



Talgo

Annual Report 2021

Table of Contents

Main results
2021



Chairman's
message



1

A year of challenges

- 1.1. Main milestones
- 1.2. Financial results
- 1.3. Industrial activity and services
- 1.4. Business activity
- 1.5. Shareholder value creation
- 1.6. Commitment to people
- 1.7. Commitment to the environment
- 1.8. Sustainable supply chain
- 1.9. Social development

2

How do we achieve this?

- 2.1. Profile, identity and commitments
- 2.2. Business model
- 2.3. Proprietary products and technologies
- 2.4. Innovation
- 2.5. Strategy

3

How do we manage it?

- 3.1. Corporate governance structure
- 3.2. Risk management
- 3.3. Ethics and compliance
- 3.4. Social responsibility management

4

About this report

- 4.1. Methodology, scope and coverage
- 4.2. Materiality analysis
- 4.3. GRI Index

Annexes

- Group Consolidated Financial Statements
- Individual Financial Statements
- Human resources tables

Main results 2021

Revenue (€M)

2019

401.7

2020

487.1

2021

555.4

Var. 2020-2021

14%

Quarterly revenue performance

Q1 2021

147.1

Q2 2021

146.5

Q3 2021

133.7

Q4 2021

128.4

	2019	2020	2021
Adjusted EBITDA (€M)	75.2	34.2	66.+2
Adjusted EBITDA margin (%)	18.7%	7.0%	11.9%
Net income (€M)	38.4	-17.4	27.5
Net income margin (%)	9.6%	-3.6%	4.9%
Free cash flow (€M)	35.3	-100.6	16.4
Investments - Capex (€M)	23.3	24.7	25.1
Net Financial Debt* (€M)	-59.3	48.1	35.9
Net Financial Debt / EBITDA (x)	-0.8x	1.4x	0.5x

* NFD = Non-current Financial Debt + Current Financial Debt - Cash and Equivalents

Human Resources	2019	2020	2021
Number of employees	2,597	2,668	2,711
- Men	2,267	2,305	2,339
- Women	330	363	372
Frequency rate of accidents with sick leave	7.47	8.76	9.88
Severity index	0.25	0.17	0.22

Environment	2019	2020	2021
Hazardous waste generated (tonnes)	217.8	211.5	18.1
Fuel consumption (thousands of litres)	286	226	279
GHG Emissions - Scopes 1 and 2 (Ton. CO ₂ eq.)	2,040	1,945	2,333
Energy intensity (kWh/employee)	12,871	14,158	15,1283
Water consumption (m ³)	n.a.	23,103	21,986

Chairman's message

“The company is facing 2022 with a strong balance sheet and a high financial capacity to successfully execute its projects”



Dear Shareholder,

It is an honour to be able to present to you Talgo 2022's annual report. It reflects the hard and tireless work of our company during a year in which we have had to continue to contend with adverse circumstances caused by the global health crisis and supply chain disruptions, along with a challenging inflationary environment that has affected the operating conditions of companies all around the world.

2021 witnessed the recovery and consolidation of the business, with improved results that demonstrate Talgo's response capacity and the flexibility of its business model to successfully adapt its cost structure to adverse and changing circumstances, as well as the success of comprehensive measures to ensure the safety of employees and improve productivity and efficient management of the supply and logistics chain. These factors have ensured the execution of projects affected by both a shortage of supplies and inflation. It is thanks to the commitment and efforts of our employees, the trust of our customers and the support of you, our shareholders, that Talgo is able to move forward in its mission to become one of the undisputed leaders in sustainable rail transport.

Talgo is a respected and consolidated brand, as well as a technological benchmark at a global level. This is mainly due to its innovative spirit and its ability to anticipate current and future market requirements. From Spain to the United States, from Germany or Denmark to Kazakhstan or Saudi Arabia, our trains link cities and connect people, reducing travel times and offering comfortable and sustainable transportation, thanks to cutting-edge technology that we have perfected over 80 years of constant innovation and an internationalisation strategy that has allowed us to expand around the world.

Talgo is currently completing the dynamic testing phase in Spain of a new-age very high-speed and high-capacity train (the Talgo Avril), and is working on positioning its Talgo Vittal One as the Spanish benchmark train in terms of green hydrogen technology. This train represents a sustainable alternative that is set to be able to run on non-electrified tracks, and is a further demonstration of Talgo's conviction and

commitment to the environment. The first unit of this train is set to begin dynamic validation testing in the summer of this year, and is expected to be available in 2023. This project is particularly relevant for the near future when rail will continue to be a reliable and efficient means of transportation, and the realistic and immediate solution to help reduce carbon footprints.

In this line of sustainability improvement, Talgo is a founding partner of the SHYNE (Spanish Hydrogen Network) project, the largest multi-sector consortium in Spain, which was created to promote efficient decarbonisation of the economy through renewable hydrogen. The fact that we are involved in this project—alongside six leading companies in their respective sectors—reinforces our commitment to decarbonised mobility solutions.

In 2022—the 80th anniversary of the company's founding—Talgo's mission will be to continue driving innovation and commercial activity. This will help us to maintain our position as a global railway company, a benchmark for quality and a promoter of sustainable mobility, while at the same time contributing to create a more sustainable, fairer and wealth-generating reality for all, anticipating the needs of the industry to harness every opportunity, as we have been doing up to now. Only by doing so will we continue to be an active player in defining the future of rail transport worldwide.

2021 balance sheet

In 2021, Talgo won new contracts worth 519 million euros, both in Spain and in international markets. These include the manufacture of up to 40 very high-speed powerheads for Renfe and the increase in the number of carriages under the manufacturing contract with the Danish operator DSB. At the close of 2021, the company had a diversified portfolio of €3,249 million with a strong international presence; thus, guaranteeing a high level of industrial activity in the group and long-term stability.

Chairman's message

The company increased its revenue by 14% in 2021 to €555.4 million, and increased its net income to €27.5 million, compared to a negative result in 2020, with the boost from a recovering maintenance business and strong manufacturing activity. The recovery of operating margins, the improvement of its financial profile with the reduction of net debt and the good progress of plans to reduce overhead costs by 15% in the 2021-2022 period make Talgo a competitive and flexible company, ready to contend with the current inflationary environment. The company faces 2022 with a strong balance sheet and a high financial capacity to successfully execute the projects in its portfolio and continue to grow.

Regarding shareholder remuneration, Talgo's Board decided to propose to the Shareholders' Meeting a €10 million Remuneration Programme that is being implemented through a Flexible Dividend programme in conjunction with a Share Buyback Programme for own shares. The company is proud of the fact that 83% of shareholders have chosen to receive the dividend in shares; which is a further demonstration of their confidence in Talgo and its future.º

2022 outlook

The 2022 objectives aim to continue improving operational excellence, efficient use of financial resources and selective growth, thus ensuring the long-term sustainability of the business. This year, Talgo expects high manufacturing activity and the full recovery of maintenance in Spain. In addition, the current manufacturing portfolio with associated maintenance already awarded guarantees strong growth for the coming years, with the expectation of reaching 3,600 vehicles by 2023. Thus, and in line with its commitment to growth and selectivity, the company maintains a commercial target of achieving a new book-to-bill ratio through new tenders of approximately 1.0x for 2022.

Talgo also plans to invest up to €25 million in Capex for 2022, in line with 2021. It should be noted that, in January 2022, Talgo signed a non-current green loan with the EIB for €35 million to finance R&D and Capex projects, to promote new developments and the SDGs of the 2030 agenda. In an environment conducive to the global decarbonisation of transport in the coming years, Talgo is set to continue working on the development and

positioning of sustainable solutions for medium- and long-distance trains.

In line with its commitment to sustainable and socially responsible management and ESG criteria, Talgo has presented its first Sustainability and Responsibility Report. This comprehensive report sets out the company's main efforts and actions in 2021 to integrate sustainability and responsibility into the management of all our processes and products. This action is not only a transparency exercise but the result of responsible industrial practices, as well as our contribution to society; both for the economic and structural benefits that our activity generates, as well as for the CSR work developed by the company and also through the Talgo Foundation.

Finally, I would like to take this opportunity to once again thank our employees for their continued effort during the second year of the pandemic, in which we faced great challenges that we have managed to overcome together. In order to meet all our objectives for the coming year, we will continue to rely on the coordinated work of more than 2,500 people committed to quality and safety at work. With these people, we foster stable relationships based on trust, equality, involvement and the know-how of all the group's professionals, as reflected in the recently signed Collective Bargaining Agreement for the 2021-2025 period. Our main goal is still to ensure the best working environment for all, where equal opportunities, non-discrimination and respect for the diversity of all people are guaranteed.

Last but not least, I would also like to reiterate my personal thanks to our customers and shareholders, who place their trust in our company every day. This trust strengthens Talgo and ratifies its integrity, vision and leadership.

Carlos de Palacio
Chairman



A year of challenges

1

- 1.1. Main milestones
- 1.2. Financial results
- 1.3. Industrial activity and services
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- 1.7. Commitment to the environment
- 1.8. Sustainable supply chain
- 1.9. Social development



1.1 Main milestones

FIRST QUARTER

- Talgo begins on-track testing of the Talgo Avril very high-speed train. Final phase in the manufacturing process of 30 units of the Talgo Avril with a capacity of up to 581 seats, prior to commissioning by Renfe.
- The Fundación de los Ferrocarriles Españoles [Spanish Railway Foundation], Talgo and Renfe restore a Talgo train from the 1960s with the aim of putting these carriages into functional operation to develop new rail tourism products.
- Appointment of Gonzalo Urquijo Fernández de Aroz as the company's new Chief Executive Officer, and José María Oriol as Vice-Chairman of the Board of Directors.
- Talgo presents its results for 2020 with a 21.3% increase in revenue and €487.1 million in turnover.

*The company increased its revenue to €555.4 million with the boost from a **recovering maintenance business and strong manufacturing activity***



SECOND QUARTER

- Danish State Rail Operator DSB increased the capacity of Talgo trains for international travel by 10%. From a capacity of 442 seats in the initial order, DSB decided to increase the number of carriages and thus the capacity of the trains to 492 seats.
- Talgo and the University of Extremadura awarded the prize for the TPH2 Train Exterior Design Contest to the group of students from the Degree in Industrial Design and Product Development Engineering for their project 'Aeternum'.
- Renfe awarded Talgo the contract for the manufacture of up to 40 new variable gauge powerheads (locomotives) with a commercial speed of 330 km/h, worth €281.5 million, with a firm order for 26 locomotives and the maintenance of 13 trains for €195.5 million.
- A unit of Talgo Avril—the very high-speed train developed and manufactured by Talgo in Spain—passed a key milestone in its approval process: exceeding 360 km/h, the speed required for its subsequent entry into service.

THIRD QUARTER

- Agreement between Repsol and Talgo to jointly develop projects to promote the creation of renewable hydrogen-powered trains, thus promoting emission-free rail transport in the Iberian Peninsula.

FOURTH QUARTER

- The Secretary of State for Transport, Mobility and Urban Agenda, Isabel Pardo de Vera, and the President of the Regional Government of Extremadura, Guillermo Fernández Vara, presented the Talgo Awards for Professional Excellence for Women in Engineering and the Talgo Award for Technological Innovation in Mobility and Rail Transport.

EVENTS AFTER THE REPORTING PERIOD - FIRST QUARTER 2022

- SHYNE (Spanish Hydrogen Network) is created, the largest consortium in Spain to promote the decarbonisation of the economy through renewable hydrogen.
- EIB and Talgo sign a €35 million green loan to finance its innovation strategy for 2021-2024.
- Indra and Talgo joined forces in Europe's Rail, the largest railway innovation programme in Europe, which promotes the digitalisation and sustainability of the sector.



1.2 Financial results

After a complicated 2020, in 2021 the reactivation of manufacturing activity led by Renfe's Very High-Speed project and refurbishment projects, as well as by the full recovery of maintenance services in all international markets, mostly in Spain, have once again boosted Talgo's results to reach a turnover of €555.4 million in 2021; an increase of 14% compared to the previous year.

Talgo recorded an adjusted EBITDA of 66.2 million euros in 2021—up 93.7% compared to the €34.2 million from the same period last year—with margins of 11.9% in line with the progressive recovery of operating margins. Net income increased last year to reach €27.5 million, compared to a negative result of €17.4 million in 2020, reflecting improved operating and financial results.

However, the current context of soaring raw material prices and delays in the supply chains of materials is impacting the company's project margins. Talgo continues to implement a series of actions to adapt its cost structure to the inflationary environment. With the goal of reducing overhead costs by 15% between 2021 and 2022 to improve its competitiveness and flexibility, last year it achieved a 10% reduction; which is two-thirds of its target.

With regards to working capital, at 2021 year-end, Operating Cash Requirements amounted to €156 million, maintaining a stable weighting over revenues at 25%. Cash generation was better than expected for the year, reaching €16 million in terms of free cash flow.

The company has a strong balance sheet with a high financial capacity to successfully execute the projects in its portfolio and continue to grow. Talgo's financial profile in 2021 was strengthened after refinancing debt to extend the average maturity to 3.4 years and reduce the cost of debt to 1.0%. Thus, its net financial debt fell to €35.9 million, which represents 0.5 times the adjusted EBITDA. Additionally, it should be noted that, in January 2022, Talgo signed a non-current green loan with the EIB for €35 million euros to finance R&D and Capex projects, in line with its commitment to new development and the SDGs in the 2030 agenda.



**NET FINANCIAL DEBT /
ADJUSTED LTM EBITDA**

0.5x

ORDER BOOKS

€3,249 M

NET REVENUE

€555.4 M

ADJUSTED EBITDA

€66.2 M

R&D INVESTMENT

€14 M

1.3 Industrial activity and services

MANUFACTURING AND MAINTENANCE FACILITIES

Talgo has two factories in Spain: one in Las Matas (Madrid), whose work focuses both on the manufacture of powerheads for high-speed (HS) trains and on the manufacture of maintenance equipment, and another in Rivabellosa, (Álava), which mainly focuses on the manufacture of passenger coaches. Altogether, Talgo has 63,000 square metres of industrial space, giving it a production capacity of up to 400-500 units (passenger coaches and powerheads) per year.

Talgo also has a plant in Milwaukee (United States) on loan from public agencies for the execution of refurbishment and heavy maintenance projects.

In terms of services, the group carries out the bulk of its maintenance activities in plants owned by each customer, in the locations where the trains are operated. This makes the maintenance business flexible as well as requiring low levels of investment.

COMPOSITION OF THE ORDER BOOK

At the close of 2021, Talgo had a solid and diversified order book worth €3.25 billion euros. This figure guarantees a high level of industrial activity for the next two years, supported by manufacturing and refurbishment projects, with a strong international presence and stable non-current revenues from ever-growing maintenance contracts. Talgo's selective commercial approach remains a fundamental pillar of the company's business model and commercial strategy to ensure long-term sustainable business growth.

The full recovery of the maintenance activity in all international markets, as well as 85% in Spain, provided recurrence and stability in 2021, in turn supporting the generation of revenues and cash flows for the business. In addition, the current manufacturing order book with associated maintenance already awarded guarantees strong growth for the coming years, with the expectation of reaching 3,600 vehicles by 2023.

Among Talgo's portfolio, manufacturing orders account for 25% of the total in 2021, with a figure of €800 million including contracts awarded in 2021 worth €519 million, including

the manufacture of up to 40 very high-speed powerheads for Renfe and the extension of the number of coaches in the manufacturing contract with Danish operator DSB, rolling stock renewal projects in Spain, as well as maintenance services in Spain, Saudi Arabia, Uzbekistan and the United States.

It is worth highlighting the high degree of execution in the Spanish Very High-Speed project for Renfe, already in the dynamic testing phase, along with the project for Deutsche Bahn in Germany, which are expected to be the main revenue generators as of 2022. This is in addition to the start of the manufacturing phase of the projects for DSB (Denmark), mentioned above, and ENR (Egypt), among others.

The current order book has a potential of more than €2 billion through extensions in manufacturing projects in Spain, Germany and Denmark, among others. In addition, maintenance contracts offer great additional potential for extension to the end of the fleets' useful life.



Manufacturing

€813 m

Maintenance services

€2,241 m

Repairs, refurbishment and maintenance equipment

€163 m

Other Revenue

€32 m

1.3 Industrial activity and services

MAIN PROJECTS IN THE PORTFOLIO - MANUFACTURING:

- **Renfe Avril VHS (Spain)**

Manufacture of 30 VHS (very high-speed) Avril trains with a maintenance period of 30 years. The entire project, which is being executed for approximately €897 million, is in the final stages of manufacture and testing, with a high degree of progress.

- **Renfe VHS locomotives (Spain)**

Manufacture of 26 locomotives and maintenance services for 13 trains, with an option for an additional 14 locomotives. It is one of the projects awarded and signed in 2021 set to be developed in the coming years.

- **DB Talgo 230 (Germany)**

Framework agreement for the manufacture of up to 100 Talgo 230 trains for €2.3 billion, under which a first order for 23 trains was signed for approximately €550 million. The project, currently in the manufacturing phase, is scheduled for delivery from 2023 and has an AAD (Abstract Acknowledgement of Debt) financing structure, which allows up to 60% of the total agreement value to be advanced. During 2021, this structure began to be used, considering the degree of progress of the project.

- **DSB Talgo 230 (Denmark)**

Framework agreement for the manufacture of 8 trains, their maintenance and materials, for an amount that increased from 134 million euros to 152 million euros thanks to the extension in 2021 of an additional order for 16 coaches. The project is in its design and engineering phase, scheduled for delivery from 2023.

- **ENR (Egypt)**

Manufacture of six Talgo 230 platform trains suitable for a maximum speed of 160 km/h, and their maintenance for a period of eight years for a value of €157 million. The project, currently in the initial manufacturing phase, is expected to be delivered during 2022.

- **UTY (Uzbekistan)**

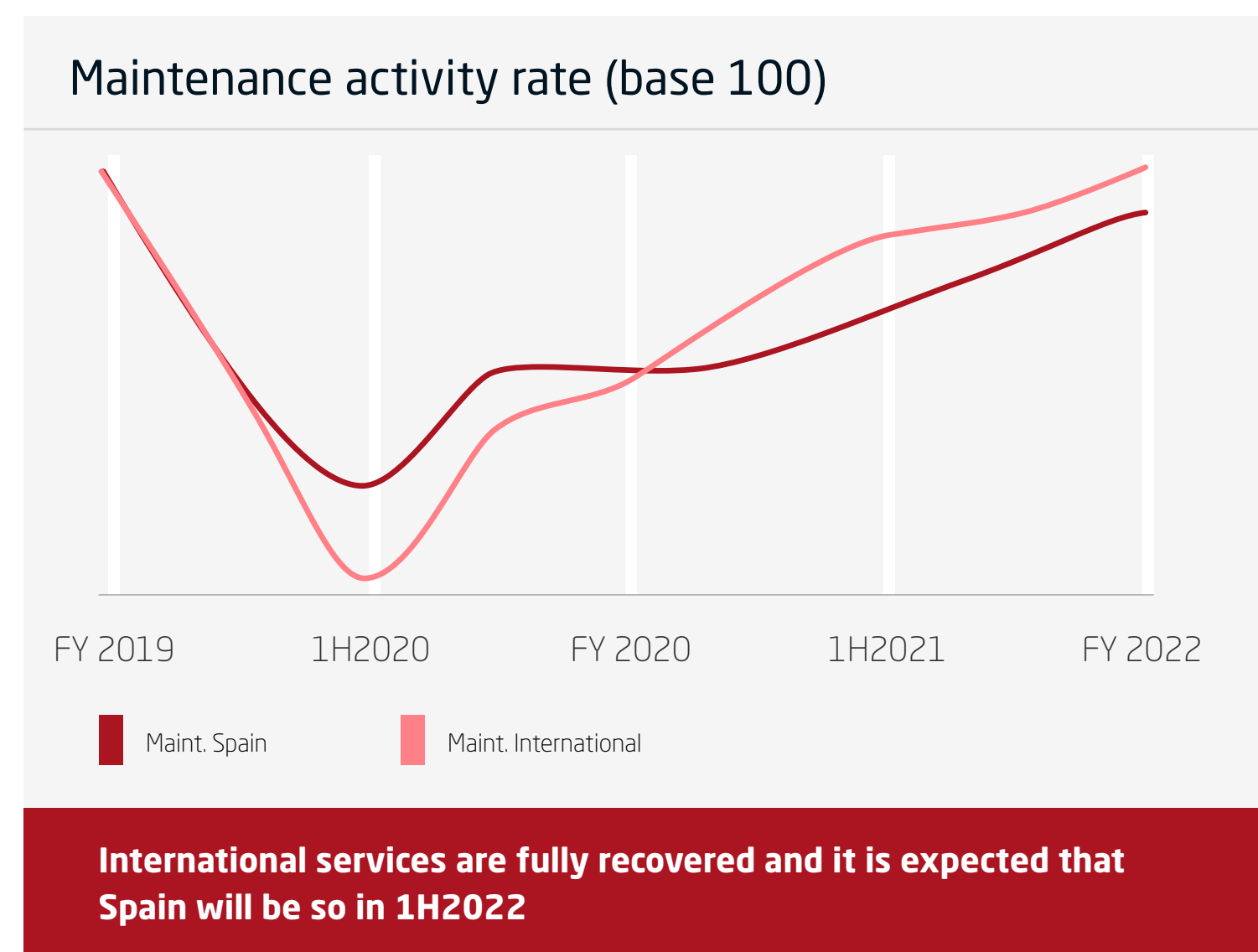
Manufacture of two Talgo 250 high-speed trains and four additional coaches for the trains already in operation, as well as materials and equipment for a total value of €57 million. The project is delivered and operational.

LIGHT MAINTENANCE PROJECTS

Talگو's high reliability and availability ratios, as well as the efficiency of its operations make it a leading company internationally in the maintenance sector. This is down to the company's extensive experience and a policy of continuous improvement and investment in new technological developments that allow operators to maximise the use, and therefore the profitability, of their fleets.

The progressive lifting of mobility restrictions caused by the Covid-19 situation allowed commercial services to be resumed in almost all markets, with the recovery of activity in the Saudi fleet during the first half of 2021. Over the course of the year, mobility in international markets gradually increased, where activity resumed normal levels whereas in Spain, it is expected to return to 100% throughout 2022.

The relevant maintenance order book, which currently accounts for 69% of the order book with a value of €2.2 billion, consists of a fleet that is expected to continue to grow in the coming years to around 3,600 units by 2023. There is also further potential linked to current manufacturing contracts without upfront associated maintenance.



HEAVY MAINTENANCE PROJECTS

Heavy maintenance and refurbishment activity took up 5% of Talگو's order portfolio, with a value of €100 million in 2021. It remains a line of business with growth potential and a way to access new markets where the customer prioritises the updating, refurbishment and technical improvement of existing equipment over the acquisition of new equipment.

The projects at 2021 year-end include:

- **Conversion of night trains to VHS (Spain)**

The initial project includes the conversion of 156 sleeping cars, with an option for 72 additional coaches, to Very High-Speed trains, for an amount of €107 million.

- **Remodelling of HS train sets (Spain)**

With a scope of 35 million euros, it integrates activities to repair and refurbish 44 HS (high-speed) train sets, currently in the execution phase.

