Introducing Talgo
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2. Global railway rolling stock market
3. The Talgo proposition
4. Key financials
5. Four pillar development strategy
Talgo at a glance

Innovative solutions for niche rolling stock markets

- Talgo is a leading specialized rolling stock engineering Company focused on designing, manufacturing and servicing technologically differentiated, fast, lightweight trains.
- Distinctive suite of proprietary technologies developed over several decades.
- A proven strategy of leveraging innovative technologies into niche markets (VHS, HS and natural tilting passenger coaches) and new geographies (Saudi Arabia and Kazakhstan).
- #1 supplier in the HS\(^1\) and regional train\(^2\) rail markets in Spain\(^3\).
- Expanding addressable markets with new products in the VHS and regional commuter train segments.

Diversified net turnover mix

<table>
<thead>
<tr>
<th>Net turnover by business line (average 2014-16)</th>
<th>Net turnover by geography (2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing: 26%</td>
<td>Spain: 68%</td>
</tr>
<tr>
<td>Maintenance services: 6%</td>
<td>International: 18%</td>
</tr>
<tr>
<td>Maintenance equipment &amp; others: 6%</td>
<td></td>
</tr>
</tbody>
</table>

Order backlog evolution (€b)

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Spain</th>
<th>Backlog / Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>67% 33%</td>
<td>65% 35%</td>
<td>9.0x 3.2</td>
</tr>
<tr>
<td>2011</td>
<td>70% 30%</td>
<td>70% 30%</td>
<td>10.1x 3.2</td>
</tr>
<tr>
<td>2012</td>
<td>76% 24%</td>
<td>76% 24%</td>
<td>11.5x 3.3</td>
</tr>
<tr>
<td>2013</td>
<td>77% 23%</td>
<td>77% 23%</td>
<td>9.6x 3.8</td>
</tr>
<tr>
<td>2014</td>
<td>76% 24%</td>
<td>76% 24%</td>
<td>6.0x 3.7</td>
</tr>
<tr>
<td>2015</td>
<td>78% 22%</td>
<td>78% 22%</td>
<td>4.5x 3.1</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td>2.6x</td>
</tr>
</tbody>
</table>

Source: Company information

Notes
1. >250 km/h as defined by Renfe
2. >220 km/h intercity as defined by Renfe
3. Largest European high speed market and 2nd largest worldwide
Defined phases of business development

1. **1942 - 2000**
   - Technological development & product endorsement
   - Development of proprietary technology (natural tilting, independent wheels and variable gauge)

2. **2001 - 2006**
   - VHS capabilities established
   - First VHS contract award for 16 trains in Spain (2001)
   - Currently delivered and maintaining a fleet of 90 Talgo VHS / HS trains in Spain

3. **2007 - 2014**
   - Internationalisation / Product and capacity expansion
   - Successful internationalisation strategy since 2007
   - Selective product development leveraging on tech. advantages
   - Facilities expansion

4. **2014 onwards...**
   - Leveraging capabilities into expanding addressable markets
   - Efficient delivery of current backlog
   - Further development of existing geographies and entry into new markets (LatAm/Africa/India)
   - New product development (e.g. AVRIL) and penetration (e.g. Regional Commuter trains)
   - Balanced net turnover profile through global maintenance services

Source: Company information
Addressing market trends and customer needs on a global basis

Notes
1. Maintenance workshops are owned by railway operators. Two new maintenance workshops are under construction in Kazakhstan and two additional ones are expected to be built in Saudi Arabia in the next two years.
2. Talgo holds a minority stake (0.0001%) in the manufacturing plant in Kazakhstan.
3. Underfloor wheel lathes, measuring equipment and shunting cars.

Source: Company information.
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2. Global railway rolling stock market

3. The Talgo proposition

4. Key financials

5. Four pillar development strategy
Talgo positioning in the market

- The railway industry comprises four main activity areas:
  - **Infrastructure**: tracks, stations, electrical facilities, equipment for manufacturing and maintenance, etc.
  - **Signaling**: Control, management and security systems.
  - **Rolling stock**: trains (traction units and coaches) and their subcomponents (wheels, axles, breaks, etc).
  - **Services**: includes mainly the maintenance services provided after-sales, consulting and engineering.

- The rolling stock sector for passenger transportation is **divided by different segments according to the product offered**, with different levels competition, operational margins and work load implied.

