



CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

(incorporated in Spain in accordance with the Spanish Companies Act - Ley de Sociedades de Capital)

COMMERCIAL PAPER PROGRAMME CAF 2023

Maximum outstanding balance €250,000,000

INFORMATION MEMORANDUM FOR THE ADMISSION OF COMMERCIAL PAPER ON THE SPANISH ALTERNATIVE FIXED-INCOME MARKET (*DOCUMENTO BASE DE INCORPORACIÓN DE PAGARÉS AL MERCADO ALTERNATIVO DE RENTA FIJA*)

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF", the "Company" or the "Issuer", and together with the entities of the Issuer's corporate group (the "Group")), a public limited company (*sociedad anónima*) incorporated under the laws of Spain, with registered address at Calle J.M. Iturrioz, 26, 20200 Beasain Gipuzkoa, Spain, registered in the Commercial Registry of Gipuzkoa, in volume 983, sheet 144, page SS-329, with tax identification number A-20001020 and Legal Entity Identifier (LEI) code 95980020140005275134, will request the admission to trading (*incorporación*) of commercial paper notes (*pagarés*) (the "Notes") to be issued by the Company under the Commercial Paper Programme CAF 2023 (the "Programme") in accordance with the provisions of this information memorandum (*Documento Base Informativo*) (the "Information Memorandum") on the Spanish Alternative Fixed-Income Market (Mercado Alternativo de Renta Fija) ("MARF").

An investment in the Notes involves certain risks. Potential investors should consider carefully and fully understand the risks set forth herein under the "Risk Factors" section, along with all other information contained in this Information Memorandum, prior to making any investment decision with respect to the Notes.

The Notes shall only be addressed to (i) qualified investors as defined in 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 (the "Prospectus Regulation"); including (ii) professional clients, as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("MiFID II") and Article 194 of the Spanish Securities Markets and Investment Services Act, of 23 October (*Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión*) (the "Securities Markets and Investment Services Act"); and (iii) eligible counterparties, as defined in MiFID II and Article 196 of the Securities Markets and Investment Services Act.

Potential investors should note the statements regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) on the Issuer relating to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information is not received by the Issuer in a timely manner.

ARRANGER

Norbolsa S.V., S.A.

DEALERS

Banca March, S.A.

Banco de Sabadell, S.A.

Banco Santander, S.A.

Norbolsa S.V., S.A.

PKF Attest Capital Markets, S.V., S.A.

REGISTERED ADVISOR (*ASESOR REGISTRADO*)

Norbolsa S.V., S.A.

PAYING AGENT

Banco Santander, S.A.

The date of this Information Memorandum is 21 December 2023

IMPORTANT NOTICES

MARF is a multilateral trading facility (sistema multilateral de negociación) ("**MTF**") and not a regulated market, pursuant to the provisions of the Securities Markets and Investment Services Act.

This Information Memorandum is the document required by Circular 2/2018, of 4 December, issued by the MARF regarding admission and delisting of securities on the Alternative Fixed-Income Market (*Circular 2/2018, de 4 de diciembre, sobre incorporación y exclusión de valores en el Mercado Alternativo de Renta Fija*) (the "**Circular 2/2018**").

The Notes will be represented by book-entries (*anotaciones en cuenta*) registered with the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("**Iberclear**") which, together with its participating entities, will be the entity responsible for maintaining the corresponding accounting records (*registro contable*) of the Notes.

The information contained in this Information Memorandum is not and should not be construed as a recommendation by any of Banca March, S.A., Banco de Sabadell, S.A., Banco Santander, S.A., Norbolsa S.V., S.A. and PKF Attest Capital Markets, S.V., S.A. (the "**Dealers**" and each of them, individually, a "**Dealer**"), or the Issuer, that any recipient should purchase Notes. Each such recipient must make and shall be deemed to have made its own independent assessment and investigation of the financial condition, affairs and creditworthiness of the Issuer and of the Programme as it may deem necessary and must base any investment decision upon such independent assessment and investigation. Potential investors should not base their investment decision on information other than that contained in this Information Memorandum.

