



INFORMATION DOCUMENT

Talگو, S.A.

Information Document

Capital increase charged to reserves

July 2023



1. Background

The Ordinary General Shareholders' Meeting of Talgo, S.A. ("**Talgo**" or the "**Company**") held on 29 June 2023 has resolved, under item ten on the agenda, to increase Talgo's share capital with a charge to reserves (*scrip dividend*) by a determinable amount, through the issue of new ordinary shares with a par value of 0.301 euros each, without share premium, of the same class and series as those currently outstanding (the "**New Shares**"), offering the Company's shareholders the opportunity to sell the free allocation rights to the Company itself (at a guaranteed price) or on the market (the "**Capital Increase**").

In the aforementioned resolution of the General Meeting, it was agreed to empower the Board of Directors of the Company, with express powers of substitution in the Chairman of the Board of Directors, the Chief Executive Officer and the Secretary of the Board of Directors of the Company, so that any of them, without distinction and with their sole signature, may carry out all actions necessary or convenient for the execution of the aforementioned resolution.

In exercise of the aforementioned delegation of powers, the Board of Directors of the Company, at its meeting held on 30 June 2023, has resolved, among other resolutions, to execute the Capital Increase resolution, setting the terms and conditions of the Capital Increase in all matters not provided for by the General Shareholders' Meeting.

2. Purpose of this document

This information document (the "**Information Document**") is issued for the purposes of Article 1.5.(g) of Regulation (EU) 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, pursuant to which a prospectus need not be drawn up and published regarding with the admission to trading of the shares to be issued in implementation of the Capital Increase provided that such shares are of the same class as those already admitted to trading on the same regulated market and that a document containing information on the number and nature of the shares and the reasons for and details of the offer is available. This information is included in this Information Document, which is available on the Company's corporate website (www.talgo.com) and on the website of the Spanish National Securities Market Commission or CNMV (*Comisión Nacional del Mercado de Valores*) (www.cnmv.es).

The purpose of the Information Document is, therefore, to provide all such information as is available at this date in relation to the Capital Increase from among the information set out above.

3. Reasons for the Capital Increase

In line with trends in shareholder remuneration in other listed companies, shareholders of the Company are offered, in their best interests, an option to receive new shares in the Company with the taxation of bonus shares (as described below), or to receive their full remuneration in cash if they so wish. This system was implemented by the Company in 2017, and was also executed in 2022.



In this regard, the purpose of the Capital Increase is to offer all shareholders of the Company the option, at their free choice, to receive newly issued bonus shares of the Company or a cash amount by transferring to the Company (if they have not done so on the market) the free allocation rights they receive for the shares they hold, all on the terms set out below.

4. Functioning of the Capital Increase

Each shareholder of the Company will receive one free allocation right for each Talgo share held on the date indicated in section 5 below. Such rights will be tradable and may be transferred on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges for a period of 14 calendar days, at the end of which the rights will be automatically converted into newly issued Talgo shares.

Each shareholder of the Company shall have the option, at his or her discretion, to:

- (i) Maintain their free allocation rights. In such case, at the end of the trading period, the shareholder will receive the number of New Shares allotted to him fully paid up.
- (ii) Transfer all or part of their free allocation rights to the Company under the Purchase Commitment (as defined in section 5.1 below) at a guaranteed fixed price. In this way, the shareholder would choose to monetise his rights and receive his remuneration in cash instead of receiving shares in the Company.
- (iii) Transfer all or part of their free allocation rights on the market during the trading period set out in section 5.3 below. In this case, the shareholder would also choose to monetise his rights, although in this case he would not receive a guaranteed fixed price (as in the previous option), but the consideration for the free allocation rights would depend on the listing price of the rights.

Shareholders of the Company may combine any of the alternatives mentioned in (i) to (iii) above. Notwithstanding the above, it should be noted that the tax treatment of these options is different. A summary of the tax regime applicable to the operation in Spain can be found in section 7 below.

5. Offer details

5.1. Number of free allocation rights required for the allocation of one new share, maximum number of new shares to be issued and maximum nominal amount of the Capital Increase.

In application of the formulas provided for in the resolution of the General Meeting of Shareholders, the Board of Directors has determined the following aspects of the Capital Increase:

Number of free allocation rights required

The number of free allocation rights required to receive one New Share in the Capital Increase ("**No. Rights per Share**") is 35. The above number of rights has been calculated as follows, taking into account the following:



- (i) the number of issued shares of the Company as at this date ("NTAcc") is 123,442,425;
- (ii) the maximum value of the *scrip dividend* to be distributed to the Company's shareholders ("**Alternative Option Amount**") is EUR 12,000,000; and
- (iii) the arithmetic mean of the weighted average prices of the Company's shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges in the 5 closed trading sessions prior to the resolution of the Board of Directors to implement the Capital Increase, that is, the sessions of 23, 26, 27, 28, and 29 of June 2023, rounded to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, to the nearest thousandth of a euro (the "**Listing Price**") is 3.361 euros.

