years, thus providing long-term revenue visibility.**
- **Renfe VHS project comprising 30 VHS Avril trains already under operation, with subsequent activity and revenues contribution.**
- **Stable maintenance backlog with 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.

Backlog breakdown – Maintenance Equipment and other *Talgo*

Backlog H1-2024



Overhaul and refurbishment projects in Spain

- Conversion of night trains – €107 m:
 - Conversion of Talgo S7 compositions(1).
 - 156 coaches (13 compositions) with an option for additional 72 coaches (6 compositions).
 - **Under execution.**
- Remodeling of Talgo 250 HS compositions – €35 m:
 - Activities to remodel and update 44 compositions of HS trains.
 - **Under execution.**

Overhaul and refurbishment projects in USA

- Metrolink remodeling – \$35 m:
 - Remodeling of up to 121 vehicles with an initial order for 50 vehicles. Project extended in H1-2024 for 28 additional vehicles.
 - **Under execution.**
- LACMTA remodelling – \$73 m:
 - Activities to repair and overhaul 74 coaches of the Red Line.
 - **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"



Table of contents

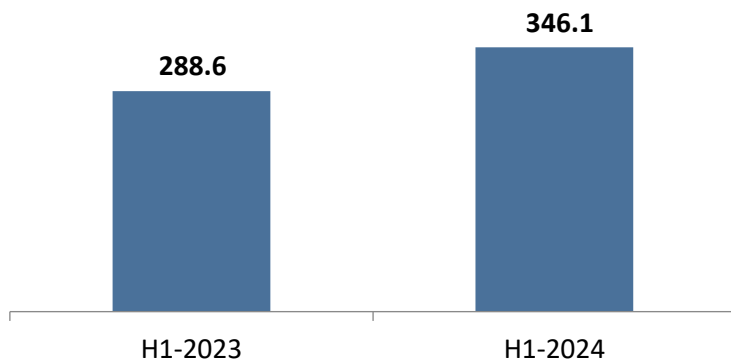
1. Executive summary
- 2. Other materials**
 - I. Business performance
 - II. Financial results**

ANNEX

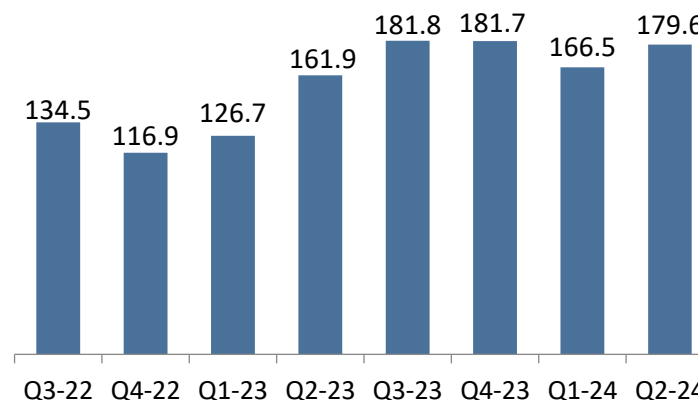
Profit and Loss – Revenues



Revenues (€m)

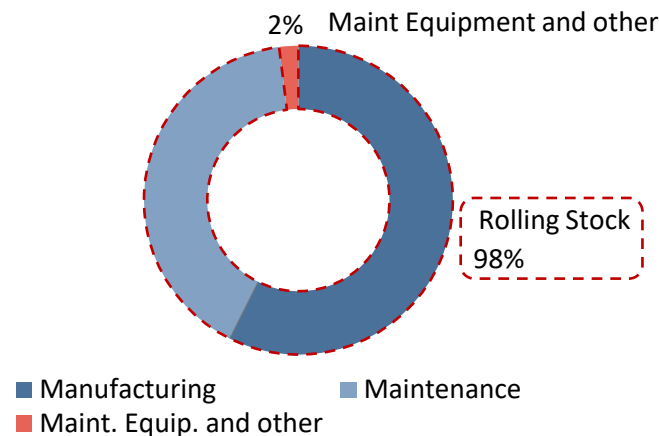


Quarterly revenues (€m)



- Revenues remained at a high level during the first half of 2024, reflecting the strong industrial activity in the period and consolidating a stable base of revenue generation.
- The main manufacturing revenues contributors in the period were DB (Germany), DSB (Denmark) and Renfe powerheads (Spain)
- On top of this, maintenance revenues continues to represent approx. 40% of total revenues being main contributors Spain, Saudi and Kazakhstan contracts.

