

Talgo, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December
2024 and Consolidated Directors'
Report, together with Independent
Auditor's Report

*Translation of a report originally issued in Spanish
based on our work performed in accordance with
the audit regulations in force in Spain. In the
event of a discrepancy, the Spanish-language
version prevails.*

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Talgo, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Talgo, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2024, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of manufacturing revenue by reference to the stage of completion

Description

The Group engages mainly in the manufacture of railway transport materials, systems and equipment and, in relation to long-term manufacturing contracts, it recognises the revenue and profit or loss thereon by reference to the estimated stage of completion, determined on the basis of the costs incurred as a percentage of the total estimated costs of each contract.

Determination of the stage of completion necessarily involves a high degree of complexity and estimation by the Parent's management and directors in relation to, inter alia, the estimation of the total costs to be incurred in each contract and the estimation of the margin taking into consideration the expected revenue and the estimated costs to be incurred.

These judgements and estimates are made by the persons in charge of the performance of the projects, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied. In this regard, among other things, the project budgets require a significant degree of monitoring.

Accordingly, occurrence in the recognition of revenue from these contracts was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process involved in recognising revenue by reference to the stage of completion, as well as tests to verify that the aforementioned controls operate effectively. In particular, we selected those performed by the persons in charge of each area, supervised by management of the Group, relating to the reviews of the cost variances and budgets of the projects and the estimated percentage of completion.

Also, we performed substantive audit procedures including, among others, a sample selection, based on both quantitative and qualitative criteria, of the contracts, and the in-depth analysis of these contracts and the clauses contained therein in order to obtain an appropriate understanding of the terms and conditions agreed upon. For those contracts we checked that the contract revenue was consistent with the contractual terms and conditions, verifying the price agreed on under those contracts, and analysed the reasonableness of the stage of completion and of the cost budgets.

In this regard, for the purpose of analysing the reasonableness of the estimates made by management, we analysed their reasonableness on the basis of comparable historical information, and evaluated the consistency of the estimates made in prior years with the actual data for the contracts in the current reporting period, analysing the reasonableness of any possible variances and modifications reflected in the cost budgets.

Lastly, we checked that the disclosures included in Note 2.20 to the accompanying consolidated financial statements were in conformity with the applicable financial reporting framework.

Provisions for tax contingencies

Description

As indicated in Note 4.1.b, when calculating the provision for income tax, the Group assesses whether there is an uncertainty as to the acceptability by the taxation authorities of the tax treatment afforded to any specific transaction or circumstance. For those cases in which it is considered unlikely that the tax treatment will be accepted, the Group recognises a provision based on its best estimate. In the other cases, no provision is recognised, and the possible contingencies or uncertainties are disclosed in the notes to the consolidated financial statements. The aforementioned assessment, and the determination, as the case may be, of the provision to be recognised, is subject to a significant level of judgement and, therefore, the directors and management are advised by experts in the subject.

As described in Note 26, in prior years the Group received tax assessments that it signed on a contested basis and against which it filed economic-administrative appeals. It also assessed, together with its external tax advisers, the uncertainty associated with the various matters in dispute, recognising provisions of EUR 11.5 million and derecognising deferred tax assets of EUR 8.3 million, and disclosing the other contingencies in the notes to the consolidated financial statements.

In 2022 the Spanish Central Economic-Administrative Tribunal (TEAC) confirmed the conclusions of the aforementioned assessments, against which the Group filed an appeal for judicial review, although no new decisions have yet been handed down in this connection. The contingency was reassessed by management and the directors, concluding that the accounting policies applied and the disclosures made in prior years should be maintained in the same terms.

The significance of the associated tax contingencies and of the judgements and estimates made in the calculation of the aforementioned provision meant that this matter was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the obtainment of the responses from the Group's tax advisers, on which management and the directors relied to reassess the uncertainty associated with the matters in dispute and to determine whether the impacts on the tax assets and tax provisions recognised in prior years remained valid.

In this connection, with the assistance of our internal experts in the tax area, we:

- Obtained an understanding of the matters in dispute, as well as the opinions, on each of them, of the Group's tax advisers.
- Conducted a review of the reasonableness of the conclusions reached by said experts on the possible outcomes.
- Reviewed the method adopted by the Group (most likely amount) to determine the associated tax assets and liabilities, as well as the reasonableness of their quantification.

Lastly, we verified that the notes to the consolidated financial statements (Notes 4.1.b, 19, 20 and 26) contained the disclosures on these matters required by the applicable financial reporting framework.

Emphasis of Matter

We draw attention to Note 20 to the accompanying consolidated financial statements, which indicates that in 2017 the Group entered into a contract with Renfe for the supply of a total of 30 very high-speed trains. Following several communications in which the Group informed Renfe of delays in the manufacture of the trains subject to the contract for reasons not attributable to Talgo, in July 2022 Renfe notified the Group of the initiation of penalty proceedings, amounting to EUR 116 million, and invited Talgo to submit pleadings. In 2022 and 2023 several pleadings were submitted and communications sent, as is customary in the ordinary course of the Group's business and in accordance with standard practice in the railway sector in which it operates. On 13 August 2024, the Group received a communication rejecting the evidence submitted regarding its liability for the delays, including the report of an independent expert. In December 2024 Renfe confirmed the penalties by formally concluding the penalty proceedings with the announcement of the issuance of a payment order to claim payment of the penalty, making it impossible to submit any additional allegations and leaving the Group with the only option of filing a court claim to avoid the payment of those penalties. Consequently, the Talgo Group's directors recognised a provision of EUR 116 million in 2024 relating to the total amount of the aforementioned penalties with a charge to "Other Operating Expenses" in the accompanying consolidated statement of profit or loss, although they consider that their technical and legal arguments are solid and well-founded and, accordingly, they intend to reach an agreement with Renfe that protects the interests of the Group and its shareholders, reserving their right to file court proceedings in this connection. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2024, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the consolidated non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above had been furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2024 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description, which is included below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Talgo, S.A. and subsidiaries for 2024, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Talgo, S.A. are responsible for presenting the annual financial report for 2024 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 28 February 2025.

Engagement Period

The Annual General Meeting held on 27 June 2024 appointed us as the Group's auditors for a period of one year from the year ended 31 December 2023, i.e., for 2024.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterrupted since the year ended 31 December 2013 and, therefore, since the year ended 31 December 2015, the year in which the Parent became a Public Interest Entity.

DELOITTE AUDITORES, S.L.

Registered in ROAC under no. S0692



Bruno Rodriguez Martínez

Registered in ROAC under no. 21439

28 February 2025

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

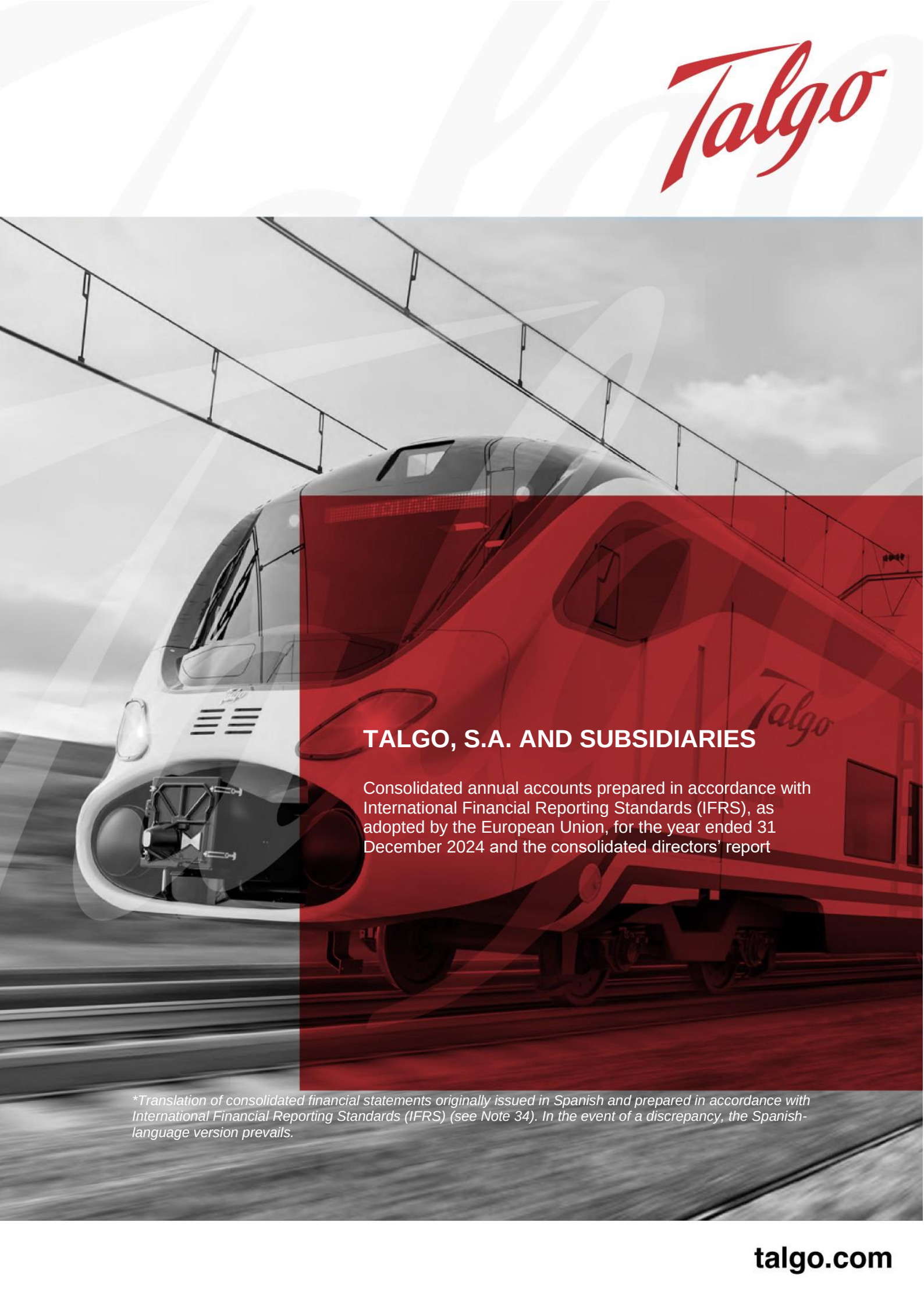
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements regarding independence, and we have communicated with it all matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards applied to eliminate or reduce the corresponding threat.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



Talgo

TALGO, S.A. AND SUBSIDIARIES

Consolidated annual accounts prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for the year ended 31 December 2024 and the consolidated directors' report

**Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards (IFRS) (see Note 34). In the event of a discrepancy, the Spanish-language version prevails.*

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS 2024 AND 2023

(Expressed in thousands of euros)

	Note	31.12.2024	31.12.2023
ASSETS			
Non-current assets			
Tangible fixed assets	6	56 393	53 895
Intangible assets	7	113 065	84 857
Goodwill	8	112 439	112 439
Investments accounted for using the equity method	2.3 y 10	10	10
Deferred tax assets	19	22 768	23 970
Other financial assets	10	874	938
		305 549	276 109
Current assets			
Stock	12	219 984	191 667
Customers and other accounts receivable	11	631 454	470 577
Derivative financial instruments	10	-	23
Other financial assets	10	110	344
Short-term accruals and deferrals	10	20 706	21 285
Cash and cash equivalents	13	93 292	155 760
		965 546	839 656
TOTAL ASSETS		1 271 095	1 115 765

Notes 1 to 34 form an integral part of the consolidated statement of financial position.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEARS 2024 AND 2023

(Expressed in thousands of euros)

	Note	31.12.2024	31.12.2023
EQUITY			
Capital and reserves attributable to the owners of the parent company			
Share capital	14	37 282	38 040
Share premium	14	871	871
Treasury Stock	14	(4 901)	(13 924)
Other reserves	15	1 978	2 990
Retained earnings	15	135 377	250 018
		170 607	277 995
Non-controlling interests	16	8 531	10 291
Total equity		179 138	288 286
LIABILITIES			
Non-current liabilities			
Borrowings	18	381 621	337 776
Deferred tax liabilities	19	8 391	8 409
Provisions for other liabilities and deferred incomes	20	181 888	62 439
Government grants		6 722	3 627
		578 622	412 251
Current liabilities			
Suppliers and other payables	17	346 075	290 061
Current tax liabilities		92	149
Borrowings	18	157 145	116 185
Provisions for other liabilities and charges	20	10 023	8 833
		513 335	415 228
Total liabilities		1 091 957	827 479
TOTAL EQUITY AND LIABILITIES		1 271 095	1 115 765

Notes 1 to 34 form an integral part of the consolidated statement of financial position.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS 2024 AND 2023

(Expressed in thousands of euros)

	Note	31.12.2024	31.12.2023
Net turnover	5	669 216	651 996
Other income		2 956	2 581
Stock variation for work-in-progress and finished goods	12	(4 906)	(5 204)
Work performed and capitalized by the Group	6, 7	20 664	18 268
Procurement costs	23	(335 870)	(307 940)
Personnel costs	21	(199 389)	(184 558)
Other operating expenses	23	(201 400)	(98 913)
Amortization and depreciation charge	6, 7	(24 375)	(17 240)
Gains/(Losses) on disposal of fixed assets		(32)	(39)
Other results	24	1 712	16
Result from the acquisition of control of investees		-	6
Operating profit		(71 424)	58 973
Financial income	25	2 826	1 806
Financial expenses	25	(26 298)	(39 480)
Net financial cost	25	(23 472)	(37 674)
Profit before tax		(94 896)	21 299
Income tax charge	26	(12 971)	(9 061)
Profit for the year from continuing operations		(107 867)	12 238
Profit for the year		(107 867)	12 238
Attributable to:			
Owners of the parent	27	(106 070)	13 693
Non-controlling interests	16	(1 797)	(1 455)
Basic earnings/(loss) per share attributable to the owners of the Company			
Continuing operations	27	(0.86)	0.11
Total		(0.86)	0.11
Diluted earnings/(loss) per share attributable to the owners of the Company			
Continuing operations	27	(0.86)	0.11
Total		(0.86)	0.11

Notes 1 to 34 form an integral part of this consolidated statement of comprehensive income.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS 20243 AND 2023

(Expressed in thousands of euros)

	<u>31.12.2024</u>	<u>31.12.2023</u>
Profit for the year	(107 867)	12 238
Other comprehensive income:		
Direct assignment to equity:		
Other income and expenses	(31)	(34)
Cash flow hedge, net of tax effect	(17)	(1 604)
Foreign currency translation differences	(995)	187
Transfer to results:		
Cash flow hedge	-	-
Tax effect of the cash flow hedge	-	-
Total Other comprehensive income	(1 043)	(1 451)
Total comprehensive income for the year	<u>(108 910)</u>	<u>10 787</u>
Attributable to:		
-Owners of the parent	(107 113)	12 242
-Non-controlling interests	<u>(1 797)</u>	<u>(1 455)</u>

Notes 1 to 34 form an integral part of this consolidated statement of recognised income and expense.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS 2024 AND 2023

(Expressed in thousands of euros)

	Share capital (Note 14)	Share Premium	Treasury Stock	Other Reserves (Note 15)	Retained earnings	Attributable to the owners of the parent	Non-controlling interest (note 16)	Total equity
Balance at 31 December 2023	38 040	871	(13 924)	2 990	250 018	277 995	10 291	288 286
Comprehensive income								
Profit or loss	-	-	-	-	(106 070)	(106 070)	(1 797)	(107 867)
Other comprehensive Income								
Foreign currency translation differences	-	-	-	(995)	-	(995)	-	(995)
Hedging Derivatives	-	-	-	(17)	-	(17)	-	(17)
Other income and expenses	-	-	-	-	(31)	(31)	-	(31)
Total other comprehensive income	-	-	-	(1 012)	(31)	(1 043)	-	(1 043)
Total comprehensive Income	-	-	-	(1 012)	(106 101)	(107 113)	(1 797)	(108 910)
Acquisition of treasury stock (note 14)	-	-	(963)	-	-	(963)	-	(963)
Share capital decrease (note 14)	(758)	-	9 986	-	(9 228)	-	-	-
Dividend distribution (note 14)	-	-	-	-	-	-	-	-
Total transactions with shareholders or owners	(758)	-	9 023	-	(9 228)	(963)	-	(963)
Other operations (compensation plan, note 21.b)	-	-	-	-	800	800	-	800
Changes in the scope of consolidation	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	(112)	(112)	37	(75)
Balance at 31 December 2024	37 282	871	(4 901)	1 978	135 377	170 607	8 531	179 138

Notes 1 to 34 form an integral part of this consolidated statement of total changes in equity.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS 2024 AND 2023

(Expressed in thousands of euros)

	Share Capital (Note 14)	Share Premium	Treasury Stock	Other Reserves (Note 15)	Retained earnings	Attributable to the owners of the parent	Non-controlling interest (note 16)	Total equity
Balance at 31 December 2022	37 156	871	(4 812)	4 407	243 559	281 181	3 895	285 076
Comprehensive income								
Profit or loss	-	-	-	-	13 693	13 693	(1 455)	12 238
Other comprehensive Income								
Foreign currency translation differences	-	-	-	187	-	187	-	187
Hedging Derivatives	-	-	-	(1 604)	-	(1 604)	-	(1 604)
Other income and expenses	-	-	-	-	(34)	(34)	-	(34)
Total other comprehensive income	-	-	-	(1 417)	(34)	(1 451)	-	(1 451)
Total comprehensive Income	-	-	-	(1 417)	13 659	12 242	(1 455)	10 787
Acquisition of treasury stock (note 14)	-	-	(9 023)	-	-	(9 023)	-	(9 023)
Share capital increase (note 14)	884	-	-	-	-	884	-	884
Dividend distribution (note 14)	-	-	(89)	-	(2 720)	(2 809)	-	(2 809)
Total transactions with shareholders or owners	884	-	(9 112)	-	(2 720)	(10 948)	-	(10 948)
Other operations (compensation plan, note 21.b)	-	-	-	-	800	800	-	800
Changes in the scope of consolidation	-	-	-	-	-	-	7 841	7 841
Other movements	-	-	-	-	(5 280)	(5 280)	10	(5 270)
Balance at 31 December 2023	38 040	871	(13 924)	2 990	250 018	277 995	10 291	288 286

Notes 1 to 34 form an integral part of this consolidated statement of total changes in equity.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS 2024 AND 2023

(Expressed in thousands of euros)

	2024	2023
Cash flows from operating activities (note 28)	(73 122)	(81 922)
Cash used in operations	(37 677)	(33 833)
Interest paid	(36 978)	(21 505)
Interest received	799	1 489
Tax paid	(1 498)	(13 817)
Net cash flow generated from operating activities	(110 799)	(115 755)
Cash flows from investing activities		
Purchases of property, plant and equipment (note 6)	(4 597)	(5 663)
Purchases of intangible assets (note 7)	(43 973)	(20 803)
Consolidated companies, net cash	-	7 870
Net cash used in investing activities	(48 570)	(18 596)
Cash flows from financing activities		
Disbursements for loan repayments (note 18)	(135 469)	(104 492)
Proceeds from borrowings (note 18)	234 246	165 886
Share-based payments granted (note 14)	(1 231)	(8 755)
Dividend (note 14)	-	(1 925)
Net cash used / (generated) in financing activities	97 546	50 714
Effect of exchange rate variations	(645)	12
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(62 468)	(83 625)
Cash, cash equivalents and bank overdrafts at the beginning of year (note 13)	155 760	239 385
Cash, cash equivalents and bank overdrafts at the end of year (note 13)	93 292	155 760

Notes 1 to 34 form an integral part of this consolidated statement of cash flows.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

1. General Information

Talgo, S.A. (hereinafter the “Parent company”) was constituted as a limited company in Spain on 30 September 2005. The Company’s registered office for corporate and tax purposes is in Las Rozas, Madrid (Spain) and is duly registered in the Commercial Registry of Madrid. On 28 March 2015, the change of name from Pegaso Rail International S.A. to Talgo, S.A. was approved and registered in the Commercial Registry of Madrid on 9 April 2015.

On 28 March 2015, the General Shareholder’s Meeting of the Parent company approved the application for the admission to trading of the Parent company’s shares on the Spanish stock exchange, as well as their inclusion in the Spanish Stock Exchange Interconnection System.

On 23 April 2015, the National Securities Market Commission (CNMV) approved the prospectus and registered the supporting documents, annual accounts and prospectus in the official registers, as provided for by Article 92 of Law 24/1988, dated 28 July 1988 governing the Securities Market, in relation to the share Sales Offer aimed at qualifying investors, for the subsequent admission to trading of Talgo, S.A. shares on the Stock Exchanges of Madrid, Barcelona, Valencia and Bilbao.

On 7 May 2015, an Initial Public Offering was made for 45% of the Parent Company’s shares and they were admitted to trading on the aforementioned markets.

The main activity of the Parent company and its subsidiaries (the Group) is the design, manufacture and maintenance of railway rolling stock, along with auxiliary machinery for the maintenance of railway systems. According to Article 2 of the Company’s bylaws, Talgo, S.A. has the following corporate purpose:

- The manufacture, assembly, repair, conservation, maintenance, sale & purchase, import, export, representation, distribution and marketing of engines, machinery and parts and components thereof, intended for the electromechanical, iron & steel and transport industries.
- The research and development of products and technologies relating to the previous two paragraphs, along with the acquisition, operation, assignment and disposal of patents and trademarks relating to the corporate activity.
- The subscription, acquisition, disposal, possession and administration of stocks, shares, or interests, within the limits set forth by the regulations governing the stock market, collective investment companies and other regulations in force that may apply.
- The purchase, restoration, redesign, construction, leasing, promotion, operation and sale of all types of real estate.

These activities may be carried out either wholly or partially by the Parent company, either directly or in any other way permitted by law, including through equity interests in other companies with an identical or similar corporate purpose.

The Parent company holds direct or indirect interests in the following companies:

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Company name	Registered office	Activity	% of Ownership	
			Direct	Indirect
Subsidiary companies				
Patentes Talgo, S.L.U. (a)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Construction and maintenance of railway rolling stock	100%	-
Talgo Inc (b)	3533 27th Street, 53216 Milwaukee , WI	Construction and maintenance of railway rolling stock	-	100%
Talgo Deutschland, Gmbh (c)	Revaler Strasse 99, 10245, Berlin, Germany	Maintenance of railway rolling stock	-	100%
Talgo Kazajstán, S.L.U. (b) (*)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Construction and maintenance of railway rolling stock	-	100%
Talgo Demiryolu Aracli Üretim VE BA. A.S.(b) (**)	Istanbul, Turkey	Construction and maintenance of railway rolling stock	-	100%
Patentes Talgo Tashkent, LLC. (b) (**)	Mirabad region, Kadirov A., 64 street, Afrosiab service center, 100105 Tashkent, Uzbekistan	Construction and maintenance of railway rolling stock	-	100%
Talgo India Private Limited (b)	Business Center Avanta, office 406, World Mark 2, 110037 New Delhi, India	Construction and maintenance of railway rolling stock	-	100%
Tarvia Mantenimiento Ferroviario, S.A.(a)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Maintenance of railway rolling stock	-	51%
Motion Rail, S.A.(b) (*)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Railway operation	-	95%
Talgo Denmark, APS (b)	Herstedøstervej 27, 2620 Albertslund, Conegaguen, Denmark	Repair and installation of railway machinery and equipment	-	100%
Talgo Shanghai Railways Equipment Co. Ltd (b)	Room 1209, Chong Hing Finance Centre, West Nanjing Road 288, Shanghai	Central purchasing	-	100%
Associated companies				
Consorcio Español Alta Velocidad Meca-Medina, S.A.(d)	Calle Velázquez 63, Madrid, Spain	Construction, operation and maintenance of HS train Saudi Arabia	-	16,79%

(a) Company audited by Deloitte Auditores, S.L.

(b) Company non subject to Audit

(c) Company audited by Deloitte, Gmbh.

(d) Company audited by Kpmg Auditores, S.L.

(*) Company with no activity.

(**) Company with no activity and in liquidation

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2. Summary of the main accounting policies

The principal accounting policies applied in the preparation of these consolidated annual accounts for 2024 are set out below. These policies have been applied consistently in all of the years presented, unless otherwise stated.

2.1 Basis of presentation

The Group's consolidated annual accounts for the financial year 2024, which have been prepared on the basis of the accounting records maintained by the Parent company and by the other entities that form part of the Group, were prepared by the Directors of the Parent company at the meeting of the Board of Directors held on 28 February 2025.

These consolidated annual accounts have been formulated by the Directors of the Parent company, in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, taking into account all the accounting principles and rules and valuation criteria of mandatory application of the EU-IFRS, so that they give a true and fair view of the Group's consolidated equity and financial position at December 31, 2024 and of the overall results of its operations, changes in consolidated equity and consolidated cash flows that have occurred in the Group in the year then ended.

However, since the accounting principles and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2024 may differ from those used by some of the Group's subsidiaries, the necessary adjustments and reclassifications have been made in the consolidation process to standardise such principles and criteria and to bring them into line with International Financial Reporting Standards.

In order to present the various items that comprise the consolidated annual accounts in a homogeneous way, the principles and valuation rules of the Parent company have been applied to each and every company that sits within the consolidation perimeter.

The consolidated annual accounts of the Group corresponding to 2023 were approved at the General Meeting of the Shareholders of the Parent company on 27 June 2024. The consolidated annual accounts of the Group and the annual accounts of the entities within the Group for the financial year 2024 are still pending approval by their corresponding Shareholders Meeting or Owners. Nevertheless, the Board of Directors of the Parent company considers that these accounts will be approved without any modification.

2.1.1 Changes in accounting criteria

During 2024, no changes were made in the accounting criteria with respect to the criteria applied in 2023.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2.1.2. Functional currency

These consolidated annual accounts are presented in thousands of euros, since the euro is the main currency in the economic environment in which the Group operates. Overseas transactions in foreign currency are registered in accordance with the policy described in the Note 2.5.

2.2. Adoption of International Financial Reporting Standards

The consolidated annual accounts of the Group corresponding to the financial year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS) and Regulation (EC) n° 1606/2002, issued by the European Parliament and the Board on 19 July 2002. In Spain, the obligation to file consolidated annual accounts in accordance with IFRS approved in the European Union, is regulated by the final eleventh provision of Law 62/2003, dated 30 December 2003 governing tax, administrative and social order measures.

During 2024, the following compulsory rules and interpretations came into force and have already been adopted by the European Union. Where appropriate, the Group has applied these rules in its preparation of these Consolidated Annual Accounts on 31 December 2024.

2.2.1. Mandatory standards, interpretations and amendments for financial years beginning on 1 January 2024:

New standards, modifications, and interpretations:	
Approved for use in the European Union at the date of this document publication	
Amendments	
Amendment to IAS 1 Classification of liabilities as current and non-current and those subject to covenants.	Clarifications regarding the presentation as current or non-current of liabilities and in particular of those with maturities conditional on compliance with covenants.
Amendment to IFRS 16 Lease liability on a sale and leaseback.	This amendment clarifies the subsequent accounting for lease liabilities arising in sale and leaseback transactions.
Amendment to IAS 7 and IFRS 7 Supplier Financing Arrangements	This amendment introduces disclosure requirements specific to supplier financing arrangements and their effect on an entity's liabilities and cash flows, including liquidity risk and related risk management.

None of these standards, interpretations and amendments has been applied in advance. The application of these standards, interpretations and amendments has had no significant impact on these consolidated financial statements. The Group is applying the aforementioned standards and interpretations as from their entry into force on January 1, 2024.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2.2.2. At the date of preparation of these consolidated annual accounts, the most significant rules and interpretations that had been published by the IASB, but had not yet entered into force, either because their effective date is after the date of the consolidated annual accounts or because they have not yet been adopted by the European Union, are the following:

New standards, modifications, and interpretations:		Obligatory application for financial years starting on:
Not approved for use in the European Union		
New Standards		
IFRS 18 Presentation and Disclosure of Financial Statements.	The purpose of this new Standard is to prescribe the presentation and disclosure requirements for financial statements, replacing IAS 1 currently in force.	1 January 2027
IFRS 19 Disclosures of subsidiaries not accounted for using the equity method.	The objective of this new standard is to provide details of the disclosures that a subsidiary may have as an option in the preparation of its financial statements.	1 January 2027
Amendments		
Amendment to IAS 21 (*) Absence of Convertibility	This amendment introduces an approach that specifies when one currency can be exchanged for another and, if not, how to determine the exchange rate to be used.	1 January 2025
Annual improvements (vol. 11)	The objective of these improvements is the quality of the standards, modifying the existing IFRS to clarify or correct minor aspects.	1 January 2026
Amendment to IFRS 7 and IFRS 9 Contracts that refer to electricity that depends on nature.	Contracts referring to nature-dependent electricity production, also known as power purchase agreements (PPAs), are contracts to buy and receive electricity that is produced through renewable sources. The amendments include details on which PPA contracts can be used in hedge accounting and on the specific conditions allowed in such hedging transactions and new disclosure requirements.	1 January 2026
Amendment to IFRS 7 and IFRS 9 Classification and measurement of financial instruments.	This amendment clarifies the criteria for the classification of certain financial assets, as well as the criteria for the derecognition of financial liabilities settled through electronic payment systems. It also introduces additional disclosure requirements.	1 January 2026

(*) Approved to date

The Group's directors do not expect significant impacts from the application of the rules detailed above. The impact on the presentation of the financial statements in accordance with IFRS 18 will be assessed.

2.3 Consolidation principles

a) Subsidiaries

Subsidiaries are all the companies (including special purpose entities) over which the Group has the power to: govern the financial and operating policies exercise power over their significant activity, maintaining the exposure or right to receive the variable returns on investments and the capacity to use this power in such a way that it influences the amount of those returns, which generally results from holding a stake that exceeds half of the voting rights. When it comes to evaluating whether or not the Group exerts control over another entity, consideration is given to the existence and effect of potential voting rights that may currently be exercised or that are convertible. Subsidiaries are consolidated as of the date on which control is transferred to the Group, and they are excluded from the consolidation from the date on which that control ceases.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The Group uses the acquisition method to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the transferred assets, liabilities assumed, and equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability that results from a contingent consideration arrangement. Acquisition expenses are recognized as expenses in the periods in which they are incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each business combination, the Group may choose between recognizing any non-controlling interest in the acquired company at fair value and recognizing the proportionate share of the non-controlling interest in the identifiable net assets of the acquired company.

Goodwill is measured as the excess of the sum of the consideration transferred the amount of any non-controlling interest in the acquired company and the fair value at the acquisition date of the stake previously held by the acquiring company in the net equity of the acquired company less the net value at the acquisition date of the identifiable assets acquired and liabilities assumed. If this amount is less than the fair value of the equity of the acquired subsidiary, in the event that it involves a bargain purchase, the difference is recognized directly as income in the income statement.

The annual accounts of the subsidiary companies are consolidated with those of the Parent Company under the full consolidation method, and all intercompany transactions, balances and unrealized gains on transactions between the Group companies are eliminated. All unrealized losses are also eliminated. Furthermore, the accounting policies of the subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group. All of the Group's subsidiaries have their accounting close date on 31 December.

b) Associates

Associates are those entities over which the Parent company has the capacity to exercise significant influence (i.e. not control or joint control). Significant influence is understood to exist when the Group holds a stake in a company and exerts power to intervene in decisions relating to the financial and operating policy of it, without exerting control. Usually, this influence is manifested by a shareholding (direct or indirect) equal to or greater than 20% of the voting rights of the associate company. Associate companies are consolidated under the equity method.

The company Consorcio Español Alta Velocidad Meca-Medina, S.A. was accounted for as an associate company as at 31 December 2024 and 2023. The members of the Board of Directors appointed by the Group are considered to exert significant influence over this consortium, but not control or joint control, since decisions are agreed in accordance with the shareholding rights of the consortium members and as a general rule, a majority of 75% is required.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The most significant financial information relating to this associate company is presented below in thousand euros:

	<u>2024</u>	<u>2023</u>
Current assets	240 938	326 976
Non-current assets	94	94
Total Assets	<u>241 032</u>	<u>327 070</u>
Current liabilities	240 972	327 010
Non-current liabilities	-	-
Total liabilities	<u>240 972</u>	<u>327 010</u>
Equity	60	60
Operating income	2 814	3 274
Operating expenses	(2 423)	(2 801)
Financial result	(455)	(411)
Net result	-	-

The auditor of this company is KPMG Auditores, S.L. The 2024 and 2023 figures included are under auditing process.

Associate companies are included in the consolidated accounts under the equity method, i.e. in accordance with the percentage of equity represented by the Group's stake in their share capital, after accounting for any dividends received from them and other equity eliminations. In the event of transactions with an associate, any resulting losses or gains are eliminated in accordance with the percentage stake held by the Group in its share capital.

When the equity method is applied for the first time, the Group's stake in the company is valued on the basis of the percentage that the amount of equity held by the Group's companies in the associate represents over the associate's total net equity, after adjustments have been made to its net assets to reflect their fair value on the date significant influence is acquired.

The difference between the net book value of the associate company in the individual accounts and the amount indicated in the previous paragraph represents the goodwill, which is reported within 'Investments in associates'. In the exceptional case that the difference between the amount at which the investment is recorded in the individual accounts and the investment in the fair value of the net assets of the company is negative, that difference is recognised in the income statement after reassessing the allocation of fair values to the assets and liabilities of the associate.

In general, unless a negative difference arises on the acquisition of significant influence, the investment is initially measured at cost.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The results generated by the company using the equity method are recognised from the date on which significant influence is acquired.

The carrying amount of the investment is adjusted (increased or decreased) in proportion to the Group companies' share of the changes in the investee's equity since the initial valuation, after eliminating the share of unrealised gains or losses resulting from transactions between the investee and the Group companies.

The highest value that may be assigned to a shareholding as a result of the application of the acquisition method is reduced in subsequent years and charged to the consolidated results or to the corresponding equity caption; and to the extent that they depreciate, they lead to the derecognition or disposal of the corresponding equity elements to third parties. Similarly, a charge is made against consolidated income when losses arise due to the impairment of the assets of the associate company, up to the limit of the gain allocated to them at the date when they are first accounted for under the equity method.

Changes in the value of associate companies that correspond to the results for the year of the associate company form part of the consolidated results and should appear within the caption 'Share of profit (losses) made by companies accounted for under the equity method'. However, if an associate company incurs losses, the reduction in the representative account of the investment shall be limited to the book value of the shareholding itself. If the shareholding is reduced to zero, any additional losses and corresponding liabilities shall be recognised to the extent that legal, contractual, implicit, or tacit obligations are incurred, or as if the Group had made payments on behalf of the investee company.

Changes in the value of the associate company corresponding to other changes in equity are shown in the relevant sections of equity, in accordance with their nature.

Valuation and timing homogenization applies to investments in associates in the same way as it does for subsidiary companies.

c) Joint ventures

Joint control is when the sharing of control is contractually agreed, which exists only when the decisions about the important activities require the unanimous consent of the parties that share the control. When a company in the Group carries out its business under a framework of joint ventures, the Group, as the joint operator will recognize a joint venture for its participation:

- Its assets and liabilities, including its participation in the assets and liabilities held jointly.
- Its participation in the income and expenses registered by the joint venture.

At the end of the financial years 2024 and 2023, the Group did not have any joint ventures.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2.4 Variations in the consolidation perimeter

The following changes in the scope of consolidation took place during 2024:

- OOO Talgo, in which the parent company held a 100% stake through its subsidiaries Patentes Talgo, S.L.U. and Talgo Kazakhstan, S.L.U., has been dissolved. There was no impact on the income statement as a result of this dissolution.

The following changes in the scope of consolidation took place during 2023:

- Talgo UK, in which the parent company held a 100% interest indirectly through its subsidiary Patentes Talgo, S.L.U., has been dissolved, with no impact on the income statement.
- Talgo Denmark APS was created, in which the parent company holds a 100% stake through its subsidiary Patentes Talgo, S.L.U., with an investment of 5,000 euros, which will be fully paid by the end of 2023.
- The Parent Company, through its subsidiary Patentes Talgo, S.L.U., has acquired a total of 29,250 shares in Motion Rail, S.A. for 1 euro. As a result of this investment, Talgo, S.A. indirectly holds a 95% stake in Motion Rail, S.A. and is now considered a group company. The acquisition of these shares gave rise to a negative difference on consolidation of 6,000 euros, the amount paid being 1 euro and the proportion of equity to which it referred being 6 thousand euros. During the financial year 2023, this company will be consolidated by the full integration method, having been consolidated until now by the equity method.

2.5 Foreign currency transactions

a) Functional and reporting currency

The items included in the financial statements of each one of the Group's companies are measured using the currency of the main economic environment in which the company operates (functional currency). The consolidated annual accounts are presented in thousands of Euros, unless indicated otherwise, which is the Parent company's functional and reporting currency.

b) Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates in force on the dates of the transactions. Foreign currency profit and losses resulting from the settlement of these transactions, and from the conversion of monetary assets and liabilities denominated in foreign currencies at closing exchange rates, are recognized in the income statement, except if they are deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Foreign exchange gains and losses on borrowings and cash and cash equivalents are recognised in the income statement under 'Financial income' or 'Financial expenses'.

c) Group companies

The results and financial position of all Group companies (none of which reports in the currency of a hyperinflationary economy) that have a functional currency that is different from the reporting currency, are translated into the reporting currency as follows:

- The assets and liabilities at each statement of financial position are translated at the closing rate on the date of the corresponding statement of financial position; the equity is converted at the historical rate;
- The income and expenses recorded in each income statement are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are converted at the rate on the transaction dates; and
- All resulting exchange differences are recognised in the income statement.

2.6. Tangible fixed assets

Tangible fixed assets are recognized at acquisition price less accumulated depreciation and the accumulated amount of any recognized impairment losses. The acquisition cost is understood to include all expenditure that is directly attributable to the purchase of property, plant and equipment.

Any work performed to develop tangible fixed assets is reflected in the accumulated cost that results from adding the internal costs to the external costs; the former are established in line with the Group's consumption of warehouse materials and its manufacturing costs, applied on the basis of the same hourly fee that is used for the valuation of manufacturing projects.

Subsequent costs incurred to extend, modernize, upgrade, repair and maintain items of property, plant and equipment are included in the corresponding asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and when the cost of the item can be measured reliably. The carrying amount of any replaced parts is derecognized. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated systematically using the straight-line method to allocate their costs up to the amount of their residual values, over their estimated useful lives. Each item of property, plant and equipment that has a significant

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

cost, as a percentage of the total caption cost, is depreciated separately. The estimated useful lives are:

	Years	%
Buildings	50 - 33	2 - 3
Machinery	8	12.5
Other facilities, Tools and Furniture	3 - 14	33.3 – 7.14
Other tangible fixed assets	4 - 12	25 – 8.3

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each statement of financial position date.

When the book value of an asset exceeds its expected recoverable amount, its carrying amount is written down immediately to reflect its expected recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the income statement under 'Gains/(losses) on disposals fixed assets'.

Rights of use

As a result of the application of IFRS 16, the Group recognises a right-of-use asset and a corresponding lease liability for leases that meet the criteria defined in that standard.

Under this standard, lessees recognise an asset for right of use and the corresponding lease liability. The right of use is depreciated over the contractual term or, in some cases, over its useful economic life. The financial liability is measured at initial recognition by discounting future minimum rental payments over a period of time to present value using a discount rate that represents the interest rate implicit in the lease or, if this cannot be reliably determined, the incremental interest rate on the lessee's liability. The liability shall thereafter accrue interest until maturity.

The Group applies exemptions from recognising an asset and a liability in accordance with the method described above for lease contracts with a term of less than 12 months (provided that they do not contain purchase or renewal options) and for contracts in which the acquisition of an individual asset under the contract is less than \$5 thousand. Therefore, payments for such leases continue to be recognized as an expense in consolidated operating income.

2.7 Intangible assets

Intangible assets are recognized at acquisition cost, or production cost in the case of internally developed intangible assets, less accumulated amortization and any accumulated impairment losses.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

a) Software

Computer software licenses acquired from third parties are capitalized on the basis of the costs incurred to acquire them and bring specific programs into use; they are registered at acquisition cost. These costs are amortized over their estimated useful life of four years.

b) Development expenses

Development expenditure directly attributable to the design and implementation of rail-related technology projects that are identifiable, unique and capable of being controlled by the Group is recognised as intangible assets when the following conditions are met:

- i) Technically, it is possible to complete the production of the intangible asset so that it can be made available for use or sale;
- ii) Management intends to complete the intangible asset to use or sell it;
- iii) The entity has the ability to use or sell the intangible asset;
- iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;
- v) Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenses capitalised as intangible assets are recorded at the cumulative acquisition cost that results from adding up: the external costs; the in-house costs, calculated on the basis of the consumption of warehouse materials; and manufacturing costs allocated using hourly rates similar to those used to value manufacturing projects.

The costs that do not fulfill these criteria are recognized as an expense in the period in which they are incurred. Expenditure on intangible assets that is initially recognized as an expense during the year is not subsequently recognized as an intangible asset.

Development expenses recognised as assets are amortized over their estimated useful lives, which do not exceed five years.

The amortization of development expenses recognised as assets begins when the Group starts to apply the developed technology to signed projects in its portfolio or when the development recognized as an asset is definitively completed, whichever occurs sooner.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

c) Industrial property

Industrial property is measured at cost less accumulated amortization and any impairment losses recognized. These intangible assets are amortized on a straight-line basis over their estimated useful lives.

d) Intangible assets acquired through a business combination:

Any intangible assets acquired through a business combination and recognized separately from goodwill are initially registered at fair value on the acquisition date and are amortized over their useful lives.

Subsequently, they are valued at cost less accumulated amortization and any accumulated impairment losses, in the same way as for all other intangible assets.

2.8 Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the acquired subsidiary's net identifiable assets at the date of acquisition.

Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of any goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purposes of carrying out tests for impairment losses. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises identified according to operating segments.

2.9 Losses on impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization, but are instead tested annually for impairment; the same principle applies to intangible assets not yet available for use. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the fair value of an asset less selling costs or its value in use, whichever is greater. For the purposes of evaluating impairment losses, assets are grouped together at the lowest level for which separate cash flows may be identified (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment loss are subject to review at each statement of financial position date, to assess whether the reversals of any losses have been triggered.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2.10 Financial assets: classification, recognition, and valuation

Classification

The classification of financial assets will depend on how the Group manages its financial instruments (its business model) and the existence or not of contractual cash flows of the specifically defined financial assets.

In this regard, IFRS 9 sets out two differentiated scenarios when defining the accounting record of the financial instrument:

On the one hand, if the objective of the business model is to maintain a financial asset in order to collect contractual cash flows and, under the conditions of the contract, cash flows are collected on specific dates that constitute exclusively payments of the principal plus interest on principal, the financial asset will be measured at amortised cost.

On the other hand, if the business model aims to collect contractual cash flows as well as its sale and, under the conditions of the contract, cash flows are collected on specific dates that constitute exclusively payments of the principal plus interest on principal, financial assets will be measured at fair value with changes in equity. Interest, impairment and translation differences are recorded against profit or loss as in the amortized cost model. All other fair value variations are recorded in equity items and may be recorded to profit and loss on sale.

Recognition and assessment

Based on its valuation criteria, the following categories of financial assets are distinguished:

- Financial assets at amortised cost. The financial assets at amortized cost are those that i) are hold within a business model whose objective is to collect the contractual cash flows and ii) the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of the outstanding principal.
- Financial assets at fair value with changes in equity. Financial assets at fair value with changes in equity are those whose business model is based on collecting contractual cash flows and selling financial assets, in addition to their contractual terms giving rise, on specific dates, to cash flows that are only payments of principal and interest on the amount of the outstanding principal.

The balances included under the heading "Customers and other accounts receivable" are classified within the amortised cost category.

Cancellation

The Group derecognises a financial asset transferred from the consolidated statement of financial position when all the contractual rights to receive the cash flows generated by said asset have expired, have been transferred or when still retaining these rights, it assumes

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

the contractual obligation to pay them to the transferees and the risks and benefits associated with the ownership of the asset are substantially transferred. In the specific case of accounts receivable, it is understood that this occurs in general if the risks of insolvency and default have been transmitted.

In the case of transfers of assets in which the risks and benefits associated with the ownership of the asset are substantially retained, the financial asset transferred is not derecognized from the consolidated statement of financial position, recognising an associated liability for an amount equal to the consideration received, which is subsequently valued at amortized cost. The financial asset transferred continues to be valued using the same criteria used before the transfer. In the consolidated income statement, the income of the transferred financial asset and the expenses of the liability are recognised without offsetting.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and, where applicable, the liability assumed by the Group, is recognised in the income statement.

In certain contracts, the Group obtains advances from the customer in the form of debt acknowledgements of part of the contract, which are subsequently assigned without recourse to financial institutions. At the time of the assignment, the Group assumes a periodic payment obligation based on interest rates, recording the corresponding liability at the time of the assignment, which is subsequently measured at fair value.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts recognised, and when the Group intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.12 Losses on impairment of financial assets

The Group uses an impairment model based on the expected credit losses, instead of the losses incurred, applicable to the financial assets subject to such evaluation (financial assets measured at amortised cost and their value reasonable with changes in equity), as well as accounts receivable for leases, contract assets, certain written loan commitments and financial guarantee contracts. The expected credit losses on these financial assets are estimated from the origin of the asset at each closing date, taking as a reference the historical experience of the Group's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the economic conditions, and an evaluation of both the current direction and the forecast of future conditions.

- Accounts receivable. The Group has adopted an expected loss calculation model, whereby it recognises expected credit losses over the life of the receivable. The Group analyses customer receivables, analyses and evaluates them on an individual basis, requesting alternative credit risk quotes and comparing them with

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

other risk indicators according to the geographical area and market to which they belong, and carrying out margin tests on the values obtained.

- Other financial instruments: No significant balances have been identified under this heading that give rise to expected credit losses.

Based on the Group's analysis during the year, there has been no significant increase in credit risk. During 2024 there have been no changes in the estimation techniques or key assumptions used in the assessment of expected loss.

Based on the previous estimate, the Group considers that the following constitutes an event of default, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- The debtor does not comply with the payment schedules; or
- The information developed internally or obtained from external sources indicates that it is unlikely that the debtor pays his creditors, including the Group, in full (without considering any guarantee held by the Group).

The Group recognizes expected credit losses over the life of the asset of all financial instruments for which there have been significant increases in credit risk since its initial recognition (evaluated on a collective or individual basis), considering all available information, including that with reference to the future. If at the reporting date, the credit risk of a financial instrument has not increased significantly since the initial recognition, the Group calculates the provision for losses for that financial instrument as the amount of expected credit losses in the next 12 months.

In both cases, the Group recognizes in the result of the period the decrease or increase in the provision for credit losses expected at the end of the period.

2.13 Stock

Raw and auxiliary materials are valued at the lower of cost and net realizable value. Cost is determined according to the weighted average cost. The cost of finished goods and work in progress includes materials, labour and direct and indirect production costs incurred in the completion of individual projects. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs and, in the case of raw materials and work in progress, the estimated costs necessary to complete the production.

When the net realisable value of inventories is lower than their cost, a corresponding impairment provision is recognised and recorded as a cost in the income statement under the caption 'Procurement Costs'.

If the circumstances causing the impairment provision cease to exist, then the amount of the correction is reversed and is recognised as income in the statement of comprehensive income.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; demand deposits held at call with credit institutions and other short-term investments with original maturities of three months or less, and those deposits which, due to their contractual terms and specific characteristics, are considered to be demand deposits and which bear interest at market rates.

2.15 Equity instruments

Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of tax, from the proceeds obtained.

Whenever any company in the Group purchases shares in the company (treasury stock), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from the equity attributable to the owners of the company until the shares are cancelled, reissued or disposed of. When these shares are subsequently reissued, any amounts received, net of any directly attributable incremental transaction costs and related income tax effects, they are included in the equity attributable to the owners of the shares in the Group.

2.16 Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred.

Financial liabilities assumed or incurred by the Group are classified into the following valuation categories:

- a. Financial liabilities at amortised cost: these are the Group liabilities and payables arising from the purchase of goods and services in the Group's ordinary course of business, or those which, without having a commercial origin and not being derivative instruments, arise from loans or credit operations received by the Group.

These liabilities are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of the suppliers' business. They are not explicitly interest-bearing and are carried at nominal value, which is not materially different from their fair value.

- b. Financial liabilities at fair value through profit or loss.

Financial instruments with changes in comprehensive income are measured at fair value and changes in fair value are recognised in the profit and loss account.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the statement of financial position date.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Financial liabilities are derecognised when they have expired or when the contractual obligations associated with them have been paid or discharged.

In addition, during the year the Group has entered into certain agreements with financial institutions for the non-recourse assignment of future credit rights associated with a contract currently under execution, whereby the Group has the option to advance funds based on certain production milestones achieved, verified by an independent third party. In the case of obtaining an advance, the Group records, on the one hand, a financial liability corresponding to the future interest payment obligation which is subsequently measured at fair value and, on the other hand, a liability of a commercial nature since the Group has no disbursement obligation for the same but is linked to the obligation to execute the contract with the customer.

Hedge derivatives

Derivative financial liability instruments are measured at fair value.

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed.

These risks are mainly related to changes in interest rates and exchange rates.

For these financial instruments to qualify as accounting hedges, they are initially designated as such, and the hedging relationship is documented. The Group also verifies initially and periodically throughout their life (at least at each accounting close) that the hedging relationship is effective.

The Group applies fair value hedges, changes in the value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument that has been recognised in equity remains in equity until the forecast transaction occurs. When the transaction being hedged is not expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2.17 Current and deferred taxes

The tax expense for the period comprises current and deferred taxes. Taxes are recognised in the income statement unless they relate to items that are recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's taxable income is generated. Management periodically evaluates the positions recorded in the tax returns with respect to the situations in which applicable tax regulations are subject to interpretation, and where appropriate, recognizes provisions based on the amounts expected to be paid to the tax authorities.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Deferred income tax is recognised, in accordance with the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises upon initial recognition of an asset or liability in a transaction, other than a business combination, which at the time of the transaction affects neither the accounting result or the taxable profits or losses. The deferred income tax charge is determined using the tax rates that have been enacted or substantially enacted as at the statement of financial position date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is likely that future taxable profits will be available against which the temporary differences may be offset.

Deferred taxes are recognised on temporary differences arising from investments in subsidiaries and associates, except when the timing of the reversal of the temporary difference may be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when, and only when, there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same entity or tax unit or on different entities or taxable units when there is an intention to settle the current tax asset and current tax liability balances on a net basis.

2.18 Employees benefits

a) Defined contribution pension plan

Patentes Talgo, S.L.U. operates a defined contributed pension plan for its active employees, whereby the aforementioned subsidiary makes a monthly contribution of 4% of gross salary plus seniority for each employee, the fund being specifically assigned to each employee. Once the contributions have been paid, the subsidiary is under no obligation to make further payments.

The agreement signed with the employees regarding all accrued rights, established a single contribution to a financial institution that manages the pension fund, plus the future contributions made by the company. The company has outsourced the pension plan since March 2000.

b) Compensation for redundancies

Compensation for redundancy is paid to employees in the event that the Group decides to terminate their employment contracts. The Group recognises these benefits when it is demonstrably committed to terminate the employees' employment. Benefits that will not be paid within twelve months of the statement of financial position date are discounted to their present value.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

c) Bonus

When the required conditions are met, the Group recognizes a liability and an expense for the payment of objectives on the basis of individual agreements with each one of its employees.

d) Benefits to employees of the Group - Compensation with equity instruments

The Group recognizes goods and services received as an asset or as an expense, depending on their nature, when they are obtained and the corresponding increase in equity or in passive, depending on the approved method.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments transferred, referring to the date of the grant agreement.

2.19 Provisions

Provisions are recognised when the Group has an existing obligation, legal or implicit, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Adjustments to the provision on restatement are recognised as a finance cost as they accrue.

Contingent liabilities are not recognised in the consolidated annual accounts but are disclosed in accordance with the requirements of IAS 37.

2.20 Revenue recognition

Identification of contracts and performance obligations

The contracts signed by the Group have commercial substance and clearly identify the goods or services covered by them, as well as the delivery period, price and payment conditions to be applied in the contract. The company's contract type includes the manufacture and maintenance of rolling stock and auxiliary machines and the sale of spare parts.

The identification of performance obligations for each contract is done on the basis of whether the goods or services provided are different, both because the customer can benefit from them (i.e. the good or service can be different) and because they are considered different in the context of the contract.

Each agreement to transfer to the customer is identified as a performance obligation:

- A differentiated good or service (or group of goods or services).
- A series of differentiated goods or services that are substantially the same and follow the same pattern of transfer to the customer.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Revenues from performance obligations for the manufacture of rolling stock for a given number of complete trains or car sets, in the same contract, are considered the same performance obligation and normally involve a period of more than one year.

The production of machinery for train maintenance (auxiliary machines) is considered a performance obligation. These are contracts negotiated based on technical characteristics defined by the customer.

Remodeling contracts are contracts defined on the basis of technical characteristics defined by the customer and are considered as a single performance obligation. They normally have a completion period of more than one year.

In addition, the manufacturing contracts offer a warranty period which does not represent a differentiated service, as these are guarantees specific to the sector. The Group estimates the related provision for future warranty claims based on historical information on warranty claims as well as recent trends which may suggest that past cost information may differ from future claims.

Sales of spare parts are considered performance obligations that are satisfied at the time the goods are sent and the risks associated with the ownership of the goods are transferred.

Revenue from the train maintenance performance obligation is considered a separate performance obligation from the manufacturing contract and is recognised as the service is rendered based on fees negotiated annually with the customer. Under certain contracts, the Group is required to perform specific maintenance activities and to deliver spare parts to the customer at the end of the contract period. These revenues are recognised as they are performed, and the Group maintains a liability at year-end for the invoicing already made, which has been allocated as the price of these services under "Provisions for other liabilities and deferred income".

In this regard, most of the Talgo Group's customer contracts do not contain more than a single performance obligation. Only one contract that is executed in two stages, starting with the supply of goods to a customer followed by services provided on the constructed assets (maintenance), includes two distinct performance obligations. The transaction price is distributed between the performance obligations in proportion to the independent sales prices.

Price identification and allocation

When determining the price of contracts, the Group evaluates, in addition to the cash consideration expected to be received, other factors such as variable consideration, non-cash consideration, consideration payable to a customer, and any financing components.

Revenue recognition

Revenue from contracts for the manufacture of rolling stock and auxiliary machines specifically negotiated based on technical characteristics defined by the end customer, which involve the manufacture of an asset or group of assets, which have no alternative use and for which the Group is entitled to collect payment for work performed to date, which

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

are closely related to each other in terms of their design, technology and function, or in relation to their ultimate destination or use, and which maintain technical and structural characteristics different from other assets, are recognised over the contract term when the outcome of the contract can be reliably estimated and it is probable that the contract will be profitable. The revenue recognition criteria for rolling stock and auxiliary machinery manufacturing contracts varies depending on the estimated outcome of the contract and includes all related costs, potential delays, claims and penalties. When it is probable that contract costs will exceed total contract revenues, the expected loss is recognised immediately as an expense. The Group uses the percentage-of-completion method to determine the appropriate amount to be recognised in a given period. The stage of completion is determined by reference to the contract costs incurred at the statement of financial position date as a percentage of the total estimated costs for each contract. The Group periodically reviews its budgets.

In contracts for the manufacture of trains, auxiliary machinery and refurbishment, performance obligations usually take over a year to complete. The established price is either fixed according to the contract or is periodically updated according to a formula referenced to material indexes, personnel costs or inflation.

Regarding payment terms, it is common to receive advance payments from customers (contractual liabilities under contracts with customers). In this sense, the project milestone schedules that generate the right to billing and collection are specified in each project, establishing milestones for billing when the acceptance certificates signed by the clients are obtained, associated with said milestones which are generally of a technical nature.

When a contract performance obligation is met, a "Contract advance received" is recorded as a reduction, and if there was no previous advance payment or it has been consumed, a receivable account called "Construction performed pending invoicing" is recorded (contractual assets of contracts with customers) if the recognition of the revenue does not coincide with that for the invoicing.

Concerning contracts for the sale of spare parts, satisfaction of the performance obligation and invoicing occur when such products are delivered to the customer.

The duration of maintenance contracts fluctuates according to the needs and requirements of each customer. In this regard, the price is stipulated according to the contract, with the following modalities:

- Determined on the basis of fees negotiated with the customer in accordance with the agreed annual maintenance plans referenced to the kilometers traveled by the trains
- According to the average number of trains per year covered by the maintenance contract.
- According to the number of trains or wagons available on the track each service day.

Maintenance contracts, irrespective of the type of contract are adjusted annually using formula that are indexed to inflation in the market in which the services are provided.

Linear maintenance services are billed on a monthly basis and are aligned with recognised revenues.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Contract amendments

The Group may consider contract amendments in its income statement provided that they are agreed and approved by the parties. The Group evaluates whether the modifications should be considered as a separate contract or as a single contract together with the initial contract according to the following criteria:

- As a separate contract when the following two conditions are met:
 - the scope of the contract increases due to the inclusion of differentiated promised goods or services; and
 - the contract price is increased by an amount of consideration that reflects the stand-alone selling prices applied by the entity to the additional promised goods or services and, where appropriate, suitable adjustments to that price based on the circumstances of the contract in question; for example, an entity may adjust the stand-alone selling price of an additional good or service by applying a discount to the customer because it is not required to bear the costs associated with the sale that it would bear if it sold a similar product or service to a new customer.
- As an individual contract if the above conditions are not met, in which case the Group:
 - The Group will account for the modification of the contract as if it were a termination of the existing contract and the creation of a new contract if the goods or services transferred are differentiated. In this case a new contract is created in which the initial consideration promised by the customer that has not yet been recognized as revenue is combined with the consideration promised as part of the contract modification.
 - The Group will account for the contract modification as if it were part of the existing contract if the outstanding goods or services are not distinct and are part of a single performance obligation that is partially satisfied at the date of the modification. The effect that the contract modification has on the transaction price and on the entity's measurement of the progress toward complete fulfillment of the performance obligation is recognized as an adjustment to revenue (as an increase or decrease in revenue) at the date of the modification.

Contracts may provide customers with options to purchase additional goods or services. Additional goods sold under an option exercised subsequently or through a modification of the contract are accounted for based on the Group's evaluation of the above aspects on a case-by-case basis.

On the other hand the Group recognises revenue from contract claims when such claims are final, accepted and signed by the customer.

Interest income

Interest income is recognised using the effective interest rate method.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate of the instrument, classifying such discount as a reduction in interest income.

Incremental costs of obtaining a contract

They correspond mainly to incremental costs that are capitalised only when they are directly related to a contract and are incremental to secure the contract. These costs are amortised over the term of the contract to which they relate in equal annual installments and are classified as Short Term Accruals and Deferrals. Costs incurred regardless of whether or not the contract was awarded are not considered capitalisable incremental costs.

2.21 Government grants

Grants received from the government are recognized at fair value when there is reasonable assurance that the grant will be received, and the group will comply with all established conditions.

Government grants relating to costs are deferred and recognized in the income statement, within Other income during the period required to match them with the costs that they are intended to compensate.

Government grants relating to the acquisition of property, plant and equipment or intangible assets are included within non-current liabilities, as deferred government grants and released to the income statement, within 'Other income' on a straight-line basis over the expected lives of the related assets.

Subsidised loans without interest or at lower than market rates, granted primarily to fund research and development works, are recognized within liabilities at fair value. In the case of grants awarded to fund development projects, the difference between the fair value and redemption value of the amount received is recognized as a grant under the caption Government grants and is released to the income statement as the associated assets are amortized. If a grant applies to research expenses, the difference between its fair value and redemption value is recognized in the income statement when the related expenses are incurred.

This heading basically includes advances refundable at zero or reduced rates, when they are considered as capital grants conceded as part of the Competitiveness Plan promoted by the Ministry of Industry, as are others granted by the Centre for Industrial Technological Development (CDTI).

2.22 Dividend distribution

Dividend distributions to shareholders are recognised as a liability in the Group's consolidated annual accounts in the period in which the dividends are approved.

2.23 Environment

The costs of business actions undertaken by the Group with an impact on the environment, as detailed in note 31, are recognised as an expense during the year or as an increase in

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

the value of the corresponding asset, provided that the conditions detailed in note 2.6 regarding the valuation of tangible fixed assets are fulfilled.

2.24 Segment reporting

a) Segmentation criteria

Operating segments are disclosed in accordance with the internal information that is presented to the highest authorized body for decision making. The highest decision-making body is responsible for allocating resources to operating segments and evaluating the performance of these segments. In this case, the Board of Directors of Talgo, S.A. is the highest authority for strategic decision making.

The criteria applied by the Talgo Group for segment reporting in the consolidated annual accounts are set out below:

- Segmentation has been carried out according to business units, separating the operational activities of "Rolling Stock" and "Auxiliary Machines and others".
- The corporate general services segment has been classified as "General".

b) Basis and methodology for segment reporting

The income and expenses assigned to each segment are those that are directly attributable to the segment. Although the performance measure used by the highest decision-making body to evaluate segment performance is 'Operating profit', the Group also reports results by segment down to the 'Profit before tax' level.

The assets and liabilities in each of the segments are those that directly relate to the operations thereof or with the shareholding in companies dedicated to that activity.

Through this segmentation, the Group distinguishes between the identifiable components of the Talgo S.A. Group that are subject to risks and returns that are different from those associated with other operating components that conduct their business in different environments.

Accordingly, and based on the Group's historical experience and future development, the following segments have been identified which meet the requirements of internal homogeneity and which differ from the other segments for the same reasons.

The "rolling stock" segment includes both manufacturing activities and the maintenance of trains built using Talgo technology, as well as any other closely related activities. Likewise, the "Auxiliary Machines and others" segment primarily includes the manufacture of lathes and other equipment, repairs, modifications, and the sale of spare parts.

The general segment includes general corporate expenses not directly assignable to other segments (note 5).

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

2.25 Business combinations

The acquisition by the Parent company of control in a subsidiary constitutes a business combination, to which the acquisition method will be applied. Business combinations are accounted for in accordance with the acquisition method, whereby: the acquisition date is established, the combination cost is calculated, and the identifiable assets acquired, and liabilities assumed are recognized at their respective fair values on the aforementioned date, except when:

- deferred tax assets and liabilities or assets and liabilities relating to staff benefit agreements are valued using IAS 12 and IAS 19 respectively.
- liabilities or equity instruments relating to a share compensation plan for employees are valued in accordance with IFRS 2 at acquisition date.
- assets that are classified as held for sale are valued in accordance with IFRS 5.

The goodwill or negative difference resulting from the combination is determined on the basis of the difference between the fair values of the acquired assets and the liabilities assumed and the combination cost, all in relation to the acquisition date.

The combination cost is determined by aggregating the following:

- The fair values of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued, on the date of the acquisition.
- The fair value of any contingent consideration that depends on future events or on the fulfilment of the predetermined conditions.

The combination cost does not include expenses relating to the issuance of equity instruments or of financial liabilities delivered in exchange for the elements acquired.

Furthermore, the combination cost does not include: the fees paid to legal advisors or other professionals that take part in the combination or the costs generated internally for these concepts. These sums will be charged directly to the income statement.

If the business combination is performed in phases, in such a way that a previous investment existed before the acquisition date (date on which control is taken), then the goodwill or negative difference is calculated on the basis of the difference between:

- The business combination cost plus the fair value of any previous participation held by the acquiring company in the acquired company at the acquisition date and,
- The value of the identifiable assets acquired less the value of the liabilities assumed, determined in accordance with the description above.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Any profit or loss that arises as a consequence of the fair value valuation of any previously held investment on the date on which control is taken of the acquired company shall be recognized in the statement of comprehensive income. If the previously held investment in this company had been valued at fair value, then the valuation adjustments pending to include in the profit for the year would be transferred to the statement of comprehensive income. On the other hand, we assume that the business combination cost is the most accurate benchmark that can be used to estimate the fair value of any previous stake owned on the acquisition date.

Goodwill is not amortised and is valued subsequently at cost less any impairment loss. Any adjustments for impairment losses that are recognized against Goodwill are not subject to reversal in subsequent financial years.

If at the closing date of the year in which the combination occurs the valuation processes necessary to apply the acquisition method described above cannot be completed, this accounting is considered provisional, and these provisional values may be adjusted in the period necessary to obtain the required information, which in no case exceeds one year. The effects of adjustments made in this period are accounted for retrospectively by modifying the comparative information if necessary.

The subsequent changes in the fair value of contingent consideration are recognised in profit or loss, except when this consideration is classified within equity, in which case all subsequent changes in its fair value are not recognised.

2.26 Current and non-current accounts

Current assets are assets related to the normal operating cycle, as well as other assets whose maturity, disposal or realisation is expected to take place in the short term from the reporting date, financial assets held for trading, with the exception of financial derivatives with a settlement period exceeding one year, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current.

Similarly, current liabilities are those associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives with a settlement period exceeding one year and, in general, all obligations maturing or extinction in the short term. Otherwise, they are classified as non-current.

3. Financial risk management

3.1 Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including exchange rates, interest rates and prices), credit risk and liquidity risk.

The Group's global risk management program focuses on minimizing the effects resulting from uncertainties in the financial markets and seeks to minimize the potential adverse effects on the Group's financial profitability.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Risk management is controlled through different levels of supervision in accordance with the policies approved by the Board of Directors, which exercises responsibility for maintaining the internal control system, including the monitoring and control of significant risks to the Group.

Based on the assessment of operational risks, the Board of Directors monitors and manages these risks and, if necessary, approves actions to improve existing procedures.

a) Market risk

(i) Foreign exchange risk

The exchange rate risk is low, as foreign currency sales are made to the United States, Saudi Arabia and Kazakhstan and do not represent a significant weight in the Group's total turnover. When significant volumes are involved, the Group enters into currency hedging contracts, when deemed necessary, and other instruments, such as multi-currency credit facilities.

(ii) Price risk

In order to mitigate sales price risks, the Group maintains a very competitive cost structure, through the clauses established in the various contracts it enters into with its customers and suppliers.

(iii) Cash flow interest rate risk

The Group's exposure to interest rate risk arises from long-term debt. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, for which reason Group management implements interest rate risk management policies, such as the negotiation of fixed interest rates to mitigate exposure to this risk, when deemed necessary and efficient according to the interest rates prevailing in the market at any given time. In this respect, part of the Company's financing is debt negotiated at a fixed rate, so exposure to interest rate variations is limited.

Financial liabilities at fair value through other comprehensive income, which include total interest payable as a result of certain transactions carried out by the Group, vary depending on interest rates, although the directors do not estimate significant variations with respect to the curves used to measure fair value at the end of the financial year.

b) Credit risk

The Group's main financial assets comprise cash and cash equivalents, customers and other receivables and other financial assets, which represent the Group's maximum exposure to credit risk in terms of its financial assets.

The Group's credit risk is primarily attributable to its customers and other receivables balance. The amounts reflected on the consolidated statement of financial position are net of any provisions for bad debt, estimated by the Group's Management based on the policy described in notes 2.10 and 2.12 for financial assets.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The Group operates with a portfolio of clients who mostly belong to the public rail sector, for which no indication of relevant credit risk derived from the solvency or late payments of such customers has become apparent.

Nevertheless, the Group's financial management team considers this risk to represent a key aspect in the daily management of the business, and it focuses its efforts on ensuring the appropriate supervision and control of the evolution of receivables balances and defaulted payments. During the year the Group made a significant effort to monitor and recover overdue receivables balances, as well as to conduct a detailed analysis by client of the risk of late or non-payment. On a monthly basis, the Group performs an ageing analysis of the debt to cover any possible risks of insolvency. The Group has an established client acceptance policy based on the regular assessment of liquidity and solvency risks, and these aspects form an important part of the analysis that is performed to decide which tenders to participate in.

The Group only works with financial institutions of recognised prestige and rated with ratings that do not present insolvency risks.

c) Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash, the availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions. The Group's Management regularly monitors its liquidity projections on the basis of its expected cash flows, both in the short term and long term. The Group maintains enough cash to meet its liquidity needs.

The general market situation has led to a general increase in liquidity tensions in the economy as well as a contraction of the credit market. In this regard, the Group has continued to increase its financial capacity by entering into new bank loans and credit facilities in financial year 2024 (note 18). Additionally, in February 2025 the promissory note program (MARF) was renewed, which together with the available credit policies and the existing treasury at the end of the 2024 financial year, provides the Group a financial capacity of € 278 million.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The table below shows an analysis of the Group's financial liabilities, grouped by remaining term to contractual maturity, as at the statement of financial position date:

	€ in thousands			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2024				
Debt securities and other marketable securities (note 18 d)	84 376	-	-	-
Debt with credit entities (note 18 a)	54 995	117 833	202 515	30 097
Suppliers and other payables (note 17) (*)	269 029	-	-	-
Lease creditors (note 18 b)	2 102	1 496	3 702	41
Debts for refundable advances (note 18 c)	2 872	2 030	5 503	3 217
	413 374	121 359	211 720	33 355
At 31 December 2023				
Debt with credit entities (note 18 a)	101 010	58 910	211 224	22 072
Suppliers and other payables (note 17) (*)	273 716	-	-	-
Lease creditors (note 18 b)	1 945	582	592	36
Debts for refundable advances (note 18 c)	2 514	2 878	5 812	4 968
	379 185	62 370	217 628	27 076

(*) The figures in this caption contain the payable balance disclosed in note 17, less a deduction for the advances received.

3.2 Capital risk management

To date, the Group's goal in terms of capital management has been to ensure its ability to continue as a going concern in order to maximize returns and achieve greater profitability and efficiency.

The Group has defined net financial debt as the sum of the debt it holds with financial institutions, plus its finance lease creditors less cash and cash equivalents.

	€ in thousands	
	31.12.24	31.12.23
Debt securities and other marketable securities (note 18)	84 376	-
Debt with credit entities (note 18)	405 440	393 216
Finance lease (note 18)	7 341	3 155
Cash and cash equivalents (note 13)	(93 292)	(155 760)
Total Net Financial Debt	403 865	240 611

The Group regularly monitors Net financial Debt position and its impact on total capital calculated as the equity attributable to the owners of the Parent company, as shown in the consolidated statement of financial position plus net financial debt:

	€ in thousands	
	31.12.24	31.12.23
Total net financial debt	403 865	240 611
Equity attributable to the owners of the parent	170 607	277 995
Total share capital	574 472	518 606
Indebtedness	70%	46%

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

3.3 Fair value estimates

The carrying amount less the provision for impairment of current receivables and payables approximates to their fair value. The fair value of financial liabilities, for the purposes of reporting financial information, is estimated by discounting the future contractual cash outflows at the current market interest rate that is available to the Group for similar financial instruments.

The valuations of assets and liabilities recorded at their fair value are indicated in accordance with the following hierarchy, determined by IFRS 7:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

For the purposes of the breakdown by level, we consider that the valuation of derivatives (interest rate swaps) is classified as level 2. In addition, we identify as level 2 the fair value of the financial liability mentioned in note 18.c.2).

4. Significant accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under normal circumstances.

4.1 Significant estimates and hypotheses

The Group makes estimates and hypothesis concerning the future. The resulting accounting estimates will, by definition, not match the actual corresponding results exactly. The main estimates and judgments made by Group Management are outlined below.

a) Estimated loss due to goodwill impairment.

The Group performs an annual test to determine whether its goodwill has suffered any loss due to impairment, in accordance with the accounting policy described in note 2.8. The recoverable amounts of cash generating units (CGU) are determined based on the calculation of their value in use. These calculations require the use of estimations. Based on the calculations of value in use, prepared in accordance with the hypothesis described in note 8 for the years 2024 and 2023, the recoverable amount of CGUs to which goodwill has been allocated exceeded its book value, even after performing certain sensitivity analyses on the discount rates and growth rates. This sensitivity has been analysed by applying variations of +250 and -150 basis points to the discount rates used and variations of 300 basis points to the growth rates used, as well as variations in net project cash flows of plus or minus 30%.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

b) Income tax and assets and liabilities of a fiscal nature

The Group is subject to income taxes in several jurisdictions. A high degree of judgment is required to determine the provision for income taxes at the global level.

In determining the provision for income tax, and the related tax assets and/or liabilities, the Group assesses whether there is any uncertainty as to the acceptability of the tax treatment of any particular transaction or circumstance. If the Group considers that it is likely that the tax authorities will accept the uncertain tax treatment, it determines the taxable profit (loss) and related tax assets and/or liabilities in a manner consistent with that tax treatment. Conversely, if the Group concludes that it is not likely that the tax authorities will accept the uncertain tax treatment, it will reflect the effect of the uncertainty in determining taxable profit (loss) and related tax assets and liabilities by one of the following methods:

- The most probable amount, if the possible outcomes of the uncertainty are dual or concentrated in a single value.
- The expected value, i.e. the sum of amounts weighted by their probability in a range of possible outcomes, in cases other than the above.

As described in note 26, on 10 July 2017 the Parent and its subsidiary Patentes Talgo S.L.U. received notification from the tax authorities of the partial verification of Income Tax for 2012 to 2015 and Personal Income Tax for the periods from May 2013 to December 2015. As a result of the aforementioned procedure, in October 2019 assessments were signed in disagreement, which were confirmed in disagreement notified in November 2019. At the end of 2019, the directors evaluated the matters under discussion, considering the opinion of their tax advisors, and the Group recorded the associated tax assets and liabilities, taking into account the most likely amount that will be derived from these assessments. During the 2024 financial year, the estimates made have not changed as no new events have occurred that would cause them to change. The doctrine on the matters under discussion is scarce and disparate. Likewise, there have been no remuneration plans subsequent to those questioned in the aforementioned inspection.

Similarly, the Group assesses the recoverability of tax assets, primarily deferred tax assets and deductions at each statement of financial position date, based on a number of criteria:

- The existence of future taxable income against which these assets may be offset.
- The existence of adequate documentary support, especially in relation to certain types of deductions, on the one hand to reliably prove the amount of tax assets recognized and on the other, to provide Management with a basis for its estimates on the reliability and amount of the deductions to activate. In the event that on a certain date, Management does not have all of the appropriate documentation to allow it to measure reliably the tax assets, based on its own judgment, and therefore its recovery is unlikely, then such tax assets may not be activated until the moment when the two aforementioned conditions are met, in accordance with all of the supporting documentation relating to the tax assets.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

- The assessment by Management of all of the available evidence to justify or not the recognition of tax assets. For this assessment, Management takes into account both favourable and unfavourable evidence, as well as current and historical evidence, its objective verification and/or demonstration, and the weight assigned to each piece of evidence.

The Group reassesses its judgments and estimates when the facts and circumstances on which they are based change or when new information arises that affects the judgment or estimate made, reflecting the changes in such estimate prospectively.

c) Revenue recognition

For revenue from manufacturing performance obligations, which are performed under specific conditions agreed with customers, the Group recognises this revenue over time as no asset with an alternative use is created for the Group and the Group has an enforceable right to payment for what has been performed to date. For this purpose, the Group uses the percentage completion method, based on the percentage of completion to account for revenues from manufacturing contracts for trains and auxiliary machinery. The completion percentage is calculated as the percentage of contract costs incurred over the total estimated costs for the completion of the contract. This revenue recognition method only applies when the income from the contract can be reliably estimated, and it is likely that the contract will generate a profit. If the contract income cannot be estimated reliably, revenue is recognized to the extent that the costs will be recovered. When it is probable that the contract costs exceed the contract revenue, the loss is recognized immediately as an expense. Using this method requires the Group to make significant estimates with respect to the total costs necessary for completing each contract. These estimates are reviewed periodically in order to verify whether a loss has been generated and whether it is possible to continue to apply the percentage completion method and to re-estimate the expected margin on the contract. During the contract term, the Group also estimates the probable contingencies relating to any total estimated cost increase and varies the recognition of revenues accordingly.

d) Useful lives of Tangible and Intangible assets

The Group's Management determines the estimated useful lives and related amortization charges for Tangible Fixed Assets and Intangible Assets. These estimates are based on the period during which the elements that comprise the Tangible Fixed Assets and Intangible Assets will generate economic benefits. At each year end, the Group reviews the useful lives of the Tangible and Intangible Assets and if the estimates differ from those previously made, then the effect of the change is accounted for prospectively in the income statement in the year in which the change occurs.

e) Provisions for guarantees

The Group generally offers two or three-year guarantee for trains and auxiliary machinery it manufactures, and the repair work it performs. Management estimates the provision for future works under guarantee on the basis of historical information about actual costs during previous warranty periods, as well as on recent trends if they suggest that past information may differ from the cost of future works. Estimates are made based on the best available information and circumstances at 31 December 2024 and 2023, and no significant changes in those estimations are expected.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

f) Provision for compensation

When the conditions are met, the Group recognises a liability and an expense regarding the bonus payment in accordance with the individual agreements with each employee.

g) Penalties for contracts with clients

The Group evaluates possible penalties for client contracts. In order to determine whether the penalty is highly probable and therefore affects the compensation to be received by the client, the Directors take into consideration, among other aspects, the following: i) the history of penalties ii) the responsibility of the parties for them iii) the status of negotiations with clients iv) the administrative and/or legal firmness of the penalties.

5. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors, which are used to make strategic decisions, analyse segment performance and allocate resources accordingly.

The Board of Directors monitors the business from a business line perspective, analysing the performance of the following operating segments: Rolling stock, Auxiliary machines and Others, which are reflected in the reportable segments. The Board of Directors uses *Operating Profit* to assess the performance of the segments.

The "Rolling stock" segment includes both manufacturing activity and the maintenance of trains manufactured using Talgo technology, since these activities are closely related.

Likewise, the "Auxiliary machines and Others" segment primarily includes the manufacture and maintenance of lathes and other equipment, as well as repairs, modifications and the sale of spare parts.

The General segment includes general corporate expenses not directly assignable to other segments.

The segment information reported to the Board of Directors of Talgo, S.A. for decision making relating to the financial years ended 31 December 2024 and 2023 is obtained from the Group's management reporting systems and does not differ significantly from the IFRS information. It is presented below:

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

	€ in thousands			
	31.12.2024			
	Rolling stocks	Auxiliary machines and others	General	Total
Total segment revenues	610 311	58 905	-	669 216
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	610 311	58 905	-	669 216
Amortization and depreciation charge	19 994	647	3 734	24 375
Operating result	(20 990)	(4 477)	(45 957)	(71 424)
Financial income	2 768	36	22	2 826
Financial expenses	23 110	1 848	1 340	26 298
Result before tax	(41 332)	(6 289)	(47 275)	(94 896)
Total Assets	1 164 983	80 235	25 877	1 271 095
Total Liabilities	989 342	57 495	45 120	1 091 957
Fixed asset investments	45 243	56	3 271	48 570

	€ in thousands			
	31.12.2023			
	Rolling stocks	Auxiliary machines and others	General	Total
Total segment revenues	622 308	29 688	-	651 996
Inter-segment revenues	-	-	-	-
Ordinary revenues from external customers	622 308	29 688	-	651 996
Amortization and depreciation charge	13 082	484	3 674	17 240
Operating result	120 276	(13 237)	(48 066)	58 973
Financial income	1 656	69	81	1 806
Financial expenses	36 332	1 494	1 654	39 480
Result before tax	85 600	(14 662)	(49 639)	21 299
Total Assets	1 038 326	53 378	24 061	1 115 765
Total Liabilities	728 434	44 587	54 458	827 479
Fixed asset investments	23 142	16	3 308	26 466

Ordinary revenues from external customers, total assets and total liabilities, as reported to the Board of Directors, are valued in accordance with the principles consistent with those applied in the annual accounts.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Total Net Turnover from external customers in 2024 and 2023 is distributed geographically as follows:

	€ in thousands	
	2024	2023
Spain	162 192	221 280
Rest of Europe	340 821	273 169
America	17 157	7 324
Middle East and North Africa	95 770	99 238
Commonwealth of Independent States	52 025	50 696
APAC	1 251	289
	669 216	651 996

Considering the nature of the Group's activities, revenues from the manufacturing, maintenance (which make up the rolling stock business) and maintenance (which make up the rolling stock business) and auxiliary machinery and other, accounted for 52%, 42% and 6%, respectively, of the total and auxiliary machines and others, accounted for 52%, 42% and 6%, respectively, of the total average revenue for the last three years (period 2022-2024).

Total non-current assets, other than financial instruments and deferred tax assets is distributed geographically as follows in 2024 and 2023:

	€ in thousands	
	2024	2023
Spain	273 141	243 781
Abroad	8 756	7 410
	281 897	251 191

The Group has permanent establishments in different countries, and the detail of income associated with them is as follows:

The Group's turnover from the Permanent Establishment in Kazakhstan amounted to €44,728 thousand in 2024 (2023: €42,762 thousand).

The Group's turnover from the Permanent Establishment in Uzbekistan amounted to €7,011 thousand in 2024 (2023: €7,465 thousand).

The Group's turnover from the Permanent Establishment in Saudi Arabia amounted to €87,958 thousand in 2024 (2023: €84,511 thousand).

The Group's turnover from the Permanent Establishment in Egypt amounted to €4,497 thousand in 2024 and €3,549 thousand in 2023.

During 2024, Patentes Talgo, S.L.U. has set up a permanent establishment in Germany.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

6. Tangible fixed assets

The movements in the accounts included within tangible fixed assets in 2024 and 2023 were as follows:

	€ in thousand				
	Balance at 31.12.23	Translation differences	Additions	Disposals	Transfers
Cost					
Land	9 894	-	-	-	-
Right-of-use assets	9 407	109	6 437	(4 648)	-
Buildings	48 222	-	-	-	223
Technical installations & machinery	39 074	248	301	(28)	556
Other facilities, tools & furniture	62 169	2	54	(385)	1 844
Advances and work in progress	3 765	7	4 035	-	(3 164)
Other fixed assets	12 039	5	207	(725)	489
	184 570	371	11 034	(5 786)	(52)
Depreciation					
Right-of-use assets	(6 543)	(39)	(2 126)	4 648	-
Buildings	(32 840)	-	(1 232)	-	-
Technical installations & machinery	(30 321)	(228)	(1 858)	15	-
Other facilities, tools & furniture	(51 192)	(2)	(2 780)	353	-
Other fixed assets	(9 617)	(5)	(532)	725	-
Impairment losses	(162)	(8)	-	-	-
	(130 675)	(282)	(8 528)	5 741	-
Net book value	53 895	89	2 506	(45)	(52)
	€ in thousand				
	Balance at 31.12.22	Translation differences	Additions	Disposals	Transfers
Cost					
Land	9 894	-	-	-	-
Right-of-use assets	9 279	(84)	212	-	-
Buildings	48 205	-	-	-	17
Technical installations & machinery	37 978	(140)	146	-	1 090
Other facilities, tools & furniture	59 114	-	215	(37)	2 877
Advances and work in progress	2 693	(4)	4 995	-	(3 919)
Other fixed assets	11 626	(4)	307	(101)	211
	178 789	(232)	5 875	(138)	276
Depreciation					
Right-of-use assets	(4 294)	27	(2 276)	-	-
Buildings	(31 579)	-	(1 261)	-	-
Technical installations & machinery	(28 075)	134	(2 380)	-	-
Other facilities, tools & furniture	(48 426)	-	(2 803)	37	-
Other fixed assets	(9 145)	4	(576)	100	-
Impairment losses	(166)	4	-	-	-
	(121 685)	169	(9 296)	137	-
Net book value	57 104	(63)	(3 421)	(1)	276

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The main additions to tangible assets are related to investments in the Las Matas II and Rivabellosa as well as investments in IT hardware.

The 2024 additions include capitalized expenses incurred by the company for its assets per an amount of €1,225 thousand (€1,008 thousand in 2023).

The disposals of property, plant and equipment in 2024 relate to assets that were no longer of use to the company. They also relate to the donation of computer equipment to the victims of the flooding caused by a Dana phenomenon in Valencia.

The land and buildings caption includes the Group's two properties located in Rivabellosa (Álava) and Las Rozas (Madrid).

a) Fully depreciated tangible assets

At 31 December 2024, tangible fixed assets with an initial cost of €85,081 thousand are fully depreciated and are still in use, of which €15,586 thousand relate to buildings (€80,257 thousand in 2023, of which €15,532 thousand relate to buildings).

b) Insurances

The Group has taken out various insurance policies to cover the risks to which its tangible fixed assets elements are subjected. The coverage of these policies is considered sufficient.

c) Impairment losses

No impairment losses were recognised by the Group during the years 2024 and 2023.

d) Tangible fixed assets subject to guarantees

In 2024 and 2023 there are no tangible fixed assets subject to guarantees.

e) Fixed assets located abroad

At 31 December 2024 and 2023, the Group has fixed asset investments located overseas whose net book values are detailed below:

Fixed assets	€ in thousands	
	2024	2023
Land and buildings	15 684	15 684
Technical installations and machinery	14 686	13 943
Other facilities, tools and furniture	3 265	3 223
Advances and work in progress	134	126
Other tangible fixed assets	99	148
Right-of-use assets	7 724	6 431
Accumulated depreciation	(32 702)	(32 808)
Impairment losses	(134)	(126)
Net Book Value	8 756	6 621

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

f) Purchase commitments

At 31 December 2024, the Group held purchase commitments for tangible fixed assets amounting to €19,891 thousand (€2,463 thousand in 2023).

7. Intangible assets

The movements in the intangible assets accounts during 2024 and 2023 were as follows:

€ in thousands						
	Balance at 31.12.23	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.24
Cost						
Development	166 349	47	-	-	46 642	213 038
Industrial property	1 749	-	-	-	-	1 749
Software	23 463	41	129	(68)	1 321	24 886
Right-of-use assets	1 541	-	-	(210)	-	1 331
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	29 526	-	43 844	-	(47 911)	25 459
	<u>247 697</u>	<u>88</u>	<u>43 973</u>	<u>(278)</u>	<u>52</u>	<u>291 532</u>
Amortization and impairment losses						
Development	(121 199)	(17)	(11 672)	-	-	(132 888)
Industrial property	(22)	-	-	-	-	(22)
Software	(18 980)	(41)	(2 185)	68	(165)	(21 303)
Right-of-use assets	(1 632)	-	(62)	210	165	(1 319)
Maintenance contracts	(19 280)	-	(1 928)	-	-	(21 208)
Impairment losses	(1 727)	-	-	-	-	(1 727)
	<u>(162 840)</u>	<u>(58)</u>	<u>(15 847)</u>	<u>278</u>	<u>-</u>	<u>(178 467)</u>
Net book value	<u>84 857</u>	<u>30</u>	<u>28 126</u>	<u>-</u>	<u>52</u>	<u>113 065</u>

€ in thousands						
	Balance at 31.12.22	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.23
Cost						
Development	124 016	(31)	-	-	42 364	166 349
Industrial property	1 749	-	-	-	-	1 749
Software	20 371	(23)	237	(8)	2 886	23 463
Right-of-use assets	1 743	-	-	(202)	-	1 541
Maintenance contracts	25 069	-	-	-	-	25 069
Advances and work in progress	54 486	-	20 566	-	(45 526)	29 526
	<u>227 434</u>	<u>(54)</u>	<u>20 803</u>	<u>(210)</u>	<u>(276)</u>	<u>247 697</u>
Amortization and impairment losses						
Development	(116 995)	7	(4 211)	-	-	(121 199)
Industrial property	(22)	-	-	-	-	(22)
Software	(17 432)	23	(1 579)	8	-	(18 980)
Right-of-use assets	(1 608)	-	(226)	202	-	(1 632)
Maintenance contracts	(17 352)	-	(1 928)	-	-	(19 280)
Impairment losses	(1 730)	-	3	-	-	(1 727)
	<u>(155 139)</u>	<u>30</u>	<u>(7 941)</u>	<u>210</u>	<u>-</u>	<u>(162 840)</u>
Net book value	<u>72 295</u>	<u>(24)</u>	<u>12 862</u>	<u>-</u>	<u>(276)</u>	<u>84 857</u>

Development expenses at 31 December 2024 and 2023 mainly include costs incurred by the Patentes Talgo, S.L.U. for the development of high-speed projects relating, regional trains and auxiliary machines, among others.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

In 2024 the main additions to fixed assets under work in progress caption relate to the costs incurred for the AVRIL 2nd Generation, PARFAIT (Self-Configurable and Interoperable Railway Platform), the Hympulso projects and the projects integrated into Europe's Rail, as well as additions relating to process optimisation projects in the IT area.

