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PRESS RELEASE

TALGO ANNOUNCES TWO PREFERRED SITES:

**A FACTORY TO CREATE AT LEAST 1,000 UK MANUFACTURING JOBS
IN LONGANNET, SCOTLAND.**

**AN INNOVATION CENTRE TO DEVELOP 'THE BEST OF BRITISH'
IN CHESTERFIELD, ENGLAND**

AN 'ALL BRITAIN' STRATEGY

TALGO today (14 November 2018) announced plans to invest in two UK sites.

Longannet is the preferred location for a factory site, envisaged to employ at least a thousand people.

The Longannet factory site would initially occupy an area of 70,000+ square metres. Construction of a factory would take eighteen months. Additional jobs would be supported during the planning and construction phase.

A range of factors influenced the choice of preferred site. These included excellent connectivity by sea, rail and road; the availability of skilled workers and the ability to create a 'pipeline' of engineers and innovators to grow capability; a tremendous 'can do' attitude on the part of all partners brought together by Scottish Enterprise; and a credible evidence-base to provide assurance that the facility could be ready on budget and on time.

In addition, Talgo has announced the development of an 'all Britain' strategy, to protect and grow the supply-chain, provide opportunities for young people, and grow the UK's industrial base.



The strategy will draw upon the very significant capabilities across the UK, that Talgo has identified during an 18-month search for a primary location.

A second preferred site, at Chesterfield, will serve as an Innovation Centre, and be a focus from which the 'All Britain' strategy will be developed. The central location will ensure wide accessibility.

TALGO is a leading specialized rolling stock engineering company mainly focused on designing, manufacturing and servicing technologically differentiated, fast, lightweight trains with industrial presence in 28 countries. These include Spain, Germany, Kazakhstan, Uzbekistan, Russia, the Middle East and the United States.

TALGO is renowned worldwide for its innovation capacity, its unique technology and reliability.

TALGO is the rolling stock provider for the Haramain high speed railway line between La Mecca and Medina in the Middle-East, and provider of the new AVRIL train to Spanish operator RENFE.

TALGO aims for 'true manufacturing'. Instead of assembling kits of parts from overseas, the company wants to source components from within the United Kingdom. This approach will grow the UK's manufacturing capability, strengthen supply chains, create more jobs, and boost local economies.

Although there will be a central factory location, key elements are expected to be made elsewhere in the UK, and integrated into the final build at the facility in Longannet. This will ensure that the benefits of Talgo's investment can be felt more widely across the UK.

The site at Longannet has great connectivity, would receive a major boost from job creation, and has the potential to supply people that can be skilled-up to meet the needs of building trains that can run at up to 235mph.

The choice of factory location - and the development of an 'all Britain' strategy – results from a search that has lasted eighteen months, crossed much of the UK, and seen very detailed discussions with land owners, development agencies, local authorities, research establishments, schools, colleges and Universities.

The Innovation Centre at Chesterfield will become a focus for developing the 'all Britain' strategy. It will draw on expertise from across the UK – including the other shortlisted factory regions.



This will recognise the contribution of those regions, and provide opportunities for potential to be further developed.

TALGO intends not only to build for the UK market, but also to serve emerging overseas markets, boosting UK exports.

Carlos de Palacio - President of Talgo (and grandson of the founder) said:

'This has been a tremendously challenging mission for Talgo, and I have personally seen excellence in all corners of the UK. It has been a difficult decision to make, as the quality has been so high in so many places.'

'The establishment of a manufacturing facility at Longannet is a significant part of Talgo's future strategy.'

'I want to congratulate Paul Lewis and Scottish Enterprise, for bringing together a wide-ranging team of industrialists, academics, politicians, civil servants and development experts. Their efforts are a credit to Scotland.'

'However, our plans do not end in Scotland. Linked to our 'all Britain' strategy, we intend to create opportunity and harness skills across the UK.'

'Talgo's aim is to establish true UK manufacturing – rather than assembling from parts made elsewhere. This will be a team effort, requiring the 'Best of British'. Our 18-month mission has revealed a determination and willingness across Britain to do just that.'