- **LACMTA remodelling (USA)**

Remodelling of 74 carriages on the Los Angeles Metro Red Line for 73 million dollars. The 58-month project is currently in its execution phase.

- **Metrolink remodelling (USA)**

35 million dollar remodelling project of up to 121 vehicles with an initial order for 50, currently in its execution phase.

Talگو's high reliability and availability ratios make it a leading company internationally in the maintenance sector

1.4 Business activity



Talgo's business activity in 2021 has intensified, working on various projects that are expected to be awarded in the coming years with a total value of 9.4 billion euros. Of these, 56% correspond to opportunities in Europe and 45% to long distance and intercity product contracts.

The company's business strategy combines geographic and product diversification with a selective approach to opportunities and continues to be a fundamental pillar for consolidating a high-quality portfolio that guarantees sustainable growth in the long term. There is, however, an important focus on the high-speed segment, which is strategic for Talgo and where it is an international benchmark.

In 2021, 29% of the volume of awards corresponds to manufacturing projects including extensions of the DSB project and a new contract to manufacture and maintain 40 VHS locomotives. Of these, a first order was placed for the supply of 26 units and the maintenance of 13 trains for 196 million euros. 71% corresponds to the scope of maintenance, mainly VHS, in Spain and Saudi Arabia.

There are, moreover, positive expectations for investment in rolling stock in the coming years, supported by greening measures in the global passenger transport system, given that greenhouse gas emissions per passenger/ kilometre by rail account for around 22% of automobile emissions and 14% of emissions from domestic flights.

BUSINESS MANAGEMENT INDICATORS

	2020	2021	Variation
No. of customers	17	17	-
Customer satisfaction (technical evaluation)	7.6	7.8	+2.2%
Customer satisfaction (corporate evaluation)	8.2	7.5	- 9%
No. of complaints in business management and products	5	6	+20%



1.5 Shareholder value creation

CHALLENGES FOR 2022

- 1 To continue with the multi-year project to improve communication systems, using platforms for internal and external communication.
- 2 To maximise the quality of service to shareholders and investors with complete, transparent and accessible business and company information.

Throughout 2021, the effects of the Covid-19 pandemic were still present in both the industry and Talgo. Despite the recovery, there was still less maintenance activity than in pre-pandemic years but, above all, supply chain disruptions and higher costs of materials were felt.

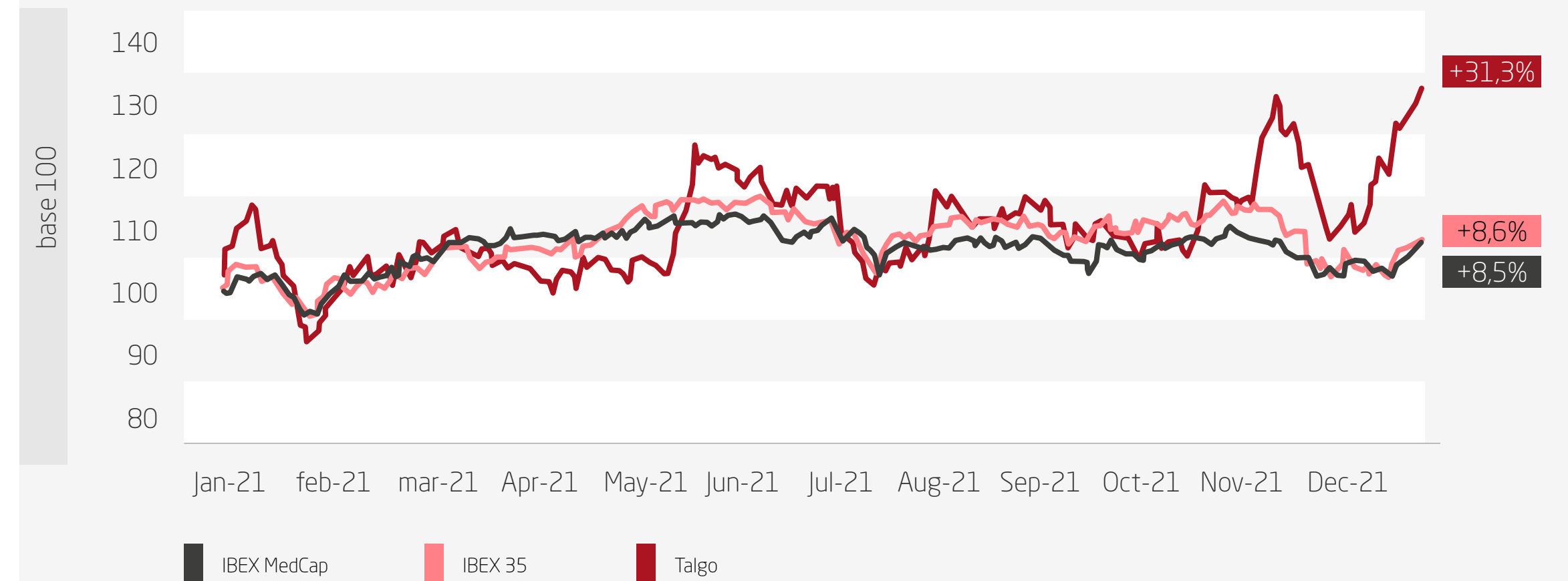
Nevertheless, Talgo's share price experienced a positive trend throughout the year, driven by the good prospects in view of the relaxation of mobility restrictions in the various markets, reflected both in the maintenance activity and in the quarterly results throughout the year.

At the beginning of the year, Talgo's shares recorded their worst price of the year in January, at 3.81 euros, but then began a gradual recovery, closing December 2021 at an annual high of 5.43 euros, which represented an annual revaluation of 31%.

Talgo's daily trading volume fell to 94,097 shares; down 34% from 2020. This decline is in line with IBEX 35 companies, which recorded a 33% reduction, while the mid-cap index was at 10%. There are several factors behind this situation, but essentially the economic uncertainty generated after the pandemic was the cause of this reduction in trading volumes as it diverted investors' interest towards other types of alternative assets.

Talgo's market capitalisation at 2021 year-end reached 670 million euros, with a price-earnings ratio (P/E) of 24.3x for the year.

Share price performance chart compared to relevant indices



Stock data table

	2020	2021
Number of shares as of 31/12	127,003,216	123,442,425
Share price as of 31/12 (in euros)	4.14	5.43
Year maximum	6.29	5.43
Year minimum	3.00	3.81
Weighted average share price	4.32	4.53
Capitalisation as of 31/12 (in millions of euros)	542.7	680.6
Average daily trading volume (thousands of shares)	141,923	94,097
Earnings per share (euros)1 last 12 months (LTM)	N/A	0.2x
PER over net income for the last 12 months (LTM)*	N/A	24.7x

* Calculated on the average number of shares excluding treasury stock.

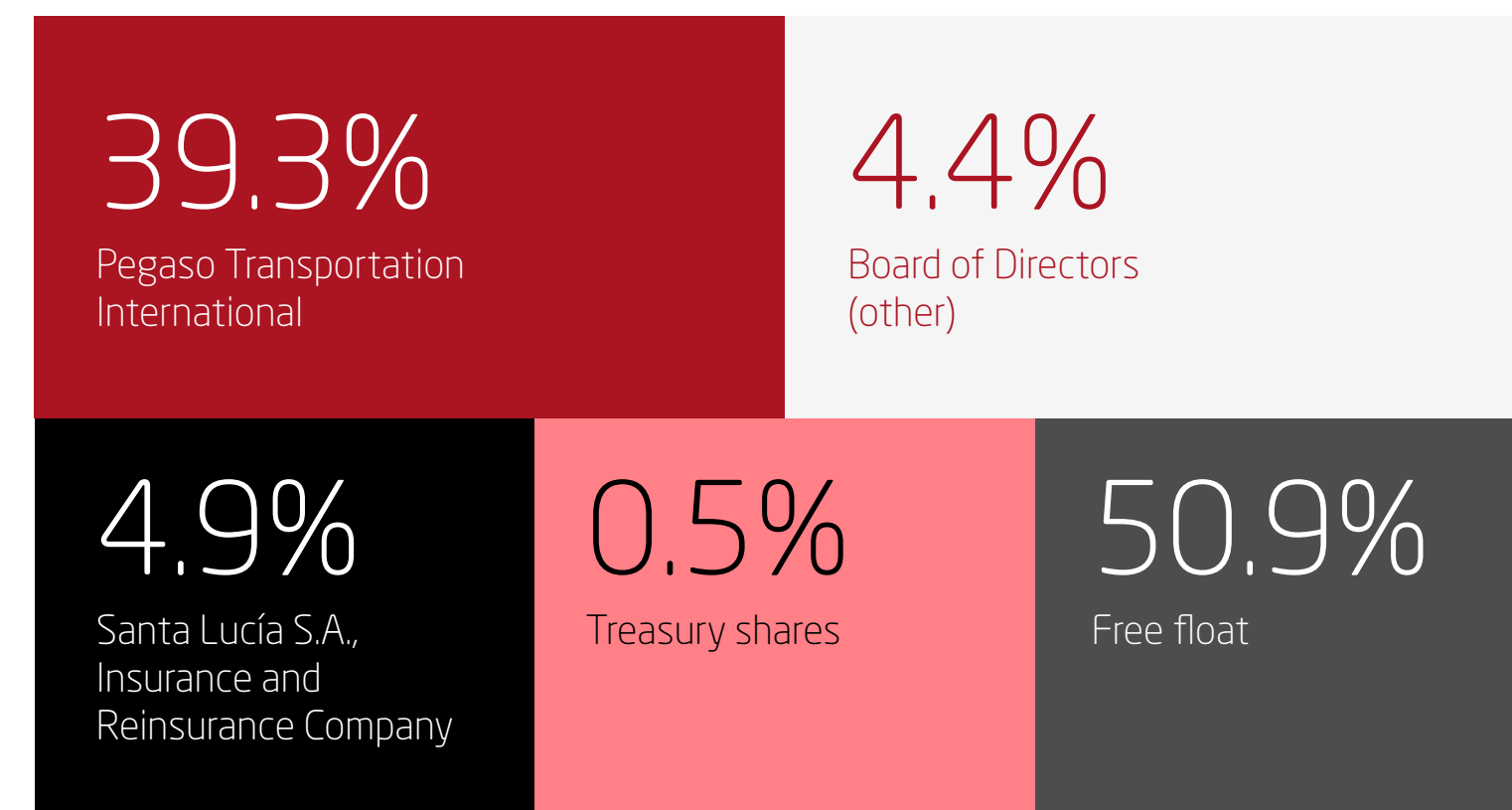
1.5 Shareholder value creation

SHAREHOLDING STRUCTURE

Talgo's main shareholder is Pegaso Transportation International SCA, an investment vehicle controlled by Trilantic Europe; with 39.3% of the capital. The second largest shareholder is the Spanish-based insurer Santa Lucía Compañía de Seguros; with a 4.9% stake at year-end. For its part, the company's Board of Directors holds 4.4% of the capital.

At 2021 year-end, the company held 549,986 treasury shares, representing 0.5% of its share capital, and the free-float capital was 50.9%.

Shareholding structure as of December 2021



DIVIDEND POLICY

The Board of Directors of the Company, at its meeting held on 13 May 2021 and in exercise of the powers delegated by the General Shareholders' Meeting, has resolved to execute the reduction in capital agreed by the aforementioned General Shareholders' Meeting for a nominal amount of 1,071,798.09 euros, through the redemption of 3,560,791 shares of 0.301 euros par value each, representing 2.80% of the Company's share capital.

Therefore, the share capital of the Company resulting from the share capital reduction is set at 37,156,169.93 euros; represented by 123,442,425 shares with a nominal value of 0.301 euros each.

Talgo acquired during the period November 2018 to May 2020 a total of 13.1 million shares for a total value of 73.5 million euros corresponding to 9.61% of the capital; the purpose of which in accordance with the relevant Shareholders' Meeting Resolution is to redeem the shares. In this regard, a first redemption of 9.6 million shares representing 7.0% of the capital was carried out in 2020; leaving the redemption the remainder pending, which was carried out in 2021 under the aforementioned terms.

Talgo is set to launch a new 10 million euros Remuneration Programme, scheduled for the first half of 2022, preliminarily implemented through a scrip dividend and share buyback programme. In this way, it offers shareholders the possibility to choose between shares or cash, without reducing their equity position in the case of choosing cash.

SHAREHOLDER AND INVESTOR RELATIONS

Talgo has a channel at the disposal of shareholders, with information related to share performance, public financial and operating information, as well as other information aimed at better understanding the company, its business and strategy. In addition, it includes information on the communication of relevant facts, corporate governance and the General Shareholders' Meeting.

Talgo maintains regular contact with analysts who maintain active coverage of the company and periodically issue independent reports with financial and business forecasts. As of December 2021, a total of 11 analysts from banks and independent houses maintain contact and issue independent reports on a regular basis.



Recommendations for action

Bank	Opinion	Target price	Date
Renta4 Banco	Overweight	5.80	11/11/2021
Banco Sabadell	Purchase	5.88	16/11/2021
Bankinter	Neutral	4.70	10/03/2021
Caixabank-BPI	Purchase	6.70	16/11/2021
Bestinver	Purchase	6.25	05/11/2021
GVC Gaesco Beka	Purchase	5.70	12/11/2021
JB Capital	Underweight	3.40	12/11/2021
Kepler Chevreux	Neutral	5.00	11/11/2021
ODDO	Overweight	6.00	22/11/2021
Santander	Purchase	6.90	16/11/2021
UBS	Purchase	5.90	11/11/2021

Information and contact details are available at

1.6 Commitment to people

CHALLENGES FOR 2022

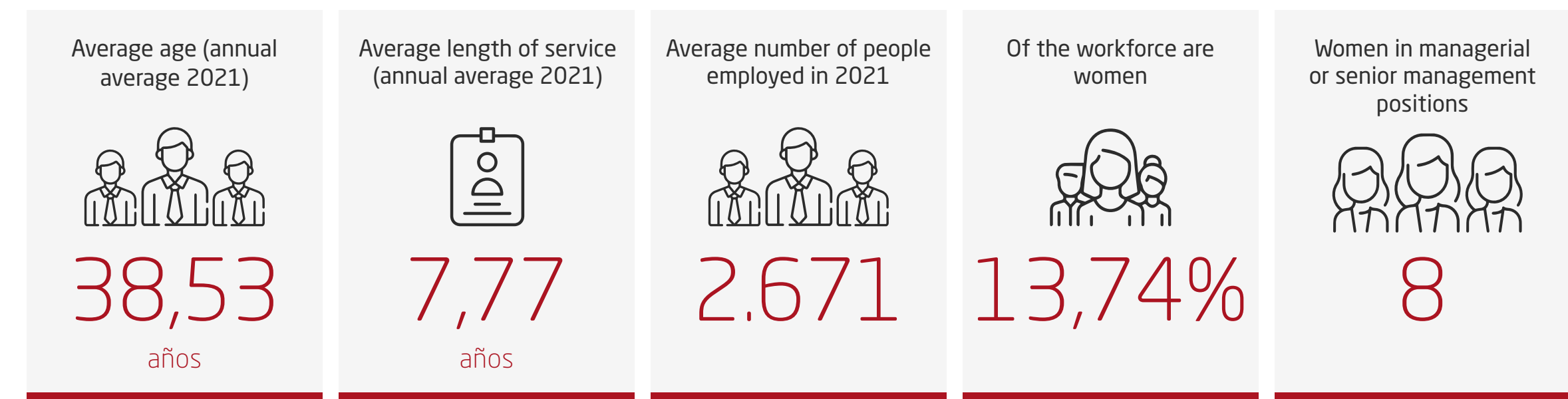
- 1 Improving people policies to meet the new challenges in talent management.
- 2 Strategic control panel (SCP) and "Dashboard" of activity indicators in people management.
- 3 ISO 45001 occupational health and safety certification.

Talgo seeks to develop a human resources management model of capability, competence, involvement, collaboration and accountability built on the principles of diversity, equality, respect for human rights and talent.

This model promotes an essential value for the group: the loyalty of its staff through a commitment to employment stability as the basis for the generation of stable and long-term relationships based on trust, commitment and involvement of all the professionals who make up its workforce, as well as a means to improve their productivity, increase their motivation and satisfaction.

Proof of this commitment is that, during 2021, the hiring rate of permanent staff reached 92.33% of the group's total workforce, with an increase in contracts of 139% compared to the previous year, with similar incidence in all age ranges. The collective bargaining agreement of Patentes Talgo, SLU, is the main vehicle for relations with people and their representatives and establishes the basis for offering the best possible employment conditions to its professionals.

Talgo's workforce averaged 2,670 people in 2021, of which 13.74% are women and 8 are in managerial or senior management positions. The company's objective is to continue to increase this percentage in the coming years.



HUMAN RESOURCES MANAGEMENT MODEL

Talgo's integrated people management model ensures the application of advanced methodologies in the field of human resources and is systematically improved by the Human Resources and Occupational Risk Prevention Department. To ensure the coordination and success of projects and activities related to people management, the following bodies are involved in this model: the Appointments and Remuneration Committee of the Board of Directors, the Management Committee, the Works Committee, the Occupational Health and Safety Committee, the Equality Plan Committee and the S&R Committee.



1.6 Commitment to people

COMMITMENT TO EQUALITY

Talgo's management principles and guidelines on diversity and equality are set out in the Group's Diversity and Equality Policy, which has an international scope and whose development and deployment is carried out through the Equality Plan.

This is an effective instrument for improving the working environment, optimising the skills and potential of the entire workforce and, therefore, improving quality of life and increasing productivity. The practice of equality, non-discrimination and respect for the diversity of all people is reflected in all company processes, from recruitment to termination.

The company has a process that allows candidates to apply for the positions offered from any work centre. During the evaluation process, objective, transparent and inclusive criteria are used to ensure compliance with the Equality Plan. At the same time, Talgo has constantly and proactively implemented various measures that enable greater gender balance and equality in all positions and departments.

In order to maintain constant control and progress in this area, Talgo has created an Equality Committee that periodically monitors the actions implemented in the Equality Plan. These reports, available to all employees through the members of the Committee that is part of the Equality Committee, provide information on all the progress made in this area.

Looking ahead to 2022, work continues in various areas such as the "Talگو for gender equality" project, the increase in hiring people with disabilities and other initiatives to raise awareness, visibility, training and participation both in terms of gender equality in the workplace and the integration of disadvantaged groups.

Professional classification	Femenino	Masculino	Total
Senior Management	4	8	12
Management	6	44	50
Middle Management	65	342	407
Technical, Administrative and Other	297	1,945	2,242
Total	372	2,336	2,711

*For complete data on the workforce, see tables in the annexes.

At 2021 year-end, the group had a workforce of 2,711 professionals, including 26 employees with a degree of disability greater than 33%, 3 more than in 2020, of which 9 are women and 17 are men, represented in all professional categories. Talgo also has a Certificate of Exceptionality issued by the Ministry of Employment and Social Security, which allows the company to implement alternative measures that contribute to the development of employment integration and reintegration activities for groups of people with disabilities. It is also a member of the Spanish Association for the Management and Development of People (AEDIPE) and a participant in the "CEO for Diversity" alliance promoted by the CEOE and the Addeco Foundation to promote innovation in diversity, equity and inclusion strategies in Spanish companies.

EQUALITY AWARENESS AND ADVOCACY PROJECTS

- Participation in campaigns ("International Women's Day", "International Day for the Elimination of Violence against Women", "International Day of Persons with Disabilities", etc.)
- Women's development programme at Talgo
- Campaigns to raise the visibility of specific groups
- Talgo Award for Professional Excellence for Women in Engineering
- Visibility of women's success stories at Talgo
- Employer branding with a gender and S&R perspective
- Sponsorship of a woman victim of gender violence
- Participation in employment workshops with underprivileged groups



Talgo has created an Equality Committee that periodically monitors **the actions implemented in the Equality Plan**

1.6 Commitment to people

REMUNERATION AND SOCIAL BENEFITS

Talgo has a consolidated and comprehensive remuneration model, which is positively valued both by the group's employees and by those who participate in the selection processes. It includes three components: fixed, variable and in-kind compensation. This compensation system, which applies the Mercer methodology, maximises the performance of professionals by ensuring both internal equity and external competitiveness.

Fixed compensation is based on the duties and responsibilities required for each position, while variable compensation is based on the degree to which people contribute to the company's results and the achievement of management's objectives. Finally, compensation in kind or through social benefits is adapted to the practices and market situation existing in each country, such as a private medical insurance policy, a defined contribution Employment Pension Plan and a group life insurance policy with coverage for death, absolute permanent

disability and total permanent disability. With a view to its development, a survey is set to be conducted in 2022 to ascertain their preferences regarding the products to be included in the flexible remuneration programme.

In 2021, of the group's total employee remuneration, 84.35% was fixed, 10.36% variable and 5.29% through various social benefits. The average salary per person was 37,025 euros.

Looking towards the future, we are working on a redesign of the remuneration model to include the information obtained from the ongoing job evaluation project. Also, with a view to 2022, work will continue on updating the flexible remuneration programme, with new products, developing the recognition plan for internal company trainers, and implementing the objectives and performance module of Success Factors, which will influence variable remuneration.

	2020	2021	Variation
Fixed remuneration (% of total remuneration)	81.6%	84.35%	3.42%
Variable remuneration (% of total compensation)	13.69%	10.36%	-23.03%
Employee benefits (% of total remuneration)	4.98%	5.29%	6.22%
Average salary per person (in €)	37,002	37,025	0.06%
Average management salary (in €)	114,383	111,077	-2.89%
Average middle management salary (in €)	52,942	52,127	-1.54%
Average administrative and other salaries (in €)	33,121	32,831	-0.88%

WAGE GAP

Talgo, in its aforementioned commitment to equality and non-discrimination, maintains a constant interest in reducing the gender gap at all levels of its organisation. At year-end 2021, the wage gap, calculated as the difference between the hourly earnings of male and female employees, amounted to -6.18%, i.e., on average, women are paid more than men. This is explained by the fact that female employment in the company is concentrated in higher skilled and higher cost per hour positions, in addition to having a low number of women due to the industrial component of the sector.

The calculation is based on the definition of the wage gap provided by the Spanish National Institute of Statistics [Instituto Nacional de Estadística de España - INE], considering total remuneration (fixed plus salary supplements and social benefits) per hour for men and women in management categories (excluding Senior Management and Board of Directors), middle management, technical, administrative and others.

	2020	2021	Variation
Management wage gap	3.48%	6.90%	98.14%
Middle management wage gap	-0.87%	1.97%	324.71%
Administrative/other wage gap	-12.97%	-8.30%	35.84%



1.6 Commitment to people

WORK-LIFE BALANCE MEASURES

Talgo is aware of the benefits to both its employees and society as a whole of having a work-life balance, and also understands that people are more productive when they have their personal and family needs covered. Talgo, therefore, strives to help them develop their professional careers in an optimal manner without this being detrimental to their personal lives and the vital and integral development of individuals.

To this end, measures have been implemented to optimise work time, guaranteeing the necessary leave, absences and breaks, offering different social benefits that help achieve a work-life balance, as well as different training and development initiatives.