- **Talgo’s activity is mainly focused on the “high pyramid” segments** where the product mix offered is narrow and the demand is not recurrent, resulting on a lumpiness business with limited competitions and high margins.

### Rolling stock segments

<table>
<thead>
<tr>
<th>Long distance</th>
<th>Medium distance</th>
<th>Urban rails</th>
</tr>
</thead>
<tbody>
<tr>
<td>VHS &gt; 300 km/h</td>
<td>140-160 km/h</td>
<td>Metros/undergrounds and light rail and trams</td>
</tr>
<tr>
<td>High Speed (HS) &gt; 250 km/h</td>
<td>180-250 km/h</td>
<td>Commuters</td>
</tr>
<tr>
<td>Passenger coaches</td>
<td>Regional trains</td>
<td>Commuters</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Measuring market levels

<table>
<thead>
<tr>
<th>Competition</th>
<th>Margins</th>
<th>Contracts Vol.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>Very High</td>
<td>Very Low</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>High</td>
<td>Medium / Low</td>
<td>Very High</td>
</tr>
<tr>
<td>Very high</td>
<td>Very low</td>
<td>Very High</td>
</tr>
</tbody>
</table>

Source: Company information and UNIFE 2014
Talgo’s addressable market – niche products into selected sectors

Favourable long-term underlying trends

Demand for mobility
Urbanization and population growth
Emerging market growth
Replacement demand
Market Liberalization
Environmental concerns

Talgo’s Identified pipeline 2017-2019 (€b) 1

- VHS/HS
- Passenger Coaches
- EMU
- Other

Product segment | Description | Talgo’s products | Key historical / target markets | Identified pipeline
--- | --- | --- | --- | ---
VHS | Trains operating at more than 300m/h | AVRIL | To be marketed worldwide | 3.3 €b
| | | Talgo 350 | Spain |
| | | | Saudi Arabia |
HS | Trains operating at more than 250km/h | Talgo 250 | Spain | 2.1 €b
Natural tilting passenger coaches | Passenger railway vehicles for day and night services | Night & day Train tilting cars | Spain | United States Kazakhstan Russia |
Regional commuter trains | Electric and diesel multiple units that operate at speeds 120 km/h - 160 km/h | Talgo regional Commuter trains | To be marketed selectively | 1.3 €b

Source: Company information, UNIFE

(1) Talgo’s pipeline based on selected tenders potentially to be involved in, from the total accessible market.
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Unique proprietary technologies underpin innovative and cost-effective products and services (I)

<table>
<thead>
<tr>
<th>Talgo Differentiation</th>
<th>Infrastructure</th>
<th>Operations</th>
<th>Maintenance</th>
<th>Unique of Talgo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Aluminum-based lightweight construction</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>—</td>
</tr>
<tr>
<td>2 Natural tilting system</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>3 Articulated and mono axle</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>4 Wide body, short coach concept / improved accessibility</td>
<td>—</td>
<td>✓</td>
<td>—</td>
<td>✓</td>
</tr>
<tr>
<td>5 Automatic variable gauge system</td>
<td>✓</td>
<td>✓</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>6 Independent guided wheels</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>7 Hybrid Technology</td>
<td>✓</td>
<td>✓</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

- Lower investment requirement
- Higher energy efficiency, reduced journey time and increased capacity
- Reduced track and train maintenance
- Unique technology adapted to client needs

Source: Company information
Unique proprietary technologies underpin innovative and cost-effective products and services (II)

**1. Lightweight construction**

**Competitive advantages:**
- Talgo trains c.20% lighter than competitors’ trains with less number of axles.

**Benefits:**
- Lower costs.
- Higher acceleration.
- Energy efficiency.

**2. Natural (passive) tilting system**

**Competitive advantages:**
- Zero maintenance and manufacturing costs.
- Maximum reliability due to its simplicity.

**Benefits:**
- c.25% higher speed on curves for non HS tracks.
- No additional capex on infrastructures.
- Improve passenger comfort.

Combination of lightweight construction and natural (passive) tilting systems provides a significant reduction to travel times without additional capex requirements for infrastructure.