Similarly, in 2024, the transfers from work in progress to research and development heading correspond mainly to the capitalisation of the AVRIL 2nd Generation and PARFAIT projects.

The 2024 additions include capitalized expenses incurred by the company for its assets per an amount of 19,439 thousand euros (17,260 thousands euros in 2023).

The provision for impairment relates mainly to a patent owned by the Group that was 100% impaired, since its income-generating capacity was not guaranteed.

The asset recognised under "Customer Contracts" arose as a result of the business combination performed by the subsidiary Patentes Talgo, S.L.U. in 2013, as the difference between the cost of this combination and the fair value of the net assets acquired from the absorbed company Tarvia Mantenimiento Ferroviario, S.A. This asset is being amortized over the remaining terms of the contracts with which it is associated, i.e. over 13 years as at 31 December 2013, having started its depreciation in the fiscal year 2014.

a) Fully-amortized intangible assets

At 31 December 2024, the Group holds intangible assets that are fully amortized and still operational, which had an initial cost of €137,022 thousand (2023: €135,451 thousand).

b) Insurance

The Group has taken out various insurance policies to cover the risks to which its intangible assets are subjected. The coverage of these policies is considered sufficient.

c) Grants and subsidies

At 31 December 2024, within the fixed asset acquisitions, €40,789 thousand were partially financed through grants and loans received from official entities (2023: €18,893 thousand).

d) Impairment losses

During the 2024 and 2023, no valuation corrections were recognised or reversed due to the impairment of any individual intangible assets. Furthermore, the impairment tests performed on the intangible assets that were not yet operational as at 31 December 2024 and 2023 did not show any signs of impairment.

The Group performs an annual asset impairment test of the maintenance contracts described above. The results of this test do not indicate that the "Maintenance Contracts" showed any signs of impairment.

This impairment test was performed by discounting the cash flows of the manufacturing projects, using a discount rate of 9.5% (10.8% in 2023) and a growth rate of 1% (0.5% in 2023).

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

e) Right-of-use assets

As indicated in note 18, the Group has contracted various finance leases on its intangible assets, which were classified after the entry into force of IFRS 16 as right-of-use assets (note 2.6). The cost of intangible assets under finance leases amounts to €1,331 thousand at year-end 2024 (2023: €1,541 thousand).

f) Intangible assets located abroad

At 31 December 2024, the Group held the following investments in intangible assets that were located overseas:

Intangible assets	€ in thousands			
	Cost	Accumulated amortization	Impairment losses	Net book value
Development	788	(340)	-	448
Software	2 109	(1 827)	-	282
	2 897	(2 167)	-	730

At 31 December 2023, the Group held the following investments in intangible assets that were located overseas:

Intangible assets	€ in thousands			
	Cost	Accumulated amortization	Impairment losses	Net book value
Development	741	(171)	-	570
Software	1 939	(1 751)	-	188
	2 680	(1 922)	-	758

8. Goodwill

The movement in goodwill was as follows:

	€ in thousands
Balance at 31.12.22	112 439
Additions	-
Disposals	-
Balance at 31.12.23	112 439
Additions	-
Disposals	-
Balance at 31.12.24	112 439

Goodwill impairment tests

Goodwill has been allocated to the Group's cash generating units (CGU's) on the basis of the operating segments.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The table below shows a summary of the allocation of goodwill by segment:

	€ in thousands	
	31.12.24	31.12.23
Rolling stock	101 886	101 886
Auxiliary machines and other	10 553	10 553
Total Goodwill	112 439	112 439

The amount recoverable from a CGU is determined on the basis of “value in use” and fair value calculations. The value in use calculation uses cash flow projections based on management-approved financial budgets covering a five-year period and are projected by estimating recurring cash flows and estimated growth rates.

Management determined the budgeted gross margin on the basis of past performance and expectations about the future development of the market, keeping them in line with the margins recorded in recent years. The average weighted growth rates are consistent with the forecasts included in reports in this sector. The discount rates used are pre-tax and reflect specific risks associated with each segment.

The key hypotheses used for the value in use calculations in 2024 and 2023 are detailed below:

- Growth rate in perpetuity:** The Group has assumed that cash flows grow in perpetuity at an equivalent average rate that does not exceed the average growth rate of the sector in which the Group operates, over the long term.
- Discount rate:** The Group has used the weighted average cost of capital (WACC) in its calculations. It has used the weighted average of its cost of debt and its cost of own funds or capital. In turn, to obtain the Beta used in the capital cost calculation, the Group has used the historical Betas of companies in the sector in which it operates as a best estimate.
- Cash flow projections over 5 years:** The Group's Management prepares and updates its business plan for the projects that correspond to the different segments defined. The main components of this plan are the margin projections, working capital and other structural costs. The business plan and therefore the projections have been prepared on the basis of experience and available best estimates.
- Perpetual projections from year 5 onwards:** the perpetual projections consider a revenue and margin base in line with the projected fifth year, eliminating the seasonality of working capital inherent to manufacturing projects.
- Investments and others:** The projections include the investments necessary for the maintenance of the current assets, as well as those necessary for the implementation of the business plan. The corporation tax payment has been calculated on the basis of the expected average rate.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Key hypothesis:

The cash flows generated by the projects are regarded as the key hypothesis and represent the main indicator used by the Directors of the Group to monitor the performance of the business.

The key hypotheses used for the value in use calculations in 2024 has been a discount rate of 9.5% (10.8% in 2023) and a growth rate of 1% (0.5% in 2023).

Sensitivity analysis:

The Group has conducted a sensitivity analysis combining variations in net cash flows of up to 30%.

In addition, the Group has considered sensitivity by varying the growth rate in perpetuity, by +/- 300 basis points, as well as by varying the discount rate by +250 and -150 basis points.

Similarly, the Group has subjected a combination of the aforementioned variables to a further sensitivity analysis. The Group has not identified any sign of impairment in the recoverable value calculated on the basis of the value in use in any of the cases.

These hypotheses have been used to analyse the CGU within the operating segment.

During the years 2024 and 2023, none of the CGUs evaluated has shown any signs of impairment.

9. Financial instruments by category

a) The breakdown of financial instruments by category is as follows:

	€ in thousands			
	Equity method investments	Amortised cost	Fair value through changes in equity	Total
31 December 2024				
Assets on the statement of financial position				
Equity instruments (note 10)	10	-	-	10
Other financial assets (note 10)	-	984	-	984
Cash and cash equivalents (note 13)	93 292	-	-	93 292
	93 302	984	-	94 286
31 December 2023				
Assets on the statement of financial position				
Equity instruments (note 10)	10	-	-	10
Derivative financial instruments (note 10)	-	-	23	23
Other financial assets (note 10)	-	1 282	-	1 282
Cash and cash equivalents (note 13)	-	155 760	-	155 760
	10	157 042	23	157 075

*The balances corresponding to 'Customers and other accounts receivable' caption have been excluded as they are not considered financial instruments, since most of them are classified as assets under contract according to IFRS15.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

	€ in thousands		
	Financial liabilities at amortized cost	Fair value through other comprehensive income	Total
31 December 2024			
Liabilities on the statement of financial position			
Borrowings (note 18)	522 884	15 882	538 766
Suppliers and other payables (note 17)*	254 159	-	254 159
	777 043	15 882	792 925
31 December 2023			
Liabilities on the statement of financial position			
Borrowings (note 18)	426 430	27 531	453 961
Suppliers and other payables (note 17)*	261 561	-	261 561
	687 991	27 531	715 522

* The balances relating to advances received and social security and other taxes have been excluded from the Suppliers and other payables' balance on the statement of financial position since they are not financial instruments.

b) Credit quality of financial assets

The credit quality of financial assets that have not suffered impairment losses can be assessed based on the credit rating granted by organizations external to the Group.

In relation to the balances of Customers and Other financial assets, which do not have a specific credit classification, the Group considers that they do not present significant risks of impairment since they correspond to Public Sector entities or entities of a similar nature, which generally present lower risks of impairment.

The financial assets that do have a specific credit rating are cash and cash equivalents at credit institutions of recognised prestige that do not present any risk of impairment with an A rating of 47% (49% in 2023) and with BBB or higher in 53% of cases (51% in 2023).

96.42% of the Group's turnover in 2024 comes from 8 customers (2023: 97.29% from 7 customers) and mainly belongs to the Rolling Stock segment.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

10. Other current and non-current assets

Investments in associates, derivative financial instruments and other financial assets break down as follows:

	€ in thousands	
	31.12.2024	31.12.2023
Investments in associates, derivative financial instruments, and other non-current financial assets		
Investments in associates	10	10
Loans to third parties and other loans	635	648
Deposits and guarantees	239	290
	884	948
Investments in associates, derivative financial instruments, and other current financial assets		
Derivative financial instruments	-	23
Deposits and guarantees	81	28
Other financial assets	29	316
	110	367
Total	994	1 315

a) Loans to third parties and other loans

The 'Loans to third parties' caption includes balances with related parties amounting to €635 thousand (note 21).

b) Short-term accruals and deferrals

The balance of the asset accruals and deferrals caption mainly includes the accrual of the prepayment made to a creditor in prior years, which is charged to results based on its accrual basis.

11. Customers and other accounts receivable

The balances included under this caption relate to trade operations and do not accrue any interest.

The Group does not have any doubts about the creditworthiness and solvency of the aforementioned clients, based on the sector they belong to, and their experience.

This caption is broken down as follows:

	€ in thousands	
	31.12.24	31.12.23
Customers	169 109	126 362
Construction completed not yet invoiced	454 696	325 475
Customers – associated companies (note 30)	63	1 587
Provision for impairment losses	(3 102)	(3 204)
Customers – Net	620 766	450 220
Public entities	9 832	19 150
Sundry debtors	490	535
Personnel	366	672
Total	631 454	470 577

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

At 31 December 2024, as in the previous year, the caption “Customers – group companies and associates” included the balance held with Consorcio Español de Alta Velocidad Meca Medina S.A.

The subsidiary Patentes Talgo, S.L.U. signed during 2021 contracts with credit institutions that implement a non-recourse financial facility offered and provided by a client, in the context of an ongoing manufacturing project. Through these contracts, the client allows this company to anticipate partial collections of the contract at any time for up to 60% of contract of the 23 initial trains that make up the order. This facility matures on the date on which the milestone for provisional acceptance of the trains is reached or, in any case, on the maximum date specified in the contract on which the customer pays the sum of the advances made to the financial institution. This facility generates a financial liability (note 18) and an effect on financial income due to the revaluation of the facility.

The amount advanced in nominal values, which corresponds to the total amount available under this facility, is as follows (in € millions):

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Total</u>
Amount	70	84	170	324

The subsidiary Patentes Talgo, S.L.U. formalized certain agreements with financial institutions for the non-recourse assignment of future credit rights associated with a contract currently under execution, for up to 60% of the contract award value.

As of December 31, 2024, it has obtained funds from the entities for an amount of 62 million euros, based on certain production milestones reached. This has resulted in the registration of 4 million euros for interest to be paid and a commercial liability of 58 million euros, which for presentation purposes is a reduction of the construction work performed pending invoicing.

At 31 December 2024, the Group’s sale commitments amounted to €4,173 million (2023: €4,223 million), of which 4,038 million euro relate to rolling stock and 135 million euro to auxiliary equipment and other. Of the amount related to rolling stock, approximately 50% corresponds to manufacturing projects whose execution period is estimated to be carried out in the next 6-8 years. In the case of the maintenance portfolio, depending on the contract, the recognition of execution obligations can reach up to 40 years, with the average life of current contracts being 13 years.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The ageing breakdown of the debt with customers, net of the corresponding provision, is as follows:

	€ in thousands	
	31.12.24	31.12.23
Balances not yet due	528 967	381 964
Between 0 and 1 month	15 566	16 659
Between 1 and 3 month	29 073	6 604
Between 3 and 6 month	12 070	6 212
Between 6 and 12 month	6 783	4 471
More than 12 months	28 307	34 310
	620 766	450 220

The amount of the not yet due balance contains executed manufacturing pending invoicing that at year-end has not met the milestones stipulated in the contract for invoicing. In this regard, these amounts will be invoiced in a short period of time, once certain aspects associated with the milestone have been met.

At 31 December 2024, the customer accounts receivable balances that have suffered impairment and have been provisioned against amounts to €3,102 thousand (2023: €3,204 thousand). The ageing analysis of these accounts is as follows.

	€ in thousands	
	31.12.24	31.12.23
Between 0 and 3 months	-	-
Between 3 and 6 months	-	-
More than 6 months	3 102	3 204
	3 102	3 204

In general, the Group recognizes provisions for all balances over which it has reasonable doubts regarding their recoverability. Overdue balances that have not been provisioned against relate to delays in payments from customers regarding which there is no doubt in terms of their recoverability.

Movements in the provision for impairment of the Group's customer accounts receivable and other receivables balances were as follows:

	€ in thousand	
	31.12.2024	31.12.2023
At 1 January	(3 204)	(2 667)
Provision recognition	(453)	(654)
Reversals	484	18
Application	73	98
Currency translation differences	(2)	1
At 31 December	(3 102)	(3 204)

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The recognition and application of the provision for the Group's impaired accounts receivable balances has been included within Other operating expenses in the income statement (note 23).

The amounts charged to the impairment provision account are written off when there is no expectation that any additional cash will be received.

The remaining accounts included within the customer accounts receivable and other receivables balances do not contain any assets that have suffered any impairment.

The maximum exposure to credit risk at the consolidated financial statement position date is the carrying amount of each type of receivable account mentioned above.

Assets and liabilities under contract

Details of the aggregate balance and movement of contract assets and liabilities during the financial years 2024 and 2023 are as follows:

	€ in thousands	
	31.12.24	31.12.23
Construction completed but not yet invoiced	454 696	325 475
Advances received for contract work (note 17)	(77 046)	(16 345)
Net	377 650	309 130

	€ in thousands
Balance at 31 December 2022	167 101
Revenues	651 996
Invoicing	(440 844)
Advance payments	(70 436)
Others	1 313
Balance at 31 December 2023	309 130
Revenues	669 216
Invoicing	(476 410)
Advance payments	(120 579)
Others	(3 707)
Balance at 31 December 2024	377 650

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The detail of the carrying amount of trade receivables denominated in foreign currency is as follows:

	€ in thousands	
	31.12.24	31.12.23
American dollars	20 340	13 475
Saudi riyal	37 378	28 428
Tenge	11 697	5 816
	69 415	47 719

The breakdown of the caption "Public Entities" is as follows:

	€ in thousands	
	31.12.24	31.12.23
Public administrations tax receivables for VAT	2 864	1 667
Public administrations debtors for grants	3 492	8 411
Public administrations debtors for other taxes	648	1 096
Public administrations tax receivables for Income Tax	2 828	7 976
	9 832	19 150

The heading of "Tax receivables for grants" mainly includes at 2024 year-end, the amount receivable with the Centre for Industrial Technological Development for the VITTAL ONE and LETS GO projects, as well as the amount receivable for the RAIL4EARTH and IAM4RAIL projects, the latter two being part of the Europe's Rail programme. The liability side associated with this project is registered in the long term under the heading "Other financial liabilities" (note 18).

The "Corporate income tax receivable from public authorities" caption relates mainly to corporate income tax for the year 2024.

12. Stock

The composition of this caption is shown below:

	€ in thousands	
	31.12.24	31.12.23
Raw Materials	181 127	173 239
Work in progress	14 025	18 931
Advances	37 159	10 295
Provision for the depreciation of raw materials and in progress	(12 327)	(10 798)
	219 984	191 667

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

At 31 December 2024, the Group's commitments for the purchase of raw materials and other services amounted to €544,857 thousand (2023: €216,542 thousand).

The variation in the caption "Provision for the depreciation of raw materials" during 2024 and 2023 is as follows:

	€ in thousands				
	Balance at 31.12.23	Translation differences	Provision	Reversal	Balance at 31.12.24
Provision for the depreciation of raw materials	(10 798)	(78)	(2 889)	2 550	(12 327)
	(10 798)	(78)	(2 889)	2 550	(12 327)

	€ in thousands				
	Balance at 31.12.22	Translation differences	Provision	Reversal	Balance at 31.12.23
Provision for the depreciation of raw materials	(11 259)	38	(2 005)	2 398	(10 798)
	(11 259)	38	(2 005)	2 398	(10 798)

The Group has taken out several insurance policies in order to cover the risks to which its stocks are subjected. The coverage of these policies is considered sufficient.

13. Cash and cash equivalents

The breakdown of this caption is as follows:

	€ in thousands	
	31.12.24	31.12.23
Cash	93 292	145 760
Other cash equivalents	-	10 000
Total (note 9)	93 292	155 760

The balance indicated in this caption on the statement of financial position is fully and freely available. However, there is a commitment, within the framework of a financing contract, to maintain a minimum available balance of 40 million euros.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

14. Share capital and share premium

The variations in the number of shares and in the Share Capital accounts of the Parent company during 2024 and 2023 were as follows:

	€ in thousands	
	Number of shares	Share capital
At 31 December 2021	123 442 425	37 156
Capital increases	2 935 351	884
At 31 December 2022	126 377 776	38 040
Capital reductions	(2 517 562)	(758)
At 31 December 2023	123 860 214	37 282

On 29 June 2023, the Board of Directors of the Company resolved to increase the share capital of the Company from reserves to remunerate shareholders ("Scrip Dividend") by a determinable amount, through the issue of new ordinary shares with a nominal value of €0.301 and no issue premium, of the same class and series as those currently outstanding, charged against the reserves, and it offered to shareholders the option to sell their free allocation rights to shares to the Company at a guaranteed price or in the market.

In exercise of the aforementioned delegation of powers, the Board of Directors of the Company, at its meeting held on 30 June 2023, resolved, among other resolutions, to execute the Capital Increase resolution, setting the terms and conditions of the Capital Increase in all matters not provided for by the General Shareholders' Meeting.

On 26 July 2023, the aforementioned capital increase was carried out through the issue of 2,935,351 shares for a total amount of €884 thousand; and it was registered in the Commercial Registry of Madrid on 11 August 2023. The new shares put into circulation began trading on the market on 6 September 2023.

The share capital at 31 December 2023, after the operation described above, is represented by a total of 126,377,776 ordinary shares with a par value of €0.301.

On 29 June 2024, the General Shareholders' Meeting approved a share capital reduction with a charge to reserves for a determinable amount, through the redemption of treasury shares with a par value of 0.301 euros, offering shareholders an increase in earnings per share.

On 30 June 2024, the Board of Directors of the Company resolved to reduce the share capital by the redemption of 2,517,562 treasury shares with a par value of €0.301 each, for an amount of €758 thousand. The aforementioned reduction has been registered in the Commercial Registry of Madrid.

The share capital as at 31 December 2024 was represented by a total of 123,860,214 ordinary shares with a par value of €0.301.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

According to the reports filed with the National Securities Exchange Commission regarding the number of company shares, the following owners held significant stakes in the share capital of the Parent company, both directly and indirectly, which individually exceeded 3% of the Share Capital as at 31 December 2024 and 2023:

Company	% stake 31.12.2024
Pegaso Transportation International SCA (*)	40.0%
Torrblas, S.L.	5.0%
	45.0%
Company	% stake 31.12.2023
Pegaso Transportation International SCA (*)	40.0%
Torrblas, S.L.	5.0%
	45.0%

(*) Pegaso Transportation International SCA is an investment controlled by Trilantic Capital Investment GP Limited.

a) Limitations on the distribution of dividends

The freely distributable accumulated earnings and the profit of the year, determined based on local accounting principles, are subject to the limitations in terms of their distribution, as set forth below:

- Dividends may not be distributed if they reduce the balance of reserves to an amount lower than the total sum of the activated development costs balance pending to amortise.
- The companies domiciled in Spain are obliged to transfer 10% of their profits each year to a Legal Reserve until that reserve amounts to at least 20% of the share capital. The reserve cannot be distributed and if it is used to compensate for losses, in the event no other sufficient reserves are available for that purpose, then it must be replenished with future profits. The Legal Reserve of the Parent company at 31 December 2024 and 2023 amounted to €8,237 thousand and it is fully recorded.
- Until 31 December 2015, the Company Patentes Talgo, S.L.U. endowed, on an annual basis, 5% of the amount of goodwill. During 2017, in accordance with Final Disposition 13 of Law 22/2015 of July 20, Audit of Accounts, the Group has ceased endowing this reserve. At year-end 2024 this reserve is unavailable, and it amounts €40,989 thousand.

b) Result for the year

Based on local accounting principles, the distribution of the Parent company's profit for 2023, approved at the General Meeting of the Shareholders on June 27, 2024, and the proposed distribution of its profit for 2024 is detailed below:

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

	€ in thousands	
	2024	2023
Basis for distribution		
P&L	(2 234)	12 759
Total	(2 234)	12 759
Application		
To Negative result from previous years	(2 234)	12 759
Total	(2 234)	12 759

c) Treasury stock

Parent company's Board of Directors, at its meeting held on 30 June 2023, approved a Shareholder Remuneration Programme for a maximum of €12 million, which shall be accomplished through a scrip dividend and a share buyback programme.

The following actions were taken to implement this Remuneration Programme. Firstly, the Talgo, S.A. Ordinary General Shareholders' Meeting held on 29 June 2023 resolved, under item eight of the agenda, to increase Talgo's share capital charged to reserves (the "Capital Increase") by a determinable amount, through the issuance of new ordinary shares with a par value of €0.301 each, with no share premium, of the same class and series as those currently in circulation.

This capital increase allows Talgo to execute the first part of the planned Remuneration Programme through a Scrip Dividend or Flexible Dividend, through which the Parent company's shareholders are given the option of receiving the dividend in shares or in cash, by selling the rights of free allocation of new shares to the Company itself (at a guaranteed price) or on the market. The Capital Increase seeks to remunerate in shares the shareholders who have opted to receive the dividend in shares.

The above-mentioned General Shareholders' Meeting resolution agreed to authorise the Company's Board of Directors to perform all necessary or reasonable actions to implement said resolution.

Exercising this delegation of powers, the Talgo's Board of Directors, at its meeting held on 30 June 2023, agreed to implement the Capital Increase resolution, establishing the corresponding terms and conditions in areas not agreed upon in the General Shareholders' Meeting.

As a result of the Scrip Dividend, 83% of the company's shareholders chose to receive the dividend in shares. Therefore, the final number of ordinary shares with a par value of €0.301 cents per unit issued in the Capital Increase was 2,935,351 shares. The nominal amount of the increase was €884 thousand.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The holders of the remaining 17% of the rights of free allocation accepted the Company's irrevocable commitment to purchase the rights. Thus, Talgo, S.A. acquired a total of 20,705,109 rights for a total gross amount of €1,926 thousand, subsequently waiving the shares corresponding to the rights of free allocation acquired under the above-mentioned purchase commitment. The cash payment to shareholders who opted to sell the rights of free allocation to the Company was made on 24 July 2023. The Company was assigned the shares corresponding to the rights of free allocation, a total of 26,580 shares amounting to €89 thousand, for its participation in the capital through treasury shares.

To comply with the Shareholder Remuneration Program, on 30 June 2023, the Company's Board of Directors also simultaneously agreed to conduct a programme to buyback its own shares (the "Repurchase Programme") pursuant to the authorisation granted by the General Shareholders' Meeting held on 29 June 2023 under item 9 of the agenda and under the provisions of Regulation 596/2014 and Delegated Regulation (EU) 2016/1052 of the Commission, of 8 March 2016, supplementing Regulation (EU) No. 596/2014 on market abuse as regards regulatory technical standards concerning the conditions applicable to buyback programmes and stabilisation measures.

Under the provisions of the above-mentioned agreement, the purpose of the Repurchase Programme is to reduce the Company's share capital through the redemption of treasury shares previously acquired on the market, and in the same number as the shares previously issued in the Capital Increase from the Scrip Dividend. Therefore, shareholders who opted to receive the dividend in shares via the Scrip Dividend will receive remuneration through an increase in their shareholding in the company, also correcting the dilutive effect from the shareholders who chose to receive the dividend in cash.

The Repurchase Programme was implemented in the period from 31 July 2023 to 30 April 2024. On the latter date, the ceiling established as Maximum Repurchase Programme Investment was 2,935,351 shares. The Repurchase programme ended on 22 January 2024, after a total of 2,517,562 shares had been purchased.

After carrying out the Repurchase Programme, the Company has reduced the Company's share capital by a nominal amount of 758 thousand euros, through the redemption of 2,517,562 shares with a nominal value of €0.301 each, representing 1.99% of the Company's share capital. The purpose of the capital reduction is to redeem treasury stock, thus contributing to the Company's Shareholder Remuneration Programme by increasing earnings per-share.

Outside of the above-mentioned shareholder remuneration programme, the parent company has not made any acquisitions of treasury shares in 2024.

The breakdown of the latter is as follows:

	Nr. Shares	Average purchase price	Closing price	Stock price	% Share Capital
Treasury shares at 31.12.2024	956 901	4.82	3.36	3 215	0.77%
Treasury shares at 31.12.2023	3 254 740	4.1	4.4	14 288	2.58%

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

15. Other reserves and accumulated gains

The movements in Other reserves were as follows (in thousands of euros):

Balance at 31 December 2022	4 407
Translation differences on foreign currency - Group	187
Cash flow hedges	(1 604)
Balance at 31 December 2023	2 990
Translation differences on foreign currency - Group	(995)
Cash flow hedges	(17)
Balance at 31 December 2024	1 978

a) Translation differences

The translation differences recognised within Other reserves heading corresponds entirely to the translation of the functional currency of the financial statements of the Group's subsidiaries with a functional currency other than the euro.

b) Accumulated gains

The contribution of each Group companies to the retained earnings caption, at 2024 and 2023 year-end has been as follows:

	€ in thousands	
	31.12.24	31.12.23
Talgo, S.A.	(117 053)	(106 363)
Patentes Talgo, S.L.U.	252 386	353 028
Talgo, Inc.	(12 897)	(11 137)
Talgo Deutschland, GmbH	16 032	15 815
Motion Rail, S.A.	(18)	(18)
Talgo India Private Limited	150	150
Patentes Talgo Tashkent, LLC	164	167
Talgo Shanghai Railways Equipment CO LTD	(90)	(103)
Tarvia Mantenimiento Ferroviario, S.A.	(3 408)	(1 538)
OOO Talgo	-	3
Talgo Denmark, APS	111	14
Total Accumulated earnings	135 377	250 018

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

16. Non-controlling interests

The movement in non-controlling interests is as follows:

	<u>€ in thousands</u>
Balance as at 31 December 2022	3 895
Other comprehensive income	-
Result for the year 2023	(1 455)
Other movements	10
Changes in the scope of consolidation	<u>7 841</u>
Balance as at 31 December 2023	10 291
Other comprehensive income	-
Result for the year 2024	(1 797)
Other movements	37
Changes in the scope of consolidation	<u>-</u>
Balance as at 31 December 2024	<u>8 531</u>

The changes in the scope of consolidation in 2023, mainly include the non-controlling interest in the capital increase of Tarvia Mantenimiento Ferroviario, S.A, in the financial year 2023 .

17. Suppliers and other payables

The caption is broken down as follows:

	<u>€ in thousands</u>	
	<u>31.12.24</u>	<u>31.12.23</u>
Suppliers	244 183	226 627
Associate company suppliers (note 30)	3 937	18 026
Advances on orders (note 11)	77 046	16 345
Social Security and other taxes	14 870	12 155
Personnel	<u>6 039</u>	<u>16 908</u>
Total	<u>346 075</u>	<u>290 061</u>

The caption 'Advances on orders' includes advances received from the Group's customers, in accordance with the accounting policy described in note 2.21.

Below is detailed the information required by the third additional Provision of 15/2010, of 5 July (amended by the second final Provision of Act 31/2014, 3 December) prepared in accordance with the ICAC (Accounting and Audit Institute) Resolution of 29 January 2016, on the information to provide in the consolidated annual accounts in relation to the average period of payment of the Spanish companies for trade operations to suppliers.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

	2024	2023
Average period of payment to suppliers	87	82
Ratio operations paid	93	86
Ratio operations pending to be paid	71	73
Total payments made	488 224	440 384
Total pending payments	233 783	219 809

Pursuant to the ICAC (Accounting and Audit Institute) resolution, the average period of payment to suppliers' calculation is based on the trade operations corresponding to goods delivered or services provided accrued from the date from which Act 31/2014, 3 December, came into force of the of the Spanish companies that comprise the consolidated Group.

For the sole purpose of detailing the information required by the Resolution, it is considered suppliers the trade creditors for debts with suppliers for goods and services, included within the "suppliers and other payables" items on the current liabilities of the balance sheets.

"Average period of payment to suppliers" is understood to be the time between the supply of goods or services delivered and the effective payment of the transaction.

The Spanish companies of the Group subject to this law, have stipulated their payments on the 10th day of the month, from which the average period of payment can be increased for a lead time offset between the invoice due date and the payment fixed date.

The monetary value and number of invoices paid within the legal deadline are detailed below.

	2024	2023
Monetary value (thousand euros)	79 381	110 429
Percentage over total payments made	16%	25%
Number of invoices	8 363	9 962
Percentage over total number of invoices	11%	15%

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The breakdown of the accounts payable balances denominated in foreign currencies at 31 December 2024 and 2023 is as follows:

	€ in thousands	
	2024	2023
Swiss francs	71	1 563
Dollars	12 157	8 935
Kazakhstan Tenge	753	403
Sterling Pounds	10	-
Rubles	-	128
Egyptian pound	201	
Riyal Saudi	22 751	9 350
Canadian Dollar	130	95
	36 073	20 474

18. Borrowings

The breakdown of this caption is as follows:

	€ in thousands	
	31.12.24	31.12.23
Non-current		
Debt with credit institutions	350 445	292 206
Lease creditors (note 7)	5 239	1 210
Other financial liabilities	25 937	44 360
	381 621	337 776
Current		
Debt securities and other marketable securities	84 376	-
Debt with credit institutions	54 995	101 010
Lease creditors (note 7)	2 102	1 945
Other financial liabilities	15 672	13 230
	157 145	116 185
Total borrowings	538 766	453 961

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

a) Debt with credit institutions

The detail of the loans included under Debt with credit institutions is as follows:

Entity	Currency	Interest rate	Grant date	Non-current	Current	Total	Interest
Entity A	EUR	Fixed	27/05/2021	30 000	-	30 000	25
Entity B	EUR	Fixed	20/12/2017	8 571	4 286	12 857	16
Entity C	EUR	Fixed	22/12/2020	-	10 000	10 000	54
Entity D	EUR	Fixed	23/12/2020	7 000	5 000	12 000	-
Entity E	EUR	Fixed	14/01/2019	-	375	375	1
Entity F	EUR	Fixed	14/01/2019	-	2 048	2 048	23
Entity G	EUR	Variable	13/11/2023	15 000	-	15 000	136
Entity H	EUR	Fixed	18/06/2021	31 000	-	31 000	24
Entity I	EUR	Variable	22/07/2022	15 000	-	15 000	127
Entity J	EUR	Variable	29/09/2022	7 000	-	7 000	2
Entity K	EUR	Fixed	31/03/2022	15 000	-	15 000	135
Entity L	EUR	Variable	15/07/2022	17 143	2 857	20 000	393
Entity M	EUR	Fixed	12/04/2023	13 929	1 071	15 000	132
Entity N	EUR	Variable	15/06/2023	10 000	-	10 000	18
Entity O	EUR	Variable	22/12/2023	12 000	-	12 000	-
Entity P	EUR	Variable	19/09/2023	10 000	-	10 000	15
Entity Q	EUR	Mixed	05/07/2023	10 000	-	10 000	208
Entity R	EUR	Variable	01/03/2024	79 817	-	79 817	1 515
Entity S	EUR	Variable	31/07/2024	25 000	-	25 000	201
Entity T	EUR	Variable	07/10/2024	32 318	5 000	37 318	-
Entity U	EUR	Variable	09/06/2023	6 667	3 333	10 000	31
Entity V	EUR	Variable	10/02/2023	5 000	-	5 000	13
Entity W	EUR	Fixed	06/10/2022	-	15 000	15 000	-
Interest on guarantees and credit lines	EUR	-	-	-	-	-	2 811
				350 445	48 970	399 415	5 880

Some of the contracts included in the table above contain a number of associated obligations and financial covenants. In the event of an expectation of potentially not meeting the covenants on the financial leverage ratio at the end of 2024, the Group anticipated this by applying to the financial institutions for the various waivers and received confirmation from them before the end of the year that they have been granted. No non-compliance is expected in 2025.

At 31 December 2024, the Group has credit lines amounting to €120,000 thousand (€140,000 thousand in 2023). As at 31 December 2024 the Group had €145 thousand drawn down (€58,541 thousand in 2023).

The breakdown of the 'Debt with credit institutions' balances by year of maturity is shown below:

€ in thousands						
31 December 2024	Subsequent					Totals
	2025	2026	2027	2028	years	
Debt with credit institutions	54 995	117 833	146 100	32 013	54 499	405 440

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

31 December 2023	2024	2025	2026	2027	Subsequent years	Totals
Debt with credit institutions	101 010	58 910	133 005	59 219	41 072	393 216

The fair values of the debts with credit institutions are similar to their book values.

b) Lease liabilities

This heading includes, among others, debts incurred under leases that meet the requirements of IFRS 16. With the entry into force of this standard and the disappearance of the distinction between operating and finance leases, the Group has unified and recognised the contracts that meet the definition of a lease under a single model.

In addition, Patentes Talgo, S.L.U. entered into a five-year agreement with various technology suppliers for the use of IT platforms relating to human resources, supplier management, etc. (note 7).

The maturities of the commitments undertaken are summarized below:

	€ in thousands					
31 December 2024	2025	2026	2027	2028	Subsequent years	Totals
Lease liabilities	2 102	1 496	936	402	2 405	7 341
31 December 2023	2024	2025	2026	2027	Subsequent years	Totals
Lease liabilities	1 945	560	439	144	67	3 155

c) Other financial liabilities

The Other current and non-current financial liabilities captions are broken down as follows:

	€ in thousands	
	31.12.24	31.12.23
Non current		
Debts due to reimbursable advances	10 103	13 029
Other debts	15 834	31 331
	25 937	44 360
Current		
Debts due to reimbursable advances	2 872	2 514
Other debts	12 800	10 716
	15 672	13 230
Total other financial liabilities	41 609	57 590

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

c.1) Debts due to reimbursable advances

This heading includes the debts at zero rate, or at a lower than market rate, than the subsidiary Patentes Talgo, S.L.U., holds with the Centre for Industrial Technological Development (CDTI) for various technological development projects, as well as with the Ministry for Education and Science. These loans bear interest at below market rates and the Group records the related grant for the difference with market rates.

The refundable advances were granted to Patentes Talgo, S.L.U. and its technology partner, mainly in connection with projects for the development of gauge-switching and high-speed systems.

The nominal value before the financial update of the reimbursable advances at 31 December 2024 amounted to is €13,622 thousand (2023: €16,172 thousand) (note 3.1.c).

The maturities of the debts due to reimbursable advances were as follows:

	€ in thousands					
	2025	2026	2027	2028	Subsequent years	Totals
31 December 2024						
Debts due to reimbursable advances	2 872	1 706	1 772	1 784	4 841	12 975
	2024	2025	2026	2027	Subsequent years	Totals
31 December 2023						
Debts due to reimbursable advances	2 514	2 591	1 929	1 811	6 698	15 543

c.2) Other debts

The “Debts convertible into grants” caption includes funds received from European Commission for the RAIL4EARTH y IAM4RAIL research projects, as well as funds received from the Center for Industrial Technological Development (CDTI) for the VITTAL ONE and LETS GO projects and IDAE funds for the Hympulso project.

In addition, an estimate of the fair value, is recognised, of the liability assumed by the Group under the non-recourse assignment of financial assets to creditor entities, which is settled periodically (note 11). The fair value of this liability varies according to Euribor. At 31 December 2024 the total valuation of this liability amounts to €15,882 thousand (€27,531 thousand euros at 31 December 2023).

As regards the sensitivity of financial expenses to changes in short-term interest rates at the end of 2024, an increase of 0.50% basis points in interest rates and a decrease of 0.50% basis points have been assumed, taking into account the amount of debt owed to credit institutions at floating rates existing at the end of December 2024 (231 million euro). In this way, the financial expenses for the following year until the end of December 2024 would increase by approximately 1,156 thousand euro, while a decrease of 0.50% basis points would reduce these financial expenses by approximately 1,156 thousand euro.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

A loan granted by RENFE to Tarvia Mantenimiento Ferroviario, S.A., amounting to 2,695 thousand euros, is also recognised. This loan accrues interest at market rates. At year-end unpaid interest accrued on this loan amounted to 25 thousand euros.

The remaining amount corresponds to deposits received.

d) Debt securities and other marketable securities

During the first half of 2024, the Group has formalised a Promissory Note Programme "Commercial Paper Programme TALGO 2024", with a maximum total nominal amount of 150 million euros, which was included in the Mercado Alternativo de Renta Fija ("MARF") on 15 February 2024. The programme allows for the issuance of promissory notes with maturities ranging from 3 business days to 731 calendar days at an interest rate fixed for each issue. As at 31 December 2024, issues of €175 million had been closed and 90 million Euros of promissory notes were redeemed, leaving an outstanding nominal balance of 85 million Euros.

Promissory notes are initially recognised at the fair value of the consideration received adjusted for directly attributable transaction costs. Periodically, the accrual of implicit interest is recognised using the effective interest method of the transaction, adjusting the amount of the debt by the value of the accrued interest. At 31 December 2024, the value of the promissory notes recorded in the Group's liabilities is 84,376 thousand euros.

On 20 January 2025, the Board of Directors approved the establishment of a commercial paper programme called 'Commercial Paper Programme TALGO 2025' with a maximum outstanding amount of €150 million for a period of 12 months. The programme, which renews the existing programme approved in February 2024, was added to the MARF on 14 February 2025.

19. Deferred taxes

The analysis of deferred taxes based on the timing of their recovery is as follows:

	€ in thousands	
	31.12.24	31.12.23
Deferred tax assets	22 768	23 970
	22 768	23 970
Deferred tax liabilities	8 391	8 409
	8 391	8 409
Deferred tax assets (net)	14 377	15 561

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The movement in the deferred tax asset balance during the financial years 2024 and 2023 was as follows:

	€ in thousands					
	Balance at 31.12.23	Translation differences	Additions	Disposals	Other Movements	Balance at 31.12.24
Temporary differences						
Guarantees	4 629	-	5 931	(4 625)	(13)	5 922
Other concepts	3 611	-	1 484	(1 769)	(2 210)	1 116
Tax credits						
Tax loss carryforwards	13 077	-	-	-	-	13 077
Deductions	2 653	-	-	-	-	2 653
	23 970	-	7 415	(6 394)	(2 223)	22 768

	€ in thousands					
	Balance at 31.12.22	Translation differences	Additions	Disposals	Other Movements	Balance at 31.12.23
Temporary differences						
Guarantees	3 312	-	4 638	(3 626)	305	4 629
Other concepts	3 210	-	2 249	(1 848)	-	3 611
Tax credits						
Tax loss carryforwards	13 897	(11)	-	(809)	-	13 077
Deductions	2 653	-	-	-	-	2 653
	23 072	(11)	6 887	(6 283)	305	23 970

The aforementioned deferred tax assets were registered on the statement of financial position on the basis that the Directors of the Group consider that, given the most accurate estimate of the Group's future results, including tax planning actions, these assets will be feasibly recoverable.

At December 31, the Group has analysed the recoverability of these deferred tax assets, by using projections of results based on the business plans prepared by Management for the coming years, making the corresponding adjustments to the previous projections to convert them into the taxable tax base for each period and considering the limitations on the deductibility of financial expenses and offsetting of tax bases and deductions established in current tax legislation. It is estimated that their recoverability based on the business plan will be less than 10 years.

In addition, the Group has analysed the changes arising from the Constitutional Court ruling of 19 January 2024 and does not foresee any impact on these positions.

In 2019 the Parent company derecognised the deferred tax asset relating to tax losses incurred in 2015 (a base of €33,107 thousand and a tax liability of €8,277 thousand) arising from the tax assessments signed under disagreement, as explained in note 26, although the Parent company does not waive the right to offset these losses in the future in the event that it receives economic-administrative claims are in its favour.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Movements in deferred tax assets during 2024 and 2023 are as follows:

	€ in thousands			
	<u>Tax credits</u>	<u>Deductions</u>	<u>Other concepts</u>	<u>Total</u>
Balance at 31 December 2022	13 897	2 653	6 522	23 072
Credit/(Charge) to income statement	(809)	-	1 413	604
Other movements and transfers	(11)	-	305	294
Balance at 31 December 2023	13 077	2 653	8 240	23 970
Credit/(Charge) to income statement	-	-	1 021	1 021
Other movements and transfers	-	-	(2 223)	(2 223)
Balance at 31 December 2024	13 077	2 653	7 038	22 768

At December 31, 2024, the tax loss carryforwards capitalised pending offset of the Tax Group 65/06 in Spain are the following:

Year	€ in thousands
2018	23 933
2019	29 024
	52 957

At December 31, 2024, the tax loss carryforwards non capitalised pending offset of the Tax Group 65/06 in Spain are the following:

Year	€ in thousands
2015	33 080
2019	8 358
2020	18 989
2021	23 350
2022	43 587
2023	16 305
2024	154 179
	297 848

At December 31, 2024, the tax loss carryforwards pending offset in the USA, relating to the subsidiary Talgo Inc., amount to €59,915 thousand (€58,284 thousand in 2023). During the financial year 2023 and according to a conservative criterion, a total amount of 3,852 thousand euros of tax loss carryforwards will be reversed.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

As of December 31, 2024 the expiration of the tax loss carryforwards mentioned above, is as follows:

Year	€ in thousands	Final year
2004	7 115	2024
2005	8 951	2025
2006	7 615	2026
2012	4 098	2032
2020	8 458	Indefinite
2022	4 953	Indefinite
2023	12 198	Indefinite
2024	6 527	Indefinite
	59 915	

As a result of changes in US tax legislation in 2020, the tax loss carryforwards generated in 2020 will expire indefinitely.

The tax loss carryforwards of the subsidiary Tarvia Mantenimiento Ferroviario, S.A., at year-end 2024 are as follows

Year	€ in thousands
2023	2 700
2024	3 667
	6 367

a) Deductions

At December 31, 2024 the Group had the following deductions pending application of which €2,653 thousand have been capitalised and are due to expire in 2035 (€511 thousand) and 2036 (remaining amount):

Year	€ in thousands	Last year
2017	511	2035
2018	1 098	2036
2019	6 203	2037
2020	2 310	2038
2021	1 706	2039
2022	2 676	2040
2023	1 748	2041
2024	1 690	2042
Total deductions	17 942	

b) Other Concepts

The heading 'Other concepts' arises mainly from temporary differences arising from provisions made during the year for bad debts, penalties and other similar items and from depreciation of property, plant and equipment.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Deferred tax liabilities

The movement in the deferred tax liabilities balance during the financial years 2024 and 2023 was as follows:

	€ in thousands		
	Cash flow hedge	Other concepts	Total
Balance at December 2022	152	8 698	8 850
Credit/(Charge) to income statement	-	(976)	(976)
Tax (credit) / charge to equity	535	-	535
Balance at December 2023	687	7 722	8 409
Credit/(Charge) to income statement	-	669	669
Tax (credit) / charge to equity	(687)	-	(687)
Balance at December 2024	-	8 391	8 391

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

20. Provisions for other liabilities and charges

The movement of these captions during 2024 was as follows:

	€ in thousands						
	Non-current						
	Balance at 31.12.23	Translation differences	Provisions	Applications	Others	Transfers	Balance at 31.12.24
Deferred Income	29 785	-	8 859	(12 460)	38	(1 202)	25 020
Other Provisions	12 004	167	118 638	-	(63)	123	130 869
Guarantee provision	20 650	151	-	-	-	5 198	25 999
	62 439	318	127 497	(12 460)	(25)	4 119	181 888
	€ in thousands						
	Current						
	Balance at 31.12.23	Translation differences	Provisions	Applications	Others	Transfers	Balance at 31.12.24
Deferred Income	-	-	-	-	-	164	164
Other Provisions	6 538	-	4 490	(4 523)	25	381	6 911
Guarantee provision	2 295	-	10 842	(4 991)	-	(5 198)	2 948
	8 833	-	15 332	(9 514)	25	(4 653)	10 023

At the 2024 year-end, the Group has recognized the necessary provisions to meet its service guarantees, which normally cover a period of between 2-3 years and other obligations included in the contracts signed.

"Other provisions" includes, on the one hand, the provision recognised in 2019 amounting to €11,522 thousand relating to the tax assessments signed in disagreement explained in note 26, and, on the other hand, a provision of €3,104 thousand for onerous contracts held by the Patentes Talgo, S.L.U. y Talgo, Inc., at year-end 2024, with €667 thousand classified in the long term and €2,438 thousand in the short term.

In the 2024, the subsidiary Patentes Talgo, S.L.U. has recorded an addition of 116.6 million euros, corresponding to the penalties imposed by Renfe on the project for the manufacture of 30 Very High Speed trains.

On 7 April 2017, Talgo and Renfe entered into a contract for the supply of 15 high-speed UIC gauge trains (with a maximum speed of 330km/h), as well as Protocol I, dated 28 July 2017, formalising Renfe's award to Talgo of the supply of 15 trains with sliding track (together, the Contract), as subsequently amended by Protocol II dated 10 October 2019, and Protocol III dated 26 October 2023.

In 2020 and 2021, Talgo informed Renfe of delays in the manufacture of the trains covered by the contract for reasons not attributable to Talgo, such as the impact of COVID-19, problems with the supply chain, the impact of Filomena and changes in ADIF regulations, among others.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

After several communications, on 28 July 2022 Renfe informed Talgo of the opening of the Penalties File, for a value of 116 million euros, giving Talgo the opportunity to make allegations.

Following the opening of the aforementioned file, communications were held between Talgo and Renfe in the 2022 and 2023 financial years within the ordinary course of business and based on good contractual faith, in which Talgo presented, among other aspects and at Renfe's request, various internal reports justifying its disagreement.

On 26 January 2024, Talgo received a reply from Renfe questioning these reports and requesting additional information and justifications, as well as a change in the methodology of the report in order to be able to assess the grounds for exemption from liability provided by Talgo, information sent by Talgo on 30 April 2024, attaching the supporting report from an independent third party.

In addition to the facts indicated above, it is relevant to mention the following aspect that acts as a structural framework for the ordinary course of Talgo's business. It is not an unusual practice in the railway sector, given the enormous complexity of the projects, the long time required for their execution and the exogenous and unforeseeable factors that may impact delivery deadlines, for circumstances to arise that allow delivery schedules to be adjusted without liability for the contractor.

Notwithstanding the above, on 13 August 2024, Renfe sent a communication to Talgo not accepting the justifications provided by Talgo regarding its responsibility for the delays, including the report of an independent expert. In December 2024, Renfe confirms the penalties, formally closing the Penalty File with the announcement of the issuance of a recovery order to claim payment of the penalties, making any additional allegation impossible and leaving the judicial route as the only alternative to avoid payment of the penalties.

In this regard, in accordance with the aspects detailed above, the communication received on 13 August 2024 from Renfe, together with the subsequent events of 2024 and, in particular, with the formal closure of the file by Renfe, seem to indicate a substantial change in relation to the execution of the aforementioned penalties and therefore an increase in the risk in the probability of meeting them in the opinion of the directors and their legal advisors; likewise, Talgo has accounting opinions from independent third parties of recognised prestige that ratify this change from a financial reporting point of view.

Consequently, the Directors of the Talgo Group have considered it appropriate, on a prudent basis, to make a provision of €116 million, charged to "Other operating expenses" in the accompanying consolidated income statement, an amount corresponding to the maximum penalty provided for in clause 24.3.3 of the aforementioned contract.

In any event, and without prejudice to the provision recorded, Talgo considers that the technical and legal arguments it has always put forward remain valid. Talgo maintains to this day that the delays are due to causes beyond its control and will continue, as it has always done, to try to reach a solution with Renfe that protects its interests and those of its shareholders, reserving the right to appeal to the courts if necessary.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

The Directors of Patentes Talgo, S.L.U. consider that the allegations are sufficiently substantiated, although after assessing the uncertainty associated with the events that occurred in 2024, which led to the formal claim filed by Renfe, and supported by the opinion of its legal advisors, they have considered it reasonable to provision the totality of the aforementioned claim as the probability of the associated risk has changed from remote to probable in this financial year.

On the other hand, 'Deferred income' includes the Group's reasonable estimates of contractual obligations related to maintenance contracts signed with customers, mainly related to the cost of major maintenance and main spare parts delivery commitments. The amount recognised in 2023 in the other movements in the Statement of Changes in Equity relates mainly to the restatement of these contractual obligations.

21. Employee benefit expenses

a) The breakdown of this caption is as follows:

	€ in thousands	
	2024	2023
Wages, salaries and similar	144 352	135 815
Contributions and provisions for defined pension contributions and other obligations	4 174	3 637
Other welfare charges	50 863	45 106
	199 389	184 558

The 'Wages, salaries and similar' caption includes compensation costs, which amounted to €888 thousand in 2024 (2023: €1,324 thousands).

b) Compensation for the Senior Management and Directors of the Group:

The role of Director of the Parent company has not been remunerated during 2024 and 2023.

The remuneration paid to Senior Management, which is understood comprise those members that sit on the steering committee, amounted to €1,214 thousand for both fixed and variable short-term remuneration (€1,513 thousand for both fixed and variable short-term remuneration in 2023). Meanwhile, the remuneration paid to the directors for fixed and variable short-term remuneration amounted to €1,157 thousand at 31 December 2024 (€1,807 thousand for both fixed and variable short-term remuneration at December 31, 2023).

The CEO has signed a commitment of remuneration in 889,878 shares of Talgo, S.A. as a retention incentive, payable according to certain future events. During the 2024 financial year, an accrual of 800 thousand euros has been recognized in the profit and loss account based on this commitment (800 thousand euros in 2023).

The Group has taken out life insurance for all of its employees, including management personnel, the cost of which for management personnel amounted to €42 thousand in 2024

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

(€47 thousand in 2023), included in fixed and variable remuneration. The amount corresponding to the pension plan of this same group amounted to €59 thousand in 2024 (€55 thousand in 2023). In addition, there are civil liability insurance policies for some members of its Senior Management and its Directors, whose premiums, are already paid during 2024 and 2023 amounting to €75 and €72 thousand respectively. Its coverage is considered sufficient.

During 2015, loans were granted to members of the management team for the purchase of shares in the ultimate parent company, whose outstanding balance is €635 thousand (note 10), the aforementioned loans accrue interest at a rate that is linked to Euribor plus a market spread.

c) Remuneration to Directors of the Parent company for the performance of their duties

During the financial years 2024 and 2023 the remuneration accrued by the members of the Board of Directors of the Parent Company for the performance of this position amounted to 550 thousand euros.

22. Personnel

The distribution of the average headcount by job category and gender during the years 2024 and 2023 is as follows:

	2024		2023	
	Men	Women	Men	Women
Board members and Senior Management	5	2	5	2
Management	56	8	54	7
Middle management	383	72	367	69
Technicians	2 546	391	2 297	339
	2 990	473	2 723	417

Similarly, the distribution of the headcount at year-end 2024 and 2023 by job category and gender was as follows:

	31.12.2024		31.12.2023	
	Men	Women	Men	Women
Board members and Senior Management	5	2	5	2
Management	58	8	56	7
Middle management	406	71	372	70
Technicians	2 586	404	2 443	362
	3 055	485	2 876	441

At the end of 2024, the Group has 33 employees with a disability of 33% or more (25 in 2023), of whom 8 are women (6 in 2023) and 25 are men (19 in 2023), and this group is represented in all categories of headcount except in the category of Board members and Senior Management.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

23. Cost of materials and Other operating expenses

a) The breakdown of the 'Cost of materials' caption is as follows:

	€ in thousands	
	2024	2023
Domestic purchases	169 291	155 158
Intra-community acquisitions	45 640	45 499
Imports	26 378	28 994
Change in stock	7 888	(3 910)
Consumption of raw materials and other consumables	249 197	225 741
Other external expenses	86 334	82 592
Other external expenses	86 334	82 592
Impairment of raw materials and other supplies (note 12)	339	(393)
Impairment of raw materials and other supplies	339	(393)

b) The breakdown of the 'Other operating expenses' caption is as follows:

	€ in thousands	
	2024	2023
External Services	76 031	85 267
Taxes	411	321
Losses, impairment, and variation in provisions	124 408	12 775
Other current operating expenses	550	550
Total other operating expenses	201 400	98 913

The breakdown of the 'External Services' caption is as follows:

	€ in thousands	
	2024	2023
Research and development expenses	5	2
Leases and royalties	4 862	3 527
Repairs and maintenance	10 656	6 836
Independent professional services	12 482	10 795
Transport	9 889	8 009
Insurance premiums	7 955	7 358
Banking and similar services	682	522
Publicity and Merchandising	1 676	1 859
Travel expenses	10 156	7 324
Supplies	4 902	6 439
Other operating expenses	12 766	32 596
Total External Services	76 031	85 267

The directors of the consolidated Group do not expect any significant changes to the future operating lease contracts in relation to the contracts in force during the financial years 2024 and 2023.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

24. Other results

The details of the amounts contained in the Group's 'Other results' caption are as follows:

	€ in thousands	
	2024	2023
Other expenses	(753)	(600)
Otrer income	2 465	616
Total Other Results	1 712	16

At 31 December 2024 and 2023, the 'Other income' caption mainly included proceeds received as compensation for claims, whose related expenses were recorded in previous years. It also included proceeds received from the sale of scrap metal.

25. Financial income and expenses

The breakdown of this caption is as follows:

	€ in thousands	
	2024	2023
Interest expenses:		
- Bank borrowings and other charges	(26 298)	(38 777)
Translation differences	-	(703)
Financial expenses	(26 298)	(39 480)
- Interest income on short term deposits with credit institutions and change in fair value of financial instruments	556	1 806
- Translation differences	2 270	-
Financial income	2 826	1 806
Net financial result	(23 472)	(37 674)

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

26. Income tax

The Parent company and its subsidiaries Patentes Talgo, S.L.U. and Talgo Kazakhstan, S.L.U. are included in the Consolidated Tax Group 65/06.

The tax on the Group's profit before tax differs from the theoretical amount that would be obtained using the weighted average tax rate applicable to the profits of the consolidated companies as follows:

	€ in thousands	
	2024	2023
Profit before tax	(94 896)	21 299
Permanent differences	8 404	7 524
Spanish tax group exempt income	(69 826)	(67 064)
Consolidated tax at 25%	39 080	9 560
Tax loss carryforwards non capitalized	(39 729)	(10 019)
Differences in tax rates in each country	(44)	37
Tax expense permanent establishments	(11 588)	(9 685)
Prior year adjustment	(2 223)	303
Tax loss carryforwards written off	-	(809)
Deferred tax assets written off	-	(104)
Consolidated adjustments	1 703	1 695
Others	(170)	(39)
Income tax expense	(12 971)	(9 061)

The decreases in permanent differences mainly relate to the exempt income in Spain of permanent establishments, the pre-tax result of which is included in the Group's profit before tax and subsequently adjusted in the parent company's taxable income as a permanent difference.

During the 2024 financial year, the management of the Parent company, following a conservative criterion, have decided not to activate the tax loss carryforwards generated during the financial year or the deductions generated, although they are expected to be used in the near future.

The tax rates applicable to the Group's permanent establishments and companies located in countries other than Spain are as follows:

- Kazakhstan. The tax expense is calculated by applying 20% to the accounting profit before tax and 5% to the result obtained, the total expense being the sum of both amounts.
- Uzbekistan. The tax expense is calculated by applying 15% to the accounting profit before tax and 10% to the result obtained, the total expense being the sum of both amounts.
- Saudi Arabia. The tax expense is calculated by applying 20% to the turnover for the year and 20% to the result obtained.
- Egypt. The tax expense is calculated at 22.5% of the taxable income for the year.
- United States. The tax rate in the United States is 21%.
- Germany. The tax expense consists of the sum of "Corporate Tax", "solidarity surcharge" and "trade tax" at rates of 15%, 5.5% and 14.35% respectively.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

On 10 July 2017, the Parent and its subsidiary Patentes Talgo, S.L.U. received notification from the tax authorities of the partial review of Income tax for the years 2012 to 2015 and of the withholdings and payments on account (income from employment and professional activities) for Personal Income tax for the periods from May 2013 (the Parent company)/April 2013 (its subsidiary) to December 2015.

As a result of the aforementioned procedure, in October 2019 assessments were signed in disagreement by both companies (for Personal Income tax) and by the Company, as the parent of the tax group (for Income tax), which were confirmed by settlement agreements notified in November 2019.

In December 2019 the company Talgo, S.A., as head of the tax group, filed economic-administrative claims against the aforementioned settlement agreements. In addition, a request has been made (in January 2020) for the automatic suspension of the execution of the debt through the provision of a bank guarantee amounting to €21.2 million. The suspension was granted.

During the 2020 fiscal year, both companies presented their arguments before the Central Economic Administrative Court (TEAC), and the conclusions of the settlements notified by this court during the 2022 fiscal year were confirmed. On May 4, 2022, a contentious-administrative appeal was filed against this resolution before the National Court of Appeals, and the conclusions were filed on November 23, 2022. Subsequently, on February 6, 2023, the Audiencia Nacional (National Court) transferred the brief of conclusions of the State Attorney together with the Diligence declaring the proceedings concluded and pending the appointment for voting and court judgement.

The Personal Income tax settlements do not give rise to any debt, while the Income tax settlement gives rise to a debt of €21.2 million, of which €17.9 million is the tax payable and €3.3 million is late payment interest. In addition, adjustments were made to tax loss carryforwards pending offset, with an impact on taxable income of Euros 8.3 million, and to tax loss carryforwards offset with an impact on taxable income of Euros 3.0 million. The total amount claimed, therefore, amounted to 32.7 million euros, of which 29.2 million euros corresponded to an impact on tax liability and 3.5 million euros to interest).

The debt of €21.2 million from the settlement relates to adjustments to the taxable income of Patentes Talgo S.L.U. and adjustments to the Parent company's taxable income. The contribution of both companies to this debt is €13.9 million and €7.3 million, respectively.

As the tax settlement eliminates the tax loss carryforwards generated in 2015 by the tax group, which was partially used by the group in 2016 and 2017, if the settlement is confirmed by the courts there will be an effect on the tax payable in 2016 and 2017 of €3 million. In addition, the tax loss carryforwards for 2015, amounting to €33.1 million and corresponding to a tax liability of €8.3 million, would be eliminated.

The Parent company's Directors and its tax advisers consider that they correctly declared the adjusted taxes and have therefore filed the aforementioned claims. However, as indicated in note 4.1.b, after evaluating the uncertainty associated with the matters under discussion, derived from the scarce and disparate doctrine existing in relation to the issues discussed, in 2019 financial year the directors derecognised tax assets amounting to €8.3

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

million (note 19) and recorded a provision of €11.5 million under long-term provisions (note 20). Of the aforementioned amounts, €0.9 million related to interest on arrears recorded as financial expenses, €1.2 million as an increase in income tax expense and the remaining €17.7 million has been recorded as a charge to retained earnings as it relates to items recognised directly in equity in prior years (IAS 12.58).

Additionally, the tax Group has open to verification the last 4 financial years for the rest of taxes that are not being subject to verification but applicable. In the rest of the countries where the Group operates, all the taxes that are applicable to the different companies are open to verification in the financial years that indicate their respective tax legislations.

As a result of, amongst other things, the different possible interpretations of the tax legislation in force, additional liabilities may arise in the event of a tax inspection. However, the directors consider that any liabilities that may arise would not significantly affect these consolidated annual accounts.

The breakdown of the expense for corporation tax is as follows:

	€ in thousands	
	2024	2023
Total current tax	11 787	10 400
Total deferred tax	1 184	(1 339)
Income tax	12 971	9 061

27. Earnings per share

Basic earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the owners of the Parent company (net result attributable to the Group, after taxes and allocation to minority interests) by the weighted average number of ordinary shares in issue during the financial year.

	€ in thousands	
	2024	2023
Profit/(loss) attributable to the owners of the Parent company	(106 070)	13 693
Weighted average number of ordinary shares in issue	122 903 313	124 442 540
Basic earnings/(loss) per share from continued operations	(0,86)	0,11
	(0,86)	0,11

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Diluted earnings per share

The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue in order to reflect the potential dilutive effect of the stock options, warrants and debt convertible into shares at the end of each year.

	€ in thousands	
	2024	2023
Profit/(loss) attributable to the owners of the Parent company	(106 070)	13 693
Profit/(loss) used to determine diluted earnings per share	(106 070)	13 693
Weighted average number of ordinary shares in issue	122 903 313	124 442 540
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122 903 313	124 442 540
Diluted earnings/(loss) per share	(0,86)	0,11
	(0 86)	0,11

28. Cash flows from operating activities

The breakdown of cash generated from operations is as follows:

	€ in thousands	
	2024	2023
Cash flows from operating activities	(73 122)	(81 922)
Profit for the year before tax	(94 896)	21 299
Adjustments for:		
- Depreciation of tangible fixed assets (note 6)	8 528	9 296
- Amortisation of intangible assets (note 7)	15 847	7 944
- (Gain)/loss on the sale of non-current assets held for sale	32	39
- Net change in provisions (notes 20 and 11)	117 765	11 920
- Financial expenses (note 25)	26 298	38 777
- Financial income (note 25)	(556)	(1 806)
- Allocation of grants	(1 524)	(480)
- Other income and expenses	(3 321)	(3 316)
- Negative differences in consolidation		(6)
Changes in working capital (excluding the effects of the acquisition and translation differences on consolidation):	(141 295)	(165 589)
- Stocks (note 12)	(28 734)	(1 748)
- Other financial assets (note 10)	3 258	653
- Customers and other accounts receivable (note 11)	(172 380)	(44 824)
- Suppliers and other payables (notes 17 and 18)	56 561	(119 670)

29. Guarantees and other contingencies

At 31 December 2024, the Group had a volume of bank guarantees and surety bonds amounting to €1,234 million (2023: €1,195 million), of which, €1,022 million (2023: €1,006 million) corresponded to manufacturing projects, either as performance bonds or advances received. The remaining sum comprised bank guarantees provided to public entities for the awarding of grants, for bidding in tender competitions and for other items.

At 31 December 2024, the available amount of the bank guarantees and surety insurance lines amounts to 466 million euro (508 million euro at year-end 2023).

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

During 2023 the company Patentes Talgo S.L.U. concluded the arbitration that it held together with other members of the Consorcio Español Alta Velocidad Meca-Medina against a service creditor, without generating additional liabilities during the year. As a result of the arbitration, the company settled 24.2 million euros, having concluded all the proceedings.

By virtue of the agreement signed between the Consorcio Español de Alta Velocidad Meca Medina and the end customer, all of the members of the Consortium shall be jointly and severally liable to the end customer, and each member of the consortium may, in any case, make a claim against the other parties, according to the distribution of the execution of the contract.

In connection with the contract for the remodeling of 74 cars for the customer Los Angeles Metro (LACMTA), on May 6, 2022, the aforementioned customer notified our subsidiary Talgo Inc. of the termination of the contract alleging breaches by the company in terms of scope and deadline. Subsequently, on September 15, 2022, LACMTA filed a lawsuit against the American subsidiary. Talgo notified the customer of its disagreement with the breaches contained in the termination notice and the reasons for such breaches, and on October 21, 2022, filed a legal counterclaim for damages suffered due to the unilateral termination of the contract by the customer. During the year 2024 there have been interactions between the parties in the proceedings, although there have been no significant changes, so that at the date of preparation of these consolidated financial statements the outcome of these lawsuits is not known. However, the directors consider, based on the opinion of their legal advisors, that no additional liabilities will arise in addition to those already recognised.

The Group's Management is not aware of any contingent liabilities that it may have in the normal course of its business, other than those provided for at 2024 year-end.

30. Related party and foreign currency transactions

The shareholders of the Parent company that hold stakes of more than 3% are disclosed in note 14. The Group conducts all of its transactions with related parties at market prices. In addition, the transfer prices are adequately supported and so the Directors of the Parent company consider that there is no significant risk that any significant liabilities may arise in the future for this concept.

All the accounts and transactions between the consolidated companies were eliminated during the consolidation process and are not disclosed in this note.

The details of the transactions conducted between the Group and other related parties are detailed below:

a) Transactions with the Parent company's significant shareholders

No transactions have been carried out with the shareholders of the Parent company in addition to the loans granted to shareholders as described in note 10.a.

b) Transactions with the Parent company's Board members

The remuneration paid to the Board members for this position for the financial year 2024 amounts to 550 thousand euros (550 thousand euros in 2023).

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

- c) Information on situations of conflict of interest of the Board of Directors of the Parent company

Pursuant to the provisions of Article 229 of the Revised Text of the Corporation Tax Law, the Directors of the Company have made the notifications, in accordance with section 3 of the aforementioned Article, which indicate that neither they nor the persons linked to them, as defined by Art. 231 of the aforementioned legal text, find themselves in any situations involving conflicts of interest, directly or indirectly, as provided for in the aforementioned legal text, which is why these annual accounts do not include any disclosure in this regard.

- d) Commercial transactions with related parties

	€ in thousands	
	2024	2023
Operating expenses		
Consorcio Español de Alta Velocidad Meca-Medina, S.A.	557	1 228
Expenses	557	1 228

- e) Breakdown of supplier/customer balances with associate's companies:

	€ in thousands	
	31.12.24	31.12.23
Customers associates companies (note 11)	63	1 587
Customers associates companies	63	1 587

	€ in thousands	
	31.12.24	31.12.23
Suppliers associates companies (note 17)	3 937	18 026
Suppliers associates companies	3 937	18 026

At 31 December 2024 and 2023, "Customers associates companies" and "Suppliers associates companies" captions corresponded to a balance held with Consorcio Español Alta Velocidad Meca Medina, S.A.

- f) Foreign currency transactions

The amounts of foreign currency transactions are as follows:

	€ in thousands	
	2024	2023
Purchases	38 573	41 873
Sales	91 714	75 789

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

31. The environment

The breakdown of the expenses incurred during 2024 and 2023 to protect and improve the environment are as follows:

	€ in thousands	
	2024	2023
Periodical (waste management, periodic analysis and other):		
Analysis of drinking water, waste water and sewage treatment costs	24	25
Hazardous waste and inert waste management	294	230
Purchase of materials and others	22	24
Safety advisor	4	4
Dumping fees and legionella control	2	2
Control of atmospheric emissions	3	11
Legislation updates	2	2
Total periodical expenses	351	298

	€ in thousands	
	2024	2023
Non Periodical:		
Environdec EPD publication	1	-
App carpooling	10	-
Greemko licence carbon footprint calculation	7	-
Reach, CLP, SCIP	2	-
Characterisation of shot blasting waste	3	-
ISO 14001 certification	8	5
Waste document management software	17	10
Flammable Storage Inspection	4	1
Total non periodical expenses	52	16

The investments made in financial years 2024 and 2023 are as follows:

	€ in thousands	
	2024	2023
Investments		
Battery chargers in electric and hybrid vehicles	-	45
Photovoltaic panels installation	355	1 045
Total investments	355	1 090

The Group's Management considers that there are no potential inherent risks or significant foreseeable expenses regarding its environmental actions, including climate change, to record any provision.

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

32. Fees for audit and other services provided

During 2024 and 2023, the fees regarding the services provided for the audit of annual accounts and non-audit services by the Group's auditor Deloitte, S.L. or by any other company related to the auditor by means of common ownership, control, or management, are as follows:

€ in thousands		
Description	2024	2023
Audit fees	377	388
Total of audit services	377	388
Services required by applicable regulation	150	24
Other assurance services	3	38
Tax consultancy services	-	-
Total non-audit services	153	62
Total of professional services	530	450

33. Subsequent events

On 14 February 2025, Pegaso Transportation Internacional SCA and the Consortium formed by Clerbil S.L., Finkatze Kapitala Finkatuz S.A., Fundación Bancaria BBK and Fundación Bancaria Vital reached a commercial agreement for the acquisition by the Consortium of approximately 29.7% of the share capital of the parent company, the economic terms of which are detailed below:

A fixed base price per Talgo S.A. share amounting to €4.15 and a variable price of up to an additional €0.85 per share, subject to the achievement of certain future parameters that are being defined at the date of preparation of these annual accounts.

At the date of preparation of these annual accounts, the aforementioned commercial agreement is subject to documentation and approval by the governing bodies and is expected to be completed in the next few days.

On the other hand, as described at note 18, on 20 January 2025, the Board of Directors approved the establishment of a commercial paper programme called 'Commercial Paper Programme TALGO 2025' with a maximum outstanding amount of €150 million for a period of 12 months. The programme, which renews the existing programme approved in February 2024, was added to the MARF on 14 February 2025.

There have been no additional subsequent events that could have a significant effect on these consolidated annual accounts

TALGO, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

34. Explanation added for translation to English.

These consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Certain accounting practices applied by the Group that conform to these standards may not conform to generally accepted accounting principles in other countries.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Organizational structure

The main responsibilities of the Group's Board of Directors include strategy management, allocation of resources, management of risks and operational control, as well as ownership of the accounts and financial reports prepared by the Group.

The Group's Steering Committee comprises both members of the Board of Directors, as well as the heads of each one of the business lines (segments) and other key management personnel. During these meetings, the Committee analyses the performance of the business along with other aspects relating to the Group's strategy.

Strategy

The Group's strategy in recent years in the key Rolling Stock segment has led to steady growth through extensive research and development of new products in various national and international markets, with an increasingly diversified range of solutions focused on specific customer needs, ranging from the construction and maintenance of rolling stock for the high-speed, mainline and commuter/regional segments, to the refurbishment and renewal of third-party rolling stock and the marketing of maintenance equipment.

Business model

The Group's business model is based on the flexibility of its manufacturing activities to adapt to market conditions in a global economic context, which also allows it to excel in efficiency and productivity. The Group's business model is also based on a train maintenance activity for our customers, with excellent levels of reliability and availability of rolling stock, and always with passenger safety at the forefront of both activities.

An efficient, light and flexible structure makes it possible to maintain discipline in the selection of projects that support Talgo's objective of creating long-term value for its various stakeholders and contribute to the Group's sustainable growth, with a growing business, stable margins and a focus on sustainability, environmental protection and good corporate governance.

Business performance development and impact of global economic conditions

In 2024, the value of new contracts won by the Group has exceeded 500 million euros. The new orders boosted the order book to over 4.1 billion euros (stable compared to the end of 2023), enabling the company to maintain a high level of industrial visibility that will maintain a high level of production activity in the factories in the medium and long term.

New contracts

In May 2024, the American company Southern California Regional Rail Authority (SCRRA) decided to exercise the option to refurbish 38 additional cars within the framework contract signed with the subsidiary Talgo Inc. This refurbishment is carried out in consortium with the Canadian company Systra.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

In 2024, an agreement was reached for manufacturing engineering work and, additionally, a maintenance contract was secured, both with European railway operators.

In October 2024, the Egyptian National Railways (ENR) finally closes a FIEM financing (Fund for the Internationalisation of the Company, an official financial support instrument for the internationalisation of Spanish companies, managed by the Secretary of State for Trade) for the manufacture of seven hotel trains awarded to Talgo, which was the last step necessary to effectively start the period for the supply of the trains and spare parts.

The maintenance of these trains was also contracted for 15 years.

During the year 2024 customers Deutsche Bahn as well as DSB (Denmark) carried out modifications and new scopes for trains currently in production according to the contracts signed with both, with a corresponding positive impact on the backlog.

In addition, in the area of maintenance equipment, it is also worth mentioning the orders for numerous 2112 and 3112 pit lathes in countries such as Germany, Thailand, Switzerland, Spain and Kenya for customers such as MVB Magdeburg, ACE/SRT, LEB Lausanne, TMR Martigny and FGC.

Finally, it should be noted that during 2024, the company has also been awarded various contracts, including i) the supply of new maintenance items such as cafeteria equipment for very high speed trains, ii) the repair of various accidents or collisions on the track, and iii) the supply of various pit lathes for train maintenance for various customers such as MVB Magdeburg, ACE/SRT, LEB Lausanne or Ferrocarriles de la Generalitat Catalana, (iv) extension of contracts for train maintenance and various railway operators in the German subsidiary Talgo (Deutschland) GmbH.

Backlog execution

The Group continued to execute its order book in 2024, with a high level of industrial activity that brought the Group's net sales to an all-time high of over 600 million euros.

With regard to the production portfolio, in 2024 an agreement was reached with RENFE in 2024 for the Preliminary Partial Acceptance (RRPP) of the 30 AVRIL high-speed trains (15 of which are UIC gauge tri-voltage with a maximum speed of 330 km/h, and another 15 with sliding tracks). During this year 2024, the PR of 27 of the 30 trains to be supplied has been carried out and in May the first trains of this series entered commercial service. As specified in the supply contract, once the multiple tests have been completed and certain conditions have been met, the provisional acceptance of the trains will begin, which is scheduled for the second quarter of 2025. In addition, the testing of one of the trains for certification in France is progressing.

In addition, during 2024 Talgo also continued development and construction work on the following contracts: i) the supply of 79 trains under the framework contract with Deutsche Bahn for the manufacture of up to 100 self-propelled trains with a maximum speed of 230 km/h; ii) the contract for the supply and maintenance of one AVRIL Auscultador train for the

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Spanish railway infrastructure manager ADIF; iii) the contract with the Danish operator DSB for the supply of 16 Talgo 230 trains (of the same series as those of Deutsche Bahn) and the supply of fleet parts for their maintenance for 16 years, under a framework contract worth up to 500 million euros; and finally, iv) the contract for the supply of 26 AVRIL high-speed trainsets for RENFE.

With regard to the modification of rolling stock, work has continued on the conversion of the 13 hotel trains to those capable of running at 330 km/h, and on the modernisation of the S130 and 730 trains, all owned by RENFE. Finally, it should be noted that the contract with the Southern California Regional Rail Authority (SCRRA) for a programme to refurbish the first 50 (extended to 88 in 2024) of up to a maximum of 121 rail vehicles continues to be executed, and the process of refurbishing the cars is already in full swing.

Regarding to the contract for the refurbishment of 74 railcars for the Los Angeles County Metropolitan Transportation Authority (LACMTA), following the notification received from the customer on 6 May 2022 calling for the termination of the contract, all contract activities were suspended, and the case is currently in arbitration for resolution.

In terms of train maintenance activities, the Group continued in 2024 to execute multi-year train maintenance contracts in the various countries where it is present, such as Spain (RENFE and ADIF), Kazakhstan (KTZ), Uzbekistan (UTY), Egypt (ENR), United States (Amtrak), Deutschland (Deutsche Bahn) and Saudi Arabia (SAR).

With regard to the maintenance equipment activity, the production of lathes and measuring equipment will continue in 2024. In addition, to complement this activity, the Group continued its maintenance work and the sale of spare parts for the equipment installed throughout the world.

The group's EBITDA (Earnings before interest, taxes, amortization and depreciation) at the end of 2024 stood at €-47 million (€76 million in 2023). although it includes an extraordinary expense of 116.6 million euro corresponding to the recognition of a provision for a penalty related to the 30 April Very High-Speed trains contract for RENFE (note 20). Excluding this extraordinary expense, Ebitda amounted to 70 million euro in the year. In relative terms, the Ebitda margin in the period was -7% (11.7% in FY2023 and 10.3% excluding the extraordinary expense from the aforementioned RENFE penalties).

The Group's EBIT (Profit before interest and taxes) at the end of 2024 stood at €-71 million (€59 million in 2023 and 45 million euros excluding the one-off from the aforementioned RENFE penalties) and net income was -107.9 million euros (12.2 million euros in 2023 and 8 million euros excluding the one-off from the aforementioned RENFE penalties).

The usual dynamics of the business and the project cycle boosted the Operating Needs of Funds to reach a volume of 512 million euros at the end of the year (€385 million in 2023). On the other hand, the investments registered in the period reached €48,6 million.

The final cash position for the year was 93.3 million euros, resulting in a Net Financial Debt of 403.9 million euros (240.6 million euros at the end of the year), with a financial debt/EBITDA ratio of 5.1, with a repayment profile and an availability of credit lines, which

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

make the balance sheet very solid and provide the Group with an extraordinary financial capacity to finance current and future projects.

Talgo stock performance

In 2024, global economic performance showed signs of stability, with projected growth of 3.1% according to the International Monetary Fund, and a slight improvement expected in 2025. Global inflation continued its downward trend, allowing central banks to ease their tight monetary policies slightly, especially in Europe.

The main economic indices have reflected this stability. In particular, financial markets have shown resilience, with sustained growth in global stock market indices. The US economy has outperformed expectations, driven by continued fiscal stimulus, while emerging economies have shown a robust recovery.

In Europe, the region is expected to maintain moderate growth, with Spain standing out as one of the most dynamic economies thanks to the revitalisation of the tourism sector and a significant increase in public investment in infrastructure, especially in sustainable projects where rail transport plays a crucial role.

Opportunities for economic growth are driven by the continuation of the disinflation process, which allows for greater flexibility in monetary policy, as well as an increase in public spending in an environment characterised by environmental policies and technological advances, especially in artificial intelligence.

However, uncertainties and challenges remain, such as geopolitical tensions in the Middle East, which could affect logistics and the balance of supply and demand, high levels of public debt and overconfidence in the early easing of monetary policy.

In the rail sector, environmental policies continue to play an important role, with initiatives aimed at moving towards more sustainable transport practices. These factors have created a favourable environment for transport companies, particularly in the rail sector, where investment in rolling stock projects continues to benefit.

In the capital markets, the S&P 500 index rose 17% while the Eurostoxx 50 was up 18% for the year. In Spain, the Ibex-35 rose 20% reflecting strong economic performance. The Talgo share also rose during the year, with a positive change of 30%.

Talgo's share price performance was largely linked to the announcement of the takeover bid for Ganz MagVag Europe in February. After reaching an annual high of 4.78 euros in February, the share price remained relatively stable in the first months of the year until August, when the Spanish government decided not to approve Ganz MagVag Europe's foreign investment in Talgo. From then until the end of the year, the share showed a negative performance, closing the year at 3.36 euros.

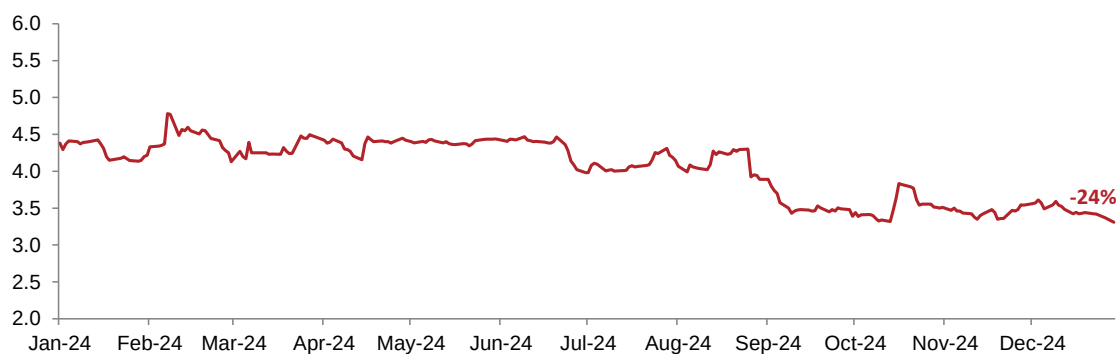
Talgo's average daily trading volume for the year remained stable at 114,000 shares traded daily. The average volume of the Ibex-35 companies also declined by -11%, in line with the average volume of the Ibex-MedCap mid-cap index, which also declined by -11%.

TALGO, S.A. AND SUBSIDIARIES

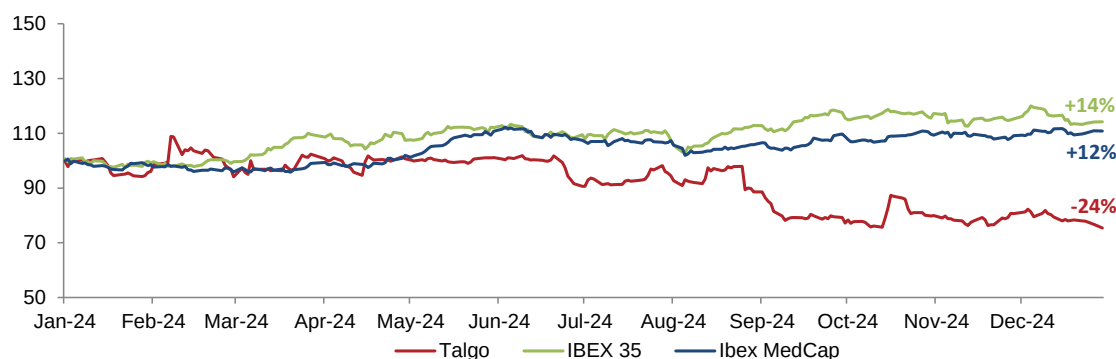
CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Talgo stock performance in 2024



Price evolution Talgo vs. Ibex 35 vs. Ibex MedCap in 2024



Talgo key trading data at December 31,2024	
Number of publicly traded shares	123,860,214
Average number os shares in 2024	124,145,407
Share price (€)	3.36
Maket capitalization (€m)	416.2
Earnings per share (€) ¹ last 12 months (LTM)	n.a
PER over profit last 12 months (LTM)	n.a.

¹ calculated on the average number of shares in 2024

Talgo Key Trading data in 2024	
% change un Share price for the year 2024	-23.5%
Number of trading days (Days)	257
Maximun share price (€)	4.78
Minimum share price (€)	3.31
Weighted avergae share price (€)	4.03
Average daily volumen (#shares)	114,496

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Procurement and logistics

During financial year 2024, the global supply chains that had been heavily impacted in previous years began to partially recover, although during the year they continued to suffer the impacts of inflation, shortages of certain materials and raw materials, and inefficiencies in the supply chains generated by the current geopolitical and political situation. In this regard, the search for stability with suppliers was reinforced during the year, through framework agreements with the most relevant suppliers that regulate the price of materials according to needs, taking into account the volume and dates of execution of these purchases.

Research and development activities

Continual commitment to 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 are seen traveling across Spain, Kazakhstan, Uzbekistan, Saudi Arabia, Egypt or the USA among other countries.

Since the beginning of its activity, Talgo bets for innovation as the main pillar on which present and mainly future of the Group is sustained. In addition, this principle is understood from a corporate point of view, focusing both on the product and on generating initiatives that involve the entire innovation ecosystem, thus harnessing all the collective creative potential and creating an even more powerful innovative culture. In this way, innovation helps the Group to weave a system that enables it to anticipate future challenges and create an optimal environment for innovation.

To this end, the company is working with its own creation model based on the corporate strategy of continuous innovation. An example of this is the strengthening of the company's *corporate venturing* unit, Talgo Inspire, whose main mission is to systematically seek solutions that will enable the Group to improve its portfolio of products, services and processes through open innovation collaboration.

Also noteworthy are the Knowledge Management, Strategic Intelligence, Open Innovation, Creativity, Technology Transfer and Innovation Acceleration tools used in the Group, which are enabling an evolution towards a much deeper understanding of causes and consequences of each of the company's critical activities, towards a broader concept of collaborative innovation, and towards a much more agile innovation model.

The aim of Talgo's Strategic Intelligence work is to systematically capture, analyse, disseminate and exploit information (technological, competitive, legislative, etc.) on its environment in order to define opportunities for Talgo that are reflected in a list of proposals for annual innovation projects, to warn of changes that could pose a threat to the company and to help detect opportunities for success.

Talgo has continued its policy of investing in research and development activities that seek to continuously improve its products and maintenance services. Among others, it has

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

collaborated with various partners at European level, including universities and prestigious technology centres, as well as some of the main railway industries. Some of the main collaborations of this type are framed within the two major European initiatives dedicated to railway innovation, promoted by the European Commission: Europe's Rail, of which Talgo, together with Indra, has been a founding member since December 2021. Within Europe's Rail, Talgo is continuing its work with a strong focus on developing technologies to improve the efficiency, attractiveness and operating and maintenance costs of its trains.

From the outset, Talgo has been and continues to be committed to the design and manufacture of tailor-made products, with the aim of meeting the specific needs of customers, offering customised solutions, which is favoured by the size, structure and values of the Group. This philosophy of work and permanent attention to the customer marks the difference between the Group and its competitors and is highly valued in commercial competitions.

Also noteworthy is Talgo's intense and ongoing commitment to sustainability, manufacturing lighter and increasingly efficient trains, responding to the commitment to provide railway operators with products that provide the backbone of the territory, promoting development and improving connections between towns and cities while contributing to the sustainability of transport and preserving the environment. A clear example of this is the new "Hympulso" project to design, build and install, for the first time in the world, a propulsion system based on a renewable hydrogen fuel cell on a high-speed train. This project builds on Talgo's experience with the previous prototype and will improve the environmental performance of trains currently using diesel traction on non-electrified lines.

In short, Talgo continues to look to the future, convinced of facing and overcoming new challenges. Only the continuous improvement of a railway system, seen from its most global perspective, will allow this dream, now octogenarian, to continue, which definitively links the Group to an innovative spirit that has been its, de facto, hallmark from the outset.

Information about delaying payments to suppliers.

The Spanish Group companies are making an effort to progressively adjust their payment periods to adapt to the provisions of Law 15/2010, of 60 days, with an average payment period of 87 days during the financial year 2024.

In addition, the Group has broken down the information to be included in the notes to the annual accounts, in accordance with the provisions of the Resolution of 29 January 2016 of the Spanish Accounting and Audit Institute (Instituto de Contabilidad y Auditoría de Cuentas).

Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of this Directors' Report, and it will be published on the CNMV website on February 28, 2025.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Annual Directors' Remuneration Report

The Annual Directors' Remuneration Report is part of this Directors' Report and will be published on the CNMV website, on February 28, 2025.

Quality and the environment

Quality, the environment and risk prevention are fundamental elements of the Group's activities and culture, as evidenced by the UNE ISO 14001 environmental certificate for the design, manufacture and maintenance of railway equipment.

During the performance of our activities, priority is given to improving the efficiency of our management systems in a sustainable, safe manner and quality in order to obtain the maximum satisfaction of its clients, employees and suppliers. Materials that favour the recyclability and recoverability of products are promoted, and measures that develop Ecodesign and the Circular Economy are established.

To that end, the Group is committed to delivering products and services in perfect conditions and not causing any environmental impact; meeting the applicable regulations and standards; establishing actions to eradicate the source of the identified problems as well as preventing them to occur again and promoting both a continuous training and the professional capacities of the personnel.

This commitment is promoted and encouraged at all the levels of the organization and across all of the countries in which the Company has a presence. This is evidenced by the process of implementing the Management Systems that the Group has carried out in its subsidiaries abroad, adjusting the existing processes to the new requirements and always ensuring they are applied on a standardized basis.

Additionally, the implementation and certification of the Parent company, according to the requirements of the IRIS quality standard, specific to the railway sector, is a powerful tool for the improvement of all processes based on a deep reflection that allows to clearly identify the points of improvement of the organization, which allows a greater efficiency and competitiveness that results in the internationalization of the Group.

Moreover, the Quality and Innovation Management Systems implemented act as a tool covering all the processes of the Company, organizing them, and making them improve on a daily basis to finally reach the professional and industrial excellence. This is one of our most important commercial strategies.

