

#### **ITEM NUMBER ONE ON THE AGENDA**

##### **Approval of the Company's individual and consolidated annual accounts for the year 2016.**

Approve the individual annual accounts of TALGO, S.A. (balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes) and the consolidated annual accounts of the group (consolidated balance sheets, consolidated income statement, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated cash flow statements and consolidated accompanying notes), corresponding to the financial year ended 31 December 2016, which were formulated by the Board of Directors at their meeting on 23 February 2017.

#### **ITEM NUMBER TWO ON THE AGENDA**

##### **Approval of the Company's individual and consolidated management reports – which includes the Annual Corporate Governance Report in a separate section – for the individual company, as well as for the consolidated group including its subsidiary companies, for the year 2016.**

Approve the Directors' Report – which includes the Annual Corporate Governance Report in a separate section – for the individual company TALGO, S.A., as well as for the consolidated group including its subsidiary companies, for the financial year ended 31 December 2016, which were formulated by the Board of Directors at their meeting on 23 February 2017.

#### **ITEM NUMBER THREE ON THE AGENDA**

##### **Approval of the management activities and performance of the Board of Directors during the year 2016.**

Approve the corporate management and other actions carried out by the Board of Directors of TALGO, S.A. during the financial year ended 31 December 2016.

#### **ITEM NUMBER FOUR ON THE AGENDA**

##### **Approval of the proposal for the application of the result.**

Approve, after applying €60,564,409.36 to compensate previous years' losses against share premium, the proposal for the application of the result – a profit of €10,200 thousand – formulated by the Board of Directors in their meeting on 23 February 2017, which is described below:

- €10,000 thousand in dividends; and
- €200 thousand to offset negative results carried forward from previous years.

The referred dividends amount (€10,000 thousand) shall be included in the reserves of the Company to be applied for the increase in the share capital execution submitted to the shareholders in this Shareholders Meeting.

## ITEM NUMBER FIVE ON THE AGENDA

**Increase in the share capital by a fixed amount, through the issue of new ordinary shares with a nominal value of three hundred thousandths of a euro (€0.301) each and no share premium, of the same class and series as those currently in circulation, charged against reserves. Shareholders will be offered the option to sell their free share allocation rights to the Company itself at a guaranteed price or in the market. Delegation of powers to the Board of Directors, with express power of substitution, to indicate the date on which the capital increase should be carried out and to redraft Article 5 of the Articles of Association relating to share capital, amongst other matters.**

Approve an increase in the share capital (the “**Capital Increase**”) for the amount that results from multiplying: (a) the nominal value of THREE HUNDRED THOUSANDTHS OF A EURO (€0.301) per share in Talgo, S.A. (the “**Company**”) by (b) the total number of new shares in the Company that results from applying the formula set out in Section 2 below. The Capital Increase shall be governed by the following conditions:

### **1. Capital increase charged against reserves**

The Capital Increase shall be carried out through the issuance and entry into circulation of the fixed number of new shares in the Company that results from the formula set out in Section 2 below (the new shares issued pursuant to this agreement shall be jointly referred to as the “**New Shares**” and each one, individually, as a “**New Share**”).

The Capital Increase shall be carried out through the issuance and entry into circulation of the New Shares, which shall be ordinary shares with a nominal value of THREE HUNDRED THOUSANDTHS OF A EURO (€0.301) each, of the same class and series, and with the same rights as those currently in circulation, represented by the corresponding book entries.

The Capital Increase shall be charged in its entirety against the reserves provided for in Article 303.1 of the Capital Companies Act. In the context of the execution of the Capital Increase, the Board of Directors shall determine the reserve(s) to be used and the corresponding amount(s) in accordance with the balance sheet that serves as the basis for the Capital Increase.

The New Shares shall be issued at par, in other words, at their nominal value of THREE HUNDRED THOUSANDTHS OF A EURO (0.301€), with no issue premium and shall be allocated free of charge to the Company’s shareholders.

The Capital Increase may be executed for one year following the date on which this Agreement is adopted by the Board of Directors, with no requirement to revert to this General Shareholders’ Meeting again, and in accordance with the legal and financial conditions in force at the time the Capital Increase is executed, in order to offer the Company’s shareholders a flexible and efficient remuneration formula.

Pursuant to the provisions of Article 311 of the Capital Companies Act, it is possible that the Capital Increase may not be fully allocated.