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer confirms that where information herein has been sourced from a third party, this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from the information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Issuer nor the Dealers accept any responsibility, express or implied, for updating the Information Memorandum and neither the delivery of the Information Memorandum nor any offer or sale made on the basis of the information in the Information Memorandum shall under any circumstances create any implication that the Information Memorandum is accurate at any time subsequent to the date thereof with respect to the Issuer or that there has been no change in the business, financial condition or affairs of the Issuer since the date thereof.

The Issuer has not authorised the making of any representation or provision of any information regarding the Issuer or the Notes other than as contained in this Information Memorandum, in the Dealer Agreement (as defined below), in any other document prepared in connection with the Programme or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Dealers.

Neither MARF, the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") nor the Dealers have undertaken any kind of verification or check with regard to this Information Memorandum, nor on the content of the rest of the documentation and information provided by the Issuer in compliance with the requirements set forth under Circular 2/2018. The intervention of MARF does not represent a statement or recognition of the full, comprehensible and consistent nature of the information set out in the documentation provided by the Issuer.

The Dealers make no representation or warranty or undertaking (express or implied), and no responsibility or liability is accepted by it as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, any information or statement contained in this Information Memorandum or in or from any accompanying or subsequent material or presentation by the Dealers. The Dealers do not undertake to review the business or financial condition or affairs of the Issuer during the life of the Programme, nor do they undertake to advise any recipient of this Information Memorandum of any information or change in such information coming to their attention.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risk of investing in the relevant Notes and the information contained in this Information Memorandum or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of the financial markets in general; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some of the Notes may be complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no guarantee that the price of the Notes in the MARF will be maintained. There is no assurance that the Notes will be widely distributed and actively traded on the market because at this time there is no active trading market. Nor is it possible to ensure the development or liquidity of the trading markets for the Notes.

No action has been taken in any jurisdiction to permit a public offering of the Notes not exempted from the obligation to publish a prospectus or to permit the possession or distribution of the Information Memorandum or any other offer material where a specific action is required for said purpose. This Information Memorandum must not be distributed, directly or indirectly, in any jurisdiction in which such distribution represents a public offering of securities not exempted from the obligation to publish a prospectus. This Information Memorandum is not a public offering for the sale of securities nor a request for a public offering to purchase securities, and no offering of securities not exempted from the obligation to publish a prospectus shall be made in any jurisdiction in which such offering or sale would be considered in breach of the applicable legislation. Persons obtaining this Information Memorandum or any Notes or any interest in such Notes or any rights in respect of such Notes are required by the Issuer and the Dealers, to inform themselves about and to observe any restrictions on the distribution of this Information Memorandum and the offering for sale of Notes or any interest in such Notes or any rights in respect of such Notes.

In particular, this Information Memorandum does not represent a prospectus approved and registered with the CNMV and the subscription of the Notes issued under the Programme does not represent a public offering pursuant to the provisions set out in Article 35 of the Securities Markets and Investment Services Act, which excludes the obligation to approve, register and publish a prospectus with the CNMV.

MiFID II AND UK MiFIR PRODUCT GOVERNANCE - Solely by virtue of appointment as dealer on the Programme, neither the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of EU Delegated Directive 2017/593 or the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook.

Solely for the purposes of the product approval process in respect of a particular Note issue, the target market assessment in respect of any of the Notes to be issued under the Programme has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the Issuer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Issuer's target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes to be issued under the Programme are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise

made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document (KID) required by Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes to be issued under the Programme are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document (KID) required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In the United Kingdom (the "**UK**"), this document and the Notes would only be distributed to, and are intended for, and any investment and investment activity in the Notes referred to in this document is available only to, and will be subscribed to only by, "qualified investors", within the meaning of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (i) who are persons with professional experience in matters relating to investments falling within the definition of "investment professionals" in section 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) who are high net worth entities within section 49(2)(a) to (d) of the Order ; or (iii) are other persons to whom they may otherwise lawfully be communicated (together, all such persons shall be described as "**relevant persons**"). Persons who are not relevant persons should not take any action on the basis of this communication document and should not act on or rely on it.

UNDER THE PROGRAMME, THE ISSUER MAY ISSUE NOTES OUTSIDE THE UNITED STATES PURSUANT TO REGULATIONS ("REGULATIONS") OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS).