The principles that govern these activities are captured in the Group's policy for quality, prevention and the environment, which comply with the guidelines set out by the following regulations: ISO 9001, ISO 14001 and IRIS, and principles on Circular Economy and Sustainable Development Goals.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

Own Shares

The Parent company holds, at 2024 year-end, 956,901 treasury shares (note 14.c).

Use of financial instruments

The Group does not operate with any relevant financial instruments that could have an impact on the correct valuation of the assets or liabilities recognised in the balance sheet.

Non-financial information

In compliance with article 49 of the Commercial Code, the statement of non-financial information is presented in this Directors' Report. This statement of non-financial information forms an integral part of the Directors' Report and has been subject to the same criteria for approval, filing and publication as the Directors' Report.

Significant events after the end of the reporting period

The subsequent events that may have a significant impact on these consolidated annual accounts are detailed in note 33.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

All regulated information, including but not limited to financial statements, annual report, results presentations, investor/analyst conference calls, press releases or related published information, includes Alternative Performance Measures (APMs) as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authorities (ESMA) on 5 October 2015.

The APMs used in the consolidated financial statements, which are in line with market practice, are described below in order to reconcile the figures to International Financial Reporting Standards (IFRS):

1. EBITDA:

- a. Definition: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is identified as the gross operating result.
- b. Reconciliation: It is calculated by eliminating from the "Operating Results" the amounts recorded in the headings "Amortization of fixed assets" and "Impairment and result from disposal of fixed assets".

€m	2024	2023
Operating Profit	(71)	59
Amortization and Depreciación (notes 6, 7, 11 y 12)	25	17
Gains/(Losses) on disposal of fixed assets	-	-
Operating result - EBITDA	(47)	76

- c. Explanation of use: Provides an approximation of operating results that represent cash movements in the given period, being the best approximation to the operating cash flow before taxes which reflects cash generation before the variation in operational funding needs. EBITDA is considered a benchmark in the financial markets, generally accepted, and widely used to compare and evaluate businesses and behaviors, or to assess the level of leverage using the net financial debt to EBITDA indicator.
- d. Comparison: The company provides comparative figures for previous years.
- e. Consistency: The criteria used to calculate EBITDA is the same as the previous year.

2. Working Capital:

- a. Definition: The measure that explains the reconciliation between EBITDA and Free Cash Flow before taxes and investments.
- b. Reconciliation: This is defined as the company's current assets and liabilities, excluding all items that are classified as Net Financial Debt and other liabilities, i.e. cash and cash equivalents and short-term financial liabilities. The company provides a reconciliation of the balance sheet items with the Operating Needs

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

of Funds and their variation, in the notes to the half-yearly results reported to the CNMV.

€m	2024	2023
Inventory (note 12)	220	192
Non-recurrent assets held for sale	-	-
Customers and other Accounts receivable (note 11)	627	471
Other current assets (note 10)	21	21
Suppliers and other payables (note 17)	(346)	(290)
Provisions for other liabilities and charges (note 20)	(10)	(9)
Working Capital	512	385

- c. Explanation of use: This measure is used by management in managing and making decisions related to the business's cash conversion cycle, since effective management of working capital is essential to guarantee the company's solvency. At the same time, it is useful for the financial community since it allows measuring financial efficiency in operations.
- d. Comparison: The company provides comparative figures for previous years
- e. Consistency: The criteria used is the same as the previous year.

3. Net Financial debt and ratio:

- a. Definition: Net financial debt is defined as cash and cash equivalents less all short- and long-term financial liabilities, including financial leases.
- b. Reconciliation: Net Financial Debt excludes repayable advances to entities belonging to the Spanish Public Administration related to R&D, which are not considered financial debt due to their recurring nature, as well as liabilities generated by the financial facility (note 11).

€m	2024	2023
Non-current bank borrowings (note 18)	350	292
Current bank borrowings (note 18)	139	101
Finance leases (note 18)	7	4
Cash and cash equivalents (note 13)	(93)	(156)
Net Financial Debt	404	241

- c. Explanation of use: This indicator is in line with market practice and is useful to the financial community in determining the financial position, solvency or liquidity of the company. In addition, the debt-to-equity ratio allows the leverage ratio to be compared with the operating profit, providing useful information for estimating the number of years the company will need to repay its net financial debt from operating activities. The company provides a reconciliation of the balance sheet items used to calculate net financial debt and the leverage ratio in the notes to the half-yearly financial statements filed with the CNMV.
- d. Comparison: The company provides comparative figures for previous years.
- e. Consistency: The criteria used is the same as the previous year.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

(Expressed in thousands of euros)

4. Operating Cash Flow:

- a. Definition: It is defined as the sum of cash flows from operating and investment activities. Talgo assumes operating cash flow to be the net cash generation in a period after financing working capital movements, payments for investments and payments for taxes.
- b. Reconciliation: calculated based on cash variations from operating activities, adding taxes paid and cash flows from investment activities.

€m	2024	2023
Cash Flow from Operating Activities (note 28)	(73)	(82)
Taxes paid	(1)	(14)
Cash Flow from investing activities	(49)	(18)
Operating Cash Flow	(123)	(114)

- c. Explanation of use: : Operating cash flow provides useful information about the cash conversion of operating profit. It is intended to provide information on the cash generated in a period before it is used for debt service, debt and equity movements. It therefore provides an understanding of the entity's actual cash generation from operations .
- d. Comparison: The company provides comparative figures for previous years. Indicator added in 2023.
- e. Consistency: The criteria used is the same as the previous year.

5. Order book (Backlog) and ratio over revenues:

- a. Definition: The order book represents the volume that will be recognized in the future under the heading "Net amount of turnover" of the consolidated income statement, based on contracts already awarded and signed. It is measured on the basis of the signed value per contract for manufacturing and overhaul contracts, while for maintenance contracts it is based on estimates of time and unit price. It does not include adjustments for future inflation.
- b. Conciliation: n.a.
- c. Explanation of use: Considering that Talgo's activity and revenues are based on the execution of project contracts, this indicator provides an insight into industrial activity and the volume of future revenue already committed by contract and is therefore considered essential to adequately manage expectations for the activity. The ratio obtained by dividing the order backlog for the current period by the net revenue of the consolidated income statement for the last twelve months helps to provide the aforementioned visibility according to the size and pace of execution of the company.

TALGO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2024

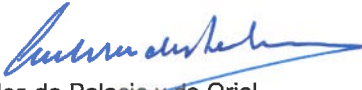
(Expressed in thousands of euros)

- d. Comparison: The company provides comparative figures for previous years.
 - e. Consistency: The criteria used is the same as the previous year.
6. Awards (order intake) and ratio on net amount of turnover (book-to-bill):
- a. Definition: represents the volume of new orders recognised in a given period. A new order is recognised as an order received only when the contract is awarded and signed between the parties, thus creating legal obligations between both parties. The value of new orders does not consider inflation adjustments included in the contract. Orders awarded in a currency other than the euro are accounted for at the spot rate of exchange at the time of award. The ratio represents the weighting of new orders over revenue.
 - b. Reconciliation: The ratio used is the result of dividing the order intake for the year by the revenue in the consolidated income statement for the period. It is measured as the number of times that the amount of new orders is equal to the net revenue recognised in the last twelve months.
 - c. Explanation of use: The evolution of this indicator as well as the ratio provides a useful indication of the growth capacity of the business, as it incorporates a higher volume of future revenues than the recognised revenues (order backlog consumed) in the same period.
 - d. Comparison: The company provides comparative figures for previous years.
 - e. Consistency: The criteria used is the same as the previous year

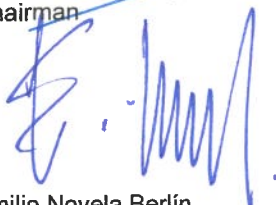
CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS REPORT
TALGO, S.A. AND SUBSIDIARIES

The board of Directors in their meeting of 28 February 2025 have prepared Talgo, S.A. and subsidiaries annual accounts and director's report for the financial year 2024 in compliance with the current business law and following requirements set out in the European Commission Delegated Regulation EU 2019/815. These consolidated annual Accounts and director's report are included in the electronic file with the hash code:

The members of the Board of Directors declared unanimously signed the aforementioned consolidated annual accounts and director's report for the financial year 2024 looking onto auditors verification and subsequent approval by the General Meeting of Shareholders.



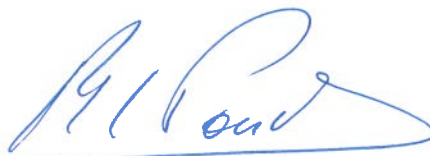
Carlos de Palacio y de Oriol
Chairman



Emilio Novela Berlín
Director



Gonzalo Urquijo Fernandez de Araoz
CEO



Marisa Poncela García
Director

John C. Pope
Director



Antonio Oporto del Olmo
Director

This errand is signed by all members of the Board of Directors of the Company as a sign of conformity.

Signed: María José Zueco Peña
Secretary



CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS REPORT
TALGO, S.A. AND SUBSIDIARIES

The board of Directors in their meeting of 28 February 2025 have prepared Talgo, S.A. and subsidiaries annual accounts and director's report for the financial year 2024 in compliance with the current business law and following requirements set out in the European Commission Delegated Regulation EU 2019/815. These consolidated annual Accounts and director's report are included in the electronic file with the hash code:

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Carlos de Palacio y de Oriol
Chairman

Gonzalo Urquijo Fernandez de Araoz
CEO

Emilio Novela Berlín
Director

Marisa Poncela García
Director



John C. Pope
Director

Antonio Oporto del Olmo
Director

This errand is signed by all members of the Board of Directors of the Company as a sign of conformity.

Signed: María José Zueco Peña
Secretary

Talgo, S.A. and subsidiaries

Independent verification report of the
consolidated non-financial information
statement for the fiscal year ended
December 31, 2024.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF TALGO S.A. AND SUBSIDIARIES FOR 2024

To the Shareholders of Talgo, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the accompanying Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 December 2024 of TALGO, S.A. and subsidiaries ("Talgo" or "the entity" or "the Group"), which forms part of the accompanying directors report of Talgo.

The content of the NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our attestation engagement. In this regard, our work was limited solely to verification of the information identified in the "Indicators Law 11/2018" table included in the accompanying NFIS.

Responsibilities of the Directors

The preparation and content of the NFIS included in the Talgo's directors' report are the responsibility of the directors of Talgo, S.A. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected European Sustainability Reporting Standards ("ESRS"), as well as other criteria described as indicated for each matter in the "Indicators Law 11/2018" table of the aforementioned Statement.

These responsibilities of the directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Talgo, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 (ISQM 1) which requires the firm to design, implement and operate a quality control system that includes policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our work in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised), currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is substantially lower.

Our work consisted of making inquiries of management and the various units of Talgo that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Talgo personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the 2024 NFIS based on the materiality analysis performed by Talgo and described in section “1.5 Materiality analysis”, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2024 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2024 NFIS.
- Verification, by means of sample-based review tests, of the information relating to the contents included in the 2024 NFIS, and the appropriate compilation thereof based on the data furnished by information sources.
- Obtainment of a representation letter from the directors and management.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and the delegated acts adopted pursuant to that Regulation establish, for the first time for 2024, the obligation to disclose information on how and to what extent an undertaking’s activities are associated with aligned economic activities in relation to the environmental objectives on sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the prevention and restoration of biodiversity and ecosystems (the other environmental objectives) and in relation to certain activities included in the climate change mitigation and climate change adaptation objectives, in addition to the information on eligibility required in 2023 for the aforementioned activities. Therefore, the accompanying NFIS does not include comparative information on alignment in relation to the other environmental objectives indicated above or to the new activities included in the climate change mitigation and climate change adaptation objectives. In addition, it should be noted that Talgo's directors have included information on the criteria which, in their opinion, best enable them to comply with the aforementioned obligations and which are defined in section “7 Taxonomy” of the accompanying NFIS. Our conclusion is not modified in respect of this matter.

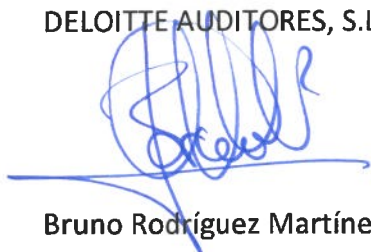
Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Talgo, S.A. and subsidiaries for the year ended 31 December 2024 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected European Sustainability Reporting Standards ("ESRS"), as well as other criteria described as indicated for each matter in the "Indicators Law 11/2018" table included in the aforementioned NFIS.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE AUDITORES, S.L.



Bruno Rodríguez Martínez

28 February 2025



Talgo

TALGO, S.A. AND SUBSIDIARIES

Non-Financial Information Statement (EINF)
prepared in accordance with Law 11/2018, of 28
December, for the financial year ended 31
December 2024

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

1 BUSINESS MODEL DESCRIPTION

1.1 Introduction

This Non-Financial Information Statement (hereinafter, "EINF") for Talgo S.A. and subsidiaries (hereinafter, "Talgo" or "Talgo Group") for the year ended 31 December 2024, is published in compliance with Law 11/2018, of 28 December, amending the Commercial Code, the Consolidated Text of the Capital Company Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Audit of Accounts, in the field of non-financial information and diversity.

To draft this document, Talgo has relied on the European Commission's guidelines on non-financial reporting (2017/C 215/01), in accordance with European Directive 2014/95/EU of the European Parliament and of the Council, of 22 October 2014, amending Directive 2013/34/EU with regard to the disclosure of non-financial information and information on diversity by certain large companies and certain groups.

In response to Law 11/2018, Talgo has selected certain requirements for the breakdown of the European Sustainability Reporting Standards (ESRS), as indicated in table 42 of this document.

The EINF has been developed using the Talgo Group's systems, resources and tools. These report on the management and results obtained by each area responsible for sustainability issues, both for central services and the organization's subsidiaries.

This document includes information on sustainability on a consolidated basis, i.e. including Talgo S.A. and its subsidiaries. The details for the above-mentioned companies together with their activities and registered office are provided below:

Table 1: Talgo Group companies

Company	Registered address	Activity	% Share	
			Direct	Indirect
Patentes Talgo, S.L.U. (a)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Manufacture and maintenance of rolling stock	100%	-
Talgo Inc (b)	3533 27th Street, 53216 Milwaukee, WI	Manufacture and maintenance of rolling stock	-	100%
Talgo Deutschland, GmbH (c)	Revaler Strasse 99, 10245, Berlin, Germany	Maintenance of rolling stock	-	100%
Talgo Kazajistán, S.L.U. (b) (*)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Manufacture and maintenance of rolling stock	-	100%
Talgo Demiryolu Aracli Üretim VE BA. A.S.(b) (**)	Istanbul	Manufacture and maintenance of rolling stock	-	100%
Patentes Talgo Tashkent, LLC. (b) (**)	Mirabad region, Kadirov A., 64 street, Afrosiab service center, 100105 Tashkent, Uzbekistan	Manufacture and maintenance of rolling stock	-	100%
Talgo India Private Limited (b)	Business Center Avanta, office 406, World Mark 2, 110037 New Delhi, India	Manufacture and maintenance of rolling stock	-	100%
Tarvia Mantenimiento Ferroviario, S.A.(a)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Maintenance of rolling stock	-	51%
Motion Rail, S.A.(b) (*)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Operation and development of railway activities	-	95%

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Company	Registered address	Activity	% Share	
			Direct	Indirect
Talgo Denmark, APS (b)	Herstedøstervej 27, 2620 Albertslund, Copenhagen, Denmark	Repair and installation of railway machinery and equipment	-	100%
Talgo Shanghai Railways Equipment Co. Ltd (b)	Room 1209, Chong Hing Finance Centre, West Nanjing Road 288, Shanghai	Central purchasing body	-	100%

(a) Company audited by Deloitte, S.L.

(b) Unaudited company.

(c) Company audited by Deloitte, GmbH.

(*) Companies without activity.

(**) Companies without activity and in the process of dissolution

1.2 Business model

The Talgo Group's business is defined, on the one hand, by the manufacture and sale of rolling stock (wheeled vehicles able to run on a railway track) and, on the other, by the manufacture of auxiliary machines, complementing these activities mainly with the provision of associated maintenance services, all at national and international levels.

Therefore, Talgo is an industrial group, belonging to the railway sector and specialized in manufacturing and maintenance, mainly in high and very high-speed trains.

The Talgo Group's activity focuses on two business lines:

- The manufacture, delivery and maintenance (preventive, corrective, predictive) of commercialized rolling stock.
- The manufacture, commercialization and maintenance of auxiliary and other machines: mainly pit lathes (state-of-the-art equipment designed for turning or reprofiling wheels mounted on their axles), measuring equipment and shunting cars. This activity also includes rolling stock renovations/remodelling.

Production activities go through the following process:

- *Manufacture of rolling stock:*

Rolling stock is manufactured in the factories of Las Matas II (Las Rozas) and Rivabellosa (Álava) and focuses on bogies and mono-axle independent wheel running gear, passenger coaches (wagons), power heads and certain other complementary activities.

- *Maintenance of rolling stock:*

Rolling stock maintenance is carried out at maintenance centres located at customer facilities (in Spain and in all countries in which Talgo provides services) and at the Las Matas II factory (mainly work related to rolling stock, i.e. bogies and mono-axle independent wheel running gear).

A very important factor is that the maintenance centers are not owned by Talgo, but by the customers who purchased the rolling stock. These facilities are also shared with other companies (from the same or other sectors) that carry out other types of associated activities or activities necessary for railway operation.

2024 NON-FINANCIAL INFORMATION STATEMENT

- *Manufacture of auxiliary machines and others:*

The manufacture of auxiliary and other machines takes place at the Las Matas II factory. This equipment is exclusively used for the maintenance of rolling stock. This mainly involves pit lathes and measuring equipment.

This activity also includes the renovation or remodelling of rolling stock, which is done at the Las Matas II and Rivabellosa factories and at customer centres.

All of the Group's activities related to organisation, project and resource management, design, programming, methods, operating guides, manuals, etc. are carried out at the HQ corporate offices.

The sale of products and services is carried out through Talgo's offices and sales offices worldwide.

1.3 Strategy

Talgo establishes seven strategies to ensure the sustainable and responsible management of its business and to achieve the vision and goals of the current Corporate Sustainability Strategic Plan:

- Advanced corporate sustainability in business management and impacts.
- Eco-efficient, sustainable and highly competitive services, products and solutions.
- Innovation towards sustainable and responsible mobility.
- Competitiveness based on efficiency, quality and safety.
- People management based on corporate values, quality employment, diversity, equality and talent management.
- Responsible value chain and sustainable procurement.
- A good, established reputation that makes the difference.

The “responsible value chain and sustainable procurement” strategy was integrated by Talgo in 2024 as a key strategy, given the European Union's priority and focus on this issue.

These strategies are aimed at achieving eight major goals:

- Optimal business generation and growth over time.
- Generation of value and profitability through prudent economic and financial management, maintaining the best relations with the capital markets and stakeholders.
- Offer innovative products and services of the highest quality, reliability, safety and sustainability.
- Manage in a sustainable and ethical manner, with a differentiating focus on the environment, people, human rights and societies, through responsible governance.
- Develop a responsible value chain and carry out sustainable procurement.
- Implement sustainable systems and measures in people management with a focus on occupational safety, quality employment, diversity and inclusion, and talent management.
- Digitize and develop cybersecurity as vehicles for maximizing efficiency, protection and resilience in the face of new trends and demands.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Build a strong reputation, based on “good practice” and value frameworks designed to establish the best relationships and frameworks for participation with stakeholders.

Each of the strategies is explained below:

Advanced corporate sustainability in business management and impacts

Talgo assumes, adopts, integrates and promotes, both internally and in its value chain, balanced and coherent business management in which policies, principles, commitments and actions respond firstly to its economic sustainability, and then to the consolidation and resilience of the economic, environmental and social ecosystems in which it operates, under the responsible management of corporate governance.

Applying due diligence principles, Talgo focuses on implementing best labour practices, respect and promotion of human rights, ethical management and regulatory compliance, the climate change mitigation, the prevention and control of pollution, the sustainable use of resources, diversity, equality and inclusion, the development of talent and the sustainability of the company's supply chains.

Within the framework of our sector and markets, we are committed to working on sustainable mobility, energy and ecological transition, eco-efficiency and the circular economy.

Eco-efficient services, products and solutions with highly competitive value

Through the scope, value, functionality and differentiation of its products, solutions and services, Talgo aims to be a benchmark company and of high interest in the major categories of its products and services: rolling stock, maintenance services and auxiliary equipment.

Talgo is committed to advanced technology to maximise efficiency and position its product as differential in the sector.

Through full commitment to customers and through its relation to rolling stock maintenance services provided, Talgo develops a continuous learning model in order to both optimise maintenance processes and identify areas for improvement and innovation.

As a result, the reliability of the product is continuously improving and the product remains technologically state-of-the-art over time.

Innovation towards sustainable and responsible mobility

The implementation of the Sustainable Development Goals in 2015, the current challenges facing societies and the new trends of customers and users mark a new roadmap towards a transformation of companies to generate a greater positive impact through social and environmental innovation.

Purposeful organisations committed to responsible business, such as Talgo, establish innovative models where eco-efficiency, new social value functionalities, smart mobility solutions, energy transition and circular economy are the new pillars of value to be generated.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

The commitment to innovation through continuous technological advances to increase the efficiency and value of products and services is underpinned by the increasing volume of investments made by Talgo in recent years.

Competitiveness based on efficiency, quality and safety

Talgo establishes its competitiveness model through the continuous improvement of its quality systems, process strength, productivity and industrial and operational efficiency.

This strategy integrates the challenges associated with "Industry 4.0", where digitalisation, artificial intelligence and cyber-physical systems will characterise the new form of production, converting current production centres into "Smart factories" where production efficiency and people safety are maximised, while minimising waste generation and energy consumption.

The commitment to quality is reflected in the outstanding performance of the compositions produced to date, and is consolidated through the relationship maintained with the customer via the link with the product, acquiring responsibility for its maintenance for long periods of time until the end of its useful life.

People management based on corporate values, quality employment, diversity, equality and talent management

Talgo aims to continue to foster an organisational culture based on a values model where participation and leadership style are established on a model of trust, priority talent management and the shared goal of sustainable development.

This culture also includes stakeholders in the value chain (customers, suppliers, regulators and partners) as strategic allies in building a sustainable world.

Talgo's human capital is critical in achieving organizational success, and to this end, the focus is mainly on quality employment, safety, health, diversity, equality and talent development.

Within the framework of active recruitment policies, Talgo is clearly committed to diversity, the promotion of talent and employment stability as a means of enriching the culture, improving the employees' productivity and as an essential mechanism for maximising motivation and satisfaction.

Responsible value chain and sustainable procurement

Talgo understands the need to work to improve the visibility, vulnerability and resilience of the value chains (especially supply chains) in which it participates, helping to minimise the risks that arise therefrom in terms of labor, human rights, environment (mainly in the fight against climate change) and ethics (especially corruption and bribery).

Its role is to collaborate in building and promoting the responsibility to do good sustainable business in our sphere of influence and sector, to strive to cement relationships of trust with stakeholders, and to collaborate in creating sustainable, ethical and responsible economic, environmental and social ecosystems.

Accordingly, we work on sustainability in the five stages of the production process (inbound logistics, operations, marketing, sales and outbound logistics) to provide value to the product and support the control and improvement of environmental, social, ethical and governance factors, mainly for suppliers.

2024 NON-FINANCIAL INFORMATION STATEMENT

A good, established reputation that makes the difference

Since its incorporation, Talgo has capitalised on and maintained an outstanding reputation as an active, innovative, international, technologically differentiated and sustainable player in the global railway sector, providing benchmark mobility solutions in a highly competitive environment.

In a global economic context where investment decisions are increasingly backed by the intangibles and reputation of organisations, Talgo stands out with a proven track-record of success, underpinned by deep-rooted values of business ethics, quality, product safety and social responsibility.

1.4 Corporate Governance

Governing bodies

The functioning of the company's highest governing bodies is detailed in the General Shareholder Meeting Regulations and the Board of Directors Regulations, available on the Talgo website.

General Shareholder Meeting

In accordance with the Articles of Association, it is the sovereign body of the company and has the power to decide on all matters vested in it by law or the Articles of Association.

In relation to the 2023 financial year, the Ordinary General Shareholder Meeting was held in person and electronically on 27 June 2024 on first call, in accordance with the regulations in force at the time of the meeting.

Board of Directors

It performs its duties with unity of purpose and independence of judgement, affording the same treatment to all shareholders who find themselves in the same position. It should also be guided by the corporate interest, understood as the achievement of a profitable and sustainable business over the long-term in a way that fosters continuity, sustainable development and the maximisation of the Company's economic value.

During the 2024 financial year, the Board of Directors was composed of 10 members who met 16 times.

Delegated committees

- *Audit committee (2024: 7 meetings)*

Made up of two directors: two independent directors (including the chairman) and one proprietary director. The committee is responsible for supervising the internal audit function and ensuring the proper functioning of the reporting and internal control systems. It oversees the process of preparation, presentation and integrity of the financial information and ensuring that the accounts presented to the General Meeting of Shareholders are free of limitations and qualifications in the audit report.

- *Appointments and Remunerations Committee (2024: 5 meetings)*

Made up of three members, two of whom are independent directors (including the Chairman) and one proprietary director. The committee is responsible for preparing proposals in relation to the remuneration policy applicable to Company directors and board members.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- *Strategy and Sustainability Committee (2024: 2 meetings)*

Made up of five members, of whom two are executive, two are independent (including the chairman) and one is a proprietary member. By delegation of the Board of Directors, it is primarily responsible for defining, implementing, monitoring and evaluating the fulfilment of the Talgo Group's strategies and for the integrating and consolidating corporate sustainability within the business.

Members of the Board of Directors

The table shows the directors, their positions and the committees they participate in:

Table 2: Directors, their positions and committees they participate in for the 2024 financial year

Director Name	Category	Position	Committees
Mr. Carlos de Palacio y Oriol	Executive	Chairman	-
Mr. Gonzalo Urquijo Fernández de Araoz	Executive	CEO	SSC
Mr. José María de Oriol Fabra	Other External	Vice-Chair	SSC
Mr. Emilio Novela Berlín	Independent	Coordinating Director	AC
Ms. Marisa Poncela García	Independent	Director	SSC, AC
Mr. Antonio Oporto del Olmo	Independent	Director	SSC, ARC
Mr. John Charles Pope	Independent	Director	ARC
Mr. Javier Bañón Treviño	Proprietary	Director	ARC
Mr. Javier Olascoaga	Proprietary	Director	SSC, AC
Mr. Pedro del Corro García-Lomas	Proprietary	Director	-

Legend: SSC, Strategy and Sustainability Committee; AC, Audit Committee; ARC, Appointments and Remuneration Committee.

Table 3: Number of directors by position, category and gender for the 2024 financial year

Metrics	2024	%
Total directors	10	100%
Executive and non-executive directors		
Number of Executive Directors	2	20%
Number of Non-Executive Directors	8	80%
Independent and non-independent directors		
Number of Independent Directors	4	40%
Number of Proprietary Directors and others	6	60%
Directors by gender		
Number of Directors (men)	9	90%
Number of Directors (women)	1	10%

The Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, available on the Talgo website and in the Talgo S.A. section of the Spanish Securities and Exchange Commission (CNMV) website, provide more details on the 2024 financial year.

Integration of sustainability into decision-making and internal control procedures

The company has integrated sustainability management, leadership and governance into senior management committees and meetings, through the Strategy and Sustainability Committee and the Steering Committee. This approach ensures that sustainability risks and opportunities are given the same importance as other business risks and opportunities, promoting a comprehensive vision in corporate decision-making.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Compliance unit

With regard to ethics oversight, the Compliance Unit is authorised to ensure and enforce the Code of Ethics and any other Corporate Governance standard approved by the Talgo Group, including the Securities Market Code of Conduct. It also promotes ethical business behaviour.

It is a collegial body that will have the material and human resources necessary to perform its functions. It is permanent and is linked to the Board of Directors, which reserves the oversight function of the Compliance Body, requiring as many reports or data as necessary. In turn, the Compliance Body also has the power to oversee the adoption and execution of agreements adopted by the Board of Directors and its committees.

The Compliance Unit is comprised of:

- Human Resources Manager
- Talgo Legal Counsel
- Internal Audit Manager

Internal audit

Managed through the Internal Audit Department and governed by the Audit Committee, internal auditing guarantees internal control and assurance in the fulfilment of the responsibilities of the different Talgo units and is authorised to communicate critical concerns to the highest governing body.

Talgo conducts systematic and continuous internal audits in accordance with the audit plan. Significant deviations are fully resolved and the proposed recommendations are always implemented.

The management methodology is based on the risk management system, COSO internal control and the recommendations of the Institute of Internal Auditors (IIA).

The types of audits conducted are:

- External or legal audits
- Internal audits
- Operational audits
- Audits of IT systems and cybersecurity
- Public or governmental audits
- Management system audits
- Business continuity audits
- Other special audits

Mechanisms for ensuring good business conduct

Talgo has mechanisms to strengthen the prevention, detection and resolution of business conduct issues, namely:

- Fostering a culture of ethics, raising awareness among interest groups, especially employees and suppliers.
- Allocating resources to the detection, investigation and resolution of potential conflicts, through the Compliance Unit and Internal Audit.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Establishing a channel that allows all possible cases to be reported, making the Talgo Whistleblowing Line available to everyone.

Whistleblowing Line

The Talgo Whistleblowing Line makes it possible to detect possible illegal behaviour or behaviour contrary to the code of conduct.

Anyone who reasonably suspects a violation of the regulations or the Code of Ethics, must immediately report their concern through the confidential Whistleblowing Line (<https://lineaetica-talgo.i2-ethics.com/#/>) that Talgo makes available to all interest groups, through the Talgo website (<https://www.talgo.com/en/>) and the corporate intranet (Talgo4People).

The Talgo group must also ensure the proper management of the complaint and the protection of the informant against possible retaliation. The Talgo Group does not currently have specific policies or practices for the protection of whistleblowers, but it does meet all the requirements of Law 2/2023, of February 20, regulating the protection of individuals who report regulatory violations and the fight against corruption, which transposes Directive (EU) 2019/1937 (the Whistleblowing Directive).

To provide the process with greater independence and confidentiality, the management of the Whistleblowing Line is outsourced to the company "i2Ethics".

Therefore, the Whistleblowing Line has the following characteristics and properties:

- Compliance with all requirements of Law 2/2023 regulating the protection of persons who report regulatory violations and on anti-corruption.
- Application of due diligence.
- Scope includes all stakeholders, whether internal or external.
- Confidentiality or disclosure of the identity of the whistleblower, if permitted by the whistleblower.
- Processing of data on the basis of the consent given by ticking the box provided for this purpose.
- Exercise of rights of access, rectification, portability and erasure.

The internal body responsible for secure, reliable and appropriate management is the Compliance Unit, with the collaboration, especially for the confidentiality of the process, of i2Ethics (an outsourced company) and the participation of the organisational units involved in the required forensic analysis.

Table 4: Communications received through the Whistleblowing Line

Metric	2024	2023
Total number of communications received through the Whistleblowing Line	4	4
Corruption or Bribery	-	2
Discrimination, harassment or any other employment issue	3	-
Environment	-	-
Securities market and insider trading	-	-
Anti-competitive practices or conflicts of interest	-	-
Data protection, information security and confidential information	-	1
Safety, health and well-being	-	-
Other	1	1

2024 NON-FINANCIAL INFORMATION STATEMENT

Metric	2024	2023
Total number of ongoing communications received	1	2
Total number of resolved communications	3	2
Total number of communications resolved with remediation and/or redress actions	3	1

1.5 Materiality analysis

Talgo has designed and established a structured methodology for carrying out the Double Materiality Assessment (DMA), based on the EFRAG guide, *EFRAG IG 1: Materiality assessment implementation guidance*, with the objective of rigorously identifying and evaluating material aspects from financial and impact perspectives.

This methodological process has been developed to ensure its alignment with domestic policies and with the best international practices in the field.

A comprehensive analysis of the Talgo context has been carried out, with the objective of understanding, from an overall perspective, its activities, business relationships, sustainability context and stakeholders involved.

Based on the requirements established in the European Sustainably Reporting Standard (ESRS) 1, all available relevant information has been considered to obtain a full understanding of the organization. This includes, among other things:

- The company's financial statements.
- A detailed description of the activities and services undertaken.
- Business relationships across the value chain, both upstream and downstream, together with the nature of those relationships.

These investigations have allowed us to obtain an in-depth and documented knowledge of Talgo's activities and business links. To ensure a broad and rigorous perspective, the regulatory environment and the legal framework applicable to the sector have also been taken into consideration.

Finally, Talgo's commitment and interaction with its stakeholders has been evaluated, identifying the groups affected by its activities and documenting existing relationships with each actor. This approach ensures full integration of stakeholder perspectives in the analysis of the impact and sustainability of the company.

Analysis of AR 16 and identification of Themes/Subthemes/Non-material Sub-subthemes

Once Talgo understood the context of the company in the current scenario, the AR16 table for ESRS 1 was analyzed: "Sustainability matters to be included in the materiality assessment".

The table above presents a list of sustainability issues included in the ESRS themes. As a step prior to identifying impacts, risks and opportunities, a comprehensive analysis of the themes suggested in table AR 16 has been carried out. This analysis has made it possible to rule out theme that, due to their nature or the specific characteristics of Talgo's activities and its value chain, are not applicable.

Based on this analysis, the following have been ruled out:

- **Pollution.** Pollution of living organisms and food resources. Microplastics.

2024 NON-FINANCIAL INFORMATION STATEMENT

- **Water and marine resources.** Marine resources: Water discharges in the oceans and Extraction and use of marine resources.
- **Biodiversity and ecosystems.** Direct impact drivers of biodiversity loss. Impacts on the state of species. Impacts on the extent and condition of ecosystems. Impacts and dependencies on ecosystem services.
- **Affected communities.** All except for security-related impacts.
- **Consumers and end-users.** Freedom of expression. Security of a person. Protection of children. Non-discrimination. Responsible marketing practices.
- **Business conduct.** Animal welfare.

For each Theme/Subtheme/Sub-Subtheme ruled out, we have provided an explanation as to why we believe that this is not material for analysis and is excluded from the identification of impacts, risks and opportunities.

For all other Themes/Subthemes/Sub-Subthemes that have not been ruled out, a process of identifying impacts, risks and opportunities has been started (see the subsequent sub-heading of “Assessment of Impacts, Risks and Opportunities (External Interest Groups)”.

Furthermore, it has been deemed that, for the activities carried out by Talgo and its value chain, all issues that may apply to their sustainability impacts, risks and opportunities are covered by table AR 16, and there is no need to identify any additional “entity specific” theme (specific themes defined ad hoc for the company, not suggested by the ESRS themes).

Process for determining, evaluating, prioritising and controlling impacts, risks and opportunities:

After defining the potentially material issues based on AR 16 table, the impacts, risks and opportunities for the company or its value chain have been identified for the above-mentioned potentially material issues. Talgo has used the following definition of impacts, risks and opportunities, as established by the ESRS:

- **Impact:** An impact is an action taken by the Company that generates a positive or negative effect on people, the environment or the company's governance. It can be generated by the company itself or its upstream and downstream value chain. These can be positive or negative, real or potential and in the short, medium or long term.
- **Risks and opportunities (with impact on financial statements):** Environmental, social or governance issues that create a risk or opportunity for the Company, impacting it financially (to its cash flows, access to finance, reputation, sales volume, etc.). These can be real or potential and in the short, medium or long term.

According to the methodology applied by Talgo, the following attributes have been identified for each impact:

- Positive or negative.
- Real or potential.
- Value chain: upstream, downstream or own activities.
- Time horizon:
 - o Short term: one year (period that the Sustainability Report covers).
 - o Medium term: from the end of the reporting year to 5 years later.

2024 NON-FINANCIAL INFORMATION STATEMENT

- o Long term: More than five years.

For potential negative impacts, whether they negatively affect human rights has been established.

For each risk and opportunity, the following attributes have also been identified:

- Real or potential.
- Value chain: upstream, downstream or own activities.
- Time horizon:
 - o Short term: one year (period that the Sustainability Report covers).
 - o Medium term: from the end of the reporting year to 5 years later.
 - o Long term: More than five years.

To identify potential impacts, risks and opportunities (IRO), the company has used a variety of sectoral reference sources, including frameworks such as SASB and GRI. Additionally, a sectoral comparative analysis (benchmarking) has been taken into account, considering the material aspects highlighted by the competitors. This approach ensures that the IROs identified are aligned with industry best practices and reflect the sector's strategic priorities.

In addition, when identifying environmental IROs, Talgo has considered the physical risk analysis it has carried out based on current climate models and their future projection studied by the Intergovernmental Panel on Climate Change (see section 2.2 of this report).

Furthermore, to ensure a complete IRO identification process, Talgo has verified if the identified impacts have an associated risk or opportunity and vice versa, i.e., it has confirmed the coherence between the impacts and the risks and opportunities identified.

The IROs are prioritised after the evaluation, explained in the next section.

Impact, Risk and Opportunity Assessment (internal stakeholders)

After identifying all the IROs applicable to the company, they were evaluated. To carry out the IRO evaluation, impact materiality (assessment of the relative importance of the identified impacts) and financial materiality (assessment of the relative importance of the identified risks and opportunities) have been considered separately.

To evaluate each IRO, firstly the company's internal stakeholders have been involved: the human resources, environmental, economic-financial, purchasing and commercial department managers, among others, as well as the corporate sustainability department. The Steering Committee has been informed of the internal evaluations obtained and has been responsible for their validation and final approval.

Impact materiality

To evaluate the impact materiality, the evaluators have been scored using each of the following parameters, based on an established scale of 1 to 5 (level 1 being "very low", 2 "low", 3 "medium", 4 "high" and 5 "very high"):

- Magnitude: Level of importance attached by internal stakeholders to each impact.
- Scope: Extent of the impact, i.e., how many people it affects.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Remediability (for negative impacts only): This represents the ease or possibility for negative impacts to be mitigated by a specific action.
- Probability (for potential impacts only): This represents the probability of the impact taking place. To standardise the scores, "real" impacts are automatically assigned the highest score of 5 for probability.

All IROs have been evaluated by at least two evaluators and, subsequently, the evaluation has been comprehensively reviewed to ensure the consistency of the results.

To obtain the materiality associated with each impact, the following formulas have been applied, depending on whether the impact is positive, negative, real or potential:

Impact		Evaluation metrics
Positive impact		Probability x Max (Magnitude; Scope; Remediability)
Negative impact	Human rights impact	Probability x Max (Magnitude; Scope; Remediability) x Human rights corrective factor
	No human rights impact	Probability x Max (Magnitude; Scope; Remediability)

Real impacts are given a probability of 5.

As a result, each evaluator has assigned a score for each impact. To obtain an aggregated assessment for each impact, the average evaluation of the different evaluators has been calculated.

Financial materiality

To evaluate financial materiality, internal evaluators have given a score based on the following parameters:

- Financial magnitude: Magnitude of the potential financial effect, i.e., how significant the financial effect would be if the risk or opportunity materialized.
- Probability: This represents the probability of the impact taking place.

The definition of financial magnitude has been evaluated on a scale of 1 to 5 (with level 1 being "very low", 2 "low", 3 "medium", 4 "high" and 5 "very high").

To facilitate evaluation of the financial scale and to ensure consistency in the application of the criteria between the different evaluators, quantitative and qualitative thresholds have been established (quantitative for evaluating the effect of risks and opportunities on the company's results and qualitative for strategic, reputational and compliance issues, although these issues also ultimately have a direct impact on the company's results).

The probability has also been defined using a scale of 1 to 5 (with level 1 being "very low", 2 "low", 3 "medium", 4 "high" and 5 "very high"):

To obtain the financial materiality associated with each risk and opportunity, the following formula has been applied:

Risk or opportunity	Evaluation metrics
Risk	Probability x Financial magnitude
Opportunity	Probability x Financial magnitude

2024 NON-FINANCIAL INFORMATION STATEMENT

As was the case for impacts, for the real risks and opportunities evaluated, the maximum probability (5) is automatically assigned to standardise the score.

As a result, each evaluator has assigned a score for each risk and opportunity. To obtain an aggregated assessment of each risk and opportunity, the average score of the different evaluators has been calculated.

Impact, Risk and Opportunity Assessment (external stakeholders)

After obtaining the evaluation of the IROs by the Group's internal stakeholders, Talgo has compared the result of the evaluation obtained with external stakeholders (shareholders and investors, customers and users, individuals and collaborators, suppliers including commercial agents, regulatory bodies, social agents, environment, opinion makers, sectors/markets and partners).

To include the evaluations of external stakeholders, questionnaires have been sent and telephone surveys have been conducted to obtain their opinion in relation to the identified themes, subthemes and sub-subthemes. In general, stakeholders have also considered material the theme, subthemes and sub-subthemes obtained by the internal assessment exercise carried out by Talgo.

Once the external and internal evaluations are completed, the evaluations of the themes, subthemes and sub-subthemes are consolidated in a matrix, represented in a graph. This makes it possible to visually observe the most important issues and their magnitude in the areas of financial materiality and impact materiality. This graphic representation allows the information user to identify the issues that are most important in comparison to each other. Themes, subthemes or sub-subthemes with an evaluation of at least one IRO greater than 13 are listed as materials and are given priority over the rest.



2024 NON-FINANCIAL INFORMATION STATEMENT

Standard	Code	Description
ESRS E1	ST1	Climate change adaptation
	ST2	Climate change mitigation
	ST3	Energy
ESRS E2	ST4	Pollution of air
	ST5	Pollution of water
	ST6	Pollution of soil
	ST8	Substances of concern
	ST9	Substances of very high concern
ESRS E3	ST11	Water
ESRS E5	ST17	Resource inflows, including resource use
	ST18	Resource outflows related to products and services
	ST19	Waste
ESRS S1	ST20	Working conditions
	ST21	Equal treatment and opportunities for all
	ST22	Other work-related rights
ESRS S2	ST23	Working conditions
	ST24	Equal treatment and opportunities for all
	ST25	Other work-related rights
ESRS S3	ST26	Communities' economic, social and cultural rights
ESRS S4	ST29	Information-related impacts for consumers and/or end-users
	ST30	Personal safety of consumers and/or end-users
	ST31	Social inclusion of consumers and/or end-users
ESRS G1	ST32	Corporate culture
	ST33	Protection of whistle-blowers
	ST35	Political engagement and lobbying activities
	ST36	Management of relationships with suppliers including payment practices
	ST37	Corruption and bribery

Integration of sustainability risks, impacts and opportunities into the overall management of corporate risks and opportunities

The company has carried out a project to identify and evaluate risks and opportunities related to sustainability, recognizing their relevance for comprehensive business management. The most granular risks and opportunities, under the CSRD and ESRS regulations, have been identified and evaluated through the dual materiality process described above and, during the 2025 financial year, there are plans to integrate material IROs into the corporate risk and opportunity management system. The company's ultimate goal is to incorporate the ESG risks identified in the Double Materiality Assessment within the corporate risk management system, so that environmental and social aspects are addressed together with other business risks. Reviews will also be implemented on the evolution of ESG risks and opportunities (environmental, social and corporate governance factors) that may impact the income statement and generate additional costs or loss of competitiveness.

This commitment reinforces the priority that the organization assigns to sustainability, ensuring that sustainability risks and opportunities are managed with the same rigor as strategic, operational, reporting or compliance risks, and promoting their full integration into corporate decision-making.

2 INFORMATION ON ENVIRONMENTAL ISSUES

2.1 Policies

Talgo has an Environmental Policy that details the four themes making up the organisation's environmental management, which are based on:

- The transition to a carbon-neutral economy.
- Design of products that favour the development of a circular and sustainable economy model.
- Minimising environmental impact through sustainable operations and processes.
- The transparency of information about the company's environmental performance with different stakeholders.

The policy also details the actions aimed at achieving the objectives encompassing each of the themes mentioned above. These actions are based on a commitment to avoid or minimize the environmental impacts produced, to integrate the principle of pollution prevention and risk management, to promote the introduction of criteria that favour the reuse and recycling of Talgo products and, in all cases, to ensure compliance with environmental legislation. The policy guarantees the continuous improvement of Talgo's environmental performance through the definition and monitoring of environmental objectives, and promotes the dissemination of good environmental practices for all employees, as well as the dissemination of environmental requirements to the supply chain. Another important factor in the policy concerns the implementation of mechanisms for the prevention, mitigation, detection and repair of environmental damage, as well as the handling of serious breaches.

2.2 Main risks

When identifying risks and opportunities, the different environmental aspects linked to Talgo's activity are considered from a life cycle perspective, i.e., considering the value chain. Accordingly, we consider potential positive or negative impacts that our activity may have on the climate, as well as the risks and opportunities that may result from changes in weather patterns on the sector and, in particular, on Talgo. In identifying risks and opportunities, legal or regulatory requirements, customer requirements, and the needs and expectations of stakeholders have also been taken into consideration.

The assessment of climate risks and opportunities is carried out in accordance with the methodology established in the company's management system, considering the expected probability and impact for each risk identified. The degree of exposure and vulnerability determined by the climate scenarios considered determines the probability of the risk.

The evaluation differentiates between physical risks, transition risks and opportunities.

The physical risk assessment has been carried out based on current climate models and their future projection studied by the Intergovernmental Panel on Climate Change (IPCC) in its latest report (AR6). Through this report, different projections or representative concentration pathways (RCP) of greenhouse gases are described. Talgo sets its risk assessment based on the report's optimistic (RCP2.6) and conservative (RCP8.5) models, which place global temperature increases at 2°C and 4-5°C respectively compared to pre-industrial values.

Physical risks are categorised as chronic or acute depending on their impact and duration.

Based on the classification of physical risks included in Regulation (EU) 2021/2139 and Regulation (EU) 2023/2486 within the framework of the European Taxonomy for Sustainable Activities and, taking into account the countries where Talgo operates, and

2024 NON-FINANCIAL INFORMATION STATEMENT

the regions in which products manufactured by the organisation operate, acute physical risks, the onset of heat waves and periods of drought have been identified. As chronic physical risks, the variation in temperatures and more frequent occurrence of extreme temperatures have been identified.

Transition risks and main opportunities are related to the trend towards a circular economy model and the development of decarbonized technology, given the activity carried out by Talgo, investing in a low carbon product and as an engine towards sustainable mobility at a global level. Another opportunity is, after the integration of sustainability into the organization's strategy, the possibility of applying for grants and raising interest in new 100% sustainable investment funds.

As mentioned in point 1.5 on the company materiality analysis, the circular economy is one of the relevant topics based on Talgo's activity, for all applicable sub-themes: resource inflow, resource outflow and waste. The main risks and opportunities related to this analysis are linked to the placing on the market of trains with high levels of recyclability and recoverability, the promotion of the acquisition of materials with high circularity indices and, at the process level, the search for alternatives to improve valuation rates compared to the disposal of hazardous and non-hazardous waste generated in different workplaces. Point 2.5 of this document provides further details concerning the circular economy and waste.

2.3 General

2.3.1 Environmental assessment or certification procedures and application of the precautionary principle

In general terms, Talgo has a Strategic Environmental Plan that addresses the main current and future effects on the environment resulting from the organization's activity. The Strategic Plan divides its content into four themes:

1. Products that drive the development of the circular economy and eco-design.
2. Minimising impacts and improving environmental sustainability.
3. Development of a transparent and consolidated environmental management system based on ISO 14001 and other international standards.
4. Combating climate change.

Regarding the company's third theme of environmental management, Talgo has been certified for this system since 2003 in accordance with the UNE-EN ISO 14001 standard, showing its commitment to caring for the environment from a life cycle perspective for all activities carried out by the organization (design, manufacture and maintenance of trains) in Spain.

The ISO 14001 certification involves the implementation of a series of methodologies and procedures with the aim of preventing and mitigating Talgo's impact on the environment. Through the management system, environmental aspects and their impacts are identified and evaluated for each Talgo centre, taking into account the characteristics of the environment, and then the preventive and corrective measures necessary to minimise the impacts on air, soil and water quality caused by Talgo's activity are determined, thus minimising their impact on the environment and human health.

Talgo's main procedures in this area are:

- Procedure for environmental operational control
- Procedure for the identification and assessment of environmental issues
- Non-compliance procedure and corrective actions
- Procedure for the control and management of waste in each centre
- Procedures for loading, unloading and transporting dangerous goods

2024 NON-FINANCIAL INFORMATION STATEMENT

- Procedure for the approval of chemical products
- Environmental design procedure
- Procedure for train recyclability and recoverability studies
- Procedure for carrying out life cycle analyses

2.3.2 Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety

As described in previous sections, Talgo has also developed a methodology for evaluating the impacts, risks and opportunities of its activity, where impacts have been identified that have been material for the environment and human health. The potential negative material impacts are related to climate change, due to the possible increase in atmospheric emissions and energy use during the train manufacturing phase, and to the circular economy, due to the possible decrease in the availability of natural resources caused by the use of raw materials and the possible increase in waste generation.

The following positive impacts on the environment and human health have been identified as material: climate change mitigation thanks both to the placing on the market of lighter, more energy efficient trains, and the development of trains with alternative fuels. The promotion of the circular economy with the placing on the market of trains with theoretical values of recyclability and recoverability greater than 90% has also been identified as materially positive.

2.3.3 Resources dedicated to the prevention of environmental risks

Talgo has an environmental emergency plan with the aim of minimising possible adverse effects resulting from operations in each work centre.

The organisation also activates and develops a series of specific actions promoting the principle of prevention and protection of the environment against possible risks:

- ✓ Management of hazardous and non-hazardous waste through authorised managing bodies.
- ✓ Compliance, monitoring and updating of applicable environmental legal requirements by activity and location.
- ✓ Management and treatment of wastewater using treatment plants in those centres that require it.
- ✓ Analysis and compliance with water discharge parameters, as well as applicable atmospheric emissions by geographical area.
- ✓ Promoting improvements in production processes to prevent pollution and the negative environmental impact of these processes.
- ✓ Development of training and awareness campaigns for the agents involved and with an impact on the company's environmental performance.

2.3.4 Provisions and guarantees for environmental risks

Regarding Talgo's environmental liability and, to ensure compliance with the requirements of Law 26/2007, of 23 October, the organization has environmental liability insurance, which demonstrates the implementation of measures for the prevention, prevention and repair of environmental damage and the coverage of its costs, whatever their amount, when they occur under the company's responsibility. 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, there is a civil liability insurance for environmental damage.

The following are the main indicators related to the company's global environmental management.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 5: Company environmental management indicators

Environmental management: strategy, deployment and system			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
Fulfilment of the annual environmental programme	77%	50%	54%
No. of environmental projects implemented	1	5	-80%
Environmental investments and expenses	€437,302.00	€1,430,630.32	-69%
Scope of the environmental management system (% of persons)	87%	87%	0%
Rate of implemented corrective and preventive actions	-	4	-100%
Environmental accident rate	-	-	-
Costs arising from the management of expired products	€285,653.85	€222,718.74	28%
Deviations in internal and external audits closed after the deadline	-	-	-
Environmental compliance			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
Environmental fines for non-compliance or other reasons	-	-	-
Environmental sanctions, proceedings and arbitration	-	-	-

2.4 Pollution

2.4.1 Measures to prevent, reduce or remedy carbon emissions that seriously affect the environment taking into account any form of activity-specific air pollution, including noise and light pollution.

The measures proposed for the control and reduction of carbon emissions are described in detail in the section on climate change (see sections 2.3.1 and 2.3.3)

The principle of pollution prevention is another key part of Talgo's environmental management system. To ensure compliance for air pollution, measurements are carried out for the main sources of pollution related to the development of the company's production processes, such as painting activities. In all cases, the results obtained are favourable and within the limits established under current regulations.

Regarding noise pollution, Talgo guarantees compliance with the applicable limit values, with each centre having an environmental noise level test report in line with the regulations.

Light pollution is not applicable to Talgo due to the company's activities.

2.5 Circular Economy and waste prevention and management

2.5.1 Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste

The main way to promote sustainable and circular development in line with environmental sustainability is based on designing and manufacturing products in a more responsible way using the following levers:

- Improving the eco-design of products and services, strengthening the life cycle of products and services and building a circular economy model.
- Minimising raw materials and natural resources, and improving energy efficiency.
- The replacement of existing materials with lighter ones with a higher rate of

2024 NON-FINANCIAL INFORMATION STATEMENT

recyclability or recoverability.

- Reduction of the amount of waste produced, especially waste that will ultimately be disposed.

The implementation of the circular economy involves developing products that can be reused at the end of their life cycle, or at least recycled at the end of their life cycle. The manufacture of trains, based on eco-design, involves the use of materials with high recyclability and recoverability values. This guideline is essential for driving the circular economy in the organisation, the first theme of Talgo's Strategic Plan.

The activities carried out in the organisation related to the circular economy include the following noteworthy examples:

- Performing the Life Cycle Analysis on trains for projects F073, F081, F070 based on international standards ISO14040 and ISO14044, allows us to establish the environmental impacts associated with the train at the different stages of its life cycle and, subsequently, to determine measures to reduce these impacts, in addition to identifying opportunities to improve the environmental aspects of the train aimed at achieving higher levels of resource efficiency, higher rates of use of secondary raw materials, waste management optimisation, etc.
- Calculation of the recyclability and recoverability values for trains. This calculation is performed once the project design process has been completed and during their manufacture.

Table 6: Recyclability and recoverability values for each project

Project	Recyclability rate	Recoverability rate
F073	94.19%	97.53%
F081	93.98%	97.74%
F070	93.80%	96.90%

To do this calculation, the methodology proposed by UNIFE (Recyclability and Recoverability Calculation Method for Rolling Stock) based on the ISO 22628 standard was followed, using primary data associated with the weight of the train materials and applying a recyclability/recoverability and disposal factor depending on the type of material.

Another important aspect of the circular economy is streamlining the management of waste from train manufacturing and maintenance processes. Talgo contributes to circularity by recycling and valuing hazardous and non-hazardous waste associated with its activity. For example: hazardous waste such as absorbents, adhesives, paints that were previously intended for disposal.

The Talgo Strategic Plan road map sets out a progressive reduction in the amount of waste destined for landfill or incineration, until Zero Waste certification is achieved in a short period of time.

Waste management is always carried out in accordance with current legislation by an authorised waste manager, thus ensuring the best possible treatment for the waste from an environmental perspective.

The main metrics for the evaluation and results on the circular economy are detailed below.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 7: Indicators associated with waste management

Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Waste generated** (t)	3,003.52	2,570.28	17%
Hazardous waste generated** (t)	247.44	177.69	39%
Hazardous waste for recycling ***(t)	57.03	75.40	-24%
Hazardous Waste for Reuse ***(t)	77.07	27.33	>100%
Hazardous waste for other recovery operations *** (t)	-	1.45	-100%
Hazardous waste for disposal *** (t)	71.35	36.67	95%
Hazardous waste for landfill *** (t)	41.50	17.32	>100%
Hazardous waste for other disposal operations *** (t)	29.85	19.36	54%
Hazardous waste for incineration *** (t)	23.65	25.04	-6%
Hazardous waste for incineration with energy recovery *** (t)	23.65	25.04	-6%
Hazardous waste for incineration with no energy recovery *** (t)	-	-	0%
Non-hazardous waste generated** (t)	2,756.08	2,392.60	15%
Non-hazardous waste for recycling ***(t)	1,929.99	1,783.26	8%
Non-hazardous waste for reuse ***(t)	-	-	0%
Non-hazardous waste for other recovery operations ***(t)	-	7.85	-100%
Non-hazardous waste for disposal ***(t)	417.64	274.47	52%
Non-hazardous waste for landfill ***(t)	310.91	274.47	13%
Non-hazardous disposal for other disposal operations ***(t)	106.73	-	100%
Non-hazardous waste for incineration ***(t)	-	-	0%
Non-hazardous waste for incineration with energy recovery ***(t)	-	-	0%
Non-hazardous waste for incineration without energy recovery ***(t)	-	-	0%
Increase in the amount of waste generated due to the type of activity carried out during 2024 (increase in painting activity and refurbishment projects at the manufacturing sites).			
* Data are reported for waste from the centres where Talgo is the owner and responsible, as well as from those customer centres where there is no contractual agreement that exempts Talgo from the responsibility for managing waste resulting from its activity.			
** The reported data includes the estimate for the Talgo centre in Saudi Arabia because actual management data is not available.			
*** Waste treatment is reported only for centres located in Spain.			

Table 8: Other waste management indicators

Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Waste where disposal has been avoided (t)	2,087.74	1,920.32	9%
Non-recycled waste (t)	589.71	372.80	58%
% Non-recycled waste	22.89%	16.71	37%
* Data are reported for waste from the centres where Talgo is the owner and responsible, as well as from those customer centres where there is no contractual agreement that exempts Talgo from the responsibility for managing waste resulting from its activity.			

2.6 Sustainable use of resources

2.6.1 Measures taken to improve the efficiency of using raw materials

As mentioned above, one of the themes of Talgo's Strategic Environmental Plan is the development of products that promote the circular economy. In line with this theme, a series of actions are proposed to maximise the useful life of available resources and minimise the use of resources, especially non-renewable ones, used in the Talgo production process (water, fuels or materials).

Based on the Talgo ecodesign, the minimisation of the use of raw materials prevails by optimizing the weight of the parts, the use of recycled materials compared to natural materials, and the reuse of parts where alternatives for use are being sought. This allows Talgo to strengthen the life cycle of its products and services, building a circular economy model.

2024 NON-FINANCIAL INFORMATION STATEMENT

2.6.2 Measures taken to improve energy efficiency and renewable energy use

Regarding the improvement of energy efficiency in the company's facilities and products, the following measures have been implemented:

- Installation and operation of solar panels for electricity generation, promoting self-consumption in the Talgo de Las Matas II and Rivabellosa factories.
- Study of new low-emission technologies for the replacement of fossil fuels in conventional and currently operating trains with energy using fuel cells or hydrogen.

The main metrics for the evaluation and results on resource use are detailed below.

2.6.3 Consumption of water, raw materials and direct and indirect energy consumption

Table 9: Company resource usage indicators

Use of resources and the circular economy			
1.- Consumption of materials and other products (Table 9.1)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Paper (t)	10.45	9.68	8%
Water (m3) (*)	15,379.16	15,235.66	1%
Solvents and paints (t)	63.47	38.38	65%
*Water extraction data for the months of November and December 2024 are estimated because the invoices are not available. The estimate is based on the average of the previous months. The data will be updated in the next report.			
2.- Energy (Table 9.2)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
Fuels: Natural gas boilers (kWh) (**)	8,526,450.56	6,992,756.05	22%
Fuels: automotive - diesel and gasoline (m3)	16.08	13.28	21%
Fuels: machinery - diesel (m3)	46.72	13.89	>100%
Fuels: boiler oil (m3)	2.12	2.04	4%
Total electricity consumed (kWh)	11,132,194.98	11,028,343.88	1%
Electricity purchased from the grid (kWh)	9,517,696.22	10,918,896.13	-13%
Total self-consumed energy - electricity (kWh)	1,614,498.76	109,447.75	>100%
Total electricity from renewable sources (kWh)	10,018,953.69	9,864,347.75	2%
Renewable energy production (kWh)	1,614,498.76	109,447.75	>100%
* All the locations where Talgo carries out an activity are included, either in its own or rented centre, excluding the offices where less than 10 people work and therefore consumption is not significant from an environmental standpoint.			
** Natural gas consumption data shown based on GCV.			

Table 10: Other company resource usage indicators

2.- Energy			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Total energy consumed (kWh)	20,374,118.75	18,320,535.68	11%
Total energy from fossil sources (kWh)	7,770,851.10	6,966,791.40	12%
Total energy from fossil sources (%)	43.68%	41.39%	6%
Total energy from renewable sources (kWh)	10,018,953.69	9,864,347.75	2%
Total energy from renewable sources (%)	56.32%	58.61%	-4%
Energy intensity (kWh/employee)	34,045.67	21,842.81	56%
Increase in total energy consumed mainly due to improved thermal comfort conditions at the Milwaukee facility and increased fuel consumption caused by increased painting activity.			
* All the locations where Talgo carries out an activity are included, either in its own or rented centre, excluding the offices where less than 10 people work and therefore consumption is not significant from an environmental standpoint.			

2024 NON-FINANCIAL INFORMATION STATEMENT

2.7. Climate change

Talgo plays a fundamental role in the development of sustainable mobility nationally and internationally thanks to its product, participating substantially in the climate change mitigation by decarbonising the sector through the manufacture and sale of 100% electric and highly efficient trains.

However, during the development of the activity, a series of greenhouse gases are generated that must be monitored and reduced as much as possible. Accordingly, Talgo annually calculates its emissions using the operational control approach, i.e., taking into account the operations, processes and activities that Talgo has control over.

Carbon footprint calculations have been developed according to the calculation methodology of the IPCC (International Panel on Climate Change) and according to the GHG Protocol guidelines. The emission factors necessary for the conversion of GHG emissions come from internationally recognised sources such as DEFRA, IPCC or MITERD.

The calculation of Talgo's carbon footprint is divided into:

- Scope 1: direct emissions, including fuel consumption (mainly natural gas and diesel/gasoline) from fixed sources (boilers, test equipment) or mobile sources (fleet of vehicles and auxiliary machinery) together with fugitive emissions, if any, from air conditioning equipment.
- Scope 2: indirect emissions related to the purchase and consumption of electrical energy by the organisation.
- Scope 3: indirect emissions. The categories considered to be most significant for Talgo's activity and included in this scope are: the manufacture and transport of materials purchased by the organisation, the management of waste generated in operations, employee travel to work centres and employee travel for business trips. Therefore, the other 3 scope categories are excluded from the report according to the GHG Protocol, as they have a lower degree of significance. 90% of the volume of emissions included in this scope is calculated based on primary data.

It should be noted that the Talgo Group has zero Scope 2 emissions for its offices in Spain thanks to the purchase of 100% renewable energy certified based on the corresponding guarantees of renewable origin, thus avoiding the emission of more than 2,000 tons of CO₂ into the atmosphere.

Emission reduction measures must cover all the scopes and categories of Talgo's carbon footprint. In view of the GHG emissions generated, the following actions are considered linked to different decarbonisation levers:

- ✓ For direct and indirect Scope 1 and 2 emissions, the following is highlighted:
 1. Development of energy efficiency and the use of clean fuels through the improvement of insulation and the elimination and/or replacement of auxiliary machinery for energy generation from fossil fuels.
 2. Promoting sustainable mobility for the organisation's vehicles by replacing the vehicles with combustion engines with electric or hybrid models.

2024 NON-FINANCIAL INFORMATION STATEMENT

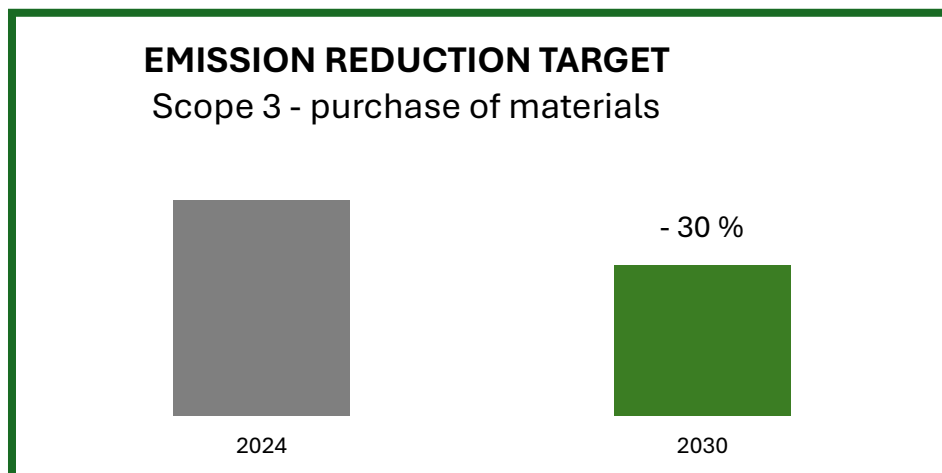
3. Use of renewable energy, guaranteeing the supply of 100% renewable electricity, and the promotion of energy self-consumption thanks to the installation of solar panels in Talgo's national factories.

✓ Regarding indirect Scope 3 emissions:

1. Promotion of the circular economy model and development of a sustainable supply chain involving our suppliers because of their pivotal role in reducing the company's indirect emissions.
2. Promoting sustainable mobility for Talgo's internal stakeholders by analysing and promoting possible improvements in logistics or organisation of business trips by the workforce and offering more sustainable methods for their trips to work centres (Carpooling, company routes, etc.).
3. Logistical efficiency in our supply chain to reduce GHG emissions associated with transporting materials to work centres.

2.7.1 The voluntary medium- and long-term reduction targets established to reduce greenhouse gas emissions and the means implemented

As a sign of Talgo's commitment to decarbonisation, the following emission reduction target has been set:



2.7.2 The measures taken to adapt to the consequences of climate change

In addition to reduction and mitigation measures and, based on the above-mentioned assessment of climate-related risks carried out by the organisation, a series of climate change adaptation measures are identified according to significant physical and transition risks. These measures can be divided into the following groups:

- ✓ Adaptation of the infrastructure and the product to possible changes in current climate temperature patterns.
- ✓ Raising awareness among internal stakeholders to the effects and consequences of climate change.
- ✓ Responsible consumption of natural resources: for example, water, which may be affected in terms of availability and/or quality by climate change.
- ✓ Assess collaboration in reforestation and ecosystem adaptation projects to offset GHG emissions.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- ✓ Promote sustainable mobility and decarbonisation of the sector by placing low-emission products on the market.

2.7.3 Important elements of Greenhouse Gas emissions generated as a result of the company's activities

Table 11: Greenhouse Gas Emissions

1.- Greenhouse Gas Emissions. Scope 1 and 2 (Table 11.1)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
CO2 emissions: factories and workshops. Scope 1 (tCO2eq)	1,769.19	1,362.03	30%
CO2 emissions: indirect. Scope 2 (tCO2eq)	595.05	629.36	-5%
Increase in Scope 1 emissions as a result of higher energy consumption as detailed in Table 10 of this report.			
2.- Greenhouse Gas Emissions. Scope 3 (Table 11.2)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 1* - Purchased goods and services	56,040.30	39,251.22	43%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 4* - Upstream transportation and distribution	376.63	237.32	59%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 5* - Waste generated in operations	1,184.99	170.72	>100%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 6 - Business travel	1,520.47	1,345.40	13%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 7 - Employee commuting	3,222.24	2,807.09	15%
CO2 emissions: other indirect. Scope 3 (tCO2eq)	62,344.63	43,811.75	42%
Total CO2 Emissions: Scope 1+Scope 2 + Scope 3 (tCO2eq)	63,803.26	45,099.73	41%
During 2024, the accuracy of GHG emission calculations for managed waste (Scope 3 category 5) has been improved, resulting in an increase in recorded emissions. For categories 1 and 4, work has also been done to significantly improve the coverage and calculation of emissions, reflected in an increase in emissions.			
* The scope 3 GHG emissions reported correspond to Talgo's locations in Spain.			

Table 12: Other Greenhouse Gas Emissions Indicators

Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
CO2 emissions: indirect. Scope 2 (tCO2eq) - market-based	-	-	0%
CO2 emissions: indirect. Scope 2 (tCO2eq) - location-based	595.05	629.36	-5%
CO2 emissions: Scope 3 from primary data (Categories 1 and 5) (%)	91.79%	89.98%	2%
Total CO2 Emissions: Scope 1 + Scope 2 market + Scope 3 (tCO2eq)	63,803.26	45,099.73	41%
Total CO2 Emissions: Scope 1 + Scope 2 location + Scope 3 (tCO2eq)	63,803.26	45,099.73	41%
GHG emissions intensity Scope 1+2 (tCO2eq/M€)	3.53	3.05	16%
GHG emissions intensity Scope 3 (tCO2eq/M€)	93.16	67.20	39%
Total GHG emissions intensity (tCO2eq/M€)	95.34	69.17	38%
Total GHG emission intensity - based on location (tCO2/m€)	0.89	0.97	-8%
Total GHG emission intensity - market-based (tCO2/m€)	-	-	0%
Emissions of ozone-depleting substances (kg)	-	-	0%

2.8. Protection of biodiversity

2.8.1 Measures taken to preserve or restore biodiversity and impacts caused by activities or operations in protected areas

Talgo is committed to the care and protection of biodiversity. Therefore, through the environmental management system, it applies strict operational control and preventive

2024 NON-FINANCIAL INFORMATION STATEMENT

measures to reduce the impact of its activities on the natural environment and ecosystems, in short, on biodiversity.

The system structure is based on an environmental policy that is deployed in different procedures whose objectives are to identify environmental aspects and impacts and to maintain respect for the environment in the development of current and future projects, promoting continuous improvement and risk mitigation.

As mentioned in previous sections, through the management system, environmental aspects and their impacts are identified and evaluated for each Talgo centre, considering the environment characteristics. After the impact assessment, the preventive and corrective measures necessary for each centre are determined to minimise these impacts on air, soil and water quality caused by Talgo's activity, thus minimising their impact on biodiversity in each location. The measures adopted by Talgo to minimise impacts on air, water or soil quality have been listed in sections 2.3. General and 2.4 Air pollution.

Talgo also ensures at all times that its activities comply with environmental legislation, carrying out monitoring based on the different environmental authorisations, and always promoting a significant degree of environmental awareness among the workforce.

A clear example is the Las Matas II centre. This project has a favourable Environmental Impact Declaration dated 29 February 2000 by the Ministry of the Environment of Madrid, which borders a Protected Natural Area (the Upper Manzanares River Basin regional park), without causing damage to the biodiversity of this environment as a result of the strict control of emissions, noise, possible discharges and waste that result from the activity carried out at this centre.

3 INFORMATION ON SOCIAL AND PERSONNEL-RELATED ISSUES

This chapter covers the management and the results obtained in sustainability issues related to the workplace for Talgo Group employees.

The references made in this chapter to own personnel refer to employees with an employment contract at Talgo. Neither subcontracted workers nor trainee students are included in this definition.

3.1. Policies

The policies and processes allowing us to respond to impacts, risks and opportunities for our own personnel are:

- The human resources policy, which states Talgo's commitment to preventing child labour.
- Occupational health and safety policy.
- The anti-fraud and anti-corruption policy.
- Talgo's human rights policy, whose contents include the 14 key human rights for the company (see human rights section).
- Talgo's due diligence policy, currently being approved, will make it possible to act in cases where it is necessary to identify, evaluate, manage or repair incidents of material importance involving workers. This policy is developed through the due diligence protocol that integrates the identification, evaluation, prevention and mitigation of significant risks and impacts, and verification and control, as well as the measures adopted.
- Equality policy.
- Equality plan.
- Collective Agreement for Patentes Talgo, S.L.U.
- The workplace harassment protocol and code of conduct.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Agreement on measures for digital disconnection.
- Diversity charter.

These policies and processes are available for consultation on Talgo's corporate intranet.

3.2 Main risks

Based on the materiality analysis carried out in the terms described in chapter 1.5 of this document, the company has identified 24 material impacts related to the self-management of its employees that are included in the sub-themes raised in ESRS 2 (AR16) on working conditions, equal treatment and opportunities and other labour rights.

These mainly positive impacts are the result of the people management system, focused on maximising the performance of our workers, encouraging their professional development and improving their general well-being.

Based on the detailed analysis of these impacts, it has been concluded that some are related to the company's strategy regarding people (collective agreement, permanent contracts, social benefits) and others to the adaptation of this strategy to management (those related to pay policy, the equality plan, etc.).

Based on the same analysis, 6 material opportunities have also been identified, also concerning Talgo staff, related to enhancing management of the Group's people: reducing turnover, increasing personal satisfaction through training and improving the company's reputation for its management of internal social sustainability (equality, diversity, reconciliation, transparency, etc.).

Talgo has established a system that responds to impacts, risks and opportunities in the following ways:

- Respect for and compliance with labour principles and standards (regulation) and analysis of the expected results for all human resources management processes (employment, compensation including wage gap, work-life balance, talent, diversity, etc.).
- Respect and compliance with the 14 human rights identified as strategic for Talgo and especially the 7 labour rights.
- Guaranteeing the occupational safety and health of workers.
- The establishment of behavioural frameworks, the integration and the pride of belonging for people and employees.
- The guarantee of the privacy and security of people's information.

All these actions are managed through the projects, plans and resources of the human resources management and Occupational Health and Safety (hereinafter, OHS).

3.3 Employment

Talgo answers this sustainability issue through its people management strategy based on corporate values, quality employment, occupational health and safety, diversity, equality and inclusion, and talent management.

This strategy is deployed in the following five key action vectors:

- Consolidation of human capital: employment, organisation, working hours, labour relations, work-life balance, internal communication, salary and participation.
- Occupational health and safety.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Talent management: training, development, career and termination.
- Diversity, equality, inclusion, non-discrimination and combating harassment
- Management of human rights for own staff and employees, trainees, external collaborators, etc.

Our own staff has the following communication channels that in some cases will also be available to collaborators (external collaborators, trainees, etc.):

- Intranet: Talgo4people, during 2024, a technology update was implemented that allows greater interaction from Talgo's workers.
- Corporate email.
- Notice board
- Interdepartmental meetings.
- Conversations with the CEO.
- Breakfasts with the Chairman
- Surveys: on specific issues, general satisfaction with the company's management areas, etc.
- The group's social media.
- People management tools.
- Development interviews.
- Meetings with workers' representatives.
- Meetings with the Board's delegated committees.
- Suggestion box: included on the main page of the corporate intranet. This provides Talgo staff with the ability to submit concerns and suggestions. The people responsible for their management send these communications to the people responsible for their resolution.

Both Talgo staff and collaborator employees also have an essential communication channel: the Whistleblowing Line (see section 1.4) where they can report possible breaches or make inquiries regarding key issues included within the scope of corporate sustainability.

Lastly, this issue of sustainability is handled through the management model and human resources processes, which are detailed in the following points:

- Human Resources and Occupational Health and Safety strategy, policies, risks and opportunities.
- Design of the organisational structure and job map.
- Design of the remuneration and compensation system.
- Fair and quality employment. Own human rights.
- Human Resources Management.
- Labour relations: worker representation, agreements, dialogue, etc.
- Talent management: attraction, integration, development and termination.
- Internal social responsibility: conciliation, diversity, equality, inclusion, harassment and discrimination.
- Occupational Health and Safety: well-being.
- Transparency, internal communication and participation measures.
- Evaluations, improvements and innovations.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.1 Total number and distribution of employees by sex, age, country

Table 13: Employees by sex, age, country and professional classification on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Executive Director	2	-	2	2	-	2
Above 50	2	-	2	2	-	2
Senior management	3	2	5	3	2	5
Between 30 and 50	1	1	2	1	1	2
Above 50	2	1	3	2	1	3
Management	58	8	66	56	7	63
Between 30 and 50	31	5	36	31	7	38
Above 50	27	3	30	25	-	25
Middle managers	406	71	477	372	70	442
Under 30	15	2	17	14	3	17
Between 30 and 50	297	53	350	261	51	312
Above 50	94	16	110	97	16	113
Technical, administrative and other	2,586	404	2,990	2,443	362	2,805
Under 30	632	72	704	583	73	656
Between 30 and 50	1,596	281	1,877	1,546	250	1,796
Above 50	358	51	409	314	39	353
Total	3,055	485	3,540	2,876	441	3,317

Table 14: Talgo España and Tarvia employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Executive Director	2	-	2	2	-	2
Above 50	2	-	2	2	-	2
Senior management	3	2	5	3	2	5
Between 30 and 50	1	1	2	1	1	2
Above 50	2	1	3	2	1	3
Management	43	6	49	39	6	45
Between 30 and 50	20	4	24	18	6	24
Above 50	23	2	25	21	-	21
Middle managers	269	59	328	252	58	310
Under 30	1	2	3	3	2	5
Between 30 and 50	193	42	235	172	43	215
Above 50	75	15	90	77	13	90
Technical, administrative and other	1,804	348	2,152	1,724	300	2,024
Under 30	360	64	424	325	58	383
Between 30 and 50	1,162	239	1,401	1,153	207	1,360
Above 50	282	45	327	246	35	281
Total	2,121	415	2,536	2,020	366	2,386

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 15: Talgo Germany employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	2	-	2	3	-	3
Between 30 and 50	-	-	-	1	-	1
Above 50	2	-	2	2	-	2
Middle managers	14	-	14	15	1	16
Under 30	-	-	-	1	-	1
Between 30 and 50	5	-	5	4	-	4
Above 50	9	-	9	10	1	11
Technical, administrative and other	110	12	122	97	12	109
Under 30	19	2	21	17	4	21
Between 30 and 50	54	7	61	46	6	52
Above 50	37	3	40	34	2	36
Total	126	12	138	115	13	128

Table 16: Talgo Kazakhstan employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	3	-	3	3	-	3
Between 30 and 50	3	-	3	3	-	3
Middle managers	52	5	57	44	4	48
Under 30	8	-	8	5	-	5
Between 30 and 50	40	5	45	35	4	39
Above 50	4	-	4	4	-	4
Technical, administrative and other	316	22	338	309	24	333
Under 30	126	-	126	130	2	132
Between 30 and 50	166	20	186	159	21	180
Above 50	24	2	26	20	1	21
Total	371	27	398	356	28	384

Table 17: Talgo Saudi Arabia employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	3	-	3	4	-	4
Between 30 and 50	3	-	3	4	-	4
Middle managers	31	-	31	25	-	25
Under 30	4	-	4	2	-	2
Between 30 and 50	27	-	27	23	-	23
Technical, administrative and other	210	4	214	160	4	164
Under 30	84	2	86	61	2	63
Between 30 and 50	125	2	127	98	2	100

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Above 50	1	-	1	1	-	1
Total	244	4	248	189	4	193

Table 18: Talgo United States employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	3	1	4	3	-	3
Between 30 and 50	1	-	1	1	-	1
Over 50 years old	2	1	3	2	-	2
Middle managers	23	5	28	22	5	27
Under 30	2	-	2	2	1	3
Between 30 and 50	15	4	19	14	2	16
Over 50 years old	6	1	7	6	2	8
Technical, administrative and other	68	11	79	81	17	98
Under 30	22	3	25	27	7	34
Between 30 and 50	32	7	39	41	9	50
Above 50	14	1	15	13	1	14
Total	94	17	111	106	22	128

The data breakdown for India, China, Egypt, Denmark and Uzbekistan is aggregated into a single group called “Other Countries”. These countries display the characteristics of having less than 50 employees and representing less than 10% of the total number of employees.

Table 19: Talgo Other Countries employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	4	1	5	4	1	5
Between 30 and 50	4	1	5	4	1	5
Middle managers	17	2	19	14	2	16
Under 30	-	-	-	1	-	1
Between 30 and 50	17	2	19	13	2	15
Technical, administrative and other	78	7	85	72	5	77
Under 30	21	1	22	23	-	23
Between 30 and 50	57	6	63	49	5	54
Total	99	10	109	90	8	98

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.2 Distribution of employees by type of contract and professional classification

Table 20: Distribution of employees by type of contract and professional classification on 31/12/2024 and 31/12/2023

Occupational category	2024					2023				
	Permanent	Other	Total	Percentage Permanent	Remaining Percentage	Permanent	Other	Total	Percentage Permanent	Remaining Percentage
Executive Director	2	-	2	100%	0%	2	-	2	100%	0%
Men	2	-	2	100%	0%	2	-	2	100%	0%
Senior management	5	-	5	100%	0%	5	-	5	100%	0%
Men	3	-	3	100%	0%	3	-	3	100%	0%
Women	2	-	2	100%	0%	2	-	2	100%	0%
Management	64	2	66	97%	3%	61	2	63	97%	3%
Men	57	1	58	98%	2%	55	1	56	98%	2%
Women	7	1	8	88%	13%	6	1	7	86%	14%
Middle managers	451	26	477	95%	5%	421	21	442	95%	5%
Men	382	24	406	94%	6%	353	19	372	95%	5%
Women	69	2	71	97%	3%	68	2	70	97%	3%
Technical, administrative and other	2,755	235	2,990	92%	8%	2,590	215	2,805	92%	8%
Men	2,359	227	2,586	91%	9%	2,238	205	2,443	92%	8%
Women	396	8	404	98%	2%	352	10	362	97%	3%
Total	3,277	263	3,540	93%	7%	3,079	238	3,317	93%	7%

3.3.3 Total number and distribution by type of working day

Table 21: Distribution by type of working day and professional classification on 31/12/2024 and 31/12/2023

Occupational category	2024					2023				
	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage
Executive Director	2	-	2	100%	0%	2	-	2	100%	0%
Men	2	-	2	100%	0%	2	-	2	100%	0%
Senior management	5	-	5	100%	0%	5	-	5	100%	0%
Men	3	-	3	100%	0%	3	-	3	100%	0%
Women	2	-	2	100%	0%	2	-	2	100%	0%
Management	65	1	66	98%	2%	62	1	63	98%	2%
Men	57	1	58	98%	2%	55	1	56	98%	2%
Women	8	-	8	100%	0%	7	-	7	100%	0%
Middle managers	475	2	477	100%	0%	440	2	442	100%	0%
Men	404	2	406	100%	0%	370	2	372	99%	1%
Women	71	-	71	100%	0%	70	-	70	100%	0%

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Occupational category	2024					2023				
	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage
Technical, administrative and other	2,967	23	2,990	99%	1%	2,780	25	2,805	99%	1%
Men	2,570	16	2,586	99%	1%	2,428	15	2,443	99%	1%
Women	397	7	404	98%	2%	352	10	362	97%	3%
Total	3,514	26	3,540	99%	1%	3,289	28	3,317	99%	1%

3.3.4 Average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational category

Table 22: Average distribution of permanent, temporary and part-time contracts by gender, age and occupational category in 2024 and 2023

Occupational category	2024			2023		
	Permanent	Other	Total	Permanent	Other	Total
Executive Director	2	0	2	2	0	2
Men	2	0	2	2	0	2
Above 50	2	0	2	2	0	2
Senior management	5	0	5	5	0	5
Men	3	0	3	3	0	3
Between 30 and 50	1	0	1	2	0	2
Above 50	2	0	2	1	0	1
Women	2	0	2	2	0	2
Between 30 and 50	1	0	1	1	0	1
Above 50	1	0	1	1	0	1
Management	62	2	64	59	1	60
Men	55	1	56	53	0	53
Between 30 and 50	29	1	30	28	0	28
Above 50	26	0	26	25	0	25
Women	7	1	8	6	1	7
Between 30 and 50	5	1	6	6	1	7
Above 50	2	0	2	-	-	-
Middle managers	430	24	454	416	20	436
Men	361	22	383	349	18	367
Under 30	10	4	14	11	4	15
Between 30 and 50	257	18	275	247	15	261
Above 50	94	0	94	91	0	91
Women	69	2	71	67	2	69
Under 30	3	0	3	3	0	3
Between 30 and 50	52	2	54	52	2	54
Above 50	14	0	14	12	0	12
Technical, administrative and other	2,709	229	2,938	2,339	298	2,637
Men	2,326	219	2,545	2,013	285	2,298
Under 30	522	104	626	415	136	551
Between 30 and 50	1,467	111	1,578	1,307	142	1,449
Above 50	337	4	341	291	6	297

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

	2024			2023		
Occupational category	Permanent	Other	Total	Permanent	Other	Total
Women	383	10	393	326	13	339
Under 30	71	2	73	61	4	65
Between 30 and 50	265	8	273	222	9	231
Above 50	47	0	47	43	0	43
Total	3,208	255	3,463	2,821	319	3,140

The other category includes temporary contracts on an ad hoc basis such as, for example, production circumstances, short-term hires, etc.

Table 23: Average distribution of full and partial working hours, by sex, age and professional classification in 2024 and 2023

	2024			2023		
Occupational category	Full-time	Part-time	Total	Full-time	Part-time	Total
Executive Director	2	0	2	2	0	2
Men	2	0	2	2	0	2
Above 50	2	0	2	2	0	2
Senior management	5	0	5	5	0	5
Men	3	0	3	3	0	3
Between 30 and 50	1	0	1	2	0	2
Above 50	2	0	2	1	0	1
Women	2	0	2	2	0	2
Between 30 and 50	1	0	1	1	0	1
Above 50	1	0	1	1	0	1
Management	63	1	64	60	1	61
Men	55	1	56	53	1	54
Between 30 and 50	30	0	30	29	0	29
Above 50	25	1	26	24	1	25
Women	8	0	8	7	0	7
Between 30 and 50	6	0	6	7	0	7
Above 50	2	0	2	-	-	-
Middle managers	452	3	455	434	2	436
Men	381	3	384	365	2	367
Under 30	14	0	14	15	0	15
Between 30 and 50	276	0	276	261	0	261
Above 50	91	3	94	89	2	91
Women	71	0	71	69	0	69
Under 30	3	0	3	3	0	3
Between 30 and 50	54	0	54	54	0	54
Above 50	14	0	14	12	0	12
Technical, administrative and other	2,910	27	2,937	2,615	22	2,637
Men	2,527	17	2,544	2,285	14	2,299
Under 30	624	2	626	549	2	551

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

	2024			2023		
Occupational category	Full-time	Part-time	Total	Full-time	Part-time	Total
Between 30 and 50	1,575	3	1,578	1,448	1	1,449
Above 50	328	12	340	288	11	299
Women	383	10	393	330	8	338
Under 30	72	2	74	64	2	66
Between 30 and 50	266	7	273	225	5	230
Above 50	46	1	47	41	1	42
Total	3,432	31	3,463	3,315	25	3,140

3.3.5 Number of dismissals by gender, age and occupational category

Table 24: Dismissals by gender, age and occupational category in 2024 and 2023

	2024	2023
Occupational category	Total	Total
Management	-	2
Between 30 and 50	-	1
Men	-	1
Under 30	-	1
Women	-	1
Middle managers	1	6
Between 30 and 50	1	2
Women	-	1
Men	1	1
Above 50	-	1
Men	-	1
Under 30	-	3
Men	-	3
Technical, administrative and other	103	76
Under 30	34	19
Women	4	2
Men	30	17
Between 30 and 50	62	48
Women	8	7
Men	54	41
Above 50	7	9
Women	1	1
Men	6	8
Total	104	84

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.6 Average remuneration and their evolution broken down by gender, age and occupational category or equal value

Table 25: Average remuneration and their evolution by gender, age and occupational category in 2024 and 2023

	2024	2023
Occupational category	Average	Average
Management	155,223	122,902
Men	155,117	122,563
Between 30 and 50	147,325	112,392
Above 50	164,169	134,372
Women	155,959	125,438
Between 30 and 50	161,097	125,438
Above 50	140,547	-
Middle managers	68,442	60,942
Men	67,880	60,762
Under 30	43,116	44,657
Between 30 and 50	65,220	58,448
Above 50	79,806	70,038
Women	71,633	61,898
Under 30	65,630	58,362
Between 30 and 50	68,775	60,349
Above 50	83,549	69,433
Technical, administrative and other	39,203	35,815
Men	38,747	35,435
Under 30	29,674	27,537
Between 30 and 50	40,570	36,710
Above 50	50,148	43,858
Women	42,219	38,393
Under 30	36,852	35,097
Between 30 and 50	42,729	38,265
Above 50	49,059	44,175
Total	44,587	41,004

This compensation analysis does not include executive directors or senior management. Their remuneration is detailed in the Annual Directors' Remuneration Report (IARC), the Annual Corporate Governance Report (IAGC) and in note 21 of the consolidated annual accounts of Talgo SA and its subsidiaries.

Talgo cannot provide the average remuneration of senior management with a gender breakdown because in the 2024 financial year there were two women in senior management and providing their average remuneration would be a breach of data protection.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.7 Wage Gap

The Talgo Group's wage gap calculated as the difference between the hourly earnings of male and female employees as a percentage of men's hourly earnings is -11,03%, meaning that on average women are paid more than men by that percentage.

The above data include Senior Management and can be explained by a combination of the following factors: a female population concentrated in higher skilled positions and a higher hourly cost as well as having a lower number of women due to the industrial component of the sector in which the Group operates.

The calculation has been made based on the definition of the wage gap included in section S1-16: Remuneration criteria, from ESRS S1, Own Personnel.

