

REPORT JUSTIFYING THE PROPOSAL REGARDING THE RE-ELECTION OF MR. CARLOS MARÍA DE PALACIO Y ORIOL AS DIRECTOR OF TALGO, S.A. WITH THE CLASS OF EXECUTIVE DIRECTOR.

This justificatory report is submitted by the Remunerations and Appointments of TALGO, S.A. (“**Talgo**” or the “**Company**”) pursuant to the provisions of section 529 decies of the Companies Act (Ley de Sociedades de Capital) regarding the re-election proposal of Mr. Carlos María de Palacio y Oriol as director.

Pursuant to the provisions of article 10.2 of the Company’s Regulations for the Board of Directors:

“The proposed appointments and re-elections of Directors that the Board of Directors presents for consideration by the General Shareholders’ Meeting and the appointment decisions of the Board of Directors, in its legally assigned powers of co-option, must be preceded by:

- (i) the corresponding proposal by the Appointment and Remuneration Committee in the case of Independent Directors, which must be accompanied by an explanatory statement evaluating the competence, experience and merits of the proposed candidate; or*
- (ii) the report of the Appointment and Remuneration Committee in the case of the remaining Directors, which must assign the new Director to one of the categories defined in these Regulations.”*

In same sense, article 26 of the same Company’s Regulations, when describe the competences of the Remunerations and Appointments Committee, set forth in its subparagraph (ii) letter (d):

“Report proposals for the appointment of other Directors by co-option or for the decision of the General Shareholders’ Meeting, and proposals for their re-election or removal to the General Shareholders’ Meeting.”

And in the letter (p) of same subparagraph (ii):

“On the appointment, ratification or re-election of Directors, draw up a report describing the result of the previous analysis of the needs of the Board of Directors, which will be published with the call for the General Shareholders’ Meeting that will decide on the ratification, appointment or re-election of each director.”

In accordance with the provisions of Law and the Corporate Governance System, the re-election proposal of Mr. Carlos María de Palacio y Oriol as director, who must be assigned to the class of

executive director, is submitted to the shareholders at the General Shareholders' Meeting upon a proposal of the Remunerations and Appointments Committee.

This justificatory report assesses competency, experience, and merits of the proposed candidate as a whole to hold the office of director upon the terms of section 529 decies of the Companies Act.

The Remunerations and Appointments Committee considers appropriate for the Board of Directors to have members with extensive experience in the financial and industrial sectors and in the corporate management. Along these lines, the Remunerations and Appointments Committee views quite favourably Mr. Carlos María de Palacio y Oriol's profile, aptitudes, and experience, which are conform to the Company's needs delineated in the prior analysis.

In preparing this re-election proposal, the Remunerations and Appointments Committee has taken into account the alignment of the professional profile of the candidate with the specific characteristics of the business carried out by the Company and the industry in which it does business and, especially, his level of performance through the date hereof. In this regard, the Remunerations and Appointments Committee is of the opinion that all its members appropriately combine adequate qualifications and skills in the following areas: a) international experience and knowledge of the industry in which the Company does business; b) background knowledge of technical and industrial matters, management of human teams and legal and regulatory frameworks; c) international experience and background knowledge of the geographical markets that are most significant for the Company; and d) experience in and knowledge of management, leadership, and business strategy. Mr. Carlos María de Palacio y Oriol curriculum vitae and the past performance whose re-election is submitted to the shareholders at the General Shareholders' Meeting shows his competencies as administrator, his merits to hold the position of director, his extensive experience in industries relevant to the Company and its group and his technical in-depth knowledge, which ensures the contribution of multiple viewpoints to the debate of matters within the Board of Directors. As a whole, the proposed re-election of director submitted to the shareholders at the General Shareholders' Meeting entails a strengthening of the high qualitative level existing in the composition of the Board of Directors.

Finally, the Remunerations and Appointments Committee has verified that Mr. Carlos María de Palacio y Oriol meets the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to the duties of the position of director and that he is not affected, directly or indirectly, by any of the instances of disqualification from or prohibition against holding such office or by having interests that conflict with or are contrary to the corporate interest.