REPORT BY THE BOARD OF DIRECTORS OF TALGO, S.A. IN CONNECTION WITH THE PROPOSED RESOLUTION FOR A SHARE CAPITAL REDUCTION THROUGH THE REDEMPTION OF OWN SHARES (ITEM NINTH 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 reduction through the redemption of own shares submitted for the approval of the General Shareholders' Meeting.

In accordance with articles 286 and 318 of *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

The Board of Directors considers it appropriate to reduce the Company's share capital through the redemption of own shares, so as to assist in the shareholder's remuneration policy of the Company by increasing the earnings per share.

The proposed share capital reduction would be carried out through the redemption of own shares. To this effect, the Board of Directors of the Company intends to approve the establishment of a share buy-back programme for a maximum pecuniary amount of 10,000,000 euros (the **"Buy-back Programme"**). This Buy-back Programme would be agreed in accordance with article 5 of the *Regulation (EU) no. 596/2014 of the European Parliament and of the Council dated 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council, and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC* (the **"Market Abuse Regulation"**) and the *Commission Delegated Regulation (EU) 2016/1052 dated 8 March 2016 supplementing Regulation (EU) no. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures* (the **"Commission Delegated Regulation"**), and it would be communicated to the market through the corresponding regulatory announcement of "*other relevant information*" at the time of establishment.

3. Terms and conditions of the proposed share capital reduction

It is proposed to the General Shareholders' Meeting to reduce the Company's share capital by a maximum nominal amount of 797,650 euros, through the redemption of a maximum of 2,650,000 own shares, each of them with a nominal value of 0.301 euros, representing a maximum of 2.15% of the share capital of the Company taking into account the number of shares of the Company currently outstanding.

The definitive amount of the share capital reduction would be determined by the Board of Directors with express powers of substitution in the Chairman of the Board of Directors and in the Chief Executive Officer of the Company, on the basis of the definitive number of shares acquired under the Buy-back Programme within the maximum number of shares previously referred.

The acquisition of the shares to be redeemed would be carried out under: (i) article 144.a) and subsequent articles of the Spanish Companies Act; (ii) articles 338 to 342 of the Spanish Companies Act, to the extent that they are applicable; (iii) article 12.2 of *Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores* and article 5 of the Market Abuse Regulation, by virtue of which it is not necessary to launch a takeover bid for the Company's shares acquired in execution of the Buy-back Programme; and (iv) articles 2, 3 and 4 of the Commission Delegated Regulation.

The acquisition of shares under the Buy-back Programme would be carried out in accordance with the following terms and conditions:

- *Purpose of the Buy-back Programme*: to reduce the Company's share capital through the redemption of own shares, so as to assist to the Company's shareholder remuneration policy by increasing the earnings per share.
- *Maximum investment of the Buy Back Programme*: the Buy-back Programme would reach up to a maximum of 2,650,000 shares, representing, approximately, 2.15% of the Company's share capital as of the date of this General Shareholders' Meeting, and the maximum pecuniary amount allocated to it would be of 10,000,000 euros, all according to the maximum legal limits in force at each time.
- *Price and volume*: the shares would be acquired in accordance with the price and volume conditions set forth in Article 3 of the Commission Delegated Regulation.
- *Duration of the Buy-back Programme*: the Buy-back Programme would remain in force for the term determined by the Board of Directors, which would not exceed one year. Notwithstanding the above, the Company would be entitled to terminate the Buy-back Programme if, prior to the scheduled termination date, it had acquired shares under such programme for a price that reached the established maximum pecuniary amount or the maximum number of shares.

  Additionally, the Board of Directors, taking into account general market conditions or other circumstances that may adversely affect the Company, would be able to decide not to execute the Buy-back Programme or, to early terminate it without having reached the maximum number of shares or the maximum pecuniary amount of the Buy-back Programme.

In the event that the share capital reduction resolution referred to in this report is approved, the article of the Bylaws relating to share capital shall be amended in order to reflect the new amount of share capital and the new number of outstanding shares.

The proposed share capital reduction would not entail a refund of contributions to shareholders given that, at the time of execution of the reduction, the Company would be the owner of the shares to be redeemed.

On the other hand, the share capital reduction would be charged against freely available reserves. A reserve would be provisioned for an amount equal to the nominal value of the redeemed shares, which would only be available pursuant to the same requirements demanded for the share capital reduction. Consequently, in accordance with the terms of article 335 c) of the Spanish Companies Act, there would be no right of opposition for the creditors included in article 334 of the Spanish Companies Act.

In accordance with the provisions of article 342 of the Spanish Companies Act, the own shares acquired by the Company must be redeemed no later than the month following the termination of the Buy-back Programme. In this sense, the share capital reduction would be executed, at the latest, within the month following the date of termination of the Buy-back Programme and, in any case, within one year from the date of the resolution that is the subject of this report. Therefore, the Board of Directors, with express powers of substitution in the Chairman of the Board of Directors and in the Chief Executive Officer of the Company, would execute the share capital reduction when the (ordinary or early) termination of the Buy-back Programme occurs.

The share capital reduction 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 and in the Chief Executive Officer 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.