

**ANNUAL REPORT ABOUT THE REMUNERATION OF THE
DIRECTORS OF THE LISTED PUBLIC COMPANIES**

THE ISSUER'S IDENTIFICATION DETAILS

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Company name:

Talgo, S.A.

Registered address:

Paseo del Tren Talgo N° 2
28290 Las Matas, Madrid

ANNUAL REPORT ABOUT THE REMUNERATION OF THE DIRECTORS OF THE LISTED PUBLIC COMPANIES

A. COMPANY REMUNERATION POLICY FOR THE YEAR IN PROGRESS

A.1 Explain the Company's remuneration policy. In this section, include information about the following considerations:

- General principles and foundations of the remuneration policy.
- The most significant changes made to the remuneration policy with respect to the policy applied last year, as well as any amendments made during the year to the conditions surrounding the exercise of options already granted.
- Criteria used and composition of the groups of comparable companies whose remuneration policies have been examined to establish the Company's remuneration policy.
- Relative importance of the variable remuneration items with regard to the fixed ones and criteria used to determine the various components of the remuneration package of Directors (remuneration mix)

Explain the remuneration policy

In accordance with the provisions of the Corporate Bylaws and the Rules of the Board, the general criteria under which the Directors' remuneration is set are as follows:

The remuneration of Directors, in their capacity as such, may comprise the following remuneration concepts:

- (i) a fixed element;
- (ii) out-of-pocket expenses for attending meetings;
- (iii) share of profits;
- (iv) variable remuneration on the basis of general reference indicators and parameters;
- (v) remuneration in the form of shares or linked to movements in the share price;
- (vi) compensation for termination, provided the termination is not motivated by any breach of a Director's functions; and
- (vii) the savings and welfare systems deemed appropriate.

Different remuneration concepts are applicable depending on the category of Directors involved. Thus:

External Directors:

The Board of Directors and the Appointments and Remuneration Committee shall adopt the measures within their power to ensure that the External Directors' remuneration is sufficient to compensate the dedication, qualification and responsibility demanded by the role, but not so high as to compromise

their independence.

The remuneration policy shall incorporate the necessary technical safeguards to ensure that the remuneration reflects the relationship with the professional performance of its beneficiaries and does not simply result from the general evolution of the markets or the sector in which the Company operates or from any other similar circumstances.

Executive Directors:

Directors' remuneration must, in all cases, bear a reasonable resemblance to the importance of the Company, its economic circumstances at all times and the market standards for comparable companies. The remuneration system established should be aimed at promoting the long-term profitability and sustainability of the Company and should incorporate the necessary safeguards to avoid excessive risk taking and the reward of unfavourable results.

The remuneration that is applicable, in accordance with the general criteria described, fall in the middle of the range established by other listed companies, if we use turnover and company activity as the criteria for comparison.

In 2015, the Company's Executive and other Directors received extraordinary remuneration as a result of the fulfilment of a share remuneration plan linked directly to the Company's admission onto the Stock Exchange.

The remuneration payable to the Executive Directors is designed by the Appointments and Remuneration Committee and includes fixed criteria, as well as other variable components, established in accordance with certain criteria, which are reviewed on an annual basis, in such a way that the remuneration mix (fixed and variable) depends on the performance of these Directors. The concepts that are taken into consideration for the determination of the variable element of remuneration are described in section A4 below.

A.2 Information about the preparatory work and decision making process that has been followed to determine the remuneration policy and role performed, where applicable, by the Remuneration Committee and other supervisory bodies for the configuration of the remuneration policy. This information should include details of the mandate and composition of the Remuneration Committee, where applicable, and the identity of the external advisors whose services have been used to define the remuneration policy. Moreover, provide details about the positions of any Directors who have intervened in the definition of the remuneration policy, where applicable

Explain the process for determining the remuneration policy

In 2015, the Company's Appointments and Remuneration Committee held several meetings at which it discussed and debated proposals to be submitted to the Board of Directors for approval regarding the remuneration policy applicable to the Company's Directors.