No. Rights per Share = NTAcc / Provisional number of shares = 123,442,425 / 3,570,365 = 35 rights per share (rounded up in accordance with the resolution of the General Meeting).

where:

"Provisional number of shares = Alternative Option Amount / Listing Price = 12,000,000 / 3.361 = 3,570,365.

The free allocation rights will be allocated to shareholders who have acquired their shares up to 6 July 2023 (*last trading date*) and whose transactions have been settled up to 10 July 2023 (*record date*) at Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") in the proportion of one free allocation right for each old Talگو share they hold, the total number of free allocation rights therefore being equal to the total number of shares of the Company at such time. Consequently, the aforementioned entitled persons shall be entitled to receive one new share for every 35 old shares held by them on the aforementioned date.

Maximum number of shares to be issued

The maximum number of new shares to be issued under the Capital Increase ("**NMAN**") is 3,526,926. This maximum number of new shares to be issued (NMAN) results from the application of the following formula:

NMAN = NTAcc / No. Rights per Share = 123,442,425 / 35 = 3,526,926 new shares (rounded down in accordance with the resolution of the General Meeting).

where:

"NTAcc" and "No. Rights per Share" have the meanings set out in the preceding paragraph.

Notwithstanding the foregoing, the number of shares actually issued may be lower to the extent that it will depend on the number of shareholders requesting to receive their remuneration in cash pursuant to the irrevocable commitment to purchase the free allocation rights allocated in the Capital Increase undertaken by the Company (the "**Purchase Commitment**").

Talگو will waive the free allocation rights acquired by virtue of the aforementioned Purchase



Commitment and, therefore, only the shares corresponding to the free allocation rights not acquired by Talگو in execution of the aforementioned Purchase Commitment will be issued. In any event, the final number of shares to be issued in the Capital Increase will be disclosed to the market by means of the corresponding announcement regarding the closing of the implementation of the Capital Increase, the publication of which is expected to take place on 26 July 2023.

Maximum nominal amount of the Capital Increase

Once the maximum number of new shares to be issued has been determined as indicated above, the maximum nominal amount of the Capital Increase is EUR 1,061,604.73. Notwithstanding the foregoing, as indicated above, the amount by which the share capital will effectively be increased will be the result of multiplying the number of definitive shares by the nominal value of 0.301 euros per share of the Company's shares.

Since the number of free allocation rights required for the allocation of one new share (35, as calculated above) multiplied by the maximum number of new shares to be issued (3,526,926, as calculated above), has resulted in 123,442,410 (i.e. in a number lower than the number of outstanding shares of the Company, which as at the date of this document amounts to 123,442,425 shares), the Company has waived a number of free allocation rights equal to the difference between the two figures (i.e. 15 rights) for the sole purpose of making the maximum number of new shares to be issued a whole number and not a fraction.

5.2. Price of the Commitment to Purchase the rights

The guaranteed fixed price of the Purchase Commitment undertaken by Talگو (“**Purchase Price**”) is EUR 0.093 gross per right, which results from the following formula:

Purchase Price = Listing Price / (No. Rights per Share + 1) = 3.361 euros / (35+1) = 0.093 euros (rounded to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, to the nearest thousandth of a euro).

Accordingly, shareholders who wish to receive their remuneration in cash may sell their free allocation rights to Talگو at a guaranteed fixed price of EUR 0.093 gross per right.

5.3. Timetable

The expected timetable for the implementation of the Capital Increase is as follows:

- (i) **6 July 2023.** Publication of the announcement of the Capital Increase in the BORME. Last trading day for Talگو shares entitled to participate in the scrip dividend (*last trading date*).
- (ii) **7 July 2023.** Commencement of the trading period for the free allocation rights and of the period for requesting cash remuneration. Date as from which the Company's shares will be traded without the right to participate in the scrip dividend (*ex-date*).
- (iii) **10 July 2023.** The effective settlement date of the trades executed on the last trading day (*record date*).
- (iv) **14 July 2023.** Deadline to apply for cash remuneration under the Purchase Commitment



undertaken by Talgo.

- (v) **20 July 2023.** End of the trading period for the free allocation rights. Execution of the order for Talgo to acquire the free allocation rights of those shareholders who have opted to sell their rights to Talgo.
- (vi) **24 July 2023.** Cash payment to shareholders who opted to sell the free allocation rights to Talgo under the Purchase Commitment.
- (vii) **26 July 2023.** Waiver by Talgo of the free allocation rights acquired under the Purchase Commitment, closing of the Capital Increase and communication of the final result of the scrip dividend.
- (viii) **13 to 14 September 2023 (maximum estimated date).** Formalities for the admission of the New Shares to trading on the Stock Exchanges, subject to registration of the Capital Increase resolution with the Commercial Registry.
- (ix) **15 September 2023 (maximum estimated date).** Commencement of ordinary trading of the New Shares on the Stock Exchanges, subject to obtaining the relevant approvals.