Certain figures in this Information Memorandum, including financial, market and certain operating information, have been rounded to make them easier to understand. Accordingly, the sum of the figures shown in a column or row of a table may not add up exactly to the total figure shown for that column or row, and the sum of some figures expressed as a percentage may not add up exactly to the total percentage shown.

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1. RISK FACTORS

Investing in the Notes issued under the Programme involves certain risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Group and the industry in which it operates together with all other information contained in this Information Memorandum, including, in particular the risk factors described below. Words and expressions defined in this Information Memorandum have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, financial condition and results of operations of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

1.1 RISKS RELATED TO THE BUSINESS OF THE GROUP

Strategic Risks

Risk related to the current state of the global economy

The Group's business performance is influenced by the economic conditions of the countries in which it operates. Normally, robust economic growth in those areas where the Group is located results in greater demand for its services, while slow economic growth or economic contraction adversely affects demand for its services.

According to the World Economic Outlook ("**WEO**") report of the International Monetary Fund ("**IMF**") dated October 2023:

- The global economy continues to recover slowly from the blows of the pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. In retrospect, the resilience has been remarkable. Despite the disruption in energy and food markets caused by the war, and the unprecedented tightening of global monetary conditions to combat decades-high inflation, the global economy has slowed, but not stalled. Yet growth remains slow and uneven, with growing global divergences. The global economy is limping along, not sprinting.
- The IMF projected that the world economy will grow in 2023 at 3.0% and to slow to 2.9% in 2024. The IMF estimates that headline inflation will continue to decelerate, from 9.2% in 2022, on a year-over-year basis, to 5.9% in 2023 and 4.8% in 2024. Core inflation, excluding food and energy prices, is also projected to decline, albeit more gradually than headline inflation, to 4.5% in 2024.
- In IMF baseline scenario, inflation continues to recede as central banks maintain a tight stance. With many countries near the peak of their tightening cycles, little additional tightening is warranted. However, easing prematurely would squander the gains achieved in the past 18 months. Once the disinflation process is firmly on its way and near-term inflation expectations are decreasing, adjusting the policy rate downward will allow the monetary policy stance, that is, the real interest rate, to remain unchanged until inflation targets are in sight. According to the IMF, the slowdown is more pronounced in advanced economies than in emerging market and developing ones. Within advanced economies, the US surprised on the upside, with resilient consumption and investment, while euro area activity was revised downward. Many emerging market economies proved quite resilient and surprised on the upside, with the notable exception of China, facing growing headwinds from its real estate crisis and weakening confidence.
- According to the IMF commodity prices could become more volatile under renewed geopolitical tensions and disruptions linked to climate change. Since June, oil prices have increased by about 25%, on the back of extended supply cuts from OPEC+ (the Organization of the Petroleum Exporting Countries plus selected non-members) countries. Food prices remain elevated and could be disrupted further by an escalation of the war in Ukraine, causing important hardship for many low-income countries. This, of course, represents a serious risk to the disinflation strategy.
- The IMF estimates that fiscal buffers have eroded in many countries, with elevated debt levels, rising funding costs, slowing growth, and an increasing mismatch between the growing demands on the state

and available fiscal resources. These facts, in IMF opinion, could leave many countries more vulnerable to crises and demands a renewed focus on managing fiscal risks.

According to the European Economic Forecast Autumn 2023 of the European Commission:

- The European Union ("EU") economy continues to grow, albeit with reduced momentum. The forecast revises growth in the EU economy down to 0.6% in 2023, from 0.8% projected in the previous Forecast, and 1.3% in 2024, from 1.4%. It also revises growth in the euro area down to 0.6% in 2023 (from 0.8%) and 1.2% in 2024 (from 1.3%).
- The loss of growth momentum so far this year has been underpinned by the lack of a solid growth driver, with weakness especially in consumption but also on the external side. Private consumption broadly stagnated on aggregate, as nominal wage growth continued to lag behind inflation. The volume of retail sales was still declining on a year-on-year basis up to summer, notably in automotive fuels and food, where prices remain elevated. At the same time, spending on services held up, partly related to the further recovery in tourist arrivals to the EU. However, exports declined, and net trade contributed positively to growth only because the decline in imports outpaced that in exports. Investment - both public and private - also increased only marginally in the first half of the year, though its dynamics were very volatile across member states. On the output side, gross value added in industry was held back by weak demand and high energy costs. Similarly, high input and financing costs, as well as labour shortages, dragged on construction activity, particularly in housing. With purchasing power constrained by inflation, business activity in contact-intensive services stagnated, following its fast recovery last year. By contrast, IT and business services, which account for almost one fifth of EU gross value added, enjoyed continued expansion.
- Inflation is expected to continue to decline over the forecast horizon. Harmonised index of consumer prices (HICP) inflation is now projected maintain at 6.5% in 2023 (compared to 6.5% in the previous forecast) and reach 3.5% in 2024 (compared to 3.2%) in the EU. In the euro area, inflation is forecast to be 5.6% in 2023 (compared to 5.6%) and 3.2% in 2024 (compared to 2.9%).
- Russia's ongoing war of aggression against Ukraine and wider geopolitical tensions continue to pose risks and remain a source of uncertainty. Furthermore, monetary tightening may weigh on economic activity more heavily than expected but could also lead to a faster decline in inflation that would accelerate the restoration of real incomes. By contrast, price pressures could turn out more persistent.
- Mounting climate risks, illustrated by the extreme weather conditions and unprecedented wildfires and floods in the summer, also weigh on the outlook.

As noted above, there are a variety of macroeconomic factors which could have a negative impact on the Group's revenues and could increase the Group's financing costs. As a result, any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, and notwithstanding the fact that the macroeconomic impact of the COVID-19 pandemic has been substantially mitigated in the current state of the global economy, it should be noted that the Group may be exposed to adverse effects from the occurrence of future pandemics or other future extreme events.

Finally, the recent escalation in the ongoing Israeli-Hamas conflict has resulted in an increase in geopolitical tensions in the region and may have effects on the global economy, regional economies and, therefore, also CAF and its operations in the region.

Decreases in the funds allocated to rail transportation projects and buses acquisition programmes may harm CAF's business, financial condition and results of operations.

Rail and bus transport industries are usually resilient during economic downturns. Challenging economic and financial conditions in specific areas, however, may have a negative impact on some rail and bus operators. As public authorities respond to economic downturn cycles with budget austerity measures, or by increasing their level of indebtedness to fund economic stimulus plans, it may become more difficult for publicly owned rail and bus operators to obtain government funding.

The lack of funding may result in rail or bus transport related projects being reduced in size, postponed, or even cancelled. Such actions by rail or bus operators or governments would negatively impact CAF's order intake and

revenues and put pressure on its cost structure and prices. In addition, payment terms, including the level and timing of payments received prior to product delivery from CAF's customers, may deteriorate and negatively impact cash flows.

Some of the CAF's clients currently benefit from funds granted by the EU, as well as from federal funds granted to clients for the acquisition of rolling stock in the United States. Due to political, economic or other considerations, these funds may no longer be available to CAF's clients or there may be delays in receiving funds. As a result, any of these factors noted above could result in a cancellation or delay in receipt of funds and disrupt the Group's operations, which, in turn, may have a material adverse effect on the business, financial condition and results of operations of the Group.

Market Consolidation

There has been increased consolidation in the market segments in which CAF operates, which has placed increased competitive pressure on CAF's operations. As a consequence of further competitors' consolidation, CAF's market share could be eroded as competitors increase their presence in given products and geographical markets. Furthermore, pressure on market prices may lead to lower margins from CAF's operations.

Any of the above may have a material adverse effect on the Group's business and financial condition.

Business Strategy

There can be no assurances that the Group will be able to implement its business strategy successfully.

If the Group fails to achieve its strategic objectives, or if those objectives, once attained, do not generate the benefits initially anticipated, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks in relation to acquisitions, disposals and other external growth operations

As part of its development strategy, the Group may complete acquisitions of businesses and/or companies, as well as joint ventures and partnerships. These operations include certain risks, in relation to the difficulties that may arise in the process of evaluating assets and liabilities relating to these operations, in integrating staff, activities, technologies and products, in implementing governance, control and compliance systems and procedures, as well as in relation to potential political or economic instability in the relevant countries as the case may be. Although the Group monitors the risks relating to these operations, there can be no assurances that acquired businesses or companies do not have liabilities which were not identified at the time of the transactions for which the Group would have no or insufficient protection from the seller or partner.