Revenues by business line¹

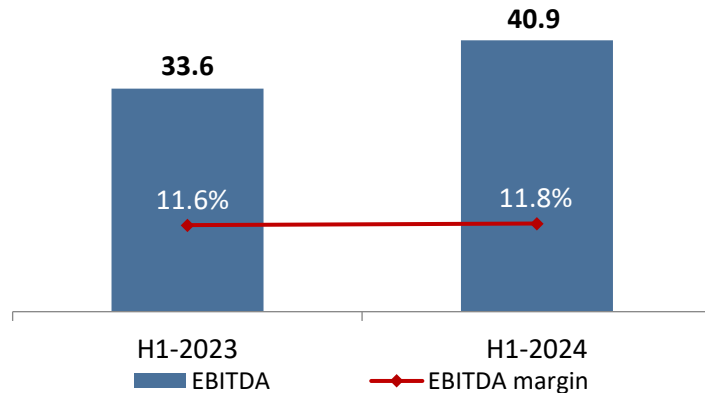


(1) Calculated as an average of LTM revenues registered in the period H1-2022 to H1-2024

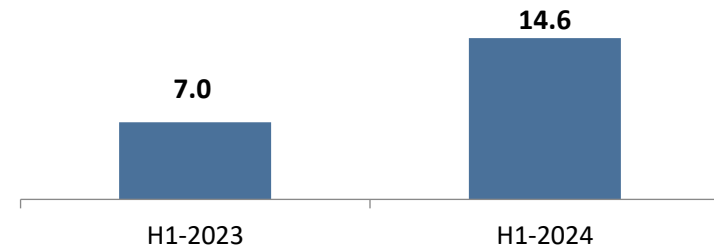
Profit and Loss – EBITDA and Net Income



EBITDA (€m) and margin (%)



Net Income (€m)