5.4. Allocation of rights and procedure to opt for either cash or New Shares

As stated above, the free allocation rights will be allocated to shareholders who have purchased their shares up to 6 July 2023 (*last trading date*) and whose trades have been settled up to 10 July 2023 (*record date*) at Iberclear. The rights trading period will commence on the business day following publication of the announcement of the implementation of the Capital Increase in the BORME and will last for 14 calendar days (i.e., from 7 July 2023 to 20 July 2023, both inclusive). During this period, the rights will be tradable and, therefore, may be transferred or acquired under the same conditions as the shares from which they derive, on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

During the free allocation rights trading period, shareholders may opt for either cash or new shares on the terms set out above, as well as acquire sufficient free allocation rights on the market and in the proportion necessary to subscribe for new shares. However, shareholders wishing to accept Talgo's Purchase Commitment and receive cash at the guaranteed fixed price (i.e., the Purchase Price) must give notice of their decision no later than 14 July 2023. The Purchase Commitment covers only the free allocation rights received free of charge by the Company's shareholders, not to allocation rights purchased or otherwise acquired on or off the market. In order to decide between the options offered by the Company, shareholders must contact the Iberclear participating entities with which they have deposited their Talgo shares and the free allocation rights corresponding thereto in order to give notice of their decision.

In particular, if they wish to receive cash at the guaranteed fixed price of the Talgo Purchase Commitment, they must give notice of this no later than 14 July 2023. In the absence of express notice, shareholders will receive New Talgo Shares.

The Capital Increase will be effected free of expenses and fees in respect of the allocation of the New Shares. The Company will bear the costs of issue, subscription, flotation, admission to trading and other expenses in connection with the Capital Increase.



Without prejudice to the foregoing, the Company's shareholders should bear in mind that the entities participating in Iberclear in which their shares are deposited may establish, in accordance with the legislation in force, any fees and expenses payable for the subscription of the new shares and for administration related to the maintenance of the securities in the accounting records, as they may freely determine. Likewise, the aforementioned participating entities may establish, in accordance with prevailing legislation, any fees and expenses chargeable for processing purchase and sale orders for free allocation rights that they freely determine.

6. Nature of the shares to be issued

6.1. Par value, type of issue and form of New Shares

The New Shares to be issued in the Capital Increase will be ordinary shares of 0.301 euro par value each, of the same class and series as those currently outstanding and currently listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The new shares will be issued at an issue price of EUR 0.301, i.e., without share premium, and will be represented by book entries, the accounting records of which will be attributed to Iberclear and its participating entities.

6.2. Balance sheet for the transaction and reserve against which the Capital Increase is made

The balance sheet on which the transaction is based is the balance sheet for the year ended 31 December 2022, which was audited by Deloitte, S.L. on 28 February 2023 and approved by the Ordinary General Meeting of Shareholders on 29 June 2023, under item one of the agenda.

Pursuant to the provisions of the Capital Increase resolution adopted by the General Meeting, which determines that the Capital Increase must be charged to the reserves provided for in article 303.1 of the revised text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Companies Act**”), the Capital Increase will be fully charged to “Other reserves”, the amount of which at 31 December 2022 amounted to EUR 21,885 thousands of euros.

6.3. Depositary Shares

At the end of the trading period for the free allocation rights, the New Shares that could not be allotted for reasons not attributable to the Company will be held in deposit at the disposal of those who can prove that they are the legitimate holders of the corresponding free allocation rights. After 3 years have elapsed from the date of expiry of the aforementioned free allocation rights trading period, the New Shares still pending allocation may be sold in accordance with the provisions of article 117 of the Spanish Companies Act, at the risk and expense of the concerned parties. The liquid amount of the aforementioned sale will be deposited in the Banco de España or in the Caja General de Depósitos at the disposal of the concerned parties.

6.4. Rights of New Shares

The New Shares will confer on their holders the same voting and dividend rights as the



Company's ordinary shares currently outstanding, as from the date on which they are registered in their names in the relevant accounting records, which is expected to be, at the latest, 14 September 2023.

6.5. Admission to trading of the New Shares

The Company will apply for admission to trading of the New Shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, and on any other national or international markets on which the Company's shares are admitted to trading, as well as their inclusion in the Spanish Stock Exchange Interconnection System (Sistema de Interconexión Bursátil). Subject to registration of the Capital Increase resolution with the Commercial Registry and to obtaining the appropriate authorisations, ordinary trading of the new shares on the Spanish Stock Exchanges is expected to commence, at the latest, on 15 September 2023.