Talgo employees have the option of a continuous working day at most of its production and maintenance facilities. Its corporate offices have a policy of flexible working hours, with a margin of one and a half hours for starting and finishing, as well as a reduced working day during the summer.

The company offers flexibility to split holiday periods and the possibility of taking unpaid leave for personal matters. In this sense, we follow a strict policy of disconnection for all employees, respecting their rest and holiday time, as well as their personal and family privacy outside of work.

Talgo employees are eligible for social benefits specially designed to promote work-life balance, such as, in addition to those mentioned above, personal loans, salary supplements up to the total fixed remuneration in the event of temporary disability, flexible remuneration with products such as subsidised childcare or training, social assistance for disabled children of employees, medical service, annual medical check-up and company canteen and bus service in some workplaces.

Finally, as a tool to promote training and professional development, the company offers the possibility for people on family care leave to be included in the annual training plan, as well as a wide range of courses and online or virtual training for all personnel.

In 2021, Talgo maintained some of the measures imposed by the impact of the Covid-19 pandemic, such as the possibility of remote working for those who are able to do so and flexible hours for the care of dependents



The group has a Prevention Plan which indicates the duties and responsibilities of all members of the company at all levels



RISK PREVENTION AND SAFETY

One of the fundamental pillars of Talgo's business is the efficient management of occupational health and safety, as well as the prevention of occupational risks at all levels, both for people belonging to the group and all its collaborators. The company's overriding objective and vocation is to register zero accidents, and to this end it designs, establishes and implements measures to prevent them both in the development of its activity and in its own facilities, as well as carrying out campaigns to promote, raise awareness and protect the health, safety and well-being of its workers.

Talgo's occupational health and safety (OHS) strategy is based on four lines of action:

- Building an OHS culture based on prevention.
- The implementation of a robust OHS management system.
- Advanced risk management of people and facilities.
- Safety in production and in the provision of services.

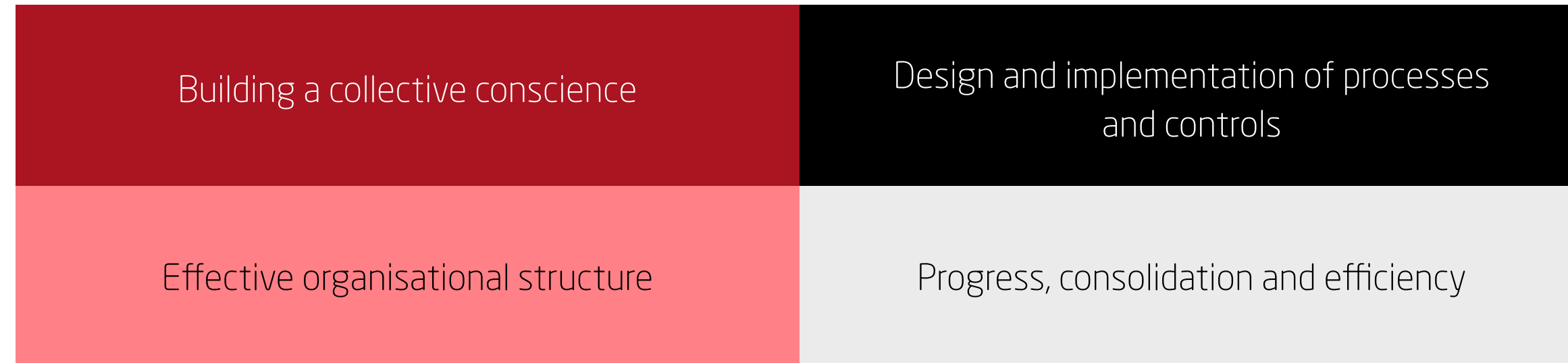
The group has a Prevention Plan, ratified by the Chief Executive Officer, which indicates the duties and responsibilities of all members of the company at all levels, from the chairman to the rest of the professionals, as well as the duties of the existing consultation and participation bodies, such as the Health and Safety Committee and the Prevention Delegates.

Operationally, occupational risk prevention at Talgo is organised internally and in-house, through the assignment of technicians with specific training in all work centres. These are integrated into the daily activity of the facilities, offering advice and support to ensure that it is carried out safely, taking into account elements such as occupational safety, industrial hygiene, ergonomics and psychosociology, and health surveillance.

Health and Safety Committees have been set up in all the work centres, being bodies of equal membership, i.e., with the same number of members from the company as from the workers' representatives. These committees meet periodically every three months and are the forum for employee representation and participation. A system for communicating deficiencies, suggestions or improvements through the intranet has also been implemented, from a preventive point of view. These communications go directly to the head of the Prevention Service.

1.6 Commitment to people

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT MODEL



During 2021, the external audit of the Occupational Risk Prevention management system was carried out by the company Preven Plus, in accordance with the provisions of Article 30 of RD 39/1997, with a satisfactory result. These audits are required by law every two years and the next audit is scheduled for April 2023.

Currently, various tools continue to be developed for consolidation, risk mitigation and process capacity improvement, such as the application of the ISO 45001 standard in the management system or the use of the 6 Conecta platform for occupational risk prevention with the development of an accident investigation module. Due to the pandemic situation, the process of preparing for ISO 45001 certification has been slowed down at some of the facilities, although it has been obtained for the Moscow site

In 2021, 100% of the group's workplaces were evaluated, with a total of 293 accidents/incidents (43 with sick leave) throughout the organisation. The frequency rate in the male staff was 9.88 and the severity rate was 0.22. It is worth noting that in 2021 there were no accidents involving women, with the total percentage of women in the workforce averaging 13.75% for the year.

Accident rate of Job	2021	
	Men	Women
Frequency rate (*)	9.88	-
Severity rate (**)	0.22	-

(*) The frequency rate is calculated by dividing the number of accidents with sick leave by hours worked per million. Excluding commuting accidents.

(**) The Severity rate is calculated by dividing the number of days lost due to accidents resulting in sick leave by the hours worked per thousand.

Excluding commuting accidents

No occupational diseases were recorded in 2021.

At the same time, the protocols of the Contingency Plan for occupational hazards established in 2020 against Covid-19 were maintained, with the aim of minimising contagion and controlling its evolution. Some of the most noteworthy measures have been the consolidation of a new model for the supply of personal protective equipment (PPE) through vending machines with personal cards, the implementation of a study of immunity by IgG antibodies against SARS-CoV-2, and diagnostic tests (AIDT) for coronavirus.

Apart from the measures directly related to the situation caused by the pandemic, in 2021, hygienic studies of chemical contaminants and noise exposure (noise map and emitting sources) were carried out, in addition to continuing to improve the design of the management indicator scorecard, designing and implementing an OHS management process in the corporate management system with the necessary sub-processes and regulations, in addition to

In the medium term, projects such as the development of a method for collecting statistics on incidents, accidents, sick leave, occupational illnesses and hours worked at 100% of the supply chain, as well as the OHS management tool in the subsidiaries, the improvement in training on specific risks of the jobs, are still underway.



1.6 Commitment to people

SOCIAL DIALOGUE

Talgo is concerned about maintaining a responsible, open, dialogue and collaborative relationship with both workers' representatives and relevant authorities. The Group respects the right of all employees to join unions, and allows union members to hold meetings, collect dues and distribute union information outside working hours and without disrupting the company's activity.

Works Committees represent the employees in the workplaces and are kept informed by management about business developments and the production situation, work organisation systems, recruitment and other matters. They also monitor different topics, such as employment and social security regulations or occupational health and safety conditions, among others.

The percentage of Talgo's workforce with full or partial coverage of the collective bargaining agreement or similar collective agreements, depending on the country, as of 31 December 2021 is 99.92%.

At the same time, in 2021, the company has improved communication channels with its employees through the corporate intranet, which has now become an internal communication tool.



TRAINING

The development and training of people is a pillar of Talgo's talent management model. For this reason, it makes a special effort to offer its employees the best tools for training and in 2021 more than 93,036 hours of training were provided, which represents an average of 34.93 hours per employee mainly to improve their technical skills, but also in compliance, diversity and equality, skills, languages, environment, occupational health and safety, projects, sustainability and responsibility.

Talgo has a Training Plan that is drawn up each year based on the training needs identified. This Plan seeks to ensure that the company covers these needs to face the challenges that arise in the performance of their work. Within it and throughout 2021, new high-impact training projects were addressed such as:

Impulsa Programme

for professionals in the project area with the objective of consolidating knowledge and key competencies for the development of their duties.

Take the Lead Programme

aimed at women and with the objective of strengthening their managerial and management skills.

At the same time, the professional trajectories and career plans model was launched, and the process of digitalisation of training content was substantially increased.

Talgo, on the other hand, has collaboration agreements with numerous universities, training centres and institutions in master's and bachelor's degree programmes that ensure access to internship programmes for people with different skills and abilities. The most relevant entities with which agreements have been maintained during 2021 were the Polytechnic University of Madrid, the Carlos III University of Madrid, the Pontifical University of Comillas, the Polytechnic University of Deusto, Scottish Enterprise, the College of Railway Orphans and Icx, among others.

In particular, the group is involved in promoting opportunities for young people and therefore also participates in ManpowerGroup's Human Age Institute initiative to promote talent as a

driver of transformation in organisations and the employability of young people as a guarantee of development.

93,036 > 34.93
 training hours in 2021 average hours of training per employee

1.7 Commitment to the environment

Talgo, as part of its strategic plan, is committed to make ongoing progress in environmental sustainability and the development of sustainable mobility. With the aim of maintaining respect for the environment, the group strives to integrate the highest standards in the development of current and future projects, promoting continuous improvement and risk mitigation.

In this way, the company aims to respond to society's main environmental challenges: energy efficiency, climate change, consumption of natural resources and raw materials, waste management and recycling, pollution, biodiversity, eco-design and circular economy.

ENVIRONMENTAL MANAGEMENT VECTORS AT TALGO



1. Strengthen environmental strategy and transparency.



2. Transition to a carbon neutral economy. Fight against climate change.



3. Minimise impacts through sustainable operations at production centres.



4. Offer rail products, services and solutions for the transition to a sustainable economy.

CHALLENGES FOR 2022

1 Verification of carbon footprint of manufacturing activities by an external body, and official registration once verified.

2 Calculation, certification and publication of the initial environmental footprint of Talgo's work centres following the assessment criteria established by the European Union in the Organisation's environmental footprint methodology (OEF).

3 Publication of the first Environmental Product Declaration for a Talgo train.

4 Consolidation of an automated method for calculating the recyclability and recoverability index of trains during the design phase.

5 Redesign of Talgo's main environmental processes and procedures to contribute to the achievement of the SDGs.

6 Publication of a new environmental sustainability policy.

All the projects and action plans developed by Talgo aim to design and manufacture the most environmentally responsible products, solutions and services and, to achieve this, they have the following levers:

- Ecodesign: sustainable products and services, strengthening their life cycle and supporting a circular economy model.
- Energy efficiency: reduction of energy, raw material and natural resource consumption.
- Recycling and reuse: commitment to the replacement of materials with lighter and recyclable ones.
- Environmental impact: management in production and maintenance centres focused on minimising the environmental impact of industrial activity.
- Sustainable innovation: researching new energy sources with a lower carbon footprint.
- Emission reduction: systematically minimise the emission of polluting gases harmful to air quality, health or the ozone layer.

In turn, Talgo's environmental management governance is based on four strategic principles:

- Raising awareness and building an ecological culture in people.
- The environmental management system.
- Environmental governance through metrics and objectives and continuous improvement in the organisation.
- The environmental performance of products throughout their life cycle.

1.7 Commitment to the environment

ENVIRONMENTAL MANAGEMENT MODEL

Environmental management is the responsibility of the Quality and Environment Department, which is part of the Operations Department. The management and results of environmental management are supported and supervised by the Operations Committee and the Management Committee.

Talgo has authorised waste managers who manage the hazardous and non-hazardous waste generated, accredited laboratories that carry out the control of atmospheric emissions and wastewater, as well as collaborators, technical and legal advisors who offer guidelines when it comes to safeguarding the environment. In addition, the group also conducts internal and external audits of its environmental management system, complying with the requirements of the ISO 14001 standard, as well as the organisation's internal requirements.

77% of people at workplaces and operations (including those at customers) certified to ISO 14001.

Talgo's Environmental Management System has been certified since 2003 in accordance with the UNE-EN ISO 14001 standard, whose scope covers the Las Matas II, Rivabellosa, Fuencarral, Malaga, Can Tunis, Santa Catalina and Moscow centres for the design,

manufacture and maintenance of railway material. As a way of encouraging and promoting continuous improvement, Talgo has renewed its certificates in 2020 under the UNE-EN ISO 14001:2015 standard.

All Talgo work centres have human resources allocated and dedicated to environmental protection. Part of the budget of each centre is allocated to different areas related to sustainability, such as waste management, updating environmental legislation, external audits, maintenance of wastewater treatment plants, wastewater analysis, improvement of processes with an environmental impact to prevent pollution, and training and awareness-raising of the agents involved.

Talgo has taken out Environmental Liability insurance to comply with Law 26/2007, of 23 October, on Environmental Liability, under which operators of economic or professional activities are obliged to adopt and implement measures to prevent, avoid and repair environmental damage and to bear the costs thereof, whatever the amount, when they are responsible for such damage. The coverage of this insurance is considered sufficient taking into account the diagnosis of risks and controls to mitigate them that the group has in place. In addition, the company has a civil liability insurance policy for environmental damage.



77% of people at workplaces and operations (including those at customers) certified to ISO 14001

STRATEGIC ENVIRONMENTAL PLAN

Talgo has a commitment to minimise the impact generated on the environment, going beyond regulatory compliance requirements. To this end, environmental factors are taken into account throughout the entire production process, from the design of the different products offered to the end of the manufacturing, supply, assembly, commissioning, maintenance and end-of-life chain.



1.7 Commitment to the environment

Within this plan, there are 10 environmental management processes for Talgo's most critical and relevant activities: operational control; identification and evaluation of environmental aspects; loading, unloading and transport of hazardous goods; approval of chemical products; environmental management in the design process; and management of environmental legal requirements.

The control of compliance and improvement of the objectives is carried out through the management of the ISO 14001 certification with the following scopes:

- Design, production and commissioning of trains.
- Production, installation and after-sales service of equipment for the control and maintenance of rail vehicle rolling stock.
- Assembly of new diesel engines.
- Repair of diesel engines, gearboxes, mechanical and hydraulic transmissions and electric machines.
- Maintenance and repair of railway vehicles.
- Maintenance and repair of locomotives.

The main management and improvement models used in these scopes are the proprietary methodology for the identification and evaluation of environmental aspects, the calculation of the carbon footprint, according to the "GreenHouse Gas Protocol: Corporate Standard" and the tool provided by the Ministry for Ecological Transition, and the SimaPro software (tool used for Life Cycle Analysis—LCA—which allows the calculation of the environmental, social and economic impact associated with a product, service or organisation throughout its life cycle), in addition to the 9 global indicators, each of them aligned with one of the goals included in the Sustainable Development Goals of the United Nations.

At year-end 2021, the Group has no provisions and/or guarantees for environmental risks, since no risks associated with this area have materialised. Talgo invested 615,100 euros in different environmental projects during the past year and the costs derived from the different environmental functions amounted to 197,930 euros, with a scope of the environmental management system (percentage over people) of 74%.

WASTE AND EMISSIONS MANAGEMENT

Talgo is aware of global overheating and is making efforts to reduce its greenhouse gas emissions, calculating its carbon footprint with scope 1, 2 and 3, and setting emission reduction targets for certain sites.

During 2021, several measures have been implemented to reduce atmospheric pollution and reduce the impact on the environment, such as minimising the use of aerosol paint, as well as substituting some products with others that have a lower percentage of Volatile Organic Compounds. Talgo has carried out, and continues to carry out, various awareness-raising campaigns in this area internally and externally. These being essential requirements for the performance of our work and contracting with third parties. The measures adopted include waste segregation, soil contamination and spill prevention procedures. At the same time, 100% of the energy consumed by Patentes Talgo is of renewable origin.



TALGO AVRIL LIFE CYCLE

During 2021, Talgo has prepared the Life Cycle Assessment (LCA) of one of the variants of the new Talgo Avril model. This LCA measured the potential of the material used to be recycled or to recover energy through combustion, respectively, reaching a recyclability of 93.7% and a recoverability of 96.8%, which are highly satisfactory results. During 2022, it is expected to obtain the type III EPD (Environmental Product Declaration) label, based on this Life Cycle Assessment after evaluation by an independent body.

1.7 Commitment to the environment

TALGO'S ENVIRONMENTAL PERFORMANCE IN 2021

During 2021, the most noteworthy aspects of Talgo's environmental management have been the publication on Talgo's website of information on the main environmental indicators and Talgo's contribution to the related SDG targets and the internal publication of the carbon footprint (greenhouse gas emissions) with Scopes 1 and 2.

The main environmental indicators monitored by the group in 2021 are as follows:

Indicator	Measurement object	Measurement
Direct GHG emissions (Scope 1) derived from fuel consumption (natural gas and diesel) (*).	Monitor and measure GHG emissions from fuel consumption.	2,333.64 tCO ₂ eq
Indirect GHG emissions when generating energy from electricity consumption (Scope 2) (*).	Monitor and measure GHG emissions from electricity consumption.	0 tCO ₂ eq
Intensity of GHG emissions (*).	Monitor and measure direct GHG emissions derived from Scope 1 and 2 relative to the number of employees at closure.	1,68 tCO ₂ eq /employee
1,68 tCO ₂ eq /employee	Measure the continuous improvement of the Environmental Management System through the control of electrical energy consumed.	9,827.9 thousand kWh
Fuel (automotive diesel) (*).	Measure the continuous improvement of the Environmental Management System by controlling diesel consumption.	48,248 litres
Fuel (diesel used for boilers) (*).	Measure the continuous improvement of the Environmental Management System by monitoring diesel consumption.	231,686 litres
Natural gas consumed based on lower heating value (LHV) (*).	Measure the continuous improvement of the Environmental Management System by monitoring natural gas consumption.	86,256.4 thousand kWh
Water consumed (*).	Measure continuous improvement of the Environmental Management System by monitoring water consumption.	21,986.35 m ³
Environmental accident rate.	Control the number of accidents that occurred during the year requiring the intervention of emergency services.	0
Corrective and preventive actions implemented.	Determine the percentage of corrective and preventive actions implemented.	100%
Costs derived from the management of expired products.	Quantify the expense incurred in the management of expired products.	132,859 euros
Deviations in internal and external audits closed after the deadline.	Quantify the continuous improvement of the system through this control.	0
Hazardous waste generated.	Improve the amount of hazardous waste generated during the year.	18.10 tonnes
Non-hazardous waste generated.	Measure the amount of non-hazardous waste generated in the year.	2,113.62 tonnes
Consumption of solvents and paints.	Measure the amount of volatile organic compounds consumed in the year.	31,931.46 kg
Energy intensity (*).	Measure the continuous improvement of the Environmental Management System through the control of energy consumed in relation to the number of employees at the end of the year.	15,283 kWh/employee

The tool provided by the Ministry for Ecological Transition (Government of Spain) used to calculate emissions is the "Organisation Carbon Footprint Calculator. Scope 1+2. 2020 Version".

Emissions from electricity consumption are 0 for the Las Matas I, Las Matas II, Rivabellosa and San Andres centres, since the energy consumed came exclusively from 100% renewable energy sources, according to the certificate issued by the corresponding supplier.

Looking ahead to 2022, the main projects and challenges Talgo has set itself are aimed at the verification of the carbon footprint of manufacturing activities by an external entity and its official registration; the calculation, certification and publication of the initial environmental footprint of work centres—EU criteria in the Organisation Environmental Footprint methodology (OEF)—and the publication of the first Environmental Product Declaration of a Talgo train. At the same time, an automated method for calculating the recyclability and recoverability rate of trains during the design phase is set to be consolidated, the group's main environmental processes and procedures is set to be reformulated to support its contribution to achieving the SDGs, and Talgo's new environmental sustainability policy will be published.

(*). Data calculated for the following Talgo España centres: Las Matas I, Las Matas II, Rivabellosa and San Andrés. The rest of the information included in this table refers to all Talgo España centres.

1.8 Sustainable supply chain

CHALLENGES FOR 2022

- 1 Project for the improvement of supply chain visibility at tier two suppliers.
- 2 Development and evolution of technology and digitalisation in procurement management.
- 3 Analysis and possible adherence to the recommendations of the ISO 20400 standard for sustainable procurement.
- 4 Recertification of the UNE 15896 standard.

The correct selection, approval and monitoring of suppliers is a key element for success in a sector such as the railway industry, which combines high technological needs with a high social and environmental impact. First-tier suppliers and supply chains are performance drivers and essential agents in achieving operational efficiency.

At Talgo, this element is managed through the Purchasing and Supply Chain Department, whose objective is, on the one hand, to obtain the materials and services required by the organisation for its operations, in adequate quantity and time, with the necessary level of quality and at competitive prices. For its operational deployment, it has a Purchasing and Supply Chain Office and the special roles of Purchasing and Supply Chain Coordination in subsidiaries and Purchasing and Supply Chain Coordination in BCC ("Best Cost Countries") and new markets.

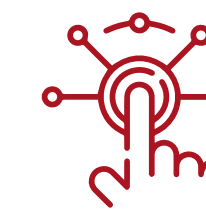
PILLARS OF THE SUPPLY CHAIN



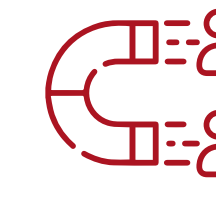
1. Excellence and alliances with suppliers



2. Visible and resilient supply chains



3. Technology and digitalisation



4. Operational expertise of lead buyers and technicians



5. Sustainable and responsible procurement and supply chain management

Talgo has a global Strategic Purchasing Plan with a three-year horizontal scope, which covers all purchasing activities as such, as well as all those that affect the group's relationship with its suppliers.

Pillars of the global Strategic Purchasing Plan

- Development of long-lasting strategic alliances with suppliers considered to be key, with a focus on integration and maximisation of the supplier's value contribution.
- Diversification and internationalisation of suppliers and supplies, ensuring the best overall performance of the supply chain.
- Integration of suppliers in the product development and project management process.
- Drive measurable continuous improvement in suppliers.
- To support all of the above through best practices in terms of Social Responsibility and sustainable development of both the environment and local communities and society.

1.8 Sustainable supply chain

To guarantee the efficiency and quality of its performance, Talgo has a Purchasing Policy which sets out the guidelines and from which the purchasing processes and procedures of all the group's subsidiaries are deployed; a Code of Ethics which sets out the rules of responsible behaviour with which all professionals and collaborators must comply; and anti-fraud, anti-corruption and information security policies. In addition, Talgo has a supplier manual, a vehicle used by the group to train suppliers in process descriptions, quality requirements, continuous improvement and responsible purchasing. This training is complemented by awareness and advocacy events.

In accordance with these regulations, the company may terminate any type of contract and purchase obligation to those suppliers who fail to comply with the regulations. By using the SAP Ariba tool as a communication channel with suppliers and its own platform, Talgo is committed to transparency and equal opportunities in its purchasing processes. Internally, the group uses the ClickView General Reporting Centre to obtain specific reports on the results of purchasing activities, service level and supplier evaluation, follow-up reports for the Management Committee and management quality reports for the area responsible for process management.