The Appointments and Remuneration Committee comprises three members, two of which are Independent Directors (including the Chairman) and one Proprietary Director.

To determine and define the remuneration policy, the Appointments and Remuneration Committee analysed the remuneration model applied in prior years, paying particular attention to: (i) the level of responsibility assumed and functions performed by each Director; (ii) the objective of creating value for the Company's shareholders and employees; and (iii) the remuneration trends observed in other comparable companies.

For the adoption of its decisions, the Appointments and Remuneration Committee received information and advice from the Company's internal services. Similarly, the Committee contrasted the main data with data relating to comparable markets and companies in accordance with the Company's size, scale, international presence and other characteristics, in order to ensure that the Company's remuneration policy is in line with international market practice.

Through the remuneration policy applicable to Directors and Senior Management, the Company seeks to recognise the quality of their performance and fulfil the objective of the Board of Directors to reward, attract and retain talent and managerial capability.

A.3 Indicate the amount and nature of the fixed remuneration components, with a breakdown, where applicable, of: the remuneration for the performance of senior management roles by the Executive Directors; the additional remuneration for the role of Chairman or for being a member of a Board committee; expense allowances for participating in Board meetings and committees; and other fixed remuneration paid to Directors; as well as an estimation of the fixed annual remuneration received. Identify other benefits that are not settled in cash and the fundamental parameters that need to be fulfilled for them to be awarded.

Explain the fixed remuneration components

The fixed remuneration of the Executive Directors comprises: (i) salaries; (ii) benefits in kind; (iii) pension plans; (iv) life insurance; (v) insurance for sick leave; (vi) health insurance. During 2015, the total amount paid for all of these items amounted to €523 thousand.

The Executive Directors do not receive any additional remuneration for serving as members of the Board of Directors, nor do they receive out-of-pocket expense allowances or fees or any other fixed remuneration for serving as Directors.

No additional remuneration is paid for the performance of the role of Chairman of the Board of Directors – a role that in the case of the Company is performed by an Executive Director -.

None of the Company's two Executive Directors belong to any advisory committees.

The Company's Board of Directors and Appointments and Remuneration Committee have not modified the Executive Directors' fixed remuneration.

The Independent External Directors receive the following fixed remuneration for serving as members of the Board of Directors and its committees:

Independent external Director €60,000
PLUS Member of advisory committee €7,500
PLUS Chairman of an advisory committee €7,500
PLUS Independent Director and Coordinator €15,000

A.4 Explain the amount, nature and main features of the variable components of the remuneration system

In particular:

- Identify each one of the remuneration plans from which the Directors may benefit, together with their scope, approval dates, implementation dates, validity periods, as well as their main features. In the case of share option plans and financial instruments, the general characteristics of the plan should include information about the conditions for exercising those options or financial instruments in the case of each plan.
- Indicate any remuneration that may be received from sharing in profits or bonuses, and the reasons why they were granted.
- Explain the main parameters and basis of any annual bonus plans.

- The categories of Directors (Executive Directors, External Proprietary Directors, External Independent Directors or Other External Directors) who are beneficiaries of remuneration systems or plans that include variable remuneration).
- The basis of those variable remuneration systems or plans, the performance evaluation criteria chosen as well as the evaluation components and methods to determine whether or not those evaluation criteria have been met and an estimate of the total amount of variable remuneration according to the current remuneration plan, depending on the degree of compliance with the hypotheses or objectives taken as a reference.
- Where appropriate, it shall be informed about the deferral periods or postponement of payments which have been established and/or the periods of retention of shares or other financial instruments if applicable.

Explain the variable remuneration components of the remuneration policy

The only Directors who received variable remuneration are the Executive Directors. The Board of Directors has resolved to maintain the maximum limit for the annual variable remuneration of the Chairman and CEO as 100% of their respective gross annual salaries (in other words, €229,658.04 in the case of the Chairman and €217,310.88 in the case of the CEO) in 2016, which is the same level that was applied in 2015.