### **2. New Shares to be issued**

The maximum number of New Shares to be issued under the Capital Increase shall be the number that results from the application of the following formula, rounding down to the nearest whole number:

$$NMAN = NTA_{cc} / \text{Number of rights per share}$$

where,

“NMAN” = Maximum number of New Shares to be issued under the Capital Increase;

“NTAcc” = Number of Company shares in circulation on the date that the Board of Directors resolves to carry out the Capital Increase; and

“Number of rights per share” = Number of free allocation rights necessary for the allocation of a New Share under the Capital Increase, which shall be the number that results from the application of the following formula, rounding up to the nearest whole number:

Number of rights per share = NTAcc / Provisional number of shares.

where,

“Provisional number of shares” = Amount of the Option / Market Price

For these purposes, the “**Market Price**” shall be the arithmetical average of the weighted average prices of the Company’s shares on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia on the five (5) trading sessions prior to the date on which the Board of Directors resolves to carry out the Capital Increase, rounding to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, rounding up to the nearest thousandth of a euro.

Similarly, the “**Amount of the Option**” is the maximum market value of the Capital Increase that the Board of Directors shall set, with express power of substitution. It shall amount to 10,000,000 euros, at most.

### **3. Free allocation rights**

Each one of the Company’s shares in circulation shall be granted one (1) free allocation right.

The number of free allocation rights necessary to receive a New Share shall be determined automatically based on the ratio between the maximum number of New Shares (NMAN) and the number of shares in circulation (NTAcc), calculated in accordance with the formula stated in Section 2 above. Specifically, shareholders shall be entitled to receive a New Share for a certain number of free allocation rights, determined in accordance with the provisions of Section 2 above (Number of rights per share).

In the event that the number of free allocation rights necessary for the allocation of a New Share under the Capital Increase (Number of rights per share) multiplied by the maximum number of New Shares (NMAN) is less than the number of Company shares in circulation on the date that the Capital Increase is executed (NTAcc), PEGASO RAIL INTERNATIONAL, S.C.A. shall renounce a number of free allocation rights corresponding to his shares equal to the difference between both figures, for the exclusive purposes of ensuring that the number of New Shares is a whole number and not a fraction.

The free allocation rights shall be assigned under the Capital Increase to the people who are lawfully recorded for this purpose in the accounting registers of ‘Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal’ (Iberclear) on the corresponding date, in accordance with the applicable regulations for registering, clearing and settling securities, in force at any given time.

The free allocation rights shall be transferable under the same conditions as the shares from which they are derived. The free allocation rights may be traded on the market for a term that shall be determined by the Board of Directors and which shall last at least fifteen calendar

days. During the trading period for the free allocation rights associated with the Capital Increase, sufficient free allocation rights may be acquired in the market and in the proportion necessary to subscribe the New Shares.

#### **4. Irrevocable commitment to acquire the free allocation rights**

The Company shall assume an irrevocable commitment to purchase the free allocation rights assigned under the Capital Increase, at the price indicated below, in accordance with the provisions of Section 3 above (the “**Purchase Commitment**”).

The Purchase Commitment shall extend only to those allocation rights that are received for free by the shareholders of the Company, and not to any allocation rights that are purchased or otherwise acquired in the market, and shall remain in force and may be accepted during the term, within the rights trading period established by the Board of Directors. To that end, it is resolved to authorise the Company to acquire those free allocation rights (as well as the New Shares that correspond to them) up to a maximum limit of the total number of rights to be issued, and in compliance with legal requirements, in all cases.

The “**Purchase Price**” of each free allocation right shall be equal to the amount that results from the following formula, rounding to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, rounding up to the nearest thousandth of a euro:

Purchase Price = Market Price / (Number of rights per share+1)

The Company is expected to renounce the free allocation rights that are acquired as a result of the application of the aforementioned Purchase Commitment, so that the share capital will be increased only by the amount corresponding to the free allocation rights that have not been renounced.

The Company’s acquisition of the free allocation rights as a result of the Purchase Commitment may be performed, in whole or in part, against the reserves, as established in Article 303.1 of the Capital Companies Act.

#### **5. Balance sheet for the operation and the reserve against which the Capital Increase will be charged**

The balance sheet that serves as the basis for the transaction is the one that corresponds to the financial year ended 31 December 2016, having been duly audited and approved by this Ordinary General Shareholders’ Meeting.

The Capital Increase shall be charged in its entirety against the reserves provided for in Article 303.1 of the Capital Companies Act. In the context of the execution of the Capital Increase, the Board of Directors shall determine the reserve(s) to be used and the corresponding amount(s) in accordance with the balance sheet that serves as the basis for the Capital Increase.

#### **6. Representation of the New Shares**

The New Shares that are issued shall be represented by book entries, whose accounting records are entrusted to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) and its participating entities.