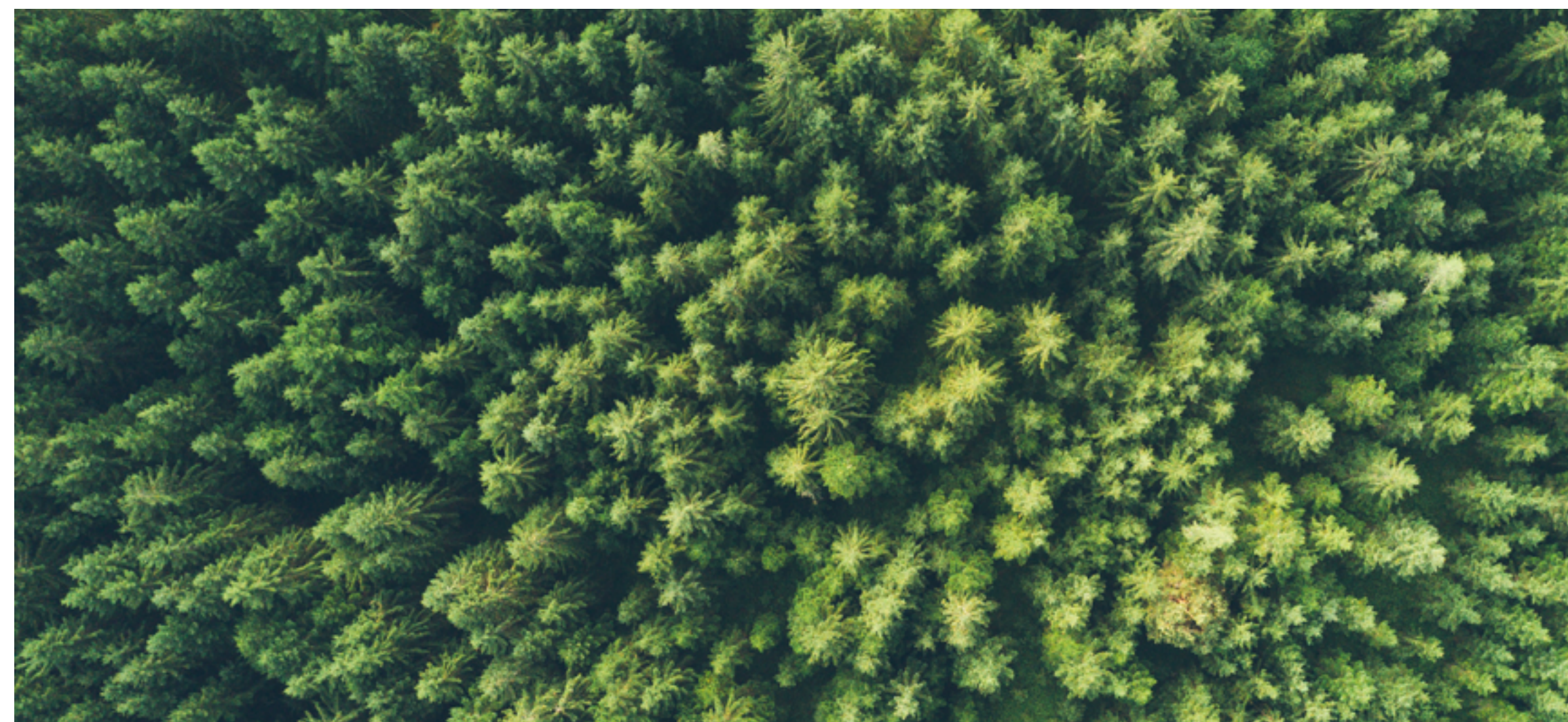
In 2021, commercial relations have been maintained through the purchasing department with 1,524 suppliers, of which 306 are considered critical suppliers for Talgo's operations, going through specific approval and homologation processes, including documentary and physical audits in many cases. This is done using the ETDAS methodology, a tool to evaluate the technical competence and the level of commitment to sustainability of suppliers (human rights, environmental and social). During the year, 11 suppliers considered to be highly critical were incorporated. The percentage of purchases from local suppliers in the national territory amounts to 240.03 million euros and 11.93 million euros in its subsidiaries.

In addition, during this period, 163 new suppliers have been qualified/approved, of which 42 have been evaluated and qualified under D&S&A criteria, based on Corporate Social Responsibility

In 2021, 42 suppliers have been evaluated and qualified under Corporate Social Responsibility criteria

criteria, including environmental considerations, identification of legal requirements from the environmental point of view, use of returnable packaging, waste management procedures and aspects related to occupational risk prevention.

Throughout the year, the risk registers of active suppliers were incorporated into the purchasing management system for

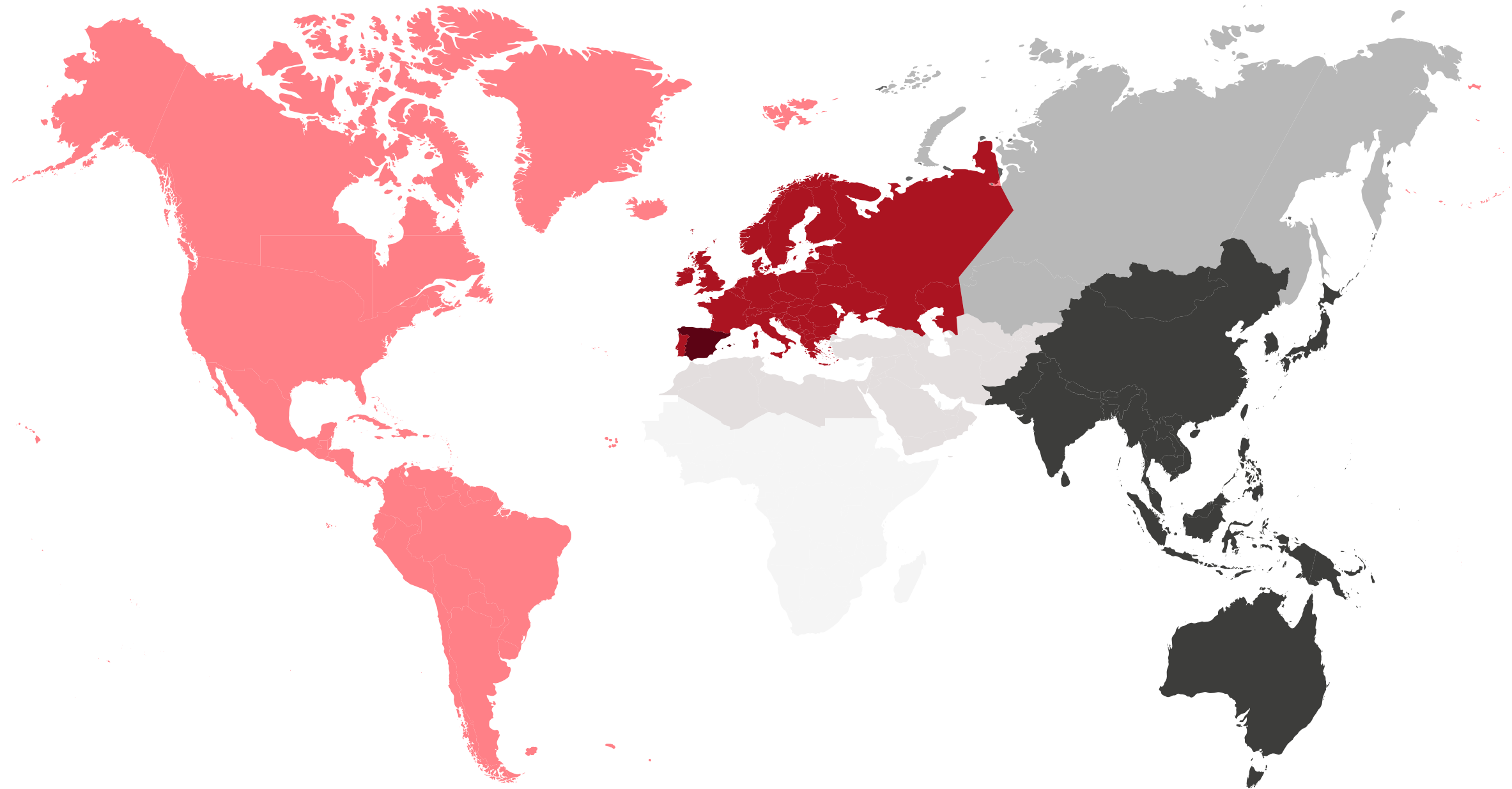
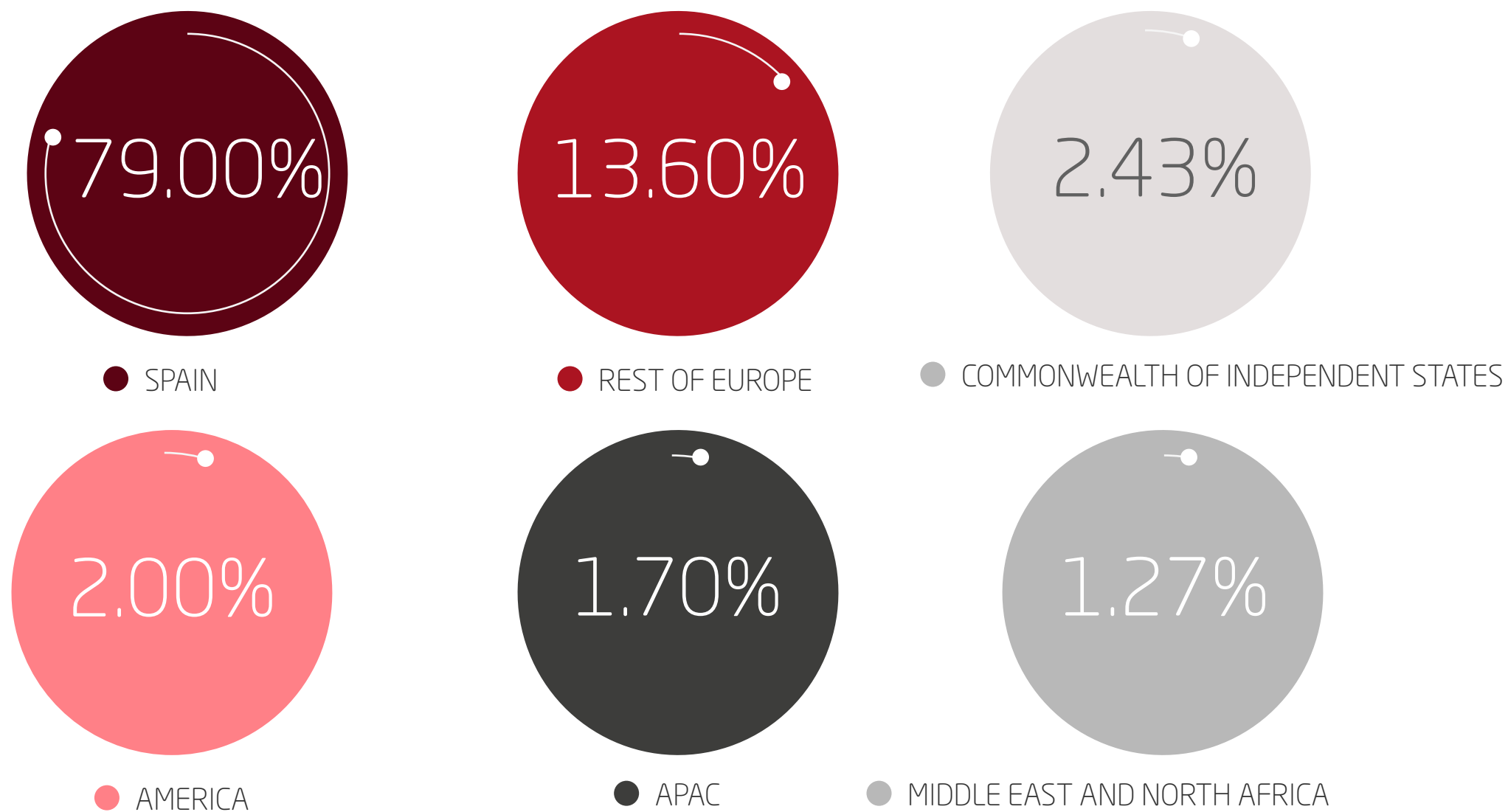


monitoring purposes, and studies were carried out to improve information on purchasing categories and market trends.

Reflecting Talgo's concern for sustainability in its supply chain, the company is UNE-15896 and ISO 9001 certified. It also promotes responsible and sustainable purchases (green, ethical, social, fair trade and from local suppliers) and the implementation of management systems aimed at improving the operation of purchases and supply chains. In addition, with a view to 2022, Talgo plans to analyse and possibly adhere to the recommendations of the ISO 20400 standard for sustainable procurement and the recertification of the UNE-15896 standard.

The company is also a member of the AERCE association and the CPOnet social network as vehicles for the exchange of experiences, training, studies, trends and initiatives with other agents in the sector.

1.8 Sustainable supply chain



Looking ahead to 2022, Talgo has different projects focused on improving the visibility of the supply chain in tier two suppliers; the development and evolution of technology and digitalisation in purchasing management, and different multidisciplinary projects to strengthen procurement processes and improve competitiveness. At the same time, work is set to be done to simplify the purchasing process, improve the maintenance supply chain and define master plans for the management of BCCs and Subsidiaries.

SUPPLIER MANAGEMENT INDICATORS

	2021	2020
Suppliers active as of 1 January	1,524	1,545
Total new qualified/approved suppliers	298	163
New suppliers evaluated and qualified under D&S&A criteria in 2021 - Criticality 1 and 2	44	42
Former suppliers evaluated against D&S&A criteria -reassessment audits	3	10
Suppliers identified as having significant, potential and real D&S&A impacts -Criticality 2	11	21
Suppliers identified as having significant, potential and real D&S&A impacts with which improvements have been agreed as a result of the evaluation	Approval: 0 Reassessment: 0 With points for improvement: 0	Approval: 0 Reassessment: 0 With points for improvement: 0
Suppliers identified as having significant potential and actual significant human rights, social or environmental impacts with which the relationship has been terminated as a result of the evaluation	0	0

1.9 Social development

CHALLENGES FOR 2022

- 1 Digitalisation project for the Talgo Foundation.
- 2 Management of the Talgo Awards to reinforce priority areas of action: professional excellence of women in engineering and welding.
- 3 Sponsorship of inspiring social actions: Disabilities Race and Science Race.

Talgo structures its social action through the Talgo Foundation, established in 2013, with the aim of addressing global challenges and responding to the important problems and needs of societies in those countries where it operates. Moreover, social activities related to the sustainability and responsibility area, which is part of the Human Resources Department, are also carried out.

The company's initiatives are mainly focused on promoting education and training, with special emphasis on professional development, technology and innovation as drivers of change; promoting culture, art and history; supporting diversity and social equality; and solidarity actions and the defence of human rights.

Talgo seeks the involvement of all the people who work in the company through volunteering, while at the same time offering prizes and scholarships as complementary action strategies, which are related to the aforementioned lines of action.

For yet another year, and despite the problems posed by the restrictions on movement due to the pandemic, the Talgo Foundation continued with its work and commitment, undertaking 20 projects, compared to 11 in 2020, adapting many of them to a virtual format due to the circumstances. With a total investment of 317,540 euros, more than double that of 2020, a total of 784 scholarships were awarded and collaborations were made with 44 institutions as well as formalising 13 new collaboration agreements and alliances, compared to 9 in the previous year.

In the area of awareness-raising within the Talgo team itself, the "Involucrad@s en una Navidad diferente" Project was launched: comprising various solidarity initiatives:

- "Gran Recogida de Alimentos 2021", this year virtual, through which donations were made to various soup kitchens in Burgos, Barcelona and Madrid.
- Solidarity Webinar: campaign to give visibility to solidarity projects in which Talgo employees participate.
- "Talgo Awards 2021": awards that, voted by colleagues themselves, recognise the outstanding role of certain employees on an annual basis.
- Christmas greeting card contest.

In addition, an awareness campaign was launched to fight against gender violence, sponsorship, accompaniment and participation in employment workshops for women victims of gender violence, together with different social action projects aimed at the integration of people with disabilities in the labour market, with the collaboration with PRODIS and other organisations.

In the area of promoting education, training and professional qualification, we continued to consolidate the vocational training centre in Kazakhstan in a social alliance with the Kazakhstan Foundation for Cultural Social and Educational Development (KFCSED) to promote the vocational training of young Kazakhs with limited resources to promote their social and cultural integration. Talgo collaborates and promotes the design of the contents of the training and scholarship programme for employment training, reaching 540 people in the 3 years that the centre has been in operation.

In addition, the Talgo Classroom at the Polytechnic University of Madrid (School of Engineering) completed its first full year of operation. With the aim of contributing to teaching, dissemination, research and technology transfer in the field of industrial railway engineering, relevant topics such as the maintenance of railway vehicles and facilities, Industry 4.0, railway dynamics, quality, composite materials, sustainability, SDG, etc. were addressed.

The company was also involved in a working group of experts for the creation of the degree entitled "Higher Technician in Railway Rolling Stock Maintenance" which is pending validation by the Ministry of Education and Vocational Training in 2022. It also participated in several employment and career guidance workshops for young people both with Power U Experience and on its own with schools and institutes.

1.9 Social development

Talgo Foundation Scholarships

Talgo Family Scholarships in Kazakhstan, a collaboration between Talgo, the Talgo Foundation and the Kazakh Irtysh Foundation to award 420 scholarships to children of Talgo employees in Kazakhstan, with the aim of collaborating in children's education.

"Railway Systems" Scholarship for the Master in Railway Systems of ICAI (promotion of innovation and technological development).

"Opportunity and Talent" Talgo Foundation Scholarship with the ONCE Foundation with the aim of facilitating access to a person with a disability to a post university education.

Máster

Internal Scholarships to attend the Management Programme for Women Engineers and Executives launched as a novelty by the University of Nebrija, exclusively aimed at female engineers from different organisations to help them with their training to access middle management positions within their companies: 2 scholarships.

Railway Technical Scholarships for the Intermediate Level studies pertaining to "Technician in Maintenance of Railway Rolling Stock" (Railway Orphans' College).

Talgo Foundation Scholarship at the Reina Sofía School of Music: awarded for the academic and artistic training of the Barbican Quartet at the International Institute of Chamber Music of Madrid of the Escuela Reina Sofía.

"Reinventate con Juan" Talgo Foundation Scholarships: the creation and implementation of a theoretical-practical course of professional recycling aimed at 15 people with disabilities.

Talgo Foundation Art and Culture Scholarships: this project carried out with the Asociación Traductores del Viento serves to promote art and culture in train stations.



In 2021, the Foundation continued its collaboration with various social support organisations and institutions, especially with those dedicated to child protection such as the NGO Be/Born in Africa, with which the literacy programme in Uganda has been created and financed with the aim of providing scholarships to 56 children. In addition, there was a concert and charity exhibition between the Talgo Foundation, the Spanish Railway Foundation and the 5 Words Association. The event consisted of a Christmas concert and an art exhibition (paintings and sculptures). The total proceeds (€2,500) went to the above-mentioned project. Finally, it is also worth mentioning the initiative launched with the New Future Association, with which we have joined forces to enable children with limited resources to continue their studies online.

Also noteworthy is the campaign to disseminate the "El Tren en Tu Móvil" tool, developed between Talgo and the ONCE Foundation to improve accessibility for people with disabilities on Talgo Avril trains. This campaign at stations and on routes is set to be launched in 2022 when this new vehicle is operational for the public.

Another area in which Talgo was particularly involved in 2021 was the promotion of STEM vocations and skills among teenage girls. With 16 workshops for more than 200 girls between the ages of 10 and 16, the Creática Association is aiming to reduce the gender gap in this type of careers. In addition, the Talgo Award for Excellence for Women in Engineering was granted once again this year to Asunción Cámara Obregón, Director of the Polytechnic School of Mieres of the University of Oviedo, in recognition of her example through her professional career, which has led to more and more women studying and opting for STEM professions.

Finally, as part of its activities to promote and disseminate the history of the railroad, the "I Have a Home Foundation" held the "Day at the Railroad Museum". 41 children between the ages of 5 and 12 and their families were able to enjoy the Museum and learn about the history and importance of Talgo in Spain and the world at first hand.

Also noteworthy in this area is the new project to highlight the Company's history and products through the creation of a hybrid



physical and virtual museum, as well as the publication of the comic "A journey through the history of Talgo", which, with the help of Alejandra, a children's character with a scientific vocation, traces the Company's evolution from the first ideas of the engineer Alejandro Goicoechea and Talgo I to the Avril train.

Finally, in 2021 the Talgo Foundation joined the Board of Trustees of the Princess of Asturias Foundation, giving its support to the prestigious annual awards, as well as making various donations and sponsorships to the CSIC, to support research into vaccines against Covid-19, to the Adecco Foundation to produce the report "A job against violence", and has donated railway equipment to the Raúl Vázquez Institute.

The challenges for 2022 in terms of the Talgo Foundation's social action are focused on improving the governance, management and information generated in social and institutional actions through a digitalisation project of the institution itself, and the Talgo awards catalogue will continue to be strengthened to highlight the excellence of women in engineering and welding.

At the same time, we will continue with the development of solidarity projects and initiatives such as those to raise awareness against gender violence under the umbrella of the Involucrad@ programme, while at the same time sponsoring different inspiring actions such as the Disabilities Race or the Science Race. Finally, the intense work of donations and sponsorships will continue with the projects of the Talgo Classroom and the Adecco Foundation, Talgo Day, the Talgo Foundation Prize for End of Degree and Masters in Railway Systems, Young Talent, Innovation Day and Open Innovation: Talgo Challenges You, scholarships for Bachelor and Master degree theses and the CEO's project for diversity with Human Age.

2

How do we achieve this?

- 2.1. Profile, identity and commitments
- 2.2. Business model
- 2.3. Proprietary products and technologies
- 2.4. Innovation
- 2.5. Strategy



2.1 Profile, identity and commitments

Founded in 1942, Talgo has three lines of business: design and manufacture of high-speed and very high-speed trains, long distance, regional trains, passenger coaches and powerheads; manufacture of maintenance equipment; and provision of maintenance services to railway operators all over the world.

It has its own technology and an innovative character that allow it to achieve the highest levels of quality, availability, reliability, safety and respect for the environment in all its products, always remaining at the forefront of railway technology.

In Spain, Talgo has headquarters in Las Matas (Madrid), two factories (Las Matas II and Rivabellosa) and eight maintenance workshops (Las Matas I, Fuencarral, San Andrés, Can Tunis, Málaga, Santa Catalina, Valladolid and La Sagra), owned by the customer. The two factories manufacture trains, powerheads and carriages, as well as bogies and rolling stock. It also manufactures its own maintenance equipment such as pit lathes, wheel parameter measuring equipment, gauges and rail trolleys. In addition, maintenance of this equipment is performed. In the maintenance workshops, all care, overhaul, repair and comprehensive fine-tuning is carried out on all Talgo day, night and high-speed trains in commercial service.