'Although there can only be one factory site, we have developed excellent relationships with areas that we have visited. We are continuing those relationships to ensure that Talgo's 'all Britain' strategy provides opportunity across the UK. The Innovation Centre at Chesterfield will create a focus for some of this work'

'Talgo's approach keeps more money in the UK economy, and creates more skilled long-term jobs.'



Talgo's UK Director, Jon Veitch, said:

'This is not only an exciting day for Talgo, it is an exciting day for the UK, too.'

'When Talgo started this process, we were looking for just one site. However, we soon realised that all parts of the UK had something to offer.'

'We have learned about the many rail-related initiatives across the UK, intended to boost capability for research, development, and testing. There is an engineering renaissance under way, and I want Talgo to be a leading partner.'

'Talgo wants to see a steady supply of engineers and other skilled people enter the workforce, and be the innovators of the future.'

'As part of Talgo's commitment to the UK-wide supply chain, our preferred second facility – in Chesterfield – will act as a catalyst.'

'We are developing this aspect of our strategy, and continue to consult with potential partners.'

'We will make a further announcement, once discussions have concluded.'

'Finally, I want to pay tribute to 'Team Chesterfield' – led by Chesterfield's Chief Executive, Huw Bowen. The team has proved that some of the most unexpected locations can win through, if they provide a compelling case and have inspirational leadership'.

'I will continue to work with Huw and the team, to determine how the Innovation Centre may work in practice.'

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A 'Q and A' is attached.

Please contact John Morris jetsetjohnnie@gmail.com or call 07800 679050 for more information.



Talgo Q and A

**A FACTORY TO CREATE AT LEAST 1,000 UK MANUFACTURING JOBS
PREFERRED LOCATION: LONGANNET, SCOTLAND.**

**AN INNOVATION CENTRE TO DEVELOP 'THE BEST OF BRITISH'
PREFERRED LOCATION: CHESTERFIELD, ENGLAND**

An 'All Britain' strategy

Q What is Talgo?

A TALGO S.A. is a leading specialised rolling stock engineering company mainly focused on designing, manufacturing and servicing technologically differentiated, fast, lightweight trains with industrial presence in 28 countries including Spain, Germany, Kazakhstan, Uzbekistan, Russia, Saudi Arabia and United States. The Company is renowned worldwide for its innovation capacity, its unique technology and reliability. TALGO is the rolling stock provider for the Haramain high speed railway line between La Mecca and Medina in Saudi Arabia and provider of the new AVRIL train to Spanish operator RENFE.

Q What does Talgo make?

A Talgo manufactures, exports, and maintains trains, machine tools and maintenance equipment around the world; not only for Talgo trains, but also for rolling stock produced by any other manufacturer. Talgo's equipment covers all needs, which enables operating companies to make use of their fleet for longer and with increased safety.

Q How long has Talgo made trains?

A TALGO (actually Talgo Patentes S.A), was first incorporated in 1942, and holds patents on a number of products and concepts.

Q Does 'Talgo' mean anything?

A Talgo is an acronym (Tren Articulado Ligero Goicoechea Oriol, Goicoechea-Oriol light articulated train). Alejandro Goicoechea and José Luis Oriol were the founders of the company. Family members still maintain a share and active role in the company.

Q Why is Talgo interested in the UK market?

A The emerging UK market has requirements that Talgo can satisfy at technical, economic, operator, and 'passenger needs' levels. At the same time, Talgo can provide better value to the UK taxpayer.



Q Why has it taken so long for Talgo to enter the market?

A Talgo has produced high-specification, efficient and cost-effective trains for many years. As the UK market has matured, it has become better aligned with Talgo's high-reliability/cost-efficient approach. The implicit requirement for greater UK content also suits Talgo's manufacturing philosophy.

Q Who owns Talgo?

A 53% is owned by private investors, including employees of the Company and members of the founding family. 35% is owned by a UK listed private equity fund, which works on behalf of UK pension funds.

Q Which rail franchises are being targeted by Talgo?

A Talgo can provide solutions to most of the UK's rail needs, and will discuss these with financiers, operators, and appropriate regulatory bodies.

Q What sort of trains does Talgo make?

A Regional, Inter-City, High-Speed and Very High-Speed trains. Talgo has already been shortlisted in the procurement process to supply Very High-Speed trains to be used in HS2 Phase One.