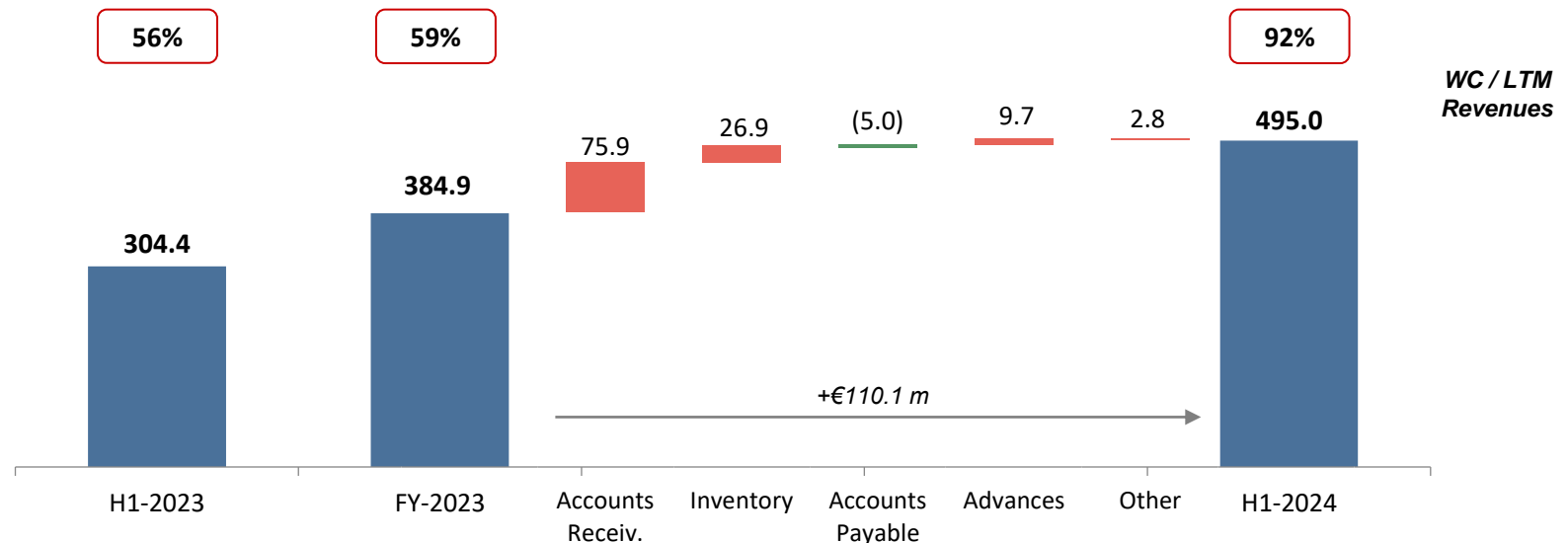
- **EBITDA margins also increased in the period to reach €40.9 m in H1-2024 (+22% vs H1-2023),** enhanced by registered activity increase and efforts to keep a light costs structure.
- **Talگو's backlog comprises high-quality contracts** in terms of profitability and execution risks, result of Talگو's selectivity approach in the commercial activity and disciplined execution of projects.
- **Net income significantly increased in the period to reach €14.6 m.**
- However, hawkish monetary policy to reduce inflation and resulting increased interest rates, together with the current cycle of high working capital investment still impacts business financial expenses.

Balance Sheet – Working Capital



- **Working Capital increased in H1-2024 to reach €495.0 m.** Current strong revenue recognition mainly driven by manufacturing projects in assembly phases **temporarily increases working capital intensity**.
- In this sense, **Working Capital variations reflect normal industrial phases in the business and mainly corresponds to inventory and work in progress** (accounts receivables) which is registered in the balance sheet until the corresponding project is delivered.
- In addition, main collections expected for H1-2024 were postponed, comprising new projects significant downpayments (Egypt) and Spain VHS project delivery milestones collections.
- As a result, operating cash flow was negative in the period and net financial debt increased to reach €357 m.

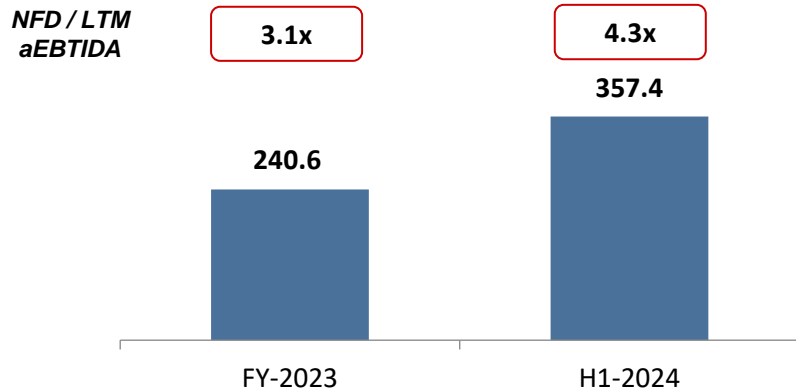
Working Capital (€m)