Furthermore, such acquisitions, joint ventures and partnerships may result in increased financing needs, additional acquisition and integration costs, as well as industrial property risks, disagreements or deadlocks between partners. In addition, actual business and financial performance may not be in line with the original assumptions. As a result, the risks associated with the valuation, as well as undeclared liabilities and the integration of operations (amongst other related to the integration of employees, products, technologies and other assets of the acquired company to ensure expected value and expected synergies) may be significant. The occurrence of such events is likely to have an adverse effect on the business activities, financial position, results or outlook of the Group.

Moreover, in joint ventures in which the Group is a minority participant, the Group may not be able to continue to benefit, over the long-term, from access to the operational activities of the joint venture. The Group is not involved in the daily management of the operations of the legal entities in which it is a minority participant, and therefore has only limited knowledge of their activities and performance.

Certain of the Group's business activities have been disposed of in the past or could be sold in the future. As applicable, the Group may make certain warranties or retain certain contracts and liabilities regarding the business activities sold. Therefore, the Group may be required to bear increased costs on retained contracts and liabilities, to pay indemnities or purchase price adjustments to the acquirer, or, even in the case where the liabilities associated to the business activities sold are transferred to the acquirer, be required to bear some of these liabilities.

The materialisation of risks associated with the valuation of assets, undeclared liabilities or integration of operations, the consequences that may derive from warranties made, retaining certain contracts and liabilities in relation to the business activities sold or any other risks related to the acquisitions, disposals and other growth

operations, may have a material adverse effect on the business, financial condition and results of operations of the Group.

Risks due to the further geographical expansion of the business

The Group plans a functional and geographic expansion of its business activities into new countries and markets. This expansion carries, in particular, the risk that the Group will not generate sufficient, or any, profits in the new business units and countries. There can be no assurances as to when such expansions may become profitable, if at all.

Losses and even a smaller level of profits would have a material adverse effect on the financial condition and the results of operations of the Group.

CAF derives a portion of its revenue from emerging markets

The Group operates in the five continents. Revenues may arise from customers in emerging market countries, such as: Brazil, Mexico, Colombia, Chile, Turkey, Saudi Arabia, the Philippines, India, among others.

Operating in emerging market countries involves a number of risks that are more prevalent than in developed markets, such as economic downturns, civil disobediences or political instability or abrupt changes to regulatory policies, licensing requirements or taxation, imposition of restrictions on trade as a result of import or export control laws, tariffs, non-tariff barriers, economic sanctions and/or price controls, the nationalization and expropriation of private property, payment collection difficulties, social problems or unrest, substantial fluctuations in interest and exchange rates, the unpredictability of enforcement of contractual provisions, heightened risks of unfair or corrupt business practices, limitations on the right to convert and repatriate currency and other unfavourable interventions or restrictions imposed by public authorities.

Any such adverse developments in an emerging markets country in which CAF operates could have a material adverse impact on CAF's business, results of operation or financial condition.

Risk of dependency on key personnel

The Group employs highly qualified technical and managerial staff, both at Group level as well as at the level of the relevant divisions, subsidiaries and areas of activity. Should the Group fail to hire or retain sufficiently qualified technical and managerial staff, their business performance could be limited or delayed. As a result, the exit of key employees may have a material adverse effect on the business of the Group.

Operational Risks

Risks related to contract execution

The Group's business includes major long-term contracts, in some cases executed in consortium.

Tenders for public transport related projects entail a number of specific requirements, amongst others those related to rolling stock manufacturing contracts and those related to the delivery of buses, include numerous requirements concerning technical aspects and quality standards (with the introduction of hi-tech products), requirements relating to fulfilment of certain contractual milestones, including delivery deadlines, certification and homologation needs, manufacturing location requirements and other operational risks which usually involve certain penalty levels and conditions subsequent or precedent. In this respect, discrepancies may arise regarding such requirements between the Group and its customers. This may result in claims for delays, incorrect performance of work or the performance of additional work.

