REPORT BY THE BOARD OF DIRECTORS OF TALGO, S.A. IN CONNECTION WITH THE PROPOSED RESOLUTION FOR A SHARE CAPITAL INCREASE AGAINST RESERVES (ITEM EIGHTH OF THE AGENDA).

1. Purpose of the report

This report has been drawn up by the Board of Directors of Talgo, S.A. ("**Talgo**" or the "**Company**") in connection with the share capital increase against reserves submitted for the approval of the General Shareholder's Meeting.

In accordane articles 286 and 296 of the *texto refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio* (the **"Spanish Companies Act"**) and the related provisions of *Reglamento del Registro Mercantil, aprobado por Real Decreto 1784/1996, de 19 de julio*, the aforementioned proposed resolution submitted to the General Shareholders' Meeting requires the preparation by the Board of Directors of this report to justify it.

2. Justification of the proposed resolution

In line with the trends about shareholder remuneration among other listed companies, the Company offers to its shareholders, in their best interests, an option that gives them the possibility of receiving new shares of the Company, with the tax benefits applicable to paid-up shares, as described below, or receiving the entire remuneration in cash. This formula was first implemented in the Company in 2017 and, in view of the good response by the shareholders, it is considered appropriate to offer the same possibility this year.

In this regard, the purpose of the proposal of share capital increase submitted to the General Shareholders' Meeting which is the purpose of this report is to offer again to all the Company's shareholders the option, at their free choice, of receiving new paid-up shares in the Company or to receive an amount in cash by selling to the Company the free allocation rights received for the shares they hold (if they had not sold them on the market) in the terms provided below.

3. Structure of the share capital increase proposed and alternatives for shareholders

The proposal submitted for the approval of the General Shareholders' Meeting consists of the offering to the Company's shareholders the option to receive, at their choice, either paid-up shares of the Company or remuneration in cash.

This offer is structured in a capital increase against reserves (the "**Capital Increase**").

When the Board of Directors decides to implement the Capital Increase:

(i) The Company's shareholders will receive a free allocation right for each share in the Company that they hold at such time. These rights will be tradable so may be traded on the same conditions as the shares in respect of which they are issued, on the Madrid, Barcelona, Bilbao and Valencia stock exchanges for a period of at least 14 calendar days. Once this period has finished, the free allocation rights will automatically become new shares in the Company, which will be allocated to the holders of the free allocation rights at such date. The specific number of shares to be issued and, therefore, the number of rights needed for the allocation of one new share will depend on the price of the Company's share on the date of implementation of the Capital Increase (the "**Share Price**"), calculated by the procedure described herein below. In any case, as it will be explained later, the total number of shares to be issued in the Capital Increase will be determined so that their market value calculated at the Share Price is to be approximately 10 million euros.

(ii) The Company will irrevocably undertake to purchase the aforesaid free allocation rights at a fixed price from whom receive them free due to appear entitled as a holder in the accounting registers of Sociedad de Gestión de los Sistemas de Registro, Compensación and Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") on the corresponding date according to the clearing and settlement rules applicable (the "**Purchase Commitment**"). The Purchase Commitment will only cover the allocation rights received by the Company's shareholders free of charge, not those purchased or otherwise acquired on the market or outside it. The fixed purchase price of the free allocation rights will be calculated before trading of the rights commences, based on the Share Price (as a result that the price per right will be the result of dividing the Share Price by the number of rights needed to receive one new share, plus one). The Company thus guarantees that all shareholders will be able to monetize their free allocation rights and thus receive the cash if they do not wish to receive new shares of the Company.

Therefore, when the Capital Increase is made, the Company's shareholders may freely choose between the following options:

(i) Maintain their free allocation rights. In this case, once the trading period is finished, the shareholder will receive the corresponding number of new paid-up shares.

(ii) To sell all or part of their free allocation rights to the Company under the Purchase Commitment at a guaranteed fixed price. Shareholders choosing this option would monetize their rights and receive a remuneration in cash dividend instead of shares of the Company.

(iii) To sell all or part of their free allocation rights on the market. Shareholders choosing this option would also monetize, totally or partially, their rights, although in this case they would not receive a guaranteed fixed price (as in the previous option) but instead the consideration payable for the free allocation rights would depend on the share price of those rights.

The Company's shareholders may combine any or all of the alternatives mentioned in paragraphs (i) to (iii) above. Notwithstanding the above, it should be taken into account that the alternatives receive different tax treatment (see section 5.6).

