



De conformidad con lo establecido en el artículo 227 de la Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión, Talgo, S.A. ("**Talgo**" o la "**Sociedad**") comunica la siguiente

**OTRA INFORMACIÓN RELEVANTE**

Se adjunta a la presente comunicación la carta recibida por parte de Skoda Group.

En Madrid, a 26 de julio de 2024.

**Strictly Private & Confidential**

Talgo, S.A.  
Paseo del Tren Talgo, 2  
28290 Las Matas  
Madrid, Spain

To the attention of the Board of Directors  
c/o Mr. Carlos de Palacio y Oriol  
Executive Chairman of the Board

24 July 2024

Dear Members of the Board of Directors,

We refer to your letter of 15 July 2024, as well as the information you have made public in relation thereto through the CNMV.

First of all, we would like to stress that we sent you our letter on the basis of and in the assumption that its existence and content would be kept confidential. Nothing could be further from our intention than to publicly announce an offer or a transaction to compete with the existing offer.

Our only intent was to open a dialogue with Talgo, S.A. ("**Talgo**" or the "**Company**") so that we could discreetly access the information that would be necessary to propose to you, if we so decide following a customary due diligence investigation, an industrial combination between both companies.

To clarify our intentions, our goal was to explore an industrial combination and our main objective is not to achieve control of Talgo. We do not intend to take the Company private either, so we are not currently considering launching an offer for Talgo shares. In any case, the specific form and structure of an industrial combination would be part of the analysis to be carried out in due course.

1/4

Our approach is serious and legitimate, as nothing prevents the board of a company which is the target of a takeover bid from undertaking any action which could affect the offer to the extent that such action is approved at the level of the general meeting of shareholders. In any case, we recognise that it is for Talgo's Board to decide whether or not to facilitate such alternatives, considering the interests of the Company, its shareholders and its other stakeholders.

Indeed, we believe that such combination could be extraordinarily beneficial for both parties and their respective shareholders, customers, employees, suppliers and other stakeholders, including for the following reasons:

- Škoda Group develops a full range of public transport solutions for commuter trains, trams, metro, trolleybuses, and various types of buses, accompanied by comprehensive servicing and maintenance. The group is moving increasingly towards sustainable transport of the future and solutions for the data-driven, connected mobility infrastructure of future smart cities using 5G connectivity. Škoda Group offers its complete traction chain and ETCS business on a global scale. Furthermore, Skoda is currently in the process of homologating and preparing for entry into the signalling market.
- Škoda Group group has a digital division dedicated to the development and innovation of digital, control, and diagnostic systems for vehicles. Škoda Group's vehicles and components are environmentally friendly with measured low carbon impact and all of them running purely on electricity and producing no emissions.
- Škoda Group currently boasts an annual production capacity over above 6 million man-hours. Talgo aims to enhance its production capacity by 1-1.5 million hours annually to meet its growing demands, especially with a substantial backlog of 4.1 billion EUR as of Q1 2024.
- Talgo requires assistance in more intricate production tasks like aluminium and steel welding according to European rail standards, testing, commissioning, painting, propulsion components, and electrical production processes. Škoda Group, with its existing production facilities, possesses capabilities and expertise to support Talgo in these areas. The development of such production capabilities, including ramp-up of tooling and expertise is a long-term process that typically spans beyond three years.
- Škoda Group operates across 7 plants, encompassing a total production, assembly, and logistics space of 300,000 sqm. To accommodate Talgo's additional estimated production needs of 1-1.5 million hours annually, an estimated additional space of 65,000 sqm could be required, subject to process automation, which is existing at Škoda Group.
- A combination of Škoda Group and Talgo would create a comprehensive entity with a wide range of customer solutions across various transportation segments, including long-distance, intercity, and urban transport, as well as rail and wheeled vehicles.



**ŠKODA**

*Škoda Group*

- The combined product portfolios of Škoda Group and Talgo would offer significant sourcing synergies, leading to economies of scale in procurement, especially in similar products like commuter trains and coaches. Additionally, leveraging Škoda Group's vertically diversified businesses, such as propulsion systems and digital technologies, could further enhance the collaboration.
- A union between Škoda Group and Talgo would expand the market reach significantly, offering a complementary footprint across various markets. Škoda Group has a presence in 20+ markets, while Talgo operates in 7+ markets. Škoda Group is a prominent supplier of trams in Germany and metros in Poland and Bulgaria. Additionally, the company has successfully homologated and supplied electric multiple units in Germany.

Škoda Group is a financially sound group with a strong majority shareholder PPF Group:

- 2023 Revenues and EBITDA of EUR 1.4 billion and EUR 22 million, respectively
- Actual production hours of 5.1 million in 2023
- 400 delivered cars in 2023
- Investments in R&D of EUR 85.5 million in 2023

PPF Group operates in 25 countries, invests in financial services, telecommunications, media, e-commerce, and other sectors, including real estate, biotechnology, and transportation. PPF Group's geographical reach spans Europe, North America, Asia, and Africa. The PPF Group owns assets valued at EUR 43.5 billion with equity of EUR 9.3 billion, net profit of EUR 1.45 billion generated in 2023, and employed 55,000 people globally as of 2023 year-end.

In conclusion, a preliminary desk-top analysis supports the view that the fit between Škoda Group and Talgo would be very strong in terms of synergies, strategic alignment, and overall industry trends of scale, competitiveness, and market positioning for rail and bus mobility industry players. This strategic partnership between Škoda Group and Talgo would position the combined entity as a formidable force in the rail and bus mobility industry and leverage shared strengths to create sustainable competitive advantages and drive growth in the evolving European mobility and connectivity market landscape.

Although we understand the position where the Board of Talgo currently is, in particular because of the existing offer and its surrounding uncertainties, and despite your initial response, we would like to inform you that we remain interested in a possible industrial combination should you wish to explore this possibility.

Such possibility would be perfectly legal and reasonable for the Board of Talgo and not against the law; in particular, it would not be affected by any legal restriction in the context of the existing offer given that any potential business combination would require a vote by Talgo's shareholders at a shareholders meeting. Furthermore, in our view, it would make perfect sense for Talgo to explore this route and provide us the information requested as it would only create more options for the Company and its shareholders in the current circumstances.

We would be happy to meet with you to allow you to know Škoda Group better and to explain why we believe a combination of the two companies would be so compelling.

We hope that the Board of Talgo reconsiders its initial position and look forward to working with you on this potential transaction and remain at your disposal.

Kind regards,

Skoda Transportation a.s.

By

  
\_\_\_\_\_

Name: Petr Novotny

Title: Chairman of the Board and CEO