During 2015, the Chairman of the Company received variable remuneration amounting to €184,182.73 and the CEO received €145,319.06 for the same concept.

The parameters to which the payment of annual variable remuneration will be linked focus on the evolution of the Company over the medium term and essentially rest on three variables: (i) EBITDA, (ii) Net Financial Debt, and (iii) Gross Margin.

A.5 Explain the main features of the long-term savings schemes, including for retirement and any other provision for survival, financed in whole or in part by the Company, whether they are funded internally or externally, with an estimation of their amount or annual equivalent cost, indicating the type of plan, whether it is defined contribution or defined benefit, the conditions for consolidating economic rights in favour of the Directors and their compatibility with any other type of compensation for the early termination or cancellation of the contractual relationship between the Company and the Director.

Identify the contributions to the Directors' retirement schemes of defined contribution; or the increase in the Directors' consolidated rights in the case of contributions to a retirement scheme of defined benefit.

Explain the long-term savings plans

The Company pays, through its subsidiary Patentes Talgo S.L.U., premiums for the insurance policies that it has taken out with certain insurance companies for the coverage of: (i) life insurance; (ii) pension funds and plans; and (iii) sick leave.

In addition, the Company pays premiums for civil liability policies for the exercise of the role of Director.

The total estimated cost of the aforementioned premiums amounts to €43 thousand (including the premiums for life insurance, sick leave insurance and pension plan insurance).

A.6 Indicate any compensation agreed or paid in the event of the termination of the functions of a Director

Explain any severance payments

The Company has not agreed or paid any severance payments for the termination of the functions of any Directors.

A.7 Indicate the conditions that the contracts governing the relationship with the Executive Directors who exercise senior management functions must reflect. Provide information about: the duration of the contracts, any limits to compensation payments, clauses relating to tenure, notice periods, as well as the payment required to avoid the aforementioned notice period, and any other clauses relating to hiring bonuses, compensation payments or golden handshakes, amongst other aspects, due to the early termination or cancellation of the contractual relationship between the Company and the Executive Director. Include details of any clauses that cover non-competition, exclusivity, tenure or loyalty agreements or any post-contractual non-competition agreements.

Explain the terms of the Executive Directors' contracts

The Executive Directors' contracts signed in the subsidiary Patentes Talgo S.L. have indefinite terms and establish the payment of financial compensation in the event of the termination of the contractual relationship with the Company, provided that such terminations are not the result of a breach of the Directors' obligations. The notice period established in these contracts is six (6) months.

The contracts include a post-contractual non-competition clause for a term of two (2) years starting from the date that the employment relationship is terminated and a penalty clause that applies in the case of any breach.

The contracts establish a payment of twelve (12) months salary in both cases, by way of compensation for the termination of the contractual relationship.

A.8 Explain any supplementary remuneration accrued by the Directors as consideration for services rendered other than those inherent to their role.

Explain the supplementary remuneration

NONE

A.9 Indicate all types of remuneration paid in the form of early payments, loans and guarantees, and provide details of the interest rate, the key features and the amounts to be returned, as well as the obligations assumed on their behalf in the case of guarantees

Explain the early payments, loans and guarantees granted

NONE

A.10 Explain the main features of any benefits in kind

Explain the benefits in kind

Benefits in kind apply only to Executive Directors of the Board and refer only to vehicle leasing. The other Directors do not receive any benefits in kind whatsoever. The benefits in kind paid to the Executive Directors amount to €18,762.18.

A.11 Indicate the remuneration accrued by the Director by virtue of payments made by the listed company to a third party entity to which the Director renders services, when the purpose of those payments is to remunerate the services provided to that entity.

NONE

Explain the remuneration accrued by the Director by virtue of payments made by the listed company to a third party entity to which the Director renders services

A.12 Provide details about any other remuneration concept not specified above, regardless of its nature or the group company that pays it, especially when it is regarded as a related party transaction or its delivery distorts the fair picture of the total remuneration accrued by the Director.