3.3.8 Remuneration for equal or average jobs in society

Talgo is committed to fair and equitable compensation for all its employees. This commitment is evidenced by the comparison between the minimum inter-professional salary (MIS) and the salary of the person who earns the least in each country where the Group operates, with Talgo's salary being above the 2024 IMS. Talgo continues working to ensure that wage policies reflect this commitment.

Table 26: MIS comparison

	MIS FOR 2024	Min. Salary by country	% difference
Spain	15,876.00	21,927.47	46.35%
United States	€14,515.20	33,758.10	32.57%
Saudi Arabia	€11,654.40	17,849.55	53.16%
Uzbekistan	€922.80	8,552.64	926.81%
India	€604.80	23,852.58	3,943.00%
Germany	€24,648.00	29,871.05	21.19%
Kazakhstan	€2,030.40	3,783.20	86.33%
China	€2,949.60	40,909.89	1,386.96%
Egypt	€2,112.00	3,265.48	4.62%

3.3.9 The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings schemes and any other payment broken down by gender.

The remuneration of the Board of Directors is determined on the basis of best market practices, relying on remuneration studies prepared by external advisors, internal regulations and applicable legal provisions.

The remuneration of the directors is detailed in note 21 to the consolidated financial statements of Talgo S.A. and subsidiaries and with a more detailed breakdown in the IARC (Annual Report on Directors' Remuneration 2024 published on the Talgo and the Spanish Securities and Exchange Commission (CNMV) websites.

The information broken down by age and gender of the directors is included in the IAGC (Annual Corporate Governance Report) published on the Spanish Securities and Exchange Commission (CNMV) website.

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.10 Implementation of labour disconnection policies

Talgo exercises the business duty to guarantee digital disconnection, which involves limiting the use of technological means of business and work communication during rest periods, and respect for the maximum length of the working day.

Therefore, Talgo has an agreement on measures for digital disconnection that guarantees this right for all employees after the working day ends. This agreement applies to all workers in all company workplaces, and is published on the corporate intranet.

3.3.11 Employees with disabilities

The Talgo Group works towards the integration and inclusion of people with disabilities. This commitment is materialised through direct hiring or collaboration with foundations and special employment centres that generate job opportunities for people with disabilities. At the end of the 2024 financial year, the Talgo Group had 33 employees with a disability of more than 33%, of whom 8 are women and 25 are men. These people are represented in all categories of the workforce.

Table 27: Employees with disabilities

Indicator name	2024	2023	Change 24/23
Men with disabilities	25	19	31.6%
Women with disabilities	8	6	33.3%
Total number of persons with disabilities	33	25	32.0%

3.4 Organisation of work

3.4.1 Organisation of working time

The Talgo Group is aware of the benefits to society of balancing its employees' work, personal and family life. The implementation of measures that enable work-life balance undoubtedly favours the vital and integral development of people. The Group is committed to respecting all its employees' rest and holiday time, as well as their personal and family privacy outside working hours. Only by ensuring an improvement in the psychological and social well-being of employees can we contribute to a working model in which people are more productive, creative and engaged.

Spain's collective agreement establishes the maximum number of working hours for workers, which in no case exceeds the established legal limit. It also sets minimum rest periods between working days, which guarantees safety and rest for employees. This agreement also includes the minimum breaks established during the working day.

Talgo makes forms of work organization more flexible, providing the following measures for its workers:

- Continuous working hours, for people in the manufacturing and maintenance areas, with detailed information on working hours, schedules and planned breaks.
- Flexible start and finish times, and a reduced working day in summer for corporate offices.
- Subsidy of part of the cost of food or equivalent allowance, for people with a lunch break.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Splitting up of yearly holidays for certain groups.
- Annual medical checkup and health vaccination campaigns.
- Private medical insurance coverage for international travel.
- Supplement of 100% of salary for temporary incapacity.
- Teleworking is available for certain groups.

Adaptation of the schedule for workers needing this and who meet the established requirements to be able to reconcile their personal lives.

3.4.2 Number of hours of absence

The number of hours of absence (hours lost) during 2024 was 241,060 hours, which represents 3.6% of the scheduled hours.

To calculate the hours of absence, the following concepts have been taken into account: illness, illness with relapse, non-occupational accident with relapse, illness without sick leave, illness by hours, prolonged temporary disability, accident, accident by hours, accident with relapse and accident without leave.

3.4.3 Measures aimed at facilitating the enjoyment of work/life balance and encouraging the co-responsible exercise of these by both parents

The right to take leave for family reasons (maternity, paternity, leave of absence for child care, etc.) is enshrined in the Talgo agreement and is extended to all people who are subject to this agreement.

During 2024, a total of 89 employees have enjoyed leave due to birth. Of these, 13 women have taken maternity leave and 76 men have taken paternity leave. These measures seek to promote a work/life balance and co-responsibility between both parents.

3.5 Health and Safety

3.5.1 Health and safety conditions at work

People's safety, health and well-being is a basic value for Talgo and is therefore integrated into all processes and activities, with a focus on compliance as a priority.

Talgo works to ensure that its workplaces are safe environments, and this represents an added value for its employees and collaborators. The Talgo brand as a safe company is an element that is highly valued by its employees. It has a positive impact not only on their physical health, but also on their emotional well-being and sense of belonging.

Talgo operates in many countries, with safety cultures at different stages of development. However, the culture of prevention is embedded throughout the organisation and is a differentiating factor wherever Talgo operates, as it applies the same policies for integrating prevention in all its centres. This means the safety level of the company's workers is equivalent, regardless of their location.

Talgo positions itself as a benchmark, not only in technology, but also in managing the safety and health of its employees.

Talgo continues to develop and consolidate a preventive management model where processes are identified and necessary procedures and control elements are in place, with a view to reducing workplace accidents and keeping levels of occupational and physical safety risks of operations and facilities under control.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Accordingly, Talgo has ISO 45001 certification: occupational health and safety management, which clearly establishes the functions and responsibilities in terms of occupational risk prevention and the necessary means according to the nature of the organisation to ensure compliance with legal obligations.

The adoption of ISO 45001 not only benefits internal employees, but also projects a positive image to the outside world, revealing an organisation that, in addition to improving its financial results, is also building a solid corporate culture based on responsibility, ethics and care for workers.

The ultimate aim of Talgo's model is to have a management system that standardises health and safety procedures in order to ensure effective and homogeneous implementation and to promote a focus on continuous improvement in occupational health and safety management.

3.5.2 Accidents at work (frequency and severity) by gender

Table 28: Accidents at work

Indicator name	2024	2023	Change 24/23
Number of accidents (with and without sick leave)	261	273	-4.40%
Number of accidents with sick leave	59	42	40.48%
Number of accidents with sick leave (men)	56	39	43.59%
Number of accidents with sick leave (women)	3	3	0.00%
Frequency rate of accidents with sick leave (over 1M h)	10.19	8.27	23.22%
Frequency rate of accidents with sick leave (over 1M h), women	4.02	4.58	-12.23%
Frequency rate of accidents with sick leave (over 1M h), men	11.11	8.80	26.25%
Severity rate	0.197	0.147	34.01%
Severity rate of accidents with sick leave (over 1M h), women	0.099	0.015	560%
Severity rate of accidents with sick leave (over 1M h), men	0.212	0.173	22.54%

Unlike 2024, in 2023 Tarvia's activity was not considered in the workplace accident data included in the report. However, in Talgo's manufacturing and maintenance activity, there has been an increase in the accident rate, which is largely conditioned by out-of-flow work (manufacturing) and by changes in client's facilities and its impact on the activity (maintenance).

3.5.3 Occupational diseases (frequency and severity) by gender

Table 29: Occupational diseases

Indicator name	2024	2023	Change 24/23
Number of occupational diseases for the financial year	-	-	%

Since there are no occupational diseases, the data is not disaggregated by gender.

2024 NON-FINANCIAL INFORMATION STATEMENT

3.6 Social relations

3.6.1 Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff

Processes for collaborating with own workers and workers' representatives concerning incidents

Talgo respects the right of all workers to freely unionise and accepts that employees who are members of a trade union may hold meetings, collect dues and distribute union information outside working hours and without disrupting the business of the company. During 2024, union elections were held in two of Talgo's workplaces in Spain (Tarvia centres in Barcelona and Tarvia in Fuencarral).

In Spain, Talgo regularly engages in collective bargaining and makes periodic consultations with the workers' representation, aimed at responding to incidents of relative importance concerning its own personnel, and implemented through, among others:

- Works councils (workplaces).
- Inter-centre committees.
- Committee for the interpretation and monitoring of the collective agreement.
- Health and Safety Committee. Where both absences and accidents and incidents related to occupational health and safety are managed at the centre level.
- Equality Commission.

In meetings with the works councils, the workers' representatives are informed by the management about, among other things, the business development and production situation, work organisation systems, recruitment, absenteeism rates, etc. In the same way, the works councils are responsible for monitoring different matters, such as labour and social security regulations.

To manage possible incidents related to Talgo's workers, the organisation also has the following courses of action:

- Management of incidents reported through the Whistleblowing Line for possible breaches.
- Meetings with union delegates appointed by trade union organisations.

Based on these collaborations with workers and their representatives, management members participating in them initiate the necessary action to consider their opinions and interests as part of company management, if appropriate. All workers are also informed about the agreements reached by the parties and, if any, about the actions that the company takes to implement the agreements.

Processes for redressing negative incidents and channels for own workers to express their concerns

Talgo currently has a Whistleblowing Line, allowing workers to report any incident or possible non-compliance with regard to sustainability (see section 1.4). Once received, if the channel manager and the ethics manager understood that it was Talgo's responsibility, he/she would manage and redress them in the manner established with support from the Compliance Unit.

To remedy the consequences caused by potential non-compliance, Talgo has a due diligence protocol (in the approval phase) that integrates the identification, evaluation, prevention and mitigation of material risks, and their verification and control. If the

2024 NON-FINANCIAL INFORMATION STATEMENT

incident is considered serious due to its impact, the two processes associated with due diligence management could come into operation.

On a biannual basis, Talgo conducts employee satisfaction surveys for certain company management parameters. These surveys, implemented in 2022, demonstrate the company's commitment to its employees and serve as a starting point for incorporating valuable actions and initiatives, which complement the planned action plans.

To develop and supplement this systematic scope, during the 2024 financial year, the "1st strategic project for stakeholder participation" was launched, with the aim of measuring the quality of the relationship frameworks with each category and the management of Talgo's sustainability (including the participation of workers, collaborators). A sufficient sample (approximately 35 people) has been interviewed to establish their satisfaction, requirements and expectations (interests and opinions) and obtain validation from the IROs related to the company's social sustainability.

Starting in 2025, actions will be launched to respond to the legitimate and reasonable interests that Talgo has taken on for employees and collaborators.

Adoption of measures related to impacts of relative importance on own personnel, approaches to mitigate risks of relative importance, and to take advantage of opportunities of relative importance related to own personnel and the effectiveness of such actions

Based on the study of the requirements and expectations of their own personnel in all areas of human resources, on the impacts, risks and opportunities of relative importance, and on the SWOT and STEER analyses, improvement plans and actions will be established, to mitigate risks and enhance identified opportunities, in long-term strategic plans and in annual and short-term programmes.

Among others, the measures related to increasing the sense of belonging and to improve the commitment of workers are as follows:

- Rebranding and technology change for the corporate intranet.
- Team building actions.
- Recognition actions among workers.
- Actions aimed at promoting corporate volunteering.
- Actions to promote STEM careers.
- Actions related to diversity and inclusion.

During 2024, the psychological, emotional and social care service for employees and their families continues, along with the incorporation of a nutritional and dietary service that contributes to continued work on comprehensive care of employees.

This service has been supplemented with various initiatives aimed at raising staff awareness of mental health issues.

3.6.2 Percentage of employees covered by collective bargaining agreements by country

The number of Talgo Group employees with full or partial coverage of the collective agreement or similar agreements depending on the country concerned amounted to 99.94% as at 31 December 2024.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 30: Workers covered by collective agreement by country

	Staff as of 31/12/2024	People covered by an agreement	% represented
Spain and Tarvia	2,536	2,534	99.92%
Kazakhstan	398	398	100.00%
Saudi Arabia	248	248	100.00%
Germany	138	138	100.00%
United States	111	111	100.00%
Other countries	109	109	100.00%
Total	3,540	3,538	99.94%

3.6.3 Balance of collective bargaining agreements, particularly in the field of occupational health and safety

Talgo holds regular meetings with the Safety and Health Committee. This Committee's functions and participants are defined in the Talgo collective agreement.

The main function of this body is the regular and periodic consultation of the company's actions in the area of risk prevention and it has been implemented in all workplaces, in accordance with the provisions of the Occupational Risk Prevention Act.

This Committee is made up of the members of the company and the representatives of the workers and any other person who, due to their qualifications or information on the issues being discussed, must participate.

The meetings take place regularly, on a quarterly basis, and whenever requested by one of the Committee's representatives.

This body seeks to transfer information relating to:

- 1) Risk prevention situation in the workplace.
- 2) Documents and reports relating to working conditions.
- 3) Damage to the health or physical integrity of workers.
- 4) Annual Prevention Service programming.

3.7 Training

3.7.1 The policies implemented in the field of training

At Talgo, we invest in our greatest asset: people. Our human resources policy is based on the principle that every employee deserves the opportunity to grow and develop professionally with access to equal opportunities. Therefore, we offer a wide range of tailor-made training programmes to meet the individual and collective needs of our team. By fostering a collaborative and innovation-based learning environment, not only is operational excellence ensured, but a sense of belonging and pride among our employees is also cultivated.

The HR policy includes, among its commitments, the guarantee that all people who belong to Talgo can participate on equal terms in the training actions launched.

Talgo has a Training Plan drawn up every year based on the training needs detected. This Plan has the necessary training to face the challenges that arise in the performance of professional activities.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

This comprehensive annual training plan includes actions aimed at developing skills, competencies for project execution, technical, regulatory and occupational risk prevention aspects, not to mention training in values and languages.

Continuous training becomes a source of employee loyalty and satisfaction and a key factor in ensuring professional and business success and equal opportunities. Therefore, in 2024 financial year, the Talgo Group provided 136,945 hours of training.

3.7.2 The total number of training hours by occupational category

Talgo recognises the importance of continuous training for the development and success of its workers. To this end, it has implemented specific training programmes for the different professional categories within the organisation.

For managers and middle managers, training programmes aimed at management and leadership have been designed. These programmes aim to strengthen their decision-making skills, team management, and effective leadership.

Training for technicians focuses on the execution of their technical responsibilities. These programmes are designed to improve their technical competencies and ensure that they are up to date with the latest technologies and industry practices.

The commitment to the professional development of all employees implies the need to continue investing in training to ensure their growth and the success of the company.

Table 31: Training hours

	2024	2023	Change 24/23
Training Hours	157,065	174,966	-10.231%

3.8 Accessibility

3.8.1 Universal accessibility for people with disabilities

Talgo's commitment to the integration of people with disabilities is materialised through direct hiring or collaboration with foundations and special employment centres that generate employment opportunities for people with disabilities. At the end of the 2024 financial year, the Talgo Group had 33 employees with a disability of more than 33%, of whom 8 are women and 25 are men. These people are represented in all categories of the workforce.

Since it does not directly cover the number of employees with special abilities (2% of people with a disability equal to or greater than 33%), Talgo Spain holds an exception certificate from the Ministry of Labour and Social Security that allows it to implement "alternative measures" that contribute to the development of activities for the labour market entry and re-entry of groups of people with disabilities, thus complying with the established rate.

With the collaboration of the above-mentioned organisations, the Group has continued to carry out training and awareness-raising initiatives in 2024, giving visibility to different international days on which the protection of this type of group is celebrated (international disability day, etc.). It has collaborated in career guidance and job search for people at risk of social exclusion.

Within the framework of the agreement signed with the Adecco Foundation since 2007, Talgo Spain has been developing a programme called "Family Plan" to provide advice, guidance and development of skills and abilities for family members of employees up to 65 years of age who have a disability. In 2024, the Family Plan assisted 25 people with

2024 NON-FINANCIAL INFORMATION STATEMENT

disabilities who are family members of Talgo employees. These people have been able to benefit from therapies with psychologists, speech therapists, physiotherapists and other health professionals that have allowed them to improve their skills and in some cases, favour their employability.

3.9 Equality

3.9.1 Measures taken to promote equal treatment and opportunities between men and women

Talgo remains firm in its commitment to equality, striving to maintain a working environment based on equal opportunities and non-discrimination, while promoting diversity in its teams.

Through its equality policy, Talgo is committed to:

- Ensure non-discrimination among all its professionals in all people processes.
- Develop, promote and maintain a culture of diversity, equality and non-discrimination.
- Establish procedures for reporting any behaviour that could be considered abuse, discrimination and/or harassment.
- Promote continuous staff training to foster a culture based on diversity, equality and non-discrimination.
- Establish a work environment of respect and equality.
- Encourage the use of transparent and inclusive communication.

This diversity policy is implemented, reviewed and monitored through Talgo's equality plan and harassment protocol in Spain.

All information concerning this matter is available in the "Equality" section of the corporate intranet and available for consultation by all people at Talgo.

3.9.2 Equality plans

Currently, and since November 2023, Talgo has its Equality Plan II, which will be in effect until November 2027. This Equality Plan has been agreed within the framework of the Negotiating Committee of the II Talgo Patent Equality Plan, consisting of six members representing the company and six representatives from the social sector.

This committee is responsible for, among other functions, the following:

- Promoting Equality Plan implementation.
- Monitoring and evaluating the degree of compliance with the measures adopted.

The Equality Plan objectives are:

- Comply with the Law.
- Guarantee the principle of equality and non-discrimination between women and men throughout their working lives.
- Eliminate obstacles that prevent effective equality between women and men.
- Train the entire workforce on equality and non-discrimination.
- To sensitize and raise awareness among the entire workforce, encouraging their participation and involvement in the measures implemented by the Company.
- Extend the gender perspective to all policies and practices developed in the company.
- To sensitise and raise awareness concerning equality and non-discrimination between women and men across the value chain.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Develop and promote a culture of diversity, equality and non-discrimination that favours the reconciliation and co-responsibility of work and family life.
- Respond to the needs and expectations of society to contribute to the eradication of any type of inequality and discrimination based on gender.

3.9.3 Measures taken to promote employment

Talgo is implementing a series of measures to promote inclusive employment and thus contribute to reducing differences in female employment rates.

These initiatives are designed to create new employment opportunities, improve working conditions and support the professional growth of their employees.

Through training programmes, inclusive hiring policies and other actions, Talgo is committed to being an engine of positive change in the labour market.

Some of the measures implemented are:

Awareness-raising and training on equal opportunities and non-discrimination for people who are part of the company's selection and hiring processes.

- Periodic monitoring of job offers in the various mediums to ensure the non-use of sexist language or images that may imply that they are aimed at one sex or another and that only state the requirements for the proper performance of the functions of the vacant position.
- Dissemination of a manual of good practices in recruitment and selection that includes the Company's criteria regarding the analysis of CVs, questions during interviews and/or type of information to be included in selection reports.
- Implementation of a questionnaire to evaluate the selection process for new hires at the Company (template, temporary employment agency and/or scholarships) to be applied after passing the trial period and studying the results obtained.
- Preparation of a welcome manual on equality for new hires that includes information about the equality plan, Equality Commission contact persons, protocols and measures for the prevention, detection and action plan for sexual and gender-based harassment and a protocol for protection against harassment.

As a result of Talgo's commitment during 2024, initiatives have continued that allow participating women to develop their skills in the areas of management and leadership, and that are aimed at increasing female participation in leadership roles:

- "Take the Lead" programme, accompaniment and leadership for women.
- Management development programme "Women engineers and managers", in collaboration with the Nebrija University.
- "Mentoring for Excellence" programme of the "Women and Engineering" project with the Royal Academy of Engineering.

These programmes are aimed at acquiring tools and enhancing skills that will propel their career into positions of greater responsibility.

3.9.4 Protocols against sexual harassment and harassment on grounds of sex

Talgo has a protocol that guarantees the adoption of measures to prevent any situation of harassment and establishes an action procedure to investigate and sanction possible situations of harassment, if appropriate.

In Spain, Talgo has ethics committees in each of its work centres that are responsible for ensuring compliance with the harassment protocol and resolving any interpretation or doubts in its application. This committee guarantees the right to the dignity of the person,

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

the free development of the personality and the protection of physical and moral integrity, with no discrimination on grounds of sex, marital status, family status, birth, ethnic origin, age, religious beliefs, sexual orientation, opinion, disability, trade union membership or any other personal or social condition or circumstance.

All Talgo employees can report any type of non-compliance or violation related to potential harassment through the Whistleblowing Line/Ethics Channel.

3.9.5 Integration and universal accessibility of persons with disabilities

This information is detailed in section 3.8 of this document.

3.9.6 The policy against all types of discrimination and, where appropriate, the management of diversity

Talgo has a strong commitment to diversity and inclusion in the workplace. Recognising the importance of a diverse work environment, the company is actively working to formalise its commitments through specific policies and programmes.

These initiatives seek to promote equal opportunities, value individual differences, and create an environment where all employees feel valued and respected.

In 2024, Talgo will continue to be a member of the Charter for Diversity, an initiative led by the Diversity Foundation, which shows the company's commitment to the directives promoted by the European Commission on diversity and non-discrimination.

Likewise, this commitment to diversity is also shown by the renewal in 2024 of the "CEO for Diversity" alliance that promotes innovation in diversity, equity and inclusion strategies in Spanish companies, an initiative promoted by the Adecco Foundation and the Spanish Confederation of Employers' Organisations.

4 INFORMATION ON RESPECT FOR HUMAN RIGHTS

Talgo establishes, as one of the key pillars of its corporate sustainability, the commitment, respect and protection of human rights in all its operations and business relationships within the value chain.

4.1 Due Diligence Policies and Procedures

Regarding human rights management, Talgo has defined two corporate policies and a strategic protocol:

- The corporate human rights policy, approved in 2022.
- The corporate sustainability due diligence policy, currently being approved.
- The corporate sustainability due diligence protocol with its two implementation cycles: "Due diligence" and "Incident and non-compliance attention and solution cycle". These two cycles describe the implementation of the due diligence management process to ensure respect for human rights, both within the company and in the value chain, and the appropriate treatment of violations and potential breaches.

4.2 Main risks

Based on the materiality analysis carried out under the terms described in chapter 1.5 of this document, the company has identified 26 impacts that affect human rights. These impacts, both positive and negative, are included in the themes concerning own personnel, workers in the value chain and business conduct detailed in ESRS 2 (AR16).

2024 NON-FINANCIAL INFORMATION STATEMENT

These impacts have been assessed by the company. To give it the maximum possible weight, all impacts related to human rights have been given the highest score in the magnitude variable.

The assessment results allow us to conclude that material impacts with repercussions on human rights are related to working conditions and other labour rights for workers in the supply chain, and to corporate culture within the business conduct theme.

Based on the same analysis, 6 material opportunities have also been identified, also concerning Talgo staff, related to enhancing management of the Group's people: reducing turnover, increasing personal satisfaction through training and improving the company's reputation for its management of internal social sustainability (equality, diversity, reconciliation, transparency, etc.).

4.3 Human rights

4.3.1 Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy abuses committed and Compliance with the provisions of the fundamental conventions of the ILO

Talgo has established mechanisms for risk prevention, detection, mitigation, reporting, remediation/redress, violation and sanction. The mechanisms are structured in 6 categories.

The first block of prevention mechanisms are legislation and conventions considered to have the greatest impact and influence at international level. These include:

- The International Charter of Human Rights (UN).
- The Declaration on Fundamental Principles and Rights at Work (ILO).
- The ILO Fundamental Conventions (8).
- Guiding Principles on Business and Human Rights of the United Nations, 2011.
- The UN Guiding Principles Reporting Framework.
- The UK Modern Slavery Act of 2015 with the provisions not to tolerate slavery, servitude, forced or compulsory labour and human trafficking in their own activities and in supply chain activities.
- The European Union's due diligence directive.
- Internal rules on the management of ethics and human rights.

The second block of measures consists of the detection mechanisms associated with the second and third lines of defence, knowledge of supply chains and the results obtained from the Whistleblowing Line.

The main mechanisms are:

- Internal compliance analyses (especially those for human rights and anti-corruption).
- Internal audits related to compliance with human rights for Talgo workers and for working with third parties (main scope of application of the Talgo human rights management model).
- Any external audits that are necessary with suppliers and the supply chain.
- Studies on the visibility, vulnerability and resilience of the supply chain.
- The code of ethics and conduct: information on possible breaches by stakeholders (internal and external).
- The third block of measures are the reporting mechanisms that are specified in all cases in the Talgo Whistleblowing Line (see section 1.4).

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Any information, query or suggestion regarding a potential complaint is treated by informing the interested party or the aggrieved person that the appropriate channel for its handling and confidentiality is to register it via the Whistleblowing Line.

The fourth block of measures are mitigation mechanisms, resulting from processes and activities aimed at reducing the likelihood of human rights violations occurring at Talgo.

The main ones are:

- Training and awareness-raising in human rights, both internal and external.
- Knowledge of the contents of the methodology on behalf of all the organisation's managers (for internal and restricted use only).
- Acceptance of the contents of the code of ethics by employees.
- Future codes of conduct for customers and partners, as well as for suppliers.
- Improvement programmes to minimise non-compliance implemented internally and externally.
- The outreach campaigns, awards or other proposals contained in "Talgo4People".
- Forensic procedures and analysis on non-compliance from suppliers, clients or business partners.

The fifth block of measures is the remediation/redress mechanisms for victims of a human rights breach, which are established by a protocol. This is supported by a prior forensic analysis and provides a response to possible restitution, physical, psychological or social rehabilitation, compensation, satisfaction and guarantees of non-repetition.

The sixth and final block consists of the infringement and sanction mechanisms (only applicable to breaches that have been noted and resolved).

In general, these must be studied and designed by the organisation in charge of the corresponding legal issues and implemented in the following departments:

- Human resources and occupational risk prevention for internal human rights violations.
- Procurement department for human rights breaches in suppliers and the supply chain.
- Business development for client-related human rights violations.
- Steering committee for human rights violations with business partners.

Supervision of the Compliance Unit and Internal Audit

As indicated above, the Compliance Unit has the authority to monitor and enforce compliance with human rights principles and applicable regulations. This framework includes the monitoring and protection of human rights.

Furthermore, as guarantor of internal control and assurance of compliance in the different Talgo units, the Internal Audit is authorised to communicate critical concerns regarding human rights to the highest governing body.

4.3.2 Complaints of human rights violations

As mentioned above, anyone who suspects a violation of regulations or human rights should report this through the Whistleblowing Line.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

In the 2024 financial year, no communications related to Human Rights have been received through the Whistleblowing Line.

5 INFORMATION ON THE FIGHT AGAINST CORRUPTION AND BRIBERY

5.1 Policies

Business conduct and corporate culture policy

The ethical principles that govern Talgo's market activities are aligned with the current legislation for each of the countries where Talgo operates and with the highest international standards (OECD Guidelines for Multinational Enterprises, United Nations Global Compact and Universal Declaration of Human Rights, among others). Talgo has a management model for ensuring ethics and business conduct. The Board of Directors is ultimately responsible for this area, through the Delegated Audit Committee and the Compliance Unit.

This model has been implemented through various policies and codes that are based on the Code of Ethics, which includes the ethical values, commitments and good practices that must be applied to manage the Group's activity. The Code of Ethics also establishes the standards of responsible behaviour that all professionals and collaborators of the Talgo Group must comply with, regardless of their hierarchical level, their geographical or functional location and the group companies that they provide their services for. Talgo's Code of Ethics is available on the company's website.

Anti-fraud and anti-corruption policy

This context also covers the Anti-Fraud and Anti-Corruption Policy, available on the Company's website and applicable to all Talgo directors and employees, and the companies that Talgo exercises direct or indirect control over, and to other companies within the Group, as well as to its suppliers, agents, partners, contractors and generally to any related party.

This policy constitutes a permanent commitment to monitoring, risk control and sanctioning fraudulent acts and conduct or any behaviour leading to corruption in all its forms.

5.2 Main risks

One of Talgo's main objectives is to generate value for shareholders, investors, employees, customers and other stakeholders. Risks of fraud and corruption may threaten the achievement of this objective.

Based on the materiality analysis carried out under the terms described in chapter 1.5 of this document, the company has identified 16 material IROs related to business conduct, 10 positive and 6 negative. These IROs fall under the subthemes: corporate culture, supplier relationship management, lobbying activities, and corruption and bribery.

Specifically, for anti-corruption, a positive impact and an opportunity have been detected that derive from the Group's robust system for preventing and detecting corruption and bribery.

This chapter details the measures adopted to minimise the likelihood that negative impacts and risks occur, and maximise positive impacts and opportunities related to business conduct, lobbying activities, and corruption and bribery.

2024 NON-FINANCIAL INFORMATION STATEMENT

5.3 Measures taken to prevent corruption and bribery and to combat money laundering

Culture of ethics and awareness

The first line of defence against unethical behaviour is awareness. Therefore, Talgo employees explicitly agree to read the Code of Ethics and the Anti-Fraud and Anti-Corruption Policy, and receive the related training.

Crime Prevention and Detection Model

Talgo has a Crime Prevention and Detection Model (CPDM) created with third party consultancy. The Board of Directors is the body responsible for ensuring the maintenance of a permanent and effective Crime Prevention and Detection Model. Accordingly, it will empower the Talgo Compliance Unit with the powers of autonomy and control necessary to implement, update, execute and supervise CPDM operation. In turn, the Audit Committee will verify that the controls established in the CPDM are effectively executed by the Compliance Unit.

This model includes a Criminal Risk Map, its corresponding control measures, and a Crime Prevention and Detection Protocol.

Payments to suppliers of materials and services

Talgo makes its payments within the framework of the procurement process described in the Talgo Supplier Manual, available on the website. This process requires an order or delivery plan, receipt and acceptance of the order or service by the internal client and invoicing, with all stages recorded in the Group's ERP.

When for exceptional reasons payments must be made outside this process, they will be authorised and made under a joint signature process that varies depending on the payment amount.

Travel expenses

Chapter VII of VII Collective Patent Agreement for Talgo SLU establishes the daily allowances applicable for Patentes Talgo SLU employees who, due to company needs, must travel to carry out their activity. To reinforce the Collective Agreement provisions, the Talgo Group has a Travel Policy that is mandatory for all employees, which aims to regulate travel and representation expenses incurred by employees for work reasons and on behalf of the Company.

The management of all travel requests, whether for plane tickets, train tickets, rental cars, hotel reservations and/or various services, must be carried out through the contracted travel agency in countries where an agreement exists, and the management of any business trip outside of this agency is prohibited. When, for exceptional reasons, accommodation or transport cannot be contracted through a travel agency, the employee will pay the amount directly, and the company will reimburse him/her, upon presentation of the invoice, in the settlement of expenses for the corresponding trip.

According to the collective agreement, employees will receive allowances to cover the cost of breakfast, lunch and dinner.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Payment by bank card

Talgo authorises bank cards exclusively for management staff and for staff who, for work reasons, must travel frequently, provided they have the approval of their management, the HR department and the Finance department. To ensure proper bank card use, the Group has established a Card Spending Policy that new users must sign.

Except in circumstances of force majeure, purchases of products and/or services necessary for the Company's activity are not permitted with a credit card. These purchases must be channeled through the Procurement Department and comply with Company procedures.

To justify expenses, a form must be completed detailing the charge, the amount and the description of the expense. Likewise, each and every receipt and/or invoice for the concepts charged to the card must be provided. Card use is supervised by Talgo's Treasury department. To minimise the intrinsic risk of this payment system, Internal Audit also performs periodic controls and specific checks when necessary.

IT tool for handling advance payments, employee expenses and cards

The Group has an IT tool for handling advance payments, employee expenses and cards. This tool allows employees to inventory various expenses and digitise invoices or receipts that support them. The application will automatically verify that the supporting documentation is valid, allowing for a reduction in administrative burden and ensuring expense control and transparency.

Cash management

Cash payments are made only when strictly necessary. In such cases, the employee will fill out a cash delivery request that must be signed by his/her superior, and this will be processed by the Treasury Department. Balance control is done through the Group's ERP.

Information provided to suppliers

Supplier's manual:

The Talgo Supplier Manual, which is mandatory for all suppliers, establishes the Supplier Code of Conduct (section 6.2.) that includes the requirement to comply with Talgo's internal Ethics and a link to the Code of Ethics (section 6.2.6.): "*Talgo suppliers commit to comply with the Buyer Norm of Ethics and Talgo's Internal Code of Ethics*". It also contains a specific section on Fraud (section 6.1.5.).

General Terms and Conditions for Purchase (GTCP) and General Terms and Conditions for Services (GTCS):

In the *Code of Ethics and Conduct and Supplier's Manual* chapter (section 29.8 in GTCP and 25.8 in GTCS): The supplier expressly acknowledges that it's familiar with the Code of Ethics and Conduct and Contractor's Manual of Talgo, published on Talgo's website and it assumes the firm and irrevocable commitment to comply with and respect its terms and conditions as an essential Supplier's obligation under these GTCP/GTCS and/or a contract/purchase order. Talgo shall be entitled to early terminate the GTCP/GTCS and any Contract/Purchase Order should the supplier breaches Talgo's Code of Ethic and Conduct and/or the Supplier's Manual.

Supplier Code of Conduct:

A new Supplier Code of Conduct is expected to be published in 2025, which will require

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

suppliers to comply with the Talgo Group's Anti-Fraud and Anti-Corruption Policy.

Company positions with the greatest risk of corruption and bribery

The company's positions with the greatest risk of corruption and bribery are in the Procurement and Commercial departments due to their close relationship with external stakeholders; service and product suppliers and customers, respectively.

Therefore, the Internal Audit and the Compliance Unit are strengthening their supervision to ensure compliance with the regulation, the Code of Ethics and the Anti-Fraud and Anti-Corruption Policy.

The commercial agents that the Talgo Group works with also receive special treatment due to their greater exposure to corruption and bribery risks. Consequently, before the Group establishes contractual ties with them, a third party is hired to perform due diligence, which will be supervised by the Compliance Unit.

Corruption and bribery cases

In the 2024 financial year, there have been no confirmed cases or open legal proceedings related to corruption or bribery.

Table 32: Corruption and bribery cases in 2024

	2024
Number of confirmed cases of corruption and bribery	-
Number of confirmed cases where own staff members were dismissed or disciplined for corruption and bribery-related cases.	-
Number of confirmed cases involving contracts with business partners that were terminated or not renewed due to corruption or bribery-related violations.	-

Public administration positions

During the 2024 financial year, there has been no appointment of a member to the administrative, management and supervisory bodies who has held a comparable position in the public administration (including regulators).

Transparency register

In order to make the company's interests visible by participating in industry associations, Patentes Talgo SLU has been registered in the EU Transparency Register since 1 February 2022 with registration number 581229029921-20.

Political donations and contributions

Talgo has not made any contributions (financial or in kind) to political parties and/or political representatives in 2024.

5.4 Contributions to foundations and non-profit organisations

Within its stakeholder management system, Talgo establishes value relationships with the following categories:

Social partners

This category includes the third social sector, namely foundations and non-governmental organisations. The objective is to collaborate in the development of initiatives and projects for social action and to contribute to society.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 33: Social partners

	2024	2023	Change 24/23
Investment			
Total investment in projects (€)	544,410	469,783	16%
Investment through the Talgo Foundation (€)	184,000	200,000	-8%
Investment through other foundations (€)	360,410	269,783	34%
Social action			
No. of projects	32	30	7%
No. of awards	15	12	25%
No. of scholarships	179	56	220%
Corporate volunteering			
Internal participants: number	51	56	-9%
Internal participants: hours spent	719	899	-20%
External participants: number	52	181	-71%
External participants: hours spent	1,120	1,544	-27%
Relationship frameworks with stakeholders			
Institutional relations in social issues	70	365	-81%
Partnerships and collaboration agreements	13	16	-19%

Industry associations

Talgo participates in several industry associations that pursue objectives related to sustainable mobility. In this section, associations registered in the European Union Transparency Register will be considered.

The themes covered by these associations and Talgo's position are explained below. The main objectives are positioning, defence of the sector and the development of shared paths and collaborative benchmarking in corporate and business sustainability.

Table 34: Industry associations

Name	Union of the European Railway Industries
Acronym	UNIFE
EU Transparency Register	9624415524-28
Groups	Sustainable Transport Committee, Investment and Project Financing Expert Group, Trade and International Affairs Committee, Chemical Risks Topical Group, Life Cycle Assessment Topical Group
Topics covered	Main EU legislative or policy proposals of interest: Sustainable mobility, Digitalisation, TEN-T and CEF, Urban mobility, Freight transport policy, Structural Funds, InvestEU and EIB, Research and Innovation, Public Procurement, Industrial Policy and SME Strategy, Trade and International Affairs.
Talgo's position	- Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. - Collaborate in ensuring an open competition market with clear and common rules for all actors. - Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector. - Collaborate in the development of innovative and sustainable technologies aligned with established climate objectives. - Contribute to the preparation and review of technical documents that enable studies and analysis of risks related to environmental sustainability (LCA, chemical risks, etc.).

Name	Asociación Ferroviaria Española
Acronym	MAFEX
EU Transparency Register	669610439061-29

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Groups	Steering Committee, Internationalisation Committee, Innovation Committee (from which Sustainability and Talent initiatives are also launched), Communication Committee
Topics covered	Initiatives related to railways, mobility or the environment and climate change, as well as the internal market or public procurement. Training and employment activities to help partners with their needs in terms of employability, and attracting and retaining talent.
Talgo's position	• Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. • Collaborate in ensuring an open competition market with clear and common rules for all actors. • Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector. • Collaborate in the development of innovative and sustainable technologies aligned with established climate objectives.

Name	Confederación Española de Organizaciones Empresariales
Acronym	CEOE
EU Transparency Register	02963738854-41
Groups	International Relations Commission, European Union Commission in the CEOE, Transport and Logistics Council, Sustainable Mobility Council
Topics covered	European social and employment policy, European policy in the field of the digital economy, European R&D&I policy, European policy on industry, small and medium-sized enterprises, the environment, energy and climate change, trade and investment policy, European internal market policy, economic and monetary affairs, fiscal policy, European transport policy; and all those European initiatives likely to impact on business competitiveness and development.
Talgo's position	• Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. • Collaborate in ensuring an open competition market with clear and common rules for all actors. • Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector.

Name	Club de Exportadores e Inversores Españoles
Acronym	-
EU Transparency Register	824364121283-16
Groups	Board of Directors, Mobility and Logistics Working Group
Topics covered	Main legislative files, initiatives and EU policies on foreign trade, international cooperation and development, industry, taxation, financing, research and innovation, environment and agriculture, food safety, economic and financial affairs, foreign policy, energy and competition.
Talgo's position	• Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. • Collaborate in ensuring an open competition market with clear and common rules for all actors. • Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector.

6 INFORMATION ON THE COMPANY

Taking as a reference the definition of the groups affected by the ESRS, Talgo presents two possible segments:

- First, people who live or work in communities, municipalities or regions close to their manufacturing centres (including their headquarters), i.e., near the Las Matas II facilities in Las Rozas (Madrid) and Rivabellosa (Álava).
- Second, people who live or work in the districts or neighbourhoods where the maintenance centres (subsidiaries) are located, owned by the clients (both in Spain and in other countries). These workplaces are located in almost all cases on the outskirts of the municipalities they are in.

In the last twenty years, there has not been any significant incident or accident affecting the aforementioned groups, either in Spain or abroad.

Talgo does not own facilities or carry out commercial activities that impact populations where indigenous peoples or communities exist. Nor are there any affected groups with particular characteristics that are at greater risk of suffering damage.

2024 NON-FINANCIAL INFORMATION STATEMENT

6.1 Policies

Talgo has three policies related to socially affected groups:

- The due diligence policy, with the protocol for cases of incidents and possible violations (in the approval phase).
- The human rights policy, implementing the G7 right which corresponds to respect for communities, minorities and migrant workers, responds to the requirements and obligations in this area for the affected groups, including those with particular characteristics, if any, such as indigenous peoples and communities.
- The sustainability and sustainable development policy, which positions Talgo as a company committed to strengthening the resilience of the economic, social and environmental systems that the company operates in.

These policies are available for consultation on the Talgo Group corporate website, in the Corporate Sustainability area.

6.2 Main risks

Based on the materiality analysis carried out under the terms described in chapter 1.5 of this document, the company has identified 5 material impacts related to managing the affected groups. These impacts are framed in the subtheme "Communities' economic, social and cultural rights" in AR16, and are associated with the impact that Talgo facilities can generate in the immediate environment that the company operates in.

Furthermore, the main risks identified are related to possible environmental accidents that some of the company's facilities may cause in their surroundings and specifically in society. The consequences of these potential incidents result in possible financial penalties, loss of reputation for the company, etc.

6.3 Company's commitment to sustainable development

Processes for collaborating with affected groups in advocacy efforts

Within its strategic theme No. 6: Supporting the development and strengthening of societies (Plan 2022-2024), social action initiatives are developed and the company participates in initiatives proposed by city councils and administrations.

In terms of stakeholder dialogue, in 2024, as a result of the launch of the "First strategic project for stakeholder participation", people from society, city councils, NGOs, etc. have been interviewed to find out about their satisfaction, requirements and expectations in terms of social sustainability.

To report potential impacts related to Talgo's ethical management, affected groups can use the Whistleblowing Line.

6.3.1 The impact of the company's activity on local employment and development

Regarding the relationships maintained with local community stakeholders, including the form of dialogue with them, the main ones are:

- The relationship activities and the potential economic or social development projects with the municipalities or other types of organisations involved.
- Dialogue, improving trust and reputation of stakeholders through Talgo's contribution to social sustainability and sustainable development.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

This area is developed mainly through social action initiatives, projects and campaigns, in some cases with the collaboration of the Talgo Foundation.

Regarding partnership and sponsorship actions, the information on this matter is contained in the section "Contributions to foundations and non-profit organisations" of this document.

6.4 Subcontracting and suppliers

6.4.1 Inclusion in purchasing policy of social, gender equality and environmental issues, and consideration of their social and environmental responsibility in relations with suppliers and subcontractors

Responsible value chain management and sustainable procurement is one of Talgo's seven strategies to ensure sustainable and responsible business management and achieve the goals of the current Corporate Sustainability Strategic Plan for 2022-2025.

Within our supply chain, there is great diversity in the group of suppliers and providers in terms of the turnover and number of employees, covering both SMEs and micro-SMEs as well as large companies.

In terms of geographical location, although a large percentage of suppliers and providers are local, it covers countries in the rest of Europe, the Middle East and North Africa and America, as well as Asia-Pacific, Uzbekistan and Kazakhstan, although the latter are in smaller proportion.

Table 35: Suppliers by geographical location

Procurement and supply chain management	2024	2023	Change 24/23
Geography			
Spain	71.2%	69.9%	2%
Rest of Europe	14.5%	11.9%	22%
Americas	2.3%	2.0%	15%
Commonwealth of Independent States*	1.8%	1.5%	20%
Middle East and North Africa	6.8%	12.1%	-44%
APAC**	3.3%	2.7%	22%

(*) Uzbekistan and Kazakhstan

(**) Asia-Pacific

Throughout 2024, the procurement department has promoted the implementation of a sustainable and responsible supply chain management system under the ISO 20400 sustainable procurement certification, obtained in December of this year.

The backbone of this management system is the sustainable procurement, suppliers and responsible supply chain policy, published in 2024, which establishes the principles and mechanisms necessary to ensure relationships, agreements and initiatives with suppliers, promoting corporate sustainability through supplier qualification processes, purchasing of goods and services, and alliances within sustainable and responsible management.

This policy is especially aimed at establishing measures to prevent and mitigate adverse impacts that occur in the environmental, social, ethical and labour fields to generate a global benefit throughout the value chain.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

The right selection, certification and monitoring of suppliers (and their supply chains) allows access to differential proposals and offers and achievement of the best results in products, services and business solutions in a responsible and sustainable manner. During 2024, Talgo has optimised its supplier approval procedure, which will be implemented in 2025, including two new levels of requirement for supplier qualification: cybersecurity criteria and ESG criteria, which take into account environmental, social, ethical and labour issues in the selection of suppliers and subcontractors.

Table 36: Supplier qualification and management results

Results achieved	2024	2023	Change 24/23
Suppliers and other stakeholders (*) total assets as at 1 January	1,966	1,722	14%
Suppliers and other stakeholders total assets qualified on S&R issues as at 1 January (crit. 1 and 2).	749	662	13%
New suppliers and other stakeholders, rated in 2024 on S&R issues (crit. 1 and 2).	67	68	-1%
New suppliers and other stakeholders, rated in 2024 on S&R issues (crit. 2).	26	19	37%
New suppliers and other qualified and audited stakeholders on S&R issues (certification audits)	56	43	30%
Suppliers and other stakeholders audited for re-evaluation on S&R issues	16	17	-6%
No. of suppliers evaluated on S&R issues with significant impacts with whom improvements have been agreed as a result of the assessment.	0	6	-100%
No. of suppliers evaluated on S&R issues with significant impacts with which the relationship has been terminated as a result of the evaluation.	0	0	0%
No. of arranged quality agreements and strategic alliances with suppliers.	37	31	19%

Through the Supplier Code of Conduct, a new version of which has also been drafted and will be published in 2025, and the inclusion of specific sustainability and cybersecurity clauses in the contractual conditions, we seek to ensure the correct management of suppliers and subcontractors, preventing them from being sources of real or potential negative impacts due to possible non-compliance related to human rights or environmental, social or ethical issues, thus guaranteeing business continuity and the resilience of the value chain.

Within the training goal, both internally and externally, in the field of sustainability, Talgo is part of the 3rd edition of the Sustainable Suppliers Training Programme, developed by the UN Global Compact Spain and the United Kingdom, ICEX Spain Export and Investments and the ICO Foundation, helping to promote the initiative and focused on the development of SMEs that make up the supply chains of large Spanish companies.

To align its sustainable procurement strategy with railway sector standards, since April 2024 Talgo is part of Railsponsible, a European sector initiative focused on knowledge exchange, improvement strategies and common standards in sustainable procurement, with the aim of continuously improving sustainability practices throughout the railway sector supply chain.

The Talgo Group is making an effort to progressively adjust payment terms to adapt to the 60 days established in Law 15/2020, with the average payment period being 87 days during the 2024 financial year. In this sense, the strategy defined to reverse this situation in 2025 is the gradual review of contractual conditions for payment to suppliers, prioritising SMEs as they are more vulnerable to payment delays.

It should be noted that the Spanish Group companies subject to this regulation have their payments stipulated on the 10th of each month, a situation from which the average

2024 NON-FINANCIAL INFORMATION STATEMENT

payment period may increase with respect to that stipulated in the contractual conditions due to the gap between the due date of the invoice and the day set for payment.

The company has no legal proceedings pending against it for late payment of any invoice.

Below is the information required by the Third Additional Provision of Law 15/2010, of 5 July, prepared in accordance with the IAC Resolution of 29 January 2016, on the information to be included in the consolidated annual accounts in relation to the average payment period to suppliers of Spanish companies in commercial operations.

Table 37: Average payment period to suppliers

Metric	2024	2023	Change 24/23
Average payment period to suppliers	87	82	6%
Ratio of paid operations	93	86	8%
Ratio of operations pending to be paid	71	73	-3%

“Average payment period to suppliers” means the period between the delivery of goods or the provision of services by the supplier and the material payment of the transaction.

6.4.2 Supervision and audit systems and their results

One of the main challenges for the procurement department is to work on ensuring the sustainability and responsibility of its supply chains. In this regard, throughout 2024, ESG risk has been incorporated into the risk analysis for our strategic suppliers. Therefore, we have launched a comprehensive form that monitors technical, ethical, economic, social, environmental and human rights aspects.

In 2025, the implementation of a digital tool for assessing supplier risk in different aspects is planned, to guarantee the continuity of supply in the face of possible disruptions, and to ensure that the acquisition of products and services does not violate basic criteria for the protection of people and the environment throughout the entire value chain.

As a medium-term action plan, Talgo plans to conduct on-site ESG audits for certain suppliers located in areas with a higher intrinsic risk of violating human rights in the workplace and outside the workplace for workers in the value chain, as well as potential negative environmental impacts.

6.5 Consumers

Although Talgo's customers are the governments or public administrations that acquire Talgo's products (rolling stock or auxiliary machinery), consumers and end users are the people who use or are intended to ultimately use the product or service, or people who work within it.

There can be various types of end consumers (all within the value chain):

- Train passengers enjoying their journey, purchased from the operating company. They not only enjoy the train and its facilities, but also the internal operations and services provided.
- Employees and collaborators of the operating company who carry out their functions and responsibilities, mainly using Talgo products: maintenance operators, drivers, inspectors, etc. All have the technical information and manuals for their use, safety and any other necessary information.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Employees and collaborators belonging to railway administrators (for example, Adif) who use rolling stock for the analysis and monitoring of railway infrastructure (ensuring the correct condition of the tracks) for use by any railway operator. All have the technical information and manuals for their use, safety and any other relevant information.
- Other people, whether from the client company or not, in charge of cleaning, catering or other complementary services, with no direct relationship in any case with Talgo.

Talgo covers this sustainability issue through the following three corporate strategies:

- Eco-efficient, sustainable and highly competitive services and products.
- Competitiveness based on efficiency, quality and safety.
- Advanced corporate sustainability in business management and impacts.

Policies related to consumers and end users:

The policies and, consequently, the action processes to respond to the impacts, risks and opportunities related to consumers and end users are detailed below:

- The commercial, customer and user management policy, which Talgo updated and approved in 2024, in a new version that includes its users and commitments more explicitly and precisely.
- The operational safety policy that establishes principles and guidelines relating to the safety of products and activities.
- Talgo's due diligence policy (in the approval phase) for serious cases where it is necessary to determine, evaluate, manage or repair important incidents for customers and end users. This policy is developed through the due diligence protocol that integrates the identification, evaluation, prevention and mitigation of significant risks and impacts, and verification and control, as well as the measures adopted.

6.5.1 Measures for consumer health and safety

This sustainability issue at Talgo is managed through three main courses of action:

- Safety management and, in a complementary manner, the "comfort" of products (rolling stock and auxiliary machines) during their use or operation or during their maintenance.
- Information security, managed through cybersecurity processes and activities.
- The social, environmental and value features of the products (rolling stock).

6.5.2 Claim systems, complaints received and their resolution

Stakeholder interests and views

Concerning the interests and views of stakeholders, Talgo systematically conducts customer satisfaction and requirements surveys within the quality management system.

The communication channels with end users are described in the following section "Processes for collaborating with consumers and end users regarding incidents".

To manage customers' expectations, Talgo has a control system that responds to and follows up on their claims and complaints. All communications received are analysed, answered and, where appropriate, corrective action is taken to resolve the issue(s) and

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

prevent recurrence. All of this is standardised in the PR-13 Customer Satisfaction process.

Table 38: Customer Complaints and Claims

Complaints and claims (C&C)	2024	2023	Change 24/23
Total customer complaints and claims	5	5	0%
C&C: bidding process (trains)	0	0	0%
C&C: project management and delivery (trains)	5	1	400%
C&C: maintenance services (trains)	0	3	-100%
C&C: equipment for maintenance	0	1	-100%

To develop and supplement this scope, during the 2024 financial year the “First strategic stakeholder participation project” was launched to measure the quality of the frameworks for relationships with stakeholders and the sustainability management carried out by Talgo (approximately 200 people).

For category No. 2: clients and users, the sample was 22 people, including both national and foreign clients and users.

The surveys conducted have allowed us, firstly, to learn about their satisfaction, requirements, and expectations in terms of sustainability, and the reputational value of Talgo. Secondly, the validation of the company's material issues.

Starting in 2025, actions will be launched to respond to the legitimate and reasonable interests of customers and end users that Talgo has taken on.

Finally, it is worth highlighting the existence of a project currently in development called: “Talgo: passenger experience”. This analysis project, which was completed in 2020, identified and specified all the users' needs, detecting areas of opportunity (including social, environmental, information privacy, needs for people with disabilities, etc.). This project was carried out alongside partners from Germany and the United Kingdom.

Processes for collaborating with consumers and end users regarding incidents:

It is important to note that any incidents or complaints from passengers or persons performing their duties on the train are forwarded to the operating company, which, if deemed appropriate, makes a claim to Talgo if it considers the company to be responsible. (Talgo, in general, never has direct dealings with potentially affected users.)

If applicable, the customer may submit this complaint or claim using procedure PR-13 “Customer satisfaction procedures managed through the Talgo quality system”.

In any case, end users can use the Whistleblowing Line to report potential non-compliance and queries regarding corporate sustainability.

7 TAXONOMY

The objective of this chapter is to describe the process and results of the taxonomic review of the business of Talgo SA and its subsidiaries (hereinafter, “Talgo Group” or “Talgo”), in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020, its corresponding Delegated Regulations (Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and Commission Delegated Regulation (EU) 2021/2178 of 6 July) and the amendments thereto.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Following the application of the proposed methodology, the degree to which Talgo's economic activities are environmentally sustainable is identified, according to the following classification:

- Activities not eligible according to environmental taxonomy.
- Eligible but non-aligned activities according to environmental taxonomy.
- Eligible and aligned activities, according to environmental taxonomy.

This report provides the following key indicators for each of these activities:

- Turnover.
- CapEx.
- OpEx.

Environmental taxonomy analysis methodology

The methodology used consists of four steps that, together, allow Talgo to identify the degree of environmental sustainability of its economic activity based on the definitions in Regulation 2020/852 and its delegated Regulations.

- Identification of eligible activities.
- Evaluation of the technical criteria of substantial contribution.
- Assessment of technical criteria or principles of not doing significant harm to another environmental objective (DNSH).
- Assessment of minimum social safeguards.

Identification of eligible activities

To identify whether Talgo's activities are eligible, the segmentation used in the company's consolidated annual accounts has been used:

- Rolling stock: This includes manufacturing and maintenance of rolling stock.
- Auxiliary machines and others: This includes manufacturing and maintenance of pit lathes and other auxiliary equipment, repairs and modifications of rolling stock, and sale of spare parts

Analysing this segmentation in detail and considering the economic activities in Annex I of Delegated Regulation (EU) 2021/2139, it has been identified that the manufacture and maintenance of rolling stock, as well as the repairs and modifications of rolling stock, fall within:

- *3.3. Manufacture of low carbon technologies for transport:* category that can be associated with NACE code 30.20 Manufacture of railway locomotives and rolling stock.

The Talgo Group has also carried out a series of investments linked to other eligible economic activities that do not generate turnover on their own:

- *7.6. Installation, maintenance and repair of renewable energy technologies:* Installation, maintenance and repair of renewable energy technologies, on site.

Evaluation of the technical criteria of substantial contribution

To ensure that eligible activities contribute substantially to at least one of the objectives defined in Regulation (EU) 2020/852, the technical criteria in Regulation (EU) 2021/2139 have been analysed:

2024 NON-FINANCIAL INFORMATION STATEMENT

- *3.3. Manufacture of low carbon technologies for transport:* an activity in this category is a facilitator for a substantial contribution to climate change mitigation when it consists of the manufacture, repair, maintenance, retrofit, repurpose or upgrade of:
 - o Trains, passenger coaches and wagons that have zero direct (tailpipe) CO₂ emissions.
 - o Trains, passenger coaches and wagons that have zero direct tailpipe CO₂ emissions when operated on a track with the necessary infrastructure and use a conventional engine where such infrastructure is not available (bimode).

Talgo manufactures, maintains, and remodels trains, locomotives and passenger cars meeting at least one of these two requirements.

- *7.6. Installation, maintenance and repair of renewable energy technologies:* For this activity to facilitate a substantial contribution to climate change mitigation, it must consist of the installation, maintenance and repair of solar photovoltaic systems and ancillary technical equipment. Since the CapEx associated with this activity is aimed at installing photovoltaic panels in one of the company's factories, it has been concluded that it contributes to mitigating climate change.

Although Regulation (EU) 2021/2139 establishes the technical criteria for considering the contribution to the objectives of climate change mitigation and climate change adaptation, Talgo's aligned business volume, CapEx and OPEX will be aligned in relation to the Climate Change Mitigation objective.

To ensure that Talgo's activities that conform to the taxonomy for climate change mitigation do not do any significant harm to another environmental objective, the technical criteria of Regulation (EU) 2021/2139 have been analysed:

a. Climate change adaptation

Talgo's activities that conform to the taxonomy according to “3.3 *Manufacture of low carbon technologies for transport*” and the CapEx associated with “7.6 *Installation, maintenance and repair of renewable energy technologies*” do not do significant harm in relation to the objective of climate change adaptation. Talgo has carried out a climate-related physical risk assessment, taking into account the hazards listed in Annex I, Appendix A of the Delegated Regulation. From this list, Talgo has identified acute physical risks, the appearance of heat waves and periods of drought, as critical risks, and variations in temperatures and the increased frequency of extreme temperatures as chronic physical risks.

The physical risk assessment has been carried out considering all centres at a global level and from a life cycle perspective, especially for products and including the value chain, based on current climate models and their future projections studied by the Intergovernmental Panel on Climate Change (IPCC) in its latest report (AR6). Through this report, different projections or representative concentration pathways (RCP) of greenhouse gases are described. Talgo sets its risk assessment based on the report's optimistic (RCP2.6) and conservative (RCP8.5) models, which place global temperature increases at 2°C and 4-5°C respectively compared to pre-industrial values.

2024 NON-FINANCIAL INFORMATION STATEMENT

Potential solutions have also been assessed to mitigate the identified critical risks and vulnerabilities, which do not negatively affect adaptation efforts or the level of resilience to physical climate risks of other people, nature, cultural heritage, property and other economic activities.

b. Sustainable use and protection of hybrid and marine resources

Talgo has an environmental management system implemented and certified in accordance with ISO 14001.

Under the above-mentioned management system, Talgo has a global management system for environmental risks that identify water resources-related risks. The systematic review allows for the prevention or mitigation of harmful effects on the environment or the enhancement of desirable effects, and achieves continuous improvement of the implemented environmental management system. Through its management system, Talgo also applies strict operational control and preventive measures to reduce the impact of its activities on water resources. Talgo always carries out its activities in compliance with applicable water legislation and discharge permits, which establish water quality limit parameters.

In the specific case of the "Las Matas II" centre, the project was subject to an Environmental Impact Assessment, with the Department of the Environment of Madrid (Spain) issuing a favourable Environmental Impact Declaration on 29 February 2000. The Environmental Impact Assessment includes an identification and assessment of the impacts of activity on water resources and, both in this document and in the Environmental Impact Statement, water protection measures to be considered during the industrial activity phase of the centre are indicated.

These conditions, together with those included in the centre's discharge permit, are considered at all times to ensure the quality of the discharged water.

For all the above reasons, Talgo does not cause significant damage in relation to the objective of protecting water resources.

c. Transition to a circular economy

Talgo train manufacturing is based on eco-design, which allows its trains to achieve recyclability and recoverability values of at least 93% and 96% respectively. To achieve this, the company looks to use materials with higher rates of recyclability and recoverability.

In terms of waste management, Talgo's environmental management system, certified according to ISO 14001, ensures that waste management is carried out under current legislation, by an authorised waste manager, guaranteeing the best possible treatment for the waste from an environmental perspective. Currently, waste where disposal has been avoided (recycling, recovery, etc.) accounts for around 80%, compared to 20% of waste destined for disposal.

Regarding compliance with the REACH Regulation (Regulation (EC)), Talgo transfers information requirements on the content of chemical substances contained in articles or mixtures to the supply chain. Additionally, suppliers of the equipment that the train is made of are required to comply with the Railway

2024 NON-FINANCIAL INFORMATION STATEMENT

Industry Substance List (RISL) developed by UNIFE, which compiles materials and substances that are prohibited by European and international legislation specifically for the railway industry. The main objective is to ensure compliance with restrictions on the use and marketing of hazardous chemical substances and to evaluate possible alternatives in the event of detecting their content in Talgo products.

For all the above reasons, Talgo's activities do not cause significant harm in relation to the objective of transition towards a circular economy.

d. *Pollution prevention and control*

Talgo complies at all times with legislation relating to pollution prevention by conducting periodic assessments thereof. Talgo's activity does not give rise to the manufacture, marketing or use of substances mentioned in Appendix C of the Delegated Regulation, except for those regulated by the REACH and ROHS regulations.

Under REACH regulations (Regulation (EC) 1907/2006), relating to the registration, evaluation, authorisation and restriction of chemical substances and preparations, and RoHS (Directive 2011/65/EU), on the restriction of the use of certain hazardous substances in electrical and electronic equipment and subsequent amendments, Talgo prohibits the use of chemical products and substances in accordance with the regulation.

To ensure compliance with the requirements included in the various regulations, Talgo requests that all its suppliers provide the precise classification of prohibited substances and declarable substances for evaluation (which could be avoided) contained in their equipment in accordance with the list of prohibited and declarable substances in the railway sector or RISL (Railway Industry Substance List) developed by UNIFE.

When designing parts, components and their assemblies, suppliers must verify the presence of prohibited substances P (AR), declarable for evaluation D (FA) or declarable for information D (FI). If a case of prohibited substance is detected, it means that the selected parts, components or assemblies do not comply with legislation. Consequently, the design must be changed. Talgo suppliers must also agree to ensure that there are no prohibited substances in the scope of their supply prior to any delivery and declare all declarable substances for evaluation that are present in the scope of their supply because they could not be substituted in their design, in addition to declarable substances for information whose mass is relevant, i.e. greater than 0.1 M% before delivery.

For all the above reasons, Talgo does not cause significant damage in relation to the objective of pollution prevention and control. Furthermore, as indicated above, through its environmental management system certified according to ISO 14001, it applies strict operational control and preventive measures to reduce the impact of its activities on the natural environment and ecosystems.

e. *Protection and restoration of biodiversity and ecosystems*

The Talgo environmental management system structure is based on an environmental policy that is deployed in different procedures whose objectives

2024 NON-FINANCIAL INFORMATION STATEMENT

are to identify environmental aspects and impacts and to maintain respect for the environment in the development of current and future projects, promoting continuous improvement and risk mitigation. Talgo does not cause damage to biodiversity in the environment due to strict control of emissions, possible discharges and waste derived from its activities.

The company also ensures at all times that its activities comply with environmental legislation, carrying out monitoring based on the different environmental authorisations, and always promoting a significant degree of environmental awareness among the workforce.

As mentioned above, in the case of the “Las Matas II” centre, the project was subject to an Environmental Impact Assessment, with the Department of the Environment of Madrid (Spain) issuing a favourable Environmental Impact Declaration on 29 February 2000. Both the Environmental Impact Assessment and the Environmental Impact Statement indicate measures for the protection of biodiversity, water resources, air quality and soil related to the industrial activity phase of the centre, which are considered at all times to avoid causing damage to biodiversity in the environment.

For all the above reasons, Talgo does not cause significant damage in relation to the objective of protecting and recovering biodiversity and ecosystems. Furthermore, as indicated above, through its environmental management system certified according to ISO 14001, it applies strict operational control and preventive measures to reduce the impact of its activities on the natural environment and ecosystems.

Minimum social safeguards

According to Article 18 of Regulation (EU) 2020.852, minimum guarantees shall be the procedures applied by a company carrying out an economic activity to ensure compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions referred to in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

To ensure minimum social safeguards, the “*Final Report on Minimum Safeguards*”, published in October 2022, has been used as a reference, which provides recommendations for the evaluation of compliance with minimum social guarantees.

a. *Human rights*

Talgo integrates its commitment to respect and protect human rights in the activities and relationships involving its value chain through its “Human Rights Management Strategy and Model”, which has established mechanisms for the prevention, detection, mitigation, reporting, remediation/repair, infringement and sanction of any incident related to human rights.

The Human Rights Inventory, the Human Rights Policy and the Due Diligence management system, the policy of which is currently being approved, are all part of this process.

2024 NON-FINANCIAL INFORMATION STATEMENT

Additionally, no unappealable convictions for human rights issues have been handed down.

For more information, see chapter “4.3. *Human Rights.*”

b. Corruption and fraud

Talgo establishes its commitment to permanent monitoring, risk control and sanctioning fraudulent acts and conduct or any behaviour leading to corruption in all its forms through its Anti-Fraud and Anti-Corruption Policy.

Additionally, no unappealable convictions for corruption or fraud have been handed down.

For more information, see chapter “5. *Information on the fight against corruption and bribery.*”

c. Fair competition

Talgo has a Fair Competition Policy, which establishes a commitment to perform Business Development activities within a framework of respect for competitors and other players in the Transport sector, adopting guidelines for responsible behaviour for all professionals and collaborators of the Talgo Group, based on integrity, honesty, fair treatment and ethics in the performance of their duties.

Additionally, no unappealable convictions for anti-competitive practices have been handed down.

d. People and occupational well-being

One of Talgo's priorities is people. Therefore, it has a human resources management model based on the principles of health and safety, permanent employment, competitive remuneration and recognition, work-life balance, diversity, equality, talent and development, and dialogue, communication and attention to people.

Additionally, as of 31 December 2024, 99.94% of the people in the Talgo Group have full or partial coverage under the collective agreement or similar collective agreements depending on the corresponding country.

For more information, see chapter “3.3. *Employment.*”

e. Social dialogue and the right to free association

Talgo respects the right of all workers to freely join unions and allows employees affiliated to a union to hold meetings, collect dues and distribute union information.

In Spain, Talgo regularly engages in collective bargaining and makes periodic consultations with the workers' representation, aimed at responding to incidents of relative importance concerning its own personnel.

For more information, see chapter “3.6.1 *Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.*”

2024 NON-FINANCIAL INFORMATION STATEMENT

f. *Tax*

Talgo has a tax strategy supported by the Tax Compliance and Best Practices Policy. The policy expressly sets out the general commitment of Talgo SA and its subsidiaries to comply with tax regulations in Spain and in the other countries that they operate in. Talgo also includes the development and implementation of best practices in tax matters in its Corporate Governance rules. This policy includes the recommendations of the Code of Good Tax Practices issued by the Spanish Tax Agency.

Talgo also publishes information relating to taxes paid in its consolidated annual accounts.

g. *Reporting mechanisms*

Talgo provides all stakeholders with a Whistleblowing Line, which allows them to report any potential irregular behaviour that is contrary to the principles and values set out in the company's Code of Conduct and/or current regulations. To ensure the confidential treatment of such communications, the channel will be managed by an external and independent company.

For more information, see chapter "1.4 Corporate governance"

Accounting policy considered for the calculation of eligible and aligned business volume, CapEx and OpEx

Turnover

A breakdown of Talgo's consolidated revenues classified by the project or service that generated them has been obtained from the Group's ERP.

The negative income items included in said breakdown have been considered to calculate taxonomic eligibility to the extent that these are adjustments to the income figure for rebates and other discounts that must be considered as a lower income figure under the accounting regulations applicable to Talgo. The European Commission Taxonomy Navigator FAQ states "Negative revenue could be treated as a 0% value for taxonomic eligibility reporting. However, companies may report the negative value in monetary terms." In order to use standard criteria in the annual accounts and in the taxonomy, all negative income items have been considered with their original value, i.e., the negative amount.

- Eligibility calculation:
 - o Denominator: Net amount of the turnover of Talgo SA and its subsidiaries.
 - o Numerator: Net amount of business volume associated with projects or services that are part of the activity "3.3. *Manufacture of low carbon technologies for transport*"
- Alignment calculation:
 - o Denominator: Net amount of the turnover of Talgo SA and its subsidiaries.
 - o Numerator: Sum of the amounts for each eligible project or service when concluded that they are also aligned, i.e., when the project or service:
 - Meets the CCS for the mitigation of climate change.
 - Meets DNSH criteria.
 - Complies with minimum social guarantees.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

CapEx

A breakdown of the additions of tangible and intangible fixed assets has been obtained from the Talgo Group's accounting ERP, including a description of the addition and the work centres these are associated with.

- Eligibility calculation:
 - o Denominator: Sum of the consolidated capital investment increases of Talgo SA and subsidiaries, associated with tangible and intangible fixed assets.
 - o Numerator: Sum of capital investment increases linked to eligible activities “3.3. *Manufacture of low carbon technologies for transport*” and “7.6. *Installation, maintenance and repair of renewable energy technologies*”.
- Alignment calculation:
 - o Denominator: Sum of the consolidated capital investment increases of Talgo SA and subsidiaries, associated with tangible and intangible fixed assets.
 - o Numerator: Sum of capital increases linked to eligible activities when concluded that these activities are also aligned, i.e.:
 - Meet the CCS for the mitigation of climate change.
 - Meet the DNSH criteria.
 - Comply with minimum social guarantees.

OpEx

Talgo, as a non-financial company, must include non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of property, plant and equipment assets by the company or a third party to whom activities are outsourced and that are necessary to ensure the continuous and efficient operation of these assets for each activity.

- Eligibility calculation:
 - o Denominator: The following items have been included in the Talgo Group's profit and loss account:
 - Research and development expenses (account 620).
 - Leases and royalties (account 621).
 - Repair and maintenance (account 622).
 - o Numerator: Sum of the costs directly associated with eligible projects or accounting cost centres linked to Talgo Group centres where activities related exclusively to eligible taxonomic activities are carried out.
- Alignment calculation:
 - o Denominator: The following items have been included in the Talgo Group's profit and loss account:
 - Research and development expenses (account 620).
 - Leases and royalties (account 621).
 - Repair and maintenance (account 622).
 - o Numerator: Sum of eligible costs when concluded that they are also aligned, i.e.:
 - Meet the CCS for the mitigation of climate change.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Meet the DNSH criteria.
- Comply with minimum social guarantees.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 39.1: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities in 2024

Economic Activities	Codes according to Delegated Regulation 2021/2139	Absolute Turnover (thousands of €) Year 2024	Proportion of Turnover (%) Year 2024	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards (Y/N)	Proporción of Taxonomy-aligned or -eligible Turnover, year 2023 (%)	Category "enabling activity" (E)	Category "transitional activity" (T)			
				Climate Change Mitigation (Y; N; N/EL)	Climate Change Adaptation (Y; N; N/EL)	Water (Y; N; N/EL)	Circular Economy (Y; N; N/EL)	Pollution (Y; N; N/EL)	Biodiversity (Y; N; N/EL)	Climate Change Mitigation (Y; N)	Climate Change Adaptation (Y; N)	Water (Y; N)	Circular Economy (Y; N)	Pollution (Y; N)	Biodiversity (Y; N)							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																						
Manufacture of low carbon technologies for transport	CCM 3.3	659,522	99%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	100%	E				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		659,522	99%	99%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%					
Of which enabling		659,522	99%	99%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	E				
Of which transitional		0	0%							Y	Y	Y	Y	Y	Y	Y	0%					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Manufacture of low carbon technologies for transport	CCM 3.3 CCA 3.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL									0%				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%									0%				
Total (A.1 + A.2)		659,522	99%	99%	0%	0%	0%	0%	0%									100%				
B. TAXONOMY NON-ELEGIBLE ACTIVITIES																						
Turnover of Taxonomy-non-eligible activities (B)		9,694	1%																0%			
Total (A + B)		669,216	100%																100%			

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 39.2: Proportion of turnover per objective in 2024

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	99%	99%
CCA		99%
WTR		0%
CE		0%
PPC		0%
BIO		0%

Legend: CCM, Climate Change Mitigation; CCA, Climate Change Adaptation; WTR, Water and Marine Resources; CE, Circular Economy; PPC, Pollution Prevention and Control; BIO, Biodiversity and ecosystems.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 40.1: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities in 2024

Economic Activities	Codes according to Delegated Regulation 2021/2139	Absolute CapEx (thousands of €) Year 2024	Proportion of CapEx (%) Year 2024	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards (Y/N)	Proporción de Taxonomy-aligned or -eligible CapEx, year 2023 (%)	Category "enabling activity" (E)	Category "transitional activity" (T)
				Climate Change Mitigation (Y; N; N/EL)	Climate Change Adaptation (Y; N; N/EL)	Water (Y; N; N/EL)	Circular Economy (Y; N; N/EL)	Pollution (Y; N; N/EL)	Biodiversity (Y; N; N/EL)	Climate Change Mitigation (Y; N)	Climate Change Adaptation (Y; N)	Water (Y; N)	Circular Economy (Y; N)	Pollution (Y; N)	Biodiversity (Y; N)				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	51,395	93%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	86%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	355	1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		51,749	94%	94%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	86%		
Of which enabling		51,749	94%	94%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	86%	E	
Of which transitional		0	0%							Y	Y	Y	Y	Y	Y	Y	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	CCM 3.3 CCA 3.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL							14%			
Installation, maintenance and repair of renewable energy technologies	CCM 7.6 CCA 7.6	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL							0%			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%							14%			
Total (A.1 + A.2)		51,749	94%	94%	0%	0%	0%	0%	0%							100%			
B. TAXONOMY NON-ELEGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		3,258	6%														0%		
Total (A + B)		55,007	100%														100%		

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 40.2: Proportion of CapEx per objective in 2024

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-elegible per objective
CCM	94%	94%
CCA		94%
WTR		0%
CE		0%
PPC		0%
BIO		0%

Legend: CCM, Climate Change Mitigation; CCA, Climate Change Adaptation; WTR, Water and Marine Resources; CE, Circular Economy; PPC, Pollution Prevention and Control; BIO, Biodiversity and ecosystems.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 41.1: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities in 2024

Economic Activities	Codes according to Delegated Regulation 2021/2139	Absolute OpEx (thousands of €) Year 2024	Proportion of OpEx (%) Year 2024	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards (Y/N)	Proporción of Taxonomy-aligned or -eligible OpEx, year 2023 (%)	Category "enabling activity" (E)	Category "transitional activity" (T)	
				Climate Change Mitigation (Y; N; N/EL)	Climate Change Adaptation (Y; N; N/EL)	Water (Y; N; N/EL)	Circular Economy (Y; N; N/EL)	Pollution (Y; N; N/EL)	Biodiversity (Y; N; N/EL)	Climate Change Mitigation (Y; N)	Climate Change Adaptation (Y; N)	Water (Y; N)	Circular Economy (Y; N)	Pollution (Y; N)	Biodiversity (Y; N)					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	CCM 3.3	10,202	66%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	91%	E		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		10,202	66%	66%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	91%			
Of which enabling		10,202	66%	66%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	91%	E		
Of which transitional		0	0%							Y	Y	Y	Y	Y	Y	Y	0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	CCM 3.3 CCA 3.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL							9%				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%							9%				
Total (A.1 + A.2)		10,202	66%	66%	0%	0%	0%	0%	0%							100%				
B. TAXONOMY NON-ELEGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		5,321	34%													0%				
Total (A + B)		15,523	100%													100%				

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 41.2: Proportion of OpEx per objective in 2024

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-elegible per objective
CCM	66%	66%
CCA		66%
WTR		0%
CE		0%
PPC		0%
BIO		0%

Legend: CCM, Climate Change Mitigation; CCA, Climate Change Adaptation; WTR, Water and Marine Resources; CE, Circular Economy; PPC, Pollution Prevention and Control; BIO, Biodiversity and ecosystems.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 42: Indicators Law 11/2018

Contents of Law 11/2018			Standard used	Page
Business model	Description of the group's business model	Brief description of the group's business model, which will include its business environment, its organization and structure, the markets in which it operates, its objectives and strategies and the main factors and trends that may affect its future development.	ESRS 2 SBM-1	Pages 3-7
			ESRS 2 SBM-2	Pages 13-16
			ESRS 2 SBM-3	Pages 4-16
			ESRS 2 GOV-1	Pages 7-8
Information on environmental issues	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	E1-2	Page 17
			E1-3	Page 17
			E5-1	Page 17
			E5-2	Page 17
			ESRS 2 IRO-1	Page 17
			ESRS 2 GOV 4	Pages 5 and 17
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Pages 17-18
			E1-IRO1	Pages 17-18
			E5-IRO1	Pages 17-18
	General	Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	E1.IRO1	Pages 18-19
			E5.IRO1	Pages 18-19
		Environmental assessment or certification procedures	ESRS 2 BP-2	Page 18
		Resources dedicated to the prevention of environmental risks	E1-3	Page 19
			E5-2	Page 21
		Application of the precautionary principle	ESRS 2 MDR A	Page 18
		Provisions and guarantees for environmental risks	GRI 307-1	Page 19

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
	Pollution	Measures to prevent, reduce or remedy carbon emissions that seriously affect the environment taking into account any form of activity-specific air pollution, including noise and light pollution.	E2-2	Page 20
	Circular economy and waste prevention and management	Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste	E5-2	Pages 20-22
			E5-5	Pages 20-22
		Actions to combat food waste.	Not material for the company.	
	Sustainable use of resources	Water consumption and water supply in accordance with local constraints	E3-4	Table 9.1
		Consumption of raw materials and measures taken to improve the efficiency of their use	E5-2	Page 23
			E5-4	Table 9.1
		Energy: Direct and indirect energy consumption; measures taken to improve energy efficiency and the use of renewable energies.	E1-5	Table 9.2
			E1-3	Page 23
			E1-2	Page 17
	Climate change	Important elements of Greenhouse Gas emissions generated as a result of the company's activities	E1-6	Page 25, Table 11.1 and Table 11.2
		The measures taken to adapt to the consequences of climate change	E1-3	Pages 25-26
		The voluntary medium- and long-term reduction targets established to reduce greenhouse gas emissions and the means implemented	E1-4	Page 25
	Protection of biodiversity	Measures taken to preserve or restore biodiversity	E4-1	Pages 26-27
			E4-3	Page 27
		Impacts caused by activities or operations in protected areas.	E4. SBM-3	Page 27
			E4. IRO-1	Page 27
Information on social and personnel-related issues	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	ESRS 2 GOV 4	Page 27-28
			ESES 2 IRO-1	Pages 27-28
			S1-1	Pages 27-28
			S1-2	Page 42
			S1-3	Pages 42-43
			S1-4	Page 43

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Page 28
	Employment	Total number and distribution of employees by sex, age, country	S1-6	Page 13, Table 14, Table 15, Table 16, Table 17, Table 18, Table 19
			S1-9	Page 13, Table 14, Table 15, Table 16, Table 17, Table 18, Table 19
		Distribution of employees by professional classification	GRI 2-7	Table 13, Table 20, Table 21
			GRI 2-8	Table 13, Table 20, Table 21
		Total number and distribution of employment contract types	S1-6	Table 20
		Annual average number of permanent, temporary and part-time contracts by sex.	S1-6	Table 22, Table 23,
		Average annual number of permanent contracts, temporary contracts and part-time contracts by age and occupational category	GRI 2-7	Table 22, Table 23,
			GRI 2-8	Table 22, Table 23,
		Number of dismissals by gender, age and occupational category	GRI 401-1	Table 24
		Average remuneration and their evolution broken down by gender, age and occupational category or equal value;	GRI 405-2	Table 25
		Pay gap	S1-16	Page 38
		Remuneration for equal or average jobs in society	S1-16	Table 26
		The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term	GRI 2-19	Page 38
			GRI 3-3	Page 38

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
		savings schemes and any other payment broken down by gender,		
		Implementation of labour disconnection policies	S1-1	Page 39
		Employees with disabilities	S1-12	Table 27
	Organisation of work	Organisation of working time	S1-15	Pages 39-40
		Number of hours of absence	GRI 403-9	Page 40
			GRI 403-10	Page 40
		Measures aimed at facilitating the enjoyment of work/life balance and encouraging the co-responsible exercise of these by both parents.	S1-4	Page 40
			S1-15	Page 40
	Health and safety	Health and safety conditions at work	S1-1	Pages 27 and 40-41
			S1-14	Pages 40-41
		Accidents at work (frequency and severity) by gender	GRI 403-9	Table 28
			GRI 403-10	Table 28
		Occupational diseases (frequency and severity) by gender	GRI 403-9	Table 29
			GRI 403-10	Table 29
	Social relations	Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	S1-8	Page 42
		Percentage of employees covered by collective bargaining agreements by country	S1-8	Table 30
		Balance of collective bargaining agreements, particularly in the field of occupational health and safety.	S1-8	Page 44
			S1-14	Pages 44-45
	Training	The policies implemented in the field of training	S1-1	Pages 44 and 45
			S1-13	Page 44 and 45
		The total number of training hours by occupational category	GRI 404-1	Pages 45 and Table 31
	Accessibility	Universal accessibility for people with disabilities	S1-1	Pages 27-28 and 45-46
			S1-12	Pages 45-46
	Equality	Measures taken to promote equal treatment and opportunities between men and women	S1-4	Pages 46
			S1-9	Table 13, Table 20, Table 21

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
		Equality plans	S1-1	Pages 27 and 46-47
		Measures taken to promote employment	S1-4	Page 46 and page 47-48
		Protocols against sexual harassment and harassment on grounds of sex	S1-1	Page 27 and page 45-46
		Integration and universal accessibility of persons with disabilities	S1-12	Page 45-46
			S1-1	Pages 27 and 45-46
		The policy against all types of discrimination and, where appropriate, the management of diversity	S1-1	Pages 27 and 48
			S1-9	Table 13, Table 20, Table 21
Information on respect for human rights	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	ESRS 2 GOV 4	Page 48
			ESRS 2 IRO-1	Page 49
			S1-1	Pages 27 and 50-51
			S1-2	Page 42-43
			S1-3	Page 42-43
			S1-4	Page 42-43
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO1	Page 48-49
	Human Rights	Implementation of human rights due diligence procedures	ESRS 2 GOV 4	Page 48
		Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and remedy any abuses committed	S1-1	Page 27 and pages 49-51
			S1-3	Page 49-51
		Complaints of human rights violations	S1-17	Page 51

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
		Promotion of and compliance with the provisions of the core ILO Conventions related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour	S1-1	Page 49
Information on the fight against corruption and bribery	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	G1-1	Page 51
			ESRS 2 IRO-1	Page 52
			ESRS 2 GOV 4	Pages 5 and 51-53
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Page 51
	Corruption and bribery	Measures taken to prevent corruption and bribery;	G1-3	Pages 52-53
		Measures to combat money laundering	G1-3	Pages 52-53
		Contributions to foundations and non-profit organisations	GRI 201-1 GRI 415-1	Pages 55-56, Table 33 and Table 34
Information on the company	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	S3-1	Page 57
			S4-1	Page 57
			GOV 4	Page 57
			G1-1	Pages 57-58
			ESRS 2 IRO-1	Page 58

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Pages 57 and 59
	Company's commitment to sustainable development	The impact of the company's activity on local employment and development;	S3-4	Pages 57-58
			ESRS2 SBM3	Pages 57-58
		The impact of company's activity on local populations and the territory	S3-SBM3	Pages 57-58
		The relations with actors of the local communities and the forms of dialogue with them	S3-2	Page 58
		Partnership or sponsorship actions.	GRI 2-28	Pages 58-60, Table 33 and Table 34
			GRI 3-3	
	Subcontracting and suppliers	Inclusion of social, gender equality and environmental issues in procurement policy	G1-1	Pages 58-59, Table 34, Table 35 and Table 36
		Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	G1-2	Pages 58-60, Table 36
		Supervision and audit systems and their results.	GRI 414-2	Page 60, Table 36
			GRI 308-2	Page 60, Table 36
	Consumers	Measures for consumer health and safety;	S4-4	Pages 61-62
		Claim systems, complaints received and their resolution.	S4-3	Page 62, Table 38
	Tax information	Profit earned by country	GRI 207-4	Reference to Consolidated Annual Accounts
		Profit tax paid	GRI 207-4	Reference to Consolidated Annual Accounts
		Public grants received	GRI 201-4	Reference to Consolidated Annual Accounts

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018		Standard used	Page
Taxonomy of the European Union	Disclosure in relation to Regulation (EU) 2020/852 on Taxonomy	RD 2021/2178	Pages 62-77, Table 39.1, Table 39.2, Table 40.1, Table 40.2, Table 41.1 and Table 41.2



TALGO, S.A. AND SUBSIDIARIES

Non-Financial Information Statement (EINF)
prepared in accordance with Law 11/2018, of 28
December, for the financial year ended 31
December 2024

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

1 BUSINESS MODEL DESCRIPTION

1.1 Introduction

This Non-Financial Information Statement (hereinafter, "EINF") for Talgo S.A. and subsidiaries (hereinafter, "Talgo" or "Talgo Group") for the year ended 31 December 2024, is published in compliance with Law 11/2018, of 28 December, amending the Commercial Code, the Consolidated Text of the Capital Company Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Audit of Accounts, in the field of non-financial information and diversity.

To draft this document, Talgo has relied on the European Commission's guidelines on non-financial reporting (2017/C 215/01), in accordance with European Directive 2014/95/EU of the European Parliament and of the Council, of 22 October 2014, amending Directive 2013/34/EU with regard to the disclosure of non-financial information and information on diversity by certain large companies and certain groups.

In response to Law 11/2018, Talgo has selected certain requirements for the breakdown of the European Sustainability Reporting Standards (ESRS), as indicated in table 42 of this document.

The EINF has been developed using the Talgo Group's systems, resources and tools. These report on the management and results obtained by each area responsible for sustainability issues, both for central services and the organization's subsidiaries.

This document includes information on sustainability on a consolidated basis, i.e. including Talgo S.A. and its subsidiaries. The details for the above-mentioned companies together with their activities and registered office are provided below:

Table 1: Talgo Group companies

Company	Registered address	Activity	% Share	
			Direct	Indirect
Patentes Talgo, S.L.U. (a)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Manufacture and maintenance of rolling stock	100%	-
Talgo Inc (b)	3533 27th Street, 53216 Milwaukee, WI	Manufacture and maintenance of rolling stock	-	100%
Talgo Deutschland, GmbH (c)	Revaler Strasse 99, 10245, Berlin, Germany	Maintenance of rolling stock	-	100%
Talgo Kazajistán, S.L.U. (b) (*)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Manufacture and maintenance of rolling stock	-	100%
Talgo Demiryolu Aracli Üretim VE BA. A.S.(b) (**)	Istanbul	Manufacture and maintenance of rolling stock	-	100%
Patentes Talgo Tashkent, LLC. (b) (**)	Mirabad region, Kadirov A., 64 street, Afrosiab service center, 100105 Tashkent, Uzbekistan	Manufacture and maintenance of rolling stock	-	100%
Talgo India Private Limited (b)	Business Center Avanta, office 406, World Mark 2, 110037 New Delhi, India	Manufacture and maintenance of rolling stock	-	100%
Tarvia Mantenimiento Ferroviario, S.A.(a)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Maintenance of rolling stock	-	51%
Motion Rail, S.A.(b) (*)	C/ Paseo del Tren Talgo 2, Madrid, Spain	Operation and development of railway activities	-	95%

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Company	Registered address	Activity	% Share	
			Direct	Indirect
Talgo Denmark, APS (b)	Herstedøstervej 27, 2620 Albertslund, Copenhagen, Denmark	Repair and installation of railway machinery and equipment	-	100%
Talgo Shanghai Railways Equipment Co. Ltd (b)	Room 1209, Chong Hing Finance Centre, West Nanjing Road 288, Shanghai	Central purchasing body	-	100%

(a) Company audited by Deloitte, S.L.

(b) Unaudited company.

(c) Company audited by Deloitte, GmbH.

(*) Companies without activity.

(**) Companies without activity and in the process of dissolution

1.2 Business model

The Talgo Group's business is defined, on the one hand, by the manufacture and sale of rolling stock (wheeled vehicles able to run on a railway track) and, on the other, by the manufacture of auxiliary machines, complementing these activities mainly with the provision of associated maintenance services, all at national and international levels.

Therefore, Talgo is an industrial group, belonging to the railway sector and specialized in manufacturing and maintenance, mainly in high and very high-speed trains.

The Talgo Group's activity focuses on two business lines:

- The manufacture, delivery and maintenance (preventive, corrective, predictive) of commercialized rolling stock.
- The manufacture, commercialization and maintenance of auxiliary and other machines: mainly pit lathes (state-of-the-art equipment designed for turning or reprofiling wheels mounted on their axles), measuring equipment and shunting cars. This activity also includes rolling stock renovations/remodelling.