The gross amount received by shareholders in the previous eligible options (i) and (ii) will be equivalent since the Share Price will be used to determine both the fixed price of the Purchase Commitment and the number of free allocation rights needed for the allocation of one new share. In this sense, the gross price received by a shareholder by selling all his free allocation rights to the Company under the Purchase Commitment will be, approximately, equal to the value of the new shares he will receive if he does not sell his free allocation rights, calculated at the market price of the Company's share at the date of the Capital Increase (i.e. the Share Price).

However, it should be taken into account that the share price of the shares is subject to market fluctuations and, therefore, the reference Share Price that will be used to determined the abovementioned gross price may not be the same as the share price of the shares of the Company on the date on which the shareholder receives the new shares.

4. Amount of the Alternative Option and price of the Purchase Commitment

The structure of the proposal consists of offering shareholders paid-up shares, the value of which, determined according to the Share Price (the "**Amount of the Alternative Option**"), will be 10,000,000 euros.

Since, as mentioned earlier, the purpose of the Purchase Commitment is to enable shareholders to monetize the Amount of the Alternative Option and bearing in mind that shareholders will be assigned one free allocation right for each outstanding share, the gross price per right at which the Purchase Commitment will be made, it would be approximately equal, subject to the provisions of sections below, to the amount per share of the Amount of the Alternative Option.

The final purchase price will be determined and announced pursuant to section 5.3 below.

5. Main terms and conditions of the proposed capital increase

5.1. Amount of the Capital Increase, number of shares to be issued and number of free allocation rights needed for the allocation of one new share.

The maximum number of shares to be issued in the Capital Increase would be the result of dividing the Amount of the Alternative Option between the value of the Company's share when the Board of Directors decides to execute the Capital Increase (i.e. the Share Price). The number thus calculated would be rounded off to obtain a whole number of shares and rights- shares conversion rate, also in a whole number. In addition, the Company (or an entity of its group that, if applicable, holds shares of the Company) or a third party upon acceptance, would waive, if applicable, the free allocation rights, for the sole purpose of ensuring that the number of new shares to be issued in the Capital Increase is a whole number and not a fraction (the "**New shares**" and each of these individually, a "**New Share**").

To determine the number of shares to be issued, it would only be considered the outstanding free allocation rights at the end of the trading period, excluding those that would have been sold to the Company under the Purchase Commitment at a guaranteed fixed price.

In particular, when it is decided to implement a Capital Increase, the Board of Directors would determine the maximum number of shares to be issued and, therefore, the maximum amount of the Capital Increase and the number of free allocation rights needed for the allocation of a New Share by applying the following formula (rounding the result down to the nearest whole number):

MNNS = NES /No. Rights per share

where,

"MNNS" = Maximum number of New Shares to be issued in the Capital Increase;

"NES" = number of outstanding shares in the Company at the date on which the Board of Directors resolves to implement the Capital Increase; and

"No. Rights per share" = number of free allocation rights required for the allocation of one New Share in the Capital Increase, which would be the result of applying the following formula, rounded up to the nearest whole number.

MNNS = NES /No. Rights per share

where,

“No. Rights per Share” = NES /Provisional no. shares

“Provisional no. shares” = Amount of the Alternative Option / Share Price

For this purpose, the “**Share Price**” would be the arithmetic mean of the weighted average prices of the Company’s share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges over the five 5 closed trading sessions prior to the date of the resolution adopted by the Board of Directors to implement the Capital Increase, which may be adopted in writing and without holding a meeting, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro.

The definitive number of shares to be issued would be the ratio of the number of outstanding rights at the end of the negotiation period and the number of rights per share, and if this figure is not a whole number, the Company or a third party would waive the free allocation rights necessary to do so.

Once determined the final number of shares to be issued, the amount of the Capital Increase would be the result of multiplying the number of the new shares by the nominal value of the Company’s shares (0.301 euros per share). The New Shares would be issued for their nominal value, that is, 0.301 euros, without share premium and would be allocated free of charge to the Company’s shareholders.

Example of the calculation

For the sole purpose of helping shareholders to understand its application, a sample calculation is set out below using the formulas contemplated in this section. The results of these calculations are not representative of the possible real results in the event of making the Capital Increase, which will depend on the different variables used in the formula (essentially the Share Price of the Company’s share at that time) and the rounding off to be made.

For the sole purpose of this example:

The Amount of the Alternative Option is 10,000,000 euros.

A Share Price of 4.6 euros is assumed.

The NES is 123,442,425 (number of Company shares at the date of this report).