Explain the other remuneration concepts

No other remuneration concepts exist.

A.13 Explain the actions adopted by the Company regarding the remuneration system to reduce its exposure to excessive risks and to adapt it to the long-term objectives, values and interests of the Company, which shall include, where applicable, references to: the planned measures to guarantee that the remuneration policy reflects the long-term results of the Company; measures that establish an applicable balance between the fixed and variable remuneration components; measures adopted in relation to those categories of personnel whose professional activities have a material repercussion on the risk profile of the entity; recovery formula or clauses to enable the Company to demand the return of variable remuneration components based on results, when such components have been paid on the basis of data whose accuracy is later challenged in a clear way; as well as any planned measures to avoid conflicts of interest, where applicable

Explain the actions adopted to reduce risks

The Company's remuneration policy is designed and supported by studies and analysis conducted by the Board of Directors and the Appointments and Remuneration Committee, taking into consideration the size of the company, the market, prudence and in light of both industrial and financial objectives.

The Appointments and Remuneration Committee receives advice from an independent company to develop these policies for its staff (Mercer Consulting, S.L.).

B PLANNED REMUNERATION POLICY FOR FUTURE YEARS

Repealed.

C OVERVIEW OF HOW THE REMUNERATION POLICY WAS APPLIED LAST YEAR

C.1 Provide an overview of the main features of the structure and remuneration concepts of the remuneration policy applied last year, including details about the individual remuneration accrued by each Director, as reflected in Section D of this report, as well as a summary of the decisions taken by each Director for the application of these concepts

Explain the structure and remuneration concepts of the remuneration policy applied during the year

The structure and remuneration concepts of the remuneration policy applied during 2015 reflect those described in Section A of this Report.

D DETAILS OF THE INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Typology	Accrual period during 2015
MR CARLOS DE PALACIO Y ORIOL	Executive	From 28/03/2015 until 31/12/2015.
MR JOSÉ M ^a ORIOL FABRA	Executive	From 28/03/2015 until 31/12/2015.
MR FRANCISCO JAVIER BAÑÓN TREVIÑO	Proprietary	From 28/03/2015 until 31/12/2015.
MR JOSE MARIA MUÑOZ DOMINGUEZ	Proprietary	From 28/03/2015 until 31/12/2015.
MR EMILIO NOVELA BERLIN	Independent	From 28/03/2015 until 31/12/2015.
MR JOHN CHARLES POPE	Independent	From 28/03/2015 until 31/12/2015.
MR RAMÓN HERMOSILLA GIMENO	Other external	From 28/03/2015 until 31/12/2015.
MR MICHEL MOUREAU	Independent	From 28/03/2015 until 31/12/2015.
NUEVA COMPAÑÍA DE INVERSIONES S.A.	Proprietary	From 28/03/2015 until 31/12/2015.
MR ALBERTUS MEERSTADT	Independent	From 28/03/2015 until 31/12/2015.
MRS BELÉN VILLALONGA MORENÉS	Independent	From 28/03/2015 until 31/12/2015.
PEGASO TRANSPORTATION INTERNACIONAL S.C.A	Proprietary	From 28/03/2015 until 31/12/2015.
JUAN JOSE NARDIZ AMURRIO	Independent	From 28/03/2015 until 31/12/2015.
CHRISTIAN BURKHARD SCHUCHMANN	Independent	From 01/01/2015 until 26/06/2015.