Q How many employees does Talgo have?

A Talgo employs over 2,000 people and has operations in Spain, Germany, Kazakhstan, Russia and the US.

Q How many factories does Talgo have?

A Talgo has two factories in Spain, one in Las Matas (Madrid), where it manufactures High Speed trains and maintenance equipment, and one in Rivabellosa (Alava), where it manufactures tilting passenger cars.

Talgo also manages a factory in Astana (Kazakhstan), which assembles components for tilting cars, which have been manufactured in Rivabellosa, and then supplies them to the Kazakhstan railway operator.

Talgo undertakes the majority of its maintenance activity at other plants – owned by each client – which are usually located in the country where the trains operate.

Q Why is Longannet, in Scotland, the preferred factory site?

A The region has all of the ingredients; connectivity, space to develop, a skilled local workforce, access to colleges and universities, and great relationships with other industry and the supply-chain. It is a 'brown field' site, with potential to recycle some of the existing facilities. The area is home to many 'high-tech' industries and its' engineering excellence is currently delivering the Royal Navy's most advanced ships.



Q How will the UK sites relate to the production facilities at Las Matas and Miranda, in Spain?

A Talgo's UK operation will be separate from the operations in Spain. The UK sites will take 'best practice' from the sites in Las Matas and Miranda, both of which are operating at capacity, building the 'Avril ES' – a technically-advanced Very-High-Speed-Train (VHST) for Renfe, the Spanish train operator. However, we already share best practice across all Talgo sites and operations, around the World. This provides opportunity for our workforce to draw on a wide range of experience. The sites at Longannet and Chesterfield will learn from – and contribute to – the continued development of Talgo around the World.

Q You mention connectivity. Did access to ports figure in your thinking?

A Yes. Longannet has its own jetty that could be developed - although there are already great ports immediately available. Port access will be vital in exporting our goods to overseas markets, and could be useful in reducing our footprint during the build stage, as we might source materials (such as aggregate for building) from elsewhere in the UK.

Q What can you tell us about rail connectivity to the site?

A The site is already connected by rail. The nearest electrified railway is just twelve miles away.

Q Would you like to see the electrification extended?

A Yes. We look forward to further discussions with the appropriate partners.

Q When will contracts for construction be let?

A We envisage a process where we can be ready to 'push the button' on construction, the day after we receive an order.

Q When will the facility at Longannet open?

A About 18 months after construction starts.

Q Would trains for the UK be built abroad?

A That isn't the intention. There could be a small 'pre-production' build whilst UK capacity was ramped up (and whilst UK employees are provided with the skills to build domestically), but the intention is to build British trains in Britain – not assemble parts largely from elsewhere.

Q So, Talgo is committed to UK manufacturing when it wins an order?

A Yes, wherever possible. We also want to help to expand capacity and capability, to grow the potential of UK manufacturing. The Innovation Centre is expected to play a major role in this.



Q What does Talgo mean by ‘manufacturing in the UK’?

A For Talgo, manufacturing means more than assembling from a box of parts made elsewhere. Where possible, Talgo will use locally-sourced content with a long ‘in-Country supply chain’. This will protect and strengthen UK jobs, and provide new opportunities.

Q Other ‘manufacturers’ build from kits of parts, produced elsewhere. Do you rule this out?

A Talgo’s absolute aim is to develop domestic UK manufacturing capacity, to have long-term relationships with UK suppliers and research institutions, and to become a significant UK employer. This approach will have a far more beneficial approach to local people and local economies than the ‘kit build’ approach. Limited pre-production ‘prototypes’ could be built elsewhere, while the UK factory is completed and the UK supply-chain and employee base built up. This approach would allow flexibility and ‘on the job’ training in Spain for future UK employees.

Q What sort of people and skills will Talgo need in the UK?

A From the semi-skilled to the finest technical minds, there will be opportunities at Talgo UK. Talgo’s philosophy is to encourage participation and improvement by employees at all levels. Our Innovation Centre in Chesterfield will be the initial focus for this work.

Q When will recruitment start?

A Talgo is building a small ‘core team’ at the moment. Wider recruitment will take place as orders become clearer.

Q Where do Talgo trains run?