*Source: Company information*
Unique proprietary technologies underpin innovative and cost-effective products and services (III)

3 Articulated union and mono axle

**Competitive advantages:**
- Lower track interaction with less aerodynamic drag.

**Benefits:**
- High passive security.
- Guidance facility.
- Low maintenance requirements and higher reliability.

4 Wide body, short coach concept

**Competitive advantages:**
- Low floor => Best accessibility in the market
- Access every 12 mt. vs. 24 mt.

**Benefits:**
- Low floor implies a stop time at station reduction of c.20%.
- Social impact: best accessibility for disable people.
- Maximum use of track gauge.
- Comfort increase.

Unique design concept reduces track interaction, maintenance requirements whilst providing superior passenger accessibility and comfort

Source: Company information
Unique proprietary technologies underpin innovative and cost-effective products and services (IV)

5 Automatic variable gauge system

**Competitive advantages:**
- Fully automated gauge compatibility.

**Benefits:**
- Capability to operate through both national and international tracks (with variable gauge tracks).

6 Independent guided wheels

**Competitive advantages:**
- High track adaptability.

**Benefits:**
- Increases comfort and decreases noise.
- High security, avoiding derailments.

Independent wheels with guided axles, together with our variable gauge systems significantly increases product versatility and security

Source: Company information
A dedicated product offering for each target market

<table>
<thead>
<tr>
<th>Description</th>
<th>Talgo’s presence</th>
<th>Talgo products</th>
<th>Key historical markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>VHS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avril: Trains to be operated at 300 - 350 km/h</td>
<td>Established</td>
<td>AVRIL¹</td>
<td>To be marketed worldwide</td>
</tr>
<tr>
<td>T-350 Trains operating at 250 - 300 km/h</td>
<td>Established</td>
<td>Talgo 350</td>
<td>Spain / Saudi Arabia</td>
</tr>
<tr>
<td>HS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T-250: Trains operating at 160 - 200 km/h</td>
<td>Established</td>
<td>Talgo 250 (Intercity)</td>
<td>Spain / Uzbekistan</td>
</tr>
<tr>
<td>Natural tilting passenger coaches</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger railway vehicles for day and night services</td>
<td>Established</td>
<td>Night &amp; day train tilting cars</td>
<td>Spain / United States / Kazakhstan / Russia</td>
</tr>
<tr>
<td>Regional Commuter trains</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric and diesel multiple units that operate at speeds between 120 km/h and 160 km/h</td>
<td>Nascent</td>
<td>Talgo Commuter trains</td>
<td>To be marketed selectively</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance services</td>
<td>Heavy and light maintenance operations</td>
<td>Established</td>
<td>Maintenance of Talgo’s and 3rd party trains</td>
</tr>
</tbody>
</table>

¹ Avril: name of the French high-speed train operated by SNCF (Société Nationale des Chemins de fer Français) between Paris and Lyon. The name comes from the French word for April.

Source: Company information
Notes: Pending final certification in Spain
Comprehensive maintenance services to our clients worldwide

Continuous improvement  ➔  Reliability close to 100%  ➔  Controlled maintenance costs

Aver. number of vehicles maintained (#)

<table>
<thead>
<tr>
<th>Year</th>
<th>Coaches</th>
<th>Powerheads</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,809</td>
<td>165</td>
</tr>
<tr>
<td>2013</td>
<td>2,098</td>
<td>190</td>
</tr>
<tr>
<td>2014</td>
<td>2,209</td>
<td>188</td>
</tr>
<tr>
<td>2015</td>
<td>2,228</td>
<td>184</td>
</tr>
<tr>
<td>2016</td>
<td>2,533</td>
<td>184</td>
</tr>
</tbody>
</table>

CAGR: +8.3%

- 100% Talgo fleet maintained since 1952.
- Additional c. 80 third party cars are maintained by Talgo in Germany (cars are around two times longer than Talgo cars).

Pioneering company in maintenance services to railway operators worldwide

Source: Company information
Case study: Spain VHS

- **Scope of the contract**: manufacture of 15 VHS trains, with an option for 15 additional trains. The contract also includes the maintenance for a period of 30 +10 years.

- According to the public results of the tender, Talgo offer reached the highest technical score and offered the most competitive economic package thanks to highly attractive maintenance proposition given expected efficiencies and economies of scale to be reached in the project (90 HS trains already in operation in Spain).