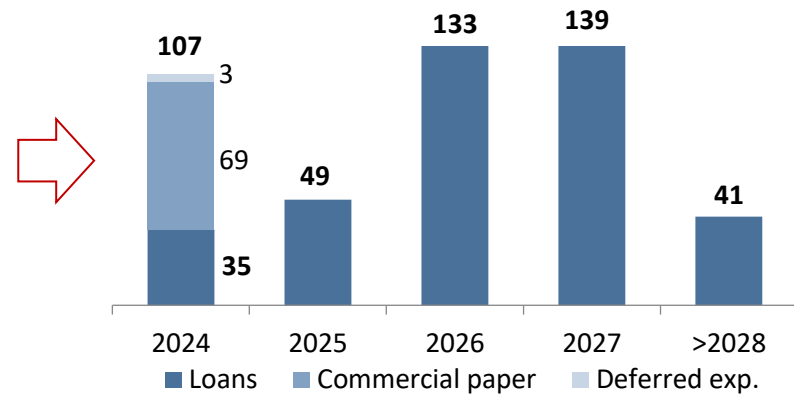
Balance Sheet – Net Financial Debt



Net Financial Debt (€m)¹



Financial debt² – Repayment schedule (€m)



- **Net financial debt increased in H1-2024 to reach €357.4 m** mainly due to working capital requirements in the period. In this sense, business leverage is the reflection of industrial activity and project cycles, thus deleverage is expected when technical milestones linked to cash collections are achieved.
- **Sound financial profile with close to 300 €m accessible liquidity and diversified financial profile:**
 - Talgo has €120 m of credit lines of which €97 m were available by June 2024.
 - Talgo registered in February 2024, a Promissory Note Programme in the Spanish Fixed Income market (MARF) for a maximum amount of €150 m. As of June 2024, Talgo issued €70 m in tranches with maturities of 1-6 months.
- Monetary policy from central banks remained hawkish during H1-2024. In this context, Talgo prioritize to balance efficiently the use of cash and financing.

(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 long-term loans, short-term debt comprising credit lines, financial leasings, deferred interest expenses and commercial paper.



Table of contents

1. Executive summary
2. Other materials
 - I. Business performance
 - II. Financial results

ANNEX

Annex 1 – P&L



| Profit & Loss Account (€m) | H1-2024 | H1-2023 | % Change |
|------------------------------------|--------------|--------------|---------------|
| Total net turnover | 346.1 | 288.6 | 20.0% |
| Other income | 19.5 | 10.6 | 84.2% |
| Procurement costs | (171.3) | (138.7) | 23.5% |
| Employee welfare expenses | (102.4) | (83.9) | 22.0% |
| Other operating expenses | (51.0) | (42.9) | 18.8% |
| EBITDA | 40.9 | 33.6 | 21.9% |
| <i>% Ebitda margin</i> | <i>11.8%</i> | <i>11.6%</i> | |
| Other adjustments | 2.2 | 1.4 | 57.2% |
| Adjusted EBITDA | 43.1 | 35.0 | 23.3% |
| <i>% Adj. Ebitda margin</i> | <i>12.5%</i> | <i>12.1%</i> | |
| D&A (inc. depreciation provisions) | (12.3) | (10.0) | 23.4% |
| EBIT | 28.6 | 23.6 | 21.3% |
| <i>% Ebit margin</i> | <i>8.3%</i> | <i>8.2%</i> | |
| Net financial expenses | (10.4) | (11.9) | (13.3%) |
| Profit before tax | 18.2 | 11.6 | 56.9% |
| Tax | (3.7) | (4.6) | (20.7%) |
| Profit for the period | 14.6 | 7.0 | 107.9% |

Annex 2 – Balance Sheet



| Balance Sheet (€m) | June 2024 | June 2023 | Dec 2023 |
|------------------------------|----------------|----------------|----------------|
| FIXED ASSETS | 292.4 | 268.1 | 276.1 |
| Tangible + intangible assets | 154.1 | 131.7 | 138.8 |
| Goodwill | 112.4 | 112.4 | 112.4 |
| Other long term assets | 25.8 | 23.9 | 24.9 |
| CURRENT ASSETS | 901.6 | 781.7 | 839.7 |
| Inventories | 218.5 | 219.5 | 191.7 |
| Accounts receivable | 546.6 | 398.0 | 470.6 |
| Other current assets | 24.7 | 23.4 | 21.7 |
| Cash & cash equivalents | 111.8 | 140.9 | 155.8 |
| TOTAL ASSETS | 1,194.0 | 1,049.8 | 1,115.8 |