#### **7. Rights of the New Shares**

The New Shares shall confer their holders with the same political and economic rights as the Company's ordinary shares currently in circulation, from the date on which the Capital Increase is declared subscribed and paid up.

#### **8. Shares on deposit**

Once the period for trading the free allocation rights has come to an end, any New Shares that have not been allocated for reasons not attributable to the Company, shall be held on deposit, at the disposal of whoever is able to prove legal ownership of the corresponding free allocation rights. Once three years have passed from the date on which the aforementioned trading period for the free allocation rights ended, any New Shares that are still waiting to be allocated may be sold in accordance with the provisions of Article 117 of the Capital Companies Act, at the expense and risk of the interested parties. The amount received from the aforementioned sale shall be deposited with the Bank of Spain ('Banco de España') or with the General Deposit Fund ('Caja General de Depósitos) at the disposal of the interested parties.

#### **9. Application for admission to trade the New Shares**

It is resolved to request admission to trade the New Shares on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia through the Stock Market Interconnection System (Continuous Market), expressly stating that the Company subjects itself to the rules that currently exist and that may be enacted with regards to the stock market and, in particular, regarding the trading and exclusion from trading of the Company's shares.

It is expressly stated that, in the event that a request is made subsequently for the Company's shares to be excluded from trading, then it shall adopt that position with the same formalities as may be applicable and, in such a case, shall guarantee the interests of the shareholders who oppose the exclusion decision or who do not vote for it, in compliance with the requirements established in the Capital Companies Act and its related provisions, all in accordance with the provisions of the revised text of the Securities Market Act and its implementing provisions in force at any given time.

#### **10. Execution of the Capital Increase**

The Board of Directors may agree to carry out the Capital Increase, setting the date for its execution and its conditions in all matters not provided for in this agreement, for a maximum period of one year from the date of this agreement.

Notwithstanding the above, if the Board of Directors does not consider the execution of the Capital Increase to be appropriate within the term indicated, in light of conditions in the market, other factors affecting the Company or any other considerations arising from any fact or event of corporate or economic significance, then it may submit the possibility of revoking it to the General Shareholders' Meeting. Similarly, the Capital Increase shall have no effect whatsoever if, within the term of one year indicated by the General Shareholders' Meeting for the execution of the Capital Increase, the Board of Directors does not exercise the powers delegated to it, in which case it must report to the first General Shareholders' Meeting that is held subsequently.

Once the trading period for the free allocation rights associated with the Capital Increase has come to an end:

- (i) The New Shares shall be assigned to the people who, in accordance with the accounting registers of 'Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal' (Iberclear) and its participating entities, are the holders of the free allocation rights in the proportion that results from the previous sections.
- (ii) The Board of Directors shall declare the trading period for the free allocation rights to be closed and shall proceed to formalise the application of the reserves from an accounting perspective for the amount of the Capital Increase, which shall be expended as a result of this application.

Once the trading period for the free allocation rights has come to an end, the Board of Directors shall adopt the corresponding resolution to (i) amend the Articles of Association to reflect the new share capital figure and the number of New Shares resulting from the Capital Increase; and (ii) request admission to trade the New Shares resulting from the Capital Increase on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia.

#### **11. Delegation to execute the Capital Increase**

In accordance with the provisions of Article 297.1.a) of the Capital Companies Act, it is resolved to delegate to the Board of Directors, with the express power of substitution by the Chairman and the Chief Executive Officer, the power to determine the conditions of the Capital Increase in all matters not provided for in this agreement. In particular, and for merely illustrative purposes, the following powers are delegated to the Board of Directors, with the express power of substitution by Chairman and the Chief Executive Officer:

- (i) Indicate the date on which the Capital Increase approved by virtue of this agreement should take place, within the timeframes established in Section 10 above in all cases; set the Amount of the Option; choose the reserves against which the increase will be charged from those provided for in the agreement; and set the reference date and time for the assignation of the free allocation rights; as well as make any operational adjustments that are required, where appropriate, in relation to the provisions of this agreement as a result of the entry into force of the new securities clearing and settlement system.
- (ii) Set the exact amount of the Capital Increase, the number of New Shares and the free allocation rights necessary for the allocation of the New Shares under the Capital Increase, applying the rules established by this General Shareholders' Meeting to this end.
- (iii) Set the duration of the trading period for the free allocation rights, which shall last at least fifteen calendar days.
- (iv) Set the period during which the Purchase Commitment shall be in force and fulfil the Purchase Commitment, by paying the corresponding amounts to any holders of free allocation rights that have accepted that commitment.
- (v) Declare the Capital Increase closed and executed, determining any incomplete allocation, where appropriate.
- (vi) Redraft Article 5 of the Company's Articles of Association, relating to share capital, adapting it to reflect the result of the execution of the Capital Increase.