- The first public tender in which Talgo offered its new Avril VHS train (next generation of the T-350), which has been developed during recent years and contains the most advance technology of the industry.
  - Higher power while lowering energy consumption, being the lightest train on the market.
  - Wider coach offering higher capacity in one floor (3+2 seats).
  - Technical advances resulting in high reliability and optimized maintenance costs.

<table>
<thead>
<tr>
<th></th>
<th>Tender paper (minimum)</th>
<th>Talgo Offer</th>
<th>Talgo Variant Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First 15 trains</strong></td>
<td>320 km/h</td>
<td>350 km/h</td>
<td>330 km/h</td>
</tr>
<tr>
<td><strong>Optional 15 trains</strong></td>
<td>320 km/h</td>
<td>350 km/h</td>
<td>330 km/h Var. gauge</td>
</tr>
<tr>
<td><strong>Fleet availability %</strong></td>
<td>85%</td>
<td>99.09%</td>
<td>99.09%</td>
</tr>
<tr>
<td><strong>Number of seats</strong></td>
<td>400</td>
<td>521</td>
<td>521</td>
</tr>
<tr>
<td><strong>Price-Value (€m)</strong></td>
<td>1.096 (máximo)</td>
<td>786</td>
<td>786</td>
</tr>
<tr>
<td><strong>Price / seat (€k)</strong></td>
<td>-</td>
<td>43.1</td>
<td>43.1</td>
</tr>
</tbody>
</table>
Case study: Kazakhstan

Main project milestones

- **Dec-2001**: A Talgo 6-car modernized natural tilting train is delivered to Kazakhstan Temir Zholy (KTZ).
- **Jul-2010**: A Joint Venture named Tulpar Talgo is formed between KTZ and Talgo for the local manufacturing of passenger cars in Kazakhstan.
- **Nov 2010**: First order of 436 Talgo passenger coaches to Tulpar is placed by KTZ.
- **Dec-2011**: Tulpar Talgo new manufacturing plant opening in Astana.
- **2013**: New contract of 603 cars adapted to the Russian market.

Footprint

- Aktobe maintenance center
- Tulpar Manufacturing plant

Project benefits

<table>
<thead>
<tr>
<th>Route</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almaty-Petropavlovsk</td>
<td>1,834</td>
<td>1,411</td>
<td>1,839</td>
<td>2,695</td>
</tr>
<tr>
<td>Astana-Atyrau</td>
<td>1,834</td>
<td>1,411</td>
<td>1,839</td>
<td>2,695</td>
</tr>
<tr>
<td>Almaty-Atyrau</td>
<td>30</td>
<td>27</td>
<td>34</td>
<td>50</td>
</tr>
<tr>
<td>Astana-Kyzylorda</td>
<td>1,931</td>
<td>2,258</td>
<td>1,284</td>
<td>1,081</td>
</tr>
<tr>
<td>Akto-Be-Akto</td>
<td>1,834</td>
<td>1,411</td>
<td>1,839</td>
<td>2,695</td>
</tr>
<tr>
<td>Astana-Leninogorsk</td>
<td>2,695</td>
<td>3,615</td>
<td>3,960</td>
<td>4,385</td>
</tr>
<tr>
<td>Almaty-Zakshta</td>
<td>1,931</td>
<td>2,258</td>
<td>1,284</td>
<td>1,081</td>
</tr>
</tbody>
</table>

| Time saving (%)       | (37.6)%| (47.1)%| (44.2)%| (39.6)%| (44.8)%| (35.0)%| (57.4)%| (54.3)%|

Talgo’s natural tilting technology has reduced travel times in Kazakhstan by c.45% using existing infrastructure and without the need for further investments.

Source: Company information
Case study: Saudi Arabia

Main project milestones

- **October 2011** - Spanish consortium wins the largest rail contract awarded in recent times, the "TRAIN OF PILGRIMS".
- Spanish Consortium is formed by Talgo and other 12 companies.
- The project is based on Talgo technology and consolidates the company as a world leader in the export of the High Speed Spanish model.
- The Haramain High Speed Railway will be a high-speed line of 450 miles, linking the cities of Medina and Mecca.
- Manufactured trains are 100% customized with exclusive design.