Production activities go through the following process:

- *Manufacture of rolling stock:*

Rolling stock is manufactured in the factories of Las Matas II (Las Rozas) and Rivabellosa (Álava) and focuses on bogies and mono-axle independent wheel running gear, passenger coaches (wagons), power heads and certain other complementary activities.

- *Maintenance of rolling stock:*

Rolling stock maintenance is carried out at maintenance centres located at customer facilities (in Spain and in all countries in which Talgo provides services) and at the Las Matas II factory (mainly work related to rolling stock, i.e. bogies and mono-axle independent wheel running gear).

A very important factor is that the maintenance centers are not owned by Talgo, but by the customers who purchased the rolling stock. These facilities are also shared with other companies (from the same or other sectors) that carry out other types of associated activities or activities necessary for railway operation.

2024 NON-FINANCIAL INFORMATION STATEMENT

- *Manufacture of auxiliary machines and others:*

The manufacture of auxiliary and other machines takes place at the Las Matas II factory. This equipment is exclusively used for the maintenance of rolling stock. This mainly involves pit lathes and measuring equipment.

This activity also includes the renovation or remodelling of rolling stock, which is done at the Las Matas II and Rivabellosa factories and at customer centres.

All of the Group's activities related to organisation, project and resource management, design, programming, methods, operating guides, manuals, etc. are carried out at the HQ corporate offices.

The sale of products and services is carried out through Talgo's offices and sales offices worldwide.

1.3 Strategy

Talgo establishes seven strategies to ensure the sustainable and responsible management of its business and to achieve the vision and goals of the current Corporate Sustainability Strategic Plan:

- Advanced corporate sustainability in business management and impacts.
- Eco-efficient, sustainable and highly competitive services, products and solutions.
- Innovation towards sustainable and responsible mobility.
- Competitiveness based on efficiency, quality and safety.
- People management based on corporate values, quality employment, diversity, equality and talent management.
- Responsible value chain and sustainable procurement.
- A good, established reputation that makes the difference.

The “responsible value chain and sustainable procurement” strategy was integrated by Talgo in 2024 as a key strategy, given the European Union's priority and focus on this issue.

These strategies are aimed at achieving eight major goals:

- Optimal business generation and growth over time.
- Generation of value and profitability through prudent economic and financial management, maintaining the best relations with the capital markets and stakeholders.
- Offer innovative products and services of the highest quality, reliability, safety and sustainability.
- Manage in a sustainable and ethical manner, with a differentiating focus on the environment, people, human rights and societies, through responsible governance.
- Develop a responsible value chain and carry out sustainable procurement.
- Implement sustainable systems and measures in people management with a focus on occupational safety, quality employment, diversity and inclusion, and talent management.
- Digitize and develop cybersecurity as vehicles for maximizing efficiency, protection and resilience in the face of new trends and demands.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Build a strong reputation, based on “good practice” and value frameworks designed to establish the best relationships and frameworks for participation with stakeholders.

Each of the strategies is explained below:

Advanced corporate sustainability in business management and impacts

Talgo assumes, adopts, integrates and promotes, both internally and in its value chain, balanced and coherent business management in which policies, principles, commitments and actions respond firstly to its economic sustainability, and then to the consolidation and resilience of the economic, environmental and social ecosystems in which it operates, under the responsible management of corporate governance.

Applying due diligence principles, Talgo focuses on implementing best labour practices, respect and promotion of human rights, ethical management and regulatory compliance, the climate change mitigation, the prevention and control of pollution, the sustainable use of resources, diversity, equality and inclusion, the development of talent and the sustainability of the company's supply chains.

Within the framework of our sector and markets, we are committed to working on sustainable mobility, energy and ecological transition, eco-efficiency and the circular economy.

Eco-efficient services, products and solutions with highly competitive value

Through the scope, value, functionality and differentiation of its products, solutions and services, Talgo aims to be a benchmark company and of high interest in the major categories of its products and services: rolling stock, maintenance services and auxiliary equipment.

Talgo is committed to advanced technology to maximise efficiency and position its product as differential in the sector.

Through full commitment to customers and through its relation to rolling stock maintenance services provided, Talgo develops a continuous learning model in order to both optimise maintenance processes and identify areas for improvement and innovation.

As a result, the reliability of the product is continuously improving and the product remains technologically state-of-the-art over time.

Innovation towards sustainable and responsible mobility

The implementation of the Sustainable Development Goals in 2015, the current challenges facing societies and the new trends of customers and users mark a new roadmap towards a transformation of companies to generate a greater positive impact through social and environmental innovation.

Purposeful organisations committed to responsible business, such as Talgo, establish innovative models where eco-efficiency, new social value functionalities, smart mobility solutions, energy transition and circular economy are the new pillars of value to be generated.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

The commitment to innovation through continuous technological advances to increase the efficiency and value of products and services is underpinned by the increasing volume of investments made by Talgo in recent years.

Competitiveness based on efficiency, quality and safety

Talgo establishes its competitiveness model through the continuous improvement of its quality systems, process strength, productivity and industrial and operational efficiency.

This strategy integrates the challenges associated with "Industry 4.0", where digitalisation, artificial intelligence and cyber-physical systems will characterise the new form of production, converting current production centres into "Smart factories" where production efficiency and people safety are maximised, while minimising waste generation and energy consumption.

The commitment to quality is reflected in the outstanding performance of the compositions produced to date, and is consolidated through the relationship maintained with the customer via the link with the product, acquiring responsibility for its maintenance for long periods of time until the end of its useful life.

People management based on corporate values, quality employment, diversity, equality and talent management

Talgo aims to continue to foster an organisational culture based on a values model where participation and leadership style are established on a model of trust, priority talent management and the shared goal of sustainable development.

This culture also includes stakeholders in the value chain (customers, suppliers, regulators and partners) as strategic allies in building a sustainable world.

Talgo's human capital is critical in achieving organizational success, and to this end, the focus is mainly on quality employment, safety, health, diversity, equality and talent development.

Within the framework of active recruitment policies, Talgo is clearly committed to diversity, the promotion of talent and employment stability as a means of enriching the culture, improving the employees' productivity and as an essential mechanism for maximising motivation and satisfaction.

Responsible value chain and sustainable procurement

Talgo understands the need to work to improve the visibility, vulnerability and resilience of the value chains (especially supply chains) in which it participates, helping to minimise the risks that arise therefrom in terms of labor, human rights, environment (mainly in the fight against climate change) and ethics (especially corruption and bribery).

Its role is to collaborate in building and promoting the responsibility to do good sustainable business in our sphere of influence and sector, to strive to cement relationships of trust with stakeholders, and to collaborate in creating sustainable, ethical and responsible economic, environmental and social ecosystems.

Accordingly, we work on sustainability in the five stages of the production process (inbound logistics, operations, marketing, sales and outbound logistics) to provide value to the product and support the control and improvement of environmental, social, ethical and governance factors, mainly for suppliers.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

A good, established reputation that makes the difference

Since its incorporation, Talgo has capitalised on and maintained an outstanding reputation as an active, innovative, international, technologically differentiated and sustainable player in the global railway sector, providing benchmark mobility solutions in a highly competitive environment.

In a global economic context where investment decisions are increasingly backed by the intangibles and reputation of organisations, Talgo stands out with a proven track-record of success, underpinned by deep-rooted values of business ethics, quality, product safety and social responsibility.

1.4 Corporate Governance

Governing bodies

The functioning of the company's highest governing bodies is detailed in the General Shareholder Meeting Regulations and the Board of Directors Regulations, available on the Talgo website.

General Shareholder Meeting

In accordance with the Articles of Association, it is the sovereign body of the company and has the power to decide on all matters vested in it by law or the Articles of Association.

In relation to the 2023 financial year, the Ordinary General Shareholder Meeting was held in person and electronically on 27 June 2024 on first call, in accordance with the regulations in force at the time of the meeting.

Board of Directors

It performs its duties with unity of purpose and independence of judgement, affording the same treatment to all shareholders who find themselves in the same position. It should also be guided by the corporate interest, understood as the achievement of a profitable and sustainable business over the long-term in a way that fosters continuity, sustainable development and the maximisation of the Company's economic value.

During the 2024 financial year, the Board of Directors was composed of 10 members who met 16 times.

Delegated committees

- *Audit committee (2024: 7 meetings)*

Made up of two directors: two independent directors (including the chairman) and one proprietary director. The committee is responsible for supervising the internal audit function and ensuring the proper functioning of the reporting and internal control systems. It oversees the process of preparation, presentation and integrity of the financial information and ensuring that the accounts presented to the General Meeting of Shareholders are free of limitations and qualifications in the audit report.

- *Appointments and Remunerations Committee (2024: 5 meetings)*

Made up of three members, two of whom are independent directors (including the Chairman) and one proprietary director. The committee is responsible for preparing proposals in relation to the remuneration policy applicable to Company directors and board members.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- *Strategy and Sustainability Committee (2024: 2 meetings)*

Made up of five members, of whom two are executive, two are independent (including the chairman) and one is a proprietary member. By delegation of the Board of Directors, it is primarily responsible for defining, implementing, monitoring and evaluating the fulfilment of the Talgo Group's strategies and for the integrating and consolidating corporate sustainability within the business.

Members of the Board of Directors

The table shows the directors, their positions and the committees they participate in:

Table 2: Directors, their positions and committees they participate in for the 2024 financial year

Director Name	Category	Position	Committees
Mr. Carlos de Palacio y Oriol	Executive	Chairman	-
Mr. Gonzalo Urquijo Fernández de Araoz	Executive	CEO	SSC
Mr. José María de Oriol Fabra	Other External	Vice-Chair	SSC
Mr. Emilio Novela Berlín	Independent	Coordinating Director	AC
Ms. Marisa Poncela García	Independent	Director	SSC, AC
Mr. Antonio Oporto del Olmo	Independent	Director	SSC, ARC
Mr. John Charles Pope	Independent	Director	ARC
Mr. Javier Bañón Treviño	Proprietary	Director	ARC
Mr. Javier Olascoaga	Proprietary	Director	SSC, AC
Mr. Pedro del Corro García-Lomas	Proprietary	Director	-

Legend: SSC, Strategy and Sustainability Committee; AC, Audit Committee; ARC, Appointments and Remuneration Committee.

Table 3: Number of directors by position, category and gender for the 2024 financial year

Metrics	2024	%
Total directors	10	100%
Executive and non-executive directors		
Number of Executive Directors	2	20%
Number of Non-Executive Directors	8	80%
Independent and non-independent directors		
Number of Independent Directors	4	40%
Number of Proprietary Directors and others	6	60%
Directors by gender		
Number of Directors (men)	9	90%
Number of Directors (women)	1	10%

The Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, available on the Talgo website and in the Talgo S.A. section of the Spanish Securities and Exchange Commission (CNMV) website, provide more details on the 2024 financial year.

Integration of sustainability into decision-making and internal control procedures

The company has integrated sustainability management, leadership and governance into senior management committees and meetings, through the Strategy and Sustainability Committee and the Steering Committee. This approach ensures that sustainability risks and opportunities are given the same importance as other business risks and opportunities, promoting a comprehensive vision in corporate decision-making.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Compliance unit

With regard to ethics oversight, the Compliance Unit is authorised to ensure and enforce the Code of Ethics and any other Corporate Governance standard approved by the Talgo Group, including the Securities Market Code of Conduct. It also promotes ethical business behaviour.

It is a collegial body that will have the material and human resources necessary to perform its functions. It is permanent and is linked to the Board of Directors, which reserves the oversight function of the Compliance Body, requiring as many reports or data as necessary. In turn, the Compliance Body also has the power to oversee the adoption and execution of agreements adopted by the Board of Directors and its committees.

The Compliance Unit is comprised of:

- Human Resources Manager
- Talgo Legal Counsel
- Internal Audit Manager

Internal audit

Managed through the Internal Audit Department and governed by the Audit Committee, internal auditing guarantees internal control and assurance in the fulfilment of the responsibilities of the different Talgo units and is authorised to communicate critical concerns to the highest governing body.

Talgo conducts systematic and continuous internal audits in accordance with the audit plan. Significant deviations are fully resolved and the proposed recommendations are always implemented.

The management methodology is based on the risk management system, COSO internal control and the recommendations of the Institute of Internal Auditors (IIA).

The types of audits conducted are:

- External or legal audits
- Internal audits
- Operational audits
- Audits of IT systems and cybersecurity
- Public or governmental audits
- Management system audits
- Business continuity audits
- Other special audits

Mechanisms for ensuring good business conduct

Talgo has mechanisms to strengthen the prevention, detection and resolution of business conduct issues, namely:

- Fostering a culture of ethics, raising awareness among interest groups, especially employees and suppliers.
- Allocating resources to the detection, investigation and resolution of potential conflicts, through the Compliance Unit and Internal Audit.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Establishing a channel that allows all possible cases to be reported, making the Talgo Whistleblowing Line available to everyone.

Whistleblowing Line

The Talgo Whistleblowing Line makes it possible to detect possible illegal behaviour or behaviour contrary to the code of conduct.

Anyone who reasonably suspects a violation of the regulations or the Code of Ethics, must immediately report their concern through the confidential Whistleblowing Line (<https://lineaetica-talgo.i2-ethics.com/#/>) that Talgo makes available to all interest groups, through the Talgo website (<https://www.talgo.com/en/>) and the corporate intranet (Talgo4People).

The Talgo group must also ensure the proper management of the complaint and the protection of the informant against possible retaliation. The Talgo Group does not currently have specific policies or practices for the protection of whistleblowers, but it does meet all the requirements of Law 2/2023, of February 20, regulating the protection of individuals who report regulatory violations and the fight against corruption, which transposes Directive (EU) 2019/1937 (the Whistleblowing Directive).

To provide the process with greater independence and confidentiality, the management of the Whistleblowing Line is outsourced to the company "i2Ethics".

Therefore, the Whistleblowing Line has the following characteristics and properties:

- Compliance with all requirements of Law 2/2023 regulating the protection of persons who report regulatory violations and on anti-corruption.
- Application of due diligence.
- Scope includes all stakeholders, whether internal or external.
- Confidentiality or disclosure of the identity of the whistleblower, if permitted by the whistleblower.
- Processing of data on the basis of the consent given by ticking the box provided for this purpose.
- Exercise of rights of access, rectification, portability and erasure.

The internal body responsible for secure, reliable and appropriate management is the Compliance Unit, with the collaboration, especially for the confidentiality of the process, of i2Ethics (an outsourced company) and the participation of the organisational units involved in the required forensic analysis.

Table 4: Communications received through the Whistleblowing Line

Metric	2024	2023
Total number of communications received through the Whistleblowing Line	4	4
Corruption or Bribery	-	2
Discrimination, harassment or any other employment issue	3	-
Environment	-	-
Securities market and insider trading	-	-
Anti-competitive practices or conflicts of interest	-	-
Data protection, information security and confidential information	-	1
Safety, health and well-being	-	-
Other	1	1

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Metric	2024	2023
Total number of ongoing communications received	1	2
Total number of resolved communications	3	2
Total number of communications resolved with remediation and/or redress actions	3	1

1.5 Materiality analysis

Talgo has designed and established a structured methodology for carrying out the Double Materiality Assessment (DMA), based on the EFRAG guide, *EFRAG IG 1: Materiality assessment implementation guidance*, with the objective of rigorously identifying and evaluating material aspects from financial and impact perspectives.

This methodological process has been developed to ensure its alignment with domestic policies and with the best international practices in the field.

A comprehensive analysis of the Talgo context has been carried out, with the objective of understanding, from an overall perspective, its activities, business relationships, sustainability context and stakeholders involved.

Based on the requirements established in the European Sustainably Reporting Standard (ESRS) 1, all available relevant information has been considered to obtain a full understanding of the organization. This includes, among other things:

- The company's financial statements.
- A detailed description of the activities and services undertaken.
- Business relationships across the value chain, both upstream and downstream, together with the nature of those relationships.

These investigations have allowed us to obtain an in-depth and documented knowledge of Talgo's activities and business links. To ensure a broad and rigorous perspective, the regulatory environment and the legal framework applicable to the sector have also been taken into consideration.

Finally, Talgo's commitment and interaction with its stakeholders has been evaluated, identifying the groups affected by its activities and documenting existing relationships with each actor. This approach ensures full integration of stakeholder perspectives in the analysis of the impact and sustainability of the company.

Analysis of AR 16 and identification of Themes/Subthemes/Non-material Sub-subthemes

Once Talgo understood the context of the company in the current scenario, the AR16 table for ESRS 1 was analyzed: "Sustainability matters to be included in the materiality assessment".

The table above presents a list of sustainability issues included in the ESRS themes. As a step prior to identifying impacts, risks and opportunities, a comprehensive analysis of the themes suggested in table AR 16 has been carried out. This analysis has made it possible to rule out theme that, due to their nature or the specific characteristics of Talgo's activities and its value chain, are not applicable.

Based on this analysis, the following have been ruled out:

- **Pollution.** Pollution of living organisms and food resources. Microplastics.

2024 NON-FINANCIAL INFORMATION STATEMENT

- **Water and marine resources.** Marine resources: Water discharges in the oceans and Extraction and use of marine resources.
- **Biodiversity and ecosystems.** Direct impact drivers of biodiversity loss. Impacts on the state of species. Impacts on the extent and condition of ecosystems. Impacts and dependencies on ecosystem services.
- **Affected communities.** All except for security-related impacts.
- **Consumers and end-users.** Freedom of expression. Security of a person. Protection of children. Non-discrimination. Responsible marketing practices.
- **Business conduct.** Animal welfare.

For each Theme/Subtheme/Sub-Subtheme ruled out, we have provided an explanation as to why we believe that this is not material for analysis and is excluded from the identification of impacts, risks and opportunities.

For all other Themes/Subthemes/Sub-Subthemes that have not been ruled out, a process of identifying impacts, risks and opportunities has been started (see the subsequent sub-heading of “Assessment of Impacts, Risks and Opportunities (External Interest Groups)”).

Furthermore, it has been deemed that, for the activities carried out by Talgo and its value chain, all issues that may apply to their sustainability impacts, risks and opportunities are covered by table AR 16, and there is no need to identify any additional “entity specific” theme (specific themes defined ad hoc for the company, not suggested by the ESRS themes).

Process for determining, evaluating, prioritising and controlling impacts, risks and opportunities:

After defining the potentially material issues based on AR 16 table, the impacts, risks and opportunities for the company or its value chain have been identified for the above-mentioned potentially material issues. Talgo has used the following definition of impacts, risks and opportunities, as established by the ESRS:

- **Impact:** An impact is an action taken by the Company that generates a positive or negative effect on people, the environment or the company's governance. It can be generated by the company itself or its upstream and downstream value chain. These can be positive or negative, real or potential and in the short, medium or long term.
- **Risks and opportunities (with impact on financial statements):** Environmental, social or governance issues that create a risk or opportunity for the Company, impacting it financially (to its cash flows, access to finance, reputation, sales volume, etc.). These can be real or potential and in the short, medium or long term.

According to the methodology applied by Talgo, the following attributes have been identified for each impact:

- Positive or negative.
- Real or potential.
- Value chain: upstream, downstream or own activities.
- Time horizon:
 - Short term: one year (period that the Sustainability Report covers).
 - Medium term: from the end of the reporting year to 5 years later.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Long term: More than five years.

For potential negative impacts, whether they negatively affect human rights has been established.

For each risk and opportunity, the following attributes have also been identified:

- Real or potential.
- Value chain: upstream, downstream or own activities.
- Time horizon:
 - Short term: one year (period that the Sustainability Report covers).
 - Medium term: from the end of the reporting year to 5 years later.
 - Long term: More than five years.

To identify potential impacts, risks and opportunities (IRO), the company has used a variety of sectoral reference sources, including frameworks such as SASB and GRI. Additionally, a sectoral comparative analysis (benchmarking) has been taken into account, considering the material aspects highlighted by the competitors. This approach ensures that the IROs identified are aligned with industry best practices and reflect the sector's strategic priorities.

In addition, when identifying environmental IROs, Talgo has considered the physical risk analysis it has carried out based on current climate models and their future projection studied by the Intergovernmental Panel on Climate Change (see section 2.2 of this report).

Furthermore, to ensure a complete IRO identification process, Talgo has verified if the identified impacts have an associated risk or opportunity and vice versa, i.e., it has confirmed the coherence between the impacts and the risks and opportunities identified.

The IROs are prioritised after the evaluation, explained in the next section.

Impact, Risk and Opportunity Assessment (internal stakeholders)

After identifying all the IROs applicable to the company, they were evaluated. To carry out the IRO evaluation, impact materiality (assessment of the relative importance of the identified impacts) and financial materiality (assessment of the relative importance of the identified risks and opportunities) have been considered separately.

To evaluate each IRO, firstly the company's internal stakeholders have been involved: the human resources, environmental, economic-financial, purchasing and commercial department managers, among others, as well as the corporate sustainability department. The Steering Committee has been informed of the internal evaluations obtained and has been responsible for their validation and final approval.

Impact materiality

To evaluate the impact materiality, the evaluators have been scored using each of the following parameters, based on an established scale of 1 to 5 (level 1 being "very low", 2 "low", 3 "medium", 4 "high" and 5 "very high"):

- Magnitude: Level of importance attached by internal stakeholders to each impact.
- Scope: Extent of the impact, i.e., how many people it affects.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Remediability (for negative impacts only): This represents the ease or possibility for negative impacts to be mitigated by a specific action.
- Probability (for potential impacts only): This represents the probability of the impact taking place. To standardise the scores, “real” impacts are automatically assigned the highest score of 5 for probability.

All IROs have been evaluated by at least two evaluators and, subsequently, the evaluation has been comprehensively reviewed to ensure the consistency of the results.

To obtain the materiality associated with each impact, the following formulas have been applied, depending on whether the impact is positive, negative, real or potential:

Impact		Evaluation metrics
Positive impact		Probability x Max (Magnitude; Scope; Remediability)
Negative impact	Human rights impact	Probability x Max (Magnitude; Scope; Remediability) x Human rights corrective factor
	No human rights impact	Probability x Max (Magnitude; Scope; Remediability)

Real impacts are given a probability of 5.

As a result, each evaluator has assigned a score for each impact. To obtain an aggregated assessment for each impact, the average evaluation of the different evaluators has been calculated.

Financial materiality

To evaluate financial materiality, internal evaluators have given a score based on the following parameters:

- Financial magnitude: Magnitude of the potential financial effect, i.e., how significant the financial effect would be if the risk or opportunity materialized.
- Probability: This represents the probability of the impact taking place.

The definition of financial magnitude has been evaluated on a scale of 1 to 5 (with level 1 being “very low”, 2 “low”, 3 “medium”, 4 “high” and 5 “very high”).

To facilitate evaluation of the financial scale and to ensure consistency in the application of the criteria between the different evaluators, quantitative and qualitative thresholds have been established (quantitative for evaluating the effect of risks and opportunities on the company's results and qualitative for strategic, reputational and compliance issues, although these issues also ultimately have a direct impact on the company's results).

The probability has also been defined using a scale of 1 to 5 (with level 1 being “very low”, 2 “low”, 3 “medium”, 4 “high” and 5 “very high”):

To obtain the financial materiality associated with each risk and opportunity, the following formula has been applied:

Risk or opportunity	Evaluation metrics
Risk	Probability x Financial magnitude
Opportunity	Probability x Financial magnitude

2024 NON-FINANCIAL INFORMATION STATEMENT

As was the case for impacts, for the real risks and opportunities evaluated, the maximum probability (5) is automatically assigned to standardise the score.

As a result, each evaluator has assigned a score for each risk and opportunity. To obtain an aggregated assessment of each risk and opportunity, the average score of the different evaluators has been calculated.

Impact, Risk and Opportunity Assessment (external stakeholders)

After obtaining the evaluation of the IROs by the Group's internal stakeholders, Talgo has compared the result of the evaluation obtained with external stakeholders (shareholders and investors, customers and users, individuals and collaborators, suppliers including commercial agents, regulatory bodies, social agents, environment, opinion makers, sectors/markets and partners).

To include the evaluations of external stakeholders, questionnaires have been sent and telephone surveys have been conducted to obtain their opinion in relation to the identified themes, subthemes and sub-subthemes. In general, stakeholders have also considered material the theme, subthemes and sub-subthemes obtained by the internal assessment exercise carried out by Talgo.

Once the external and internal evaluations are completed, the evaluations of the themes, subthemes and sub-subthemes are consolidated in a matrix, represented in a graph. This makes it possible to visually observe the most important issues and their magnitude in the areas of financial materiality and impact materiality. This graphic representation allows the information user to identify the issues that are most important in comparison to each other. Themes, subthemes or sub-subthemes with an evaluation of at least one IRO greater than 13 are listed as materials and are given priority over the rest.



2024 NON-FINANCIAL INFORMATION STATEMENT

Standard	Code	Description
ESRS E1	ST1	Climate change adaptation
	ST2	Climate change mitigation
	ST3	Energy
ESRS E2	ST4	Pollution of air
	ST5	Pollution of water
	ST6	Pollution of soil
	ST8	Substances of concern
	ST9	Substances of very high concern
ESRS E3	ST11	Water
ESRS E5	ST17	Resource inflows, including resource use
	ST18	Resource outflows related to products and services
	ST19	Waste
ESRS S1	ST20	Working conditions
	ST21	Equal treatment and opportunities for all
	ST22	Other work-related rights
ESRS S2	ST23	Working conditions
	ST24	Equal treatment and opportunities for all
	ST25	Other work-related rights
ESRS S3	ST26	Communities' economic, social and cultural rights
ESRS S4	ST29	Information-related impacts for consumers and/or end-users
	ST30	Personal safety of consumers and/or end-users
	ST31	Social inclusion of consumers and/or end-users
ESRS G1	ST32	Corporate culture
	ST33	Protection of whistle-blowers
	ST35	Political engagement and lobbying activities
	ST36	Management of relationships with suppliers including payment practices
	ST37	Corruption and bribery

Integration of sustainability risks, impacts and opportunities into the overall management of corporate risks and opportunities

The company has carried out a project to identify and evaluate risks and opportunities related to sustainability, recognizing their relevance for comprehensive business management. The most granular risks and opportunities, under the CSRD and ESRS regulations, have been identified and evaluated through the dual materiality process described above and, during the 2025 financial year, there are plans to integrate material IROs into the corporate risk and opportunity management system. The company's ultimate goal is to incorporate the ESG risks identified in the Double Materiality Assessment within the corporate risk management system, so that environmental and social aspects are addressed together with other business risks. Reviews will also be implemented on the evolution of ESG risks and opportunities (environmental, social and corporate governance factors) that may impact the income statement and generate additional costs or loss of competitiveness.

This commitment reinforces the priority that the organization assigns to sustainability, ensuring that sustainability risks and opportunities are managed with the same rigor as strategic, operational, reporting or compliance risks, and promoting their full integration into corporate decision-making.

2 INFORMATION ON ENVIRONMENTAL ISSUES

2.1 Policies

Talgo has an Environmental Policy that details the four themes making up the organisation's environmental management, which are based on:

- The transition to a carbon-neutral economy.
- Design of products that favour the development of a circular and sustainable economy model.
- Minimising environmental impact through sustainable operations and processes.
- The transparency of information about the company's environmental performance with different stakeholders.

The policy also details the actions aimed at achieving the objectives encompassing each of the themes mentioned above. These actions are based on a commitment to avoid or minimize the environmental impacts produced, to integrate the principle of pollution prevention and risk management, to promote the introduction of criteria that favour the reuse and recycling of Talgo products and, in all cases, to ensure compliance with environmental legislation. The policy guarantees the continuous improvement of Talgo's environmental performance through the definition and monitoring of environmental objectives, and promotes the dissemination of good environmental practices for all employees, as well as the dissemination of environmental requirements to the supply chain. Another important factor in the policy concerns the implementation of mechanisms for the prevention, mitigation, detection and repair of environmental damage, as well as the handling of serious breaches.

2.2 Main risks

When identifying risks and opportunities, the different environmental aspects linked to Talgo's activity are considered from a life cycle perspective, i.e., considering the value chain. Accordingly, we consider potential positive or negative impacts that our activity may have on the climate, as well as the risks and opportunities that may result from changes in weather patterns on the sector and, in particular, on Talgo. In identifying risks and opportunities, legal or regulatory requirements, customer requirements, and the needs and expectations of stakeholders have also been taken into consideration.

The assessment of climate risks and opportunities is carried out in accordance with the methodology established in the company's management system, considering the expected probability and impact for each risk identified. The degree of exposure and vulnerability determined by the climate scenarios considered determines the probability of the risk.

The evaluation differentiates between physical risks, transition risks and opportunities.

The physical risk assessment has been carried out based on current climate models and their future projection studied by the Intergovernmental Panel on Climate Change (IPCC) in its latest report (AR6). Through this report, different projections or representative concentration pathways (RCP) of greenhouse gases are described. Talgo sets its risk assessment based on the report's optimistic (RCP2.6) and conservative (RCP8.5) models, which place global temperature increases at 2°C and 4-5°C respectively compared to pre-industrial values.

Physical risks are categorised as chronic or acute depending on their impact and duration.

Based on the classification of physical risks included in Regulation (EU) 2021/2139 and Regulation (EU) 2023/2486 within the framework of the European Taxonomy for Sustainable Activities and, taking into account the countries where Talgo operates, and

2024 NON-FINANCIAL INFORMATION STATEMENT

the regions in which products manufactured by the organisation operate, acute physical risks, the onset of heat waves and periods of drought have been identified. As chronic physical risks, the variation in temperatures and more frequent occurrence of extreme temperatures have been identified.

Transition risks and main opportunities are related to the trend towards a circular economy model and the development of decarbonized technology, given the activity carried out by Talgo, investing in a low carbon product and as an engine towards sustainable mobility at a global level. Another opportunity is, after the integration of sustainability into the organization's strategy, the possibility of applying for grants and raising interest in new 100% sustainable investment funds.

As mentioned in point 1.5 on the company materiality analysis, the circular economy is one of the relevant topics based on Talgo's activity, for all applicable sub-themes: resource inflow, resource outflow and waste. The main risks and opportunities related to this analysis are linked to the placing on the market of trains with high levels of recyclability and recoverability, the promotion of the acquisition of materials with high circularity indices and, at the process level, the search for alternatives to improve valuation rates compared to the disposal of hazardous and non-hazardous waste generated in different workplaces. Point 2.5 of this document provides further details concerning the circular economy and waste.

2.3 General

2.3.1 Environmental assessment or certification procedures and application of the precautionary principle

In general terms, Talgo has a Strategic Environmental Plan that addresses the main current and future effects on the environment resulting from the organization's activity. The Strategic Plan divides its content into four themes:

1. Products that drive the development of the circular economy and eco-design.
2. Minimising impacts and improving environmental sustainability.
3. Development of a transparent and consolidated environmental management system based on ISO 14001 and other international standards.
4. Combating climate change.

Regarding the company's third theme of environmental management, Talgo has been certified for this system since 2003 in accordance with the UNE-EN ISO 14001 standard, showing its commitment to caring for the environment from a life cycle perspective for all activities carried out by the organization (design, manufacture and maintenance of trains) in Spain.

The ISO 14001 certification involves the implementation of a series of methodologies and procedures with the aim of preventing and mitigating Talgo's impact on the environment. Through the management system, environmental aspects and their impacts are identified and evaluated for each Talgo centre, taking into account the characteristics of the environment, and then the preventive and corrective measures necessary to minimise the impacts on air, soil and water quality caused by Talgo's activity are determined, thus minimising their impact on the environment and human health.

Talgo's main procedures in this area are:

- Procedure for environmental operational control
- Procedure for the identification and assessment of environmental issues
- Non-compliance procedure and corrective actions
- Procedure for the control and management of waste in each centre
- Procedures for loading, unloading and transporting dangerous goods

2024 NON-FINANCIAL INFORMATION STATEMENT

- Procedure for the approval of chemical products
- Environmental design procedure
- Procedure for train recyclability and recoverability studies
- Procedure for carrying out life cycle analyses

2.3.2 Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety

As described in previous sections, Talgo has also developed a methodology for evaluating the impacts, risks and opportunities of its activity, where impacts have been identified that have been material for the environment and human health. The potential negative material impacts are related to climate change, due to the possible increase in atmospheric emissions and energy use during the train manufacturing phase, and to the circular economy, due to the possible decrease in the availability of natural resources caused by the use of raw materials and the possible increase in waste generation.

The following positive impacts on the environment and human health have been identified as material: climate change mitigation thanks both to the placing on the market of lighter, more energy efficient trains, and the development of trains with alternative fuels. The promotion of the circular economy with the placing on the market of trains with theoretical values of recyclability and recoverability greater than 90% has also been identified as materially positive.

2.3.3 Resources dedicated to the prevention of environmental risks

Talgo has an environmental emergency plan with the aim of minimising possible adverse effects resulting from operations in each work centre.

The organisation also activates and develops a series of specific actions promoting the principle of prevention and protection of the environment against possible risks:

- ✓ Management of hazardous and non-hazardous waste through authorised managing bodies.
- ✓ Compliance, monitoring and updating of applicable environmental legal requirements by activity and location.
- ✓ Management and treatment of wastewater using treatment plants in those centres that require it.
- ✓ Analysis and compliance with water discharge parameters, as well as applicable atmospheric emissions by geographical area.
- ✓ Promoting improvements in production processes to prevent pollution and the negative environmental impact of these processes.
- ✓ Development of training and awareness campaigns for the agents involved and with an impact on the company's environmental performance.

2.3.4 Provisions and guarantees for environmental risks

Regarding Talgo's environmental liability and, to ensure compliance with the requirements of Law 26/2007, of 23 October, the organization has environmental liability insurance, which demonstrates the implementation of measures for the prevention, prevention and repair of environmental damage and the coverage of its costs, whatever their amount, when they occur under the company's responsibility. 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, there is a civil liability insurance for environmental damage.

The following are the main indicators related to the company's global environmental management.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 5: Company environmental management indicators

Environmental management: strategy, deployment and system			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
Fulfilment of the annual environmental programme	77%	50%	54%
No. of environmental projects implemented	1	5	-80%
Environmental investments and expenses	€437,302.00	€1,430,630.32	-69%
Scope of the environmental management system (% of persons)	87%	87%	0%
Rate of implemented corrective and preventive actions	-	4	-100%
Environmental accident rate	-	-	-
Costs arising from the management of expired products	€285,653.85	€222,718.74	28%
Deviations in internal and external audits closed after the deadline	-	-	-
Environmental compliance			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
Environmental fines for non-compliance or other reasons	-	-	-
Environmental sanctions, proceedings and arbitration	-	-	-

2.4 Pollution

2.4.1 Measures to prevent, reduce or remedy carbon emissions that seriously affect the environment taking into account any form of activity-specific air pollution, including noise and light pollution.

The measures proposed for the control and reduction of carbon emissions are described in detail in the section on climate change (see sections 2.3.1 and 2.3.3)

The principle of pollution prevention is another key part of Talgo's environmental management system. To ensure compliance for air pollution, measurements are carried out for the main sources of pollution related to the development of the company's production processes, such as painting activities. In all cases, the results obtained are favourable and within the limits established under current regulations.

Regarding noise pollution, Talgo guarantees compliance with the applicable limit values, with each centre having an environmental noise level test report in line with the regulations.

Light pollution is not applicable to Talgo due to the company's activities.

2.5 Circular Economy and waste prevention and management

2.5.1 Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste

The main way to promote sustainable and circular development in line with environmental sustainability is based on designing and manufacturing products in a more responsible way using the following levers:

- Improving the eco-design of products and services, strengthening the life cycle of products and services and building a circular economy model.
- Minimising raw materials and natural resources, and improving energy efficiency.
- The replacement of existing materials with lighter ones with a higher rate of

2024 NON-FINANCIAL INFORMATION STATEMENT

recyclability or recoverability.

- Reduction of the amount of waste produced, especially waste that will ultimately be disposed.

The implementation of the circular economy involves developing products that can be reused at the end of their life cycle, or at least recycled at the end of their life cycle. The manufacture of trains, based on eco-design, involves the use of materials with high recyclability and recoverability values. This guideline is essential for driving the circular economy in the organisation, the first theme of Talgo's Strategic Plan.

The activities carried out in the organisation related to the circular economy include the following noteworthy examples:

- Performing the Life Cycle Analysis on trains for projects F073, F081, F070 based on international standards ISO14040 and ISO14044, allows us to establish the environmental impacts associated with the train at the different stages of its life cycle and, subsequently, to determine measures to reduce these impacts, in addition to identifying opportunities to improve the environmental aspects of the train aimed at achieving higher levels of resource efficiency, higher rates of use of secondary raw materials, waste management optimisation, etc.
- Calculation of the recyclability and recoverability values for trains. This calculation is performed once the project design process has been completed and during their manufacture.

Table 6: Recyclability and recoverability values for each project

Project	Recyclability rate	Recoverability rate
F073	94.19%	97.53%
F081	93.98%	97.74%
F070	93.80%	96.90%

To do this calculation, the methodology proposed by UNIFE (Recyclability and Recoverability Calculation Method for Rolling Stock) based on the ISO 22628 standard was followed, using primary data associated with the weight of the train materials and applying a recyclability/recoverability and disposal factor depending on the type of material.

Another important aspect of the circular economy is streamlining the management of waste from train manufacturing and maintenance processes. Talgo contributes to circularity by recycling and valuing hazardous and non-hazardous waste associated with its activity. For example: hazardous waste such as absorbents, adhesives, paints that were previously intended for disposal.

The Talgo Strategic Plan road map sets out a progressive reduction in the amount of waste destined for landfill or incineration, until Zero Waste certification is achieved in a short period of time.

Waste management is always carried out in accordance with current legislation by an authorised waste manager, thus ensuring the best possible treatment for the waste from an environmental perspective.

The main metrics for the evaluation and results on the circular economy are detailed below.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 7: Indicators associated with waste management

Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Waste generated** (t)	3,003.52	2,570.28	17%
Hazardous waste generated** (t)	247.44	177.69	39%
Hazardous waste for recycling ***(t)	57.03	75.40	-24%
Hazardous Waste for Reuse ***(t)	77.07	27.33	>100%
Hazardous waste for other recovery operations *** (t)	-	1.45	-100%
Hazardous waste for disposal *** (t)	71.35	36.67	95%
Hazardous waste for landfill *** (t)	41.50	17.32	>100%
Hazardous waste for other disposal operations *** (t)	29.85	19.36	54%
Hazardous waste for incineration *** (t)	23.65	25.04	-6%
Hazardous waste for incineration with energy recovery *** (t)	23.65	25.04	-6%
Hazardous waste for incineration with no energy recovery *** (t)	-	-	0%
Non-hazardous waste generated** (t)	2,756.08	2,392.60	15%
Non-hazardous waste for recycling *** (t)	1,929.99	1,783.26	8%
Non-hazardous waste for reuse *** (t)	-	-	0%
Non-hazardous waste for other recovery operations *** (t)	-	7.85	-100%
Non-hazardous waste for disposal *** (t)	417.64	274.47	52%
Non-hazardous waste for landfill *** (t)	310.91	274.47	13%
Non-hazardous disposal for other disposal operations *** (t)	106.73	-	100%
Non-hazardous waste for incineration *** (t)	-	-	0%
Non-hazardous waste for incineration with energy recovery *** (t)	-	-	0%
Non-hazardous waste for incineration without energy recovery *** (t)	-	-	0%
Increase in the amount of waste generated due to the type of activity carried out during 2024 (increase in painting activity and refurbishment projects at the manufacturing sites).			
* Data are reported for waste from the centres where Talgo is the owner and responsible, as well as from those customer centres where there is no contractual agreement that exempts Talgo from the responsibility for managing waste resulting from its activity.			
** The reported data includes the estimate for the Talgo centre in Saudi Arabia because actual management data is not available.			
*** Waste treatment is reported only for centres located in Spain.			

Table 8: Other waste management indicators

Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Waste where disposal has been avoided (t)	2,087.74	1,920.32	9%
Non-recycled waste (t)	589.71	372.80	58%
% Non-recycled waste	22.89%	16.71	37%
* Data are reported for waste from the centres where Talgo is the owner and responsible, as well as from those customer centres where there is no contractual agreement that exempts Talgo from the responsibility for managing waste resulting from its activity.			

2.6 Sustainable use of resources

2.6.1 Measures taken to improve the efficiency of using raw materials

As mentioned above, one of the themes of Talgo's Strategic Environmental Plan is the development of products that promote the circular economy. In line with this theme, a series of actions are proposed to maximise the useful life of available resources and minimise the use of resources, especially non-renewable ones, used in the Talgo production process (water, fuels or materials).

Based on the Talgo ecodesign, the minimisation of the use of raw materials prevails by optimizing the weight of the parts, the use of recycled materials compared to natural materials, and the reuse of parts where alternatives for use are being sought. This allows Talgo to strengthen the life cycle of its products and services, building a circular economy model.

2024 NON-FINANCIAL INFORMATION STATEMENT

2.6.2 Measures taken to improve energy efficiency and renewable energy use

Regarding the improvement of energy efficiency in the company's facilities and products, the following measures have been implemented:

- Installation and operation of solar panels for electricity generation, promoting self-consumption in the Talgo de Las Matas II and Rivabellosa factories.
- Study of new low-emission technologies for the replacement of fossil fuels in conventional and currently operating trains with energy using fuel cells or hydrogen.

The main metrics for the evaluation and results on resource use are detailed below.

2.6.3 Consumption of water, raw materials and direct and indirect energy consumption

Table 9: Company resource usage indicators

Use of resources and the circular economy			
1.- Consumption of materials and other products (Table 9.1)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Paper (t)	10.45	9.68	8%
Water (m3) (*)	15,379.16	15,235.66	1%
Solvents and paints (t)	63.47	38.38	65%
*Water extraction data for the months of November and December 2024 are estimated because the invoices are not available. The estimate is based on the average of the previous months. The data will be updated in the next report.			
2.- Energy (Table 9.2)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
Fuels: Natural gas boilers (kWh) (**)	8,526,450.56	6,992,756.05	22%
Fuels: automotive - diesel and gasoline (m3)	16.08	13.28	21%
Fuels: machinery - diesel (m3)	46.72	13.89	>100%
Fuels: boiler oil (m3)	2.12	2.04	4%
Total electricity consumed (kWh)	11,132,194.98	11,028,343.88	1%
Electricity purchased from the grid (kWh)	9,517,696.22	10,918,896.13	-13%
Total self-consumed energy - electricity (kWh)	1,614,498.76	109,447.75	>100%
Total electricity from renewable sources (kWh)	10,018,953.69	9,864,347.75	2%
Renewable energy production (kWh)	1,614,498.76	109,447.75	>100%
* All the locations where Talgo carries out an activity are included, either in its own or rented centre, excluding the offices where less than 10 people work and therefore consumption is not significant from an environmental standpoint.			
** Natural gas consumption data shown based on GCV.			

Table 10: Other company resource usage indicators

2.- Energy			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo*	Consolidated Talgo*	Consolidated Talgo*
Total energy consumed (kWh)	20,374,118.75	18,320,535.68	11%
Total energy from fossil sources (kWh)	7,770,851.10	6,966,791.40	12%
Total energy from fossil sources (%)	43.68%	41.39%	6%
Total energy from renewable sources (kWh)	10,018,953.69	9,864,347.75	2%
Total energy from renewable sources (%)	56.32%	58.61%	-4%
Energy intensity (kWh/employee)	34,045.67	21,842.81	56%
Increase in total energy consumed mainly due to improved thermal comfort conditions at the Milwaukee facility and increased fuel consumption caused by increased painting activity.			
* All the locations where Talgo carries out an activity are included, either in its own or rented centre, excluding the offices where less than 10 people work and therefore consumption is not significant from an environmental standpoint.			

2024 NON-FINANCIAL INFORMATION STATEMENT

2.7. Climate change

Talgo plays a fundamental role in the development of sustainable mobility nationally and internationally thanks to its product, participating substantially in the climate change mitigation by decarbonising the sector through the manufacture and sale of 100% electric and highly efficient trains.

However, during the development of the activity, a series of greenhouse gases are generated that must be monitored and reduced as much as possible. Accordingly, Talgo annually calculates its emissions using the operational control approach, i.e., taking into account the operations, processes and activities that Talgo has control over.

Carbon footprint calculations have been developed according to the calculation methodology of the IPCC (International Panel on Climate Change) and according to the GHG Protocol guidelines. The emission factors necessary for the conversion of GHG emissions come from internationally recognised sources such as DEFRA, IPCC or MITERD.

The calculation of Talgo's carbon footprint is divided into:

- Scope 1: direct emissions, including fuel consumption (mainly natural gas and diesel/gasoline) from fixed sources (boilers, test equipment) or mobile sources (fleet of vehicles and auxiliary machinery) together with fugitive emissions, if any, from air conditioning equipment.
- Scope 2: indirect emissions related to the purchase and consumption of electrical energy by the organisation.
- Scope 3: indirect emissions. The categories considered to be most significant for Talgo's activity and included in this scope are: the manufacture and transport of materials purchased by the organisation, the management of waste generated in operations, employee travel to work centres and employee travel for business trips. Therefore, the other 3 scope categories are excluded from the report according to the GHG Protocol, as they have a lower degree of significance. 90% of the volume of emissions included in this scope is calculated based on primary data.

It should be noted that the Talgo Group has zero Scope 2 emissions for its offices in Spain thanks to the purchase of 100% renewable energy certified based on the corresponding guarantees of renewable origin, thus avoiding the emission of more than 2,000 tons of CO₂ into the atmosphere.

Emission reduction measures must cover all the scopes and categories of Talgo's carbon footprint. In view of the GHG emissions generated, the following actions are considered linked to different decarbonisation levers:

- ✓ For direct and indirect Scope 1 and 2 emissions, the following is highlighted:
 1. Development of energy efficiency and the use of clean fuels through the improvement of insulation and the elimination and/or replacement of auxiliary machinery for energy generation from fossil fuels.
 2. Promoting sustainable mobility for the organisation's vehicles by replacing the vehicles with combustion engines with electric or hybrid models.

2024 NON-FINANCIAL INFORMATION STATEMENT

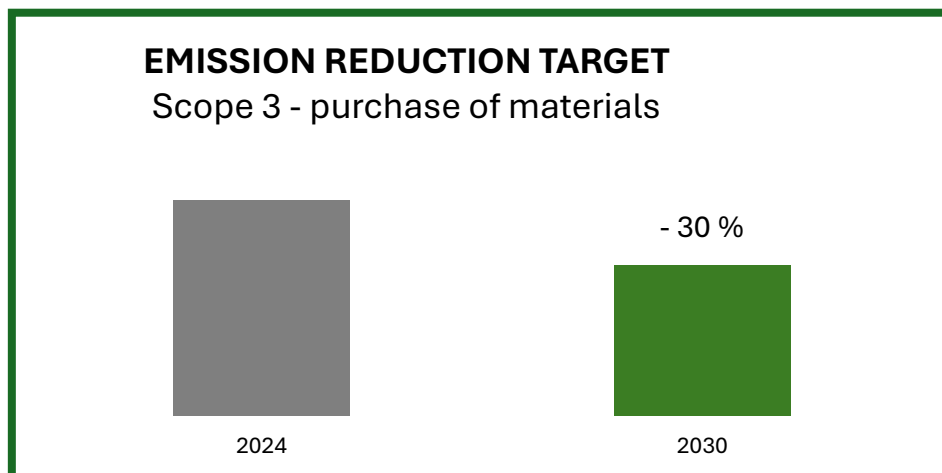
3. Use of renewable energy, guaranteeing the supply of 100% renewable electricity, and the promotion of energy self-consumption thanks to the installation of solar panels in Talgo's national factories.

✓ Regarding indirect Scope 3 emissions:

1. Promotion of the circular economy model and development of a sustainable supply chain involving our suppliers because of their pivotal role in reducing the company's indirect emissions.
2. Promoting sustainable mobility for Talgo's internal stakeholders by analysing and promoting possible improvements in logistics or organisation of business trips by the workforce and offering more sustainable methods for their trips to work centres (Carpooling, company routes, etc.).
3. Logistical efficiency in our supply chain to reduce GHG emissions associated with transporting materials to work centres.

2.7.1 The voluntary medium- and long-term reduction targets established to reduce greenhouse gas emissions and the means implemented

As a sign of Talgo's commitment to decarbonisation, the following emission reduction target has been set:



2.7.2 The measures taken to adapt to the consequences of climate change

In addition to reduction and mitigation measures and, based on the above-mentioned assessment of climate-related risks carried out by the organisation, a series of climate change adaptation measures are identified according to significant physical and transition risks. These measures can be divided into the following groups:

- ✓ Adaptation of the infrastructure and the product to possible changes in current climate temperature patterns.
- ✓ Raising awareness among internal stakeholders to the effects and consequences of climate change.
- ✓ Responsible consumption of natural resources: for example, water, which may be affected in terms of availability and/or quality by climate change.
- ✓ Assess collaboration in reforestation and ecosystem adaptation projects to offset GHG emissions.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- ✓ Promote sustainable mobility and decarbonisation of the sector by placing low-emission products on the market.

2.7.3 Important elements of Greenhouse Gas emissions generated as a result of the company's activities

Table 11: Greenhouse Gas Emissions

1.- Greenhouse Gas Emissions. Scope 1 and 2 (Table 11.1)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
CO2 emissions: factories and workshops. Scope 1 (tCO2eq)	1,769.19	1,362.03	30%
CO2 emissions: indirect. Scope 2 (tCO2eq)	595.05	629.36	-5%
Increase in Scope 1 emissions as a result of higher energy consumption as detailed in Table 10 of this report.			
2.- Greenhouse Gas Emissions. Scope 3 (Table 11.2)			
Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 1* - Purchased goods and services	56,040.30	39,251.22	43%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 4* - Upstream transportation and distribution	376.63	237.32	59%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 5* - Waste generated in operations	1,184.99	170.72	>100%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 6 - Business travel	1,520.47	1,345.40	13%
CO2 emissions: other indirect. Scope 3 (tCO2eq) Category 7 - Employee commuting	3,222.24	2,807.09	15%
CO2 emissions: other indirect. Scope 3 (tCO2eq)	62,344.63	43,811.75	42%
Total CO2 Emissions: Scope 1+Scope 2 + Scope 3 (tCO2eq)	63,803.26	45,099.73	41%
During 2024, the accuracy of GHG emission calculations for managed waste (Scope 3 category 5) has been improved, resulting in an increase in recorded emissions. For categories 1 and 4, work has also been done to significantly improve the coverage and calculation of emissions, reflected in an increase in emissions.			
* The scope 3 GHG emissions reported correspond to Talgo's locations in Spain.			

Table 12: Other Greenhouse Gas Emissions Indicators

Indicator name	2024	2023	Change 24/23
	Consolidated Talgo	Consolidated Talgo	Consolidated Talgo
CO2 emissions: indirect. Scope 2 (tCO2eq) - market-based	-	-	0%
CO2 emissions: indirect. Scope 2 (tCO2eq) - location-based	595.05	629.36	-5%
CO2 emissions: Scope 3 from primary data (Categories 1 and 5) (%)	91.79%	89.98%	2%
Total CO2 Emissions: Scope 1 + Scope 2 market + Scope 3 (tCO2eq)	63,803.26	45,099.73	41%
Total CO2 Emissions: Scope 1 + Scope 2 location + Scope 3 (tCO2eq)	63,803.26	45,099.73	41%
GHG emissions intensity Scope 1+2 (tCO2eq/M€)	3.53	3.05	16%
GHG emissions intensity Scope 3 (tCO2eq/M€)	93.16	67.20	39%
Total GHG emissions intensity (tCO2eq/M€)	95.34	69.17	38%
Total GHG emission intensity - based on location (tCO2/M€)	0.89	0.97	-8%
Total GHG emission intensity - market-based (tCO2/M€)	-	-	0%
Emissions of ozone-depleting substances (kg)	-	-	0%

2.8. Protection of biodiversity

2.8.1 Measures taken to preserve or restore biodiversity and impacts caused by activities or operations in protected areas

Talgo is committed to the care and protection of biodiversity. Therefore, through the environmental management system, it applies strict operational control and preventive

2024 NON-FINANCIAL INFORMATION STATEMENT

measures to reduce the impact of its activities on the natural environment and ecosystems, in short, on biodiversity.

The system structure is based on an environmental policy that is deployed in different procedures whose objectives are to identify environmental aspects and impacts and to maintain respect for the environment in the development of current and future projects, promoting continuous improvement and risk mitigation.

As mentioned in previous sections, through the management system, environmental aspects and their impacts are identified and evaluated for each Talgo centre, considering the environment characteristics. After the impact assessment, the preventive and corrective measures necessary for each centre are determined to minimise these impacts on air, soil and water quality caused by Talgo's activity, thus minimising their impact on biodiversity in each location. The measures adopted by Talgo to minimise impacts on air, water or soil quality have been listed in sections 2.3. General and 2.4 Air pollution.

Talgo also ensures at all times that its activities comply with environmental legislation, carrying out monitoring based on the different environmental authorisations, and always promoting a significant degree of environmental awareness among the workforce.

A clear example is the Las Matas II centre. This project has a favourable Environmental Impact Declaration dated 29 February 2000 by the Ministry of the Environment of Madrid, which borders a Protected Natural Area (the Upper Manzanares River Basin regional park), without causing damage to the biodiversity of this environment as a result of the strict control of emissions, noise, possible discharges and waste that result from the activity carried out at this centre.

3 INFORMATION ON SOCIAL AND PERSONNEL-RELATED ISSUES

This chapter covers the management and the results obtained in sustainability issues related to the workplace for Talgo Group employees.

The references made in this chapter to own personnel refer to employees with an employment contract at Talgo. Neither subcontracted workers nor trainee students are included in this definition.

3.1. Policies

The policies and processes allowing us to respond to impacts, risks and opportunities for our own personnel are:

- The human resources policy, which states Talgo's commitment to preventing child labour.
- Occupational health and safety policy.
- The anti-fraud and anti-corruption policy.
- Talgo's human rights policy, whose contents include the 14 key human rights for the company (see human rights section).
- Talgo's due diligence policy, currently being approved, will make it possible to act in cases where it is necessary to identify, evaluate, manage or repair incidents of material importance involving workers. This policy is developed through the due diligence protocol that integrates the identification, evaluation, prevention and mitigation of significant risks and impacts, and verification and control, as well as the measures adopted.
- Equality policy.
- Equality plan.
- Collective Agreement for Patentes Talgo, S.L.U.
- The workplace harassment protocol and code of conduct.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Agreement on measures for digital disconnection.
- Diversity charter.

These policies and processes are available for consultation on Talgo's corporate intranet.

3.2 Main risks

Based on the materiality analysis carried out in the terms described in chapter 1.5 of this document, the company has identified 24 material impacts related to the self-management of its employees that are included in the sub-themes raised in ESRS 2 (AR16) on working conditions, equal treatment and opportunities and other labour rights.

These mainly positive impacts are the result of the people management system, focused on maximising the performance of our workers, encouraging their professional development and improving their general well-being.

Based on the detailed analysis of these impacts, it has been concluded that some are related to the company's strategy regarding people (collective agreement, permanent contracts, social benefits) and others to the adaptation of this strategy to management (those related to pay policy, the equality plan, etc.).

Based on the same analysis, 6 material opportunities have also been identified, also concerning Talgo staff, related to enhancing management of the Group's people: reducing turnover, increasing personal satisfaction through training and improving the company's reputation for its management of internal social sustainability (equality, diversity, reconciliation, transparency, etc.).

Talgo has established a system that responds to impacts, risks and opportunities in the following ways:

- Respect for and compliance with labour principles and standards (regulation) and analysis of the expected results for all human resources management processes (employment, compensation including wage gap, work-life balance, talent, diversity, etc.).
- Respect and compliance with the 14 human rights identified as strategic for Talgo and especially the 7 labour rights.
- Guaranteeing the occupational safety and health of workers.
- The establishment of behavioural frameworks, the integration and the pride of belonging for people and employees.
- The guarantee of the privacy and security of people's information.

All these actions are managed through the projects, plans and resources of the human resources management and Occupational Health and Safety (hereinafter, OHS).

3.3 Employment

Talgo answers this sustainability issue through its people management strategy based on corporate values, quality employment, occupational health and safety, diversity, equality and inclusion, and talent management.

This strategy is deployed in the following five key action vectors:

- Consolidation of human capital: employment, organisation, working hours, labour relations, work-life balance, internal communication, salary and participation.
- Occupational health and safety.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Talent management: training, development, career and termination.
- Diversity, equality, inclusion, non-discrimination and combating harassment
- Management of human rights for own staff and employees, trainees, external collaborators, etc.

Our own staff has the following communication channels that in some cases will also be available to collaborators (external collaborators, trainees, etc.):

- Intranet: Talgo4people, during 2024, a technology update was implemented that allows greater interaction from Talgo's workers.
- Corporate email.
- Notice board
- Interdepartmental meetings.
- Conversations with the CEO.
- Breakfasts with the Chairman
- Surveys: on specific issues, general satisfaction with the company's management areas, etc.
- The group's social media.
- People management tools.
- Development interviews.
- Meetings with workers' representatives.
- Meetings with the Board's delegated committees.
- Suggestion box: included on the main page of the corporate intranet. This provides Talgo staff with the ability to submit concerns and suggestions. The people responsible for their management send these communications to the people responsible for their resolution.

Both Talgo staff and collaborator employees also have an essential communication channel: the Whistleblowing Line (see section 1.4) where they can report possible breaches or make inquiries regarding key issues included within the scope of corporate sustainability.

Lastly, this issue of sustainability is handled through the management model and human resources processes, which are detailed in the following points:

- Human Resources and Occupational Health and Safety strategy, policies, risks and opportunities.
- Design of the organisational structure and job map.
- Design of the remuneration and compensation system.
- Fair and quality employment. Own human rights.
- Human Resources Management.
- Labour relations: worker representation, agreements, dialogue, etc.
- Talent management: attraction, integration, development and termination.
- Internal social responsibility: conciliation, diversity, equality, inclusion, harassment and discrimination.
- Occupational Health and Safety: well-being.
- Transparency, internal communication and participation measures.
- Evaluations, improvements and innovations.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.1 Total number and distribution of employees by sex, age, country

Table 13: Employees by sex, age, country and professional classification on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Executive Director	2	-	2	2	-	2
Above 50	2	-	2	2	-	2
Senior management	3	2	5	3	2	5
Between 30 and 50	1	1	2	1	1	2
Above 50	2	1	3	2	1	3
Management	58	8	66	56	7	63
Between 30 and 50	31	5	36	31	7	38
Above 50	27	3	30	25	-	25
Middle managers	406	71	477	372	70	442
Under 30	15	2	17	14	3	17
Between 30 and 50	297	53	350	261	51	312
Above 50	94	16	110	97	16	113
Technical, administrative and other	2,586	404	2,990	2,443	362	2,805
Under 30	632	72	704	583	73	656
Between 30 and 50	1,596	281	1,877	1,546	250	1,796
Above 50	358	51	409	314	39	353
Total	3,055	485	3,540	2,876	441	3,317

Table 14: Talgo España and Tarvia employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Executive Director	2	-	2	2	-	2
Above 50	2	-	2	2	-	2
Senior management	3	2	5	3	2	5
Between 30 and 50	1	1	2	1	1	2
Above 50	2	1	3	2	1	3
Management	43	6	49	39	6	45
Between 30 and 50	20	4	24	18	6	24
Above 50	23	2	25	21	-	21
Middle managers	269	59	328	252	58	310
Under 30	1	2	3	3	2	5
Between 30 and 50	193	42	235	172	43	215
Above 50	75	15	90	77	13	90
Technical, administrative and other	1,804	348	2,152	1,724	300	2,024
Under 30	360	64	424	325	58	383
Between 30 and 50	1,162	239	1,401	1,153	207	1,360
Above 50	282	45	327	246	35	281
Total	2,121	415	2,536	2,020	366	2,386

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 15: Talgo Germany employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	2	-	2	3	-	3
Between 30 and 50	-	-	-	1	-	1
Above 50	2	-	2	2	-	2
Middle managers	14	-	14	15	1	16
Under 30	-	-	-	1	-	1
Between 30 and 50	5	-	5	4	-	4
Above 50	9	-	9	10	1	11
Technical, administrative and other	110	12	122	97	12	109
Under 30	19	2	21	17	4	21
Between 30 and 50	54	7	61	46	6	52
Above 50	37	3	40	34	2	36
Total	126	12	138	115	13	128

Table 16: Talgo Kazakhstan employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	3	-	3	3	-	3
Between 30 and 50	3	-	3	3	-	3
Middle managers	52	5	57	44	4	48
Under 30	8	-	8	5	-	5
Between 30 and 50	40	5	45	35	4	39
Above 50	4	-	4	4	-	4
Technical, administrative and other	316	22	338	309	24	333
Under 30	126	-	126	130	2	132
Between 30 and 50	166	20	186	159	21	180
Above 50	24	2	26	20	1	21
Total	371	27	398	356	28	384

Table 17: Talgo Saudi Arabia employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	3	-	3	4	-	4
Between 30 and 50	3	-	3	4	-	4
Middle managers	31	-	31	25	-	25
Under 30	4	-	4	2	-	2
Between 30 and 50	27	-	27	23	-	23
Technical, administrative and other	210	4	214	160	4	164
Under 30	84	2	86	61	2	63
Between 30 and 50	125	2	127	98	2	100

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Above 50	1	-	1	1	-	1
Total	244	4	248	189	4	193

Table 18: Talgo United States employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	3	1	4	3	-	3
Between 30 and 50	1	-	1	1	-	1
Over 50 years old	2	1	3	2	-	2
Middle managers	23	5	28	22	5	27
Under 30	2	-	2	2	1	3
Between 30 and 50	15	4	19	14	2	16
Over 50 years old	6	1	7	6	2	8
Technical, administrative and other	68	11	79	81	17	98
Under 30	22	3	25	27	7	34
Between 30 and 50	32	7	39	41	9	50
Above 50	14	1	15	13	1	14
Total	94	17	111	106	22	128

The data breakdown for India, China, Egypt, Denmark and Uzbekistan is aggregated into a single group called “Other Countries”. These countries display the characteristics of having less than 50 employees and representing less than 10% of the total number of employees.

Table 19: Talgo Other Countries employees on 31/12/2024 and 31/12/2023

	2024			2023		
Occupational category	Men	Women	Total	Men	Women	Total
Management	4	1	5	4	1	5
Between 30 and 50	4	1	5	4	1	5
Middle managers	17	2	19	14	2	16
Under 30	-	-	-	1	-	1
Between 30 and 50	17	2	19	13	2	15
Technical, administrative and other	78	7	85	72	5	77
Under 30	21	1	22	23	-	23
Between 30 and 50	57	6	63	49	5	54
Total	99	10	109	90	8	98

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.2 Distribution of employees by type of contract and professional classification

Table 20: Distribution of employees by type of contract and professional classification on 31/12/2024 and 31/12/2023

Occupational category	2024					2023				
	Permanent	Other	Total	Percentage Permanent	Remaining Percentage	Permanent	Other	Total	Percentage Permanent	Remaining Percentage
Executive Director	2	-	2	100%	0%	2	-	2	100%	0%
Men	2	-	2	100%	0%	2	-	2	100%	0%
Senior management	5	-	5	100%	0%	5	-	5	100%	0%
Men	3	-	3	100%	0%	3	-	3	100%	0%
Women	2	-	2	100%	0%	2	-	2	100%	0%
Management	64	2	66	97%	3%	61	2	63	97%	3%
Men	57	1	58	98%	2%	55	1	56	98%	2%
Women	7	1	8	88%	13%	6	1	7	86%	14%
Middle managers	451	26	477	95%	5%	421	21	442	95%	5%
Men	382	24	406	94%	6%	353	19	372	95%	5%
Women	69	2	71	97%	3%	68	2	70	97%	3%
Technical, administrative and other	2,755	235	2,990	92%	8%	2,590	215	2,805	92%	8%
Men	2,359	227	2,586	91%	9%	2,238	205	2,443	92%	8%
Women	396	8	404	98%	2%	352	10	362	97%	3%
Total	3,277	263	3,540	93%	7%	3,079	238	3,317	93%	7%

3.3.3 Total number and distribution by type of working day

Table 21: Distribution by type of working day and professional classification on 31/12/2024 and 31/12/2023

Occupational category	2024					2023				
	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage
Executive Director	2	-	2	100%	0%	2	-	2	100%	0%
Men	2	-	2	100%	0%	2	-	2	100%	0%
Senior management	5	-	5	100%	0%	5	-	5	100%	0%
Men	3	-	3	100%	0%	3	-	3	100%	0%
Women	2	-	2	100%	0%	2	-	2	100%	0%
Management	65	1	66	98%	2%	62	1	63	98%	2%
Men	57	1	58	98%	2%	55	1	56	98%	2%
Women	8	-	8	100%	0%	7	-	7	100%	0%
Middle managers	475	2	477	100%	0%	440	2	442	100%	0%
Men	404	2	406	100%	0%	370	2	372	99%	1%
Women	71	-	71	100%	0%	70	-	70	100%	0%

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Occupational category	2024					2023				
	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage	Full-time	Part-time	Total	Percentage Part-time	Remaining Percentage
Technical, administrative and other	2,967	23	2,990	99%	1%	2,780	25	2,805	99%	1%
Men	2,570	16	2,586	99%	1%	2,428	15	2,443	99%	1%
Women	397	7	404	98%	2%	352	10	362	97%	3%
Total	3,514	26	3,540	99%	1%	3,289	28	3,317	99%	1%

3.3.4 Average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational category

Table 22: Average distribution of permanent, temporary and part-time contracts by gender, age and occupational category in 2024 and 2023

Occupational category	2024			2023		
	Permanent	Other	Total	Permanent	Other	Total
Executive Director	2	0	2	2	0	2
Men	2	0	2	2	0	2
Above 50	2	0	2	2	0	2
Senior management	5	0	5	5	0	5
Men	3	0	3	3	0	3
Between 30 and 50	1	0	1	2	0	2
Above 50	2	0	2	1	0	1
Women	2	0	2	2	0	2
Between 30 and 50	1	0	1	1	0	1
Above 50	1	0	1	1	0	1
Management	62	2	64	59	1	60
Men	55	1	56	53	0	53
Between 30 and 50	29	1	30	28	0	28
Above 50	26	0	26	25	0	25
Women	7	1	8	6	1	7
Between 30 and 50	5	1	6	6	1	7
Above 50	2	0	2	-	-	-
Middle managers	430	24	454	416	20	436
Men	361	22	383	349	18	367
Under 30	10	4	14	11	4	15
Between 30 and 50	257	18	275	247	15	261
Above 50	94	0	94	91	0	91
Women	69	2	71	67	2	69
Under 30	3	0	3	3	0	3
Between 30 and 50	52	2	54	52	2	54
Above 50	14	0	14	12	0	12
Technical, administrative and other	2,709	229	2,938	2,339	298	2,637
Men	2,326	219	2,545	2,013	285	2,298
Under 30	522	104	626	415	136	551
Between 30 and 50	1,467	111	1,578	1,307	142	1,449
Above 50	337	4	341	291	6	297

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

	2024			2023		
Occupational category	Permanent	Other	Total	Permanent	Other	Total
Women	383	10	393	326	13	339
Under 30	71	2	73	61	4	65
Between 30 and 50	265	8	273	222	9	231
Above 50	47	0	47	43	0	43
Total	3,208	255	3,463	2,821	319	3,140

The other category includes temporary contracts on an ad hoc basis such as, for example, production circumstances, short-term hires, etc.

Table 23: Average distribution of full and partial working hours, by sex, age and professional classification in 2024 and 2023

	2024			2023		
Occupational category	Full-time	Part-time	Total	Full-time	Part-time	Total
Executive Director	2	0	2	2	0	2
Men	2	0	2	2	0	2
Above 50	2	0	2	2	0	2
Senior management	5	0	5	5	0	5
Men	3	0	3	3	0	3
Between 30 and 50	1	0	1	2	0	2
Above 50	2	0	2	1	0	1
Women	2	0	2	2	0	2
Between 30 and 50	1	0	1	1	0	1
Above 50	1	0	1	1	0	1
Management	63	1	64	60	1	61
Men	55	1	56	53	1	54
Between 30 and 50	30	0	30	29	0	29
Above 50	25	1	26	24	1	25
Women	8	0	8	7	0	7
Between 30 and 50	6	0	6	7	0	7
Above 50	2	0	2	-	-	-
Middle managers	452	3	455	434	2	436
Men	381	3	384	365	2	367
Under 30	14	0	14	15	0	15
Between 30 and 50	276	0	276	261	0	261
Above 50	91	3	94	89	2	91
Women	71	0	71	69	0	69
Under 30	3	0	3	3	0	3
Between 30 and 50	54	0	54	54	0	54
Above 50	14	0	14	12	0	12
Technical, administrative and other	2,910	27	2,937	2,615	22	2,637
Men	2,527	17	2,544	2,285	14	2,299
Under 30	624	2	626	549	2	551

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

	2024			2023		
Occupational category	Full-time	Part-time	Total	Full-time	Part-time	Total
Between 30 and 50	1,575	3	1,578	1,448	1	1,449
Above 50	328	12	340	288	11	299
Women	383	10	393	330	8	338
Under 30	72	2	74	64	2	66
Between 30 and 50	266	7	273	225	5	230
Above 50	46	1	47	41	1	42
Total	3,432	31	3,463	3,315	25	3,140

3.3.5 Number of dismissals by gender, age and occupational category

Table 24: Dismissals by gender, age and occupational category in 2024 and 2023

	2024	2023
Occupational category	Total	Total
Management	-	2
Between 30 and 50	-	1
Men	-	1
Under 30	-	1
Women	-	1
Middle managers	1	6
Between 30 and 50	1	2
Women	-	1
Men	1	1
Above 50	-	1
Men	-	1
Under 30	-	3
Men	-	3
Technical, administrative and other	103	76
Under 30	34	19
Women	4	2
Men	30	17
Between 30 and 50	62	48
Women	8	7
Men	54	41
Above 50	7	9
Women	1	1
Men	6	8
Total	104	84

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.6 Average remuneration and their evolution broken down by gender, age and occupational category or equal value

Table 25: Average remuneration and their evolution by gender, age and occupational category in 2024 and 2023

	2024	2023
Occupational category	Average	Average
Management	155,223	122,902
Men	155,117	122,563
Between 30 and 50	147,325	112,392
Above 50	164,169	134,372
Women	155,959	125,438
Between 30 and 50	161,097	125,438
Above 50	140,547	-
Middle managers	68,442	60,942
Men	67,880	60,762
Under 30	43,116	44,657
Between 30 and 50	65,220	58,448
Above 50	79,806	70,038
Women	71,633	61,898
Under 30	65,630	58,362
Between 30 and 50	68,775	60,349
Above 50	83,549	69,433
Technical, administrative and other	39,203	35,815
Men	38,747	35,435
Under 30	29,674	27,537
Between 30 and 50	40,570	36,710
Above 50	50,148	43,858
Women	42,219	38,393
Under 30	36,852	35,097
Between 30 and 50	42,729	38,265
Above 50	49,059	44,175
Total	44,587	41,004

This compensation analysis does not include executive directors or senior management. Their remuneration is detailed in the Annual Directors' Remuneration Report (IARC), the Annual Corporate Governance Report (IAGC) and in note 21 of the consolidated annual accounts of Talgo SA and its subsidiaries.

Talgo cannot provide the average remuneration of senior management with a gender breakdown because in the 2024 financial year there were two women in senior management and providing their average remuneration would be a breach of data protection.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

3.3.7 Wage Gap

The Talgo Group's wage gap calculated as the difference between the hourly earnings of male and female employees as a percentage of men's hourly earnings is -11,03%, meaning that on average women are paid more than men by that percentage.

The above data include Senior Management and can be explained by a combination of the following factors: a female population concentrated in higher skilled positions and a higher hourly cost as well as having a lower number of women due to the industrial component of the sector in which the Group operates.

The calculation has been made based on the definition of the wage gap included in section S1-16: Remuneration criteria, from ESRS S1, Own Personnel.

3.3.8 Remuneration for equal or average jobs in society

Talgo is committed to fair and equitable compensation for all its employees. This commitment is evidenced by the comparison between the minimum inter-professional salary (MIS) and the salary of the person who earns the least in each country where the Group operates, with Talgo's salary being above the 2024 IMS. Talgo continues working to ensure that wage policies reflect this commitment.

Table 26: MIS comparison

	MIS FOR 2024	Min. Salary by country	% difference
Spain	15,876.00	21,927.47	46.35%
United States	€14,515.20	33,758.10	32.57%
Saudi Arabia	€11,654.40	17,849.55	53.16%
Uzbekistan	€922.80	8,552.64	926.81%
India	€604.80	23,852.58	3,943.00%
Germany	€24,648.00	29,871.05	21.19%
Kazakhstan	€2,030.40	3,783.20	86.33%
China	€2,949.60	40,909.89	1,386.96%
Egypt	€2,112.00	3,265.48	4.62%

3.3.9 The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings schemes and any other payment broken down by gender.

The remuneration of the Board of Directors is determined on the basis of best market practices, relying on remuneration studies prepared by external advisors, internal regulations and applicable legal provisions.

The remuneration of the directors is detailed in note 21 to the consolidated financial statements of Talgo S.A. and subsidiaries and with a more detailed breakdown in the IARC (Annual Report on Directors' Remuneration 2024 published on the Talgo and the Spanish Securities and Exchange Commission (CNMV) websites.

The information broken down by age and gender of the directors is included in the IAGC (Annual Corporate Governance Report) published on the Spanish Securities and Exchange Commission (CNMV) website.

2024 NON-FINANCIAL INFORMATION STATEMENT**3.3.10 Implementation of labour disconnection policies**

Talgo exercises the business duty to guarantee digital disconnection, which involves limiting the use of technological means of business and work communication during rest periods, and respect for the maximum length of the working day.

Therefore, Talgo has an agreement on measures for digital disconnection that guarantees this right for all employees after the working day ends. This agreement applies to all workers in all company workplaces, and is published on the corporate intranet.

3.3.11 Employees with disabilities

The Talgo Group works towards the integration and inclusion of people with disabilities. This commitment is materialised through direct hiring or collaboration with foundations and special employment centres that generate job opportunities for people with disabilities. At the end of the 2024 financial year, the Talgo Group had 33 employees with a disability of more than 33%, of whom 8 are women and 25 are men. These people are represented in all categories of the workforce.

Table 27: Employees with disabilities

Indicator name	2024	2023	Change 24/23
Men with disabilities	25	19	31.6%
Women with disabilities	8	6	33.3%
Total number of persons with disabilities	33	25	32.0%

3.4 Organisation of work**3.4.1 Organisation of working time**

The Talgo Group is aware of the benefits to society of balancing its employees' work, personal and family life. The implementation of measures that enable work-life balance undoubtedly favours the vital and integral development of people. The Group is committed to respecting all its employees' rest and holiday time, as well as their personal and family privacy outside working hours. Only by ensuring an improvement in the psychological and social well-being of employees can we contribute to a working model in which people are more productive, creative and engaged.

Spain's collective agreement establishes the maximum number of working hours for workers, which in no case exceeds the established legal limit. It also sets minimum rest periods between working days, which guarantees safety and rest for employees. This agreement also includes the minimum breaks established during the working day.

Talgo makes forms of work organization more flexible, providing the following measures for its workers:

- Continuous working hours, for people in the manufacturing and maintenance areas, with detailed information on working hours, schedules and planned breaks.
- Flexible start and finish times, and a reduced working day in summer for corporate offices.
- Subsidy of part of the cost of food or equivalent allowance, for people with a lunch break.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Splitting up of yearly holidays for certain groups.
- Annual medical checkup and health vaccination campaigns.
- Private medical insurance coverage for international travel.
- Supplement of 100% of salary for temporary incapacity.
- Teleworking is available for certain groups.

Adaptation of the schedule for workers needing this and who meet the established requirements to be able to reconcile their personal lives.

3.4.2 Number of hours of absence

The number of hours of absence (hours lost) during 2024 was 241,060 hours, which represents 3.6% of the scheduled hours.

To calculate the hours of absence, the following concepts have been taken into account: illness, illness with relapse, non-occupational accident with relapse, illness without sick leave, illness by hours, prolonged temporary disability, accident, accident by hours, accident with relapse and accident without leave.

3.4.3 Measures aimed at facilitating the enjoyment of work/life balance and encouraging the co-responsible exercise of these by both parents

The right to take leave for family reasons (maternity, paternity, leave of absence for child care, etc.) is enshrined in the Talgo agreement and is extended to all people who are subject to this agreement.

During 2024, a total of 89 employees have enjoyed leave due to birth. Of these, 13 women have taken maternity leave and 76 men have taken paternity leave. These measures seek to promote a work/life balance and co-responsibility between both parents.

3.5 Health and Safety

3.5.1 Health and safety conditions at work

People's safety, health and well-being is a basic value for Talgo and is therefore integrated into all processes and activities, with a focus on compliance as a priority.

Talgo works to ensure that its workplaces are safe environments, and this represents an added value for its employees and collaborators. The Talgo brand as a safe company is an element that is highly valued by its employees. It has a positive impact not only on their physical health, but also on their emotional well-being and sense of belonging.

Talgo operates in many countries, with safety cultures at different stages of development. However, the culture of prevention is embedded throughout the organisation and is a differentiating factor wherever Talgo operates, as it applies the same policies for integrating prevention in all its centres. This means the safety level of the company's workers is equivalent, regardless of their location.

Talgo positions itself as a benchmark, not only in technology, but also in managing the safety and health of its employees.

Talgo continues to develop and consolidate a preventive management model where processes are identified and necessary procedures and control elements are in place, with a view to reducing workplace accidents and keeping levels of occupational and physical safety risks of operations and facilities under control.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Accordingly, Talgo has ISO 45001 certification: occupational health and safety management, which clearly establishes the functions and responsibilities in terms of occupational risk prevention and the necessary means according to the nature of the organisation to ensure compliance with legal obligations.

The adoption of ISO 45001 not only benefits internal employees, but also projects a positive image to the outside world, revealing an organisation that, in addition to improving its financial results, is also building a solid corporate culture based on responsibility, ethics and care for workers.

The ultimate aim of Talgo's model is to have a management system that standardises health and safety procedures in order to ensure effective and homogeneous implementation and to promote a focus on continuous improvement in occupational health and safety management.

3.5.2 Accidents at work (frequency and severity) by gender

Table 28: Accidents at work

Indicator name	2024	2023	Change 24/23
Number of accidents (with and without sick leave)	261	273	-4.40%
Number of accidents with sick leave	59	42	40.48%
Number of accidents with sick leave (men)	56	39	43.59%
Number of accidents with sick leave (women)	3	3	0.00%
Frequency rate of accidents with sick leave (over 1M h)	10.19	8.27	23.22%
Frequency rate of accidents with sick leave (over 1M h), women	4.02	4.58	-12.23%
Frequency rate of accidents with sick leave (over 1M h), men	11.11	8.80	26.25%
Severity rate	0.197	0.147	34.01%
Severity rate of accidents with sick leave (over 1M h), women	0.099	0.015	560%
Severity rate of accidents with sick leave (over 1M h), men	0.212	0.173	22.54%

Unlike 2024, in 2023 Tarvia's activity was not considered in the workplace accident data included in the report. However, in Talgo's manufacturing and maintenance activity, there has been an increase in the accident rate, which is largely conditioned by out-of-flow work (manufacturing) and by changes in client's facilities and its impact on the activity (maintenance).

3.5.3 Occupational diseases (frequency and severity) by gender

Table 29: Occupational diseases

Indicator name	2024	2023	Change 24/23
Number of occupational diseases for the financial year	-	-	%

Since there are no occupational diseases, the data is not disaggregated by gender.

2024 NON-FINANCIAL INFORMATION STATEMENT

3.6 Social relations

3.6.1 Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff

Processes for collaborating with own workers and workers' representatives concerning incidents

Talgo respects the right of all workers to freely unionise and accepts that employees who are members of a trade union may hold meetings, collect dues and distribute union information outside working hours and without disrupting the business of the company. During 2024, union elections were held in two of Talgo's workplaces in Spain (Tarvia centres in Barcelona and Tarvia in Fuencarral).

In Spain, Talgo regularly engages in collective bargaining and makes periodic consultations with the workers' representation, aimed at responding to incidents of relative importance concerning its own personnel, and implemented through, among others:

- Works councils (workplaces).
- Inter-centre committees.
- Committee for the interpretation and monitoring of the collective agreement.
- Health and Safety Committee. Where both absences and accidents and incidents related to occupational health and safety are managed at the centre level.
- Equality Commission.

In meetings with the works councils, the workers' representatives are informed by the management about, among other things, the business development and production situation, work organisation systems, recruitment, absenteeism rates, etc. In the same way, the works councils are responsible for monitoring different matters, such as labour and social security regulations.

To manage possible incidents related to Talgo's workers, the organisation also has the following courses of action:

- Management of incidents reported through the Whistleblowing Line for possible breaches.
- Meetings with union delegates appointed by trade union organisations.

Based on these collaborations with workers and their representatives, management members participating in them initiate the necessary action to consider their opinions and interests as part of company management, if appropriate. All workers are also informed about the agreements reached by the parties and, if any, about the actions that the company takes to implement the agreements.

Processes for redressing negative incidents and channels for own workers to express their concerns

Talgo currently has a Whistleblowing Line, allowing workers to report any incident or possible non-compliance with regard to sustainability (see section 1.4). Once received, if the channel manager and the ethics manager understood that it was Talgo's responsibility, he/she would manage and redress them in the manner established with support from the Compliance Unit.

To remedy the consequences caused by potential non-compliance, Talgo has a due diligence protocol (in the approval phase) that integrates the identification, evaluation, prevention and mitigation of material risks, and their verification and control. If the

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

incident is considered serious due to its impact, the two processes associated with due diligence management could come into operation.

On a biannual basis, Talgo conducts employee satisfaction surveys for certain company management parameters. These surveys, implemented in 2022, demonstrate the company's commitment to its employees and serve as a starting point for incorporating valuable actions and initiatives, which complement the planned action plans.

To develop and supplement this systematic scope, during the 2024 financial year, the "1st strategic project for stakeholder participation" was launched, with the aim of measuring the quality of the relationship frameworks with each category and the management of Talgo's sustainability (including the participation of workers, collaborators). A sufficient sample (approximately 35 people) has been interviewed to establish their satisfaction, requirements and expectations (interests and opinions) and obtain validation from the IROs related to the company's social sustainability.

Starting in 2025, actions will be launched to respond to the legitimate and reasonable interests that Talgo has taken on for employees and collaborators.

Adoption of measures related to impacts of relative importance on own personnel, approaches to mitigate risks of relative importance, and to take advantage of opportunities of relative importance related to own personnel and the effectiveness of such actions

Based on the study of the requirements and expectations of their own personnel in all areas of human resources, on the impacts, risks and opportunities of relative importance, and on the SWOT and STEER analyses, improvement plans and actions will be established, to mitigate risks and enhance identified opportunities, in long-term strategic plans and in annual and short-term programmes.

Among others, the measures related to increasing the sense of belonging and to improve the commitment of workers are as follows:

- Rebranding and technology change for the corporate intranet.
- Team building actions.
- Recognition actions among workers.
- Actions aimed at promoting corporate volunteering.
- Actions to promote STEM careers.
- Actions related to diversity and inclusion.

During 2024, the psychological, emotional and social care service for employees and their families continues, along with the incorporation of a nutritional and dietary service that contributes to continued work on comprehensive care of employees.

This service has been supplemented with various initiatives aimed at raising staff awareness of mental health issues.

3.6.2 Percentage of employees covered by collective bargaining agreements by country

The number of Talgo Group employees with full or partial coverage of the collective agreement or similar agreements depending on the country concerned amounted to 99.94% as at 31 December 2024.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 30: Workers covered by collective agreement by country

	Staff as of 31/12/2024	People covered by an agreement	% represented
Spain and Tarvia	2,536	2,534	99.92%
Kazakhstan	398	398	100.00%
Saudi Arabia	248	248	100.00%
Germany	138	138	100.00%
United States	111	111	100.00%
Other countries	109	109	100.00%
Total	3,540	3,538	99.94%

3.6.3 Balance of collective bargaining agreements, particularly in the field of occupational health and safety

Talgo holds regular meetings with the Safety and Health Committee. This Committee's functions and participants are defined in the Talgo collective agreement.

The main function of this body is the regular and periodic consultation of the company's actions in the area of risk prevention and it has been implemented in all workplaces, in accordance with the provisions of the Occupational Risk Prevention Act.

This Committee is made up of the members of the company and the representatives of the workers and any other person who, due to their qualifications or information on the issues being discussed, must participate.

The meetings take place regularly, on a quarterly basis, and whenever requested by one of the Committee's representatives.

This body seeks to transfer information relating to:

- 1) Risk prevention situation in the workplace.
- 2) Documents and reports relating to working conditions.
- 3) Damage to the health or physical integrity of workers.
- 4) Annual Prevention Service programming.

3.7 Training

3.7.1 The policies implemented in the field of training

At Talgo, we invest in our greatest asset: people. Our human resources policy is based on the principle that every employee deserves the opportunity to grow and develop professionally with access to equal opportunities. Therefore, we offer a wide range of tailor-made training programmes to meet the individual and collective needs of our team. By fostering a collaborative and innovation-based learning environment, not only is operational excellence ensured, but a sense of belonging and pride among our employees is also cultivated.

The HR policy includes, among its commitments, the guarantee that all people who belong to Talgo can participate on equal terms in the training actions launched.

Talgo has a Training Plan drawn up every year based on the training needs detected. This Plan has the necessary training to face the challenges that arise in the performance of professional activities.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

This comprehensive annual training plan includes actions aimed at developing skills, competencies for project execution, technical, regulatory and occupational risk prevention aspects, not to mention training in values and languages.

Continuous training becomes a source of employee loyalty and satisfaction and a key factor in ensuring professional and business success and equal opportunities. Therefore, in 2024 financial year, the Talgo Group provided 136,945 hours of training.

3.7.2 The total number of training hours by occupational category

Talgo recognises the importance of continuous training for the development and success of its workers. To this end, it has implemented specific training programmes for the different professional categories within the organisation.

For managers and middle managers, training programmes aimed at management and leadership have been designed. These programmes aim to strengthen their decision-making skills, team management, and effective leadership.

Training for technicians focuses on the execution of their technical responsibilities. These programmes are designed to improve their technical competencies and ensure that they are up to date with the latest technologies and industry practices.

The commitment to the professional development of all employees implies the need to continue investing in training to ensure their growth and the success of the company.

Table 31: Training hours

	2024	2023	Change 24/23
Training Hours	157,065	174,966	-10.231%

3.8 Accessibility

3.8.1 Universal accessibility for people with disabilities

Talgo's commitment to the integration of people with disabilities is materialised through direct hiring or collaboration with foundations and special employment centres that generate employment opportunities for people with disabilities. At the end of the 2024 financial year, the Talgo Group had 33 employees with a disability of more than 33%, of whom 8 are women and 25 are men. These people are represented in all categories of the workforce.

Since it does not directly cover the number of employees with special abilities (2% of people with a disability equal to or greater than 33%), Talgo Spain holds an exception certificate from the Ministry of Labour and Social Security that allows it to implement "alternative measures" that contribute to the development of activities for the labour market entry and re-entry of groups of people with disabilities, thus complying with the established rate.

With the collaboration of the above-mentioned organisations, the Group has continued to carry out training and awareness-raising initiatives in 2024, giving visibility to different international days on which the protection of this type of group is celebrated (international disability day, etc.). It has collaborated in career guidance and job search for people at risk of social exclusion.

Within the framework of the agreement signed with the Adecco Foundation since 2007, Talgo Spain has been developing a programme called "Family Plan" to provide advice, guidance and development of skills and abilities for family members of employees up to 65 years of age who have a disability. In 2024, the Family Plan assisted 25 people with

2024 NON-FINANCIAL INFORMATION STATEMENT

disabilities who are family members of Talgo employees. These people have been able to benefit from therapies with psychologists, speech therapists, physiotherapists and other health professionals that have allowed them to improve their skills and in some cases, favour their employability.