In addition, Talgo has maintenance bases in other countries such as Germany, the United States, Russia, Kazakhstan, Uzbekistan and Saudi Arabia.

MISSION

To be the leading company in the Spanish railway sector, with an international industrial presence, recognised worldwide for its capacity for innovation, technology, quality, reliability and the added value of its products and services.

VISION

To be a supplier of products and services capable of implementing comprehensive and innovative solutions in new segments and markets.

v v v v v v **VALUES** v v v v v v



TECHNOLOGICAL INNOVATION:

We foster an open work environment that promotes personal initiative and creativity. Technological development and the contribution of originality and added value to our products and services are the essential features of our corporate identity.



INTEGRITY:

We combine our economic, social and environmental objectives, reconciling the goals pursued by the company with those of society and the family. We fulfil our commitments to society by conducting our business activities within a framework of the utmost honesty. Our employees act with integrity and loyalty that promotes mutual trust and personal esteem.



PROFESSIONAL DEVELOPMENT:

We are constantly concerned about the development and improvement of our professionals, a job well done and ongoing improvement.



IDENTIFICATION AND COMMITMENT:

We are proud to belong to Talgo as a company of worldwide prestige. We share its contributions and achievements to which we all contribute with our dedication and personal commitment.



CUSTOMER SERVICE:

We strive to provide our customers with innovative, high-quality products and services that meet their needs and expectations. We establish long-lasting cooperative relationships with our customers to support their business success. We take on the customer's objectives as our own, meeting their needs immediately and efficiently.



STAFF HEALTH AND SAFETY:

We look after the well-being and health of our workers by integrating safety, prevention and occupational health aspects into the overall management of the company. Our commitment is focused on ensuring that all workers carry out their activities under safe conditions and in healthy work environments.

Corporate data	Activity
Name Talgo, S.A.	<p>Manufacture of rail vehicles, components and equipment, as well as light maintenance and refurbishment services.</p> <p>Markets</p> <p>Talgo operates in 9 countries: Spain, Germany, Denmark, Saudi Arabia, Egypt, USA, Kazakhstan, Russia and Uzbekistan; and is listed on the stock exchanges of Madrid, Barcelona, Valencia and Bilbao.</p>
Address Paseo del tren Talgo, 2 28290 Las Matas – Madrid (España)	
Phone (+34) 91 631 38 00	
Website https://www.talgo.com/	
Share capital 37,156,169.93 euros	
Number of shares 123,442,425	

2.2 Business model

The group's business model aims to deliver long-term value to existing stakeholders. On one hand, a solid financial model steadily increases group turnover and maintains attractive returns for shareholders. And on the other hand, a sustainable model maximises efficiency and social commitment and also reduces the environmental impact of its activities. In recent years, the group has strengthened its strategic position by investing heavily in the development of new products to meet the needs of the market, with more efficient trains with higher capacity such as the Avril and the EMU (Electric Multiple Unit). The company has also increased the production capacity of its manufacturing centres in Spain in order to meet the growth of its order book.



INDUSTRIAL FLEXIBILITY

Talgo is characterised by a low capital-intensive business model (low investment in fixed assets, high flexibility and outsourcing) and focuses its resources on the phases of design, engineering, selective manufacturing of high value-added components, such as those related to product safety and longevity, assembly, testing and delivery of the final product.

EFFICIENT LIGHT STRUCTURE: OUTSOURCING

Talgo manufactures only those components that are essential to its business model and that are related to Talgo's specifications and particularities, which are the welding of critical steel and aluminium structure and rolling elements. These processes, essential for Talgo, are carried out at the company's facilities by its own highly qualified personnel.

Talgo diversifies its sourcing and optimises its production costs, making it more competitive. With only two factories of its own, it is able to increase productivity and return on capital employed (ROCE). The company outsources approximately 70% of the supply chain to specialists in each industrial area, thus achieving greater flexibility to adapt to market conditions and project requirements.

ONGOING LEARNING

Talgo is committed to an ongoing learning model, in which each project is unique and exclusive. To this end, through its maintenance activity, Talgo is continuously developing pioneering processes for the management of the engineering and services it offers. The optimisation of maintenance and repair processes and methods, as well as the management of facilities, careful after-sales service and experience in equipment renewal have placed Talgo at the forefront in this business area, giving it a clear competitive advantage.

Through this strategy, the company's engineers receive all the necessary feedback to improve the technology and design of the components, so that they can incorporate these advances continuously into all trains, both in the maintenance and manufacturing phases.

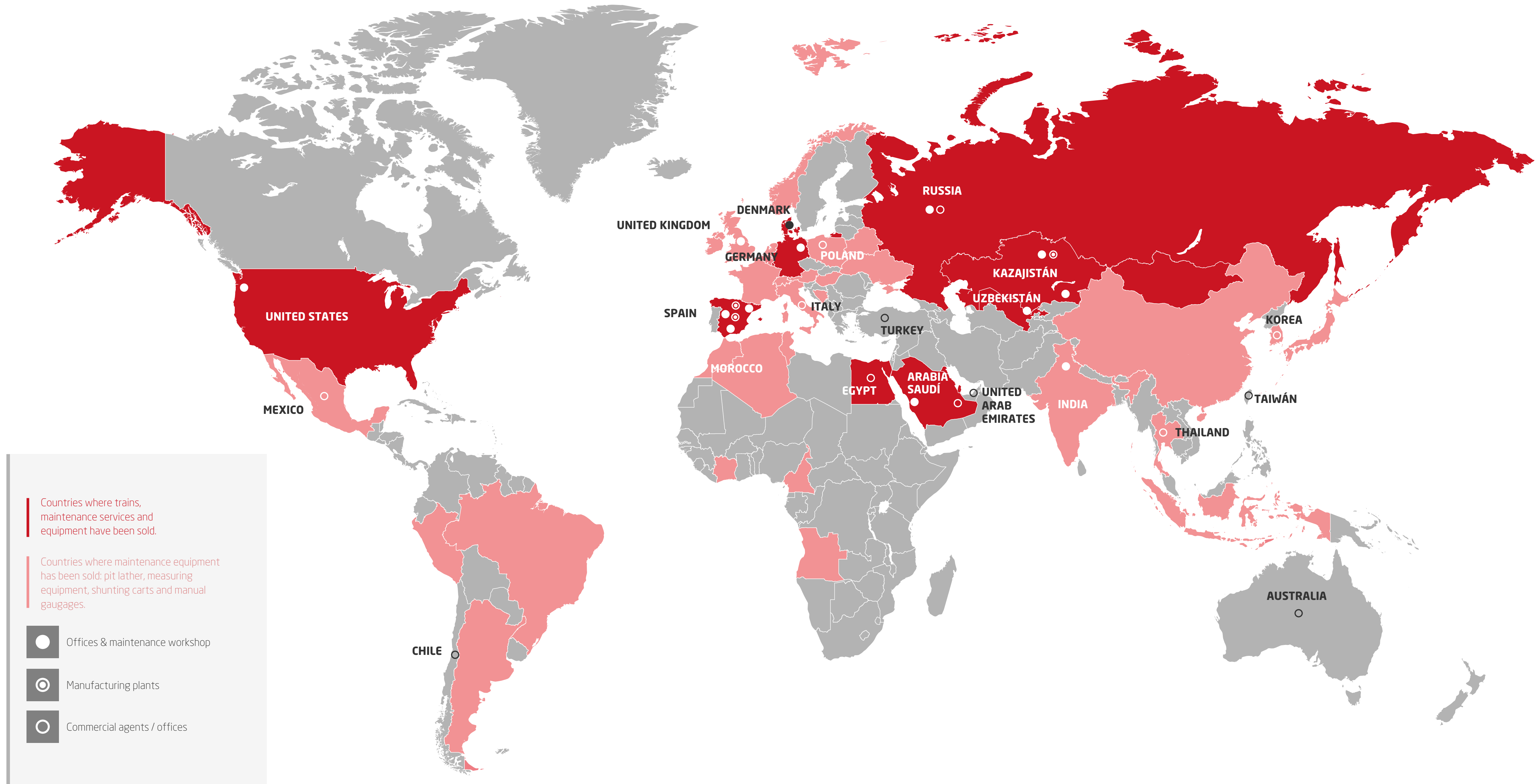
COMMERCIAL SELECTIVITY

Talgo's business strategy is based on selecting potential projects in which to become involved, through an exhaustive analysis based on three pillars: attractive margin, contractual scope that provides the necessary guarantees and security, and a reasonable cash flow in line with the project's risk profile, establishing conservative project financing limits, where appropriate. In this way, it not only makes its own efforts profitable, but also provides added value by taking on projects where Talgo's strengths give it a differential advantage over other competitors and ensures an attractive return on the capacity and resources employed.

COMMITMENT TO MOTIVATED AND ENGAGED STAFF

Talgo is committed to nurturing talent and promoting training as a means to improve productivity, to add value to both the employee and the company, and to generate a competitive advantage in the market. To achieve this, the company seeks to attract and retain the best professionals in all the positions that the company offers and needs, which is why it continuously strives to ensure that the workforce is motivated, responsible and committed to Talgo's values.





2.3 Proprietary products and technologies

Talgo currently has a broad portfolio of products, adaptable according to customer needs and linked to the medium and long-distance segments with high speed and very high-speed trains, state-of-the-art passenger coaches and regional and commuter trains to continue boosting its growth in the sector.

VERY HIGH-SPEED (FROM 250 KM/H)

Operating trains at over 250 km/h requires a set of technologies and competencies that are available to only a few manufacturers worldwide. Innovation aimed at maximising capacity and minimising operating costs ahead of competitors, and two continuous decades of uninterrupted operation are the main qualities of its products for operators with the world's most advanced high-speed networks. Talgo also has the possibility of providing variable gauge systems in this segment.



HIGH-SPEED (UP TO 250 KM/H)

Designed to reach 250 kilometres per hour in commercial service, the Talgo 250 range trains have proven to be the most reliable and cost-effective option for operators looking for equipment designed for accelerated rotation both on networks that have been partially adapted to high-speed and on conventional lines that have not been adapted. They can also be fitted with variable gauge systems and can even operate on non-electrified lines, placing them as the most versatile solution on the market.

INTERCITY

Talgo is one of the leading manufacturers of complete train sets for long-distance services on mainly conventional infrastructure. Within this segment, Talgo has developed the Talgo 230, a platform developed for the DB and DSB project in Germany and Denmark, which provides the capacity to incorporate a different number of coaches, as well as powerheads or cab cars. The wide range of fully accessible towed carriages has been certified to operate serving various destinations in North America, Europe and dozens of Asian countries, allows for very low operating and maintenance costs, and is also fully adaptable with the group's proprietary technological solutions.



REGIONAL AND COMMUTER RAIL

Talgo's response to one of the fastest growing segments in the international market is a completely new product line, aimed at high-frequency commuter and regional services around large cities. The excellent power-to-weight ratio of the regional and commuter platform, called Vittal, improves acceleration and braking coefficients, while its unbeatable accessibility helps to cut the time spent on loading and unloading operations at each station.

POWERHEADS

Talgo's product portfolio includes solutions designed to provide traction for different types of rolling stock, and it also has all the necessary capabilities to manufacture all the engine components. The Talgo locomotive is not only a completely in-house development, but it is also the most interoperable locomotive on the market: with variable gauge, it is multi-system in signalling and multi-voltage in electrification.



2.3 Proprietary products and technologies

Independently guided wheels:

Talgo is the only manufacturer to use a system in which the two wheels on each axle, left and right, can rotate at different speeds. This not only improves passenger comfort inside the train, but also makes our trains those that put the least wear and tear on the infrastructure.

Natural tilting:

when renewing infrastructure is too expensive an option, there is only one solution left for railway companies that want to increase commercial speed: make trains go faster on existing tracks. Talgo's pendular technology allows a 25% increase in speed on bends without additional investment.

Lighter and wider coaches:

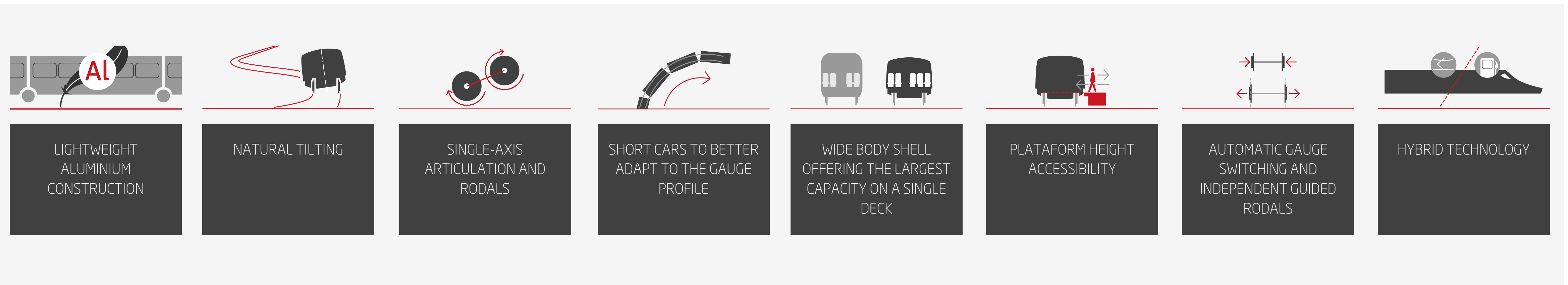
one of Talgo's basic design premises is to make the lightest trains on the market. The use of aluminium alloys and the reduced length of each coach not only allows us to maintain a constant effort to offer operators the lowest energy consumption, but also to maximise capacity with wider vehicles.



Continuous low-floor: one of the group's main tasks is to make it easier for railway companies to move as many people as possible, with the best travel experience and in the shortest possible time. Talgo trains with a continuous low floor reduce loading and unloading time by 20% and provide maximum autonomy for people with reduced mobility.

Variable gauge: the sliding track is one of Talgo's most distinguishing characteristics. The automatic variable gauge technology, used in thousands of operations since its launch several decades ago, makes our trains the only solution capable of adapting to any rail network, transparently crossing all borders.

Fully articulated trains: one of the key factors for operators is rolling stock maintenance costs. And one of the best ways to reduce them is to opt for Talgo's fully articulated trains. Their dynamic behaviour not only improves reliability and makes it possible to space out interventions on the train, but also increases safety.



2.4 Innovation

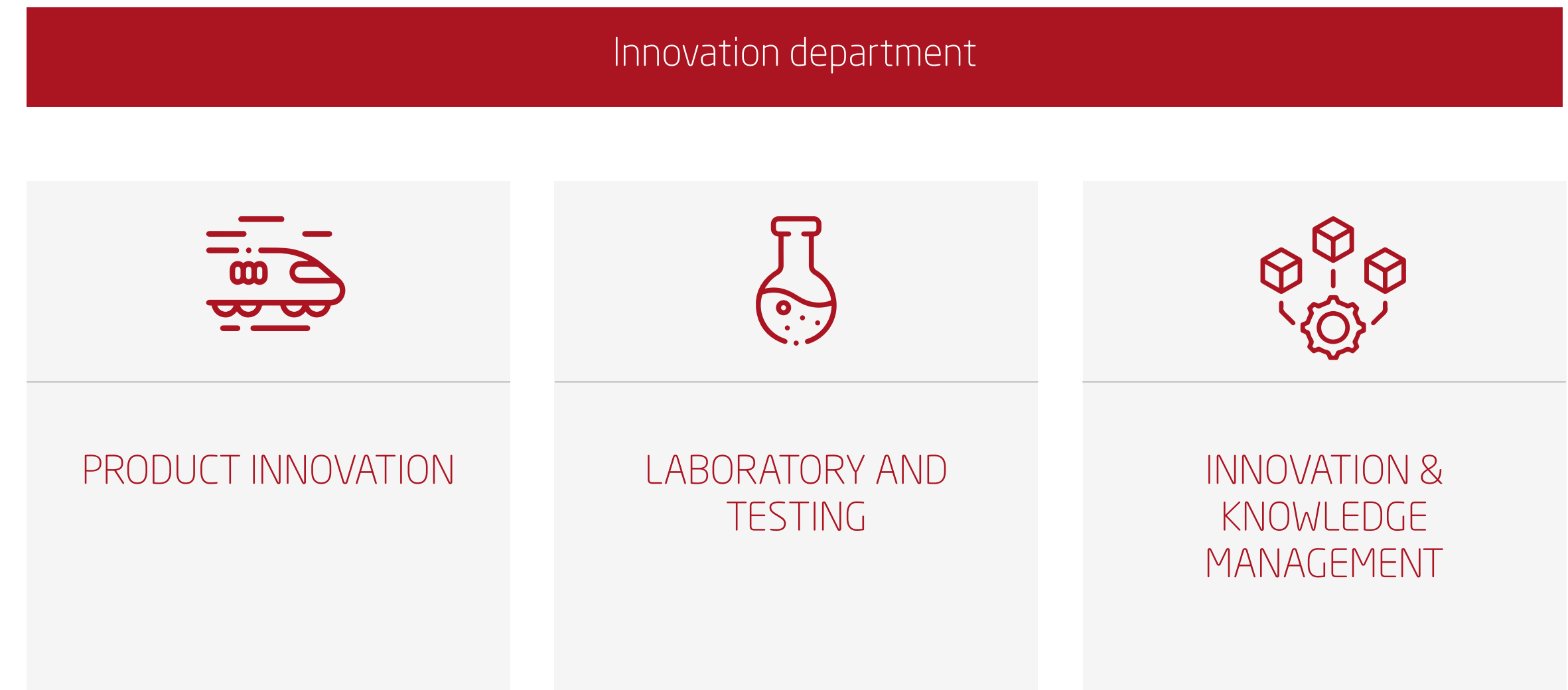
CHALLENGES FOR 2022

- 1 Improved energy efficiency due to lightweight materials
- 2 New zero-emission drive systems
- 3 Improved acoustic experience
- 4 Improved passenger experience



Since its inception, disruptive innovation has been Talgo’s hallmark. In pursuit of this objective, it has a comprehensive innovation management model that covers all processes and fields of business management, as well as the products, services and technological solutions offered to customers.

Innovation at Talgo is managed under an R&D&I policy, which is deployed through the Innovation Department, responsible for developing new products and promoting and facilitating innovation in the rest of the organisation, and which has two committees for reporting, control of strategic alignment and key decision making: Innovation Steering Committee and Operations Steering Committee. Internally, the monitoring and control of innovation projects is carried out by the Projects Committee. At the same time, the monitoring, control and updating of the Strategic Innovation Plan is carried out in the Innovation Strategy Committees and the Technology Surveillance Committee.



Strategic innovation plan					
Innovation perspective	Knowledge / Culture	Processes	Customers	Finance	
Lines of technological development	Energy efficiency and sustainability	User experience	Availability and versatility	Safety	Smart trains
Categories	Evolutionary	Opportunists	Disruptive		



The Strategic Innovation Plan, reviewed and updated annually, ensures the identification, application, sequence and interaction of the Innovation processes to effectively carry out the control, implementation, monitoring, measurement, analysis and improvement of the product with full availability of resources to achieve full customer satisfaction.

The constant task of research and development of new products has earned Talgo international recognition, allowing it to compete with other railway equipment manufacturers in different tenders worldwide. Today, Talgo trains can be seen running daily in Spain, Russia, Kazakhstan, Uzbekistan, Saudi Arabia and the United States, among other countries.

In 2021, Talgo invested a total of €13,589.7 billion in R&D&I, 4.3% more than in 2020. R&D expenditure increased by 14.5% to €1,421,501 and investment over sales stood at 2.70%. The main innovation projects developed in 2021 were:

- **Vittal One Train - Hydrogen:** hydrogen traction equipment for hybrid trains running on partially electrified lines, allowing flexible operation (hydrogen or electric). It aims to replace diesel trains with hydrogen trains on partially electrified or non-electrified lines and improve environmental sustainability (emission of steam into the atmosphere instead of carbon dioxide).

- **Lightweight box/structure:** project that seeks to continue to reduce the weight of boxes by using new materials, including carbon fibre, PET sandwich and aluminium.

- **Lightweight stand:** stand type F057 made with new materials, including carbon fibre, titanium, stainless steel and high-strength cast steel. The objective is to reduce the weight of the frame structure.

- **Motorised train set:** development of a motorisation system compatible with the independent wheel concept and the Talgo train set, allowing the application of distributed traction on our train concept and increasing the running speed.

- **Box lift/structure:** development and construction of a train box lift system that allows the variation of the carriage access height in those lines where there are different platform heights. The objective is to allow the entrance threshold to the carriages to be at the same height as the platform.

- **Viscoelastic panels for structural damping:** in order to improve passenger comfort, the aim is to reduce the amplitude of the vibration modes of the aluminium enclosures by installing sandwich panels with at least one layer of viscoelastic material.

- **Variable frequency dampers:** capable of modifying their characteristics depending on the excitation frequency for greater user comfort.

- **Metamaterials for interior noise reduction:** developing low weight acoustic insulation by using materials with improved qualities.

- **Improved indoor acoustic experience:** using state-of-the-art loudspeakers and noise cancellation systems, together with intelligent control algorithms. The aim is to reduce noise inside the train and create independent acoustic zones without the need for passengers to use headphones and to increase the intelligibility of the messages broadcast over the train's public address system.

- **Indoor guidance using ultrasonic beacons:** high-precision indoor train positioning solution using ultrasonic-based hardware and guidance software for mobile devices. The aim is to guide the passenger inside the train and ensure the autonomy of blind people.

- **5G maintenance:** improving the efficiency of a maintenance line by digitising a set of tasks, so that the operator has all the

necessary documentation at hand as well as remote assistance and technical support through augmented reality devices.

- **Smart Windows:** integration of dimmable or uncapable slats by sections, within the window panel, to improve passenger comfort by allowing them to adjust the light of their window section to their liking during the journey. In addition, a reduction in weight and vibrations is possible compared to currently used blinds.

- **Smart Tables:** enhancing the passenger experience by integrating a multi-touch screen into coffee tables to provide useful travel information and entertainment services to the passenger.

2.4 Innovation

Talگو's Innovation model also takes care to apply best practices in the management and monitoring of the Strategic Plan, for which it monitors and controls Innovation Investments and Expenditures on a monthly basis and produces a periodic report that is published and disseminated to the Management and Innovation Committee through various reports.

Talگو is committed to making innovation the fundamental pillar on which the present and, above all, the future are based. In addition, this principle is understood from a corporate point of view, not being focused solely on product, but on launching and improving initiatives that involve the entire innovation ecosystem that encompasses Talگو, thus harnessing of all the collective creative potential to foster an even more powerful innovative culture. In this way, innovation helps to weave a system that allows us to anticipate future challenges, promotes technology monitoring and forecasting activities, and generates an even more optimal environment for both evolutionary and disruptive thinking.

To this end, we work with a self-created model based on the corporate Innovation Strategy, which promotes a continuous improvement approach, promoting new initiatives at a global level year after year. Throughout 2021, the most noteworthy aspects in this regard have been the improvement of the knowledge management process, CMI innovation, the ENAC accreditation for static testing of train structures and the optimisation of the technological intelligence software.