Source: Company information
Product development: AVRIL

AVRIL’s differentiating technology

Optional variable gauge system

Wide body, short coach

3+2 seats configuration

Easy accessibility

AVRIL’s superior competitive positioning

<table>
<thead>
<tr>
<th>velvet</th>
<th>T350-Gen II</th>
<th>AGV</th>
<th>AVRIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>In circulation</td>
<td>In circulation</td>
<td>In circulation</td>
</tr>
<tr>
<td>Speed (km / h)</td>
<td>350</td>
<td>330</td>
<td>360</td>
</tr>
<tr>
<td># Seats(1)</td>
<td>556</td>
<td>399</td>
<td>542</td>
</tr>
<tr>
<td>Floor height (mm)(2)</td>
<td>390</td>
<td>0</td>
<td>395</td>
</tr>
<tr>
<td>Weight (tons)</td>
<td>425</td>
<td>322</td>
<td>401</td>
</tr>
</tbody>
</table>

Talgo’s technology leads to lower weight, better accessibility, lower attrition, greater train capacity and comparable speeds at significantly lower life cycle costs, providing significant benefits to the operator.

Notes (1) Based on a 100% Economy class train, for comparison purposes (2) Over 760mm platform

Source: Company information
Product development: Regional and commuter (EMU)

**Strategic rationale**

- Talgo’s technology can be directly applied and transferred to the EMU segment
- Large market with high growth potential and recurring number of tenders
- Emerging market needs for this product segment
- Recurrent maintenance contracts and limited capex requirements

**Talgo Regional Commuter train offering**

- Accessibility / low floor
- Shorter dwell time
- Energy efficient
- Low maintenance cost
- High capacity and modularity concept

Source: Company information
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Revenues and margins performance

Net Turnover increased throughout the period mainly driven by stronger manufacturing activity on main projects:

- **Execution of contracted backlog** (mainly Mecca-Medina and Kazakhstan)
- **Increasing maintenance services**, providing recurrent and stable cash generation.
- Commercialization of **maintenance equipment**

Source: Company information
**Backlog and order intake**

### Backlog evolution (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Spain</th>
<th>Incl. 15 VHS Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>76%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>2016</td>
<td>75%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>2016 includ. 15 VHS</td>
<td></td>
<td></td>
<td>76%</td>
</tr>
</tbody>
</table>

**Times net turnover**
- 6.0x
- 4.5x
- 5.5x

### Order intake evolution (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing</th>
<th>Maintenance</th>
<th>Maint. equip. &amp; other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>413</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>696</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>344</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>661</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 + 15 VHS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Book-to-bill ratio**
- 0.8x
- 5.2x
- 1.3x
- 2.1x
- 0.9x
- 0.1x
- 0.2x
- 1.2x

### Backlog 2016 by business line

- **2,604 €m**
  - Manufacturing: 84.3%
  - Maintenance: 12.2%
  - Maint. equip. & other: 3.5%

**Source:** Company information

- Order intake in 2016 reaches 661 €m if the Spanish VHS is considered (awarded in December 2016 and signed in April 2017).
- 75% of current backlog is outside Spain, mainly from Saudi Arabia and Kazakhstan.
- 84% of current order book corresponds to maintenance services, which ensures the cash generation capacity of the Company on a long term basis.
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### 4 pillar development strategy

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| 1. Efficient delivery of current contract book | - On time/on budget delivery of backlog  
- Ongoing improvement in manufacturing efficiency.  
- Utilisation of existing flexible capacity and outsourcing. | ✓ Preservation of industry-leading margins.  
✓ Enhance market profile. |
| 2. Further development of existing geographies and entry into new markets | **Natural tilting passenger coaches**  
- Focus on customer/geographies with infrastructure investment restrictions (Asia, Africa, LatAm, India).  
**VHS & HS**  
- Leverage the success of recent high-profile projects into new geographies with similar drivers.  
- Selective and disciplined tender strategy for new projects. | ✓ Open large and growing addressable markets.  
✓ Broaden customer turnover base.  
✓ Strengthen the penetration of new VHS products. |
- Regional commuter trains segment development. | ✓ Preserve innovation advantage.  
✓ Lower product operating costs.  
✓ Broader range of growth opportunities. |
| 4. Further develop strategic maintenance business | - Leverage on best-in-class record of maintenance (100% of installed base & average contract >10yrs).  
- Develop third-party maintenance services. | ✓ Maintain balanced and visible turnover profile. |

*Source: Company information*