- (vii) Renounce the New Shares that correspond to the free allocation rights that the Company holds at the end of the trading period and that have been acquired as a result of its execution of the Purchase Commitment.
- (viii) Undertake all of the procedures necessary so that the New Shares that form the subject of the Capital Increase are registered in the accounting records of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) and admitted for trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia, in accordance with the procedures established for each one of those exchanges; similarly, undertake such actions as deemed necessary or appropriate to execute and formalise the Capital Increase before any public or private entity or authority, in Spain or overseas, including those relating to the declaration, completion or correction of defects or omissions that may impede or hinder the full effectiveness of the preceding agreements.

#### **ITEM NUMBER SIX ON THE AGENDA**

**Reduction of the share capital through the redemption of a maximum of 2,500,000 own shares, representing 1.83% of the Company's current share capital. Delegation of powers to the Board of Directors, with express power of substitution, to set the other conditions relating to the reduction in all matters not provided for by the General Shareholders' Meeting, including the power to redraft Article 5 of the Articles of Association relating to share capital and to request the exclusion from trading and the cancellation in the accounting records of the shares that are redeemed, amongst other things.**

Reduction of the share capital through the redemption of own shares to be acquired through the share repurchase program approved by the Company's Board of Directors at its meeting on 23 March 2017, under (EU) Regulation N° 596/2014 and Delegated (EU) Regulation 2016/1052 from the Commission dated 8 March 2016, which completes (EU) Regulation 596/2014 governing market abuse with regards to the technical standards for the conditions applicable to repurchase programs and stabilisation measures (the "Repurchase Program" or the "Program") for their redemption.

It is resolved to reduce the share capital of Talgo, S.A. (the "**Company**") by the amount that results from adding the aggregate nominal value, which represents a maximum of 2,500,000 shares with a nominal value of THREE HUNDRED THOUSANDTHS OF A EURO (€0.301) each, that are acquired through the Repurchase Program.

The Repurchase Program is subject to two quantitative limits in terms of the amount of investment and the number of shares to be acquired:

- (i) The maximum net investment permitted under the Repurchase Program is €10,000,000 (the "Maximum Investment"). For the purposes of calculating the Maximum Investment amount, only the acquisition price of the shares shall be taken into account. Therefore, any expenses, commissions or brokerage fees that may be charged on the acquisition operations, where appropriate, shall be excluded.

- (ii) The number of shares to be acquired under the protection of the Repurchase Program may not exceed 2,500,000, which represents 1.83% of the Company's share capital at the date this proposed resolution is formulated.

As a result, the capital reduction (the "**Capital Reduction**") shall amount to €725,000, at most, through the redemption of a maximum of 2,500,000 own shares with a nominal value of €0.301 each, which represent a maximum of 1.83% of the share capital at the time of adoption of this agreement. This figure results from adding the aggregate nominal value of the number of shares to be acquired under the protection of the Repurchase Program.

In accordance with the matters set out below, the final amount of the Capital Reduction shall be set by the Board of Directors, on the basis of the final number of shares that are acquired from the shareholders under the framework of the Repurchase Program, pursuant to the Maximum Investment limit and the maximum number of shares to be acquired, as described above.

## **2. Purpose of the reduction**

The purpose of the Capital Reduction is to redeem own shares, whereby contributing to the Company's shareholder remuneration policy by increasing the earnings per share. This operation is configured as a nominal or accounting reduction, since its execution shall not involve the refund of any contributions to shareholders or any modifications to the share capital availability framework, as described below.

## **3. Procedure for acquiring the shares that are going to be redeemed**

The acquisition of the shares to be redeemed shall be carried out under the protection of Article 144.a) of the Capital Companies Act (scenario involving the free acquisition of own shares) and the terms of Articles 338 to 342 of the same law, to the extent that they are applicable, and Article 12.2 of Royal Decree 1066/2007, dated 27 July 2007, and (EU) Regulation Nº 596/2014, and therefore there is no requirement for the Company to formulate a takeover bid for the shares that are acquired as a result of the Repurchase Program.

## **4. Procedure for the capital reduction against reserves. Execution period**

Pursuant to the provisions of Article 342 of the Capital Companies Act, the own shares acquired by the Company under the protection of the Repurchase Program shall be redeemed within one month following the termination of the Repurchase Program. In this sense, the Repurchase Program approved by the Board of Directors shall remain in force until 28 February 2018. Therefore, the Capital Reduction must be executed within that period.