At the same time, we have continued to develop the implementation of "Corporate Venturing", whose main task is to systematically search for companies and technologies that, in an agile manner, can improve the product portfolio. In 2021, work has been carried out on 7 lines of the Strategic Plan, with an evaluation of 266 start-ups from 43 countries, which have finally led to feasibility analyses with 8 of them, from 4 different countries. In parallel, the company has already collaborated with 11 previously approved start-ups, from 5 different countries, tackling technological projects such as: baggage security systems, improvement of the passenger experience or solutions for the improvement of acoustic comfort.

Also in the past year, the Strategic Intelligence tool has been defined for the capture, analysis, dissemination and exploitation of information (technological, competitive, legislative, etc.) in the company's environment. This will serve to identify opportunities for Talگو that is set to be reflected in a list of annual innovation project proposals, alert on changes that may pose a threat to it and detect opportunities for success.

Continuing with the research work, Talگو annually prepares different analyses and studies, the most relevant in 2021 being that focused on the improvement of Technological Intelligence in Talگو, but, above all, that which focused on delving into the field of

autonomous driving. In conjunction with a leading European research and technological development centre, the aim was to obtain an overview of the state of autonomous driving in the railway sector, its positioning as a trend and its main development factors (legislation/regulation, technology, market, customers and competitors, etc.).

Talگو, over the past year, has continued to collaborate strategically with various partners at the European level, including prestigious universities and technology centres, as well as some of the main players in the railway industry. Those that can be highlighted include:

- **SOIH2 ALEX:** European public-private economic interest grouping whose objective is the socio-economic, industrial, energetic, environmental and technological interregional development of the ALEX territory (Alentejo and Extremadura) and, therefore, the whole Iberian Southwest through green hydrogen.
- **Basque Hydrogen Corridor:** whose objective is to create a hydrogen ecosystem, based in the Basque Country, that will allow progress in the decarbonisation of the energy, industrial, residential and mobility sectors.
- **International School of Design IED Madrid:** with the final aim of developing a didactic project around innovation in user experiences in relation to rail mobility under the premise of designing new models of tourism (service + product) from the use of low-use regional railways as an element of social cohesion, for the recovery of local culture, rural economy and the conservation of historical and landscape heritage.
- **Talگو-Repsol Alliance:** to promote the creation of renewable hydrogen trains, and thus encourage zero-emission rail transport in the Iberian Peninsula, providing a comprehensive solution to make the renewable hydrogen train a reality.

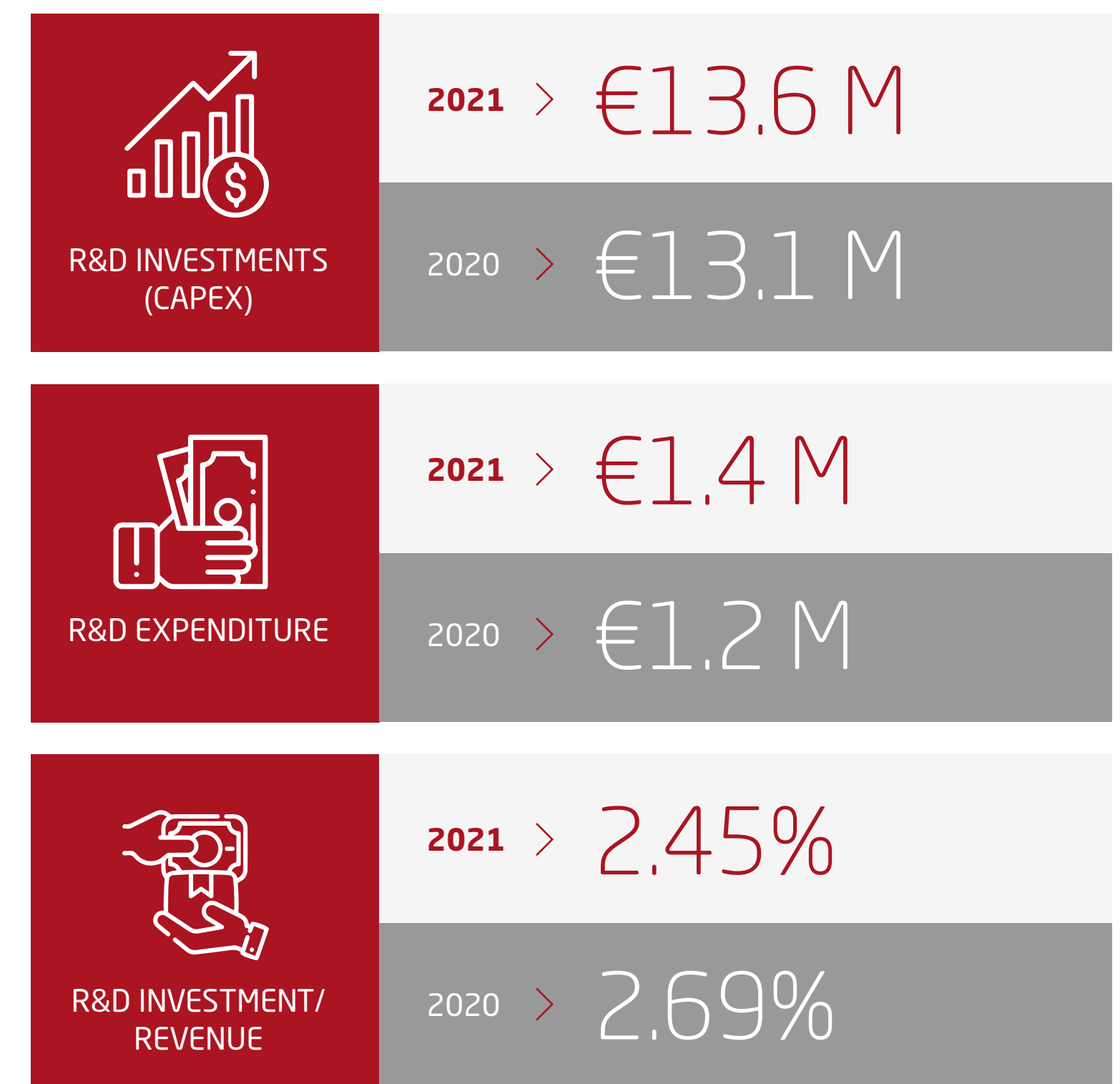
For 2022, Talگو continues to support the Shift2Rail programme, which in turn is part of the European Commission's "Horizon 2020" initiative, where Talگو has a very relevant role in some of the key projects in traction, making primary structures more lightweight through the use of composite materials, active rolling systems, energy efficiency and improvement of noise and vibrations.

At the same time, the development of a prototype of a hydrogen powertrain system applied to a train continues, as well as the 2nd phase of the improvement of accessibility in high-speed trains, the reinforcement of the collaboration process with technological start-ups

and different cross-cutting projects in very diverse areas such as the use of metamaterials for the reduction of interior noise, new security systems for luggage or the use of new technologies for the improvement of acoustic comfort.

It is also expected to be present and participate in some of the most relevant innovation events for the railway sector, after a few years in which some have not been held, such as InnoTrans 2022 or JEC World 2022 to present the 2nd prototype of lightweight rolling stock manufactured in hybrid solution CFRP (carbon fibre) and metallic materials; in addition to being one of the main exhibitors at Madrid in IFEMA to showcase Talگو's advances and projects in Innovation to the public.

INNOVATION INDICATORS



2.5 Strategy

MARKET ENVIRONMENT

As activity recovered in 2021 and the mobility restriction measures for travellers were lifted, the prospects that were already beginning to be positive in 2020 were consolidated in the last financial year. The character and attractiveness of rail as a reliable and efficient mode of transport has been strengthened after this complicated situation and is expected not only to consolidate, but to grow in the medium and long term, although the long-term effects of Covid-19 on the sector still need to be taken with caution.

As already announced in the World Rail Market Study 2020, the recovery of the rail sector is estimated at a growth of between 1% and up to 2.3% until 2025, after the decline it suffered in 2020. Turnkey management/integration, rolling stock and infrastructure have the greatest potential for growth. However, the war between Russia and Ukraine in March 2022 is an unexpected factor that makes it difficult to establish, at least for the Eastern European region, a clear scenario and the repercussions it could entail.

According to the latest study commissioned by UNIFE, the train is set to benefit in the coming years, as has already been the case, from factors such as political programmes focused on promoting the environment, where the railway sector offers advantages recognised by the main social agents and in which the industry is committed to decarbonising its activity. Alongside this, digitalisation and automation, predictive maintenance through artificial intelligence, e-mobility, cybersecurity, standardization and liberalisation of rail traffic are trends that will increase the overall attractiveness of the sector and open up new business opportunities.

These good prospects are based on the resilience of the sector in recent years where the rail supply market grew by 3.6% between 2017 and 2019, with a volume of €177.2 billion. Asia Pacific and Western Europe have contributed the most to this positive market development, with CAGRs of 5.3% and 3.8%, respectively. Only the Africa/Middle East market recorded a slight decline of 1.2%, while all other markets grew during the same period.

Significant investments in rolling stock and infrastructure in Asia Pacific (e.g., China), Western Europe (e.g., France and Germany) are expected to bear fruit in the coming years. On the other hand, those destined for the CIS, an area mainly driven by Russia, are the ones that until the outbreak of the conflict with Ukraine also presented better prospects, but given the

uncertainty on the effect of the situation unleashed in 2022, it is difficult to consider how it will be resolved or the implications and repercussions it may have on the rest of the market. In fact, this especially affects some elements that have strongly supported market growth, such as the relatively high increase in very high-speed (VHS) units in the CIS and Africa/Middle East due to expansions in Russia and Saudi Arabia.

Lastly, the railway control market, which has seen an increase in recent years of around €1.3 billion, which has been one of the main factors behind the 4.1% overall increase in the sector. With Asia-Pacific and Latin America driving this growth against a declining Western Europe, the vector has been the increased demand for route control projects and automatic protection of trains on the ground for the intercity segment and the high orders for track equipment and operational control systems for the urban market.

In line with overall market growth, infrastructure in operation grew by 23,300 km, mainly in the mainline and VHS segments. The total infrastructure now covers some 1.7 million km of urban and intercity lines, with most of the mileage added in Asia-Pacific, especially due to the construction of new routes in China and the growth potential offered by the electrification of lines as only 42% of all these km are electrified.

The installed base of rolling stock amounts to some 5.9 million units, 87% of which are freight cars. High-speed and metro vehicles recorded the highest absolute growth in the installed base, and are expected to continue to sustain demand in this regard.



The train is set to benefit in the coming years from factors such as political programmes focused on promoting the environment

2.5 Strategy

STRATEGIC OBJECTIVES

The particular conditions of the situation caused by the pandemic meant that in 2020 Talgo's strategic focus turned firstly to safeguarding the health of employees and passengers, together with a cost adjustment to maintain the viability of the business in a year marked by activities coming to a standstill. In 2021, with a very different scenario, it was time to face the reactivation of the economy and the sector, which is expected to be at full capacity in the first half of 2022.

The challenges ahead are of a different nature. The current inflationary process and disruptions in the supply chain pose a relevant challenge that has led Talgo to adapt its operations, reinforcing its business model to improve efficiency and productivity. With the recovery of 100% of the international maintenance activity (85% in Spain), manufacturing and refurbishment projects in line with expectations, a reinforced order book with new awards and a positive outlook in the industry due to the measures and incentives from the administrations to promote the decarbonisation of transport as well as Talgo's expectation to reduce overhead costs by 15% by 2022. The resilience of the business has been reflected in the 2021 results and in the 2022 forecast.



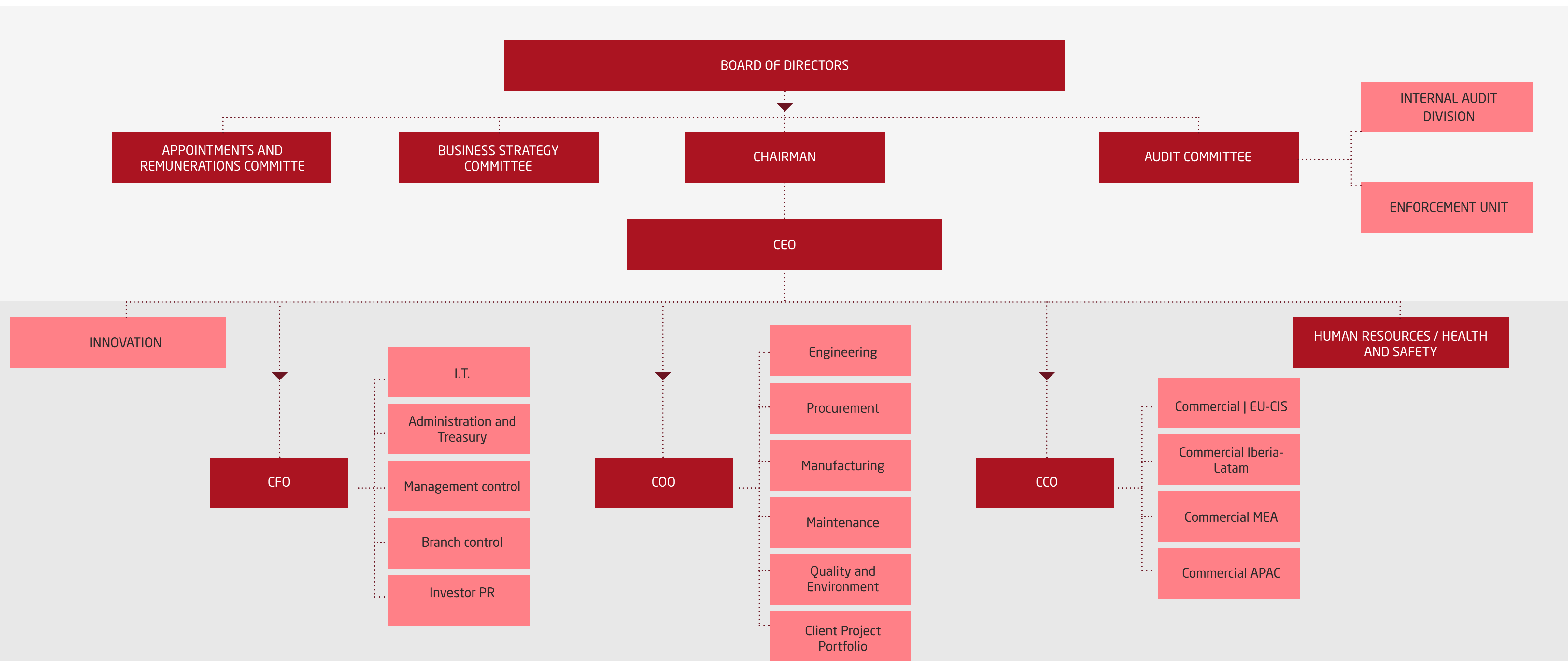
	2021 results	2022 outlook
Business performance	<ul style="list-style-type: none"> • Execution of the order book 2021-2022: > Target: 35-37% > Result: Ongoing • 2. Average book-to-bill in 2020-2021: > Target: 0.8 x 1.0x > Result: 0.9x 	<p>Achieve order book execution by 2021-2022 of c.34% and average book-to-bill c. 1.0x.</p>
Profitability	<ul style="list-style-type: none"> • Adjusted EBITDA in 2021: > Target: 11-12% > Result: 12% 	<p>It is expected to be above 13% due to the impact of price increases, supply chain and logistics.</p>
Capital Structure	<ul style="list-style-type: none"> • Working capital requirements in 2021: > Target: Limited cash consumption. > Result: + €16 million compared to 2020. • Net Debt in 2021: > Target: c. 1.2x Adjusted EBITDA. > Result: 0.5x • Capex in 2021: > Target: c. €25 million > Result: €25 million 	<p>Maintain against working capital requirements in 2022 a limited cash consumption, a net debt level of c. 1.5x vs Adjusted EBITDA and Capex in line with €25 million in 2021.</p>
Remuneración a los accionistas	<ul style="list-style-type: none"> • New Shareholder Remuneration Programme for 1H2022 	<p>With the preliminary implementation through a Scrip Dividend and share buyback programme, it is expected to reach €10 million and that the remuneration is set to be adjusted in the following years according to the business results.</p>

How do we manage it?

3

- 3.1. Corporate governance structure
- 3.2. Risk management
- 3.3. Ethics and compliance
- 3.4. Social responsibility management

3.1 Corporate governance structure



3.1 Corporate governance structure

GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting of Talgo is the body in which all the shareholders convened meet to deliberate and decide on matters within their competence or to be informed of such other matters as the Board of Directors deems appropriate. The Regulations establish that the General Meeting may be attended by all shareholders who hold at least one share, individually or in group with other shareholders, on the basis of one vote for each share.

The Ordinary General Meeting held on 13 May 2021 was attended by 189 shareholders, holders of 83,223,089 shares representing 65.528 % of the share capital, the final attendance quorum exceeded 25% of the subscribed share capital with voting rights required by Article 193 of the Capital Companies Act, to which Article 18 of the Company Bylaws refers for the valid constitution of the Meeting on first call.

In reference to the resolutions passed at the last meeting held, the following stand out:



Talgo

- Approval of the Company's individual and consolidated financial statements for 2020.
- Approval of the individual management reports of the Company and consolidated with its subsidiaries for 2020.
- Approval of the statement of non-financial information for 2020.
- Approval of the corporate management and the performance of the Board of Directors during 2020.
- Approval of the proposal for the application of the result corresponding to 2020.
- Consultative vote on the Annual Report on Directors' Remuneration for 2020.
- Approval, if applicable, of the remuneration of the members of the Board of Directors for 2021.
- Ratification of the appointment of Mr. Gonzalo Urquijo Fernández de Aroz as director, with the qualification of executive director, by the co-option system.
- Ratification of the appointment of Marisa Poncela García as director, with the qualification of external independent director by the co-option system.
- Re-election of DELOITTE as Statutory Auditor of the Company and its consolidated group for a term of one (1) year, i.e., for 2021.
- Delegation of powers to formalise and execute all resolutions adopted by the General Shareholders' Meeting, to convert them into a public instrument and for their interpretation, correction, supplementation, development and registration.

BOARD OF DIRECTORS

The Board of Directors is the highest administrative and representative body of Talgo, which functions as a supervisory and control body. At 2021 year-end, it is made up of a minimum of ten and a maximum of 15 members, who are appointed and ratified by the General Shareholders' Meeting in accordance with the Articles of Association and the Regulations of the Board of Directors. The most significant change took place in March 2021, with the appointment of Gonzalo Urquijo Fernández de Aroz as the new Chief Executive Officer, replacing José María Oriol, who became non-executive Vice Chairman.

The composition of the Board of Directors reflects Talgo's commitment to all Good Governance recommendations. The presence of seven independent directors and two external directors with extensive experience in the sector is noteworthy. In addition, there are two executive directors and three proprietary directors.

Throughout 2021, Talgo's Board of Directors met a total of 11 times with a percentage of attendance in person over the total number of votes during the year of 95.75%.

3.1 Corporate governance structure

MEMBERS OF THE BOARD OF DIRECTORS IN 2021

Mr. CARLOS DE PALACIO - Executive Chairman

Executive Chairman of Talgo since his appointment in 2002. From 1998 to 2002, he was a director representing his family branch and institutional representative at the European level. He gained professional experience in the area of Community Law at the European Commission and as a lawyer in Spain and the United Kingdom. In addition, he combined his professional experience with teaching at the European College of Bruges (Belgium).

Mr. GONZALO URQUIJO FERNANDEZ DE ARAOZ - Chief Executive Officer

He began his professional career in the banking sector, at Citibank and Credit Agricole, later developing his professional activity in the steel sector. He was Chief Financial Officer of Aceralia and subsidiaries, General Manager of the Arcelor Group, as well as Chairman of ArcelorMittal España and member of the general management of ArcelorMittal. He was Executive Chairman of Abengoa and member of the Board of Directors of several companies, including Gestamp, Fertiberia and Atlantica Yield. He is also Chairman of the Hesperia Foundation and a member of the Board of the Princess of Asturias Foundation.

Mr. JOSE MARÍA ORIOL FABRA - Non-Executive Vice Chairman

Chief Executive Officer of Talgo since 2002 and has 32 years of experience in the railway industry. He joined Talgo in 1987 and since then has held various positions in the group, including purchasing manager, financial director and general manager of different Talgo subsidiaries. Previously, he worked as a credit analyst at Citibank.

Mr. FRANCISCO JAVIER BAÑÓN TREVIÑO - Member of the Appointments and Remuneration Committee (Proprietary)

One of the three founding partners of Trilantic Europe and is currently a director of Pacha and Vertex Bioenergy. Prior to joining Lehman Brothers Merchant Banking in 2004 as Co-Head of Merchant Banking in Europe, Bañón was Managing Director of DB Capital Partners and Bankers Trust Private Equity Group.

Mr. EMILIO NOVELA BERLÍN - Chairman of the Audit Committee (Independent)

He represents Banco Santander on the Board of the Spanish Private Banking Association and is also a member of the Board of Merlin Properties and Openbank, S.A. In addition, Novela holds important positions, among others, at the Confederation of Businessmen of Madrid (CEIM), Reyat Urbis, S.A. and Dixi Media Digital, S.A.

Mr. ANTONIO OPORTO DEL OLMO - Member of the Strategy Committee (Independent)

Member of the Board of Directors of the European Bank for Reconstruction and Development (EBRD) in London, chairing the Budget and Administration Committee and the Financial Operations and Standards Committee, he was also a member of its Audit Committee. Additionally, he has been a director of other public and private companies, including Banco Árabe Español, Compañía Sevillana de Electricidad, ACS/ Dragados, Eolia, Carboex and Talgo (from 2012 to 2013).

3.1 Corporate governance structure

MEMBERS OF THE BOARD OF DIRECTORS IN 2021

Mr. IGNACIO MATAIX ENTERO - Member of the Audit Committee (Independent)

General Director of Defence, Transport and Air Traffic at Indra. Previously, he was Chief Executive Officer of Industria de Turbo Propulsores (ITP), and was also Chairman and member of the Board of the group's companies. Previously, Mataix Entero was General Manager of Corporate Development of Sener Grupo de Ingeniería (SGI), where during that period and thereafter he was a member of the Board of Directors of Sener Grupo de Ingeniería and Sener Ingeniería de Sistemas.

Mr. SEGUNDO VALLEJO ABAD (External)

42 years of experience in positions of responsibility in the railway sector. He has been industrial general manager of Talgo from 2003 to 2018, covering technical management, manufacturing management, maintenance management, project management, as well as Renfe customer relations and trade unions.

Mr. JUAN JOSÉ NÁRDIZ AMURRIO - Member of the Strategy Committee (Independent)

Chairman of Martinrea Honsel, having previously been Vice Chairman of Operations at Martinrea Honsel. He has held chairmanship positions in companies such as European Die Casting Association and Tafime S.A., holding positions as engineer, sales manager, expansion director and Chief Executive Officer.

Mr. CHARLES POPE - Member of the Appointments and Remuneration Committee (Independent)

Chairman of PFI Group, LLC and Chairman of the Board of Directors of R.R. Donnelley & Sons, Inc. Previously, he was Chairman of the Board of Waste Management, Inc. and Chairman of the Board of MotivePower Industries, Inc. Prior to joining MotivePower, Pope was Chairman, Operations Manager and a member of the Board of United Airlines and UAL Corporation until it was acquired by its employees in July 1994.