A In the High-Speed market, Talgo has about 60% market share in Spain, and, after successful awards in US, Kazakhstan and Saudi Arabia has become a key player worldwide. Talgo has already been shortlisted in the procurement process to supply Very High-Speed trains to be used in HS2 Phase One.

Q How would other UK Companies benefit?

A Talgo’s philosophy for the UK is to maintain the supply-chain ‘in country’ wherever practicable. This means a partnership between Talgo and other UK manufacturers, to produce economically as much from raw materials within the UK. This protects UK jobs, enhances capacity, and keeps money in local communities. Our Innovation Centre – located in Chesterfield - will ensure that Talgo is ‘plugged in’ to the best that the UK has to offer.



Q What is the difference between Talgo trains and those of other manufacturers?

A Talgo's relentless attention to detail means that passengers receive a world-class product that is tailored to local needs. There is no 'one size fits all'. Funders of the railway system (taxpayers, fare-payers and other investors) reap the rewards of greater efficiency and reliability. Talgo trains have a unique 'undercarriage' (called a 'Rodal') that can reduce 'wear and tear' on the track. They can operate faster over existing lines, are more efficient in build cost (up to 25%), and are more environmentally sympathetic. They are better value all round.

Q Will Talgo import parts from elsewhere?

A This cannot be ruled out. However, a local UK supplier will always be sought.

Q Is Talgo's technology proven and reliable?

A Yes; the technology dates back to 1942. It has been proven at speeds of over 235mph, and reliability targets are always met for operators. A lot of Talgo's efforts go into research and development; this explains why the concept of an Innovation Centre – in Chesterfield - is important to us.

Q What is special about Talgo's technology?

A Talgo trains have a unique 'undercarriage' called a 'Rodal', that can reduce 'wear and tear' on the track. Where needed, trains also have a natural 'tilt' capability, without recourse to costly and complex systems.

Q Are Talgo's trains more expensive than those 'conventional trains' already running?

A No. Against comparable products, Talgo's products have been demonstrated as offering a significant cost-advantage.

Q Isn't the UK train manufacturing market saturated – too many, chasing too few orders?

A The UK rail industry predicts a UK national fleet increase of between 40% (5,500 vehicles) and 85% (12,000) vehicles forecast over the next 30 years - https://www.raildeliverygroup.com/files/Publications/2018-03_long_term_passenger_rolling_stock_strategy_6th_ed.pdf. Talgo offers a competitive product, whilst truly building the UK's manufacturing capability and creating new UK jobs – as opposed to assembling from 'kits' imported from elsewhere. The Innovation Centre in Chesterfield will encourage this process. Talgo also wants to export from the UK.

Q Would Talgo want to export from the UK?

A Yes. By building a UK workforce and production capability, the wider UK economy will benefit.



Q Which export markets would Talgo target?

A There are emerging markets in the Americas, Africa, Oceania, Canada, Ireland, and elsewhere.

Q What are the implications for UK employment?

A By building the UK's manufacturing base, Talgo would provide new employment opportunities, as well as protecting and enhancing those in the UK supply-chain.

Q Who are Talgo's customers?

A Talgo manufactures, exports, and maintains trains, machine tools and maintenance equipment around the world, not only for Talgo trains, but also for rolling stock produced by any other manufacturer.

Q What is Talgo worth?

A Talgo closed 2017 with an order book amounting to €2,738 million and formalised contracts of €700 million.

Q Is Talgo profitable?

A Yes. Financial details are available from our published annual reports available widely on line.

Q Does Talgo receive Spanish Government subsidy?

A A very small grant is provided to Talgo of €1.3 million annually. This is related to staff training and retention.

Q Like other foreign-owned companies, won't the profits leave the UK?

A Dividends from profits will be paid to shareholders, wherever in the world they might be. For example, 35% of Talgo's shares are held by an entity based in London. Because Talgo will manufacture much more in the UK (and not assemble from imported kits), more money (through wages and salaries) will be retained by local economies. The taxes from those jobs will also flow back to the UK government – as opposed to those of other manufacturers, whose overseas employees provide kits for assembly in the UK.

Q With a limited UK train manufacturing market, how long will Talgo stay?