7. Tax regime

OVERALL CONSIDERATIONS

The main tax implications related to the implementation of the Capital Increase are set out below, based on the tax regulations in force in Spain and the interpretation made by the Directorate General of Taxes ("DGT") by way of responses to various binding consultations and on the foreseeable assumption that both the acquisition by the Company of the free allocation rights as a result of the Purchase Commitment and the Capital Increase will be charged to "Other Reserves".

In general, the tax regime applicable to shareholders resident in certain territories (including the Community of Navarre), Ceuta or Melilla, although similar to that of the common territory, may have some differences in its treatment (in particular, for individual shareholders resident in certain territories, in relation to the sale of their free allocation rights on the market).

Shareholders not resident in Spain, as well as holders of shares listed on markets other than the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, should discuss with their tax advisors the effects of the various options related to the implementation of the Capital Increase, including the right to application of the provisions of the double taxation treaties signed by Spain.

It should be noted that the taxation of the various options relating to the implementation of the Capital Increase set out above does not make explicit all possible tax consequences and potential future regulatory changes that may affect the applicable tax regime.

Therefore, shareholders should consult with their tax advisors regarding the specific tax impact of the proposed scheme and that they pay attention to any changes that may occur, both in the legislation in force at the date of execution of this transaction and in its interpretation criteria, as well as to the particular circumstances of each shareholder or holder of free allocation rights.

SPECIFIC CONSIDERATIONS



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

For the type of shareholders indicated above, the delivery of the New Shares will be treated for tax purposes as the delivery of fully-paid up shares and, therefore, will not constitute income for Personal Income Tax (“**IRPF**”) or Non-Resident Income Tax (“**IRNR**”) purposes. In line with the foregoing, the delivery of the New Shares is not subject to withholding or payment on account.

The acquisition value of both the New Shares and the shares from which they arise will be calculated by dividing the total cost by the number of shares (both old and bonus shares). The seniority of such paid-up shares shall be that which corresponds to the shares from which they arise. Consequently, in the event of a subsequent transfer, the income to be obtained will be calculated by reference to this new value.

In the event that shareholders sell their free allocation rights on the market, the amount obtained in the transfer follows the same regime established by tax regulations for pre-emptive subscription rights.

Consequently, this amount will be considered as a capital gain for the transferor who is an IRPF or IRNR taxpayer without a permanent establishment in Spain. Such capital gain will be subject to personal income tax withholding at the rate applicable at the time. This withholding tax is levied by the relevant depositary institution (or, failing that, by the financial intermediary or notary public involved in the transfer of these rights). This is without prejudice to the potential application to IRNR taxpayers without a permanent establishment of the agreements to avoid double taxation signed by Spain and to which they may be entitled, as well as the exemptions established by IRNR regulations.

Lastly, in the event that the holders of the free allocation rights decide to use the Purchase Commitment, the tax regime applicable to the amount obtained on the transfer to the Company of the free allocation rights received in their capacity as shareholders will be equivalent to the regime applicable to a distribution of cash dividends and, therefore, will be subject to the corresponding withholding and taxation.

- Shareholders resident and non-resident legal entities operating in Spain through a permanent establishment (to the extent that a complete business cycle is completed)

In this category of shareholders, the delivery of free allocation rights and fully-paid up shares will be treated in accordance with accounting regulations, taking into account the particularities of the ICAC Resolution of 5 March 2019. Pursuant to this resolution and as from 1 January 2020, the delivery of the free allocation rights will, in all cases, give rise to the recognition by the shareholder of a collection right and the corresponding financial income that may be included in the taxable income for corporate income tax (“**IS**”) or IRNR.

In order to clarify the possible tax implications of the aforementioned resolution, ruling V1358-20 issued by the DGT on 12 May clarifies both, the accounting regime (through clarifications made by the ICAC to the DGT), and the tax regime applicable after the ICAC's Resolution.



According to the abovementioned ruling, the delivery of new shares charged to the share premium involves the reduction of the tax value of the shareholder's participation in the company, so that the amount received would not be included in the shareholder's taxable base, provided that the value of the shareholding exceeds the amount received. Otherwise, the excess of the amount received over the value of the shareholding will be included in the taxable base as a dividend.

On the other hand, if the delivery of new shares is charged to retained earnings, the income obtained by the shareholder will be treated as a dividend.

There were several doubts with respect to the duty of withholding those financial income (whether from delivery of shares paid up against additional paid-in capital or retained earnings), although the DGT, 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 IS purposes.

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

Finally, in the event that the holders of the free allocation rights decide to use the Purchase Commitment, the tax regime applicable would be substantially identical to that of a cash dividend, and they would therefore be subject to the corresponding withholding and taxation (without prejudice to the possibility of application of special schemes or tax exemptions to which the shareholder may be entitled based on his or her shareholding).