Pursuant to the provisions of Article 340.3 of the Capital Companies Act, if the Company does not make acquisitions for the Maximum Investment amount under the protection of the Repurchase Program, it shall be understood that the capital has been reduced by the nominal value corresponding to the number of shares effectively acquired under the protection of the Repurchase Program.

The Capital Reduction shall not involve refunds of contributions to shareholders, given that, at the time the reduction is executed, the Company shall be the owner of the shares to be redeemed. The Reduction shall be charged against free reserves, through the creation of a reserve for redeemed capital for an amount equal to the nominal value of the redeemed shares, which shall only be available pursuant to the same requirements demanded for the reduction in share capital.



As a result, in accordance with the provisions of Article 335.c) of the Capital Companies Act, there shall be no right of opposition for the creditors, afforded by Article 334 of the same law.

## **5. Delegation of powers**

It is resolved to delegate to the Board of Directors, with express powers of substitution by Chairman and Chief Executive Officer, the power to determine the conditions of this agreement in all matters not expressly provided for herein. In particular, and for merely illustrative purposes, the following powers are delegated:

- (i) Proceed with the execution of the Capital Reduction in a period of no more than one month from the completion of the Repurchase Program (be it completed early or on time).
- (ii) Set the final figure for the Capital Reduction in accordance with the explicit rules set forth in this agreement and in accordance with the final number of shares that are acquired from the shareholders under the framework of the Repurchase Program.
- (iii) Declare the Capital Reduction closed and executed, setting the final number of shares to be redeemed and, therefore, the amount by which the Company's share capital must be reduced in accordance with the rules established in this agreement for these purposes.
- (iv) Redraft Article 5 of the Articles of Association relating to share capital, adapting it to reflect the result of the Capital Reduction.
- (v) Undertake as many actions, declarations or activities as necessary in relation to the provision of public information about the Capital Reduction and the Repurchase Program and any actions that, where appropriate, need to be carried out with the National Securities and Exchange Commission and the Stock Exchanges on which the Company's shares are admitted for trading, as well as with the regulators and companies that govern the market in which the share acquisition transactions take place. Negotiate, agree and sign as many contracts, agreements, commitments and instructions as necessary or appropriate to ensure that the results of the Capital Reduction and Repurchase Program are satisfactory.
- (vi) Carry out the procedures and actions that are necessary and submit the documents that are required by the competent authorities so that, once the redemption of the Company's shares has been completed and the deed of capital reduction has been granted and entered in the Commercial Register, the redeemed shares shall be excluded from trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia, through the Stock Market Interconnection System (Continuous Market) and the corresponding accounting records shall be cancelled.
- (vii) Undertaking as many actions as necessary or appropriate to execute and formalise the capital reduction before any public or private entity or authority, in Spain or overseas, including those relating to the declaration, completion or correction of defects or omissions that may impede or hinder the full effectiveness of the preceding agreements.

#### **ITEM NUMBER SEVEN ON THE AGENDA**

**Delegation of the powers for the formalisation and execution of all of the resolutions adopted by the General Shareholders' Meeting, for conversion thereof into a public instrument and for their interpretation, correction, completion, development and registration.**

Authorise the Board of Directors, the Chairman or the CEO, and the Secretary to the Board of Directors, jointly and severally, so that any of them can execute the resolutions adopted by this General Shareholders' Meeting, with the fullest powers necessary, and to this end allowing them to:

- (a) Develop, clarify, specify, interpret, complete and correct the resolutions adopted.
- (b) Undertake as many legal acts or deals as necessary or appropriate in order to execute the agreements, grant as many public or private documents as necessary or appropriate for their full effectiveness, and correct as many omissions, defects or errors, in substance or in form, that impede their admission into the Commercial Register.
- (c) Determine all of the other circumstances that are required, adopting and executing the necessary agreements, publishing the announcements and providing the guarantees that are pertinent for the purposes established by law, as well as formalising the necessary documents and fulfilling as many procedures as appropriate, proceeding to fulfil as many requirements as necessary in accordance with the law, for the fullest execution of the resolutions agreed by this General Shareholders' Meeting.

#### **ITEM NUMBER EIGHT ON THE AGENDA**

**Consultative vote regarding the Annual report on the Directors' remuneration for the year 2016**

Approve, in a consultative capacity, the Annual report on the Directors' remuneration for the year 2016, the full text of which was made available together with the other documentation relating to the General Shareholders' Meeting, from the date that the corresponding meeting notice was published.

#### **ITEM NUMBER NINE ON THE AGENDA**

**Approval, where appropriate, of the remuneration for the members of the Board of Directors for the year 2017.**

Approve the resolution to maintain the criteria for determining the Directors' remuneration and the amount thereof during the year 2017.