Therefore:

Provisional no. shares = Amount of the Alternative Option / Share Price = 10,000,000 / 4.6 = 2,173,913.

No. Rights per share = NES / Provisional no. shares = 123,442,425 / 2,173,913 = 57 (rounded up).

MNNS = NES / No. Rights per share =123,442,425 / 57 = 2.165.656 (rounded down).

The free allocation rights to be sold to the Company under the Purchase Commitment at a guaranteed fixed price, are excluded from the computation of New Shares to be issued (NNS). In the example, if the Company had purchase 1,000,000 free allocation rights, it would be 122,442,425 of outstanding free allocation rights at the end of the trading period. The calculation of the final number of New Shares to be issued (NNS) would be:

NNS = Number of outstanding free allocation rights / No. Rights per share = 122,442,425 / 57 = 2,148,112.

Consequently, in this example, (i) the final number of New Shares to be issued in the Capital Increase would be 2,148,112, (ii) the amount of the Capital Increase would be 646,581.71 euros, and (iii) 57 free allocation rights (or old shares) would be needed for the allocation of one New Share in the Capital Increase.

5.2. Free allocation rights

Each outstanding share of the Company on the date on which the Board of Directors resolves to carry out the Capital Increase would entitle a free allocation right, and therefore the total number of free allocation rights would be equal to the total number of shares of the Company at that time.

The number of free allocation rights needed to receive one New Share would be determined automatically according to the ratio of the maximum number of New Shares (NMAN) and to the number of outstanding shares on the date on which the Board of Directors resolves to carry out the Capital Increase (NTAcc), calculated using the formula indicated in section 5.1 above. In particular, the Company's shareholders would be entitled to receive one New Share for each necessary number of free allocation rights according to section 5.1 above (No. Rights per Share).

If the number of free allocation rights required for the allocation of one New Share in the Capital Increase (57 in the example set out above) multiplied by the maximum number of New Shares (MNNS) (2,165,656 in the previous example) is lower than the number of outstanding shares in the Company at the date of the execution of the Capital Increase (123,442,425 in the same previous example), the Company (or an entity of its group which, if applicable, holds shares of the Company) or a third party (upon acceptance) would waive a number of free allocation rights corresponding to its shares equal to the difference between both figures (i.e. 33 rights in the abovementioned example), for the sole purpose of ensuring that the number of New Shares being a whole number and not a fraction. In such case, there would be an incomplete allocation of the Capital Increase, increasing the share capital by the amount corresponding to the free allocation rights in respect of which no waiver has been made (for which the provisions of section 5.3 below must also be taken into consideration), pursuant to Article 311 of the Spanish Companies Act.

Free allocation rights will be allocated in the Capital Increase to whom being entitled to receive them according to the accounting registers of Iberclear on the corresponding date according to the registry, clearing and settlement rules applicable at any given time.

Such rights may be traded on the same conditions as the shares in respect of which they are granted and may be traded on the market for such time as may be determined by the Board of Directors at least 14 calendar days. During that period of trading of the free allocation rights of the Capital Increase, it would be permitted to sell or acquire on the market free allocation rights to subscribe New Shares.

5.3. Purchase Commitment of the free allocation rights

As previously indicated, without prejudice to the possibility of selling the free allocation rights in the market, in order to offer its shareholders the possibility of choosing between receiving New Shares or an equivalent amount in cash, the Company would enter into an irrevocable commitment to purchase the free allocation rights allocated in the Capital Increase (the Purchase Commitment), so those receiving free the free allocation rights at the beginning of the trading period of such rights would have guaranteed the possibility of selling them to the Company and receiving, at their choice, all or part of their remuneration in cash.

The Purchase Commitment would only be extended to cover the allocation rights received by the Company's shareholders free of charge, not those purchased or otherwise acquired on the market or outside it. The commitment would be in force and may be accepted during such time, within the trading period of the rights, as may be determined by the Board of Directors.

The purchase price under the Purchase Commitment would be fixed and would be calculated prior to the opening of the trading period for the free allocation rights (the "**Purchase Price**") in accordance with the following formula, rounded up or down to the nearest thousandth of a euro and, in the event of half a thousandth of a euro, rounded up to the nearest thousandth of a euro:

Purchase Price = Share Price / (No. Rights per share +1)

The final Purchase Price thus calculated will be determined and announced on the date of implementation of the Capital Increase.

The Company will foreseeably waive the free allocation rights acquired under the referred Purchase Commitment, increasing the share capital solely by the amount corresponding to the free allocation rights in respect of which no waiver has been made.