Mr. RAMÓN HERMOSILLA (External)

He is since 2015 one of the managing and founding partners of the law firm Ramón Hermosilla Abogados. He began his professional career as a lawyer in the law firm Melchor de las Heras (currently Albiñana & Suárez de Lezo). Additionally, he was chairman of the law firm Ramón Hermosilla & Gutiérrez de la Roza, S.L.P. until December 2014.

Ms. MARISA PONCELA (Independent)

From May 2019 to September 2020, Poncela has been the International Director of Renfe Operadora. She has a degree in Economics and has been a member of the State Corps of Commercial Technicians and Economists since 1989 and of the Corps of Commercial Diplomats since 1984. She is an expert in defining internationalisation and innovation strategies for companies, in project and company financing and has extensive knowledge of the functioning of international multilateral organisations.

3.1 Corporate governance structure

MEMBERS OF THE BOARD OF DIRECTORS IN 2021

Mr. ALBERTUS MEERSTADT - Chairman of the Appointments and Remuneration Committee (Independent)

Managing partner of the CMR agency. Previously, he was Vice Chairman of the Supervisory Board of Lucas Bols and a member of the Supervisory Board of ABN AMRO. He was Chief Executive Officer of the Executive Board of NV Nederlandse Spoorwegen (Netherlands Railways), a leading train and station operator in the Netherlands. He joined the company in 2001 as commercial director.

Mr. MIGUEL ABELLÓ (Proprietary - Nueva Compañía de Inversiones S.A.)

Mr. JAVIER OLASCOAGA (Shareholder - Pegaso Rail International S.C.A.)

The Regulations of the Board of Directors regulate the duties and obligations of the directors, especially with regard to situations of conflict of interest, which must be disclosed at any time.

Talgo's Board of Directors currently has three Committees with their respective duties:

- Audit Committee, an internal informational and consultative body that oversees the proper functioning of the information and internal control systems, made up by Mr. Emilio Novela Berlín as Chairman, and by Ignacio Mataix Entero and Pegaso Transportation International as members. In 2021 it met on 5 occasions.
- Appointments and Remuneration Committee, an internal body with powers to evaluate and control corporate governance, with Mr. Albertus Meerstadt as Chairman, and Mr. John Charles Pope and Mr. Javier Bañón Treviño as members. In 2021 it met on 7 occasions.
- Strategy Committee, an internal body with powers to provide technical support to the Board of Directors, in relation to the organisation and strategic coordination of Talgo, with Mr. Antonio Oporto del Olmo as Chairman, and José María Oriol Fabra, Pegaso Transportation International, Mr. Juan José Nárdiz Amurrio, Ms. Marisa Poncela García and Mr. Gonzalo Pedro Urquijo Fernández de Araoz as members. In 2021 it met on 4 occasions.

BOARD OF DIRECTORS' REMUNERATION POLICY

Talgo has an attractive and competitive Remuneration Policy for its directors. It is designed by the Appointments and Remuneration Committee under criteria of transparency, clarity and simplicity that are easily understood. The Remuneration Policy consists of a fixed remuneration in the case of independent directors. Executive directors do not receive any remuneration in their capacity as directors, and the remuneration received for their scope as executives consists of a fixed remuneration, salary supplements, and a variable remuneration determined on the basis of financial and non-financial objectives, as well as personal objectives.

During 2021, the Shareholders' Meeting of Patentes Talgo S.L.U. approved a cash remuneration plan with a commitment to purchase shares for both executive directors and executives (eligible group) with a three-year time horizon (2021-2023) and a maximum amount of 1.5 million euros for executive directors, linked to the fulfilment of a series of strategic objectives, the increase in the value of the share and permanence until the end of the time horizon. The amount accrued by the executive directors amounts to 480 thousand euros.

For further information, please refer to:



3.2 Risk management

Talgo has implemented a risk management model, approved and monitored by the Audit Committee, applicable to all subsidiaries and permanent establishments in all countries where it operates. It ensures that the main risks are identified, assessed and prioritised and, at the same time, it is responsible for establishing the basic mechanisms and principles to achieve a level of risk that allows sustainable business growth, protecting the Group's reputation and promoting good Corporate Governance practices for product delivery and providing a quality service in all those territories where Talgo trains and auxiliary machinery operate.

The Group actively manages these risks and considers that the controls designed and implemented in this regard are effective in mitigating their impact, should they materialise.

The main objective of financial risk management is to ensure the availability of funds to meet commitments with third parties. This management is based on the identification of risks and on the analysis of their tolerance and coverage in order to mitigate them. Talgo's risk management model aims to ensure the achievement of the group's main objectives. The main risks that may affect the achievement of these objectives and the corresponding control measures are as follows:

TYPE OF RISK	MAIN RISKS	CONTROL MEASURES
Environmental and regulatory risk.	<ul style="list-style-type: none"> • Country risk. • Regulatory and socio-political changes. • Entry of new competitors. • Catastrophic risks. • Pandemic risk 	<ul style="list-style-type: none"> • Internationalisation policy and selective growth. Strategy and business development committees. • Health and Safety Committees. • Coordination to ensure adequate compliance with current local legislation and anticipation of regulatory developments. • Insurance coverage.
Financial risks.	<ul style="list-style-type: none"> • Liquidity risk. • Exchange rate risk. • Cash flow interest rate risk. 	<ul style="list-style-type: none"> • Access to various sources of financing. • Interest rate and currency hedges.
Financial information fraud and compliance risk.	<ul style="list-style-type: none"> • Integrity and security of financial information and operations. • Information security risk, corruption and misappropriation. • Tax risk. • Compliance with internal legal regulations and contracts with the public administration. 	<ul style="list-style-type: none"> • Internal Control over Financial Reporting System (ICFR). • Compliance model implemented in the group. • Cybersecurity. • External tax and financial advice by first level entities. • Cybersecurity Committee.
Industrial Risks.	<ul style="list-style-type: none"> • Customer and employee safety. • Risks of adaptation and rapid response to technological changes. • Project control risks. • Training and talent retention risks. • Dependence on suppliers. • Environmental risks. 	<ul style="list-style-type: none"> • Specific policies, procedures, plans and control systems for each area. • Project monitoring and control (Project and Programme Committees). • Training and retention programmes for key staff. • Supplier diversification. • Environmental management systems. Insurance coverage.

3.2 Risk management

During 2021, the risks evaluated with adequate coverage were as follows:

- Strategic risks, those related to the basic strategic lines of the company approved by the Board of Directors.
- Financial risks, including those primarily related to financial and commercial activities.
- Compliance risks, including primarily those related to ethics, good governance, regulation and compliance.
- Operational risks, including mainly those related to market, operation and execution, organisation and people, technology and transportation and logistics.

Risk control and governance is carried out through the company's Management Control Department of the ISO 31000 system, which establishes the guidelines and principles for advanced risk management in the organisation. For the conceptualisation and development of risk management processes, the organisation has its own methodology established and designed based on the proposals and contents of the internal control integrated framework (COSO I, II and III).

During 2021, given the period in which the company is currently in, the main risk detected has been related to the fulfilment of objectives and requirements of key projects in execution phases, which may cause deviations in margins, quality and deadlines. In addition, the consolidation of Talgo's risk management system was carried out, the implementation of the "Governance Risk Control" templates for the quarterly internal monitoring of KRIs (Key Risk Indicators) with risk owners, controls and action plans and for the half-yearly reports to the Management Committee and the Audit Committee, as well as the latter to the Company's Board of Directors.

Looking ahead to 2022, the main actions and projects on risk management for the next financial year is set to be focused on:

- Updating the Risk Map, prioritising critical risks and establishing "Governance Risk Control" templates for monitoring throughout the year 2022.
- Improving the system for measuring the KRIs established by risk owners and determining tolerance levels in a more concise manner.
- Increasing the relevance of non-financial risks in the risk management system, in line with Talgo's sustainability and responsibility management model.
- Consolidating risk assessment criteria for the different risk owners through corporate homogenisation.
- Participating in the Global Risk Report 2022 to be presented at the World Economic Forum. The objective is to be familiar with the new risk scenario and the foreseen evaluation in order to know which will be the main risks in the industrial environment and especially in the railway sector.
- Collaborate in the preparation of the Allianz Risk Barometer 2022. This study will provide an overview of the most important risks faced by companies in various industries and regions in the short and medium term.
- Conduct an analytical study on the interest of designing and implementing a business continuity management system (BCMS) and the structure of procedures for the management of possible crises that may occur in Talgo.
- Carry out different training actions with the staff to consolidate a risk management culture.

CYBERSECURITY

Talgo has created the Cybersecurity Unit to carry out a more advanced and professional management of this risk implicit in the digitalisation of organisations in general, and of the group in particular.

With a strategy based on a single governance of cybersecurity, risk and maintaining security by default or at source, it is also about generating a culture of cybersecurity among the entire workforce and achieving resilience to any incident. The strategy guidelines are based on the Information Security Policy, which contains the guidelines, rules and commitments for managing the protection, integrity and quality of information.

The Cybersecurity Strategic Plan is managed under the certified ISO 27001 standard that covers all the main activities of the organisation and works on the assurance of Industrial control systems under the ISA/IEC-62443 standard whose objective is to begin to improve the security, integrity, confidentiality and availability of the systems, devices and components that make up the industrial automation and control systems.

Throughout 2021, the cybersecurity team has been consolidated, which will allow directing and executing the strategy, projects and improvements both in the Company and in the product manufactured and maintained; the framework of controls in this area has been revised; and the levels of security and visibility in equipment and communications in remote and teleworking scenarios have been increased. Looking ahead to 2022, the main projects established are focused on the supervision and control of information leaks, technical adaptation of the systems to the National Security Scheme (Esquema Nacional de Seguridad - ENS) and development of train security management systems with technical measures for on-board cyber-surveillance.

CYBERSECURITY INDICATORS

<p>Contained security incidents (-72 hours)</p>	<p>2021</p> <p>96%</p>	<p>2020</p> <p>96%</p>
<p>Managed e-mail fraud</p>	<p>2021</p> <p>857</p>	<p>2020</p> <p>320</p>

3.3 Ethics and compliance

Talgo has a **Code of Ethics** which establishes the standards of responsible behaviour that all professionals and collaborators of the group, regardless of their hierarchical level, location or function, must comply with. It is designed so that the company as a whole responds to the moral and ethical principles expected in today's society and is a key element of the internal control policy and is framed within the crime prevention policy imposed by the new criminal legislation.

This document sets out the ethical values, commitments and best practices that must be applied in the management of the group's activities. It serves as a framework for the development of the Human Rights Policy, the Diversity and Equality Policy and the Harassment Protocol, which aims to ensure the adoption of measures to prevent any situation of harassment and to establish an action procedure to investigate and sanction possible situations of harassment in the workplace.

In Spain, Talgo has an Ethics Committee in each of its work centres that ensures compliance with the rules of conduct. This Committee guarantees the right to personal dignity, the free development of the personality and the protection of physical and moral integrity,

without any discrimination based on gender, marital status, family status, birth, ethnic origin, age, religious beliefs, sexual orientation, opinion, disability, union membership or any other personal or social condition or circumstance.

The purpose of the anti-fraud and anti-corruption policy is to project a strong message of opposition to corruption and fraud in all its manifestations, and the will to eradicate all fraudulent or criminal activities. This policy constitutes a commitment to permanent vigilance and sanctioning of fraudulent acts and conduct or conduct conducive to corruption in all its forms, to maintaining effective communication and awareness-raising mechanisms for all employees, and to developing a corporate culture of ethics and honesty.

The group also has a Whistleblower Channel, managed by a company not related to the group, which is freely accessible internally through the corporate intranet and external access through the corporate website. Through this channel, anybody may report breaches of the Code of Ethics.

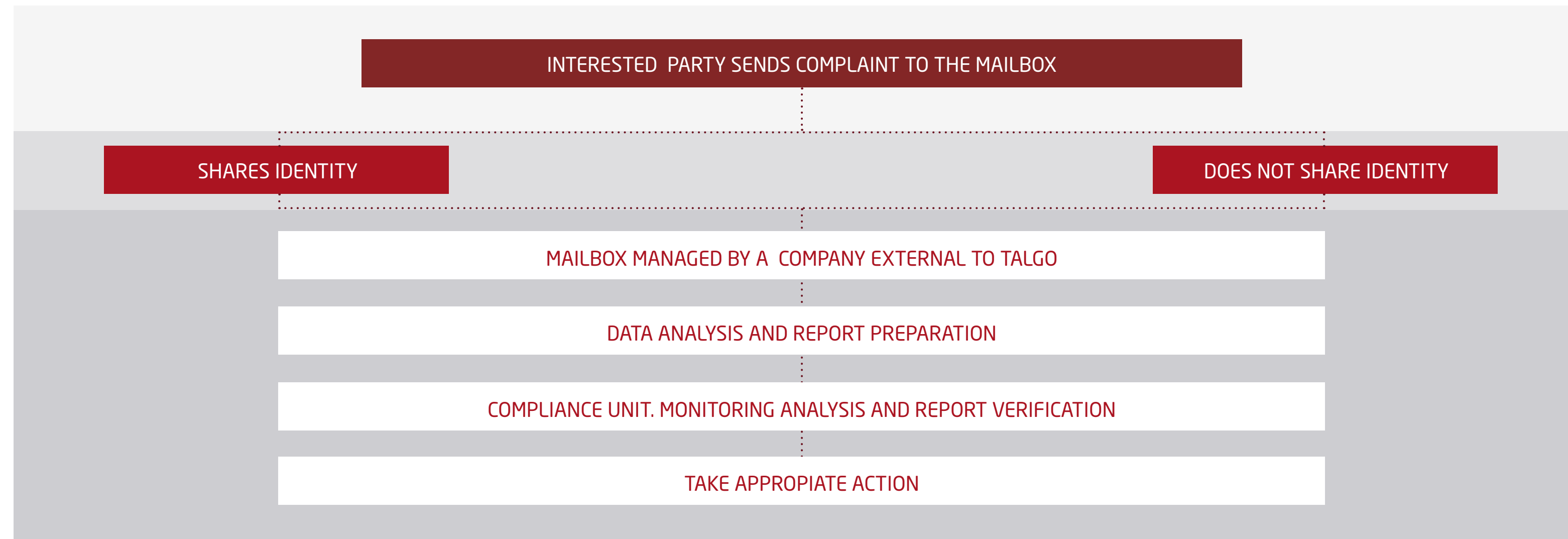
The Compliance Unit is in charge of the forensic investigation process and the drafting of the proposal for action. Of particular relevance in this area are the anti-fraud and anti-corruption policies and the harassment protocol. It is made up of two members of management team and an external advisor, who attend various conferences on related regulations, updates and other matters, thus ensuring that they are kept informed of all the latest developments in the field and ensures that their knowledge is up to date.

	2021	2020
No. of complaints to the code of ethics	6	3
No. of complaints resolved	6	3
No. of people trained in values, code of ethics and target behaviour	459	523

During 2021, Talgo continues to be part of the "CEO for Diversity" alliance, which seeks to promote innovation in diversity, equity and inclusion strategies in Spanish companies, an initiative of the Adecco and CEOE Foundations. The mission of this alliance is to unite companies around a common and innovative vision of diversity, equity and inclusion (D&I) and to accelerate the development of strategies that contribute to business excellence, the competitiveness of talent in Spain and the reduction of inequality and exclusion in Spanish society. The goal is to collaboratively build common missions that are aligned with the interests of our society.

Talgo organised once more in 2021 the Talgo Award for Women's Excellence in Engineering, which, due to the pandemic situation, could not be held in 2020. The winner was Asunción Cámara Obregón, Director of the Polytechnic School of Mieres of the University of Oviedo in recognition of her research work to curb rural depopulation through fully sustainable forest management systems.

Finally, during the past financial year, the consolidation of SAP's governance, risk and compliance (GRC) module was carried out, which is expected to be further developed in 2022, as well as training actions to reinforce the creation of a culture with the highest values in the workforce to ensure ethical and responsible behaviour.



3.4 Social responsibility management

Since its inception, Talgo's mission has been to become a national and international benchmark, both in the promotion and defence of knowledge, training and studies, as well as in research in innovation, railway technological development, safety and social and labour integration.

To this end, it has promoted the design of policies and the integration of social responsibility in its organisation, aligning and ordering the various related actions carried out within a global framework. Its values are aligned with Innovation, Commitment, Independence, Transparency, Objectivity and Integrity and Respect.

Following the external audit conducted in 2019 to determine the degree of implementation of ISO 26000 principles in the organisation's policy, Talgo underwent a new assessment during the first quarter of 2021, thus ascertaining the current state of ISO 26000 implementation after two years.

This analysis has resulted in a new Talgo Sustainability and Responsibility model that includes all the possible stages for its excellent management and the most relevant areas in which responsible, ethical and sustainable management can be carried out within the organisation. This new approach, understood as a global and widespread implementation, includes all the organisation's processes and all its organisational units, and is based on five major levers:



Building a culture of responsibility, ethics and sustainability in the management and development of the organisation's processes and products.

The design, implementation and development of the strategic lines of action and systematic programmes and projects to advance the S&R.

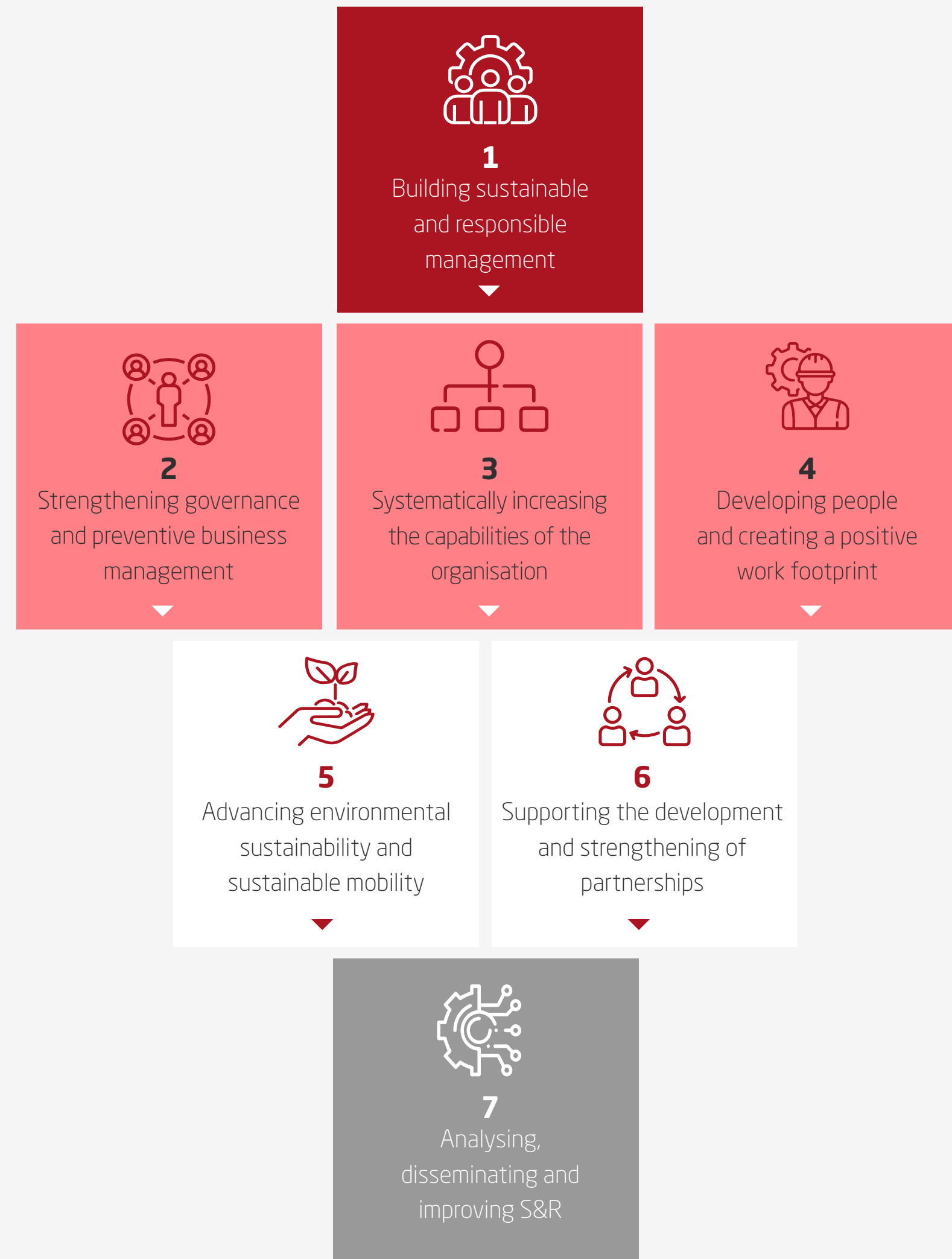
The focus is on "imprinting" Talgo's most valuable economic, labour, ethical, social and environmental footprints on stakeholders and systematically improving the results obtained in the medium term.

The construction of a framework of relations with stakeholders to achieve their trust, their participation in management ("engagement") and their "voice" about the management performed, their requirements and their expectations.

Unconditional support for sustainable development and the Sustainable Development Goals (SDGs).

3.4 Social responsibility management

For its governance, monitoring and improvement, a specialised S&R Committee will be created in 2022, which will be guided by the following established lines of action:



In parallel, Talgo already has management tools and specific actions in place that respond directly to the seven social responsibility principles of ISO 26000, related to accountability, transparency, ethical behaviour, respect for the interests of stakeholders, respect for the principle of legality, respect for international standards of behaviour, and respect for human rights.

In addition, the company publicly adhered and committed on 12 September 2018 to the General Assembly of the Spanish Global Compact Network, becoming part of and a member of the Executive Committee of the Spanish Global Compact Network. Currently, in all of Talgo's activities and projects, the Sustainable Development Goals (SDGs) of the United Nations Global Compact are rigorously observed in order to integrate them in all phases of the projects it develops, with special attention to:

Looking ahead to 2022, the main projects and priorities are focused on the approval of the new Sustainability and Responsibility Strategic Plan 2022-2024 and its implementation, as well as a new stakeholder management methodology with a definition and prioritisation of new categories and types, the design of conceptual frameworks for relations and the channels to be used, and the design and implementation of the dialogue and participation format. At the same time, there are plans to establish a new methodology for managing materiality and relevant issues, the strategy and courses of action to respond to Talgo's Sustainable Development Goals and the implementation of structures and tools to respond to the future European directive on due diligence in human rights and the environment.



4

About this report

- 4.1. Methodology, scope and coverage
- 4.2. Materiality analysis
- 4.3. GRI Index

4.1 Methodology, scope and coverage

This report follows the principles of transparency, relevance, comparability, periodicity, clarity and reliability that Talgo has kept in mind throughout the information gathering and presentation process, which are necessary to guarantee the quality of the data reported.

The measurement and data calculation techniques, as well as the estimates applied, are explained in the tables or in the corresponding chapters of the report to facilitate their understanding, in the event that such clarification was deemed necessary.