| Balance Sheet (€m) | June 2024 | June 2023 | Dec 2023 |
|--|----------------|----------------|----------------|
| SHAREHOLDERS EQUITY | 301.6 | 291.0 | 288.3 |
| Capital Stock | 37.3 | 37.2 | 38.0 |
| Share premium | 0.9 | 0.9 | 0.9 |
| Consolidated reserves | 2.5 | 2.8 | 3.0 |
| Retained earnings | 256.0 | 251.1 | 250.0 |
| Other equity instruments | (4.9) | (4.8) | (13.9) |
| Equity attributable to minority interests | 9.9 | 3.8 | 10.3 |
| NON-CURRENT LIABILITIES | 430.1 | 353.8 | 412.3 |
| Debt with credit institutions | 313.4 | 253.3 | 292.2 |
| Provisions | 65.6 | 54.2 | 62.4 |
| Other financial liabilities | 39.2 | 34.8 | 45.6 |
| Other long-term debts | 11.8 | 11.5 | 12.0 |
| CURRENT LIABILITIES | 462.3 | 405.0 | 415.2 |
| Accounts payable | 285.5 | 334.2 | 290.2 |
| Debt with credit institutions | 152.4 | 58.3 | 101.0 |
| Other financial liabilities | 15.2 | 10.3 | 15.2 |
| Provisions for other liabilities and other | 9.1 | 2.1 | 8.8 |
| TOTAL S. EQUITY + LIABILITIES | 1,194.0 | 1,049.8 | 1,115.8 |

Annex 3 – Balance Sheet: NFD and WC breakdown



| Financial debt (€m) | June 2024 | June 2023 | Dec 2023 |
|--|--------------|--------------|--------------|
| Long term financial liabilities | 313.4 | 253.3 | 292.2 |
| Short term financial liabilities | 152.4 | 58.3 | 101.0 |
| Financial leasings | 3.3 | 4.4 | 3.2 |
| Cash & cash equivalents | (112) | (140.9) | (155.8) |
| Net financial debt | 357.4 | 175.1 | 240.6 |
| EBITDA LTM | 83.8 | 63.4 | 76.5 |
| Net financial debt / EBITDA (LTM) | 4.3x | 2.8x | 3.1x |

| Balance Sheet - Working Capital (€m) | June 2024 | June 2023 | Dec 2023 |
|--|--------------|--------------|--------------|
| Inventories | 218.5 | 219.5 | 191.7 |
| Account trade receivables | 546.4 | 398.0 | 470.6 |
| Other current assets | 24.7 | 23.4 | 21.7 |
| Trade and other payables | (278.9) | (290.9) | (273.9) |
| Advances received | (6.7) | (43.4) | (16.3) |
| Provisions for other liabilities and other | (9.1) | (2.1) | (8.8) |
| Working Capital | 495.0 | 304.4 | 384.9 |
| WC / LTM revenues | 92% | 56% | 59% |

Annex 4 – Cash Flow Statement



| Cash flow statement (€m) | 1H24 | 1H23 | % Change |
|---|----------------|---------------|---------------|
| Cash flow from operating activities | (69.7) | (56.3) | <i>n.a.</i> |
| Income tax paid | (5.0) | (3.3) | 53% |
| Capex and other investments | (25.4) | (10.6) | 139% |
| Operating Cash Flow | (100.0) | (70.1) | 43% |
| Changes in financial assets and liabilities | 73.5 | (19.8) | (471%) |
| Net interest expenses | (15.8) | (8.5) | 86% |
| Dividends payments and treasury stock | (1.2) | 0.0 | <i>n.a.</i> |
| Net cash flows from financing activities | 56.4 | (28.3) | (299%) |
| FX effect | (0.4) | - | |
| Net variation in cash & cash eq. | (44.0) | (98.5) | (55%) |
| Cash and cash equivalents BoP | 155.8 | 239.4 | (35%) |
| Cash and cash equivalents EoP | 111.8 | 140.9 | (21%) |

Talgo