The acquisition by the Company of the free allocation rights as a consequence of the Purchase Commitment could be carried out, in whole or in part, against reserves pursuant to Article 311 of the Spanish Companies Act.

5.4. Balance sheet for the transaction and reserve against which the Capital Increase would be made.

The balance that would serve as the basis for the transaction is the balance corresponding to the year ended on December 31,2021, duly audited and submitted for the approval of the Ordinary General Shareholders' Meeting.

The Capital Increase would be made entirely against the reserves set forth in article 303.1 of the Spanish Companies Act. When making the Capital Increase, the Board of Directors would determine the reserves to be used and the amount thereof in accordance with the balance sheet used as the basis for the Capital Increase.

5.5. Rights of the New Shares

The New Shares to be issued would be ordinary shares with a nominal value of 0.301 euros each of them, of the same class and series and with the same rights as the shares currently outstanding, represented by book-entry form, the accounting record of which would be attributed to Iberclear and its members.

In this regard, the New Shares would confer their holders the same voting and economic rights as the Company's ordinary shares currently outstanding as from the date on which they are registered on their behalf in the corresponding accounting registers.

The Capital Increase would be carried out free of charges and commissions for the allocation of the New Shares issued. The Company would bear the costs related to the issuance, subscription, putting into circulation, admission to trading and others related with the Capital Increase. Notwithstanding the above, the Company's shareholders should take into account that the Iberclear members in which they have deposited their shares may establish, in accordance with the legislation in force, the commissions and the expenses that may be charged for the subscription of the New Shares and for the administration, derived from the maintenance of the securities in the accounting records, that they may freely determine. Likewise, the aforementioned members may establish, in accordance with the legislation in force, the commissions and expenses chargeable for the processing of purchase and sale orders in respect of free allocation rights that they may freely determine.

5.6. Taxation

GENERAL CONSIDERATIONS

The most important tax implications associated with a Capital Increase are set forth below. They are based on the tax regulations in force in the national territory and on the interpretation made by the Directorate General of Taxes (DGT) through the reply to various binding queries, and on the foreseeable assumption that (i) the acquisition by the Company of the free allocation rights as a result of the Purchase Commitment will be made with a charge to voluntary reserves from undistributed profits and (ii) the Capital Increase would be made with a charge to share premium reserves.

Although the tax regime applicable to shareholders resident in Basque Country and Navarra, Ceuta and Melilla is similar to that of the common territory, certain differences may arise in the tax treatment (particularly for individual shareholders resident in certain territories, in connection with the sale of their free allocation rights in the market).

Shareholders not resident in Spain, and the holders of Company shares listed on markets other than the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges should consult their tax advisers on the effects deriving from the different options for the Capital Increase, including the right to apply the provisions of double taxation treaties signed by Spain.

It should be borne in mind that the taxation of the different options for the Capital Increase set out herein does not cover all possible tax consequences nor future potential changes in the legislation that may affect the applicable taxation.

Consequently, shareholders are recommended to consult their tax advisers on the specific tax impact of the proposed operation and to pay attention to any changes or amendments that may be made in both the laws in place on the date of execution of this transaction and the interpretation criteria, as well as the specific circumstances of each shareholder or holder of free allocation rights.

SPECIFIC CONSIDERATIONS

Shareholders that are resident and non-resident individuals without a permanent establishment in Spain.

For the type of shareholders indicated, the delivery of the New Shares will be considered for tax purposes as the delivery of paid-up shares and, therefore, does not constitute income for the purposes of personal income tax ("**IRPF**" by its initials in Spanish) or non- resident income tax ("**IRNR**" by its initials in Spanish). In line with the above, the delivery of the new shares is not subject to any withholdings or prepayments.

The acquisition cost of both the New Shares and the shares from which they arise will be obtained from distributing the total cost over the number of shares (both outstanding and paid-up shares). The seniority of these paid-up shares will be that corresponding to the shares from which they arise.

Consequently, in the event of a subsequent transfer, the income obtained will be calculated by reference to this new value.

If the shareholders sell their free allocation rights on the market, the amount obtained from the transfer will qualify for the same regime established by the tax regulations as for pre-emption rights.

Consequently, this amount will be considered as capital gains for the transferor that is the IRPF or IRNR taxpayer without a permanent establishment in Spain. These capital gains will be subject to personal income tax withholdings at the rate applicable at that time. These personal income tax withholdings will be made by the corresponding custodian (and, failing this, by the financial intermediary or the notary public that took part in the transfer of these rights).