A The UK rail industry predicts a UK national fleet increase of between 40% (5,500 vehicles) and 85% (12,000) vehicles over the next 30 years. Talgo intends to build long-term capacity, so that it can build not just for the UK market, but overseas ones, too. A successful UK order will act as an anchor for Talgo's longer-term aspirations.

Q Will Talgo build trains for HS2?

A Talgo has already been shortlisted in the procurement process to supply Very High-Speed trains to be used in HS2 Phase One.



Q Does Talgo recognise Trades Unions?

A Yes, and is extremely proud of its impeccable collaborative relationship with unions and staff alike. We jointly agree the priorities and objectives for the company.

Q When can we expect to see Talgo trains in the UK?

A Talgo intends to exhibit some of its tried-and-tested technology in the near future.

Q What are the passenger benefits of Talgo trains?

A Talgo's relentless attention to detail means that the ever-changing requirements of passengers and operators can be built into the original design or can be retrofitted as circumstances change. Unlike some manufacturers, Talgo works to customer requirements – not 'one size fits all'.

Q What are the operator's benefits of choosing Talgo trains?

A Talgo trains are proven as reliable in even the harshest climates and operating conditions, from minus50 degrees Centigrade to +50 degrees Centigrade. Availability is high, and the trains can be tailored to exacting specifications.

Q What are the Taxpayer's benefits of choosing Talgo trains?

A Talgo trains have unique features that cause less damage to the track. This feeds through to better value for the taxpayer, who still picks up most of the cost of maintaining the railway.

Q How large would the factory be?

A Over 70,000m².

Q How many people would be employed at the factory?

A We envisage 1,000 employees.

Q When would you start to build a factory?

A Our strategy is to be 'ready to build' the day we receive an 'anchor client' – in other words, a train order. We'd hope that this will happen within twelve months, although, of course, that's not our decision!

Q How long will a factory take to build?

A 18 months is an expected time for construction and fit out.

Q When will you start to advertise job vacancies?

A As soon as the 'start to build' order was given. However, we'll shortly be announcing how people can learn more about the opportunities and express their interests (Employment Agencies need not apply!).



Q Are there enough skilled people to go around?

A Talgo wants to help expand the wider UK's manufacturing base. Our Innovation Centre, in Chesterfield, is part of our plan to do that. We will continue to talk to schools, colleges and universities – to make sure that when the job opportunities are provided, people will have the right skills, to look after our trains around the UK and Ireland.

Q Doesn't a factory in Scotland mean that Wales and England 'lose out'??

A No. Talgo's philosophy is to be inclusive. We've worked with partners to understand the unique strengths and opportunities cross the UK. Our Innovation Centre in Chesterfield will help us to draw on skills and materials from across the UK – generating economic activity in many places. The Innovation Centre will help to develop the partnerships that we have made in our factory search. For example, we are excited at the prospect of working with Wales on aspects of the testing of trains.

Q Will Talgo's factory include a test track?

A Yes. There will be testing facilities at Longannet. We have also received assurances from partners regarding testing, and our Innovation Centre, in Chesterfield, will be working to integrate the best elements of testing facilities that are on offer.

Q Talgo set out, looking for one site. Now you have chosen two. Why?

A We have been thrilled by the quality of skills, and potential across the UK. Whilst Longannet meets all the needs of a manufacturing site, and also has access to skills, education, supply-chain and innovators, Talgo has always wanted to provide opportunity for the whole of the UK. The Innovation Centre in Chesterfield will complement the Manufacturing Site in Longannet.

Q Why Chesterfield?

A 'Team Chesterfield' produced a strong case for skills and innovation. Chesterfield is well-connected to the English Industrial heartlands, as well as a significant cluster of rail expertise. It is important to understand that Chesterfield will be a 'focus' for our efforts to build on the partnerships that we have already established in England, Scotland, and Wales.

Q How many people will be employed in Chesterfield?

A We will initially have a small 'core team' to develop our 'all Britain' strategy, and to work with partners. We will share our plans in due course.

Q How will the two sites relate to each other?

A We will share our plans in due course.

Q How could Brexit influence your plans? Has it already influenced your choice of location?

A Talgo's considerations have been 'Brexit-free'. There's a huge potential UK market, and there are export opportunities too. We are concentrating on that.

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