3.9 Equality

3.9.1 Measures taken to promote equal treatment and opportunities between men and women

Talgo remains firm in its commitment to equality, striving to maintain a working environment based on equal opportunities and non-discrimination, while promoting diversity in its teams.

Through its equality policy, Talgo is committed to:

- Ensure non-discrimination among all its professionals in all people processes.
- Develop, promote and maintain a culture of diversity, equality and non-discrimination.
- Establish procedures for reporting any behaviour that could be considered abuse, discrimination and/or harassment.
- Promote continuous staff training to foster a culture based on diversity, equality and non-discrimination.
- Establish a work environment of respect and equality.
- Encourage the use of transparent and inclusive communication.

This diversity policy is implemented, reviewed and monitored through Talgo's equality plan and harassment protocol in Spain.

All information concerning this matter is available in the "Equality" section of the corporate intranet and available for consultation by all people at Talgo.

3.9.2 Equality plans

Currently, and since November 2023, Talgo has its Equality Plan II, which will be in effect until November 2027. This Equality Plan has been agreed within the framework of the Negotiating Committee of the II Talgo Patent Equality Plan, consisting of six members representing the company and six representatives from the social sector.

This committee is responsible for, among other functions, the following:

- Promoting Equality Plan implementation.
- Monitoring and evaluating the degree of compliance with the measures adopted.

The Equality Plan objectives are:

- Comply with the Law.
- Guarantee the principle of equality and non-discrimination between women and men throughout their working lives.
- Eliminate obstacles that prevent effective equality between women and men.
- Train the entire workforce on equality and non-discrimination.
- To sensitize and raise awareness among the entire workforce, encouraging their participation and involvement in the measures implemented by the Company.
- Extend the gender perspective to all policies and practices developed in the company.
- To sensitise and raise awareness concerning equality and non-discrimination between women and men across the value chain.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Develop and promote a culture of diversity, equality and non-discrimination that favours the reconciliation and co-responsibility of work and family life.
- Respond to the needs and expectations of society to contribute to the eradication of any type of inequality and discrimination based on gender.

3.9.3 Measures taken to promote employment

Talgo is implementing a series of measures to promote inclusive employment and thus contribute to reducing differences in female employment rates.

These initiatives are designed to create new employment opportunities, improve working conditions and support the professional growth of their employees.

Through training programmes, inclusive hiring policies and other actions, Talgo is committed to being an engine of positive change in the labour market.

Some of the measures implemented are:

Awareness-raising and training on equal opportunities and non-discrimination for people who are part of the company's selection and hiring processes.

- Periodic monitoring of job offers in the various mediums to ensure the non-use of sexist language or images that may imply that they are aimed at one sex or another and that only state the requirements for the proper performance of the functions of the vacant position.
- Dissemination of a manual of good practices in recruitment and selection that includes the Company's criteria regarding the analysis of CVs, questions during interviews and/or type of information to be included in selection reports.
- Implementation of a questionnaire to evaluate the selection process for new hires at the Company (template, temporary employment agency and/or scholarships) to be applied after passing the trial period and studying the results obtained.
- Preparation of a welcome manual on equality for new hires that includes information about the equality plan, Equality Commission contact persons, protocols and measures for the prevention, detection and action plan for sexual and gender-based harassment and a protocol for protection against harassment.

As a result of Talgo's commitment during 2024, initiatives have continued that allow participating women to develop their skills in the areas of management and leadership, and that are aimed at increasing female participation in leadership roles:

- "Take the Lead" programme, accompaniment and leadership for women.
- Management development programme "Women engineers and managers", in collaboration with the Nebrija University.
- "Mentoring for Excellence" programme of the "Women and Engineering" project with the Royal Academy of Engineering.

These programmes are aimed at acquiring tools and enhancing skills that will propel their career into positions of greater responsibility.

3.9.4 Protocols against sexual harassment and harassment on grounds of sex

Talgo has a protocol that guarantees the adoption of measures to prevent any situation of harassment and establishes an action procedure to investigate and sanction possible situations of harassment, if appropriate.

In Spain, Talgo has ethics committees in each of its work centres that are responsible for ensuring compliance with the harassment protocol and resolving any interpretation or doubts in its application. This committee guarantees the right to the dignity of the person,

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

the free development of the personality and the protection of physical and moral integrity, with no discrimination on grounds of sex, marital status, family status, birth, ethnic origin, age, religious beliefs, sexual orientation, opinion, disability, trade union membership or any other personal or social condition or circumstance.

All Talgo employees can report any type of non-compliance or violation related to potential harassment through the Whistleblowing Line/Ethics Channel.

3.9.5 Integration and universal accessibility of persons with disabilities

This information is detailed in section 3.8 of this document.

3.9.6 The policy against all types of discrimination and, where appropriate, the management of diversity

Talgo has a strong commitment to diversity and inclusion in the workplace. Recognising the importance of a diverse work environment, the company is actively working to formalise its commitments through specific policies and programmes.

These initiatives seek to promote equal opportunities, value individual differences, and create an environment where all employees feel valued and respected.

In 2024, Talgo will continue to be a member of the Charter for Diversity, an initiative led by the Diversity Foundation, which shows the company's commitment to the directives promoted by the European Commission on diversity and non-discrimination.

Likewise, this commitment to diversity is also shown by the renewal in 2024 of the "CEO for Diversity" alliance that promotes innovation in diversity, equity and inclusion strategies in Spanish companies, an initiative promoted by the Adecco Foundation and the Spanish Confederation of Employers' Organisations.

4 INFORMATION ON RESPECT FOR HUMAN RIGHTS

Talgo establishes, as one of the key pillars of its corporate sustainability, the commitment, respect and protection of human rights in all its operations and business relationships within the value chain.

4.1 Due Diligence Policies and Procedures

Regarding human rights management, Talgo has defined two corporate policies and a strategic protocol:

- The corporate human rights policy, approved in 2022.
- The corporate sustainability due diligence policy, currently being approved.
- The corporate sustainability due diligence protocol with its two implementation cycles: "Due diligence" and "Incident and non-compliance attention and solution cycle". These two cycles describe the implementation of the due diligence management process to ensure respect for human rights, both within the company and in the value chain, and the appropriate treatment of violations and potential breaches.

4.2 Main risks

Based on the materiality analysis carried out under the terms described in chapter 1.5 of this document, the company has identified 26 impacts that affect human rights. These impacts, both positive and negative, are included in the themes concerning own personnel, workers in the value chain and business conduct detailed in ESRS 2 (AR16).

2024 NON-FINANCIAL INFORMATION STATEMENT

These impacts have been assessed by the company. To give it the maximum possible weight, all impacts related to human rights have been given the highest score in the magnitude variable.

The assessment results allow us to conclude that material impacts with repercussions on human rights are related to working conditions and other labour rights for workers in the supply chain, and to corporate culture within the business conduct theme.

Based on the same analysis, 6 material opportunities have also been identified, also concerning Talgo staff, related to enhancing management of the Group's people: reducing turnover, increasing personal satisfaction through training and improving the company's reputation for its management of internal social sustainability (equality, diversity, reconciliation, transparency, etc.).

4.3 Human rights

4.3.1 Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy abuses committed and Compliance with the provisions of the fundamental conventions of the ILO

Talgo has established mechanisms for risk prevention, detection, mitigation, reporting, remediation/redress, violation and sanction. The mechanisms are structured in 6 categories.

The first block of prevention mechanisms are legislation and conventions considered to have the greatest impact and influence at international level. These include:

- The International Charter of Human Rights (UN).
- The Declaration on Fundamental Principles and Rights at Work (ILO).
- The ILO Fundamental Conventions (8).
- Guiding Principles on Business and Human Rights of the United Nations, 2011.
- The UN Guiding Principles Reporting Framework.
- The UK Modern Slavery Act of 2015 with the provisions not to tolerate slavery, servitude, forced or compulsory labour and human trafficking in their own activities and in supply chain activities.
- The European Union's due diligence directive.
- Internal rules on the management of ethics and human rights.

The second block of measures consists of the detection mechanisms associated with the second and third lines of defence, knowledge of supply chains and the results obtained from the Whistleblowing Line.

The main mechanisms are:

- Internal compliance analyses (especially those for human rights and anti-corruption).
- Internal audits related to compliance with human rights for Talgo workers and for working with third parties (main scope of application of the Talgo human rights management model).
- Any external audits that are necessary with suppliers and the supply chain.
- Studies on the visibility, vulnerability and resilience of the supply chain.
- The code of ethics and conduct: information on possible breaches by stakeholders (internal and external).
- The third block of measures are the reporting mechanisms that are specified in all cases in the Talgo Whistleblowing Line (see section 1.4).

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Any information, query or suggestion regarding a potential complaint is treated by informing the interested party or the aggrieved person that the appropriate channel for its handling and confidentiality is to register it via the Whistleblowing Line.

The fourth block of measures are mitigation mechanisms, resulting from processes and activities aimed at reducing the likelihood of human rights violations occurring at Talgo.

The main ones are:

- Training and awareness-raising in human rights, both internal and external.
- Knowledge of the contents of the methodology on behalf of all the organisation's managers (for internal and restricted use only).
- Acceptance of the contents of the code of ethics by employees.
- Future codes of conduct for customers and partners, as well as for suppliers.
- Improvement programmes to minimise non-compliance implemented internally and externally.
- The outreach campaigns, awards or other proposals contained in "Talgo4People".
- Forensic procedures and analysis on non-compliance from suppliers, clients or business partners.

The fifth block of measures is the remediation/redress mechanisms for victims of a human rights breach, which are established by a protocol. This is supported by a prior forensic analysis and provides a response to possible restitution, physical, psychological or social rehabilitation, compensation, satisfaction and guarantees of non-repetition.

The sixth and final block consists of the infringement and sanction mechanisms (only applicable to breaches that have been noted and resolved).

In general, these must be studied and designed by the organisation in charge of the corresponding legal issues and implemented in the following departments:

- Human resources and occupational risk prevention for internal human rights violations.
- Procurement department for human rights breaches in suppliers and the supply chain.
- Business development for client-related human rights violations.
- Steering committee for human rights violations with business partners.

Supervision of the Compliance Unit and Internal Audit

As indicated above, the Compliance Unit has the authority to monitor and enforce compliance with human rights principles and applicable regulations. This framework includes the monitoring and protection of human rights.

Furthermore, as guarantor of internal control and assurance of compliance in the different Talgo units, the Internal Audit is authorised to communicate critical concerns regarding human rights to the highest governing body.

4.3.2 Complaints of human rights violations

As mentioned above, anyone who suspects a violation of regulations or human rights should report this through the Whistleblowing Line.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

In the 2024 financial year, no communications related to Human Rights have been received through the Whistleblowing Line.

5 INFORMATION ON THE FIGHT AGAINST CORRUPTION AND BRIBERY

5.1 Policies

Business conduct and corporate culture policy

The ethical principles that govern Talgo's market activities are aligned with the current legislation for each of the countries where Talgo operates and with the highest international standards (OECD Guidelines for Multinational Enterprises, United Nations Global Compact and Universal Declaration of Human Rights, among others). Talgo has a management model for ensuring ethics and business conduct. The Board of Directors is ultimately responsible for this area, through the Delegated Audit Committee and the Compliance Unit.

This model has been implemented through various policies and codes that are based on the Code of Ethics, which includes the ethical values, commitments and good practices that must be applied to manage the Group's activity. The Code of Ethics also establishes the standards of responsible behaviour that all professionals and collaborators of the Talgo Group must comply with, regardless of their hierarchical level, their geographical or functional location and the group companies that they provide their services for. Talgo's Code of Ethics is available on the company's website.

Anti-fraud and anti-corruption policy

This context also covers the Anti-Fraud and Anti-Corruption Policy, available on the Company's website and applicable to all Talgo directors and employees, and the companies that Talgo exercises direct or indirect control over, and to other companies within the Group, as well as to its suppliers, agents, partners, contractors and generally to any related party.

This policy constitutes a permanent commitment to monitoring, risk control and sanctioning fraudulent acts and conduct or any behaviour leading to corruption in all its forms.

5.2 Main risks

One of Talgo's main objectives is to generate value for shareholders, investors, employees, customers and other stakeholders. Risks of fraud and corruption may threaten the achievement of this objective.

Based on the materiality analysis carried out under the terms described in chapter 1.5 of this document, the company has identified 16 material IROs related to business conduct, 10 positive and 6 negative. These IROs fall under the subthemes: corporate culture, supplier relationship management, lobbying activities, and corruption and bribery.

Specifically, for anti-corruption, a positive impact and an opportunity have been detected that derive from the Group's robust system for preventing and detecting corruption and bribery.

This chapter details the measures adopted to minimise the likelihood that negative impacts and risks occur, and maximise positive impacts and opportunities related to business conduct, lobbying activities, and corruption and bribery.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

5.3 Measures taken to prevent corruption and bribery and to combat money laundering

Culture of ethics and awareness

The first line of defence against unethical behaviour is awareness. Therefore, Talgo employees explicitly agree to read the Code of Ethics and the Anti-Fraud and Anti-Corruption Policy, and receive the related training.

Crime Prevention and Detection Model

Talgo has a Crime Prevention and Detection Model (CPDM) created with third party consultancy. The Board of Directors is the body responsible for ensuring the maintenance of a permanent and effective Crime Prevention and Detection Model. Accordingly, it will empower the Talgo Compliance Unit with the powers of autonomy and control necessary to implement, update, execute and supervise CPDM operation. In turn, the Audit Committee will verify that the controls established in the CPDM are effectively executed by the Compliance Unit.

This model includes a Criminal Risk Map, its corresponding control measures, and a Crime Prevention and Detection Protocol.

Payments to suppliers of materials and services

Talgo makes its payments within the framework of the procurement process described in the Talgo Supplier Manual, available on the website. This process requires an order or delivery plan, receipt and acceptance of the order or service by the internal client and invoicing, with all stages recorded in the Group's ERP.

When for exceptional reasons payments must be made outside this process, they will be authorised and made under a joint signature process that varies depending on the payment amount.

Travel expenses

Chapter VII of VII Collective Patent Agreement for Talgo SLU establishes the daily allowances applicable for Patentes Talgo SLU employees who, due to company needs, must travel to carry out their activity. To reinforce the Collective Agreement provisions, the Talgo Group has a Travel Policy that is mandatory for all employees, which aims to regulate travel and representation expenses incurred by employees for work reasons and on behalf of the Company.

The management of all travel requests, whether for plane tickets, train tickets, rental cars, hotel reservations and/or various services, must be carried out through the contracted travel agency in countries where an agreement exists, and the management of any business trip outside of this agency is prohibited. When, for exceptional reasons, accommodation or transport cannot be contracted through a travel agency, the employee will pay the amount directly, and the company will reimburse him/her, upon presentation of the invoice, in the settlement of expenses for the corresponding trip.

According to the collective agreement, employees will receive allowances to cover the cost of breakfast, lunch and dinner.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Payment by bank card

Talgo authorises bank cards exclusively for management staff and for staff who, for work reasons, must travel frequently, provided they have the approval of their management, the HR department and the Finance department. To ensure proper bank card use, the Group has established a Card Spending Policy that new users must sign.

Except in circumstances of force majeure, purchases of products and/or services necessary for the Company's activity are not permitted with a credit card. These purchases must be channeled through the Procurement Department and comply with Company procedures.

To justify expenses, a form must be completed detailing the charge, the amount and the description of the expense. Likewise, each and every receipt and/or invoice for the concepts charged to the card must be provided. Card use is supervised by Talgo's Treasury department. To minimise the intrinsic risk of this payment system, Internal Audit also performs periodic controls and specific checks when necessary.

IT tool for handling advance payments, employee expenses and cards

The Group has an IT tool for handling advance payments, employee expenses and cards. This tool allows employees to inventory various expenses and digitise invoices or receipts that support them. The application will automatically verify that the supporting documentation is valid, allowing for a reduction in administrative burden and ensuring expense control and transparency.

Cash management

Cash payments are made only when strictly necessary. In such cases, the employee will fill out a cash delivery request that must be signed by his/her superior, and this will be processed by the Treasury Department. Balance control is done through the Group's ERP.

Information provided to suppliers

Supplier's manual:

The Talgo Supplier Manual, which is mandatory for all suppliers, establishes the Supplier Code of Conduct (section 6.2.) that includes the requirement to comply with Talgo's internal Ethics and a link to the Code of Ethics (section 6.2.6.): "*Talgo suppliers commit to comply with the Buyer Norm of Ethics and Talgo's Internal Code of Ethics*". It also contains a specific section on Fraud (section 6.1.5.).

General Terms and Conditions for Purchase (GTCP) and General Terms and Conditions for Services (GTCS):

In the *Code of Ethics and Conduct and Supplier's Manual* chapter (section 29.8 in GTCP and 25.8 in GTCS): The supplier expressly acknowledges that it's familiar with the Code of Ethics and Conduct and Contractor's Manual of Talgo, published on Talgo's website and it assumes the firm and irrevocable commitment to comply with and respect its terms and conditions as an essential Supplier's obligation under these GTCP/GTCS and/or a contract/purchase order. Talgo shall be entitled to early terminate the GTCP/GTCS and any Contract/Purchase Order should the supplier breaches Talgo's Code of Ethic and Conduct and/or the Supplier's Manual.

Supplier Code of Conduct:

A new Supplier Code of Conduct is expected to be published in 2025, which will require

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

suppliers to comply with the Talgo Group's Anti-Fraud and Anti-Corruption Policy.

Company positions with the greatest risk of corruption and bribery

The company's positions with the greatest risk of corruption and bribery are in the Procurement and Commercial departments due to their close relationship with external stakeholders; service and product suppliers and customers, respectively.

Therefore, the Internal Audit and the Compliance Unit are strengthening their supervision to ensure compliance with the regulation, the Code of Ethics and the Anti-Fraud and Anti-Corruption Policy.

The commercial agents that the Talgo Group works with also receive special treatment due to their greater exposure to corruption and bribery risks. Consequently, before the Group establishes contractual ties with them, a third party is hired to perform due diligence, which will be supervised by the Compliance Unit.

Corruption and bribery cases

In the 2024 financial year, there have been no confirmed cases or open legal proceedings related to corruption or bribery.

Table 32: Corruption and bribery cases in 2024

	2024
Number of confirmed cases of corruption and bribery	-
Number of confirmed cases where own staff members were dismissed or disciplined for corruption and bribery-related cases.	-
Number of confirmed cases involving contracts with business partners that were terminated or not renewed due to corruption or bribery-related violations.	-

Public administration positions

During the 2024 financial year, there has been no appointment of a member to the administrative, management and supervisory bodies who has held a comparable position in the public administration (including regulators).

Transparency register

In order to make the company's interests visible by participating in industry associations, Patentes Talgo SLU has been registered in the EU Transparency Register since 1 February 2022 with registration number 581229029921-20.

Political donations and contributions

Talgo has not made any contributions (financial or in kind) to political parties and/or political representatives in 2024.

5.4 Contributions to foundations and non-profit organisations

Within its stakeholder management system, Talgo establishes value relationships with the following categories:

Social partners

This category includes the third social sector, namely foundations and non-governmental organisations. The objective is to collaborate in the development of initiatives and projects for social action and to contribute to society.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 33: Social partners

	2024	2023	Change 24/23
Investment			
Total investment in projects (€)	544,410	469,783	16%
Investment through the Talgo Foundation (€)	184,000	200,000	-8%
Investment through other foundations (€)	360,410	269,783	34%
Social action			
No. of projects	32	30	7%
No. of awards	15	12	25%
No. of scholarships	179	56	220%
Corporate volunteering			
Internal participants: number	51	56	-9%
Internal participants: hours spent	719	899	-20%
External participants: number	52	181	-71%
External participants: hours spent	1,120	1,544	-27%
Relationship frameworks with stakeholders			
Institutional relations in social issues	70	365	-81%
Partnerships and collaboration agreements	13	16	-19%

Industry associations

Talgo participates in several industry associations that pursue objectives related to sustainable mobility. In this section, associations registered in the European Union Transparency Register will be considered.

The themes covered by these associations and Talgo's position are explained below. The main objectives are positioning, defence of the sector and the development of shared paths and collaborative benchmarking in corporate and business sustainability.

Table 34: Industry associations

Name	Union of the European Railway Industries
Acronym	UNIFE
EU Transparency Register	9624415524-28
Groups	Sustainable Transport Committee, Investment and Project Financing Expert Group, Trade and International Affairs Committee, Chemical Risks Topical Group, Life Cycle Assessment Topical Group
Topics covered	Main EU legislative or policy proposals of interest: Sustainable mobility, Digitalisation, TEN-T and CEF, Urban mobility, Freight transport policy, Structural Funds, InvestEU and EIB, Research and Innovation, Public Procurement, Industrial Policy and SME Strategy, Trade and International Affairs.
Talgo's position	- Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. - Collaborate in ensuring an open competition market with clear and common rules for all actors. - Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector. - Collaborate in the development of innovative and sustainable technologies aligned with established climate objectives. - Contribute to the preparation and review of technical documents that enable studies and analysis of risks related to environmental sustainability (LCA, chemical risks, etc.).

Name	Asociación Ferroviaria Española
Acronym	MAFEX
EU Transparency Register	669610439061-29

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Groups	Steering Committee, Internationalisation Committee, Innovation Committee (from which Sustainability and Talent initiatives are also launched), Communication Committee
Topics covered	Initiatives related to railways, mobility or the environment and climate change, as well as the internal market or public procurement. Training and employment activities to help partners with their needs in terms of employability, and attracting and retaining talent.
Talgo's position	• Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. • Collaborate in ensuring an open competition market with clear and common rules for all actors. • Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector. • Collaborate in the development of innovative and sustainable technologies aligned with established climate objectives.

Name	Confederación Española de Organizaciones Empresariales
Acronym	CEOE
EU Transparency Register	02963738854-41
Groups	International Relations Commission, European Union Commission in the CEOE, Transport and Logistics Council, Sustainable Mobility Council
Topics covered	European social and employment policy, European policy in the field of the digital economy, European R&D&I policy, European policy on industry, small and medium-sized enterprises, the environment, energy and climate change, trade and investment policy, European internal market policy, economic and monetary affairs, fiscal policy, European transport policy; and all those European initiatives likely to impact on business competitiveness and development.
Talgo's position	• Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. • Collaborate in ensuring an open competition market with clear and common rules for all actors. • Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector.

Name	Club de Exportadores e Inversores Españoles
Acronym	-
EU Transparency Register	824364121283-16
Groups	Board of Directors, Mobility and Logistics Working Group
Topics covered	Main legislative files, initiatives and EU policies on foreign trade, international cooperation and development, industry, taxation, financing, research and innovation, environment and agriculture, food safety, economic and financial affairs, foreign policy, energy and competition.
Talgo's position	• Promote railway sector activity in all its segments, seeking the prosperity of the companies involved and providing an efficient and sustainable mobility service to society. • Collaborate in ensuring an open competition market with clear and common rules for all actors. • Promote dialogue with the relevant authorities to ensure that the voice of the sector is taken into account when establishing regulatory frameworks that may affect the industry and the transport sector.

6 INFORMATION ON THE COMPANY

Taking as a reference the definition of the groups affected by the ESRS, Talgo presents two possible segments:

- First, people who live or work in communities, municipalities or regions close to their manufacturing centres (including their headquarters), i.e., near the Las Matas II facilities in Las Rozas (Madrid) and Rivabellosa (Álava).
- Second, people who live or work in the districts or neighbourhoods where the maintenance centres (subsidiaries) are located, owned by the clients (both in Spain and in other countries). These workplaces are located in almost all cases on the outskirts of the municipalities they are in.

In the last twenty years, there has not been any significant incident or accident affecting the aforementioned groups, either in Spain or abroad.

Talgo does not own facilities or carry out commercial activities that impact populations where indigenous peoples or communities exist. Nor are there any affected groups with particular characteristics that are at greater risk of suffering damage.

2024 NON-FINANCIAL INFORMATION STATEMENT

6.1 Policies

Talgo has three policies related to socially affected groups:

- The due diligence policy, with the protocol for cases of incidents and possible violations (in the approval phase).
- The human rights policy, implementing the G7 right which corresponds to respect for communities, minorities and migrant workers, responds to the requirements and obligations in this area for the affected groups, including those with particular characteristics, if any, such as indigenous peoples and communities.
- The sustainability and sustainable development policy, which positions Talgo as a company committed to strengthening the resilience of the economic, social and environmental systems that the company operates in.

These policies are available for consultation on the Talgo Group corporate website, in the Corporate Sustainability area.

6.2 Main risks

Based on the materiality analysis carried out under the terms described in chapter 1.5 of this document, the company has identified 5 material impacts related to managing the affected groups. These impacts are framed in the subtheme "Communities' economic, social and cultural rights" in AR16, and are associated with the impact that Talgo facilities can generate in the immediate environment that the company operates in.

Furthermore, the main risks identified are related to possible environmental accidents that some of the company's facilities may cause in their surroundings and specifically in society. The consequences of these potential incidents result in possible financial penalties, loss of reputation for the company, etc.

6.3 Company's commitment to sustainable development

Processes for collaborating with affected groups in advocacy efforts

Within its strategic theme No. 6: Supporting the development and strengthening of societies (Plan 2022-2024), social action initiatives are developed and the company participates in initiatives proposed by city councils and administrations.

In terms of stakeholder dialogue, in 2024, as a result of the launch of the "First strategic project for stakeholder participation", people from society, city councils, NGOs, etc. have been interviewed to find out about their satisfaction, requirements and expectations in terms of social sustainability.

To report potential impacts related to Talgo's ethical management, affected groups can use the Whistleblowing Line.

6.3.1 The impact of the company's activity on local employment and development

Regarding the relationships maintained with local community stakeholders, including the form of dialogue with them, the main ones are:

- The relationship activities and the potential economic or social development projects with the municipalities or other types of organisations involved.
- Dialogue, improving trust and reputation of stakeholders through Talgo's contribution to social sustainability and sustainable development.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

This area is developed mainly through social action initiatives, projects and campaigns, in some cases with the collaboration of the Talgo Foundation.

Regarding partnership and sponsorship actions, the information on this matter is contained in the section “Contributions to foundations and non-profit organisations” of this document.

6.4 Subcontracting and suppliers

6.4.1 Inclusion in purchasing policy of social, gender equality and environmental issues, and consideration of their social and environmental responsibility in relations with suppliers and subcontractors

Responsible value chain management and sustainable procurement is one of Talgo's seven strategies to ensure sustainable and responsible business management and achieve the goals of the current Corporate Sustainability Strategic Plan for 2022-2025.

Within our supply chain, there is great diversity in the group of suppliers and providers in terms of the turnover and number of employees, covering both SMEs and micro-SMEs as well as large companies.

In terms of geographical location, although a large percentage of suppliers and providers are local, it covers countries in the rest of Europe, the Middle East and North Africa and America, as well as Asia-Pacific, Uzbekistan and Kazakhstan, although the latter are in smaller proportion.

Table 35: Suppliers by geographical location

Procurement and supply chain management	2024	2023	Change 24/23
Geography			
Spain	71.2%	69.9%	2%
Rest of Europe	14.5%	11.9%	22%
Americas	2.3%	2.0%	15%
Commonwealth of Independent States*	1.8%	1.5%	20%
Middle East and North Africa	6.8%	12.1%	-44%
APAC**	3.3%	2.7%	22%

(*) Uzbekistan and Kazakhstan

(**) Asia-Pacific

Throughout 2024, the procurement department has promoted the implementation of a sustainable and responsible supply chain management system under the ISO 20400 sustainable procurement certification, obtained in December of this year.

The backbone of this management system is the sustainable procurement, suppliers and responsible supply chain policy, published in 2024, which establishes the principles and mechanisms necessary to ensure relationships, agreements and initiatives with suppliers, promoting corporate sustainability through supplier qualification processes, purchasing of goods and services, and alliances within sustainable and responsible management.

This policy is especially aimed at establishing measures to prevent and mitigate adverse impacts that occur in the environmental, social, ethical and labour fields to generate a global benefit throughout the value chain.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

The right selection, certification and monitoring of suppliers (and their supply chains) allows access to differential proposals and offers and achievement of the best results in products, services and business solutions in a responsible and sustainable manner. During 2024, Talgo has optimised its supplier approval procedure, which will be implemented in 2025, including two new levels of requirement for supplier qualification: cybersecurity criteria and ESG criteria, which take into account environmental, social, ethical and labour issues in the selection of suppliers and subcontractors.

Table 36: Supplier qualification and management results

Results achieved	2024	2023	Change 24/23
Suppliers and other stakeholders (*) total assets as at 1 January	1,966	1,722	14%
Suppliers and other stakeholders total assets qualified on S&R issues as at 1 January (crit. 1 and 2).	749	662	13%
New suppliers and other stakeholders, rated in 2024 on S&R issues (crit. 1 and 2).	67	68	-1%
New suppliers and other stakeholders, rated in 2024 on S&R issues (crit. 2).	26	19	37%
New suppliers and other qualified and audited stakeholders on S&R issues (certification audits)	56	43	30%
Suppliers and other stakeholders audited for re-evaluation on S&R issues	16	17	-6%
No. of suppliers evaluated on S&R issues with significant impacts with whom improvements have been agreed as a result of the assessment.	0	6	-100%
No. of suppliers evaluated on S&R issues with significant impacts with which the relationship has been terminated as a result of the evaluation.	0	0	0%
No. of arranged quality agreements and strategic alliances with suppliers.	37	31	19%

Through the Supplier Code of Conduct, a new version of which has also been drafted and will be published in 2025, and the inclusion of specific sustainability and cybersecurity clauses in the contractual conditions, we seek to ensure the correct management of suppliers and subcontractors, preventing them from being sources of real or potential negative impacts due to possible non-compliance related to human rights or environmental, social or ethical issues, thus guaranteeing business continuity and the resilience of the value chain.

Within the training goal, both internally and externally, in the field of sustainability, Talgo is part of the 3rd edition of the Sustainable Suppliers Training Programme, developed by the UN Global Compact Spain and the United Kingdom, ICEX Spain Export and Investments and the ICO Foundation, helping to promote the initiative and focused on the development of SMEs that make up the supply chains of large Spanish companies.

To align its sustainable procurement strategy with railway sector standards, since April 2024 Talgo is part of Railsponsible, a European sector initiative focused on knowledge exchange, improvement strategies and common standards in sustainable procurement, with the aim of continuously improving sustainability practices throughout the railway sector supply chain.

The Talgo Group is making an effort to progressively adjust payment terms to adapt to the 60 days established in Law 15/2020, with the average payment period being 87 days during the 2024 financial year. In this sense, the strategy defined to reverse this situation in 2025 is the gradual review of contractual conditions for payment to suppliers, prioritising SMEs as they are more vulnerable to payment delays.

It should be noted that the Spanish Group companies subject to this regulation have their payments stipulated on the 10th of each month, a situation from which the average

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

payment period may increase with respect to that stipulated in the contractual conditions due to the gap between the due date of the invoice and the day set for payment.

The company has no legal proceedings pending against it for late payment of any invoice.

Below is the information required by the Third Additional Provision of Law 15/2010, of 5 July, prepared in accordance with the IAC Resolution of 29 January 2016, on the information to be included in the consolidated annual accounts in relation to the average payment period to suppliers of Spanish companies in commercial operations.

Table 37: Average payment period to suppliers

Metric	2024	2023	Change 24/23
Average payment period to suppliers	87	82	6%
Ratio of paid operations	93	86	8%
Ratio of operations pending to be paid	71	73	-3%

“Average payment period to suppliers” means the period between the delivery of goods or the provision of services by the supplier and the material payment of the transaction.

6.4.2 Supervision and audit systems and their results

One of the main challenges for the procurement department is to work on ensuring the sustainability and responsibility of its supply chains. In this regard, throughout 2024, ESG risk has been incorporated into the risk analysis for our strategic suppliers. Therefore, we have launched a comprehensive form that monitors technical, ethical, economic, social, environmental and human rights aspects.

In 2025, the implementation of a digital tool for assessing supplier risk in different aspects is planned, to guarantee the continuity of supply in the face of possible disruptions, and to ensure that the acquisition of products and services does not violate basic criteria for the protection of people and the environment throughout the entire value chain.

As a medium-term action plan, Talgo plans to conduct on-site ESG audits for certain suppliers located in areas with a higher intrinsic risk of violating human rights in the workplace and outside the workplace for workers in the value chain, as well as potential negative environmental impacts.

6.5 Consumers

Although Talgo's customers are the governments or public administrations that acquire Talgo's products (rolling stock or auxiliary machinery), consumers and end users are the people who use or are intended to ultimately use the product or service, or people who work within it.

There can be various types of end consumers (all within the value chain):

- Train passengers enjoying their journey, purchased from the operating company. They not only enjoy the train and its facilities, but also the internal operations and services provided.
- Employees and collaborators of the operating company who carry out their functions and responsibilities, mainly using Talgo products: maintenance operators, drivers, inspectors, etc. All have the technical information and manuals for their use, safety and any other necessary information.

2024 NON-FINANCIAL INFORMATION STATEMENT

- Employees and collaborators belonging to railway administrators (for example, Adif) who use rolling stock for the analysis and monitoring of railway infrastructure (ensuring the correct condition of the tracks) for use by any railway operator. All have the technical information and manuals for their use, safety and any other relevant information.
- Other people, whether from the client company or not, in charge of cleaning, catering or other complementary services, with no direct relationship in any case with Talgo.

Talgo covers this sustainability issue through the following three corporate strategies:

- Eco-efficient, sustainable and highly competitive services and products.
- Competitiveness based on efficiency, quality and safety.
- Advanced corporate sustainability in business management and impacts.

Policies related to consumers and end users:

The policies and, consequently, the action processes to respond to the impacts, risks and opportunities related to consumers and end users are detailed below:

- The commercial, customer and user management policy, which Talgo updated and approved in 2024, in a new version that includes its users and commitments more explicitly and precisely.
- The operational safety policy that establishes principles and guidelines relating to the safety of products and activities.
- Talgo's due diligence policy (in the approval phase) for serious cases where it is necessary to determine, evaluate, manage or repair important incidents for customers and end users. This policy is developed through the due diligence protocol that integrates the identification, evaluation, prevention and mitigation of significant risks and impacts, and verification and control, as well as the measures adopted.

6.5.1 Measures for consumer health and safety

This sustainability issue at Talgo is managed through three main courses of action:

- Safety management and, in a complementary manner, the "comfort" of products (rolling stock and auxiliary machines) during their use or operation or during their maintenance.
- Information security, managed through cybersecurity processes and activities.
- The social, environmental and value features of the products (rolling stock).

6.5.2 Claim systems, complaints received and their resolution

Stakeholder interests and views

Concerning the interests and views of stakeholders, Talgo systematically conducts customer satisfaction and requirements surveys within the quality management system.

The communication channels with end users are described in the following section "Processes for collaborating with consumers and end users regarding incidents".

To manage customers' expectations, Talgo has a control system that responds to and follows up on their claims and complaints. All communications received are analysed, answered and, where appropriate, corrective action is taken to resolve the issue(s) and

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

prevent recurrence. All of this is standardised in the PR-13 Customer Satisfaction process.

Table 38: Customer Complaints and Claims

Complaints and claims (C&C)	2024	2023	Change 24/23
Total customer complaints and claims	5	5	0%
C&C: bidding process (trains)	0	0	0%
C&C: project management and delivery (trains)	5	1	400%
C&C: maintenance services (trains)	0	3	-100%
C&C: equipment for maintenance	0	1	-100%

To develop and supplement this scope, during the 2024 financial year the “First strategic stakeholder participation project” was launched to measure the quality of the frameworks for relationships with stakeholders and the sustainability management carried out by Talgo (approximately 200 people).

For category No. 2: clients and users, the sample was 22 people, including both national and foreign clients and users.

The surveys conducted have allowed us, firstly, to learn about their satisfaction, requirements, and expectations in terms of sustainability, and the reputational value of Talgo. Secondly, the validation of the company's material issues.

Starting in 2025, actions will be launched to respond to the legitimate and reasonable interests of customers and end users that Talgo has taken on.

Finally, it is worth highlighting the existence of a project currently in development called: “Talgo: passenger experience”. This analysis project, which was completed in 2020, identified and specified all the users' needs, detecting areas of opportunity (including social, environmental, information privacy, needs for people with disabilities, etc.). This project was carried out alongside partners from Germany and the United Kingdom.

Processes for collaborating with consumers and end users regarding incidents:

It is important to note that any incidents or complaints from passengers or persons performing their duties on the train are forwarded to the operating company, which, if deemed appropriate, makes a claim to Talgo if it considers the company to be responsible. (Talgo, in general, never has direct dealings with potentially affected users.)

If applicable, the customer may submit this complaint or claim using procedure PR-13 “Customer satisfaction procedures managed through the Talgo quality system”.

In any case, end users can use the Whistleblowing Line to report potential non-compliance and queries regarding corporate sustainability.

7 TAXONOMY

The objective of this chapter is to describe the process and results of the taxonomic review of the business of Talgo SA and its subsidiaries (hereinafter, “Talgo Group” or “Talgo”), in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020, its corresponding Delegated Regulations (Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and Commission Delegated Regulation (EU) 2021/2178 of 6 July) and the amendments thereto.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Following the application of the proposed methodology, the degree to which Talgo's economic activities are environmentally sustainable is identified, according to the following classification:

- Activities not eligible according to environmental taxonomy.
- Eligible but non-aligned activities according to environmental taxonomy.
- Eligible and aligned activities, according to environmental taxonomy.

This report provides the following key indicators for each of these activities:

- Turnover.
- CapEx.
- OpEx.

Environmental taxonomy analysis methodology

The methodology used consists of four steps that, together, allow Talgo to identify the degree of environmental sustainability of its economic activity based on the definitions in Regulation 2020/852 and its delegated Regulations.

- Identification of eligible activities.
- Evaluation of the technical criteria of substantial contribution.
- Assessment of technical criteria or principles of not doing significant harm to another environmental objective (DNSH).
- Assessment of minimum social safeguards.

Identification of eligible activities

To identify whether Talgo's activities are eligible, the segmentation used in the company's consolidated annual accounts has been used:

- Rolling stock: This includes manufacturing and maintenance of rolling stock.
- Auxiliary machines and others: This includes manufacturing and maintenance of pit lathes and other auxiliary equipment, repairs and modifications of rolling stock, and sale of spare parts

Analysing this segmentation in detail and considering the economic activities in Annex I of Delegated Regulation (EU) 2021/2139, it has been identified that the manufacture and maintenance of rolling stock, as well as the repairs and modifications of rolling stock, fall within:

- *3.3. Manufacture of low carbon technologies for transport:* category that can be associated with NACE code 30.20 Manufacture of railway locomotives and rolling stock.

The Talgo Group has also carried out a series of investments linked to other eligible economic activities that do not generate turnover on their own:

- *7.6. Installation, maintenance and repair of renewable energy technologies:* Installation, maintenance and repair of renewable energy technologies, on site.

Evaluation of the technical criteria of substantial contribution

To ensure that eligible activities contribute substantially to at least one of the objectives defined in Regulation (EU) 2020/852, the technical criteria in Regulation (EU) 2021/2139 have been analysed:

2024 NON-FINANCIAL INFORMATION STATEMENT

- *3.3. Manufacture of low carbon technologies for transport:* an activity in this category is a facilitator for a substantial contribution to climate change mitigation when it consists of the manufacture, repair, maintenance, retrofit, repurpose or upgrade of:
 - o Trains, passenger coaches and wagons that have zero direct (tailpipe) CO₂ emissions.
 - o Trains, passenger coaches and wagons that have zero direct tailpipe CO₂ emissions when operated on a track with the necessary infrastructure and use a conventional engine where such infrastructure is not available (bimode).

Talgo manufactures, maintains, and remodels trains, locomotives and passenger cars meeting at least one of these two requirements.

- *7.6. Installation, maintenance and repair of renewable energy technologies:* For this activity to facilitate a substantial contribution to climate change mitigation, it must consist of the installation, maintenance and repair of solar photovoltaic systems and ancillary technical equipment. Since the CapEx associated with this activity is aimed at installing photovoltaic panels in one of the company's factories, it has been concluded that it contributes to mitigating climate change.

Although Regulation (EU) 2021/2139 establishes the technical criteria for considering the contribution to the objectives of climate change mitigation and climate change adaptation, Talgo's aligned business volume, CapEx and OPEX will be aligned in relation to the Climate Change Mitigation objective.

To ensure that Talgo's activities that conform to the taxonomy for climate change mitigation do not do any significant harm to another environmental objective, the technical criteria of Regulation (EU) 2021/2139 have been analysed:

a. Climate change adaptation

Talgo's activities that conform to the taxonomy according to “*3.3 Manufacture of low carbon technologies for transport*” and the CapEx associated with “*7.6 Installation, maintenance and repair of renewable energy technologies*” do not do significant harm in relation to the objective of climate change adaptation. Talgo has carried out a climate-related physical risk assessment, taking into account the hazards listed in Annex I, Appendix A of the Delegated Regulation. From this list, Talgo has identified acute physical risks, the appearance of heat waves and periods of drought, as critical risks, and variations in temperatures and the increased frequency of extreme temperatures as chronic physical risks.

The physical risk assessment has been carried out considering all centres at a global level and from a life cycle perspective, especially for products and including the value chain, based on current climate models and their future projections studied by the Intergovernmental Panel on Climate Change (IPCC) in its latest report (AR6). Through this report, different projections or representative concentration pathways (RCP) of greenhouse gases are described. Talgo sets its risk assessment based on the report's optimistic (RCP2.6) and conservative (RCP8.5) models, which place global temperature increases at 2°C and 4-5°C respectively compared to pre-industrial values.

2024 NON-FINANCIAL INFORMATION STATEMENT

Potential solutions have also been assessed to mitigate the identified critical risks and vulnerabilities, which do not negatively affect adaptation efforts or the level of resilience to physical climate risks of other people, nature, cultural heritage, property and other economic activities.

b. Sustainable use and protection of hybrid and marine resources

Talgo has an environmental management system implemented and certified in accordance with ISO 14001.

Under the above-mentioned management system, Talgo has a global management system for environmental risks that identify water resources-related risks. The systematic review allows for the prevention or mitigation of harmful effects on the environment or the enhancement of desirable effects, and achieves continuous improvement of the implemented environmental management system. Through its management system, Talgo also applies strict operational control and preventive measures to reduce the impact of its activities on water resources. Talgo always carries out its activities in compliance with applicable water legislation and discharge permits, which establish water quality limit parameters.

In the specific case of the “Las Matas II” centre, the project was subject to an Environmental Impact Assessment, with the Department of the Environment of Madrid (Spain) issuing a favourable Environmental Impact Declaration on 29 February 2000. The Environmental Impact Assessment includes an identification and assessment of the impacts of activity on water resources and, both in this document and in the Environmental Impact Statement, water protection measures to be considered during the industrial activity phase of the centre are indicated.

These conditions, together with those included in the centre's discharge permit, are considered at all times to ensure the quality of the discharged water.

For all the above reasons, Talgo does not cause significant damage in relation to the objective of protecting water resources.

c. Transition to a circular economy

Talgo train manufacturing is based on eco-design, which allows its trains to achieve recyclability and recoverability values of at least 93% and 96% respectively. To achieve this, the company looks to use materials with higher rates of recyclability and recoverability.

In terms of waste management, Talgo's environmental management system, certified according to ISO 14001, ensures that waste management is carried out under current legislation, by an authorised waste manager, guaranteeing the best possible treatment for the waste from an environmental perspective. Currently, waste where disposal has been avoided (recycling, recovery, etc.) accounts for around 80%, compared to 20% of waste destined for disposal.

Regarding compliance with the REACH Regulation (Regulation (EC)), Talgo transfers information requirements on the content of chemical substances contained in articles or mixtures to the supply chain. Additionally, suppliers of the equipment that the train is made of are required to comply with the Railway

2024 NON-FINANCIAL INFORMATION STATEMENT

Industry Substance List (RISL) developed by UNIFE, which compiles materials and substances that are prohibited by European and international legislation specifically for the railway industry. The main objective is to ensure compliance with restrictions on the use and marketing of hazardous chemical substances and to evaluate possible alternatives in the event of detecting their content in Talgo products.

For all the above reasons, Talgo's activities do not cause significant harm in relation to the objective of transition towards a circular economy.

d. Pollution prevention and control

Talgo complies at all times with legislation relating to pollution prevention by conducting periodic assessments thereof. Talgo's activity does not give rise to the manufacture, marketing or use of substances mentioned in Appendix C of the Delegated Regulation, except for those regulated by the REACH and ROHS regulations.

Under REACH regulations (Regulation (EC) 1907/2006), relating to the registration, evaluation, authorisation and restriction of chemical substances and preparations, and RoHS (Directive 2011/65/EU), on the restriction of the use of certain hazardous substances in electrical and electronic equipment and subsequent amendments, Talgo prohibits the use of chemical products and substances in accordance with the regulation.

To ensure compliance with the requirements included in the various regulations, Talgo requests that all its suppliers provide the precise classification of prohibited substances and declarable substances for evaluation (which could be avoided) contained in their equipment in accordance with the list of prohibited and declarable substances in the railway sector or RISL (Railway Industry Substance List) developed by UNIFE.

When designing parts, components and their assemblies, suppliers must verify the presence of prohibited substances P (AR), declarable for evaluation D (FA) or declarable for information D (FI). If a case of prohibited substance is detected, it means that the selected parts, components or assemblies do not comply with legislation. Consequently, the design must be changed. Talgo suppliers must also agree to ensure that there are no prohibited substances in the scope of their supply prior to any delivery and declare all declarable substances for evaluation that are present in the scope of their supply because they could not be substituted in their design, in addition to declarable substances for information whose mass is relevant, i.e. greater than 0.1 M% before delivery.

For all the above reasons, Talgo does not cause significant damage in relation to the objective of pollution prevention and control. Furthermore, as indicated above, through its environmental management system certified according to ISO 14001, it applies strict operational control and preventive measures to reduce the impact of its activities on the natural environment and ecosystems.

e. Protection and restoration of biodiversity and ecosystems

The Talgo environmental management system structure is based on an environmental policy that is deployed in different procedures whose objectives

2024 NON-FINANCIAL INFORMATION STATEMENT

are to identify environmental aspects and impacts and to maintain respect for the environment in the development of current and future projects, promoting continuous improvement and risk mitigation. Talgo does not cause damage to biodiversity in the environment due to strict control of emissions, possible discharges and waste derived from its activities.

The company also ensures at all times that its activities comply with environmental legislation, carrying out monitoring based on the different environmental authorisations, and always promoting a significant degree of environmental awareness among the workforce.

As mentioned above, in the case of the “Las Matas II” centre, the project was subject to an Environmental Impact Assessment, with the Department of the Environment of Madrid (Spain) issuing a favourable Environmental Impact Declaration on 29 February 2000. Both the Environmental Impact Assessment and the Environmental Impact Statement indicate measures for the protection of biodiversity, water resources, air quality and soil related to the industrial activity phase of the centre, which are considered at all times to avoid causing damage to biodiversity in the environment.

For all the above reasons, Talgo does not cause significant damage in relation to the objective of protecting and recovering biodiversity and ecosystems. Furthermore, as indicated above, through its environmental management system certified according to ISO 14001, it applies strict operational control and preventive measures to reduce the impact of its activities on the natural environment and ecosystems.

Minimum social safeguards

According to Article 18 of Regulation (EU) 2020.852, minimum guarantees shall be the procedures applied by a company carrying out an economic activity to ensure compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions referred to in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

To ensure minimum social safeguards, the “*Final Report on Minimum Safeguards*”, published in October 2022, has been used as a reference, which provides recommendations for the evaluation of compliance with minimum social guarantees.

a. *Human rights*

Talgo integrates its commitment to respect and protect human rights in the activities and relationships involving its value chain through its “Human Rights Management Strategy and Model”, which has established mechanisms for the prevention, detection, mitigation, reporting, remediation/repair, infringement and sanction of any incident related to human rights.

The Human Rights Inventory, the Human Rights Policy and the Due Diligence management system, the policy of which is currently being approved, are all part of this process.

2024 NON-FINANCIAL INFORMATION STATEMENT

Additionally, no unappealable convictions for human rights issues have been handed down.

For more information, see chapter “4.3. *Human Rights.*”

b. *Corruption and fraud*

Talgo establishes its commitment to permanent monitoring, risk control and sanctioning fraudulent acts and conduct or any behaviour leading to corruption in all its forms through its Anti-Fraud and Anti-Corruption Policy.

Additionally, no unappealable convictions for corruption or fraud have been handed down.

For more information, see chapter “5. *Information on the fight against corruption and bribery.*”

c. *Fair competition*

Talgo has a Fair Competition Policy, which establishes a commitment to perform Business Development activities within a framework of respect for competitors and other players in the Transport sector, adopting guidelines for responsible behaviour for all professionals and collaborators of the Talgo Group, based on integrity, honesty, fair treatment and ethics in the performance of their duties.

Additionally, no unappealable convictions for anti-competitive practices have been handed down.

d. *People and occupational well-being*

One of Talgo's priorities is people. Therefore, it has a human resources management model based on the principles of health and safety, permanent employment, competitive remuneration and recognition, work-life balance, diversity, equality, talent and development, and dialogue, communication and attention to people.

Additionally, as of 31 December 2024, 99.94% of the people in the Talgo Group have full or partial coverage under the collective agreement or similar collective agreements depending on the corresponding country.

For more information, see chapter “3.3. *Employment.*”

e. *Social dialogue and the right to free association*

Talgo respects the right of all workers to freely join unions and allows employees affiliated to a union to hold meetings, collect dues and distribute union information.

In Spain, Talgo regularly engages in collective bargaining and makes periodic consultations with the workers' representation, aimed at responding to incidents of relative importance concerning its own personnel.

For more information, see chapter “3.6.1 *Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.*”

2024 NON-FINANCIAL INFORMATION STATEMENT

f. Tax

Talgo has a tax strategy supported by the Tax Compliance and Best Practices Policy. The policy expressly sets out the general commitment of Talgo SA and its subsidiaries to comply with tax regulations in Spain and in the other countries that they operate in. Talgo also includes the development and implementation of best practices in tax matters in its Corporate Governance rules. This policy includes the recommendations of the Code of Good Tax Practices issued by the Spanish Tax Agency.

Talgo also publishes information relating to taxes paid in its consolidated annual accounts.

g. Reporting mechanisms

Talgo provides all stakeholders with a Whistleblowing Line, which allows them to report any potential irregular behaviour that is contrary to the principles and values set out in the company's Code of Conduct and/or current regulations. To ensure the confidential treatment of such communications, the channel will be managed by an external and independent company.

For more information, see chapter “1.4 Corporate governance”

Accounting policy considered for the calculation of eligible and aligned business volume, CapEx and OpEx

Turnover

A breakdown of Talgo's consolidated revenues classified by the project or service that generated them has been obtained from the Group's ERP.

The negative income items included in said breakdown have been considered to calculate taxonomic eligibility to the extent that these are adjustments to the income figure for rebates and other discounts that must be considered as a lower income figure under the accounting regulations applicable to Talgo. The European Commission Taxonomy Navigator FAQ states “Negative revenue could be treated as a 0% value for taxonomic eligibility reporting. However, companies may report the negative value in monetary terms.” In order to use standard criteria in the annual accounts and in the taxonomy, all negative income items have been considered with their original value, i.e., the negative amount.

- Eligibility calculation:
 - o Denominator: Net amount of the turnover of Talgo SA and its subsidiaries.
 - o Numerator: Net amount of business volume associated with projects or services that are part of the activity “3.3. *Manufacture of low carbon technologies for transport*”
- Alignment calculation:
 - o Denominator: Net amount of the turnover of Talgo SA and its subsidiaries.
 - o Numerator: Sum of the amounts for each eligible project or service when concluded that they are also aligned, i.e., when the project or service:
 - Meets the CCS for the mitigation of climate change.
 - Meets DNSH criteria.
 - Complies with minimum social guarantees.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

CapEx

A breakdown of the additions of tangible and intangible fixed assets has been obtained from the Talgo Group's accounting ERP, including a description of the addition and the work centres these are associated with.

- Eligibility calculation:
 - o Denominator: Sum of the consolidated capital investment increases of Talgo SA and subsidiaries, associated with tangible and intangible fixed assets.
 - o Numerator: Sum of capital investment increases linked to eligible activities “3.3. *Manufacture of low carbon technologies for transport*” and “7.6. *Installation, maintenance and repair of renewable energy technologies*”.
- Alignment calculation:
 - o Denominator: Sum of the consolidated capital investment increases of Talgo SA and subsidiaries, associated with tangible and intangible fixed assets.
 - o Numerator: Sum of capital increases linked to eligible activities when concluded that these activities are also aligned, i.e.:
 - Meet the CCS for the mitigation of climate change.
 - Meet the DNSH criteria.
 - Comply with minimum social guarantees.

OpEx

Talgo, as a non-financial company, must include non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of property, plant and equipment assets by the company or a third party to whom activities are outsourced and that are necessary to ensure the continuous and efficient operation of these assets for each activity.

- Eligibility calculation:
 - o Denominator: The following items have been included in the Talgo Group's profit and loss account:
 - Research and development expenses (account 620).
 - Leases and royalties (account 621).
 - Repair and maintenance (account 622).
 - o Numerator: Sum of the costs directly associated with eligible projects or accounting cost centres linked to Talgo Group centres where activities related exclusively to eligible taxonomic activities are carried out.
- Alignment calculation:
 - o Denominator: The following items have been included in the Talgo Group's profit and loss account:
 - Research and development expenses (account 620).
 - Leases and royalties (account 621).
 - Repair and maintenance (account 622).
 - o Numerator: Sum of eligible costs when concluded that they are also aligned, i.e.:
 - Meet the CCS for the mitigation of climate change.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

- Meet the DNSH criteria.
- Comply with minimum social guarantees.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 39.1: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities in 2024

Economic Activities	Codes according to Delegated Regulation 2021/2139	Absolute Turnover (thousands of €) Year 2024	Proportion of Turnover (%) Year 2024	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards (Y/N)	Proporción of Taxonomy-aligned or -eligible Turnover, year 2023 (%)	Category "enabling activity" (E)	Category "transitional activity" (T)
				Climate Change Mitigation (Y; N; N/EL)	Climate Change Adaptation (Y; N; N/EL)	Water (Y; N; N/EL)	Circular Economy (Y; N; N/EL)	Pollution (Y; N; N/EL)	Biodiversity (Y; N; N/EL)	Climate Change Mitigation (Y; N)	Climate Change Adaptation (Y; N)	Water (Y; N)	Circular Economy (Y; N)	Pollution (Y; N)	Biodiversity (Y; N)				
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of low carbon technologies for transport	CCM 3.3	659,522	99%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	100%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		659,522	99%	99%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%		
Of which enabling		659,522	99%	99%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	E	
Of which transitional		0	0%							Y	Y	Y	Y	Y	Y	Y	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	CCM 3.3 CCA 3.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
Total (A.1 + A.2)		659,522	99%	99%	0%	0%	0%	0%	0%								100%		
B. TAXONOMY NON-ELEGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		9,694	1%														0%		
Total (A + B)		669,216	100%														100%		

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 39.2: Proportion of turnover per objective in 2024

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	99%	99%
CCA		99%
WTR		0%
CE		0%
PPC		0%
BIO		0%

Legend: CCM, Climate Change Mitigation; CCA, Climate Change Adaptation; WTR, Water and Marine Resources; CE, Circular Economy; PPC, Pollution Prevention and Control; BIO, Biodiversity and ecosystems.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 40.1: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities in 2024

Economic Activities	Codes according to Delegated Regulation 2021/2139	Absolute CapEx (thousands of €) Year 2024	Proportion of CapEx (%) Year 2024	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards (Y/N)	Proportion of Taxonomy-aligned or -eligible CapEx, year 2023 (%)	Category "enabling activity" (E)	Category "transitional activity" (T)	
				Climate Change Mitigation (Y; N; N/EL)	Climate Change Adaptation (Y; N; N/EL)	Water (Y; N; N/EL)	Circular Economy (Y; N; N/EL)	Pollution (Y; N; N/EL)	Biodiversity (Y; N; N/EL)	Climate Change Mitigation (Y; N)	Climate Change Adaptation (Y; N)	Water (Y; N)	Circular Economy (Y; N)	Pollution (Y; N)	Biodiversity (Y; N)					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	CCM 3.3	51,395	93%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	86%	E		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	355	1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	E		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		51,749	94%	94%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	86%			
Of which enabling		51,749	94%	94%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	86%	E		
Of which transitional		0	0%							Y	Y	Y	Y	Y	Y	0%				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	CCM 3.3 CCA 3.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL							14%				
Installation, maintenance and repair of renewable energy technologies	CCM 7.6 CCA 7.6	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL							0%				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%							14%				
Total (A.1 + A.2)		51,749	94%	94%	0%	0%	0%	0%	0%							100%				
B. TAXONOMY NON-ELEGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		3,258	6%														0%			
Total (A + B)		55,007	100%														100%			

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 40.2: Proportion of CapEx per objective in 2024

	Proportion of CapEx / Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-elegible per objective
CCM	94%	94%
CCA		94%
WTR		0%
CE		0%
PPC		0%
BIO		0%

Legend: CCM, Climate Change Mitigation; CCA, Climate Change Adaptation; WTR, Water and Marine Resources; CE, Circular Economy; PPC, Pollution Prevention and Control; BIO, Biodiversity and ecosystems.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 41.1: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities in 2024

Economic Activities	Codes according to Delegated Regulation 2021/2139	Absolute OpEx (thousands of €) Year 2024	Proportion of OpEx (%) Year 2024	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum Safeguards (Y/N)	Proporción of Taxonomy-aligned or -eligible OpEx, year 2023 (%)	Category "enabling activity" (E)	Category "transitional activity" (T)	
				Climate Change Mitigation (Y; N; N/EL)	Climate Change Adaptation (Y; N; N/EL)	Water (Y; N; N/EL)	Circular Economy (Y; N; N/EL)	Pollution (Y; N; N/EL)	Biodiversity (Y; N; N/EL)	Climate Change Mitigation (Y; N)	Climate Change Adaptation (Y; N)	Water (Y; N)	Circular Economy (Y; N)	Pollution (Y; N)	Biodiversity (Y; N)					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of low carbon technologies for transport	CCM 3.3	10,202	66%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	91%	E		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		10,202	66%	66%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	91%			
Of which enabling		10,202	66%	66%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	91%	E		
Of which transitional		0	0%							Y	Y	Y	Y	Y	Y	Y	0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low carbon technologies for transport	CCM 3.3 CCA 3.3	0	0%	EL	EL	N/EL	N/EL	N/EL	N/EL										9%	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%										9%	
Total (A.1 + A.2)		10,202	66%	66%	0%	0%	0%	0%	0%										100%	
B. TAXONOMY NON-ELEGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		5,321	34%															0%		
Total (A + B)		15,523	100%															100%		

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 41.2: Proportion of OpEx per objective in 2024

	Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-elegible per objective
CCM	66%	66%
CCA		66%
WTR		0%
CE		0%
PPC		0%
BIO		0%

Legend: CCM, Climate Change Mitigation; CCA, Climate Change Adaptation; WTR, Water and Marine Resources; CE, Circular Economy; PPC, Pollution Prevention and Control; BIO, Biodiversity and ecosystems.

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Table 42: Indicators Law 11/2018

Contents of Law 11/2018			Standard used	Page
Business model	Description of the group's business model	Brief description of the group's business model, which will include its business environment, its organization and structure, the markets in which it operates, its objectives and strategies and the main factors and trends that may affect its future development.	ESRS 2 SBM-1	Pages 3-7
			ESRS 2 SBM-2	Pages 13-16
			ESRS 2 SBM-3	Pages 4-16
			ESRS 2 GOV-1	Pages 7-8
Information on environmental issues	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	E1-2	Page 17
			E1-3	Page 17
			E5-1	Page 17
			E5-2	Page 17
			ESRS 2 IRO-1	Page 17
			ESRS 2 GOV 4	Pages 5 and 17
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Pages 17-18
			E1-IRO1	Pages 17-18
			E5-IRO1	Pages 17-18
	General	Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	E1.IRO1	Pages 18-19
			E5.IRO1	Pages 18-19
		Environmental assessment or certification procedures	ESRS 2 BP-2	Page 18
		Resources dedicated to the prevention of environmental risks	E1-3	Page 19
			E5-2	Page 21
		Application of the precautionary principle	ESRS 2 MDR A	Page 18
		Provisions and guarantees for environmental risks	GRI 307-1	Page 19

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
	Pollution	Measures to prevent, reduce or remedy carbon emissions that seriously affect the environment taking into account any form of activity-specific air pollution, including noise and light pollution.	E2-2	Page 20
	Circular economy and waste prevention and management	Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste	E5-2	Pages 20-22
			E5-5	Pages 20-22
		Actions to combat food waste.	Not material for the company.	
	Sustainable use of resources	Water consumption and water supply in accordance with local constraints	E3-4	Table 9.1
		Consumption of raw materials and measures taken to improve the efficiency of their use	E5-2	Page 23
			E5-4	Table 9.1
		Energy: Direct and indirect energy consumption; measures taken to improve energy efficiency and the use of renewable energies.	E1-5	Table 9.2
			E1-3	Page 23
			E1-2	Page 17
	Climate change	Important elements of Greenhouse Gas emissions generated as a result of the company's activities	E1-6	Page 25, Table 11.1 and Table 11.2
		The measures taken to adapt to the consequences of climate change	E1-3	Pages 25-26
		The voluntary medium- and long-term reduction targets established to reduce greenhouse gas emissions and the means implemented	E1-4	Page 25
	Protection of biodiversity	Measures taken to preserve or restore biodiversity	E4-1	Pages 26-27
			E4-3	Page 27
		Impacts caused by activities or operations in protected areas.	E4. SBM-3	Page 27
			E4. IRO-1	Page 27
Information on social and personnel-related issues	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	ESRS 2 GOV 4	Page 27-28
			ESES 2 IRO-1	Pages 27-28
			S1-1	Pages 27-28
			S1-2	Page 42
			S1-3	Pages 42-43
			S1-4	Page 43

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Page 28
	Employment	Total number and distribution of employees by sex, age, country	S1-6	Page 13, Table 14, Table 15, Table 16, Table 17, Table 18, Table 19
			S1-9	Page 13, Table 14, Table 15, Table 16, Table 17, Table 18, Table 19
		Distribution of employees by professional classification	GRI 2-7	Table 13, Table 20, Table 21
			GRI 2-8	Table 13, Table 20, Table 21
		Total number and distribution of employment contract types	S1-6	Table 20
		Annual average number of permanent, temporary and part-time contracts by sex.	S1-6	Table 22, Table 23,
		Average annual number of permanent contracts, temporary contracts and part-time contracts by age and occupational category	GRI 2-7	Table 22, Table 23,
			GRI 2-8	Table 22, Table 23,
		Number of dismissals by gender, age and occupational category	GRI 401-1	Table 24
		Average remuneration and their evolution broken down by gender, age and occupational category or equal value;	GRI 405-2	Table 25
		Pay gap	S1-16	Page 38
		Remuneration for equal or average jobs in society	S1-16	Table 26
		The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term	GRI 2-19	Page 38
			GRI 3-3	Page 38

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
		savings schemes and any other payment broken down by gender,		
		Implementation of labour disconnection policies	S1-1	Page 39
		Employees with disabilities	S1-12	Table 27
	Organisation of work	Organisation of working time	S1-15	Pages 39-40
		Number of hours of absence	GRI 403-9	Page 40
			GRI 403-10	Page 40
		Measures aimed at facilitating the enjoyment of work/life balance and encouraging the co-responsible exercise of these by both parents.	S1-4	Page 40
			S1-15	Page 40
	Health and safety	Health and safety conditions at work	S1-1	Pages 27 and 40-41
			S1-14	Pages 40-41
		Accidents at work (frequency and severity) by gender	GRI 403-9	Table 28
			GRI 403-10	Table 28
		Occupational diseases (frequency and severity) by gender	GRI 403-9	Table 29
			GRI 403-10	Table 29
	Social relations	Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	S1-8	Page 42
		Percentage of employees covered by collective bargaining agreements by country	S1-8	Table 30
		Balance of collective bargaining agreements, particularly in the field of occupational health and safety.	S1-8	Page 44
			S1-14	Pages 44-45
	Training	The policies implemented in the field of training	S1-1	Pages 44 and 45
			S1-13	Page 44 and 45
		The total number of training hours by occupational category	GRI 404-1	Pages 45 and Table 31
	Accessibility	Universal accessibility for people with disabilities	S1-1	Pages 27-28 and 45-46
			S1-12	Pages 45-46
	Equality	Measures taken to promote equal treatment and opportunities between men and women	S1-4	Pages 46
			S1-9	Table 13, Table 20, Table 21

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
		Equality plans	S1-1	Pages 27 and 46-47
		Measures taken to promote employment	S1-4	Page 46 and page 47-48
		Protocols against sexual harassment and harassment on grounds of sex	S1-1	Page 27 and page 45-46
		Integration and universal accessibility of persons with disabilities	S1-12	Page 45-46
			S1-1	Pages 27 and 45-46
		The policy against all types of discrimination and, where appropriate, the management of diversity	S1-1	Pages 27 and 48
			S1-9	Table 13, Table 20, Table 21
Information on respect for human rights	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	ESRS 2 GOV 4	Page 48
			ESRS 2 IRO-1	Page 49
			S1-1	Pages 27 and 50-51
			S1-2	Page 42-43
			S1-3	Page 42-43
			S1-4	Page 42-43
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO1	Page 48-49
	Human Rights	Implementation of human rights due diligence procedures	ESRS 2 GOV 4	Page 48
		Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and remedy any abuses committed	S1-1	Page 27 and pages 49-51
			S1-3	Page 49-51
		Complaints of human rights violations	S1-17	Page 51

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
		Promotion of and compliance with the provisions of the core ILO Conventions related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour	S1-1	Page 49
Information on the fight against corruption and bribery	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	G1-1	Page 51
			ESRS 2 IRO-1	Page 52
			ESRS 2 GOV 4	Pages 5 and 51-53
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Page 51
	Corruption and bribery	Measures taken to prevent corruption and bribery;	G1-3	Pages 52-53
		Measures to combat money laundering	G1-3	Pages 52-53
		Contributions to foundations and non-profit organisations	GRI 415-1 201-1	Pages 55-56, Table 33 and Table 34
Information on the company	Policies	Policies applied by the group, including due diligence procedures in place for the identification, assessment, prevention and mitigation of significant risks and impacts, and for verification, as well as the measures that have been taken.	S3-1	Page 57
			S4-1	Page 57
			GOV 4	Page 57
			G1-1	Pages 57-58
			ESRS 2 IRO-1	Page 58

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018			Standard used	Page
	Main risks	Main risks related to those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter. Information on the impacts identified should be included, with a breakdown of these impacts, in particular the main short, medium and long-term risks.	ESRS 2 IRO-1	Pages 57 and 59
	Company's commitment to sustainable development	The impact of the company's activity on local employment and development;	S3-4	Pages 57-58
			ESRS2 SBM3	Pages 57-58
		The impact of company's activity on local populations and the territory	S3-SBM3	Pages 57-58
		The relations with actors of the local communities and the forms of dialogue with them	S3-2	Page 58
		Partnership or sponsorship actions.	GRI 2-28	Pages 58-60, Table 33 and Table 34
			GRI 3-3	
	Subcontracting and suppliers	Inclusion of social, gender equality and environmental issues in procurement policy	G1-1	Pages 58-59, Table 34, Table 35 and Table 36
		Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	G1-2	Pages 58-60, Table 36
		Supervision and audit systems and their results.	GRI 414-2	Page 60, Table 36
			GRI 308-2	Page 60, Table 36
	Consumers	Measures for consumer health and safety;	S4-4	Pages 61-62
		Claim systems, complaints received and their resolution.	S4-3	Page 62, Table 38
	Tax information	Profit earned by country	GRI 207-4	Reference to Consolidated Annual Accounts
		Profit tax paid	GRI 207-4	Reference to Consolidated Annual Accounts
		Public grants received	GRI 201-4	Reference to Consolidated Annual Accounts

TALGO, S.A. AND SUBSIDIARIES

2024 NON-FINANCIAL INFORMATION STATEMENT

Contents of Law 11/2018		Standard used	Page
Taxonomy of the European Union	Disclosure in relation to Regulation (EU) 2020/852 on Taxonomy	RD 2021/2178	Pages 62-77, Table 39.1, Table 39.2, Table 40.1, Table 40.2, Table 41.1 and Table 41.2



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

THE ISSUER'S IDENTIFICATION DETAILS

Reference year-end date: 31/12/2024

Tax ID (CIF): A84453075

Corporate name:

TALGO, S.A.

Registered address:

PASEO DEL TREN TALGO, 2 (LAS MATAS) MADRID - SPAIN

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the share capital and assigned voting rights, including, if applicable, those corresponding to shares with loyalty voting rights, at year-end:

Indicate whether the company's articles of association contain a provision for dual loyalty voting:

☐ Yes

☒ No

Last modification date	Share capital (€)	Number of shares	No. of voting rights
12/02/2024	37,281,924.42	123,860,214	123,860,214

Indicate whether there are different classes of shares with different rights:

☐ Yes

☒ No

A.2. List the direct and indirect holders of significant shareholdings at year-end, including directors with significant holdings:

Name or corporate name of the shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		Total percentage of voting rights
	Direct	Indirect	Direct	Indirect	
TRILANTIC CAPITAL MANAGEMENT GP LIMITED	0.00	40.03	0.00	0.00	40.03
MS ANA PATRICIA TORRENTE BLASCO	0.00	5.04	0.00	0.00	5.04

Detail of indirect participation:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total percentage of voting rights
MS ANA PATRICIA TORRENTE BLASCO	TORRBLAS, S.L	5.04	0.00	5.04

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total percentage of voting rights
TRILANTIC CAPITAL MANAGEMENT GP LIMITED	PEGASO TRANSPORTATION INTERNATIONAL SCA	40.03	0.00	40.03

100% of the political rights held by Pegaso Transportation S.C.A. in Talgo S.A. are transferred to Pegaso Transportation S.A.R.L (General Partner), which in turn is wholly owned by Trilantic Capital Management GP Limited. The latter company is not controlled for the purposes of Article 4 of the Securities Market.

Most of the economic rights that Pegaso Transportation S.C.A. holds in Talgo S.A. belong to Trilantic Capital Partners IV (Europe).

Indicate the most significant movements in the ownership structure during the year:

Main Movements

Investment Funds managed by Amundi, S.A. reported on 23 April 2024, that they had crossed the 3.0% holding threshold in Talgo S.A. capital. Subsequently, several communications were made concerning different movements and positions until a final communication was made on 11 September 2024, stating that it reduced its position below 3%, with a resulting stake of 2.9% at that time.

A.3. Detail, regardless of the percentage, shareholdings at year-end by members of the board of directors holding voting rights attributed to company shares, or through financial instruments, excluding the board members identified in Section A.2, above:

Name or corporate name of Director	% voting rights attributed to shares (including loyalty votes)		% voting rights through financial instruments		Total percentage of voting rights	Of the total % of voting rights attributed to shares, indicate, if applicable, the % of additional votes attributed to loyalty voting shares.	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. CARLOS DE PALACIO Y ORIOL	0.91	0.00	0.00	0.00	0.91	0.00	0.00
MR. JOSÉ MARÍA DE ORIOL FABRA	1.41	0.00	0.00	0.00	1.41	0.00	0.00
MR. FRANCISCO JAVIER BAÑON TREVIÑO	0.15	0.00	0.00	0.00	0.15	0.00	0.00

% total voting rights held by members of the board of directors

2.47

Dated 10 February 2025 Mr. Javier Bañón Treviño, a Proprietary Director, submitted his irrevocable resignation as a member of the Board of Directors of Talgo S.A.

Detail of indirect participation:

Name or corporate name of Director	Name or corporate name of direct shareholder	% voting rights attributed to shares (including loyalty votes)	% voting rights through financial instruments	Total percentage of voting rights	Of the total % of voting rights attributed to shares, indicate, if applicable, the % of additional votes attributed to loyalty voting shares.
No data available					

Detail the total percentage of voting rights represented on the board:

% total voting rights held by members of the board of directors	40.03

A.4. Indicate, if applicable, the relationships of a family, commercial, contractual or corporate nature that exist among the holders of significant shareholdings, insofar as they are known by the company, unless they are scarcely relevant or derive from ordinary business or commercial traffic, except those reported in Section A.6:

Name or corporate name of related body	Type of relationship	Brief description
No data available		

A.5. Indicate, if applicable, the relationships of a commercial, contractual or corporate nature that exist among the holders of significant shareholdings, insofar as they are known by the company, unless they are scarcely relevant or derive from ordinary business or commercial traffic:

Name or corporate name of related body	Type of relationship	Brief description
No data available		

A.6. Describe the relationships, unless they are scarcely relevant for the two parties, that exist between the significant shareholders or those represented on the Board and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group will be stated, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of Board Members, or representatives of directors, of the listed company, who are, in turn, members of the administrative body, or their representatives, in companies that hold significant stakes in the listed company or in entities of the group of such significant shareholders:

Name or corporate name of the director or representative, linked	Name or corporate name of the significant shareholder, linked	Corporate name of the company of the significant shareholder's group	Description relationship / position
MR. PEDRO DEL CORRO GARCÍA- LOMAS	PEGASO TRANSPORTATION INTERNATIONAL SCA	NUEVA COMPAÑÍA DE INVERSIONES S.A.	Mr. del Corro is a natural person representing Pegaso Transportation International SCA, a significant shareholder of Talgo S.A. Mr. del Corro is also a member of the Board of Directors of Torreal Sociedad de Capital Riesgo, S.A., which holds a stake in Pegaso Transportation International SCA through the company Nueva Compañía de Inversiones S.A.
MR. FRANCISCO JAVIER BAÑON TREVIÑO	PEGASO TRANSPORTATION INTERNATIONAL SCA	PEGASO TRANSPORTATION S.A.R.L.	Mr. Bañón is the natural person representative of Pegaso Transportation International SCA., significant shareholder of Talgo S.A. Mr Bañón is also a member of the Board of Directors of Pegaso Transportation S.A.R.L., which controls 100% of the voting rights of Pegaso Transportation International SCA.

Name or corporate name of the director or representative, linked	Name or corporate name of the significant shareholder, linked	Corporate name of the company of the significant shareholder's group	Description relationship / position
			Pegaso Transportation International SCA.

On 10 February 2025, the board members Mr. Francisco Javier Bañón Treviño and Mr. Pedro Manuel del Corro García-Lomas, both Proprietary Directors, submitted their irrevocable resignation as members of the Talgo S.A. Board of Directors.

A.7. Indicate any shareholders' agreements that have been reported to the Company, in accordance with the provisions of Articles 530 and 531 of the Spanish Capital Company Act. Where applicable, briefly describe these agreements and list the shareholders involved in them:

[☒] Yes
[☐] No

Participants in shareholders' agreement	Percentage of share capital	Brief description of the agreement	Expiration date of the agreement, if any
MS MARÍA DOLORES CASTILLEJO ORIOL, MS CASILDA CASTILLEJO ORIOL, MS MARÍA GRACIA DE ORIOL FABRA, MS ESPERANZA MACARENA DE ORIOL FABRA, MR LUIS IGNACIO RECASENS CASTILLEJO, MS MARÍA GRACIA RECASENS CASTILLEJO, MR CAMILO PEDRO DE ORIOL FABRA, MR JUAN CASTILLEJO ORIOL, MS MARÍA DEL DULCE NOMBRE CASTILLEJO ORIOL, MS CATALINA CASTILLEJO ORIOL, MR MIGUEL DE ORIOL YBARRA, MR LUCAS MARÍA DE ORIOL LOPEZ-MONTENEGRO, MS MARÍA BEGOÑA DE ORIOL E YBARRA, MR ALFONSO CARLOS DE ORIOL MUÑOZ, MS ALEJANDRA PAULA DE ORIOL PASTEGA, MR EDUARDO SERRA ARIAS,	52.49	It regulates aspects regarding the governing bodies of the company and the transmission and sale of shares. The validity of this agreement is established to end either after the second anniversary of the date of admission of the Company for listing (this condition is currently without effect, as this anniversary has passed), or on the date on which Pegaso Transportation International, S.C.A. ceases to hold a significant share in the Company (in accordance with current legislation, 3.0%), whichever happens first. Notwithstanding the foregoing, in the event that the termination of the validity of the agreement is a consequence of the indicated two-year period having elapsed, the drag-along right granted by the shareholders signing the agreement in favour of Pegaso Transportation International, S.C.A. shall remain in force as long as the latter company holds a significant stake in the Company's capital.	Either after the second anniversary of the date of admission of the Company for listing (this condition has been without effect since 2019, having passed), or on the date on which Pegaso Transportation International, S.C.A. ceases to hold a significant share in the Company (in accordance with current legislation, 3.0%), whichever happens first.

Participants in shareholders' agreement	Percentage of share capital	Brief description of the agreement	Expiration date of the agreement, if any
MS MARÍA DEL DULCE NOMBRE DEL RÍO Y ORIOL, MS MARÍA DE LAS NIEVES DE ORIOL PASTEGA, MR GONZALO DEL RÍO Y ORIOL, MR NICOLÁS DOMEQ ORIOL, MS BLANCA DEL RÍO Y ORIOL, MR CARLOS DEL RIO Y ORIOL, MS LUISA FERNANDA DEL RÍO Y ORIOL, MR JAIME DEL RÍO Y ORIOL, MR MARIO DE ORIOL PASTEGA, MS MARÍA SACRAMENTO DE PALACIO GUERRERO, MR LUIS MARÍA DE PALACIO GUERRERO, MR LUIS FELIPE DE PALACIO DELATTRE, MS ISABEL MARÍA DE PALACIO DELATTRE, MS LEONOR MARÍA DE PALACIO DELATTRE, PATRIMONIAL ORLESA S.A., E.D.T., S.A., PEGASO TRANSPORTATION INTERNATIONAL SCA, CASA CUNA S.L., SAN IGNACIO S.L., DR.L.I. RECASENS S.L., EL PINO DE SAN JOSÉ SL, MR JOSÉ MARÍA DE PALACIO Y ORIOL			

Indicate whether the Company is aware of the existence of any concerted actions between its shareholders. Where applicable, describe them briefly:

[] Yes
[✓] No

In the event that any modifications have been made to these covenants or agreements or concerted actions or they have been terminated during the year, expressly indicate them below:

Not applicable

A.8. Indicate whether any person or legal entity exercises control or may exercise control over the Company under the terms set forth in Article 5 of the Securities Market Act. In this case, identify that person or entity:

☐ Yes
☒ No

A.9. Complete the following tables about the Company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
956,901		0.77

(*) Through:

Name or corporate name of the direct owner of the shareholding	Number of direct shares
No data available	

Explain the significant variations during the year:

Explain significant variations

The Board of Directors of Talgo, S.A. (the "Company") unanimously agreed to establish a shareholder remuneration programme under the flexible dividend and treasury share buyback programme (the "Scrip Dividend" and the "Buyback Programme", respectively), all within the framework of the resolutions adopted under items ten and eleven of the agenda of the Ordinary General Shareholders' Meeting of the Company held on 29 June 2023, which were defined as follows:

- Item ten: Increase of share capital with a charge to reserves in an amount to be determined, by issuing new ordinary shares of 0.301 euros par value each, without share premium, of the same class and series as those currently in circulation, offering shareholders the possibility of selling the free allotment rights to the Company itself (at a guaranteed price) or on the market. Delegation of powers.
- Item eleven: Reduction of share capital by a maximum nominal amount of 1,128,750.00 euros, through the redemption of a maximum of 3,750,000 treasury shares with a par value of 0.301 euros each, representing a maximum of 3.04% of the Company's current share capital. Delegation of powers.

In line with the provisions of the aforementioned resolutions of the General Meeting, the monetary amount allocated to the shareholder remuneration programme was set at 12 million euros. As a result of the Scrip Dividend, a capital increase was carried out during the 2023 financial year, issuing a total of 2,935,351 new shares. Consequently, and at the same time as the aforementioned capital increase, the Company began executing the Buyback Programme that same year, which ended on 17 January 2024 when the established 10 million euros limit for the programme was reached, having acquired a total of 2,517,562 shares by that date. These shares were redeemed during the 2024 financial year, resulting in a total of 956,901 treasury stock shares at the close of 2024.

A.10. Describe the terms and conditions of current mandate conferred upon the Board of Directors by the General Shareholders' Meeting to issue, buyback or transfer treasury shares:

The General Shareholders Meeting of the Company agreed, at its meeting held on 29 June 2023, under the ninth item on the agenda, to expressly authorise the Board of Directors, with express powers to remove persons when deemed appropriate, under the provisions of Article 146 of the Spanish Capital Company Act, to buyback treasury stock in TALGO, S.A. (the "Company") under the following conditions:

- (a) Acquisitions may be made directly by the Company or indirectly through its subsidiaries in the same terms of this agreement.
- (b) Acquisitions will be made through purchase and sale transactions, exchange or any other permitted by law.
- (c) Acquisitions may be made, at any time, up to the maximum amount allowed by law.
- (d) Acquisitions cannot be made at a higher price than that which results in a stock exchange or lower than the nominal value of the share.
- (e) The authorisation is granted for a period of five years from the adoption of the agreement.
- (f) As a result of the acquisition of shares, including those that the Company or the person acting in its own name but on behalf of the Company had previously acquired and held in its portfolio, the resulting net equity may not be reduced below the amount of the capital plus the legal or statutorily unavailable reserves, all of them as provided in letter b) of article 146.1 of the Spanish Capital Company Act.

In said agreement it was expressly stated that the shares acquired as a result of this authorisation may be used both for their sale or amortization and for the application of the remuneration systems contemplated in the third paragraph of letter a) of article 146.1 of the Spanish Capital Company Act, as well as the development of programs that encourage participation in the Company's capital, such as, for example, dividend reinvestment plans, loyalty bonds or other similar instruments.

A.11. Estimated free float capital:

	%
Estimated free float capital	55.72

A.12. Indicate whether any restrictions exist over the transfer of shares and/or the transfer of voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorisation or prior notice systems that, over acquisitions or transfers of instruments, will be communicated. of the company, are applicable by sectoral regulations.

☐ Sí
☒ No

A.13. Indicate whether the General Shareholders' Meeting has agreed to adopt measures to neutralise any takeover bids by virtue of the provisions of Law 6/2007.

☐ Sí
☒ No

Where applicable, explain the measures approved and the terms under which the restrictions would be rendered ineffective:

A.14. Indicate whether the Company has issued shares that are not traded on a regulated European market.

☐ Yes
☒ No

Where applicable, indicate the different types of shares together with the rights and obligations conferred for each share class.

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether differences exist between the minimum regime set out in the Spanish Capital Company Act (LSC) and the quorum for the constitution of the General Shareholders' Meeting, and where applicable, provide details.

☐ Yes
☒ No

B.2. Indicate and, if applicable, give details of any differences with the system provided for in the Spanish Companies Act (Ley de Sociedades de Capital) (LSC) for the adoption of corporate resolutions:

☐ Yes
☒ No

B.3. Indicate the rules applicable to the modification of the Company's bylaws. In particular, provide details of the majorities set out for the amendment of the bylaws, as well as, where applicable, the rules set out for the protection of the shareholders' rights in the amendment of the bylaws.

In terms of amendments to the bylaws and the protection of shareholders' rights in the event of such amendments, the Company is governed by the provisions of articles 285 et seq. of the Spanish Capital Company Act.

B.4. Indicate the attendance figures for the General Shareholders' Meeting held during the year, as well as those applicable to previous years:

	Attendance figures				
General Shareholders' Meeting Date	% of physical presence	% in representation	Remote voting		Total
			Electronic vote	Other	
29/03/2022	3.23	71.18	0.03	2.63	77.07
Of which floating capital	0.73	31.92	0.03	2.63	35.31
29/06/2023	8.08	57.79	0.08	2.38	68.33
Of which floating capital	5.61	16.62	0.08	2.38	24.69
27/06/2024	1.60	61.45	0.01	1.03	64.09
Of which floating capital	0.18	20.41	0.01	1.03	21.63

B.5. Indicate whether at the general meetings held during the year there was any item on the agenda that, for any reason, has not been approved by the shareholders:

☐ Yes
☒ No

B.6. Indicate whether there are any restrictions in the articles of association regarding the minimum number of shares required to attend the general meeting or to vote remotely:

☐ Yes
☒ No

B.7. Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, disposal, the contribution to another company of essential assets or other similar corporate operations, must be submitted to the general meeting of shareholders for approval:

☐ Yes
☒ No

B.8. Indicate the address and mode of access to the Company's website, specifically, the link to information about corporate governance and other information about General Shareholders' Meetings that should be made available to shareholders through the Company's website:

www.talgo.com > investors > corporate governance
Information on past general meetings of the Company can be accessed at the same address:
www.talgo.com > investors > general shareholders meeting

C. STRUCTURE OF THE COMPANY'S BOARD

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors contemplated in the bylaws and the number set by the general meeting:

Maximum number of Directors	15
Minimum number of Directors	5
Number of Directors set by the Board	10

C.1.2 Complete the table below with the names of the members of the Board:

Name or corporate name of Director	Representative	Category of Director	Position on the Board	First appointment date	Last appointment date	Election procedure
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ		Executive	CEO	17/03/2021	17/03/2021	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. JOSÉ MARÍA ORIOL FABRA		Other External	VICE-CHAIR	28/03/2015	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING
MS. MARISA PONCELA GARCIA		Independent	DIRECTOR	16/09/2020	16/09/2020	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. CARLOS DE PALACIO Y ORIOL		Executive	CHAIRMAN	28/03/2015	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. ANTONIO OPORTO DEL OLMO		Independent	DIRECTOR	20/09/2018	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. PEDRO DEL CORRO GARCÍA-LOMAS		Proprietary	DIRECTOR	29/06/2023	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING

Name or corporate name of Director	Representative	Category of Director	Position on the Board	First appointment date	Last appointment date	Election procedure
MR. JAVIER OLASCOAGA		Proprietary	DIRECTOR	29/06/2023	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. EMILIO NOVELA BERLÍN		Independent	INDEPENDENT COORDINATING DIRECTOR	28/03/2015	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. FRANCISCO JAVIER BAÑÓN TREVIÑO		Proprietary	DIRECTOR	28/03/2015	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. JOHN CHARLES POPE		Independent	DIRECTOR	28/03/2015	29/06/2023	AGREEMENT GENERAL SHAREHOLDERS MEETING

Total number of Directors	10

Indicate the departures that, whether due to resignation, dismissal or for any other reason, have taken place on the Board of Directors during the period subject to information:

Name or corporate name of Director	Category of Director at the time of termination	Date of last appointment	Termination Date	Specialized committees of which he was a member	Indicate whether the termination occurred before the end of the term of office
No data available					

Cause of termination, if before the end of the term of office and other observations; information on whether the Director has sent a letter to the other members of the Board and, in the case of termination of Non-Executive Directors, explanation or opinion of the Director who has been removed by the General Meeting.

On 10 February 2025, the directors Mr. Francisco Javier Bañón Treviño, Mr. Javier Olascoaga Palacio and Mr. Pedro Manuel del Corro García-Lomas, all Proprietary Directors, submitted their irrevocable resignation as members of the Talgo S.A. Board of Directors.

On 14 February 2025, Director José María Oriol Fabra submitted his irrevocable resignation as a member of the Talgo S.A. Board of Directors.