The Talgo 2021 Annual Report provides comprehensive information on the economic, financial, social, environmental and governance activities of the company and its subsidiaries for the year ending 31 December 2021.

For a correct interpretation of the economic and financial data presented in this report, readers should note that the 2020 figures have been adjusted to be comparable with those

of 2021. Non-financial information is shown based on the recommendations of the GRI and IIRC Standards.

For further information on the group's activities throughout the year, please refer to the legal documents available on the corporate website: Annual Financial Statements, Annual Corporate Governance Report and Annual Report on Directors' Remuneration, as well as all the presentations published on various aspects of the group or in the other sections aimed at the different stakeholders.

The report has been prepared with the collaboration and supervision of all the heads of the different departments and areas. The Investor Relations Department is ultimately responsible for its preparation and coordination.



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<https://www.talgo.com/>



Manufacture of railway vehicles, components and equipment, as well as repair and modifications services.



Talgo is present in 9 countries: Spain, Germany, Denmark, Saudi Arabia, Egypt, USA, Kazakhstan, Russia and Uzbekistan; and is listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges.

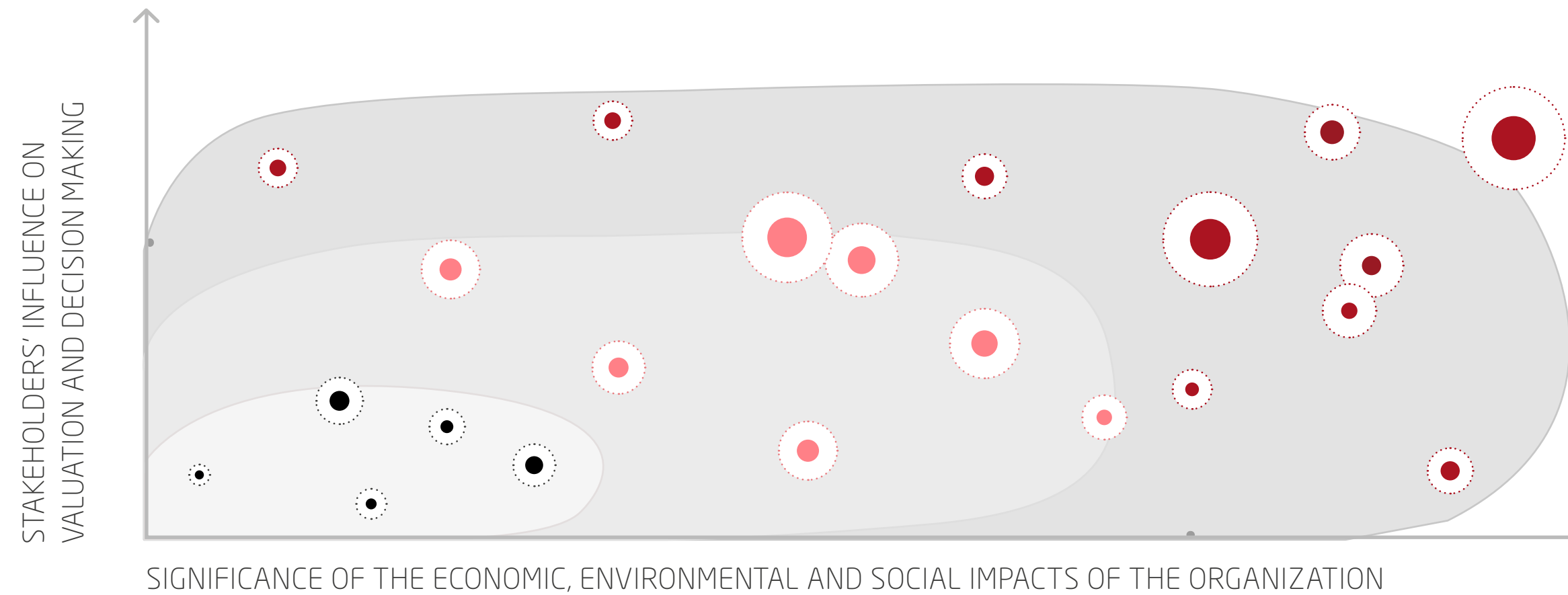
4.2 Materiality analysis

During 2021, a materiality analysis was conducted to determine the most relevant issues from the dual perspective of the company's internal priorities and the external priorities of its stakeholders. Within this process, the definition of Talgo's stakeholders and its interaction with them was taken into account, as shown in the attached table.

Stakeholder	Description	What Talgo needs from them	What are their interests with respect to Talgo
Board of Directors and Management Committee	Members of the Committees with the capacity to influence the company's strategy.	Information on the business strategy and its involvement in the creation of Shared Value and Corporate Social Responsibility.	Profitability, generation of quality and sustainable employment and respect and conservation of the environment.
Employees and Works Committees	People working in the Group, regardless of their employment or business relationship with the Group.	Involvement in business development.	Generation of quality and sustainable employment.
Customers	Individuals or legal entities that purchase products marketed by the Group.	Information on demand and demand trends. Marketing agreements.	Responding to market trends.
Suppliers and Providers	Individuals or legal entities that provide goods or services to the Group.	Financing, matching inputs to market trends (traceability).	Feasibility and profitability. Continuous supply.
Consumers	Mostly public administrations and private customers who demand our products or services.	Information on its technology needs	Quality, price, technology, other.
Media	Understood as the instruments used in society to inform and communicate messages.	Market trend information	Information.
Academia and Research	Individuals or institutions prominent in the sciences, who collectively carry out certain activities in connection with the activities of the Group.	Adaptation of training and practical programmes to the needs of the sector. Participation in research lines of strategic interest.	Internships and stable employment. Participation in research projects.
Non-Governmental Organisations	Non-profit institutions that carry out activities of social interest, environmental, labour, etc. that can be related to the Group's operations.	Information on trends. Support and accompaniment in strategic lines of work.	SDG compliance, partnership building.
Public Administrations	A set of institutions and organisations of a public nature with which the Group must interact in the exercise of its business activity.	Design of appropriate policies for business development in terms of innovation, competitiveness, as well as fiscal and labour policies.	Regulatory compliance and sectoral development, generation of wealth and sustainable employment.
Associations	Private, non-profit organisations to defend common interests in a given field and territory.	Information on trends. Support and accompaniment in strategic lines of work.	SDG compliance, partnership building.
Local communities and society at large	A set of people who relate to each other and who share the same culture in a specific space or time, and who relate to the companies or professionals in the group.	Information on needs and expectations.	Sustainable local development, employment generation and respect for the environment. Commitment to SDGs.

4.2 Materiality analysis

On this basis, leading representatives of each stakeholder group were selected to participate in personal surveys in which they were asked to rate the relevance of fourteen previously identified material aspects. The relevance values for each of the material aspects were calculated as averages weighted by the number of responses from each group and distributed on two axes: for external stakeholders and for internal stakeholders. Based on the prioritisation and weighting, a materiality matrix was generated to identify in a simple and visual way those aspects understood as most relevant for Talgo, as shown in the relevance hierarchy table.



RELEVANCE HIERARCHY

Prioritisation	Material appearance	Axis
High relevance	<ul style="list-style-type: none"> 9. We guarantee the safety of our products 6. We work to improve occupational health and safety. 2. We reduce our consumption of energy, water and materials. 4. We are committed to labour responsibility 1. We advocate good governance 10. We guarantee the quality of our products. 	<ul style="list-style-type: none"> Product People Environment and Sustainability People Ethics Product
Average relevance	<ul style="list-style-type: none"> 3. We reduce our emissions and waste generation. 8. We promote equality and diversity 5. We encourage professional and personal development 11. We innovate for maximum efficiency. 	<ul style="list-style-type: none"> Environment and Sustainability People People Product
Moderate relevance	<ul style="list-style-type: none"> 14. We spearhead social development projects 7. We work to strengthen our pride of belonging 12. We invest in assets 13. We promote job creation and knowledge transfer 	<ul style="list-style-type: none"> Communities People Communities Communities



4.3 GRI Index



GRI STANDARDS

GRI 101: FUNDAMENTALS 2016

GRI 102: GENERAL CONTENTS 2016

Content	Page	Response / Remarks
102-1 Name of organisation	52	
102-2 Activities, brands, products and services	31-34	
102-3 Location of the organisation's headquarters	52	
102-4 Location of operations	32	
102-5 Ownership and legal form	30	
102-6 Markets and services	31-34	
102-7 Size of the organisation	3	
102-8 Information on employees and other workers	14, 63-65	
102-9 Supply chain	24-26	
102-10 Significant organisational and supply chain changes	7	
102-11 Precautionary principle or approach	20	
102-12 External initiatives	50	
102-13 Membership of associations	25	
102-14 Statement from senior executives responsible for decision making	4-5	
102-16 Values, principles, standards and codes of conduct	30, 48	
102-18 Governance structure	41-45	
102-40 List of stakeholders	53	
102-41 Collective bargaining agreements	19	
102-42 Identification and selection of stakeholders	53	
102-43 Approach to Stakeholder Engagement	53	
102-44 Key issues and concerns mentioned	53-54	
102-45 Entities included in consolidated financial statements	-	See 2021 ACs.
102-46 Definition of the contents of the reports and the Coverage of the subject matter	54	
102-47 List of material items	54	
102-48 Restatement of information	-	There was no restatement of information.
102-49 Reporting changes	52	
102-50 Reporting period	52	
102-51 Date of last report	-	May 2021
102-52 Annual report preparation cycle	-	Annual
102-53 Point of contact for queries about the report	52	investors@talgo.com
102-54 Statement of preparation of the report in accordance with GRI Standards	-	This report has been prepared in accordance with the Core option of the GRI Standards.
102-55 GRI Table of Contents	58	
102-56 External verification	-	This report has not been externally verified.

4.3 GRI Index



Material contents	Page	Response / Remarks
GRI 200 ECONOMIC DIMENSION		
Indirect economic impacts		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	8
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	8-11
Procurement practices		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	24-25
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	26
Anticorruption		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	48
GRI 205: Anti-corruption 2016	205-2 Communication and training on anti-corruption policies and procedures 205-3 Confirmed corruption cases and actions taken	48
ENVIRONMENTAL PERFORMANCE		
Materials		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	20-22
GRI 301: Materials 2016	301-1 Materials used by weight or volume	23
Energy		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	20-22
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	23

Contenidos materiales	Page	Response / Remarks
Emissions		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	20-22
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	23
Waste		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	20-22
GRI 306: Waste 2020	306-3 Waste generated	23
GRI 400 SOCIAL DIMENSION		
Occupational Health and Safety		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	17-18
GRI 403: Occupational Health and Safety 2018	403-4 Worker involvement, consultation and communication on occupational health and safety	17-18
Training and education		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	14,19
GRI 404: Training and education 2016	404-1 Average hours of training per year per worker	19
Diversity and equal opportunity		
GRI 103: Management approach 2016	103-1 Explanation of the material subject and its coverage 103-2 Management approach and its components 103-3 Evaluation of management approach	14,16
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity in governance bodies and employees	15, 63-65

Annexes

Group Consolidated Financial Statements

Individual Financial Statements

Human resources tables

Group Consolidated Financial Statements



CONSOLIDATED BALANCE

(in €k)	31,12,2021	31,12,2020
ASSETS		
Non-current assets		
Property, plant and equipment	61,125	62,136
Intangible assets	60,839	53,095
Goodwill	112,439	112,439
Investments accounted for by the equity method	29	29
Deferred tax assets	27,133	28,192
Derivative financial instruments	168	-
Other financial assets	1,134	1,079
	262,867	256,970
Current assets		
Stock	133,219	145,336
Trade and other receivables	363,871	260,233
Derivative financial instruments	1,218	-
Other financial assets	115	10,128
Asset accruals and deferrals	17,224	1,899
Cash and cash equivalents	252,978	228,304
	768,625	645,900
TOTAL ASSETS	1,031,492	902,870

(in €k)	31,12,2021	31,12,2020
NET EQUITY		
Capital and reserves attributable to owners of the parent entity		
Share capital	37,156	38,228
Additional paid-in capital	871	871
Own equity instruments	(3,251)	(23,051)
Other reserves	2,752	1,479
Retained earnings	249,477	240,142
	287,005	257,669
Non-controlling interests	3,894	-
Total shareholders' equity	290,899	257,669
LIABILITIES		
Non-current liabilities		
Outside resources	276,649	265,004
Derivative financial instruments	26	48
Deferred tax liabilities	8,707	8,420
Provisions for other liabilities and expenses	50,966	53,475
Government grants	3,152	2,211
	339,500	329,158
Current liabilities		
Suppliers and other accounts payable	357,108	265,143
Current tax liabilities	429	252
Outside resources	41,358	48,000
Provisions for other liabilities and expenses	2,198	2,648
	401,093	316,043
Total liabilities	740,593	645,201
TOTAL EQUITY AND LIABILITIES	1,031,492	902,870

CONSOLIDATED INCOME STATEMENT

(in €k)	Note	31.12.2021	31.12.2020
Net sales		555,413	487,100
Other income		1,098	1,882
Changes in inventories of finished goods and work in progress		(405)	(245)
Work performed by the entity and capitalised		8,612	13,195
Cost of supplies		(314,737)	(309,686)
Employee remuneration expenses		(142,511)	(123,710)
Other operating expenses		(48,123)	(55,286)
Amortisation costs		(18,617)	(16,742)
Gain or loss on disposal of fixed assets		24	(19)
Other results		657	295
Operating profit		(41,411)	(3,216)
Financial income		2,414	308
Financial costs		(8,138)	(9,395)
Net financial costs		(5,724)	(9,087)
Results of entities accounted for by the equity method		-	-
Profit before taxes		35,687	(12,303)
Income tax expense		(8,155)	(5,143)
Profit for the year from continuing operations		27,532	(17,446)
Year's profit		27,532	(17,446)
Attributable to:			
Parent company shareholders		27,556	(17,446)
Non-controlling interests		(24)	-
Basic (Losses)/earnings per share attributable to the Company's shareholders			
Ongoing activities		0.22	(0,14)
Total		0.22	(0,14)
Diluted (Losses)/earnings per share attributable to the Company's shareholders			
Ongoing activities		0.22	(0,14)
Total		0.22	(0,14)
Year's profit		27,532	(17,446)
Other overall result:			
Direct allocation to equity:			
Other income and expenses		(1)	-
Cash flow hedge, net of taxes		1,056	15
Foreign currency exchange differences		217	(1,713)
Transfer to the result:			
Cash flow hedges		-	-
Tax effect of cash flow hedging		-	-
Total Other comprehensive income		1,272	(1,698)
Total overall result for the year		28,804	(19,144)
Attributable to:			
Parent company shareholders		28,828	(19,144)
Non-controlling interests		(24)	-

CONSOLIDATED CASHFLOW STATEMENT

(in €k)	2021	2020
Cash flows from operating activities (Note 28)	43,620	(76,409)
Cash used in operations	(13,974)	(9,150)
Interest paid	(7,555)	(6,076)
Interest collected	12	43
Taxes paid	(6,431)	(3,117)
Net cash provided from operating activities	29,646	(85,559)
Cash flows from investment activities		
Acquisitions of property, plant and equipment (Note 6)	(8,914)	(8,839)
Acquisitions of intangible assets (Note 7)	(16,235)	(15,860)
Sale of property, plant and equipment (Note 6)	27	-
Consolidated companies, net of cash	3,891	-
Other assets (Note 10)	10,053	-
Net cash used in investment activities	(11,178)	(24,699)
Cash flows from financing activities		
Loan cancellation disbursements (Note 18)	(111,040)	(68,639)
Income from borrowed funds received (Note 18)	117,367	95,886
Acquisition of equity instruments	(121)	(14,235)
Net cash used/(generated) in financing activities	6,206	13,012
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	24,674	(97,246)
Cash, cash equivalents and bank overdrafts at beginning of year (Note 13)	228,304	325,550
Cash, cash equivalents and bank overdrafts at end of year (Note 13)	252,978	228,304

Individual financial statements



INDIVIDUAL BALANCE

ASSETS (in €k)	2021	2020
NON-CURRENT ASSETS	151,440	151,440
Non-current investments in group companies and associates	150,317	150,317
Shares in group companies	150,317	150,317
Deferred tax assets	1,123	1,123
CURRENT ASSET	5,597	3,474
Trade and other receivables	3,483	278
Treasury debtor	3,483	278
Cash and cash equivalents	2,114	3,196
TOTAL ASSETS	157,037	154,914

NET WORTH AND LIABILITIES (in €k)	2021	2020
NET EQUITY	73,029	70,906
Shareholders' equity	73,029	70,906
Structure	37,156	38,228
Additional paid-in capital	871	871
Legal Reserve	8,237	8,237
Own equity instruments	(3,251)	(23,051)
Other reserves	27,771	2,862
Income for the year	2,245	43,759
NON-CURRENT LIABILITIES	82,288	82,739
Non-current provisions	10,124	10,124
Non-current debt	72,164	72,615
Non-current debt with credit institutions	32,457	32,425
Non-current debt with group companies and associates	39,707	40,190
CURRENT LIABILITIES	1,720	1,269
Current debt	1,580	1,177
Current debt with credit institutions	91	91
Current debts with group companies and associates	1,489	1,086
Commercial creditors and other payables	140	92
Other accounts payable	140	92
TOTAL EQUITY AND LIABILITIES	157,037	154,914

INDIVIDUAL INCOME STATEMENT

ONGOING OPERATIONS (in €k)	2021	2020
Net turnover	4,000	45,000
Other operating expenses	(1,284)	(749)
Outside services	(262)	(285)
Other current administrative expenses	(1,022)	(464)
OPERATING INCOME	2,716	44,251
Financial expenses	(471)	(492)
FINANCIAL INCOME	(471)	(492)
INCOME BEFORE TAXES	2,245	43,759
Income taxes	-	-
INCOME FOR THE YEAR FROM ONGOING OPERATIONS	2,245	43,759
INCOME FOR THE YEAR	2,245	43,759

INDIVIDUAL CASHFLOW STATEMENT

(in €k)	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES	881	46,379
Income for the year before taxes	2,245	43,759
Adjustments to income	471	492
Financial expenses	471	492
Changes in working capital	46	(69)
Accounts payable and other payables	46	(69)
Other cash flows from operating activities	3,643	2,197
Payment of interest	438	(531)
Payment /Corporate income tax receivable	(3,205)	2,728
CASH FLOWS FROM INVESTMENT ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	(201)	(52,624)
Proceeds and payments for equity instruments	(121)	(14,235)
Acquisition of equity instruments	(121)	(14,235)
Receivables and payments for financial liability instruments	(80)	(38,389)
Payments of bank and other debts	-	(32,500)
Collection of debts with credit institutions and other debts	-	32,418
Payable to group companies and associates	(80)	(38,307)
NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS	1,082	(6,245)
Cash or cash equivalents at beginning of year	3,196	9,441
Cash or cash equivalents at end of year	2,114	3,196

Human resources tables

STAFFING BY TYPE OF CONTRACT, AGE, GENDER AND EMPLOYMENT CATEGORY (31 DECEMBER 2021)

Professional classification	Female	Male	Total
Senior Management	4	8	12
Between 30 and 50 years old	3	1	4
Over 50 years old	1	7	8
Address	6	44	50
Between 30 and 50 years old	5	28	33
Over 50 years old	1	16	17
Middle Management	65	342	407
Between 30 and 50 years old	60	250	310
Over 50 years old	5	79	84
Under 30 years old	-	13	13
Technical, administrative and others	297	1,945	2,242
Between 30 and 50 years old	204	1,284	1,488
Over 50 years old	39	267	306
Under 30 years old	54	394	448
Total	372	2,336	2,711

STAFFING BY TYPE OF CONTRACT DISTRIBUTED BY GENDER AND PROFESSIONAL CLASSIFICATION (31 DECEMBER 2021)

Professional classification	Permanent	Rest	Grand total	Percentage	Percentage
Senior Management	12	-	12	100%	0%
Female	4	-	4	100%	0%
Male	8	-	8	100%	0%
Address	48	2	50	96%	4%
Female	5	1	6	83%	17%
Male	43	1	44	98%	2%
Middle Management	389	18	407	96%	4%
Female	60	5	65	92%	8%
Male	329	13	342	96%	4%
Technical, administrative and others	2,054	188	2,242	92%	8%
Female	286	11	297	96%	4%
Male	1,768	177	1,945	91%	9%
Total	2,503	208	2,711	92%	8%

FULL-TIME AND PART-TIME STAFF BY GENDER, AGE AND PROFESSIONAL CLASSIFICATION (31 DECEMBER 2021)

Professional classification	Full-time	Part-time	Total	Percentage full-time	Percentage part-time
Senior Management	12	-	12	100%	0%
Female	4	-	4	100%	0%
Male	8	-	8	100%	0%
Address	50	-	50	100%	0%
Female	6	-	6	100%	0%
Male	44	-	44	100%	0%
Middle Management	407	-	407	100%	0%
Female	65	-	65	100%	0%
Male	342	-	342	100%	0%
Technical, administrative and others	2,223	19	2,242	99%	1%
Female	293	4	297	99%	1%
Male	1,930	15	1,945	99%	1%
Total	2,692	19	2,711	99%	1%

AVERAGE ANNUAL NUMBER OF PERMANENT CONTRACTS AND THE REST OF 2021, BROKEN DOWN BY GENDER, AGE AND PROFESSIONAL CLASSIFICATION, EXCLUDING EMPLOYEES WITH REDUCED WORKING HOURS

Professional classification	Full-time	Part-time	Total
Senior Management	13	-	13
Female	4	-	4
Between 30 and 50 years old	3	-	3
Over 50 years old	1	-	1
Male	9	-	9
Between 30 and 50 years old	2	-	2
Over 50 years old	7	-	7
DIRECCIÓN	44	2	46
Female	3	1	4
Between 30 and 50 years old	2	1	3
Over 50 years old	1	-	1
Male	41	1	42
Between 30 and 50 years old	26	1	27
Over 50 years old	15	-	15
MANDOS INTERMEDIOS	378	12	390
Female	56	3	59
Under 30 years old	1	-	1
Between 30 and 50 years old	50	3	53
Over 50 years old	5	-	5
Male	322	9	331
Under 30 years old	11	2	13
Between 30 and 50 years old	234	7	241
Over 50 years old	77	-	77
MANDOS INTERMEDIOS	2,057	164	2,221
Female	288	13	301
Under 30 years old	52	5	57
Between 30 and 50 years old	199	8	207
Over 50 years old	37	4	41
Male	1,769	151	1,920
Under 30 years old	297	96	393
Between 30 and 50 years old	1,219	51	1,270
Over 50 years old	253	4	257
Total	2,492	178	2,670

DISMISSALS DUE TO DISCIPLINARY DISMISSAL DURING 2021 BROKEN DOWN BY GENDER, AGE AND PROFESSIONAL CLASSIFICATION

Professional classification	Total
Senior Management	2
Between 30 and 50 years old	1
Male	1
Over 50 years old	1
Male	1
Middle Management	4
between 30 and 50 years old	3
Male	3
Over 50 years old	1
Male	1
Técnicos, administrativos y otros	41
Menor 30 años	11
Male	11
between 30 and 50 years old	28
Femenino	2
Male	26
Over 50 years old	2
Male	2
Total	47



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