This is without prejudice to the fact that double taxation treaties signed by Spain to which they may be entitled, as well as the exemptions established by IRNR regulations, may be applicable to IRNR taxpayers without a permanent establishment.

Lastly, if the holders of the free allocation rights decide to avail themselves of the Purchase Commitment, the tax regime applicable to the amount obtained in the transfer to the Company of the free allocation rights received as shareholders will be equivalent to the regime applicable to the distribution of cash dividends and, therefore, they will be subject to the corresponding withholding and taxation.

Shareholders that are resident and non-resident legal persons that operate in Spain through a permanent establishment.

For this category of shareholders, the delivery of free allocation rights and paid-up shares will follow the treatment provided for in the accounting regulations, taking into account the specific features of the Spanish Accounting and Audit Institute (ICAC, by its initials in Spanish) Resolution of 5 March 2019. By virtue of this resolution and as from 1 January 2020, the delivery of the free allocation rights means that a collection right is recognised for the shareholder, in all cases, along with the related finance income to be included in the tax base for corporation tax or IRNR. There were several doubts with respect to the duty of withholding those financial income, although the Spanish Directorate General of Tributes, in its consultation paper V1357-2020, dated 15 May, stated that such incomes will not be considered as income subject to withholding or prepayment for corporation tax purposes.

In the case of the transfer of the free allocation rights on the market, the taxpayers in this category will be taxed in accordance with the applicable accounting regulations and, if applicable, the special regimes applied to shareholders subject to the above taxes.

Lastly, if the holders of the free allocation rights decide to avail themselves of the Purchase Commitment, the applicable tax regime is substantially identical to that of a cash dividend and, therefore, they are subject to the corresponding withholding and taxation (without prejudice to the possibility of applying special regimes or tax exemptions to which shareholder may be entitled by virtue of their shareholding).

5.7. Term for executing the Capital Increase

Pursuant to Article 297.1.a) of the Spanish Companies Act, it is proposed to delegate to the Board of Directors the power to set the date on which the Capital Increase is to be carried out, as well as to set the conditions of the Capital Increase in all matters not provided for by the General Shareholders' Meeting, all within a maximum period of one year from the date on which the resolution relating to the Capital Increase is adopted by the General Shareholders' Meeting.

Notwithstanding the above, if the Board of Directors, from the perspective of the Company's corporate interest, does not consider it convenient to execute the Capital Increase within the time frame stipulated, owing to prevailing market conditions, circumstances of the Company and any deriving from a socially or economically important event or circumstance, it may refrain from implementing the Capital Increase, in which case it will have to report such decision at the first General Shareholders' Meeting held thereafter.

When the Board of Directors decides to execute the Capital Increase, defining the final terms thereof in any aspects not already specified by the General Shareholders' Meeting, the Company would publish those terms. In particular, prior to the beginning of the period for free allocation of the Capital Increase, the Company would publish a document containing information on the number and nature of the shares and the reasons for the Capital Increase, in accordance with the provisions of Article 1.5.g of Regulation (EC) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC or any applicable regulation from time to time.

After the end of the trading period for the free allocation rights in respect of the Capital Increase:

(i) The Board of Directors would declare the free allocation rights trading period over.

(ii) The New Shares would be allocated to those shareholders who hold free allocation rights according to the registers kept by Iberclear and its members, in the proportions deriving from the preceding sections.

(iii) The Board of Directors would apply the reserves in the Company's accounts in the amount of the Capital Increase, which would be deemed to be paid up by that application.

In addition, after the end of the free allocation rights trading period, the following would take place: (i) an amendment of the By-Laws in order to reflect the new amount of the capital and the number of resulting New Shares after the Capital Increase; and (ii) application for listing of the New Shares from the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, and on any other securities markets, domestic or international, where the Company´s shares are admitted to trading at the time of execution of this resolution, as well as its inclusion in the Automated Quotation System (Sistema de Interconexión Bursátil).

5.8. Delegation of powers

The share capital increase resolution proposed in this report to the General Shareholders' Meeting empowers the Board of Directors, with express powers of substitution in the Chairman of the Board of Directors, in the Chief Executive Officer and in the Secretary to the Board of Directors of the Company so that any of them, indistinctly and by means of their sole signature, may carry out all the necessary or advisable actions for the execution of the aforementioned resolution.

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This report was prepared and approved by the Board of Directors, at its meeting held on 24 February 2022.