D.1 Complete the following tables detailing the individual remuneration accrued by each Director (including remuneration accrued for the performance of executive functions) during the year.

a) Remuneration accrued in the Company covered by this report:

i) Remuneration in cash (€ in thousands)

Name	Salary	Fixed remun.	Allowances	Short-term variable remun.	Long-term variable remun.	Remun. for serving on mgmt. committees	Compensation	Other concepts	Total 2015	Total 2014
MR RAMÓN HERMOSILLA GIMENO	0	60	0	0	0	0	0	0	60	0
MR EMILIO NOVELA BERLÍN	0	75	0	0	0	15	0	0	90	0
MR JUAN JOSÉ NÁRDIZ AMURRIO	0	20	0	0	0	0	0	0	20	0
MR MICHEL MOUREAU	0	60	0	0	0	7	0	0	67	0
MR JOHN CHARLES POPE	0	60	0	0	0	7	0	0	67	0
MR ALBERTUS MEERSTADT	0	60	0	0	0	15	0	0	75	0
MRS BELÉN VILLALONGA MORENÉS	0	60	0	0	0	0	0	0	60	0
CHRISTIAN BURKHARD SCHUCHMANN	0	20	0	0	0	0	0	0	20	0

ii) Share-based remuneration plans

iii) Long-term savings plans

b) Remuneration accrued by Directors of the Company for serving on the Board of other companies in the group:

i) Remuneration in cash (€ in thousands)

Name	Salary	Fixed remun.	Expenses	Short-term variable remun.	Long-term variable remun.	Remun. for serving on mgmt. committees	Compensation	Other concepts	Total 2015	Total 2014
MR ALBERTUS MEERSTADT	0	8	0	0	0	0	0	0	8	23
MR EMILIO NOVELA BERLIN	0	8	0	0	0	0	0	0	8	30
MR MICHEL MOREAU	0	8	0	0	0	0	0	0	8	30
MR JOHN CHARLES POPE	0	8	0	0	0	0	0	0	8	30
MR CHRISTIAN BURKHARD SCHUCHMANN	0	8	0	0	0	0	0	0	8	30
MR CARLOS DE PALACIO ORIOL	230	0	0	184	0	0	0	45	459	516
MR JOSE MARIA ORIOL FABRA	217	0	0	145	0	0	0	31	393	482

ii) Share-based remuneration plans

CARLOS DE PALACIO Y ORIOL												
Remuneration plan paid in shares												
Implementation date	Ownership options at the beginning of the year 2015						Options assigned for 2015					
	Nº of options	Shares affected	Price (€)	Exercise period			Nº of options	Shares affected	Price (€)	Exercise period		
01/10/2012	0	0	0.00	Not applicable			0	0	0	Not applicable		
Conditions: Not applicable												
Shares delivered during 2015			Options exercised during 2015				Options expired and no exercised	Options by the end of 2015				
Number of shares	Price	Amount	Price (€)	Number of options	Shares affected	Gross profit	Number of options	Number of options	Shares affected	Price (€)	Exercise period	
1,165,942	9.25	10,785	0.00	0	0	0	0	0	0	0	Not applicable	
Other exercise requirement: Not applicable												

JOSE MARIA ORIOL FABRA												
Remuneration plan paid in shares												
Implementation date	Ownership options at the beginning of the year 2015						Options assigned for 2015					
	Nº of options	Shares affected	Price (€)	Exercise period			Nº of options	Shares affected	Price (€)	Exercise period		
01/10/2012	0	0	0.00	Not applicable			0	0	0	Not applicable		
Conditions: Not applicable												
Shares delivered during 2015			Options exercised during 2015				Options expired and no exercised	Options by the end of 2015				
Number of shares	Price	Amount	Price (€)	Number of options	Shares affected	Gross profit	Number of options	Nº of options	Shares affected	Price (€)	Exercise period	
1,165,942	9.25	10,785	0.00	0	0	0	0	0	0	0	Not applicable	
Other exercise requirement: Not applicable												

iii) Long-term savings plans

Name	Contribution of the exercise by the company (€ in thousand)		Amount of accumulated funds (€ in thousand)	
	Year 2015	Year 2014	Year 2015	Year 2014
CARLOS DE PALACIO Y ORIOL	9	9	185	163
JOSÉ MARÍO ORIOL FABRA	9	9	152	133

iv) Other benefits (€ in thousands)

CARLOS DE PALACIO Y ORIOL			
Remuneration in the form of advanced payments, loans granted			
Interest rate of the operation		Essential features of the operation	Amount eventually returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees constituted by the company in favour of the directors	
Year 2015	Year 2014	Year 2015	Year 2014
12	12	Not applicable	Not applicable