C.1.3 Complete the following tables about the members of the Board of Directors and their different categories:

EXECUTIVE DIRECTORS		
Name or corporate name of Director	Position in the Company's organisational chart	Profile
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	CEO	Mr. Urquijo has been CEO of Talgo since March 2021. He graduated in Economics and Political Science from the University of Yale and holds an Executive MBA from the Madrid IE Business School. His professional career started in the banking sector, in Citibank and Credit Agricole, after which he continued his professional activity in the steel sector. He was General Financial Director of Aceralia and subsidiaries, General Financial Director and manager of Arcelor's distribution sector, as well as Chair of ArcelorMittal Spain and member of the general management of ArcelorMittal. In 2017 he took on the position of Executive Chairman of Abengoa until 2021. Mr. Urquijo is currently a member of the Board of Directors of Ferrovial and Gestamp, Chair of the Hesperia Foundation and member of the trust and executive committee of the Princesa de Asturias Foundation.
MR. CARLOS DE PALACIO Y ORIOI	Chairman	Mr. Palacio Oriol is Chairman of Talgo since his appointment in 2002. From 1998 to 2002, he was a Director representing his family branch and as an institutional representative at a European level. Previously, Mr. Palacio acquired professional experience in the area of Community Law as a member of the Legal and Competition Services of the European Commission and as a lawyer in Spain and the United Kingdom. Additionally, he combined his professional experience with teaching as a professor at the European College of Bruges (Belgium).

Total number of Executive Directors	2
% of total Board	20.00

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of Director	Name or corporate name of the significant shareholder that he presents or that appointed him	Profile
MR. PEDRO DEL CORRO GARCÍA-LOMAS	PEGASO TRANSPORTATION INTERNATIONAL SCA	From 1990 to 2020, Mr. del Corro was General Manager and member of the Board of Directors of Torreal. Since 2020, he has been a Senior Advisor and member of the Torreal Family Council, and is also a member of the Board of Directors of Torreal S.C.R., Arbarin Sicav, S.A., Inversiones Naira Sicav, S.A., Austral Capital SIL, S.A., and Laureate Education Group. He began his professional career at Procter & Gamble, where he held various positions in Spain, Belgium, the United Kingdom and Portugal.

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of Director	Name or corporate name of the significant shareholder that he presents or that appointed him	Profile
		Pedro holds a law degree from the University of Deusto and a degree in Business Sciences from the Comillas Pontifical University. Torreal, founded in 1990, is one of the largest private investment companies in Spain and exclusively manages the Abelló family's assets. It currently holds shares in Laureate International Universities, Aernnova, Gofit, Alliance Laundry, Talgo, Germaine de Capuccine, Culligan, among others.
MR. JAVIER OLASCOAGA	PEGASO TRANSPORTATION INTERNATIONAL SCA	Mr. Olascoaga is a partner at Trilantic Europe, having joined in 2013. He was previously a member of the European Lehman Brothers Merchant Banking team from 2004 to 2007. Prior to joining Trilantic, Mr. Olascoaga was a founding partner from 2007 to 2013 of Rasa Land Investors, a real estate venture capital fund mainly operating in land development and hotel resorts in Mexico. Mr. Olascoaga began his professional career in 2001 at Goldman Sachs in London, where he was part of the mergers and acquisitions (M&A) team for Spain. Mr. Olascoaga has a degree in Business Administration from CUNEF in Madrid, Spain.
MR. FRANCISCO JAVIER BAÑÓN TREVIÑO	PEGASO TRANSPORTATION INTERNATIONAL SCA	Mr. Bañón is one of the three founding partners of Trilantic Europe and is currently a Board Member of Pacha. Before joining Lehman Brothers Merchant Banking in 2004 as Co-Head of Merchant Banking in Europe, Mr. Bañón was Managing Director of DB Capital Partners and Bankers Trust Private Equity Group, responsible for the creation, execution, supervision and monetization of transactions of private capital in Latin America. Prior to DB Capital Partners, Mr. Bañón was CFO of the industrial division of IF Group, a privately owned group with industrial and financial operations in Spain, the United States and Latin America. Previously, he was Deputy General Director of Serpeska Group, a Spanish group dedicated to the processing and distribution of food. Mr. Bañón also practised as a lawyer.

Total number of Proprietary Directors	3
% of total Board	30.00

On February 10, 2025, Mr. Francisco Javier Bañón Treviño, Mr. Javier Olascoaga Palacio and Mr. Pedro Manuel del Corro García-Lomas, all of them proprietary directors, presented their irrevocable resignation as members of the Board of Directors of Talgo, S.A.

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of Director	Profile
MS. MARISA PONCELA GARCIA	Ms. Marisa Poncela García has a degree in Economics and has belonged to the High Corps of Spanish State Economists and Trade Experts since 1989 and to the Corps of Spanish State Trade Experts since 1984. Expert in definition of internationalization and business innovation strategies, in project and company financing and with a tremendous knowledge of the functioning of international Multilateral Organizations, as well as of the Spanish and European science and innovation system and its agents, Ms. Poncela has developed her professional career both in the private sector—thus, from 2007 to 2010 she held the positions of Director of Institutional Relations at Abbott Laboratories in Spain and Director General of the Abbott Foundation. She was also co-founder of ADD TALENTIA, S.L. (2008-2010)—as well as in the public sector, holding positions such as Secretary General of Science and Innovation (2013-2016) and Secretary of State for Trade (2016-2018). Since May 2019 until June 2020, Ms. Poncela has been the International Director of RENFE Operadora.
MR. ANTONIO OPORTO DEL OLMO	Mr. Oporto del Olmo has been a Member of the Board of Directors of the European Bank for Reconstruction and Development (EBRD) in London, chairing the Committee on Budgets and Administration and the Committee on Operations and Financial Rules, he was also a member of its Audit Committee. Additionally, he has been a board member in other public and private companies, among which the Spanish Arab Bank, Compañía Sevillana de Electricidad, ACS / Dragados, Eolia, Carboex and Talgo (during the years 2012 to 2013). In addition, Mr. Oporto del Olmo was General Secretary of the Círculo de Empresarios, CEO of Corporación Llorente and Chairman of Alstom Spain. He was also a director of the SEPI / INI public group, forming part of the Executive Committee as Commercial and International Relations Director. Mr. Oporto del Olmo held a position in the Ministry of Economy and Finance after joining the Corps of Commercial Technicians and State Economists, and has been a part-time professor at the University of the Witwatersrand (Johannesburg) and Professor of Economic Theory at the University of Málaga. He is also Knight of the Order of Merit of the French Republic and has been Protector of the Royal Academy of the History of Spain since, regular member of the Washington Corporate Circle of Stanford University, member of the Economic and Social Council of the Kingdom of Spain, member of the Energy and Transport Advisory Board and Transport of the European Commission and patron of the COTEC Foundation (Spain and Technology). Mr. Oporto del Olmo has a degree in Economics from the University of Malaga, a State Commercial Technician, a diploma in international business from the Wharton Business School, and a doctorate in economic and business sciences with Cum Laude qualification from the University of Malaga. He has also completed a seminar on international economics at Harvard University.
MR. EMILIO NOVELA BERLÍN	Mr. Novela is also currently a member of the Board of Merlin Properties. He also has extensive experience holding positions on the boards of other Spanish financial institutions such as Banco Banif Banca Privada (Santander Group), Banco de Jerez, Banco Urquijo, Blackrock Global Funds, Hispamer, Central Hispano Generali, Banesto, Banco Mercantil, Citileasing and Saudesbank. Mr. Novela has also served on the Boards of Cortefiel, Larios (Pernod Ricard), Campsa, Spanair, Union Fenosa, Vallehermoso, Testa, YMCA Spain, US-Spain Foundation, Euro America Foundation, Viajes Internacional Expreso, Gesinar (3i) and Cap Gemini Ernst & Young where he served on the Advisory Board.

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of Director	Profile
	Furthermore, he was also named CFO of Repsol, the leading Spanish oil company, and Vice-Chairman of Vallehermoso.
MR. JOHN CHARLES POPE	Mr. Pope is currently the Chairman of the PFI Group, LLC and Chairman of the Board of Directors and CEO of R.R. Donnelley & Sons, Inc. Previously, he was chairman of the Board of Waste Management, Inc. and the Board of MotivePower Industries, Inc. Prior to joining MotivePower, Mr. Pope was Chairman, Chief Operating Officer and a member of the Board of United Airlines and UAL Corporation until it was acquired by his employees in July, 1994. He formerly served as senior Vice President, Finance, Chief Financial Officer and treasurer for American Airlines and its parent company, AMR Corporation. Mr. Pope is currently the director of The Kraft Heinz Company, RR Donnelley & Sons, Co. (RRD), and Wast Management Inc. (WMI). Mr. Pope holds a Bachelor's Degree in Engineering and Applied Science from Yale University and a Master's Degree from the Harvard Graduate School of Business Administration.

Total number of Independent Directors	4
% of total Board	40.00

Indicate whether any of the Independent Directors receive any monies or benefits for any concept other than Director remuneration from the Company, or from its group, and whether any of them hold or have held during the last year, a business relationship with the Company or with any company in its group, either in his own name or as a significant shareholder, Director or senior manager of an entity that holds or has held such a relationship.

Where applicable, include a reasoned statement from the Board detailing the reasons why it considers that the affected Director can still perform his duties in his capacity as an Independent Director.

Name or corporate name of Director	Description of the relationship	Motivated statement
MS. MARISA PONCELA GARCIA	n/a	n/a
MR. ANTONIO OPORTO DEL OLMO	n/a	n/a
MR. EMILIO NOVELA BERLÍN	n/a	n/a
MR. JOHN CHARLES POPE	n/a	n/a

OTHER EXTERNAL DIRECTORS			
Identify the other External Directors and explain the reasons why they cannot be considered as Proprietary or Independent Directors, as well as their ties, be they with the Company, its Directors or its shareholders:			
Name or corporate name of Director	Reasons	Company, director or shareholder with whom it maintains the tie	Profile
MR. JOSÉ MARÍA ORIOL FABRA	Article 8 of the Regulations of the Board of Directors of TALGO, in Section 5, establishes that under no circumstances may independent directors be appointed if they have been employees or executive directors of group companies, unless 3 or 5 years, respectively, have elapsed since the termination of that relationship. In this sense, Mr Oriol Fabra has held the position of CEO (executive director) of Talgo since March 2021.	PATENTES TALGO S.L.	Mr. Oriol Fabra has been non-executive vice-chair since March 2021. He was previously CEO of Talgo since 2002. He joined Talgo in 1987 and since then he has been involved in the Group, holding different positions including Financial Director and Director General of different Talgo subsidiaries. Previously, he worked as a Credit Analyst at Citibank. In addition, he has extensive experience as a Director of different companies, including Montalbán XIV and Iberrail, a company that provides transport services to rail passengers, and has been a member of the BBVA Advisory Board. Mr. Oriol Fabra holds an EMBA from the IE Business School and a degree in Business Administration from Saint Louis University. Additionally, he was awarded in 2011 the "Dostyk II" by the Prime Minister of the Republic of Kazakhstan and in 2012 the "Command of the Order of Civil Merit" by His Majesty the King of Spain.

Total number of Other External Directors	1
% of total Board	10.00

On 14 February 2025, Director Mr José María Oriol Fabra submitted his irrevocable resignation as a member of the Talgo S.A. Board of Directors.

Indicate any variations that have been registered during the year in terms of the categories of each Director, where applicable:

Name or corporate name of Director	Date of Change	Previous Category	Current Category
No data available			

C.1.4 Fill in the following table with the information relating to the number of female directors over the last 4 years, as well as the category of such female directors:

	Number of female Directors				% over the total number of directors in each category			
	Year 2024	Year 2023	Year 2022	Year 2021	Year 2024	Year 2023	Year 2022	Year 2021
Female Executives					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent				1	25.00	25.00	25.00	14.29
Other Female External					0.00	0.00	0.00	0.00
Total				1	10.00	10.00	10.00	6.67

C.1.5 Indicate whether the company has diversity policies in relation to the Company's Board of Directors with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, in accordance with the definition contained in the Accounts Auditing Law, will have to inform, at least, of the policy they have established in relation to gender diversity.

- ☒ Yes
☐ No
☐ Partial policies

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results in the exercise. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee should also be indicated in order to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons why it does not.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The Board of Directors of TALGO SA, approved at its meeting on February 22, 2018 a Diversity Policy (attached to this document) for the composition of the Board of Directors and selection of candidates for directors, in order to ensure that the Proposals for the appointment of directors in the Company are based on a prior analysis of the needs of the Board of Directors and guarantee that the Board of Directors has a diversity of skills, knowledge, experiences, origins, nationalities, age and gender. The Company's Appointments and Remuneration Committee is working on the search for specific mechanisms that allow the effective implementation of the Diversity Policy approved by the Board of Directors. In the context of the Diversity Policy, the Appointments and Remuneration Committee of the Company is entrusted with the search for candidates to propose to the Board of Directors its designation as a Director that covers the vacancies that may arise in this body. It is considered advisable to increase the number of women who are part of the Board of Directors and believes that the ideal profile is that of a woman with technical training and experience in the business area to which the company is dedicated, manufacture and/or maintenance of railway equipment.

TALGO S.A. also has a Code of Ethics that aims to establish the values and vision that should guide the actions of companies that integrate the Group in the sense established by law in the framework of a global, dynamic and complex environment. The Talgo Group promotes the non-discrimination of race, colour, nationality, social origin, age, sex, marital status, sexual orientation, ideology, public opinion, religion or any other personal, physical or social condition of its professionals, as well as equal opportunities between them. Likewise, promotes the right to dignity of the person, the free development of personality and the protection of their physical and moral integrity, without, in no case, situations of discrimination based on sex, marital status, family status, birth, ethnicity, age, religious beliefs, sexual orientation, opinion,

disability, union membership or any other personal or social condition or circumstance.

C.1.6 Explain the measures that the Appointments Committee has agreed, where applicable, to ensure that the Company's selection procedures are not implicitly biased against the selection of female Directors, and that the Company purposely seeks out and includes women on the list of potential candidates when they fulfil the professional profile sought. Also indicate whether these measures include those necessary to achieve a significant number of female senior managers in the Company:

Explanation of measures

The Appointments and Remuneration Committee is actively searching for candidates who, due to their training, professional career and technical qualifications, would be eligible to form part of the Board of Directors with the aim of covering, through the appointment of two female directors, the existing vacancies.

On 16 September 2020, Marisa Poncela García was appointed as a new member of the Board of Directors and the Company intends to increase the presence of female directors.

As of the 2024 close, no additional candidates have been found who are considered suitable and meet the search requirements.

When, despite adopting measures, where applicable, the number of female directors is scarce or non-existent, explain the reasons to justify this:

Explanation of reasons

The Appointments and Remuneration Committee remains committed to its intention of finding female directors to cover the vacancies that may arise on the Board of Directors.

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at favouring an appropriate composition of the Board of Directors.

The Appointments and Remuneration Committee proposed the appointment of a new female director, who was formally appointed at the Board meeting held on 16 September 2020.

In addition, following the reduction in the number of Board of Directors members approved at the 2022 General Shareholders' Meeting, the percentage of women on the Board increased from 6.7% to 10.0%, and this percentage has remained stable since then.

The Appointments and Remuneration Committee maintains the desire and objective of continuing the search for female directors who, in line with the selection process set out in the Diversity Policy of the Board of Directors (attached document), collaborate in achieving the objectives set out in the manual of good practices in corporate governance and the applicable law.

C.1.8 Where applicable, explain the reasons why Proprietary Directors have been appointed at the request of shareholders whose shareholdings represent less than 3% of the total share capital:

Name or corporate name of the shareholder	Rationale
No data available	

Indicate whether formal requests to participate in the Board have been denied for shareholders whose shareholdings are equal to or more than the shareholdings of others who have been appointed as Proprietary Directors, upon request. Where applicable, explain the reasons why the requests have been denied:

[] Yes
[✓] No

C.1.9 Indicate, where they exist, the powers and the entitlements delegated by the Board of Directors, including those relating to the possibility of issuing or repurchasing shares, to directors or board committees:

Name or corporate name of Director or Committee	Brief description
CARLOS DE PALACIO Y ORIOI	He has been delegated all the powers that may be delegated by law and pursuant to the bylaws, jointly and severally for transactions up to three million euros, and jointly with the Chief Executive Officer and Chief Executive Officer for transactions between three and eighteen million euros. For larger transactions, an agreement from the Board of Directors will be required.
GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	He has been delegated all the powers that may be delegated by law and pursuant to the bylaws, jointly and severally for transactions up to three million euros, and jointly with the Chairman and Chief Financial Officer for transactions between three and eighteen million euros. For larger transactions, an agreement from the Board of Directors will be required.

C.1.10 Where applicable, identify those members of the Board, if any, who hold office as directors or executives of other companies that form part of the same group as the listed company:

Name or corporate name of Director	Corporate name of the group entity	Position	Does he perform executive tasks?
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Talgo Inc.	Chairman	NO
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Motion Rail SA	CEO	YES
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Patentes Talgo S.L.	CEO	YES

Name or corporate name of Director	Corporate name of the group entity	Position	Does he perform executive tasks?
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Talgo Deutschland GMBH	CEO	YES
MR. CARLOS DE PALACIO Y ORIOL	Motion Rail SA	Member	NO
MR. CARLOS DE PALACIO Y ORIOL	Patentes Talgo S.L.	Chairman	YES

C.1.11 Detail the positions of board members, administrators or directors, or their representatives, held by the board members or representatives of members of the company's board of directors in other entities, regardless of whether they are listed companies:

Identification of the director or representative	Corporate name of the entity, listed or not	Position
MR. EMILIO NOVELA BERLÍN	Merlin Properties Socimi SA	INDEPENDENT COORDINATING DIRECTOR
MR. EMILIO NOVELA BERLÍN	Nocqca Partners SL	SOLE ADMINISTRATOR
MR. EMILIO NOVELA BERLÍN	Soto de Valdejudíos	SOLE ADMINISTRATOR
MS. MARISA PONCELA GARCIA	AMPER S.A.	DIRECTOR
MS. MARISA PONCELA GARCIA	IDOM SAU	DIRECTOR
MS. MARISA PONCELA GARCIA	Laboratorios Salvat S.A.	DIRECTOR
MS. MARISA PONCELA GARCIA	Bondalti Capital S.A.	DIRECTOR
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Ferrovial S.A.	DIRECTOR
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Gestamp S.A.	DIRECTOR
MR. JOSÉ MARÍA ORIOL FABRA	Montalbán XIV	DIRECTOR
MR. JOSÉ MARÍA ORIOL FABRA	ATM Media	DIRECTOR
MR. JAVIER OLASCOAGA	Gran Solar Holding S.L.	DIRECTOR
MR. JAVIER OLASCOAGA	Universo Pacha S.A.	DIRECTOR
MR. JAVIER OLASCOAGA	Mediterranean Sky International S.A.	DIRECTOR
MR. JAVIER OLASCOAGA	Girasol Investment S.A.	DIRECTOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Universo Pacha S.A.	DIRECTOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners IV Europe Lux GP Sarl	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners LLP	JOINT ADMINISTRATOR

Identification of the director or representative	Corporate name of the entity, listed or not	Position
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Management Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners Management Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners V Management Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners V (Europe) GPSARL	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Pegaso Transportation Sarl	JOINT ADMINISTRATOR
MR. JOSÉ MARÍA ORIOL FABRA	BBVA Central Region	DIRECTOR
MR. PEDRO DEL CORRO GARCÍA-LOMAS	Torreal Sociedad de Capital Riesgo S.A.	DIRECTOR
MR. PEDRO DEL CORRO GARCÍA-LOMAS	Miralver Spi S.L.	DIRECTOR
MR. PEDRO DEL CORRO GARCÍA-LOMAS	Inversiones Naira SICAV S.A.	DIRECTOR
MR. PEDRO DEL CORRO GARCÍA-LOMAS	Austral Capital SIL S.A.	DIRECTOR
MR. PEDRO DEL CORRO GARCÍA-LOMAS	Laureate Education INC	DIRECTOR
MR. JOHN CHARLES POPE	R.R. Donelley & Sons Company (RRD)	CHAIRMAN
MR. JOHN CHARLES POPE	Waste Management Inc	DIRECTOR

Indicate, if applicable, all other paid activities of directors or their representatives, regardless of their nature, different to those mentioned in the above table.

Identification of the director or representative	Other paid activities
MR. ANTONIO OPORTO DEL OLMO	Teaching and Consulting
MS. MARISA PONCELA GARCIA	Strategic Consulting
MR. JAVIER OLASCOAGA	Partner of Trilantic Capital Management LLP

C.1.12 Indicate and, if applicable, explain if the company has established rules on the maximum number of board of directors of which its directors may be a part, identifying, where appropriate, where it is regulated:

[☒] Yes
[☐] No

Explanation of the rules and identification of the document where it is regulated

In accordance with the provisions of Article 31(xii) of the Board of Directors' Regulations, Directors may not serve on more than five (5) Boards of Directors, unless expressly authorised to do so by the Board of Directors, at the proposal of the Appointments and Remuneration Committee, excluding: (i) Boards of Directors of companies that form part of the same group as the company; (ii) Boards of Directors of family companies or companies owned by the Directors or their families; and (iii) Boards that they sit on due to their professional relationships.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued in the year in favour of the board of directors (thousand euros)	1,708
Amount of funds accumulated by the current board members through long-term savings systems with consolidated economic rights (thousands of euros)	871
Amount of funds accumulated by the current directors through long-term savings systems with consolidated economic rights (thousands of euros)	
Amount of funds accumulated by former directors through long-term savings systems (thousands of euros)	

C.1.14 Identify the members of senior management who are not Executive Directors and indicate the total amount of remuneration accrued by them during the year:

Name or corporate name	Position/s
MR. FERNANDO AZNAR ALONSO	Director of Engineering
MS. YOLANDA JUANAS GARRIDO	Human Resources Manager
MR. RAFAEL JOSE STERLING ECHEVARRIETA	Business Development Director
MR. ALVARO SEGURA ECHANIZ	Chief Financial Officer (CFO)
MS. ELENA MORAL GRANDE	COO

Number of women in senior management	2
Percentage of total number of members of senior management	40.00
Total remuneration of senior management (in thousands of euros)	1,214

C.1.15 Indicate whether there have been any changes to the Rules of the Board during the year:

[☒] Yes
[☐] No

Description of modifications

In accordance with the provisions of Article 33 of the Articles of Association and Article 23(3) of the Regulations of the Board of Directors, the Board unanimously agreed in 2024 to formally regulate the company's Strategy and Sustainability Committee. Accordingly, the Board agreed to amend the Regulations of the Board of Directors to include a new Article 26 BIS containing the regulation on the composition, powers, operation and relations with the Board of Directors of the Strategy and Sustainability Committee.

C.1.16 Indicate the procedures for selecting, appointing, re-electing and removing Directors. List the competent bodies, the procedures followed and the criteria used for each procedure.

1.- APPOINTMENT OF DIRECTORS

The General Shareholders' Meeting is responsible for appointing, electing and removing Directors. Nevertheless, the Board may cover any vacancies that arise, through the co-opting procedure, on a temporary basis, until the next General Shareholders' Meeting is held.

Directors or, where appropriate, individual representatives of a legal entity may not be appointed:

- (i) Companies, national or foreign, or those whose significant shareholder, direct or indirect, has a direct or indirect holding in a company in the railway sector or other sectors, competitors of the Company, as well as their directors or senior managers and the persons who, if appropriate, were proposed by them as shareholders.
- (ii) People who, in the two (2) years prior to their possible appointment, had held senior positions in public administrations incompatible with the performance of their duties as Director in a listed company under regional or state legislation, or positions of responsibility in any sector in which the company carries out its activities.
- (iii) Individuals or legal entities who are involved in any other case of incompatibility or prohibition regulated under general law, including those who in any way have interests contrary to those of the Company or any Group company.
- (iv) The Board of Directors and the Appointments and Remuneration Committee, within the scope of their competencies, shall ensure that the candidate proposals they submit to the General Shareholders Meeting for appointment or re-election as Directors, and the appointments they make directly to fill vacancies in the exercise of their co-opting powers, involve persons who are honorable, suitable, qualified, creditworthy, competent, experienced, trained, available and committed to their position. It will also ensure that, when selecting candidates, an adequate balance is achieved by the Board of Directors as a whole, which enriches decision-making and provides different points of view for the debates on issues within its competence.
- (v) For Directors who are legal entities, the natural person representing the entity in the exercise of the Director's functions will be subject to the same requirements indicated in the previous section. The incompatibilities and duties established for the Board in the Corporate Bylaws and in the Board Regulations shall be equally applicable to the individual person representing the legal entity.

2.- RE-ELECTION OF DIRECTORS

Proposals for the re-election of Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must be subject to a process of elaboration of which a proposal will necessarily be part (in the case of Independent Directors) or a report (in the case Of the other Directors) issued by the Appointments and Remuneration Committee, which will evaluate the quality of the work and the dedication to the position of the Directors proposed during the previous term, as well as, expressly, the honourability, suitability, solvency, competence, availability and commitment to their role. In any case, the ratification and re-election of the Directors must comply with the provisions of the law and the Corporate Governance System Rules of the company.

3.- EVALUATION OF DIRECTORS

Article 21.8 of the Board of Directors' Regulations establishes an annual action plan, which requires the Board of Directors to evaluate its own operation and the quality and efficiency of its work, as well as that of the different Committees and, to propose, on the basis of the results, an action plan to correct any deficiencies detected, recording the results of that evaluation in the minutes of the meeting and incorporating them as an annex; as well as on the basis of the previous report from the Appointments and Remuneration Committee, the review and evaluation on an annual basis of the work performed by the Chairman of the Board of Directors in his capacity as such and, where applicable, the work performed by the Managing Director and CEO of the Company, as well as of the work performed by the different committees. During the discussion between the Board of Directors about the work of the Chairman in his capacity as such and, where applicable, the Managing Director and CEO of the Company, the person being discussed may not be present and so the Vice-Chair of the Board and, in his absence, the Director appointed for that purpose by the Board of Directors, should lead the debates, in accordance with the provisions of the Regulations of the Board.

4.- REMOVAL OF DIRECTORS

The Directors shall leave office when the period of which they are appointed has elapsed or when so decided by the General Shareholders' Meeting in its exercise of the power assigned to it.

The term of office shall be four (4) years from the date of acceptance. The Board of Directors shall not propose the termination of any Independent Director before the end of his term in office, unless the Board of Directors identify just cause to do so, following a report from the Appointments and Remuneration Committee. In any case, the Appointments and Remuneration Committee shall report to the Board of Directors about proposed removals due to any breach of duties inherent to the role of Director or if a Director is involved in any activity that warrants his resignation or the mandatory termination of his appointment.

The Diversity Policy norms approved by the Board of Directors at its meeting held on 22 February 2018, will be observed—along with those already existing in the company—both by the Remuneration and Appointments Committee and by the Board of Directors. Administration in all process of appointment, re-election, evaluation and removal of directors

C.1.17 Explain the extent to which the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications

The Board of Directors has implemented an evaluation system for monitoring the work of each Director individually and the board in a collective way that will improve its activity and its evaluation.

Describe the evaluation process and the areas evaluated by the board of directors assisted, where applicable, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been subject to evaluation.

Description of the evaluation process and areas evaluated

In late 2024, an independent and prestigious external consultant was asked to evaluate the Board of Directors and the board committees, to see if the conclusions had been delivered at the end of the year. The evaluation process is ongoing as of the date of issue of this report, and is being carried out in accordance with the recommendations of the Spanish Securities and Exchange Commission and on the functions assigned to the Board and the Board committees by law, the articles of incorporation and Board regulations.

C.1.18 Breakdown, in those exercises in which the evaluation has been assisted by an external consultant, the business relationships that the consultant or any company of its group maintains with the company or any company of its group.

The external consultant carrying out the evaluation of the Board and its delegated committees is KPMG, with whom Talgo has other business relationships. Specifically, the external consultant, through separate teams and different scopes of application, advises Talgo in the field of information technology systems and management systems, as well as in the area of updating and understanding accounting regulations.

C.1.19 Indicate the cases in which Directors must resign.

Directors must submit their resignation to the Board of Directors and formally resign in the following cases:

- (i) When, due to supervening circumstances, they are involved in any of the cases of incompatibility or prohibition established in the general provisions of the Company's Bylaws or the Board of Directors' Regulations.
- (ii) When an act or conduct attributable to the Director has caused serious harm to the corporate assets or reputation of the Company or a risk arises of criminal liability for the Company.
- (iii) When they lose the reputation, capability, solvency, competence, availability or commitment to their duties necessary to be a Director of the Company.
- (iv) When their continuation on the Board of Directors may jeopardise, for any reason, and directly, indirectly or through any persons related to them (according to the definition of that term contained in the Regulations of the Board), the loyal and diligent performance of their duties in accordance with the corporate interest.
- (v) When the reasons for which they were appointed cease to exist and, in particular, in the case of Proprietary Directors, when the shareholders who they represent sells some or all of their shareholdings with the consequent loss of the shareholders' significant or sufficient stake to justify the appointment. The number of Proprietary Directors proposed by a shareholder should decrease in proportion to the reduction in the stake in the Company's share capital.
- (vi) When, for any reason, an Independent Director becomes involved in any of the prohibiting circumstances set forth in Article 8.5 of the Regulations of the Board.
- (vii) When the Director reaches 76 years of age. In any of the cases described in the preceding paragraphs, the Board of Directors shall require the Director to resign from office and, where applicable, shall propose his removal at the General Shareholders' Meeting.

By way of exception, the above shall not apply in the event of the resignations set forth in paragraphs (v) and (vi) above, when the Board of Directors considers that reasons exist to justify the continuation of the Director in office, following a report from the Appointments and Remuneration Committee, without prejudice to the effect that the new supervening circumstances may have on the classification of the Director. In the event that an individual person who represents a legal entity Director finds himself involved in any of the cases described above, he shall be disqualified from exercising such representation.

C.1.20 Are qualified majorities required for any kind of decision, other than those prescribed by law?:

☐ Yes
☒ No

In your case, describe the differences.

C.1.21 Explain if there are specific requirements, different from those relating to directors, to be appointed chairman of the board of directors:

☐ Yes
☒ No

C.1.22 Indicate whether the bylaws or the Rules of the Board establish any age limit for Directors:

☒ Yes
☐ No

	Age limit
Chairman	76
CEO	76
Director	76

C.1.23 Indicate whether the bylaws or board regulations establish a limited mandate or other requirements more stringent than those legally provided for independent directors, other than that established in the regulations:

☐ Yes
☒ No

C.1.24 Indicate whether the bylaws or the Regulations of the Board of Directors establish specific rules for proxy voting by Board members, the way of doing it and, in particular, the maximum number of proxies that a Director may have, as well as whether any limitations have been established in terms of the categories to which it is possible to delegate, beyond the limitations imposed by law. Where applicable, provide a brief description of those rules.

The Company's articles of incorporation stipulate that directors may only be represented at meetings of the Board of Directors by another director and that representation is confirmed by letter addressed to the Chair. Likewise, the Board Regulations establish that, when exceptionally the directors cannot attend the meetings of the Board in person, they will seek to transfer their representation to another member who has the same status, including the appropriate instructions. External directors may only delegate their representation to another external director. The representation must be conferred in writing on a special basis for each session.

C.1.25 Indicate the number of meetings that the Board of Directors has held during the year. Also, where applicable, indicate the number of times that the Board has met without the Chairman in attendance. Attendance shall also include proxies appointed with specific instructions.

Number of Board meetings	16
Number of Board meetings held without the Chairman's attendance	0

Indicate the number of meetings held by the coordinating director with the rest of the directors, without the assistance or representation of any executive director:

Number of meetings	0

Indicate the number of meetings that the different Board committees have held during the year:

Number of meetings of the Strategy and Sustainability Committee	2
Number of meetings of the Audit Committee	7
Number of meetings of the Appointments and Remuneration Committee	5

C.1.26 Indicate the number of meetings the Board of Directors has held during the year and the attendance data of its members:

Number of meetings attended by at least 80% of the directors	7
% attendance in person on total votes during the year	43.75
Number of meetings with face-to-face attendance, or representations made with specific instructions, of all the directors	7
% of votes cast with face-to-face attendance and representations made with specific instructions, on total votes during the year	43.75

The % attendance in person on total votes during the year is only 43.75%, given that during the 2024 financial year, a total of 16 Board meetings were held, of which 7 were in person and the rest were electronic or written without a session.

C.1.27 Indicate whether the individual and consolidated annual accounts submitted to the Board for approval had been certified previously:

[] Yes
[✓] No

Identify, where applicable, the person(s) that certified the Company's individual and consolidated annual accounts prior to their authorisation for issue by the Board:

C.1.28 In the event that they exist, explain the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts that it prepares from being presented to the General Shareholders' Meeting with a qualified audit report.

The Audit Committee holds periodic meetings with the external auditor at which, among other items, it reviews the conclusions of their work. In accordance with the provisions of the Regulations of the Board of Directors, it also has the following powers:

- (a) Directing a unit or department in the Company that assumes the role of internal audit and that ensures the proper operation of the IT and internal control systems (that department shall functionally report to the Chairman of the Audit Committee).
- (b) Supervising the process for preparing, presenting and ensuring the integrity of the mandatory financial information relating to the Company and, where applicable, to the group, as well as reviewing compliance with the regulatory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the accounting criteria.
- (c) Regularly reviewing the internal control and risk management systems so that the main risks are properly identified, managed and disclosed.
- (d) Supervising the effectiveness of the Company's internal control system, the internal audit function and the risk management systems, including those relating to tax, as well as discussing any significant weaknesses detected in the internal control system with the auditor of the accounts during its performance of the audit.
- (e) Establishing and supervising a mechanism that allows the employees to report, confidentially and, where appropriate, anonymously, any potentially significant irregularities, especially any relating to financial and accounting matters that arise within the company.
- (f) Ensuring that the Board of Directors submits the accounts to the General Shareholders Meeting without limitations or qualifications in the audit report and that, in exceptional cases when qualifications exist, ensuring that both the Chairman of the Audit Committee and the auditors clearly explain the content and scope of those limitations or qualifications to the shareholders.

C.1.29 Is the Secretary of the Board also a Director?

☐ Yes
☒ No

If the Secretary is not a Director, complete the table below:

Name or corporate name of the Secretary	Representative
MS. MARÍA JOSÉ ZUECO PEÑA	

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

In accordance with the provisions of the Board of Directors' Regulations regarding the powers of the Audit Committee, it is responsible for:

Presenting proposals to the Board of Directors for submission to the General Shareholders' Meeting regarding the selection, appointment, re-election, evaluation and removal of the external auditors, as well as the conditions for their engagement.

(a) Receiving regular information from the external auditor about the audit plan and the results of its implementation, and verifying that senior management take their recommendations into account.

(b) Ensuring the independence of the external auditor and, to that end:

- Ensure that the remuneration received by the external auditor for his work does not compromise his quality or his independence.

- Ensuring that the Company notifies the National Securities Market Commission about any change in the auditors as a significant event, and that it accompanies its report with a declaration regarding the potential existence of disagreements with the outgoing auditor and, if they exist, their contents.

- Ensuring that the Company and the external auditor adhere to current legislation regarding the provision of non-audit services, the limits in terms of the concentration of the external auditor's business and, in general, the other rules established to ensure the independence of the auditors.

- In the event that the external auditor resigns, examine the circumstances that have given rise to his resignation.

(c) Establishing the appropriate relationships with the auditors or audit firms so as to receive information regarding those questions that may pose a risk to their independence, for consideration by the Audit Committee, as well as any other related to the process to audit the accounts, as well as any other communications provided for in the audit legislation and auditing standards. In any case, they must receive a declaration of independence from the auditors on an annual basis regarding the Company and the companies related to it, directly or indirectly, as well as information about the additional services rendered, of any kind, and the corresponding fees received from those companies by the external auditors or by people or entities linked to them, in accordance with the provisions of the legislation governing audits. Ensuring that the external auditor holds at least one meeting per year with the full Board of Directors to inform it about the work performed and about the evolution of the accounting environment and the risks facing the Company.

(d) Issuing an annual report, prior to the issue of the audit report, in which it expresses an opinion about the independence of the auditors or the audit firms. This report should comment, in all cases, about the provision of additional services to those described in the paragraph above, considered both individually and as a whole, besides the statutory audit and regarding the framework of independence or audit regulations.

(e) Where appropriate, encouraging the auditor of the group to take responsibility for the audits of the companies that comprise it.

C.1.31 Indicate whether the Company has changed its external auditor during the year. If so, identify the outgoing and incoming auditors:

☐ Yes
☒ No

In the event that there were any disagreements with the outgoing auditor, explain their content:

☐ Yes
☒ No

C.1.32 Indicate whether the audit firm performs non-audit work for the Company and/or the Group and if so, state the amount of the fees paid for such work and the percentage that the represent of the total fees invoiced to the Company and/or the Group:

☒ Yes
☐ No

	Company	Companies in the Group	Total
Fees for non-audit work (thousand euros)	0	153	153
Import jobs other than audit / Amount audit jobs (in%)	0.00	40.50	40.50

The amount corresponding to the non-financial verification report, totalling three thousand euros, is excluded from the calculations, since these are services other than auditing but not required by regulations.

All verification services contracted to the auditor are previously approved by the Audit Committee, providing reasonable assurance of their independence.

The services provided by the auditor in 2024 other than auditing include reports of agreed procedures on ratios linked to financing contracts.

C.1.33 Indicate whether the audit report for the annual accounts last year contained any reservations or qualifications. If so, indicate the reasons given to the shareholders at the General Shareholders' Meeting by the Chairman of the Audit Committee to explain the content and scope of said reservations or qualifications.

☐ Yes
☒ No

C.1.34 Indicate the number of consecutive years that the current audit firm has been performing the audit of the annual accounts of the Company and/or the group. Also, indicate the number of years the Company has been audited by the current audit firm as a percentage of the total number of years for which the annual accounts have been audited:

	Individual	Consolidated
Number of uninterrupted exercises	12	12
	Individual	Consolidated
Number of exercises audited by the current audit firm / Number of exercises that the company or its group has been audited (in%)	52.15	52.15

C.1.35 Indicate whether there are procedures in place for the Directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies and, where applicable, provide details:

☒ Yes
☐ No

Procedure detail

The Directors have a specific computer application that facilitates the performance of their duties and the exercise of their right to information. In this application, the necessary and adequate information is incorporated to prepare, in advance, the meetings of the Board of Directors according to the agenda specified in the calls and the materials and presentations related to them.

C.1.36 Indicate and where appropriate, provide details as to whether the Company has established rules that force the Directors to report and, where applicable, resign in cases that may harm the Company's credibility and reputation:

☒ Yes
☐ No

Explain the rules

In accordance with the provisions of Article 14.3 of the Board of Directors' Regulations, Directors must tender their resignation to the Board of Directors and formally resign in the following cases: When an act or conduct attributable to the Director has caused serious harm to the corporate assets or reputation of the Company or a risk arises of criminal liability for the Company. When they lose the reputation, capability, solvency, competence, availability or commitment to their duties necessary to be a Director of the Company.

C.1.37 Indicate, unless special circumstances have occurred that have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to his or her performance in the company itself, which could damage the credit and reputation of the company:

☐ Yes
☒ No

C.1.38 List the significant agreements entered into by the Company, which would come into force, be modified or terminate in the event of a change in control of the Company as the result of a takeover bid, and their effects.

At year-end 2024, the Company has loans and credit lines arranged with financial institutions that may mature early or require additional guarantees in the event of a change of control, which together represent approximately 291 million euro.

C.1.39 Identify in aggregate terms, and describe in detail, any agreements between the Company and its Directors, executives and employees that provide indemnities, or guarantee or protective clauses, in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operation.

Number of beneficiaries	2
Type of beneficiary	Agreement description
Executive Directors	The contracts of Executive Directors signed at the subsidiary Patentes Talgo S.L.U. for the performance of management duties therein are of indefinite duration and provide for financial compensation in the event of termination of the contractual relationship with the company, provided that such termination is not the result of a breach of their obligations. The notice period established in their contracts is six (6) months. There is also a post-contractual non-competition agreement with a duration of two years from the date of termination of the employment relationship and with a penalty clause in the event of non-compliance. The compensation for this agreement is 10% of the fixed remuneration and its payment is made as part of the payroll. The Chairman of the Board is entitled to compensation in the following cases: 1) in case of unfair dismissal, equivalent to the last twelve (12) monthly payments considering the total remuneration received, in addition to the annual bonus provided that the corresponding financial year has ended, 100% of the length of service bonus and 100% of the performance bonus; 2) for business reasons, the same as in circumstance 1, excluding the performance bonus; 3) without cause, the length of service and performance bonus accrued up to the date of termination. The Chief Executive Officer is entitled to compensation in the following cases: 1) in the case of unfair dismissal, a period of six months' notice shall not be payable. In case of a shorter period of notice, compensation of up to six months. A remuneration commitment has also been signed with the subsidiary Patentes Talgo SLU called a retention incentive and this is delivered in shares, corresponding to 889,878 Company shares payable on whichever date happens first, from the following: i) legal retirement age; ii) after 24 months from the date of a change in control; iii) due to unfair dismissal. 2) for due cause, no compensation shall be payable.

Indicate whether, beyond the cases stipulated in the regulations, these contracts have to be communicated and / or approved by the bodies of the company or its group. If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or making the communication:

	Board of Directors	General Shareholders Meeting
Body authorising clauses	√	√
	Yes	No
Is the general meeting informed about the clauses?	√	

C.2. Board of Directors Committees

C.2.1 List all of the committees in which the Board of Directors participate, their members and the proportion of Executive, Proprietary, Independent and Other External Directors that comprise each one:

Strategy and Sustainability Committee		
Name	Position	Category
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	MEMBER	Executive
MR. JOSÉ MARÍA ORIOL FABRA	MEMBER	Other External
MS. MARISA PONCELA GARCIA	MEMBER	Independent
MR. ANTONIO OPORTO DEL OLMO	CHAIRMAN	Independent
MR. JAVIER OLASCOAGA	MEMBER	Proprietary

% of Executive Directors	20.00
% of Proprietary Directors	20.00
% of Independent Directors	40.00
% of External Directors	20.00

Explain the functions delegated or attributed to this committee other than those already described in Section C.1.9, and describe its procedures and organization and operation rules. For each of these functions, indicate their most important actions during the financial year and how in practice they have exercised each of the functions assigned to them by law, by the articles of incorporation or by other corporate resolutions.

This Committee was created in May 2016 under the provisions of Article 23.3 of the Board of Directors' Regulations and is governed by the same with respect to: the appointment of its members, the appointment of its Chairman and Secretary and their functioning -and, in particular, with regard to the convening of the meetings, delegation of representation through another member of the relevant committee, incorporation, non-convened meetings, holding of a meeting, system for adopting resolutions, voting in writing and without a session ("por escrito y sin sesión") and approval of the minutes of the meetings available for the members of the Board of Directors.

The functions of this Committee are consultative and shall act duly coordinated in order to safeguard the company's interest, contributing towards the good corporate governance of the Company, according to what is established in the Corporate Bylaws and in the Regulations of the Board of Directors.

The Strategy Committee is an internal committee of Talgo and pursues its activity under the direct indications of the Chairman of the Board of Directors and of the Chief Executive Officer of the company that, furthermore, will be members of it.

The Committee has carried out the activities assigned by Law and by the regulations that make up the company's Corporate Governance System. The Committee has exercised its powers in practice and reported on the most relevant strategy activities:

- Providing technical support to the Board of Directors, in relation to Talgo's strategic organization and coordination, by distributing information, implementing and following up on the general strategy.
- Providing technical, information and management support, both regarding the supervision and follow-up functions, as well as the business strategy planning for which the Company's Board of Directors is responsible, and is the driving force behind its Chair, CEO and the rest of the management team, thereby allowing Talgo's business strategy to be developed.
- Establishing methodologies, analysis systems, decision supervision procedures and control instruments, in the interest and for the benefit of all the companies forming part of the group, always respecting the scope of ordinary management and effective management for which the governing and management bodies are responsible.
- Promoting the setting of internal regulations (on investments and divestments, purchases, corporate services, etc.) that service as coordination instruments at the service of, and in the interest of all Group companies, thereby facilitating the supervision and follow-up of decision making. The aim of this is to ensure compliance with the management strategies and guidelines put in place by the Company's Board of Directors, as the Group's parent company.

The Committee has also exercised its powers in practice and reported on the most relevant sustainability activities:

- Identifying and guiding the company's Sustainability and Corporate Social Responsibility policies, objectives, good practices and programs.
- Ensuring compliance with existing legislation on sustainability in the European Union, and Spanish laws and regulations in the countries where operations are carried out.
- Ensuring the adequate and accurate implementation and management of the basic pillars of sustainability: human rights, stakeholders, relevant issues, materiality analysis, and sustainable development initiatives with the greatest social and environmental impact.
- Determining the guidelines, criteria and general principles that should govern the preparation of the Sustainability Report for approval by the Board of Directors and any other information on sustainability included on the corporate website.

- Proposing, to the Board of Directors, the inclusion of the company and other Group companies into the most recognised international Sustainability indices, to improve corporate reputation and establish frameworks for relations with financial markets, and to report, where appropriate, on such incorporation.

Audit Committee		
Name	Position	Category
MS MARISA PONCELA GARCIA	CHAIRMAN	Independent
MR JAVIER OLASCOAGA	MEMBER	Proprietary
MR EMILIO NOVELA BERLÍN	MEMBER	Independent

% of Executive Directors	0.00
% of Proprietary Directors	33.33
% of Independent Directors	66.67
% of External Directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this Committee has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the statutes or other social agreements.

- A) In terms of the information and internal control systems, the Audit Committee shall be responsible for:
- Overseeing a unit or department in the Company that assumes the internal audit function and ensures the proper functioning of the information and internal control systems (this department should functionally report to the Chairman of the Audit Committee).
 - Supervising the preparation, presentation and completeness of the mandatory financial information relating to the Company and, where applicable, to the group.
 - Regularly reviewing the internal control and risk management systems.
 - Supervising the effectiveness of the Company's internal control system, the internal audit function and the risk management systems, including those relating to tax.
 - Establishing and supervising a mechanism that allows the employees to report, confidentially and, where appropriate, anonymously, any potentially significant irregularities, especially any relating to financial and accounting matters that arise in the core of the company.
 - Ensuring that the Board of Directors submits the accounts to the General Shareholders Meeting without limitations or qualifications in the audit report.
- B) In terms of the external auditor:
- Presenting proposals to the Board of Directors for submission to the General Shareholders' Meeting regarding the selection, appointment, re-election, evaluation and removal of the external auditors, as well as the conditions for their engagement.
 - Receiving regular information from the external auditor about the audit plan and the results of its implementation, and verifying that senior management take their recommendations into account.
 - Ensuring the independence of the external auditor.
 - Establishing the appropriate relationships with the auditors or audit firms so as to receive information regarding those questions that may pose a risk to their independence, for consideration by the Audit Committee, as well as any other related to the process to audit the accounts, as well as any other communications provided for in the audit legislation and auditing standards.
 - Issuing an annual report, prior to the issue of the audit report, in which it expresses an opinion about the independence of the auditors or the audit firms.
 - Where appropriate, encouraging the auditor of the group to take responsibility for the audits of the companies that comprise it.
- C) Reporting to the Board of Directors about the following matters, prior to its adoption of the corresponding decisions reserved for the Board of Directors:
- The financial information that, due to its status as a listed entity, the Company must disclose on a regular basis. The Audit Committee should ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts and, to that end, should consider the appropriateness of engaging the external auditor to conduct a limited review.
 - The issue and admission prospectuses and other documentation relating to the emission and admission of shares.
 - The creation or acquisition of shares in special purpose entities or those domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may impair the transparency of the group.
 - Related party transactions, except those that, by virtue of the Regulations of the Board or subsequent decisions by the Board of Directors, correspond to another Committee.
- D) In terms of the internal audit function:
- The Company shall have an internal audit function that shall operate under the supervision of the Audit Committee, to ensure the proper functioning of the information and internal control systems.
 - The head of the internal audit function shall present his annual work plan to the Audit Committee;
 - The Audit Committee watches over the independence and effectiveness of the internal audit function.

- E) The Audit Committee shall ensure the independence and effectiveness of the internal audit function;
- (a) The different types of risk (operational, technological, financial, legal, reputational, etc.) that the Company faces, including any contingent liabilities and other off balance sheet risks within the financial or economic risks.
- (b) The level of risk that the Company considers acceptable.
- (c) The measures established to mitigate the impact of the risks identified, in the event that they end up materialising.
- (d) The information and internal control systems that will be used to control and manage the aforementioned risks, including any contingent liabilities or off balance sheet risks.

2.- PROCEDURES, RULES OF ORGANISATION AND OPERATION

The Board of Directors shall constitute a permanent Audit Committee, comprising between three (3) and five (5) members, who must be External Directors. The Audit Committee shall comprise at least two (2) Independent Directors, at least one of which should be appointed taking into account his knowledge and experience in terms of accounting, audit or both.

The Chairman of the Audit Committee shall be chosen from the Independent Directors that form it. The Audit Committee shall meet at least once a quarter and whenever appropriate, when convened by the Chairman, of his own accord or in response to a request from two (2) of its members, from the Chairman of the Board of Directors or of the Executive Committee or, where applicable, from the CEO, from some Executive belonging to the Corporation or even without any Executive at all. The Audit Committee will perform in an annual basis, an annual report comprising all the activities carried out by it.

Identify the members of the Audit Committee that have been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the date of appointment of the Chairman of this committee in office.

Names of experienced directors	MS. MARISA PONCELA GARCIA / MR. EMILIO NOVELA BERLÍN
Date of appointment of the President in his position	27/07/2023

Appointments and Remuneration Committee		
Name	Position	Category
MR ANTONIO OPORTO DEL OLMO	CHAIRMAN	Independent
MR FRANCISCO JAVIER BAÑON TREVIÑO	MEMBER	Proprietary
MR JOHN CHARLES POPEMEMBER		Independent

% of Executive Directors	0.00
% of Proprietary Directors	33.33
% of Independent Directors	66.67
% of External Directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this Committee has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the statutes or other social agreements.

1.- FUNCTIONS:

Evaluate the necessary competencies, knowledge and experience in the Board of Directors, to define the necessary functions and skills in the candidates who must fill each vacancy, and to evaluate the time and dedication necessary for them to adequately carry out their duties. The Committee performs the activities assigned by Law and by the regulations that make up the company's Corporate Governance System:

- Assessment of the degree of compliance with targets set for the Group's senior management for the year 2024.
- Analysis of the remuneration system for members of the Board of Directors.
- Proposal regarding the approval of a new long-term incentive plan for the company's executive directors and executives.
- Analysis of the company's current structure of executives. Action plan and proposals for its development and for strengthening certain areas.
- Preparation of the legally required reports related to the appointment of new Board Members by the General Shareholders' Meeting and for the appointment by cooptation of Board Members to cover vacancies occurring within the Board of Directors.
- Forward suggestions to the Board of Directors to ensure best compliance with current legislation on the composition of this governing body and its operation.
- Establishment of the Group's senior management objectives for 2025.

2.- PROCEDURES, RULES OF ORGANISATION AND OPERATION

The Board of Directors shall establish a permanent Appointments and Remuneration Committee composed of between three (3) and five (5) members, who shall be external Directors. At least two (2) Independent Directors shall form part of the Appointments and Remuneration Committee. The Chairman of the Appointments and Remuneration Committee will be appointed from among the Independent Directors who are part of it.

The appointment of members of the Appointments and Remuneration Committee, as well as the appointment of its Chairman and Secretary, shall be made by the Board of Directors by an absolute majority. It will be renewed by the deadline, and in the form and quantity, decided by the Board of Directors of the Company.

The Secretary of the Appointments and Remuneration Committee may be one of its members or the Secretary or Deputy Secretary of the Board of Directors. In the latter case, the Secretary may not be a member of the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee shall meet as often as necessary, in the opinion of its Chairman, for the exercise of its powers.

Shall meet when requested by at least two (2) of its members. The Chairman of the Board of Directors and the CEO may request informational meetings of the Appointments and Remuneration Committee, on an exceptional basis.

Notwithstanding the foregoing, the Appointments and Remuneration Committee shall meet whenever the Board of Directors requests the issuance of a report or the approval of proposals within the scope of its powers and whenever, in the opinion of the Chairman of this committee, it results convenient for the proper development of its purposes. The Appointments and Remuneration Committee shall be validly constituted when the majority of its members attend the meeting, present or represented.

The resolutions shall be adopted by an absolute majority of the concurrent Directors (present or represented) to the Session, with the Chairman casting the deciding vote in the event of a tie. Any Board Member of the Company may also request that the Appointments and Remuneration Committee take into consideration, due to its suitability, potential candidates to fill vacancies as a Director.

C.2.2 Complete the following table with information about the number of female Directors who sat on the various Board committees at the end of the last four years:

	Number of female Directors							
	2024		2023		FY 2022		FY 2021	
	Number	%	Number	%	Number	%	Number	%
Strategy and Sustainability Committee	1	20.00	1	20.00	1	20.00	0	0.00

	Number of female Directors							
	FY 2024		FY 2023		FY 2022		FY 2021	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	1	33.33	1	33.33	1	33.33	0	0.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, if applicable, whether there are any regulations governing the Board committees. If so, indicate where they are made available for consultation and whether any amendments have been made to them during the year. In turn, indicate whether an annual report has been prepared voluntarily about the activities of each Committee.

The Audit Committee, the Appointments and Remuneration Committee and the Strategy and Sustainability Committee are governed by specific regulations included within the Board of Directors' Regulations and which are made available to interested parties on the Company's website: www.talgo.com> investors > Corporate Governance > Internal Regulations

D. RELATED PARTY TRANSACTIONS AND INTRA-GROUP OPERATIONS

- D.1.** Explain, if applicable, the procedure and competent bodies for the approval of related party and intra-group transactions, indicating the entity's criteria and general internal rules that regulate the obligations of the affected director or shareholders to abstain, and detailing the internal reporting and periodic control procedures established by the company in relation to any related party transactions whose approval has been delegated by the board of directors.

Article 40 of the Board of Directors' Regulations establishes that:

The Board of Directors shall be made aware of the transactions that the Company undertakes, directly or indirectly, with Directors, significant shareholders or representatives of the Board or with persons related to them. The performance of such operations or transactions shall require the authorisation of the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, which must be approved with a favourable vote of, at least, eighty per cent (80%) of the Directors, present or represented, at that meeting.

The Directors affected by the aforementioned operations must not exercise or delegate their right to vote, nor may they be present in the meeting room whilst the Board of Directors discusses and votes in this regard. Nevertheless, the authorisation established in the previous paragraph shall not be necessary when dealing with operations that simultaneously fulfil the following three conditions:

- (i) When they are undertaken by virtue of contracts whose terms and conditions are fundamentally standardised and reflect those usually applied to clients contracting the type of product or service involved.
- (ii) When they are undertaken at general prices or tariffs established by whoever acts as the supplier of the good or service involved or when the operations relate to goods or services for which no established tariffs exist, under normal market conditions, similar to those applied in commercial relationships with clients that have similar characteristics.
- (iii) The amount does not exceed one per cent (1%) of the Company's annual revenues. If these conditions are fulfilled, the affected Directors shall not be obliged to report such operations or obtain authorisation in advance from the Board. The aforementioned operations shall be valued from the point of view of equal treatment and market conditions, and shall be reflected in the Annual Corporate Governance Report, and in the information that is regularly disclosed under the terms established in the applicable legislation. On an exceptional basis, when reasons of urgency so require it, related party transactions may be authorised, where applicable, by the Executive Committee, and then subsequently ratified by the Board of Directors.

- D.2.** Individually detail any transactions that are significant due to their amount, or that are relevant due to their subject matter, performed between the company or its subsidiaries and shareholders holding 10% or more of voting rights or represented on the company's board of directors, indicating the body with powers to approve the transactions and whether any affected shareholder or director abstained. If the powers lay with the board, state whether the proposed resolution was approved by the board without any votes against it by the majority of the independent directors:

	Name or corporate name of the shareholder or of any of its dependent companies	% Shareholding	Name or corporate name of the company or dependent entity	Amount (thousand euros)	Approving body	Identification of any significant shareholders or directors who abstained	The proposal to the board, if applicable, was approved by the board without any votes against it by the majority of independents
No data available							

	Name or corporate name of the shareholder or of any of its dependent companies	Nature of the relationship	Type of transaction and other information required for its assessment
No data available			

D.3. Individually detail any transactions that are significant due to their amount, or relevant due to their subject matter, carried out by the company or its subsidiaries with the company's administrators or executives, including any operations carried out with entities controlled or jointly controlled by the administrator or manager, and indicate the body with powers for its approval and whether any affected shareholder or director abstained. If the powers lay with the board, state whether the proposed resolution was approved by the board without any votes against it by the majority of the independent directors:

	Name or corporate name of the administrators or executives or of their controlling entities, or entities under joint control	Name or corporate name of the company or dependent entity	Link	Amount (thousand euros)	Approving body	Identification of any significant shareholders or directors who abstained	The proposal to the board, if applicable, was approved by the board without any votes against it by the majority of independents
No data available							

	Name or corporate name of the administrators or executives or of their controlling entities, or entities under joint control	Nature of the transaction and other information required for its assessment
No data available		

D.4. Individually report any intra-group operations that are significant due to their amount or relevant due to their subject matter, carried out by the company with its parent company or with other entities belonging to the parent company's group, including the listed company's own subsidiaries, unless no other related party of the listed company has interests in these subsidiaries or they are wholly owned, directly or indirectly, by the listed company.

In all cases, list any intra-group transactions carried out with entities established in countries or territories that are considered to be tax havens:

Corporate name of the group entity	Brief description of the operation and other information required for its assessment	Amount (thousand euros)
No data available		

D.5. Individually detail any operations that are significant due to their amount or relevant due to their subject matter, carried out by the company or its subsidiaries with other related parties in accordance with the International Accounting Standards adopted by the EU, which have not been reported under the previous headings.

Corporate name of the related party	Brief description of the operation and other information required for its assessment	Amount (thousand euros)
No data available		

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives, significant shareholders or other related parties.

Article 31 of the Board of Directors' Regulations establishes that Directors shall hold office with the loyalty of a faithful representative, acting in good faith and in the best corporate interest of the Company. To this end, Directors must comply with the obligations imposed by the law and, in particular, shall be subject to the following obligations and prohibitions, amongst others:

(i) Directors may not undertake, for their own benefit or for the benefit of persons related to them, investments or operations linked to the assets of the Company about which they have become aware as a result of the performance of their role, when those operations have been offered to the Company, nor may they make use of company assets, including confidential information about the Company, for private purposes, or take advantage of the Company's own business opportunities.

(ii) No Director, or any person related to him, may undertake activities for his own benefit or for the benefit of others that involve effective competition, be it actual or potential, with the Company or that, in any other way, places him in a position of permanent conflict with the interests of the Company. Similarly, Directors may not hold office or render any services to any companies that compete with the Company or any of its subsidiaries, or any that have the same, similar or complementary activity to the Company's own corporate purpose, unless expressly authorised to do so by the Company, by resolution at the General Shareholders' Meeting.

(iii) Directors should refrain from participating in discussions and votes about agreements and decisions in which they or any of their related parties have a conflict of interest, be it direct or indirect, except those agreements or decisions that affect him in his capacity as an administrator, such as his appointment or removal for positions on the Board of Directors or others of similar significance.

(iv) Directors should report to the Board of Directors any situations involving conflicts of interest, be they direct or indirect, with the interests of the Company. In the case of conflict, the affected Director should refrain from participating in the operation to which the conflict relates.

The Company's Board of Directors approved the Code of Conduct for the Securities Market in which a compliance unit was created and rules were established for, amongst other things, the detection and treatment of conflicts of interest.



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

D.7. Indicate whether the Company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relationships with such entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

☐ Yes
☒ No

E. CONTROL SYSTEMS AND RISK MANAGEMENT

E.1. Explain the scope of the company's system for the control and management of financial and non-financial risks, including those of a tax nature.

In accordance with the provisions of Article 5.4 of the Board of Directors' Regulations and without prejudice to the legal powers attributed to this body, as established in a specific way in Section (xiii), the Board of Directors of Talgo, S.A. is responsible for "determining the policy for controlling and managing risks, including those of a fiscal nature, as well as for the overseeing the internal information and control systems".

The Talgo Group has been undertaking actions aimed at improving the control and risk management environment, and implementing systems and methodologies that allow the identification, evaluation, management, control and mitigation of the risks that it faces (operational, technological, financial, legal, tax, reputational).

Risk management is a continuous process that takes place at all levels of the organisation and in all of the Group's companies through different procedures, the main one being the structure of supervisory levels configured in the policies approved by the Board of Directors. Therefore, given that the Board of Directors has been assigned responsibility for maintaining the Talgo Group's internal control system, this manifests itself in the monitoring and control of the significant risks facing the Talgo Group and in the approval of actions aimed at improving the existing policies and procedures.

Meanwhile, the Audit Committee conducts a regular review of the internal control and risk management systems, to ensure that they are operating properly.

Internal control forms part of the Talgo Group's Corporate Risk Management System, and the basic components of that system are as follows:

a) Control environment

The Talgo Group gives priority to maintaining a control environment in its organisation, which forms the basis of all of the other elements of internal control, providing discipline and structure.

Management's philosophy and style constantly strengthens the culture of internal control within the organisation.

Senior Management is responsible for designing and reviewing the organisational structure, for defining reporting lines and authorising the appropriate distribution and segregation of tasks and functions, as well as for ensuring that sufficient procedures exist for its proper dissemination and understanding.

b) Regular evaluation of the main risks

During 2024, the risks assessed to have adequate coverage have been described in Section E3.

c) Control activities

The Talgo Group (by means of the governing bodies responsible for its internal control system) designs and implements control activities to reduce the risks detected. Those activities are communicated in such a way that they are understood by the employees and performed in an appropriate way.

All of the controls are designed with the aim of preventing, detecting, mitigating, offsetting and correcting the potential impact of risks in good time, and to this end preventative and detective controls are employed, as well as manual and automatic controls.

The control and risk management function is structured around two basic lines of defence, which have different roles and responsibilities. These lines are as follows:

- The organisational units, which assume risks during the ordinary performance of their activities. They are the owners of the risks and are responsible for the identification, detection and mitigation of risk.
- The Audit Committee and the Internal Audit Department, which are responsible, primarily, for ensuring the proper functioning of the control and risk management system, for defining the regulatory and methodological framework and for conducting the regular monitoring and overall control of the Group's risks. They are also responsible for supervising the effectiveness of the risk controls established.

d) Information and communication

The information systems are designed to facilitate the data required internally and externally, which may have an impact on the organisation. These systems collect, process and distribute the necessary information to users to enable the proper performance of their functions.

e) Supervision, organisation and responsibilities in their management.

The Talgo Group considers that an oversight system is essential in order to understand the operating level of the internal control system and to maintain an updated risk map.

E.2. Identify the bodies responsible for the preparation and implementation of the Risk Management System, including tax matters.

As described in the section above, the Board of Directors' Regulations is responsible for "determining the policy for controlling and managing risks, including those of a fiscal nature, as well as for supervising the internal information and control systems", as established in the Regulations of the Board of Directors of Talgo, S.A.

Meanwhile, the Audit Committee, through the functions that correspond to it in terms of the information and internal control systems, is responsible for supervising the preparation and control of the financial information in general, and of all of the procedures implemented for that purpose in particular, as well as for supervising the internal audit function and the relationship with the external auditor, with the purpose of ensuring its independence and obtaining a clean audit opinion, amongst other functions. Similarly, that Committee is specifically responsible for regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.

Similarly, its main activities include ensuring the independence and effectiveness of the internal control systems (proposing the selection, appointment, re-election and termination of the head of the internal audit directorate); receiving regular information about its activities and verifying that senior management takes into account the conclusions and recommendation of its reports.

Similarly, the Internal Auditor of the Talgo Group is responsible for ensuring the control of the risks facing the Group, amongst other functions, and to that end, he shall participate in the review and evaluation of the systems and procedures for controlling and mitigating risks. The Talgo Group performs internal audit work using its own staff, as well as external advisors, when necessary, which, under the supervision of the Audit Committee, ensure the proper functioning of the information and internal control systems.

Finally, it is worth noting the direct and continuous involvement of the Company's different departments, as well as of its Directors, and ultimately, the Steering Committee, in the operation of the procedures and tools for analysing and managing the specific risks associated with the Talgo Group's activities, for both the execution of each project, as well as during the phases prior to that.

E.3. Indicate the main risks, including tax risks and to the extent that the risks of corruption are significant (understood as the latter with the scope of Royal Decree Law 18/2017), which may affect the achievement of business objectives.

The Group is exposed to different risks inherent in the different countries in which it operates that may impede achieving its objectives.

Therefore, Talgo has implemented a risk management model, approved and monitored by the Audit Committee, applicable to all subsidiaries and permanent establishments in all the countries where it carries out its activity that ensures that the main risks are identified, valued and prioritized and, on the other hand, to establish the mechanisms and basic principles to achieve a level of risk that allows: (i) sustainable growth of the business, (ii) protect the reputation of the Group and encourage good practices at Corporate Governance and (iii) deliver a product and provide a quality service in all those geographies where trains and Talgo auxiliary machines operate.

The risks facing the Talgo Group in the performance of its activity may be classified as follows:

***Strategic and business risks**

These risks are inherent to the sector in which the Talgo Group operates and are linked to losses of value derived from external factors, economic cycles, war and its impact on the supply chain, changes in demand patterns and market structures.

The activities that the Talgo Group undertakes are mainly affected by the following risks:

- Country risk
- Delays in the development of infrastructure projects
- Variations in the regulatory framework
- The evolution of demand
- Pandemic risk
- Inflationary risk
- Geopolitical risk
- Supply chain risk

***Financial and tax risks**

The Talgo Group is subject to risks arising due to volatility in interest rates, exchange rates, prices and credit, as well as movements in other financial variables that may negatively affect the Group's liquidity. Prudent liquidity risk management involves maintaining sufficient cash, the availability of financing through a sufficient amount of committed credit facilities and having the capacity to liquidate market positions. The Group's Management performs regular monitoring of the Group's liquidity forecasts on the basis of its expected cash flows both over the short-term and long-term. The Group maintains sufficient cash to meet its liquidity requirements.

The Group operates with a portfolio of clients that mostly belong to the public railway sector, which means that the incidence of credit risk resulting from a lack of solvency or delay in payments by its clients is very low. Nevertheless, the Management team of the Talgo Group considers that this risk represents a key aspect in the daily management of the business, and so it focuses its efforts on the proper supervision and control of the evolution of its receivables accounts and the delinquency thereof. Credit risk represents the possible losses resulting from a failure to pay the monetary or quantifiable obligations by a counterparty to which the Talgo Group has granted net credit and that is pending settlement or collection. Counterparty risk comprises the possible failure to fulfil the requirements acquired by a counterparty by virtue of commercial contracts, generally established over the long-term.

The variable rate debt issued exposes the Talgo Group to cash flow interest rate risk, and for this, the Group's Management puts in place policies for the management of interest rate risk, negotiating fixed-rate financing contracts.

Likewise, it is exposed to possible modifications of fiscal regulatory frameworks and uncertainties due to possible interpretative differences of the current tax legislation, specifically in those cases in which the existing doctrine relating to certain issues is scarce or disparate. To mitigate the same account internally with qualified personnel as well as with the external advice of first level offices in all the countries in which it is established.

***Risk of cyber-attack and fraud**

The Talgo Group is exposed to the occurrence of criminal and fraudulent acts of a cyber nature, regardless of whether or not they are directed against the Company, in that they may affect its assets.

***Compliance risk**

The Talgo Group is exposed to compliance risk, which include the cost associated with possible sanctions for the infringement of laws and regulations, or those sanctions resulting from the materialisation of operational events (environmental damage, damage to third parties, leaking of confidential information, health, hygiene and safety in the workplace, etc.) or from the violation of the Company's internal policies and procedures. The Group's Compliance Unit proactively watches over the effective functioning of the Group's compliance system.

***Criminal liability risks**

The amendments to Article 31 bis of the Penal Code, which took place in 2010, 2015 and most recently in 2023 on crimes against sexual freedom, establish the criminal liability of legal entities. In this context, the Talgo Group may be responsible for certain crimes in Spain, if its administrators, executives or employees commit such crimes during the performance of their functions and in the interests of the Company.

To prevent the materialisation of this risk, the Talgo Group is implementing a Crime Prevention Model as well as an anti-corruption and anti-fraud policy, to introduce the necessary measures to prevent crimes from being committed in the business environment and to exempt from responsibility the different companies that compose the Group.

E.4. Identify if the entity has risk tolerance levels, including the tax.

Taking into consideration the strategic objectives of the Talgo Group and the strategic lines for their achievement, the Board of Directors approves the level and type of risk that Talgo is willing to assume in achieving its strategic objectives, and the level of tolerance allowed. To this end, it has established a series of fundamental basic premises that characterise the target behaviour of the Talgo Group and which cut across the whole organisation.

All of this is detailed in the Risk and Control Policy and fiscal policy, among others, and these are linked to solvency, liquidity and the robustness of the results.

The Group operates a risk management system to address the difficulties associated with the management of the different projects that it undertakes. This begins with the selection of projects and the subsequent preparation of the offer, and it enables the identification and management of the different risks facing the Company during the normal course of its business. The results of this risk assessment are presented to the Audit Committee and the Board of Directors for decisions on the submission of bids or termination of the process. The project team, coordinated by the project manager, shall be responsible for defining actions to mitigate the risks and for controlling them until the completion of the project.

E.5. Indicate which risks, financial and non-financial, including tax risks, have materialised during the year.

During the 2024 financial year, the main materialised risks were those related to the risk of project delays, to high interest rate volatility with an impact mainly on financial expenses, as well as international geopolitical instability with impacts mainly related to the supply chain and price volatility. This is all in line with what was indicated in the annual accounts report for 2024.

E.6. Explain the plans for addressing and supervising the main risks facing the entity, including those relating to tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise:

1. Risks of a financial nature

The Economic and Financial Department of the Group identifies, evaluates and covers the financial risks, establishing policies for the management of global risks, as well as for specific areas, such as exchange rate risk, interest rate risk, liquidity risk, the employment of derivatives and non-derivatives, investment of surplus liquidity and deviations from project budgets and fiscal risks.

a) Market risk

The various companies of the Talgo Group operate in the international environment and, therefore, are exposed to exchange rate risks due to foreign currency transactions. In order to control the exchange rate risk that arises on future commercial transactions, and recognised assets and liabilities, the Group's companies enter into currency hedging contracts, however the majority of the Group's operations are undertaken in the functional currency, euro. The aim of these hedges are to try to avoid the impact of the variations in the currencies in the different contracts signed, so that the Group's results are a true reflection of its industrial and service activities.

b) Credit risk

The majority of the receivables and work in progress balance that the Group holds correspond to several clients located in different countries. In most cases, the contracts include on-going payments that are made as the project progresses.

It is common practice for the Company to insure certain risks of resolution or non-payment of export contracts, by taking out export insurance policies and letters of credit, in accordance with the standards for the OECD Consensus for this type of instrument. The decision as to whether or not to perform the hedge is taken on the basis of the type of client and the country in which it operates.

c) Liquidity risk

The Group's Management performs regular monitoring of the Group's liquidity forecasts on the basis of its expected cash flows both over the short-term and long-term. The Group maintains sufficient cash to meet its liquidity requirements.

The search for and selection of business opportunities with the highest possible level of self-financing, within the existing market conditions, for each one of the contracts. For manufacturing projects, which have an average execution period of approximately three to five years, the billing and execution milestones may not be aligned in terms of time, implying a consumption of financial resources that is managed with the appropriate financing sources.

d) Cash flow interest rate and fair value risk

The Group's interest rate risk arises from its long-term borrowings. The variable rate debt issued exposes the Group to cash flow interest rate risk, and for this, the Group's Management puts in place policies for the management of interest rate risk, such as interest rate hedges and swaps, as well as negotiating financing at fixed interest rates.

e) Risk resulting from deviations in project budgets for cost and deadlines

Deviations from project budgets that serve as the basis for the preparation of the respective bids, are analysed and controlled using a detailed IT system for each cost item, which also controls their deadlines, and compares the budgeted cost of these items with the reality of the cost and deadline situation for each project on an on-going basis. In this way, over the life of the projects, continuous monitoring is performed of this data through a complex internal process created for that purpose, in which each department involved in each project participates.

f) Fiscal risks

The Group is increasingly sensitive to the correct management of the fiscal risk given the importance that an incorrect treatment of the same may have from a financial, reputational and corporate governance point of view.

The Group has an adequate system to address the correct analysis of fiscal risks that allows it to identify, evaluate and mitigate them. This analysis is carried out considering, on the one hand, the different types of risks to be managed and, on the other hand, where the risk may be located within the Group, taking into account that decisions with fiscal significance are taken in numerous departments of the Group.

The management of fiscal risks requires effective control of these risks, both for their detection and for the implementation of mechanisms for their mitigation, considering the importance of risk mitigation.

2. Quality management system and environment

When carrying out our activities, priority is given to improving the effectiveness of our management systems in a sustainable, safe and quality way that achieves maximum satisfaction for our clients, employees and suppliers.

The guidelines that govern these activities are contained in our quality, prevention and environmental policies, which reflect the following standards: ISO 9001, ISO 14001 and IRIS.

3. Reliability of financial information

In Section F, details are provided of the Internal Control System for Financial Reporting (SCIIF).

4. Other preventative procedures

Employment risk prevention system.

Employment risk prevention systems have been implemented for all of the activities, in accordance with the requirements of Law 31/1995 and its draft legislation.

Crime Prevention and Detection Model

During 2024 the Talgo Group has continued to consolidate the Crime Prevention Model as established in article 31 bis of the Penal Code reformed after the approval of the Organic Law 5/2010, of 22 June.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING PROCESS (SCIIF)

Describe the mechanisms that comprise the internal control and risk management systems relating to the process for financial reporting (SCIIF) by the entity.

F.1. The entity's control environment.

Specify at least the following components, indicating the main features in each case:

F.1.1 What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

In accordance with the provisions of the Corporate Bylaws and the Regulations that develop them, the governing bodies are: (i) the Board of Directors; (ii) the Audit Committee; and (iii) the Internal Audit Department, which provides support to the Audit Committee.

Talgo's Board of Directors is the governing body responsible for the existence and maintenance of an appropriate and effective SCIIF. The Audit Committee, which assumes the powers delegated to it by the Board of Directors, is the body responsible for supervising the process for the preparation and presentation of the regulated financial information and the effectiveness of the Company's internal control systems, the internal audit services and the risk management systems, as well as for discussing any significant weaknesses detected in the internal control system with the auditor of the accounts or the audit firms during the performance of the audit.

The Audit Committee entrusts the supervision of the effectiveness of the Internal Control System for Financial Reporting (SCIIF) to the Internal Audit team, through its exercise of a unique and independent governance function, in line with the rules and standards of professional quality that contribute to good corporate governance and to ensuring that the financial information has been prepared reliably.

The Group management, and specially the Economic and Financial Department is the area responsible for the design, implementation and maintenance over time of an appropriate and effective system of internal controls over financial information.

F.1.2 The existence or otherwise of the following elements, especially in connection with the financial reporting process:

- The departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for its proper dissemination throughout the entity.

According to the provisions of the Board of Directors' Regulations, the Appointments and Remuneration Committee is responsible for analysing the process that enables the orderly succession of the Chairman and CEO, who the Board is responsible for appointing, and for reporting on the appointment and dismissal of the Directors that report directly to the CEO.

Meanwhile, the CEO, with the assistance of the Human Resources Manager, in her capacity as an advisor to the CEO, is responsible for determining the organisational structure for the first line of reporting in the organisation (i.e. the managers that report directly into him).

In turn, these managers are responsible for deciding any changes in the organisational structure under their immediate control, following authorisation from the CEO and advice from the Human Resources Manager.

The Compensation Department, which sits within the Human Resources Department, evaluates the classification and description of all of the jobs in the Group on a regular basis, with the aim of maintaining an appropriate segregation of duties, avoiding duplication of roles and improving coordination between the different departments, which results in the improved efficiency of the Talgo Group's operations. All employees can access the updated organisational chart through the Talgo Group's IT systems.

In terms of the scope of SCIIF, in the processes determined as critical for the preparation of financial information, the main tasks and controls to be performed are defined, along with the names of the people responsible for their execution and supervision, in such a way that the lines of responsibility and authority are clearly defined.

In addition, for these processes, details are documented of the segregation of duties for tasks that are considered to be incompatible.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values covered (indicating whether there is any specific mention of record keeping and financial reporting), body responsible for analysing breaches and proposing corrective actions and sanctions:

The Talgo Group has a Code of Conduct approved by the Board of Directors, which incorporates the values ethics that are to govern all the activities that are carried out, which includes those principles and values that govern the financial responsibility for the registration of operations, financial preparation and compliance with the applicable regulations.

The control of the implementation of the code of conduct corresponds to the compliance unit, which operates to ensure compliance with this code.

This code has been disseminated throughout the Group and with on-line training. It is available on the Group's intranet, as well as on the website www.talgo.com

Talgo also has a Whistleblower Channel (Whistleblowing Line) managed by an external company that, in coordination with the members of the Compliance Department, analyses the possible infractions that have been communicated, suggesting if appropriate the application of the disciplinary regime applicable for that purpose.

Talgo, S.A., as the parent company of the other entities, has approved a code of conduct for the management and control of confidential information, the transparent communication of significant information, the performance of operations involving own shares and the detection and treatment of conflicts of interest; it also imposes certain obligations, limitations and prohibitions on affected persons, and the managers of the own shares.

- Whistleblower Channel that allows irregularities of a financial and accounting nature to be communicated to the Audit Committee, in addition to potential breaches of the code of conduct and irregular activities in the organisation, stating whether reports made through this channel are confidential and whether it is possible to make anonymous reports while respecting the rights of the reporter and reported party.

The Talgo Group has specific channels in place that employees may use to communicate any irregular circumstances that may affect the performance of their work.

In addition, it has outsourced, through an independent company specialised in this area, management of the "Whistleblowing Line" or "Whistleblower Channel", to provide it with greater independence for communicating possible irregularities of potential significance to the Compliance Unit.

The sender of such a communication has the possibility to identify themselves or to communicate anonymously, the system guarantees the confidentiality and protection of their identity.

The Audit Committee is responsible for supervising these channels and that body is informed about both the activity and the measures taken in this regard on a regular basis by the Compliance Unit. In its exercise of this oversight role, the Compliance Unit meets with the Human Resources and the Internal Audit and Legal and Employment Counsel teams, to the extent that it concludes that work must be performed within their respective areas of competence.

- Training programs and regular updating courses for staff involved in the preparation and review of financial information, as well as the assessment of SCIIF, which cover at least, accounting rules, audit standards, internal control and risk management.

The Talgo Group has a training budget at the corporate level and designs an annual training plan. Under this framework, the training needs are identified and activities are scheduled for each department, on the basis of the requirements of each job and its calendar.

A performance evaluation is conducted for every employee on an annual basis, to determine a development plan and individual training programme for each employee, which is integrated into the Global Training Plan.

Training is usually classroom based and is delivered by professionals from both inside and outside the group, in accordance with the requirements in each area to involve specialists, and it also uses IT resources, which are made available to the relevant people, so that they have access to the different courses and seminars.

In addition, update courses are provided by external specialists at least once a year, with the aim of ensuring affected employees are updated about any regulatory changes that may affect the preparation of the financial statements.

The members of the Economic-Financial department also have refresher meetings with the external auditors, tax advisors and internal auditors, to understand the main changes that have happened in the last year, covering areas such as accounting and financial reporting principles, audit guidelines and guidelines for the control and management of financial risks.

The key indicators about the training programmes completed by the Economic-Financial department and other departments in the Group related to the systems of

control over the Talgo Group's financial information that provide support to the different businesses in 2024 were as follows:

- Courses relating to the latest submission of financial statements in digital format (ESEF)
 - IFRS standard updates.
 - Taxation changes for 24-25.
 - Courses related to new IFRSs (International Financial Reporting Standards) identified as standards with the most significant impact and changes in the short term.
 - Specific training in relation to the Internal Control over Financial Reporting System.
 - Specific training of the Crime Prevention and Detection Model.
 - Training in Spanish and international taxation. Main changes.
 - Training in management control.
 - IT training on all upgrades, new SAP modules and new tools that help improve the control of financial information (SAP GRC, Government, Risk and Compliance)
 - Tax legislation applicable to the Group
 - Sustainability training
- The training programs are extended to those members of the organisation that may be affected by them in the performance of their tasks.

F.2. Evaluation of the risks associated with financial reporting.

Report, at least:

F.2.1 The main features of the process for identifying risks, including those relating to error or fraud, stating whether:

- A process exists and has been documented:

The identification of risks in the area of financial information is an on-going and documented process, carried out by the Economic and Financial Department, in collaboration with the Internal Audit Department under the framework of the analysis and risk management system, which establishes frequencies, methodologies, risk types and other basic guidelines. In this regard, the Group has received external advice from the auditors and advisors.

The Talgo Group has carried out an analysis of the risks of financial information that may affect the true and fair view of the information it publishes. To do so, based on the financial statements at the end of the year, those transactions and material transactions have been identified, determining the relevant processes on which periodic monitoring and supervision is to be carried out.

From the identification and analysis of the risks associated to the achievement of the objectives of the reflection of the faithful image of the Talgo Group's financial information, the implemented controls are identified as well as the additional controls to be implemented.

The identification of the risks of the financial information is carried out through an understanding of the type of transactions carried out in the organization, determining their complexity and the applicable regulations, the volume of the same, the quantitative importance of the affected items, the complexity of the calculations, the need to use estimates and projections, the application of judgements and the unusual operations performed during the period under review.

- The process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and how often.

Each year, analysis is performed to identify the areas and processes, as well as the companies and locations in which significant transactions are generated. This analysis includes a review of the routine processes involved in the generation of financial information. During the year, the risk areas identified are monitored and updated, taking into account any new significant events that happened during the period.

The process covers all of the financial reporting objectives, as follows:

1. Specification of the objectives of the financial reporting controls by those involved in the process to generate the financial information. These objectives cover the full range of financial reporting objectives: • Existence and Occurrence: Registered transactions that are not valid, because they do not correspond to the exercise or due to lack of authorisation (of the client, of the responsible with powers etc.).

- Integrity: Operations and balances that must be registered are not.
 - Cutting of operations: Transactions recorded in different accrual periods.
 - Registration: Operations registered with errors in the data imputation (amounts, etc.).
 - Valuation: Transactions (assets, liabilities, expenses, income and commitments) recorded in which the amounts are not correct because the valuation has not been adequate.
 - Presentation, breakdown and comparability: Incorrect classifications and breakdowns in the different lines of the financial statements as well as in the accompanying explanatory notes.
 - Rights and obligations: Transactions involving the recording of the appropriate provisions derived from the operation itself.
2. In addition, as an internal control system, the Talgo Group Internal Control System focuses on the following objectives, in addition to the objective of obtaining reliable financial information:
- Efficiency in operations: search for the realization of operations through the necessary resources, but with adequate efficiency.
 - Compliance: avoiding non-compliance with applicable regulations and / or obligations acquired with third parties due to normal operations and that may give rise to claims and therefore possible losses for the company.
 - Asset safeguard: It is related to assets acquired or liabilities incurred (or cancelled) that have not been authorised in the corresponding level.

3. Explicit assessment of the probability of an error with material impact caused by fraud. To do so, the following guidelines are taken into account, making revisions mainly of:

- Agreements signed with third parties (suppliers, customers, etc.)
- Persons authorised to sign agreements, contracts, etc.

- The people who hold the powers in the organization
 - Valuations that are made based on judgements and / or estimates and have a significant impact on the generation of financial information.
 - Non-recurring transactions and transactions.
 - Review according to the Annual Internal Audit Plan established in the supervision process, the reliability and integrity of the IT systems that respond to the generation of financial information.
 - Continuous review of the best practices of the sector and the situation in the associations to which the Group is associated because of its relation with the evolution of the sector, etc.
 - 4. Additionally, the possibility of risk of error is considered in certain processes not linked to specific transaction classes, but especially relevant in view of their importance in the preparation of the reported information, such as the trial review process and significant accounting policies or the closing and consolidation process. In this regard, and in order to cover the risks of these processes, the Group has appropriate control activities.
 - 5. Conduct a periodic review of existing controls with those responsible for the generation of financial information in order to identify variations with respect to the previous period.
 - 6. Periodic review of the control activities in each of the organization's processes that result in the financial information, establishing the recommendations detected, if necessary, for their implementation, as well as establishing those controls that are considered necessary.
- The existence of a process to identify the consolidation perimeter, taking into account, inter alia, the possible existence of complex corporate structures or special purpose entities or vehicles.

The Talgo Group has a process in place for identifying the consolidation perimeter, which is performed by the consolidation team that forms part of the Economic and Financial Department in collaboration with the Department for Oversight of Subsidiaries, and this information is identified and updated at each monthly close.

- a) The entry of new companies into the Talgo Group both due to shareholder control as well as those resulting from other types of effective control, for which an informative procedure is established for all of the agreements/contracts signed by the existing powers of attorney, relating to the taking over and loss of control of companies.
- b) Removal of Talgo Group companies.
- c) Changes or amendments to the shareholding stakes or the voting rights (both directly and indirectly, due to both shareholder control, as well as those resulting from other types of effective control), for which an informative procedure is established for all the agreements and contracts signed by the existing powers of attorney, in relation to the acquisition/sale of shares and stakes in other companies.

- The process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they impact the financial statements.

The process takes into account all of the identifiable risks (operational, technological, financial, legal, reputation, environmental, etc.) to the extent that they affect the financial statements.

- Which of the Company's governing bodies is responsible for supervising the process:

The Audit Committee, through the Internal Audit Department, is the body responsible for overseeing the process for the preparation and presentation of the regulated financial information, which includes the process for the identification of risks.

F.3. Control activities.

State whether the Company has the following components in place and indicate the main features in each case:

F.3.1 Procedures for reviewing and authorising the financial information and SCIIF description, to be disclosed to the securities markets, stating who is responsible in each case, as well as documentation describing the flows of activities and controls (including those relating to fraud risk) for the different types of transactions that may materially affect the financial statements, including the procedure for the accounting close and the specific review of significant judgements, estimates, valuations and projections.

The Talgo Group has descriptive documentation in place about the main processes which indicate the main flow of activities and the names of the people responsible for performing the various control activities.

The main processes for generating financial information that affect the financial statements in a material way have been fully documented by the Group. The processes for generating financial information covered by this documentation include the following:

- Consolidation and Reporting
- Human Resources Management
- Recognition of Revenues and Expenses
- Billing and Clients
- Procurement (materials and services)
- Investments
- Taxes

- Treasury
- Costs Monitoring

For each one of these processes, the risks of error that may affect the reliability of the financial information have been identified (including the risks of errors in the significant judgements, estimates, valuations and projections) and the control activities performed to mitigate those risks. The person responsible for executing and supervising each control activity has been identified, along with the frequency of their performance and the evidence required to demonstrate the execution of the control activity. The update of this system is continuous and adapts according to the identified risks.

In relation to the review of significant judgements and estimates, the Talgo Group discloses in its annual accounts, in one of the notes to the financial statements, the most significant areas in which there are significant accounting estimates and judgements, as well as the key assumptions made with respect thereto. In this sense, the main estimates made refer to:

- Estimated loss of goodwill
- Investments in investees
- Taxes on income and tax assets and liabilities
- Recognition of income using the percentage of realisation method
- Useful lives of property, plant and equipment and intangible assets
- Provisions

The procedures for reviewing and authorising the financial information of the Talgo Group that is published in the markets are initiated by its review by the Economic and Financial Management of each company, in the Consolidation Area, with the corresponding controls being established by the Economic and Financial Division of the Talgo Group. This process is controlled and supervised by the Internal Audit Department of the Talgo Group as part of its functions.

The individual and consolidated annual accounts and the quarterly financial reports are reviewed by the Audit Committee, as a preliminary step to their formulation by the Board of Directors, as established in the Regulations of the latter. In accordance with the provisions of the Board of Directors' Regulations, the Audit Committee proceeds to read and review the information, as well as its discussion, with the Internal Audit Department and with the External Auditors (in the case of annual accounts), as a preliminary step to forwarding it to the Board of Directors.

