



REPORT FROM THE BOARD OF DIRECTORS OF TALGO, S.A. REGARDING THE PROPOSAL FOR THE SHARE CAPITAL REDUCTION THROUGH THE REDEMPTION OF OWN SHARES (ITEM EIGHT ON THE AGENDA).

1. Purpose of the report

This report has been prepared by the Board of Directors of Talgo, S.A. (“**Talgo**” or the “**Company**”) in relation to the capital reduction through the redemption of own shares, which is being subjected to the General Shareholders’ Meeting for approval.

In accordance with the provisions of Articles 286 and 318 of the Revised Text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, dated 2 July (the “**Capital Companies Act**”), and related articles of the Mercantile Registry’s Regulations, approved by Royal Decree 1784/1996, dated 19 July, the aforementioned proposal, as defined in the General Shareholders’ Meeting, requires the preparation of this justification report by the Board of Directors.

2. Justification of the proposal

The Board of Directors considers it advisable to reduce the Company’s share capital through the redemption of own shares, in such a way that a contribution is made to the Company’s shareholder remuneration policy by increasing the earnings per share.

3. Terms and conditions of the proposed capital reduction

It is proposed to the General Shareholders’ Meeting that the Company’s share capital be reduced by a nominal amount of 1,071,798.09 euros, through the redemption of 3,560,791 own shares held in treasury stock, each with a nominal value of 0.301 euros.

If the capital reduction agreement that forms the subject of this report is approved, the article of the Bylaws that relates to share capital shall be amended to reflect the new capital figure and the new number of shares in circulation.

The proposed capital reduction does not imply the return of contributions to the shareholders since, at the time of the execution of the capital reduction, the Company is the owner of the shares to be redeemed.

On the other hand, the capital reduction shall be made with a corresponding charge against freely available reserves. A reserve shall be provided for an amount equal to the nominal value of the redeemed shares, which may only be drawn down in accordance with the same requirements as those demanded for the share capital reduction. As a result, in accordance with the provisions of Article 335.c) of the Capital Companies Act, there would be no place for the creditors’ right of opposition set forth in Article 334 of the same Law.

The capital reduction agreement that forms the subject of this report, which is being proposed to the General Shareholders’ Meeting, empowers the Board of Directors, with express powers to delegate to the Chairman of the Board of Directors and the Chief Executive Officer of the Company so that any of

them, without distinction and with their sole signature, may carry out all the necessary or appropriate actions to execute the aforementioned agreement.

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This report has been prepared and approved by the Board of Directors at its meeting on 6 May 2020.