JOSÉ MARÍA ORIOL FABRA			
Remuneration in the form of advanced payments, loans granted			
Interest rate of the operation		Essential features of the operation	Amount eventually returned
0.00		Not applicable	Not applicable
Life insurance premiums		Guarantees constituted by the company in favour of the directors	
Year 2015	Year 2014	Year 2015	Year 2014
5	5	Not applicable	Not applicable

c) Remuneration summary (€ in thousands):

The amounts corresponding to all of the remuneration concepts that have been accrued by the Directors included in this report should be presented in this summary, in thousands of euros.

In the case of the long-term Savings Plan, include the contributions or provisions made to these types of plans:

Name	Remuneration accrued in the Company				Remuneration accrued in group companies				Total		
	Total cash remun.	Amount of shares awarded	Gross profit from options exercised	Company total 2015	Total cash remun.	Amount of shares awarded	Gross profit from options exercised	Group total 2015	Total 2015	Total 2014	Contributions to savings plans during the year
Albertus Meerstadt	75	0	0	75	8	0	0	8	83	23	0
Ramón Hermosilla Gimeno	60	0	0	60	0	0	0	0	60	0	0
Belén Villalonga Morenés	60	0	0	60	0	0	0	0	60	0	0
John Charles Pope	67	0	0	67	8	0	0	8	75	30	0
Juan José Nárdiz Amurrio	20	0	0	20	0	0	0	0	20	0	0
Emilio Novela Berlín	90	0	0	90	8	0	0	8	98	30	0
Michel Moreau	67	0	0	67	8	0	0	8	75	30	0
Christian Burkhard Schuchmann	20	0	0	20	8	0	0	8	28	30	0
Carlos de Palacio Oriol	0	0	0	0	459	10,785	0	11,244	11,244	516	9
Jose Maria Oriol Fabra	0	0	0	0	393	10,785	0	11,178	11,178	482	9
TOTAL	459	0	0	459	892	21,570	0	22,462	22,921	1,141	18

D.2 Report about the remuneration received by Directors and the results or other performance measures for the entity, explaining, where applicable, how variations in the performance of the Company may have resulted in variations in the Directors' remuneration.

The criteria for determining the annual variable remuneration are only applicable to the Company's Executive Directors. Those criteria are determined by the Appointments and Remuneration Committee and are linked to the Company's evolution over the medium-term and long-term on the basis of economic-financial parameters, on the one hand, and long-term industrial development on the other hand, taking into consideration operating criteria and the development of specific projects.

To determine the individual objectives of each Executive Director, as well as of the Company's other Senior Management, the Appointments and Remuneration Committee takes into consideration both the progress and overall evolution of the Company, as well as the degree of performance and contribution to the achievement of the overall objectives made by each one of the aforementioned Directors.

D.3 Provide information about the result of the consultative vote by the General Shareholders' Meeting regarding the annual report about prior year remuneration, indicating the number of negative votes cast, where applicable.

	Number	% of total
Votes casted	0	0.00%

	Number	% of total
Negative votes	0	0.00%
Votes in favour	0	0.00%
Abstentions	0	0.00%

E OTHER RELEVANT INFORMATION

If there are any other significant aspects about the Directors' remuneration that have not been disclosed in any of the other sections of this report, but which need to be included to provide a more complete and reasoned set of information about the structure and remuneration practices of the Company regarding its Directors, provide brief details below

The remuneration of the executive Directors corresponds to Patentes Talgo S.L.U., a subsidiary of the Company, and not to the listed company which is Talgo, S.A. As mentioned before in this report, they don't receive any remuneration for their status as Directors, but as executive members of the management of a Group company.

This annual remuneration report was approved by the Company's Board of Directors at its meeting on 17/03/2016.

Indicate whether any of the Directors abstained or voted against the approval of this Report.

Yes | No X