Once the Audit Committee has reviewed this information and gives its agreement and observations to be incorporated, the annual accounts are signed by the Board of Directors.

In relation to the quarterly information, the Audit Committee reviews the critical financial information (financial information, changes in results, details on the main areas, changes in cash flows, etc.) prior to the forwarding of this information to the Board of Directors and later to the Market.

F.3.2 Internal control policies and procedures over the IT systems (including, amongst others, access security, change logs, system operation, operational continuity and segregation of duties) that support the entity's significant processes regarding the preparation and publication of financial information.

The Talgo Group has an IT Systems department, which maintains a proper register and control of transactions and therefore, is dependent on its proper operation. There is also a Cybersecurity department within the aforementioned department.

As part of the process for identifying the risks of error in the financial information, the team identifies which systems and applications are relevant for every one of the areas and processes that are considered to be significant. The systems and applications identified include, both those that are used directly for the preparation of financial information, as well as those that are significant for the effectiveness of the controls that mitigate the risk of errors in that information.

A methodological framework is defined in the design and implementation of the applications, which establishes the different points of control for ensuring that the solution obtained fulfils the requirements requested by the user and that the quality level fulfils the required standards of reliability, efficiency and maintainability.

The Information Systems and Cybersecurity area has established policies aimed at covering security in terms of access, by means of the access and function segregation matrix with the definition of roles and resources, and the continuity of its operation, defining a matrix of general controls structured in the following areas:

- Operations and safeguards for existing data, affecting the custody of it in external locations.
- Business continuity: The Talgo Group has developed appropriate systems involving access restrictions, protection plans, recovery, etc. in order to safeguard its operations.
- Security: The Talgo Group has established a Security Policy which is reviewed and updated on a regular basis, to ensure the absence of incompatibilities (matrix for the segregation of duties), and to define user profiles and adapt the access permitted by them.
- Change management: The process for all systems has been formalized (acquisition, development, amendments and maintenance, indicating the people responsible, approvals, evidence, etc.).

The Group's Cybersecurity area controls possible cyber-attacks and inappropriate access to the Group's information, safeguarding it.

The Talgo Group receives advice and support from independent external professionals who are experts in this field to ensure the suitability of the processes and controls implemented. In particular, during the year the new version of its ERP (Enterprises Resources Process) was updated to ensure, among other things, the safeguarding of information, data integrity, as well as greater efficiency in the daily operation of the Talgo Group.

Likewise, the Group is in the process of implementing the GRC module of its IT tool to ensure its excellence in matters of Corporate Governance, Risk Management and Regulatory Compliance.

F.3.3 Internal control policies and procedures for overseeing the management of activities outsourced to third parties, as well as those aspects involving appraisals, calculations and valuations entrusted to independent experts, when they may materially affect the financial statements.

The Talgo Group regularly reviews which activities carried out by third parties are relevant for the process for the preparation of financial information or that may indirectly affect its reliability.

Occasionally, valuations have been required from independent experts (valuation of assets and liabilities). In those cases, the departments responsible for the areas involved execute the controls and supervise their compliance with respect to the work of these experts, in order to verify their competence, training, accreditation and independence, as well as the validity of the data and methods used and the reasonableness of the hypotheses employed. In these cases, the company's policy is to use

independent firms with prestigious reputations.

In this context, when the Group intends to rely on the work of an independent expert (understood as those third parties who issue advice or opinions about specialist subjects and who have adequate and accredited training and experience in the required field) that may affect the financial information in a significant way, the following aspects should be evaluated:

- Adequate professional competence and approval by the corresponding professional body (when so required by a relevant legal standard).
- The relationships or ties held by the external professional with the organisation for the purposes of assessing their independence. Additionally, the results obtained by the third party are evaluated as well as the data used for their evaluation.

F.4. Information and communication.

State whether the Company has the following components in place and indicate the main features in each case:

F.4.1 A specific function responsible for defining and updating the accounting policies (an accounting policies team or department) and for resolving queries or conflicts resulting from their interpretation, maintaining regular communication with the managers responsible for the operations in the organisation, as well as an updated accounting policy manual that has been sent to all of the units through which the entity operates.

The Talgo Group's Economic-Financial Department is responsible for preparing the consolidated financial statements as well as the parent company's financial statements. Its responsibilities include the resolution of accounting questions for the other companies of the Talgo Group, with which a direct and open relationship is maintained through the controllers and financial managers assigned to each subsidiary. The Economic and Financial Department is in charge of identifying, defining and communicating the accounting policies that affect the Talgo Group, and all of this is included in the Manual of Accounting and Financial Procedures and Policies, which is updated regularly and is available on the Group's internal network to which the relevant departments have access.

In addition, the Talgo Group has a set of documents that are adapted to the needs, requirements and size of the Group, in which the rules for the preparation of financial information are determined and explained and how these standards should be applied to the operations of the entity called the Information Package. These documents not only explicitly refer to the rules that apply to each type of transaction, but also to develop and explain the interpretation of the same to fit exactly each type of transaction. These documents are updated periodically and at least annually, and incorporate the applicable rules for the corresponding exercise. The significant modifications made are communicated to the dependent companies to which they are applicable via e-mail, videoconference or from the holding of specific meetings with those responsible for them.

F.4.2 Mechanisms for collating and preparing financial information in standard formats that may be applied and used by all of the units in the entity or group, which support the main financial statements and accompanying notes, as well as disclosures concerning SCIIF.

On an annual basis, a schedule with the information needs for the preparation of the financial information of the following year is established, containing all the documents, responsible for them and dates of delivery of the documentation. This information report is made through the Financial Information Packages prepared by the Economic and Financial Department. These packages include the information necessary for the subsidiaries to report to the parent company in preparation for the Consolidated Financial Statements as well as the information to be included in the accompanying notes.

The process of consolidation and preparation of financial information is carried out centrally in the subsidiary Patentes Talgo, and there is a detailed consolidation process that shows all existing sub-processes, personnel involved, locations, supporting documentation used and frequency of activities and controls carried out, among others. This process uses the financial statements reported by the Talgo Group's subsidiaries and branches in the established formats, as well as the other financial information required both for the accounting standardisation process and to cover the established information needs.

The Talgo Group has a series of controls implemented in the financial information packages as well as adequate blocks that allow to assure the reliability and correct treatment of the information received from the different subsidiaries.

It is worth noting the centralised performance of the various consolidation entries, analysis of changes in all equity items and results, changes in results obtained over previous periods and on approved budgets, analysis of the evolution of events and most relevant variables.

F.5. Supervision of the operation of the system.

State indicating the main features of at least:

F.5.1 SCIIF monitoring activities undertaken by the Audit Committee, as well as whether the entity has an internal audit function whose competencies include providing support to the committee in its oversight of the internal control system, including SCIIF. Also, report about the scope of the SCIIF assessment conducted during the year and the procedure by which the person responsible for carrying out the assessment communicated his results, whether the entity has an action plan that details the potential corrective measures, and whether its impact on the financial information has been considered.

The Head of the Internal Audit must present his work plan for the following year to the Audit Committee at least once a year. The plan shall include the tasks that will be performed to properly assess the SCIIF. The content of the annual work plan of the Internal Audit Committee is reviewed and updated on an on-going basis for its subsequent approval by the Audit Committee.

On the basis of this plan, the Head of the Internal Audit must report his assessment of the SCIIF to the Audit Committee, summarising his most important findings, as well as the action plans proposed to address them. This report may be delivered in person, by attending the Audit Committee meetings or by means of reports sent to the Committee.

In 2024, the Annual Work Plan presented and subsequently carried out by the Internal Audit team included the following aspects in relation to the SCIIF:

- Analysis of the annual plan of the company and identification of the main risks on the financial information.
- Audit of the relevant fiscal elements for the Group.
- Review of the financial information sent to the CNMV on a quarterly basis, together with a review of the correct execution of the main control activities of the accounting, consolidation and information processes and of the principal judgements and estimates.
- Supervision of the process of formalization and documentation of all existing control activities in the main business cycles of the Talgo Group. This documentation complies with the criteria established in the recommendations made by the CNMV in its guide for the preparation of the description of the internal control system on financial information, and the Internal Control System for Financial Reporting is in place and in operation.
- Supervision of advice by technological experts in relation to the following areas within the management of the Company's information systems: governance of information systems, information, operations and network security and change implementation and application development, including GDPR, taking into account all the recommendations detected and implementing a plan of action and improvement in the short term.
- Audit of the financial information generation processes and the main subsidiaries, according to a rotation plan.
- Supervision of subsidiaries.
- Review of the critical processes of the Group focusing in the following areas: Procurement, HR, Capex, Logistics and Sales.
- Monitoring the status of proposed action plans in the face of weaknesses detected.
- Monitoring and supervision of the Group's sustainability and social responsibility report.
- Presentation of the results of the work carried out to the Audit Committee and to the Board of Directors in those cases in which it is deemed necessary by the Audit Committee.

F.5.2 Whether a procedure is in place for discussion whereby the auditor of the accounts (in accordance with the provisions of TAS), the internal audit function and other experts may inform senior management and the Audit Committee or the Directors of the entity about significant internal control weaknesses identified during the annual accounts review process or any others entrusted to them. Also, report whether the entity has an action plan to try to correct or mitigate the weaknesses observed.

The Audit Committee meets regularly and prior to the issue of financial information to the markets. During the 2024 financial year, meetings of the Audit Committee were held at which the Internal Audit management reported on the results of the work carried out and the existing action plans for corrective measures.

Additionally, in the framework of the external audit, it meets with the external auditors to present the conclusions of their audit work (which include significant aspects detected in the scope of internal control). The Committee met 7 times in the 2024 financial year, all meetings were attended by the external auditors, who provided information on regulatory developments, progress and the results of the external audit.

Meanwhile, the auditor of the Talgo Group's accounts has direct access to the highest level of the Group, through regular meetings both to obtain the information it requires to perform its work, as well as to report the weaknesses identified in its controls.

The Talgo Group has a multi-annual and an annual Internal Control Audit Plan which, among other things, establishes the necessary procedure for the implementation of the corrective measures required following the development of the different tasks of supervision and review of the controls established in the Group's main processes. There is also a process in place for the supervision of the SCIIF defined by the Audit Committee, which includes aspects related to the general criteria to be applied with regard to specific SCIIF supervision activities. The corresponding reports presenting the situation following the performance of the tasks entrusted are assessed by the members of the Audit Committee, together with the weaknesses identified in the aforementioned work. The Committee is also responsible for approving the proposed action plan to remedy the aforementioned control weaknesses.



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

F.6. Other relevant information.

No other relevant information exists regarding the SCIIF that has not already been included in this report.

F.7. External auditor's report.

Report whether:

F.7.1 The SCIIF information provided to the markets has been subject to review by the external auditor, in which case, the entity should attach the corresponding report as an annex. If not, it should report the reasons why.

The Group did not submit the information about the "Internal Control System for Financial Reporting" for review by the external auditor in 2024.

This Annual Corporate Governance Report has been prepared in accordance with the contents and structure of the model established in the governing legislation by the CNMV (Spanish National Securities Market Commission).

Although this information is not subject to review for the issue of a report by the auditor, it has been made available to the external auditors so that they are aware of it and can verify it in the context of their audit of the accounts.

The Directors of the Group are aware of the recommendations, guidelines and references established for the completion of this information, and have applied them in their entirety. The information about the "Internal Control System for Financial Reporting" contained in the Annual Corporate Governance Report, in accordance with the scope of the procedures and report templates that the I.C.A.C. and the respective corporations that represent auditors established, where applicable.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations stipulated in the Good Governance Code for listed companies.

In the event that any recommendation is not followed or is only partially followed, a detailed explanation should be provided of the reasons so that the shareholders, investors and the market in general, have sufficient information to assess the conduct of the Company. Explanations of a general nature are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the number of votes that may be cast by a single shareholder, nor should they contain any other restrictions that hinder the takeover of the Company by means of share purchases in the market.

Complies ☒ Explain ☐

2. When the listed company is controlled, within the meaning of article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose precisely the following:

- a) The respective areas of activity and any business relationships between the listed company or its subsidiaries, on the one hand, and the parent company or its subsidiaries, on the other.
- b) The mechanisms in place for resolving any potential conflicts of interest that may arise.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

3. During an ordinary General Shareholders' Meeting, in addition to distributing the written Annual Corporate Governance Report, the Chairman of the Board of Directors should verbally inform the shareholders about the most relevant corporate governance considerations for the Company, in sufficient detail, and, in particular, he should provide information about:

- a) Any changes that have happened since the previous ordinary General Shareholders' Meeting.
- b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if they exist, the alternative rules it applies in this area.

Complies ☒ Partially complies ☐ Explain ☐

4. The company should define and promote a policy regarding communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors, which fully respects the rules against market abuse and treats shareholders in the same position on an equal footing. And the Company should publish this policy on its website, including information about the way in which the policy has been put into practice and identifying the contact people or managers responsible for carrying it out.

And, without prejudice to the legal obligations to disclose inside information and other types of regulated information, the

company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximising the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies [] Partially complies [X] Explain []

In line with the Internal Code of Conduct in the Securities Market, as well as the recommendations of the Spanish Securities and Exchange Commission (CNMV), ESMA and good governance practices, the company complies with clear protocols for communication and dissemination of privileged and relevant information, including, among others, regulated information, economic-financial, non-financial and corporate information, both through the relevant channels with the CNMV and through a specific website:

<https://www.talgo.com/es/web/investors>

5. The Board of Directors should not present any proposals to the General Shareholders' Meeting for the delegation of powers, to issue shares or convertible securities excluding the right to preferential subscription, for an amount exceeding 20% of the capital at the time of delegation.

And when the Board of Directors approves the issue of any shares or convertible securities excluding the right to preferential subscription, the Company should immediately publish reports about this exclusion on its website, as referred to by commercial legislation.

Complies [X] Partially complies [] Explain []

6. The listed companies that prepare the reports cited below, be they mandatory or voluntary, must publish them on their website sufficiently in advance of the date of the ordinary General Shareholders' Meeting, even though their distribution is not mandatory:

- a) Report about the independence of the auditor.
- b) Reports about the operation of the Audit Committee and the Appointments and Remuneration Committee.
- c) Report from the Audit Committee about related party transactions.

Complies [X] Partially complies [] Explain []

The company produces all the reports that are cited and published on the Talgo website

7. The Company should stream the General Shareholders' Meetings live on its website.

The Company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large cap companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting.

Complies ☒ Partially complies ☐ Explain ☐

Since 2021, the Company has provided the option of participating both online and in person. The means were also provided to participate in the meeting by asking questions channelled through the established shareholder office.

The Company publishes all information regarding the final quorum, the composition of the General Shareholders' Meeting, and the results of voting on resolutions immediately after the General Shareholders' Meeting has been held.

8. The Audit Committee should ensure that the annual accounts that the Board of Directors submits to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In those cases in which the auditor has included a qualification in its audit report, the Chairman of the Audit Committee should clearly explain the Audit Committee's opinion on its content and scope at the general meeting, making it available to the shareholders at the time of publication of the notice of the meeting, together with the rest of the proposals and reports of the board, a summary of such opinion.

Complies ☒ Partially complies ☐ Explain ☐

9. The Company should permanently publish on its website the requirements and procedures that it accepts for proving the ownership of shares, the right to attend the General Shareholders' Meeting and the exercise or delegation of the right to vote.

And those requirements and procedures should favour the shareholders' attendance and exercise of their rights and be applied in a non-discriminatory manner.

Complies ☒ Partially meets ☐ Explain ☐

10. When a legitimate shareholder has exercised his right to add an item to the meeting agenda or to present new agreement proposals, prior to the date on which the General Shareholders' Meeting is held, the Company:
- a) Should immediately communicate those complementary points and new proposed agreements.
 - b) Make public the model attendance card or proxy or remote voting form with the amendments required to enable new items on the agenda and alternative proposals for resolutions to be voted on in the same terms as those proposed by the Board of Directors.
 - c) Put all such items or alternative proposals to the vote and apply the same voting rules to them as to those put forward by the board of directors, including, in particular, presumptions or deductions as to the direction of the vote.
 - d) After the General Shareholders' Meeting, communicate the breakdown of the vote on such additional items or alternative proposals.

Complies [] Partially complies [] Explain [] Not applicable [X]

11. In the event that the Company intends to pay attendance premiums for the General Shareholders' Meeting, establish, in advance, a general policy for such premiums and that policy should be stable.

Complies [] Partially complies [] Explain [] Not applicable [X]

12. The Board of Directors should perform its duties with unity of purpose and independence of judgement, affording the same treatment to all shareholders who find themselves in the same position. It should also be guided by the corporate interest, understood as the achievement of a profitable and sustainable business over the long-term, which promotes continuity and maximises the Company's economic value.

And in pursuit of the corporate interest, as well as with respect for the laws and regulations and a behaviour based on good faith, the ethics and the respect for the uses and the commonly accepted good practices, it should try to reconcile its own corporate interest with, as appropriate, the legitimate interest of its employees, its suppliers, its clients and the other stakeholder groups that may be affected, as well as the impact of the Company's activity on the community as a whole and on the environment.

Complies [X] Partially complies [] Explain []

13. The Board of Directors should have the necessary size for its effective and participatory operation, which means that it is advisable for it to comprise between five and fifteen members.

Complies [X] Explain []

14. The Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board of Directors and that:

- a) Is specific and verifiable.
- b) Ensures that proposals for appointment or re-appointment are based on a prior analysis of the powers required by the board of directors; and encourages diversity of knowledge, experience, age and gender.
- c) For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to be conducive to gender diversity.

The results of the prior analysis of the needs of the Board of Directors should be collated in a justification report by the Appointments Committee, which should be published when the General Shareholders' Meeting is convened for the ratification, appointment or re-election of each Director.

Compliance with this policy shall be verified annually by the Appointments Committee and reported in the Annual Corporate Governance Report.

Complies ☒ [X]

Partially complies ☐ []

Explain ☐ []

15. The Proprietary and Independent Directors should constitute a large majority of the Board of Directors and the number of Executive Directors should be the minimum necessary, taking into account the complexity of the company group and the percentage shareholdings held by the Executive Directors in the Company's share capital.

The number of female directors should account for at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and not be less than 30% prior to that date.

Complies ☐ []

Partially complies ☒ [X]

Explain ☐ []

Proprietary and Independent Directors constitute 80% of the Board of Directors, with the remaining 20% being Executive Directors.

The Appointments and Remuneration Committee is mandated by the Board of Directors to select female directors to fill vacancies that may arise within the Board. In this regard, in 2020 the Company co-opted a new independent female director to the Board of Directors of Talgo.

16. The percentage of Proprietary Directors over the total number of Non-Executive Directors should not be greater than the proportion of the share capital held by those Directors, over the total share capital balance.

These criteria may be relaxed:

- a) In large cap companies in which there are few shareholdings that are legally considered significant.
- b) In the case of companies in which there is a plurality of shareholders represented in the Board of Directors and have no ties with each other.

Complies ☒ [X]

Explain ☐ []

17. The number of Independent Directors should represent, at least, half of the total number of Directors.

Nevertheless, when the Company does not have a high level of capitalisation or even if it does, when one or several

shareholders, who control more than 30% of the share capital, are acting together, then the number of Independent Directors should represent, at least, one third of the total number of Directors.

Complies ☒ Explain ☐

18. The companies should publish and update the following information about their Directors on their website:

- a) Professional and biographical profile.
- b) Other boards of directors to which they belong, whether or not they are listed companies, as well as other remunerated activities of any kind.
- c) Indication of the category of director to which they belong, stating, in the case of Proprietary Directors, the shareholder they represent or with whom they have ties.
- d) Date of their first appointment as a Director of the Company, as well as the dates of any subsequent re-elections.
- e) Any shares that they own in the Company, and options they hold over them.

Complies ☒ Partially complies ☐ Explain ☐

19. In the Annual Corporate Governance Report, following verification by the Appointments Committee, reasons should be provided to explain why Proprietary Directors have been appointed at the request of shareholders whose shareholdings represent less than 3% of the total share capital; and reasons should be provided to explain why formal requests to participate in the Board have been denied for shareholders whose shareholdings are the same size or larger than those held by others who have been appointed as Proprietary Directors upon request.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

20. Proprietary Directors should submit their resignation when the shareholder that they represent sells its entire shareholding. And they should also resign when the shareholder that they represent reduces its shareholding to a level that requires a reduction in the number of Proprietary Directors, to the extent required.

Complies ☒ Partially meets ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of any Independent Director before he has completed his statutory term in office, except when just cause requires it, as assessed by the Board of Directors based on a report from the Appointments Committee. In particular, just cause shall be understood to exist when: The Director takes over new roles or enters into new obligations that prevent him from devoting the necessary time to the performance of the duties inherent to the role of Director; when he breaches the duties inherent to his role; or when circumstances arise that cause him to lose his independent status, in accordance with the provisions of applicable law.

The removal of Independent Directors may also be proposed as a result of a takeover bid, merger or other similar corporate transaction that involves a change in the share capital of the Company, when such changes in the structure of the Board of Directors are promoted by the criteria of proportionality indicated in recommendation 16.

Complies ☒ Explain ☐

22. Companies should establish rules forcing Directors to report and, where appropriate, resign when situations arise that affect them, whether or not related to their performance in the Company, that could damage the credit and reputation of the Company and, in particular, obliging them to inform the Board of any criminal proceedings in which they are under

investigation, as well as the progress of the proceedings.

Having been informed or having otherwise become aware of any of the situations mentioned in the preceding paragraph, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide, following a report from the Appointments and Remuneration Committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the director or proposing his/her removal. It should report thereon in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which must be recorded in the minutes. This without prejudice to the information that the Company must disseminate, if appropriate, at the time the corresponding measures are adopted.

Complies ☒ [X]

Partially complies ☐ []

Explain ☐ []

23. All of the Directors should clearly express their opposition when they consider that a proposed resolution submitted to the Board may be contrary to the corporate interest of the Company. And this should apply, in particular, to the Independent Directors, as well as to any other Directors not affected by the potential conflict of interest, in cases of decisions that may harm the shareholders not represented on the Board of Directors.

And when the Board of Directors adopts significant or repeated decisions about which the Director has expressed serious reservations, he should draw the appropriate conclusions and, resign if he so chooses, explaining the reasons in a letter that makes reference to the following recommendation.

This recommendation also applies to the Secretary of the Board of Directors, even if he is not a Director.

Complies ☒ [X]

Partially complies ☐ []

Explain ☐ []

Not applicable ☐ []

24. When, either by resignation or by resolution of the General Meeting, a Director leaves office before the end of his/her term of office, he/she should sufficiently explain the reasons for his/her resignation or, in the case of Non-Executive Directors, his/her opinion on the reasons for removal by the Board, in a letter sent to all members of the Board of Directors.

Notwithstanding the fact that all of the above is reported in the Annual Corporate Governance Report, to the extent that it is relevant for investors, the Company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Complies ☒ [X]

Partially complies ☐ []

Explain ☐ []

Not applicable ☐ []

25. The Appointments Committee should ensure that the Non-Executive Directors have sufficient time available to properly carry out their functions.

And the Regulations of the Board should establish the maximum number of company boards on which its Directors may sit.

Complies ☒ [X]

Partially complies ☐ []

Explain ☐ []

26. The Board of Directors should meet with the necessary frequency to properly perform its functions and, at least, eight times a year, in accordance with the calendar of dates and agendas established at the beginning of the year, to which each Director may propose the addition of other items, not initially considered.

Complies ☒ [X]

Partially complies ☐ []

Explain ☐ []

27. Director absences should be kept to a bare minimum and quantified in the Annual Corporate Governance Report. And when Directors have no choice but to delegate their vote, they should do so with instructions.

Complies ☒ Partially complies ☐ Explain ☐

28. When the Directors or the Secretary express concerns about a proposal or, in the case of the Directors, about the Company's performance and those concerns are not resolved at the Board of Directors meeting, then the person expressing them can request that they be recorded in the meeting minutes.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

29. The Company should establish appropriate channels for the Directors to be able to obtain the advice they need to carry out their duties, including, when the circumstances so require it, external advice at the expense of the Company.

Complies ☒ Partially complies ☐ Explain ☐

30. Independently of the knowledge that the Directors need to perform their duties, the Companies should also provide the Directors with training programs to update their knowledge when the circumstances so require it.

Complies ☒ Explain ☐ Not applicable ☐

31. Meeting agendas should clearly state the points regarding which the Board of Directors should adopt a decision or agreement, so that the Directors can study or request the necessary information for such adoption, in advance of the meeting.

When, on an exceptional basis, for reasons of urgency, the Chairman wants to submit to the Board of Directors, decisions or agreements that do not appear on the agenda, then the prior and express consent of a majority of the Directors in attendance shall be required, and that event should be duly noted in the meeting minutes.

Complies ☒ Partially complies ☐ Explain ☐

32. The Directors should be periodically informed about movements in shareholdings and about the opinions that the significant shareholders, investors and ratings agencies have about the Company and the group.

Complies ☒ Partially complies ☐ Explain ☐

33. The Chairman, as the person responsible for the effective operation of the Board of Directors, in addition to exercising the functions that are legally and statutorily attributed to him, should prepare and submit to the Board: a calendar of dates and matters to discuss; organise and coordinate the periodic evaluation of the Board, as well as, where applicable the CEO of the Company; be responsible for the leadership of the Board and for the effectiveness of its operation; ensure that sufficient discussion time is dedicated to strategic questions; and adopt and review the programs for updating the knowledge of each Director, when the circumstances so require it.

Complies ☒ Partially complies ☐ Explain ☐

34. When there is a coordinating Director, the bylaws and Regulations of the Board should attribute him with the following

powers, in addition those powers that correspond to him legally: to chair the Board in the absence of the Chairman and the Vice- Chairman, where applicable; to echo the concerns of the Non-Executive Directors; to maintain contact with investors and shareholders to understand their points of view for the purposes of forming an opinion about their concerns and, in particular, regarding the corporate governance of the Company; and to coordinate the succession planning for the Chairman.

Complies [X] Partially complies [] Explain [] Not applicable []

35. The Secretary of the Board should act in a special way to ensure that the Board is mindful in its actions and decisions of the recommendations regarding good governance contained in this Good Governance Code, where applicable to the Company.

Complies [X] Explain []

36. The Board plenary should evaluate, at least once a year, and adopt an action plan, where applicable, to correct deficiencies identified regarding:

- a) The quality and efficiency of the operation of the Board.
- b) The operation and composition of its committees.
- c) Diversity in terms of the composition and competencies of the Board of Directors.
- d) The performance of the Chairman of the Board of Directors and the CEO of the Company.
- e) The performance and contribution made by each Director, paying special attention to the Directors who are responsible for the various Board committees.

In order to carry out the evaluation of the different committees, the Board will begin with the reports that those committees submit to it, and for the evaluation of the Board itself, it shall depend on the report submitted to it by the Appointments Committee.

Every three years, the Board of Directors will be assisted in the performance of its evaluation by an external consultant, whose independence shall be verified by the Appointments Committee.

The business relationships that the consultant or any company in the group has with the Company, or any company in the group, should be disclosed in the Annual Corporate Governance Report.

The process and areas evaluated shall be described in more detail in the Annual Corporate Governance Report.

Complies [X] Partially complies [] Explain []

37. When there is an Executive Committee, at least two Non-Executive Directors should sit on it, at least one of whom should be Independent; and its Secretary should be the Secretary of the Board of Directors.

Complies [] Partially complies [] Explain [] Not applicable [X]

38. The Board should always be aware of the matters discussed and the decisions adopted by the Executive Committee, and all of the members of the Board should receive copies of the minutes of the meetings of the Executive Committee.

Complies [] Partially complies [] Explain [] Not applicable [X]

39. The members of the Audit Committee as a whole, and in particular its Chairman, are appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

Complies ☒ Partially complies ☐ Explain ☐

40. The Company should have a unit that assumes the functions of internal audit, under the supervision of the Audit Committee, to ensure the proper functioning of the information and internal control systems. Such a unit should functionally report to the non-executive Chairman of the Board or to the Audit Committee.

Complies ☒ Partially complies ☐ Explain ☐

41. The head of the unit in charge of the internal audit function should present its Annual Work Plan to the Audit Committee for approval by the Committee or the Board, report directly to it on its execution, including any incidents and limitations to the scope that may arise in its development, the results and follow-up of its recommendations, and submit an Activities Report at the end of each year.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

42. In addition to the functions established by law, the following functions correspond to the Audit Committee:

1. In relation with the information and control systems:
 - a) Supervise and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the Company and, if applicable, to the Group—including operational, technological, legal, social, environmental, political and reputational or corruption-related risks—reviewing the compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
 - b) Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for that service; approve or propose approval to the Board of the orientation and Annual Work Plan of internal audit, ensuring that its activity is focused primarily on relevant risks (including reputational risks); receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establish and supervise a mechanism that allows employees and other persons related to the Company, such as Directors, shareholders, suppliers, contractors or subcontractors, to communicate irregularities of potential transcendence, including financial and accounting irregularities, or of any other nature, related to the Company that they notice within the Company or its Group. This mechanism must guarantee confidentiality and, in any case, provide for cases in which communications can be made anonymously, respecting the rights of both the whistleblower and the person reported.
 - d) To ensure in general that the policies and systems established in the area of internal control are effectively applied in practice.
2. In terms of the external auditor:
 - a) In the event that the external auditor resigns, examine the circumstances that have given rise to his resignation.
 - b) Ensure that the remuneration received by the external auditor for his work does not compromise his quality or his independence.
 - c) Supervise the Company to notify the CNMV (Spanish National Securities Market Commission) of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.
 - d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform them about the work performed and about the evolution of the accounting environment and the risks facing the Company.
 - e) Ensure that the Company and the external auditor adhere to governing legislation regarding the provision of services other than those of an audit nature, the limits in terms of the concentration of the auditor's business and, in general, the other rules relating to the independence of auditors.

Complies ☒ Partially complies ☐ Explain ☐

43. The Audit Committee should be able to call upon any employee or manager of the Company, and even request that they appear without the presence of any other executive.

Complies ☒ Partially complies ☐ Explain ☐

44. The Audit Committee should be informed about operations of a structural change and corporate nature that the Company

plans to undertake, for analysis and reporting to the Board of Directors regarding the economic conditions and the accounting impact and, in particular and where applicable, about the proposed exchange ratio.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

45. The risk management and control policy should at least identify or determine:

- a) The different types of risks, financial and non-financial (including operational, technological, legal, social, environmental, environmental, political and reputational risks, and also including those related to corruption) that the Company faces, including, among the financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, of which a specialised Risk Committee shall form part when the industry standards so provide or when the Company deems it appropriate.
- c) The level of risk that the Company considers acceptable.
- d) The measures established to mitigate the impact of the risks identified, in the event that they end up materialising.
- e) The information and internal control systems to be used to monitor and manage these risks, including contingent liabilities or off-balance sheet risks.

Complies ☒ Partially complies ☐ Explain ☐

46. Under the direct supervision of the Audit Committee or, where applicable, a specialist Board Committee, an internal control and risk management function should exist, exercised by a unit or internal department of the Company that is expressly attributed the following functions:

- a) Ensure the proper operation of risk management and control systems and, in particular, that all significant risks affecting the company are identified, managed and adequately quantified.
- b) Actively participate in the preparation of the risk strategy and in important decisions regarding its management.
- c) Ensure that the control and risk management systems adequately mitigate the risks within the framework of the policy defined by the Board of Directors.

Complies ☒ Partially complies ☐ Explain ☐

47. The members of the Appointments and Remuneration Committee—or of the Appointments Committee and the Remuneration Committee, if they are separate groups—should be responsible for ensuring that they have the knowledge, skills and experience required for the duties that they have been called upon to perform, and the majority of those members should be Independent Directors.

Complies ☒ Partially complies ☐ Explain ☐

48. Companies with a high level of capitalisation should have two separate Committees for Appointments and Remuneration.

Complies [] Explain [] Not applicable [X]

49. The Appointments Committee should consult with the Chairman of the Board of Directors and the CEO of the Company, especially when dealing with matters relating to the Executive Directors.

And any Director should be able to request that the Appointments Committee take into consideration potential candidates to fill any Director vacancies, if they are suitable in his opinion.

Complies [X] Partially complies [] Explain []

50. The Remuneration Committee should exercise its functions independently and, as well as the functions attributed to it by law, the following functions correspond to it:

- a) Propose the basic conditions to the Board of Directors for the Senior Executives' contracts.
- b) Check compliance with the remuneration policy established by the Company.
- c) Periodically review the remuneration policy applied to the Directors and Senior Executives, including any remuneration systems involving shares and their application, as well as ensuring that individual remuneration is proportionate to the amounts paid to the other Directors and senior managers of the Company.
- d) Ensure that any potential conflicts of interest do not harm the independence of the external advice rendered to the Committee.
- e) Verify the information on directors' and senior management remuneration contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

Complies [X] Partially complies [] Explain []

51. The Remuneration Committee should consult the Chairman and CEO of the Company, especially when dealing with matters relating to Executive Directors and Senior Executives.

Complies [X] Partially complies [] Explain []

52. The rules governing the composition and operation of the supervision and control committees should feature in the Regulations of the Board of Directors and are consistent with those legally binding rules that apply to the committee, in accordance with the previous recommendations, including that:

- a) It should comprise exclusively Non-Executive Directors, with a majority of Independent Directors.
- b) Its Chairmen should be Independent Directors.
- c) The Board of Directors should appoint the members of these Committees, taking into account the knowledge, skills and experience of the Directors and the duties of each committee; it should deliberate over their proposals and reports; and it should be accountable for their activity and respond to the work performed, in the first full Board meeting after their respective meetings.
- d) The Committees should be able to engage external advisors when they consider it necessary for the performance of



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

their functions.

- e) Minutes should be kept of all meetings, which should then be made available to all of the Directors.

Compliant [X] Partially compliant [] Explain [] Not applicable []

53. Supervision of compliance with the Company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be entrusted to one or more committees of the Board of Directors, which may be the Audit Committee, the Nomination Committee, a committee specializing in sustainability or corporate social responsibility, or any other specialized committee that the Board of Directors, in the exercise of its self-organizing powers, has decided to create. Such committee shall be composed solely of Non-Executive Directors, the majority of whom shall be independent and be specifically attributed the minimum functions indicated in the following recommendation.

Compliant [] Partially compliant [X] Explain []

During the 2024 financial year, the Strategy Committee was responsible for supervising compliance with society's environmental, social and corporate governance policies and rules. However, this Committee is made up of several directors, one of whom is an executive, and there is no independent majority

54. The minimum functions referred to in the above recommendation are as follows.

- a) Overseeing compliance with the company's corporate governance rules and internal codes of conduct, and ensuring that the corporate culture is aligned with the company's purpose and values.
- b) Overseeing the implementation of the general policy on economic-financial, non-financial and corporate reporting as well as communication with shareholders and investors, proxy advisors and other stakeholders.
- c) Likewise, the way in which the entity communicates and relates to small and medium-sized shareholders shall also be monitored.
- d) The evaluation and periodic review of the corporate governance system and of the company's environmental and social policy, so that they fulfil their mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders.
- e) The supervision that the Company's practices in environmental and social matters are in line with the agreed strategy and policy.
- f) Supervising and evaluating the processes relating to different stakeholder groups.

Complies ☒ Partially complies ☐ Explain ☐

Talgo has and applies internal policies and supervisory activities whose purpose is to maintain best practices in environmental, social and corporate governance, although it continues to draft supporting documentation that reflects their definition and scope.

55. Sustainability policies on environmental and social matters should identify and include at least:

- a) The principles, commitments, objectives and strategy with respect to shareholders, employees, customers, suppliers, social issues, environment, diversity, corporate responsibility, respect for human rights and prevention of corruption and other illegal conduct.
- b) The methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for monitoring non-financial risk, including those related to ethical aspects and business conduct.
- d) The channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that avoid manipulation of information and protect integrity and honour.

Complies ☒ Partially complies ☐ Explain ☐

Talgo has and applies internal policies and supervisory activities whose purpose is to maintain best practices in environmental, social and corporate governance, although it continues to draft supporting documentation that reflects their definition and scope.

56. The Directors' remuneration should be sufficient to attract and retain Directors of the desired profile and to remunerate the dedication, qualification and level of responsibility required by the role, but not so high as to compromise the independence of judgement of the Non-Executive Directors.

Complies ☒ Explain ☐

57. The Executive Directors' variable remuneration that is linked to the performance of the Company and individual performance should be limited, as should the remuneration paid through shares or share options or instruments that depend on the share

value, as well as the long-term savings plans, such as pension plans, retirement plans and other social welfare systems.

Shares may be considered as remuneration for Non-Executive Directors when those Directors are obliged to hold those shares until the end of their term in office. This shall not apply to shares that Directors need to transfer, where applicable, to meet the costs relating to their acquisition.

Complies [X] Partially complies [] Explain []

58. In the case of variable remuneration, the remuneration policy should incorporate the necessary limits and technical safeguards to ensure that such remuneration relates to the professional performance of its beneficiaries and does not only depend on the general evolution of the markets or the Company's sector or other similar circumstances.

And, in particular, the variable components of the remuneration should:

- a) Be linked to the performance criteria that are determined in advance and are measurable, and that those criteria reflect the risk assumed to obtain a result.
- b) Promote the sustainability of the Company and include non-financial criteria that are appropriate for the creation of value over the long-term, such as compliance with the Company's rules and internal procedures and its policies for the control and management of risks.
- c) They are configured on the basis of a balance between compliance with short, medium and long-term objectives, which allow the remuneration of continued performance over a sufficiently long period of time to appreciate the contribution to the sustainable creation of value, in such a way that the measurement elements of that performance do not revolve solely around one-off, occasional or extraordinary events.

Complies [X] Partially complies [] Explain [] Not applicable []

59. The payment of the variable components of the remuneration should be subject to sufficient verification that the previously established performance or other conditions have been effectively fulfilled. Entities shall include in the annual Directors' remuneration report the criteria regarding the time required and methods for such verification depending on the nature and characteristics of each variable component.

Additionally, the entities should consider the establishment of a reduction clause ('malus') based on the deferral for a sufficient period of time of the payment of a part of the variable components that implies their total or partial loss in the event that prior to the moment of payment, some event occurs that makes it advisable.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

60. The remuneration relating to the results of the Company should take into account any potential qualifications that appear in the external auditor's report and reduce those results.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

61. A significant percentage of the variable remuneration paid to the Executive Directors should be linked to the delivery of shares or financial instruments linked to the share value.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

Applicable to the Chief Executive Officer and detailed in point 62.

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been assigned, Executive Directors may not transfer ownership or exercise them until a period of at least three years has elapsed.

An exception is made in the case in which the Director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his/her annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the Director needs to dispose of to meet the costs related to their acquisition or, subject to a favourable appraisal by the Appointments and Remuneration Committee, to meet extraordinary supervening situations that so require.

Complies ☐ Partially complies ☐ Explain ☒ Not applicable ☐

The Chief Executive Officer has signed a remuneration commitment with the subsidiary Patentes Talgo S.L.U., called retention incentive, in shares corresponding to 889,878 shares of the Company payable on the earlier of the following dates:

- legal retirement age.
- after 24 months from the date of a change of control.
- in the event of termination of the contract by the company without cause.

There are no temporary limitations on the transfer of ownership of shares, after delivery.

63. Contractual agreements should include a clause that allows the Company to demand the return of the variable components of the remuneration when the payment has not reflected the performance conditions or when it has been paid on the basis of data whose accuracy is subsequently discredited.

Complies []

Partially complies []

Explain [X]

Not applicable []

The variable remuneration of the Executive Directors is accrued and paid according to the objectives achieved in line with the parameters established to measure the business and personal performance objectives. Once the variable components have been measured, agreed upon and paid, it is not contemplated in the Directors contracts to claim the reimbursement of such amounts.

64. Payments for termination or extinction of the contract should not exceed an amount equivalent to two years of the total annual remuneration and should not be paid until the Company has been able to verify that the Director has complied with the criteria or conditions established for their receipt.

For the purposes of this recommendation, termination or contractual termination payments shall include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the contractual relationship linking the Director to the Company, including amounts not previously vested in long-term savings systems and amounts paid under post-contractual non-competition agreements.

Complies [X]

Partially complies []

Explain []

Not applicable []

H. OTHER RELEVANT INFORMATION

1. If there are any relevant aspects relating to the corporate governance of the Company or entities of the group that have not been captured in the other sections of this report, but which should be included to ensure a more complete and reasoned set of information about the governance structure and practices of the entity or group, briefly describe them.
2. Within this section, any other information, clarification or meaning related with the foregoing sections of the report may be included here provided they are relevant and not reiterative.

Specifically, indicate whether the Company is subject to legislation other than Spanish law in terms of corporate governance and, where applicable, include details of the information that it is obliged to supply and that is different from the information required in this report.

3. The Company may also state whether it has voluntarily acceded to any international, sectorial or other codes of ethical principles or codes of good practice. Where applicable, the code in question should be identified along with the date of accession. In particular, it will mention if it has adhered to the Code of Good Tax Practices, of 20 July 2010:

The Group to which the Company belongs supports the United Nations Global Compact.

This Annual Corporate Governance Report has been approved by the Board of Directors of the Company, at its meeting on:

28/02/2024

Indicate whether any Directors voted against or abstained from voting on the approval of this Report.

☐ Yes
☒ No



ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

THE ISSUER'S IDENTIFICATION DETAILS

Reference year-end date: 31/12/2024

Tax ID (CIF): A84453075

Corporate name:

TALGO, S.A.

Registered address:

PASEO DEL TREN TALGO, 2 (LAS MATAS) MADRID – SPAIN

A. COMPANY REMUNERATION POLICY FOR THE YEAR IN PROGRESS

A.1.1 Explain the current remuneration policy for Directors applicable to the current year. Where relevant, certain information may be included by reference to the remuneration policy approved by the General Shareholders' Meeting, provided that such inclusion is clear, specific and explicit.

The specific determinations for the current financial year must be described, both for the remuneration of Directors due to their status as such and for the performance of executive functions, which the Board has carried out in accordance with the provisions of the contracts signed with the Executive Directors and with the remuneration policy approved by the general meeting.

In any case, at least the following aspects must be reported:

- a) Description of the procedures and bodies of the company involved in determining, approving and applying the remuneration policy and its conditions.
- b) Indicate and, if applicable, explain if comparable companies have been taken into account to establish the company's remuneration policy.
- c) Information on whether any external advisors have been involved and, if so, their identity.
- d) Procedures under the current remuneration policy for Directors for applying temporary exceptions to the policy, conditions under which such exceptions may be used and components that may be subject to exception under the policy.

The remuneration of Board members remains reasonably proportionate with the size of the Company, its economic circumstances at all times, and the market standards for comparable companies.

The remuneration system established is aimed at promoting the long-term profitability and sustainability of the Company and should incorporate the necessary safeguards to avoid excessive risk-taking and unfavourable financial results. The remuneration that is applicable in accordance with the general criteria described, fall in the middle of the range, compared to those established by other listed companies, using turnover and company activity for comparison.

In accordance with the provisions of the Bylaws and the Regulations of the Board of Directors, the items on the basis of which Directors' remuneration is fixed are as follows:

- (i) a fixed allocation
- (ii) profit sharing

In addition to the above, the Executive Directors also receive remuneration in kind and variable remuneration for their executive functions in the Company, as well as, where appropriate, long-term remuneration systems.

At the General Shareholders Meeting held on 21 May 2024, a Remuneration Policy for the Directors was approved for which the Appointments and Remuneration Committee created a report, in compliance with the provisions of Article 529 of the Spanish Capital Company Act, accessible on the Talgo Investors website. The approval of the Remuneration Policy is a continuation of the previously existing one. The general principles of the Policy, as well as the remuneration systems of the Directors, remain unchanged.

A.1.2 Relative importance of variable remuneration items in relation to fixed items (remuneration mix) and what criteria and objectives have been taken into account in their determination and to ensure an appropriate balance between fixed and variable components of remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and align it with the company's objectives, values and long-term interests, including, where appropriate, a reference to measures envisaged to ensure that the remuneration policy addresses the long-term performance of the company, measures taken in relation to those categories of staff whose professional activities have a material impact on the risk profile of the institution and measures envisaged to avoid conflicts of interest.

Also indicate whether the company has established any vesting or consolidation period for certain variable remuneration items, in cash, shares or other financial instruments, a deferral period for the payment of amounts or delivery of financial instruments already vested and consolidated, or whether any clause has been agreed to reduce deferred remuneration not yet consolidated or obliging the Director to repay remuneration received, when such remuneration has been based on data whose inaccuracy has subsequently been manifestly demonstrated.

The Appointments and Remuneration Committee designs the remuneration policy for Executive Directors, in accordance with the following guidelines:

- 1) It determines the fixed remuneration for Executive Directors.
 - 2) At the beginning of each year, Executive Directors set their objectives for the current year. These have an individual component (i.e. specific objectives for each director) and a general component that corresponds to financial, commercial, industrial and ESG objectives (the same for all), thus linking the variable component of remuneration to the company's performance. The Committee determines the specific weighting for each one.
 - 3) At the end of each year, the Committee analyses the self-assessment made by the Executive Directors on the degree of compliance with the objectives set and determines the degree of compliance with the objectives, which results in the percentage of variable remuneration to be received.
- The Board of Directors and the Appointments and Remuneration Committee shall adopt all the measures that are within their scope to ensure that the External Directors' remuneration is sufficient to compensate their dedication, qualification and responsibility demanded by the role, but not so high as to compromise their independence.
- The remuneration policies must include the technical safeguards necessary to ensure that the remuneration reflects the professional performance of its beneficiaries and is not simply based on general market development or the sector in which the Company operates or any other similar circumstances.
- The remuneration payable to Executive Directors corresponds to their status as Executives for the executive duties performed at Patentes Talgo S.L., an operating subsidiary of the Group and wholly owned by Talgo S.A., and is designed by the Appointments and Remuneration Committee, which includes, in addition to fixed criteria, other variable components established in accordance with annually reviewed criteria, such that the remuneration mix (fixed and variable) depends on performance. The salary items that are taken into consideration for determining the variable part of remuneration are those described below.
- The Chief Executive Officer has also signed a remuneration commitment with the subsidiary Patentes Talgo, S.L.U., called retention incentive, in shares corresponding to 889,878 shares of the Company payable on the earlier of the following dates:- legal retirement age.
- after 24 months from the date of a change of control.
 - in the event of termination of the contract by the Company without cause.

A.1.3 Amount and nature of the fixed components that Directors in their condition of such, are expected to earn in the financial year.

The fixed remuneration of independent external Directors for belonging to the Board of Directors and its committees are as follows:

Vice-Chair of the Board €110,000.
Independent external Director: €80,000
PLUS Member of an advisory committee €10,000
PLUS Chairman of an advisory committee €10,000
PLUS Independent coordinating Director €20,000

A.1.4 Amount and nature of the fixed components that will be earned in the financial year for the performance of senior management functions by Executive Directors.

The fixed remuneration of the Executive Directors comprises the fixed salary. In addition, and although considered for the purposes of this report as remuneration in kind and long-term savings schemes in the subsequent sections, premiums for life insurance, pension funds and plans, and medical insurance can also be considered fixed due to their indefinite periodical endowment.

The remuneration accrued by the Executive Directors in their capacity as company Executives corresponds to the executive functions they perform in the subsidiary Patentes Talgo, S.L.U. Executive Directors do not receive any additional remuneration due to the fact that they are members of the Board of Directors, nor any subsistence allowances or commissions, nor any other fixed remuneration due to their status as Directors.

A.1.5 Amount and nature of any remuneration component in kind that will be accrued during the year, including, but not limited to, the insurance premiums paid in favour of the Director.

Remuneration in kind for all members of the Board of Directors are those related to the Executive Directors in the performance of their management duties and include:

- (i) vehicle leasing.
- (ii) life insurance.
- (iii) health insurance.

The Company also pays the premiums corresponding to civil liability policies with a limit of 40 million euros, which includes all the Group's Executives and Directors.

A.1.6 Amount and nature of the variable components, differentiating between those established in the short and long term. Financial and non-financial parameters, including social, environmental and climate change parameters, selected to determine variable remuneration in the current year, explaining the extent to which such parameters are related to the performance of the Director, the company and its risk profile, and the methodology, time required and techniques envisaged to determine them, at the end of the year, the effective degree of compliance with the parameters used in the design of variable remuneration, explaining the criteria and factors applied in terms of the time required and methods for verifying that the performance conditions or any other type of conditions to which the accrual and consolidation of each component of variable remuneration was linked have been effectively met.

Indicate the range in monetary terms of the different variable components depending on the degree of compliance with the established objectives and parameters, and if there is a maximum monetary amount in absolute terms.

The only Directors that receive variable remuneration are the Executive Directors.

The remuneration payable to the Executive Directors in their capacity as company executives is designed by the Appointments and Remuneration Committee and includes, in addition to fixed criteria, other variable components established according to criteria reviewed annually, so that the Remuneration mix (fixed and variable) depends on performance. If the Company does not achieve a minimum of 70% of the financial objectives, the accrual and payment of variable remuneration will be subject to Board decision. The PTSLU Board of Directors approves variable compensation for Executive Directors. For the Chairman, the variable remuneration may reach 120% of his fixed remuneration, provided that the minimum compliance of 80% of the established objectives is achieved, and the General Shareholders Meeting approves the amount to be received. The CEO is assigned a variable remuneration equivalent to 100% of his fixed remuneration and this could reach up to 150% if the objectives have been greatly exceeded or a very ambitious budget has been met, both at the discretion of the Board of Directors.

The parameters that the payment of variable remuneration is linked to are focused, in addition to the objectives set individually, on the following:

- Responsible management policies, i.e. sustainability, corporate governance and social impact, which are all specified with objectives for Health and Safety (frequency and severity indices), as well as environmental objectives related to self-consumption of energy.
- Financial: objectives related to EBITDA, net debt and cash consumption.
- Commercial: Order backlog.
- Industrial: Operational efficiency and productivity, among others.

A.1.7 Main characteristics of long-term savings schemes. Among other information, this shall indicate the contingencies covered by the system, whether it is a defined contribution or defined benefit system, the annual contribution to be made to the defined contribution systems, the benefit to which the beneficiaries are entitled in the case of defined benefit systems, the conditions for consolidation of the economic rights in favour of the Directors and their compatibility with any type of payment or indemnity for early termination or severance, or derived from the termination of the contractual relationship, under the terms established, between the company and the Director.

It should be indicated if the accrual or consolidation of any of the long-term savings plans is linked to the achievement of certain objectives or parameters related to the Director's short and long-term performance.

The Group, through its subsidiary Patentes Talgo S.L.U., pays the corresponding endowments to pension funds and plans, for the Chairman.

The aforementioned system is implemented through a collective savings insurance commitment for pensions, considered as a defined contribution system, and is expected to continue in the coming years subject to the conditions and validity of the contracts signed.

As conditions of consolidation of the rights obtained and compatibility with payments or indemnities for early termination, it is established that the termination of the contracts of the Executive Directors for any reason determines the termination of the executive's right to the social benefits described above, without prejudice to the maintenance and recognition in favour of the Executives of the economic rights accumulated in their favour in the policy. The contingencies covered by the system are retirement and death.

The company also pays the premiums corresponding to the civil liability policies with a limit of 40 million euros, which includes all the Group's Executives and Directors. The accrual is not linked to the achievement of parameters or objectives.

A.1.8 Any type of payment or indemnity for early termination or severance or derived from the termination of the contractual relationship under the terms established between the company and the Director, whether the termination is at the will of the company or of the Director, as well as any type of agreed covenants, such as exclusivity, post-contractual non-competition and permanence or loyalty, which entitle the Director to any type of payment.

The Company has not agreed or paid any indemnity in the event of termination of duties as a Director, with the exception of the Executive Directors in accordance with the cases expressed in Sections A.1.9 and A.1.12 of this report. These include a post-contractual non-competition agreement whose compensation, for the Chairman, amounts to 10% of the fixed remuneration and is included as the highest remuneration in each payroll. For the CEO, the post-contractual non-competition agreement is duly remunerated in the remuneration and benefits agreed in his contract.

A.1.9 Indicate the conditions that must be respected in the contracts of those who exercise senior management functions as Executive Directors. Among others, the duration, the limits to compensation amounts, tenure clauses, notice periods, as well as the payment to avoid the aforementioned notice period, and any other clauses relating to hiring bonuses, compensation payments or golden handshakes for early termination or cancellation of the contractual relationship between the company and the Executive Director, must be reported. Include, among others, the covenants or agreements of non-concurrence, exclusivity, tenure or loyalty and post-contractual non-competition, unless they have been explained in the previous section.

The contracts of Executive Directors signed at the subsidiary Patentes Talgo S.L.U. for the performance of management duties therein are of indefinite duration and provide for financial compensation in the event of termination of the contractual relationship with the company, provided that such termination is not the result of a breach of their obligations. The notice period established in their contracts is six (6) months.

The contracts of Executive Directors include a clause for the provision of services on an exclusive and full-time basis, without any associated remuneration beyond the contractual pay.

There is a post-contractual non-competition agreement with a duration of two years from the date of termination of the employment relationship and with a penalty clause in the event of non-compliance. The compensation for this agreement, for the Chairman, amounts to 10% of the fixed remuneration, is accrued and settled monthly in the corresponding payroll, with the concept being detailed in the payrolls of the Executive Directors.

As regards severance payments for termination of the contractual relationship (with cause by the executive, for business reasons or without cause by the Company), there is provision for the payment of twelve months' fixed salary, as well as the annual variable component provided that the corresponding financial year has ended and 100% of the variable components linked to long-term incentive plans, in the event of their existence. In addition, the Chief Executive Officer has signed a retention bonus, the payment clauses of which are explained in Section A.1.12.

A.1.10 The nature and estimated amount of any other supplementary remuneration that will accrue to the Directors in the current financial year in consideration for services rendered other than those inherent to their position.

None

A.1.11 Other remuneration items such as derivatives, where applicable, when the company grants advances, credits and guarantees and other remuneration to Directors.

None

A.1.12 The nature and estimated amount of any other expected supplementary remuneration not included in the previous sections, whether it is paid by the entity or another entity of the group, which will be accrued by the Directors in the current year.

The Chief Executive Officer has signed a remuneration commitment with the subsidiary Patentes Talgo S.L.U., called retention incentive, in shares corresponding to 889,878 shares of the Company payable on the earlier of the following dates:

- legal retirement age.
- after 24 months from the date of a change of control.
- in the event of termination of the contract by the company without cause.

A.2. Explain any relevant change in the remuneration policy applicable in the current year arising from:

- a) A new policy or a modification of the policy already approved by the Board.
- b) Relevant changes in the specific determinations established by the Board for the current year of the current remuneration policy with respect to those applied in the previous year.
- c) Proposals that the Board of Directors had agreed to submit to the General Shareholders' Meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

At the Ordinary General Shareholder Meeting held in May 2024, and in accordance with the provisions of Article 529 of the Spanish Capital Company Act, the remuneration policy for the Directors of Talgo, S.A. was approved in accordance with the reasoned proposal of the Board of Directors, which is accompanied by a report from the Appointments and Remuneration Committee, accessible on Talgo's investor website (<https://www.talgo.com/inversores/en/general-shareholders-meeting>), document entitled "Report of the company's Policy on the remuneration of the Board of Directors 2024." The approval of the aforementioned policy is a continuation of the previously one. The general principles of the Policy, as well as the remuneration systems of the Directors, remain unchanged.

A.3. Identify the direct link to the document containing the company's current remuneration policy, which should be available on the company's website.

Information available in Article 34 of the Regulations of the Board of Directors, accessible at the following address: <https://www.talgo.com/en/general-shareholders-meeting>

A.4. Explain, considering the information provided in section B.4, how the vote of the shareholders was taken into account in the general meeting to which the annual remuneration report of the previous year was submitted for a vote, in an advisory capacity.

Based on the percentage of favourable votes (82%), the remuneration approved in the Meeting was established.

B. OVERVIEW OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE LAST FINANCIAL YEAR

B.1.1 Explain the process that has been followed to apply the remuneration policy and determine the individual remuneration that is included in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and, where appropriate, the identity and role of the external advisors whose services have been used in the process of applying the remuneration policy in the last financial year.

The Appointments and Remuneration Committee of the Company holds regular meetings in which it deals with and discusses proposals to be submitted for approval by the Board of Directors in relation to the remuneration policy applicable to Company Directors. The Appointments and Remuneration Committee is made up of three members, two of whom are independent Directors (including the Chairman) and a Proprietary Director.

For the determination and definition of the remuneration policy, the Appointments and Remuneration Committee analyses the remuneration model applied based on: (i) the responsibility and functions performed by each Director, (ii) the objective of creating value for shareholders and employees of the Company and (iii) the remuneration trends observed in other comparable companies.

For the adoption of its decisions, the Appointments and Remuneration Committee has information and advice from the Company's internal and external services. Likewise, the Committee contrasts the main data with those corresponding to markets and comparable entities, taking into account the size, international standing and characteristics of the Company, in order to ensure that the Company's remuneration policy is in line with the practice of the international market.

The Company intends, with the remuneration policy applicable to Directors and Senior Executives, to recognize the quality of its performance and to implement the Board of Directors' objective of rewarding, attracting and retaining talent and management capacity.

B.1.2 Explain any deviations from the established procedure for the application of the remuneration policy that occurred during the financial year.

Not applicable

B.1.3 Indicate whether any temporary exceptions to the remuneration policy have been applied and, if so, explain the exceptional circumstances that led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity considers that such exceptions were necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each Director during the year.

Not applicable

B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and interests, including a reference to the measures that have been adopted to ensure that the accrued remuneration has been addressed to the long-term results of the company and reached an adequate balance between the fixed and variable components of remuneration, what measures have been adopted in relation to those personnel categories whose professional activities have a material impact on the entity's risk profile, and what measures have been adopted to avoid conflicts of interest, if any.

The Company's remuneration policy is designed and supported by the studies and analyses carried out by the Board of Directors and the Appointments and Remuneration Committee, taking into consideration the size of the company, market, prudence and targeting both industrial and financial objectives. It seeks to retain, attract and motivate people with the right profile to perform the functions inherent to the position of Director of a company with the characteristics of Talgo SA, taking into consideration their responsibilities, best practices in terms of remuneration, the conclusions of comparative analyses carried out by specialised external consultants and the results obtained by the Company.

B.3. Explain how the remuneration accrued and consolidated in the financial year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the long-term and sustainable performance of the company.

Also report on the relationship between the remuneration obtained by the Directors and the results or other short and long-term performance measures of the entity, explaining, where applicable, how the variations in the company's performance could have influenced the variation in Directors' remuneration, including that whose payment had been deferred, and how these contribute to the company's short and long-term results.

The criteria for determining the annual variable remuneration are only applicable to the Talgo SA Executive Directors. These criteria are determined by the Appointments and Remuneration Committee and are linked to the Group's medium and long-term performance under economic-financial, long-term industrial development, commercial, sustainability and individual parameters, taking into account operational criteria and the development of specific projects.

In determining the individual objectives of each of these Executive Directors, as is also the case for other Senior Executives of the Company, the Appointments and Remuneration Committee takes into consideration both the overall progress and development of the Group and the degree of performance and contribution to the achievement of the overall objectives of each of the aforementioned Directors.

B.4. Report on the result of the consultative vote of the general meeting on the annual report on remuneration for the previous year, indicating the number of abstentions and negative, blank and positive votes cast:

	Number	% over the total
Votes cast	79,382,144	64.09
	Number	% over cast
Negative votes	13,380,778	16.86
Positive votes	65,071,574	81.97
Blank votes	1,000	0.00
Abstaining	928,792	1.17

Observations

B.5. Explain how the fixed components accrued and consolidated during the year by the Directors in their capacity as such have been determined, their relative proportion for each Director and how they have varied with respect to the previous year.

The fixed remuneration of independent external Directors for belonging to the Board of Directors and its committees are as follows:

Vice-Chair of the Board: €110,000
Independent external Director: €80,000
PLUS Member of an advisory committee €10,000
PLUS Chairman of an advisory committee €10,000
PLUS Independent coordinating Director €20,000

B.6. Explain how the salaries earned and consolidated, during the year ended, by each of the Executive Directors for the performance of management duties have been determined, and how they have varied with respect to the previous year.

The remuneration of the members of the Board of Directors is approved annually at the proposal of the Appointments and Remuneration Committee. The pay has not changed year on year, except for the % of salary adjustment applied for staff in 2024.

For the 2024 financial year, the total amount of fixed remuneration (fixed salary) amounted to the sum of 1,033 thousand euros.

B.7. Explain the nature and main characteristics of the variable components of the remuneration systems accrued in the previous financial year.

In particular:

- Identify each of the remuneration plans that have determined the different variable remuneration accrued by each of the Directors during the year, including information on their scope, date of approval, date of implementation, vesting conditions, if any, vesting periods and term, the criteria used for the assessment of performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria used and the time required to be able to adequately measure all the conditions and criteria stipulated, explaining in detail the criteria and factors applied in terms of the time required and methods to verify that the performance or other conditions to which the accrual and vesting of each component of variable remuneration was linked have been effectively met.
- In the case of share option plans or other financial instruments, the general characteristics of each plan will include

information on the conditions to acquire unconditional ownership (consolidation), as well as to be able to exercise said options or financial instruments, including the price and term of the same.

- c) Each one of the Directors, and their category (Executive Directors, external proprietary Directors, independent external Directors or other external Directors), who are beneficiaries of remuneration systems or plans that include variable remuneration.
- d) Where applicable, information will be provided on the periods of accrual or deferment of payment established that have been applied and/or the periods of retention/non-disposal of shares or other financial instruments, if they exist.

Explain the short-term variable components of the remuneration systems:

The remuneration for Executive Directors in their capacity as Company directors is designed by the Appointments and Remuneration Committee. At a meeting held on 22 April 2024, a proposal for variable remuneration was approved, which was then approved by the Board of Directors and subsequently by the General Shareholders Meeting. The objectives are classified as common and individual. In turn, the following categories are established in the common objectives: (i) commercial (new projects), (ii) financial, (iii) industrial efficiency (in existing projects), (iv) production capacity and (v) ESG. For each objective, a specific weight (percentages) and "KPIs" are set.

Explain the long-term variable components of the remuneration systems:

Not applicable

B.8. Indicate whether certain accrued variable components have been reduced or claimed back when, in the first case, payment of unconsolidated amounts has been deferred or, in the second case, consolidated and paid, on the basis of data which has subsequently proved to be manifestly inaccurate. Describe the amounts reduced or returned by the application of clauses of reduction (malus) or refund (clawback), why they have been executed and the financial years to which they correspond.

Not applicable

B.9. Explain the main characteristics of the long-term savings schemes whose amount or equivalent annual cost is shown in the tables in Section C, including retirement and any other survivor's benefits, which are financed, in part or in full, by the company, whether funded internally or externally, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies it covers, the vesting conditions of the economic rights in favour of the Directors and its compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the Director.

The Chairman of the Board is a beneficiary of collective pension savings insurance commitment where an amount equivalent to 4% of the annual fixed gross salary is contributed every year, which is the same contribution made for the workers of Patentes Talgo S.L.U.

The estimated total cost of these provisions amounted to 19,000 euros in 2024, fully corresponding to the chairman.

B.10. Explain, where appropriate, compensation or any other type of payment derived from the early termination, be it the cessation at the will of the company or the Director, or the termination of the contract, in the terms provided therein, accrued and/or received by the Directors during the previous financial year.

Not applicable

B.11. Indicate whether there have been significant changes in the contracts of those who exercise senior management functions as Executive Directors and, where appropriate, explain them. Also explain the main terms of any new contracts signed with Executive Directors during the year, unless explained in Section A.1.

In 2024, addenda to the executive directors' contracts will be signed, establishing the method for updating the annual fixed remuneration.

B.12. Explain any supplementary remuneration accrued to Directors as consideration for services rendered other than those inherent to their position.

Not applicable

B.13. Explain any remuneration derived from the granting of advances, credits and guarantees, indicating the interest rate, their essential characteristics and the amounts eventually returned, as well as the obligations assumed on their behalf as collateral.

Not applicable

B.14. Detail the remuneration in kind accrued by the Directors during the year, briefly explaining the nature of the different salary components.

The remuneration in kind for all members of the Board of Directors refers to Executive Directors in the performance of their managerial functions and refers to vehicle leasing, health and life insurance, as well as, where applicable, any non-separate in kind income. The rest of the Directors do not receive remuneration in any kind. The amount of executive remuneration in kind, for these items, amounts to 106,000 euros, which is included in this document as remuneration for other items.

B.15. Explain the remuneration accrued by the Director by virtue of the payments made by the listed company to a third entity in which the Director provides services, when said payments are intended to remunerate the services of the latter in the company.

Not applicable

B.16. Explain and give details of the amounts accrued during the year in respect of any other item of remuneration other than those listed above, whatever its nature or the group entity paying it, including all benefits in any form, such as when it is considered a related-party transaction or, in particular, when it significantly affects the true and fair view of the total remuneration accrued by the Director, explaining the amount granted or pending payment, the nature of the consideration received and the reasons why it would have been considered, where appropriate, that it does not constitute remuneration to the Director in his capacity as such or in consideration for the performance of his executive duties, and whether or not it has been considered appropriate to include it among the amounts accrued in the "other items" section of Section C.

Not applicable

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

C. DETAIL OF THE INDIVIDUAL REMUNERATION CORRESPONDING TO EACH OF THE DIRECTORS

Name	Type	Period of accrual year 2024
Mr. CARLOS MARIA DE PALACIO ORIOL	Executive Chairman	From 01/01/2024 to 31/12/2024
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	Proprietary Director	From 01/01/2024 to 31/12/2024
Mr. JOSÉ MARÍA ORIOL FABRA	Other External Director	From 01/01/2024 to 31/12/2024
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	CEO	From 01/01/2024 to 31/12/2024
Mr. EMILIO NOVELA BERLÍN	Independent Director	From 01/01/2024 to 31/12/2024
Mr. JOHN CHARLES POPE	Independent Director	From 01/01/2024 to 31/12/2024
Mr. JAVIER OLASCOAGA PALACIO	Proprietary Director	From 01/01/2024 to 31/12/2024
Ms. MARISA PONCELA GARCÍA	Independent Director	From 01/01/2024 to 31/12/2024
Mr. ANTONIO OPORTO DEL OLMO	Independent Director	From 01/01/2024 to 31/12/2024
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	Proprietary Director	From 01/01/2024 to 31/12/2024

C.1. Complete the following tables regarding the individual remuneration of each of the Directors (including compensation for the exercise of executive functions) accrued during the year.

a) Remuneration of the company that is the subject of this report:

i) Compensation accrued in cash (in thousands of €)

Name	Fixed Remuneration	Allowances	Remuneration for serving on Board committees	Wage	Short-term variable compensation	Long-term variable compensation	Compensation	Other items	Total FY 2024	Total FY 2023
Mr. CARLOS MARIA DE PALACIO ORIOL										

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Fixed Remuneration	Allowances	Remuneration for serving on Board committees	Wage	Short-term variable compensation	Long-term variable compensation	Compensation	Other items	Total FY 2024	Total FY 2023
Mr. FRANCISCO JAVIER BAÑON TREVIÑO										
Mr. JOSÉ MARÍA ORIOL FABRA	110		10						120	120
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ										
Mr. EMILIO NOVELA BERLÍN	80		30						110	116
Mr. JOHN CHARLES POPE	80		10						90	90
Mr. JAVIER OLASCOAGA PALACIO										
Ms. MARISA PONCELA GARCÍA	80		30						110	104
Mr. ANTONIO OPORTO DEL OLMO	80		40						120	120
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS										

Observations

ii) Activity table for share-based remuneration schemes and gross profit from consolidated equity or financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of the financial year 2024		Financial instruments granted during the year 2024		Financial instruments consolidated in the year				Expired and unexercised instruments	Financial instruments at the end of the financial year 2024	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	N ° Equivalent / Consolidated Shares	Equity price	Gross profit of the shares or consolidated financial instruments (thousands €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
Mr. CARLOS MARIA DE PALACIO ORIOL	Plan							0.00				
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	Plan							0.00				

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Name of the Plan	Financial instruments at the beginning of the financial year 2024		Financial instruments granted during the year 2024		Financial instruments consolidated in the year				Expired and unexercised instruments	Financial instruments at the end of the financial year 2024	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	N ° Equivalent / Consolidated Shares	Equity price	Gross profit of the shares or consolidated financial instruments (thousands €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
Mr. JOSÉ MARÍA ORIOL FABRA	Plan							0.00				
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	Plan	889,878	889,878					0.00			889,878	889,878
Mr. EMILIO NOVELA BERLÍN	Plan							0.00				
Mr. JOHN CHARLES POPE	Plan							0.00				
Mr. JAVIER OLASCOAGA PALACIO	Plan							0.00				
Ms. MARISA PONCELA GARCÍA	Plan							0.00				
Mr. ANTONIO OPORTO DEL OLMO	Plan							0.00				
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	Plan							0.00				

Observations

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ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

iii) Long-term savings plans.

Name	Compensation for consolidation of rights to savings schemes
Mr. CARLOS MARIA DE PALACIO ORIOL	
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	
Mr. JOSÉ MARÍA ORIOL FABRA	
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	
Mr. EMILIO NOVELA BERLÍN	
Mr. JOHN CHARLES POPE	
Mr. JAVIER OLASCOAGA PALACIO	
Ms. MARISA PONCELA GARCÍA	
Mr. ANTONIO OPORTO DEL OLMO	
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	

Name	Company's contribution (thousands €)				Amount of the accumulated funds (thousands €)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights	
	2024	2023	2024	2023	2024	2023	2024	2023
Mr. CARLOS MARIA DE PALACIO ORIOL								
Mr. FRANCISCO JAVIER BAÑON TREVIÑO								
Mr. JOSÉ MARÍA ORIOL FABRA								

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Company's contribution (thousands €)				Amount of the accumulated funds (thousands €)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights	
	2024	2023	2024	2023	2024	2023	2024	2023
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ								
Mr. EMILIO NOVELA BERLÍN								
Mr. JOHN CHARLES POPE								
Mr. JAVIER OLASCOAGA PALACIO								
Ms. MARISA PONCELA GARCÍA								
Mr. ANTONIO OPORTO DEL OLMO								
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS								

Observations

iv) Breakdown of other items

Name	Item	Remuneration amount
Mr. CARLOS MARIA DE PALACIO ORIOL	Item	
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	Item	

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Item	Remuneration amount
Mr. JOSÉ MARÍA ORIOL FABRA	Item	
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	Item	
Mr. EMILIO NOVELA BERLÍN	Item	
Mr. JOHN CHARLES POPE	Item	
Mr. JAVIER OLASCOAGA PALACIO	Item	
Ms. MARISA PONCELA GARCÍA	Item	
Mr. ANTONIO OPORTO DEL OLMO	Item	
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	Item	

Observations

b) Remuneration to the Directors of the listed company for their membership of management bodies of its subsidiaries:

i) Remuneration accrued in cash (in thousands of €)

Name	Fixed remuneration	Allowances	Remuneration for serving on Board committees	Wage	Short-term variable compensation	Long-term variable compensation	Compensation	Other items	Total FY 2024	Total Year 2023
Mr. CARLOS MARIA DE PALACIO ORIOL				477					477	679
Mr. FRANCISCO JAVIER BAÑON TREVIÑO										
Mr. JOSÉ MARÍA ORIOL FABRA										
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ				556					556	1,000



ANNUAL REPORT ON THE REMUNERATION OF
THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Fixed Remuneration	Allowances	Remuneration for serving on Board committees	Wage	Short-term variable compensation	Long-term variable compensation	Compensation	Other items	Total FY 2024	Total Year 2023
Mr. EMILIO NOVELA BERLÍN										
Mr. JOHN CHARLES POPE										
Mr. JAVIER OLASCOAGA PALACIO										
Ms. MARISA PONCELA GARCÍA										
Mr. ANTONIO OPORTO DEL OLMO										
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS										

Observations

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

ii) Activity table for share-based remuneration schemes and gross profit from consolidated equity or financial instruments.

Name	Name of the Plan	Financial instruments at the beginning of the financial year 2024		Financial instruments granted during the year 2024		Financial instruments consolidated in the year				Expired and unexercised instruments	Financial instruments at the end of the financial year 2024	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent/ Consolidated Shares	Equity price	Gross profit of the shares or consolidated financial instruments (thousands €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
Mr. CARLOS MARIA DE PALACIO ORIOL	Plan							0.00				
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	Plan							0.00				
Mr. JOSÉ MARÍA ORIOL FABRA	Plan							0.00				
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	Plan	889,878	889,878					0.00			889,878	889,878
Mr. EMILIO NOVELA BERLÍN	Plan							0.00				
Mr. JOHN CHARLES POPE	Plan							0.00				
Mr. JAVIER OLASCOAGA PALACIO	Plan							0.00				

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Name of the Plan	Financial instruments at the beginning of the financial year 2024		Financial instruments granted during the year 2024		Financial instruments consolidated in the year				Expired and unexercised instruments	Financial instruments at the end of the financial year 2024	
		No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Shares	No. of Instruments	No. of Equivalent Consolidated Shares	Equity price	Gross profit of the shares or consolidated financial instruments (thousands €)	No. of Instruments	No. of Instruments	No. of Equivalent Shares
Ms. MARISA PONCELA GARCÍA	Plan							0.00				
Mr. ANTONIO OPORTO DEL OLMO	Plan							0.00				
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	Plan							0.00				

Observations

iii) Long-term savings schemes.

Name	Compensation for consolidation of rights to savings schemes
Mr. CARLOS MARIA DE PALACIO ORIOL	19
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Compensation for consolidation of rights to savings schemes
Mr. JOSÉ MARÍA ORIOL FABRA	
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	
Mr. EMILIO NOVELA BERLÍN	
Mr. JOHN CHARLES POPE	
Mr. JAVIER OLASCOAGA PALACIO	
Ms. MARISA PONCELA GARCÍA	
Mr. ANTONIO OPORTO DEL OLMO	
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	

Name	Company's contribution (thousands €)				Amount of the accumulated funds (thousands €)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights	
	2024	2023	2024	2023	2024	2023	2024	2023
Mr. CARLOS MARIA DE PALACIO ORIOL	19	17			502	428		
Mr. FRANCISCO JAVIER BAÑON TREVIÑO								
Mr. JOSÉ MARÍA ORIOL FABRA					369	327		
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ								
Mr. EMILIO NOVELA BERLÍN								
Mr. JOHN CHARLES POPE								

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Company's contribution (thousands €)				Amount of the accumulated funds (thousands €)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights	
	2024	2023	2024	2023	2024	2023	2024	2023
Mr. JAVIER OLASCOAGA PALACIO								
Ms. MARISA PONCELA GARCÍA								
Mr. ANTONIO OPORTO DEL OLMO								
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS								

Observations

iv) Detail of other items

Name	Item	Remuneration amount
Mr. CARLOS MARIA DE PALACIO ORIOL	Vehicle, Life and Health Insurance, and others	67
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	Item	
Mr. JOSÉ MARÍA ORIOL FABRA	Item	
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	Vehicle, Life and Health Insurance, and others	39
Mr. EMILIO NOVELA BERLÍN	Item	

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Item	Remuneration amount
Mr. JOHN CHARLES POPE	Item	
Mr. JAVIER OLASCOAGA PALACIO	Item	
Ms. MARISA PONCELA GARCÍA	Item	
Mr. ANTONIO OPORTO DEL OLMO	Item	
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS	Item	

Observations

- c) Summary of remuneration (in thousands of €):
The amounts corresponding to all the remuneration items included in this report that have been accrued by the Director in thousand euros must be included in the summary.

Name	Accrued Remuneration in the Company					Accrued Remuneration in companies of the group					Total Financial Year 2024 Company + Group
	Total Cash Remuneration	Gross profit of the shares or consolidated financial instruments	Compensation through savings schemes	Remuneration through other items	Total FY 2024 Company	Total Cash Remuneration	Gross profit of the shares or consolidated financial instruments	Compensation through savings schemes	Remuneration through other items	Total Financial Year 2024 Group	
Mr. CARLOS MARIA DE PALACIO ORIOL						477		19	67	563	563
Mr. FRANCISCO JAVIER BAÑON TREVIÑO											

ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

Name	Accrued Remuneration in the Company					Accrued Remuneration in companies of the group					Total Financial Year 2024 Company + Group
	Total Cash Remuneration	Gross profit of the shares or consolidated financial instruments	Compensation through savings schemes	Remuneration through other items	Total FY 2024 Company	Total Cash Remuneration	Gross profit of the shares or consolidated financial instruments	Compensation through savings schemes	Remuneration through other items	Total Financial Year 2024 Group	
Mr. JOSÉ MARÍA ORIOL FABRA	120				120						120
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ						556			39	595	595
Mr. EMILIO NOVELA BERLÍN	110				110						110
Mr. JOHN CHARLES POPE	90				90						90
Mr. JAVIER OLASCOAGA PALACIO											
Ms. MARISA PONCELA GARCÍA	110				110						110
Mr. ANTONIO OPORTO DEL OLMO	120				120						120
Mr. PEDRO PABLO MANUEL DEL CORRO GARCIA LOMAS											
TOTAL	550				550	1,033		19	106	1,158	1,708

Observations

D.2. Indicate the changes over the last five years in the amount and percentage change in the remuneration earned by each of the listed company's Directors during the year, the consolidated results of the company and the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not Directors of the listed company.

	Total amounts accrued and % annual change								
	FY 2024	% Variation 2024/2023	FY 2023	% Variation 2023/2022	FY 2022	% Variation 2022/2021	FY 2021	% Variation 2021/2020	FY 2020
Executive Directors									
Mr. GONZALO PEDRO URQUIJO FERNANDEZ ARAOZ	556	-44.40	1,000	100.00	500	-71.33	1,744	-	0
Mr. CARLOS MARIA DE PALACIO ORIOL	477	-29.75	679	58.28	429	-17.50	520	121.28	235
External Directors									
Ms. MARISA PONCELA GARCÍA	110	5.77	104	8.33	96	9.09	88	225.93	27
Mr. ANTONIO OPORTO DEL OLMO	120	0.00	120	7.14	112	12.00	100	75.44	57
Mr. EMILIO NOVELA BERLÍN	110	-5.17	116	-3.33	120	0.00	120	71.43	70
Mr. JOSÉ MARÍA ORIOL FABRA	120	0.00	120	0.00	120	-34.78	184	-21.70	235
Consolidated company results									
	-94,896	-	21,299	42.35	14,962	-58.07	35,687	-	-12,303



ANNUAL REPORT ON THE REMUNERATION OF
THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

	Total amounts accrued and % annual change								
	FY 2024	% Variation 2024/2023	FY 2023	% Variation 2023/2022	FY 2022	% Variation 2022/2021	FY 2021	% Variation 2021/2020	FY 2020
Average employee remuneration									
	44	-2.22	45	4.65	43	16.22	37	12.12	33

Observations



ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

D. OTHER RELEVANT INFORMATION

If there are any other significant aspects about Directors' remuneration that have not been disclosed in any of the other sections of this report, but which must be included to provide a more complete and reasoned set of information about the structure and remuneration practices of the company regarding its Directors, briefly describe them.

This report has not been approved by the directors Francisco Javier Bañón Treviño, Javier Olascoaga Palacio and Pedro Pablo Manuel del Corro García Lomas, all Proprietary Directors, after having submitted their resignation as directors on 10 February 2025.

This annual remuneration report was approved by the company's Board of Directors, in its session dated:

28/02/2025

Indicate whether any Directors voted against or abstained from voting on the approval of this Report.

☐ Yes

☒ No

**DIVERSITY POLICY OF THE BOARD OF DIRECTORS
OF TALGO S.A. AND DIRECTOR CANDIDATE
SELECTION POLICY**



Contents

- I. Introduction**
- II. Purpose and scope of application**
- III. Selection process**
- IV. Director candidates**
- V. Diversity in the composition of the Board**
- VI. Grounds for incompatibility established by Law or by the
Corporate Governance System**
- VII. External validation**

I. Introduction

The Board of Directors of TALGO S.A. (hereinafter, the “**Company**” or “**TALGO**”) recognises transparency in all of its actions, as one of the key elements of its corporate governance strategy, including the process for selecting candidates for the Board of Directors and the diversity of the Board of Directors.

On 18 February 2015, the Board of Spain’s National Securities and Exchange Commission approved the Code of Good Governance for Listed Companies.

In its Recommendation 14, the aforementioned Code of Good Governance establishes that *“the Board of Directors approves a selection policy for directors that: a) is specific and verifiable; b) ensures that nominations for appointments and re-elections are grounded in a prior analysis of the needs of the Board of Directors and; c) promotes diversity in terms of knowledge, experience and gender”*.

Similarly, on 25 November 2017, Royal Decree Law 18/2017, dated 24 November, was published in the Official State Gazette, which modified the Commercial Code, the revised text of the Capital Companies Act approved by Royal Decree Law 1/2010, dated 2 July, and Law 22/2015, dated 20 July, governing the Audit of Accounts in terms of non-financial information and diversity.

In this regard, and in accordance with the new wording of Article 540.4.c, sub-section 6 of the Capital Companies Act, listed limited companies must include in their Annual Corporate Governance Report *“a description of the diversity policy applied in relation to the Board of Directors, including its objectives, the measures adopted, the manner in which those measures have been applied and the results thereof during the reporting period, as well as the measures that, where appropriate, the Appointments Committee has agreed in this regard”*.

In this context, the Board of Directors of TALGO S.A. has approved this diversity policy for the composition of the Board of Directors and the public selection of director candidates, which is specific and verifiable, and which ensures that nominations for

the appointment of Company directors are grounded in a prior analysis of the needs of the Board of Directors and guarantees that the Board of Directors is characterised by diversity in terms of knowledge, experience, origins, nationalities, age and gender.

II. Purpose and scope of application

The Diversity Policy for the Board of Directors of TALGO, S.A. and the Selection of Directors has the aim of ensuring that nominations for the appointment and re-election of Directors are grounded in a prior analysis of the needs of the Board of Directors of the Company and promote diversity in terms of knowledge, training and professional experience, age and gender, without suffering from implicit biases that may imply discrimination of any kind, in particular, due to gender, disability or any other personal condition.

To this end, this Diversity Policy shall be applied to the election of director candidates who are physical persons and, in the event that director candidates are legal persons, to the election of the physical persons who act as their representatives.

III. Selection process

The selection of candidates for TALGO's Board will follow the principles detailed below:

1. The Board of Directors shall have a balanced composition, with an ample majority of non-executive directors and an appropriate split between proprietary and independent directors.
2. The Board of Directors shall ensure that the selection process for directors promotes diversity in terms of knowledge, training, professional experience, age and gender, without suffering from implicit biases that may imply discrimination of any kind. All of this, to ensure that the Board of Directors has a diverse and balanced composition that, as a whole: (i) enriches analysis and

debate; (ii) contributes diverse points of view and positions; (iii) facilitates decision-making; and (iv) enjoys absolute independence.

Likewise, the Board will ensure that candidates for non-executive director positions have sufficient time available to be able to properly perform their functions.

3. Similarly, the process for selecting candidates for the Board shall be based on a prior analysis of the needs of the Company and the Group. This analysis shall be carried out by the Board of Directors of the Company, on the basis of advice and following a mandatory justification report from the Appointments and Remuneration Committee, and as established in the Regulations governing the Board of Directors of the Company.

4. This justification report from the Appointments and Remuneration Committee shall be published when the General Shareholders' Meeting to which the ratification, appointment or re-election of each director shall be submitted is convened.

5. Each year, the Appointments and Remuneration Committee shall verify compliance with the Diversity Policy for the Board of Directors of TALGO, S.A. and the selection of directors and shall report its findings in the Annual Corporate Governance Report and in those other documents that it deems appropriate.

IV. Director candidates.

1. The Board of Directors – and the Appointments and Remuneration Committee - shall ensure, within the scope of their remit, that nominations for candidates that are submitted to the General Shareholders' Meeting for appointment or re-election as Directors, and appointments that are made directly to cover vacancies in the exercise of their powers of co-optation, shall fall to honourable and suitable people, with recognised solvency, competence, experience, qualifications, training,

availability and commitment to their function. It shall also ensure that the selection of candidates achieves an appropriate balance across the Board of Directors as a whole, to enrich decision-making and contribute diverse points of view to the debates held about the matters within its remit.

2. In the event that a director is a legal person, the physical person that represents it, in the exercise of the duties inherent to the position of director, shall be subject to the same requirements indicated in the previous section. The incompatibilities and enforceable duties established for directors in the Corporate By-Laws, in the Regulations governing the Board of Directors and in this present document, shall also be applicable to him/her in a personal capacity.

In relation to this, director candidates shall be persons of recognised prestige, solvency, training and professional experience, especially in the fields of railway services, economics-finance, technology (either in IT or mechanical train sense), accounting, audit, legal, risk management and/or business administration, with leadership in teams formed by people belonging to different areas of activity, and extensive knowledge in large companies.

V. Diversity in the composition of the Board

Efforts shall be made to ensure that the selection of candidates achieves a diverse and balanced composition of the Board of Directors as a whole, to enrich decision-making and contribute diverse points of view to the debates held about the matters within its remit.

In this sense, the Board of Directors assumes the commitment to promote diversity in its composition and, to that end, the director candidate selection process shall assess candidates with profiles whose appointment favours the diversity of the director group in terms of their abilities, knowledge, experience, origins, nationalities, age and gender.

The criteria of diversity shall be chosen on the basis of the nature and complexity of the businesses carried out by the Company and its Group, as well as the

social and environmental context in which it is present. In addition, depending on the needs of the Board of Directors, other criteria may also be taken into consideration.

The candidate selection process shall avoid any type of bias that may imply discrimination of any kind, including for reasons of gender, ethnic origin, age or disability, amongst others. In particular, any type of bias that hinders the appointment of female directors and that may prevent the fulfilment of the objective established by the National Securities and Exchange Commission, whereby the number of female directors shall account for at least 30% of all Board members by 2020, shall be avoided.

The Board of Directors shall periodically evaluate the degree of compliance and effectiveness of the National Securities and Exchange Commission, its Diversity Policy and, in particular, the percentage of female directors on the Board at any given time. Moreover, the Annual Corporate Governance Report will include a detailed description of that Policy, as well as of the objectives set in that regard and the results obtained.

VI. Grounds for incompatibility established by Law or by the Corporate Governance System

People who are subject to any legal incompatibility for the performance of their role may not be considered as director candidates, nor may those who do not meet the requirements established by the Company's Corporate Governance System, included in the Regulations governing the Board of Directors to become directors. In particular, the following persons may not be considered as director candidates:

- a) Companies, domestic or foreign, and those whose major shareholder, directly or indirectly, holds a stake, directly or indirectly, in a company that operates in the railway sector or other sectors, as a competitor of the Company, as well as directors or senior managers thereof and persons who, where appropriate, were nominated by them in their capacity as shareholders.
- b) Persons who, in the two (2) years prior to their possible appointment, have held senior positions in public administrations that are incompatible with the

performance of their duties as a director of a listed company, in accordance with regional or state legislation, or have held positions of responsibility in any sector in which the company carries out its activity. In any case, the appointment, ratification and re-election of directors must comply with the provisions of the law and the Rules governing the Company's Corporate Governance System.

c) Physical or legal persons that are subject to any other case of incompatibility or prohibition governed by the general rules, including those who may have interests that are opposed to those of the Company or any of the companies in the Group, in any way.

VII. External validation

The Company may rely on collaboration from external advisors to validate that director candidates meet the conditions referred to in Section IV and that they are not subject to any of the impediments set out in Section VI.

The Company's policy for the selection of directors is contained in the Regulations governing the Board of Directors, approved by the General Shareholders' Meeting held on 28 March 2015, and was expanded and amended by agreement of the Board of Directors on 22 February 2018.