The revenue, profitability and cash flow of a long-term project vary significantly in accordance with the development of said project and depend on a variety of factors, over some of which the Group has limited control, including, but not limited to: unanticipated technical problems with equipment being supplied, postponement or delays in project implementation, financial difficulties of customers, withholding of payment by customers, the existence of geopolitical conflicts affecting contract execution and performance defaults by or financial difficulties of suppliers, subcontractors or consortium partners with whom the Group is jointly liable. Profit margins realised on certain of the Group's contracts may vary from their original estimates as a result of changes in costs, variations in detailed product design and productivity over their term.

As a result of this variability, the changes in the profitability of certain contracts from their original estimates may significantly impact the Group's income and cash flows in any given period. Although these cases remain extremely rare, the Group may have to face calls of first demand guarantees in relation to its contracts for potentially significant amounts.

Certain of the Group's projects are or may be subject to delays, cost overruns, or performance shortfalls which may lead to changes in the profitability of the projects from its original estimates, the payment of penalties or damages.

Currently the Group is undertaking the execution of two projects in Israel, that represents approximately 7% of the Group's backlog. Project execution is ongoing, with no material economic effects of the current conflict in Israel in the Group, albeit there have been some delays in the project execution plans, mainly due to lack of available personnel.

Such difficulties may have a material adverse on the business, financial condition and results of operations of the Group.

Design and use of complex technologies

The Group designs, manufactures and sells several products of significant individual value that are used in major rail and bus transport projects. The Group is required to address the evolution of customer demand for more and more complex tenders, with higher performance risk allocation to the supplier, and with increasing constraints and uncertainties in homologations. The Group is also required to introduce new, highly sophisticated and technologically complex products in increasingly short timeframes. This necessarily limits the time available for testing and increases the risk of product defects and their financial consequences.

It is sometimes necessary to adjust or modify products after the Group begins manufacturing them or after its customers begin using them.

Because the Group manufactures some of its products in series, it may need to make such modifications during the production cycle.

At the same time, when the Group sells its products or enters into a maintenance contract, it may be required to accept onerous contractual penalties, in particular related to availability, performance and delay in delivering its products, as well as post-delivery period warranties. The Group's contracts may also include clauses allowing the customer to return the product if performance specifications or delivery schedules are not met, or to terminate the contract.

As a result of these contractual provisions and the time needed for the development, design and manufacturing of new products, eventual problems encountered with the Group's products may result in material unanticipated expenditures, including, but not limited to: additional costs related to the procurement of replacement parts and raw materials, delays and cost overruns in manufacturing, delivering and implementing modified products and the related negotiations or litigation with affected clients.

In instances where such difficulties occur, the Group cannot ensure that the total costs that it ultimately incurs will not exceed the amount that it has provisioned. Furthermore, given the technical sophistication of its products, there can be no assurances that the Group will not encounter new problems or delays in spite of the technical validation processes implemented within the Group.

Any such problems or delays may cause the Group's products to be less competitive than those of its competitors and have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group may be required to bear the costs of tendering for new contracts, contract renewals and/or extensions with no control over the selection process nor certainty of winning the tender

A substantial portion of the Group's work is awarded through competitive tender processes, and it is difficult to predict whether the Group will be awarded new contracts due to multiple factors, such as qualifications, references, experience, reputation, technology, customer relationships, financial strength, and ability to provide the relevant services in a timely, safe, and cost-efficient manner.

In these circumstances, the Group may be unable to secure contracts in the geographical areas in which it operates or be obliged to accept the execution of certain projects with lower returns than those obtained in the past.

If the Group is unable to secure the award sufficient projects or can only, do it under less favourable terms, these circumstances could have a material adverse effect on the Group's business, financial condition and results of operations.

Bidding costs associated with tendering for new contracts, extensions in the scope of work, or renewals of existing contracts can be significant and may not necessarily result in the award of a contract. Furthermore, the preparation for bids occupies management and operating resources. If the Group fails to win a particular tender, bidding costs are generally not recoverable.

The Group participates in a significant number of tenders each year and the failure to win such tenders may have a material adverse effect on the business, financial condition, and results of operations of the Group.

The Group's business, financial condition and results of operations may be adversely affected if it fails to obtain or renew, or if there are any material delays in obtaining, requisite government approvals for its projects

The Group is established in jurisdictions where the transportation industry in which it operates may be regulated. In order to bid, develop and complete a railway or bus transport project, the Group may need to obtain permits, licences, certificates, and other approvals from the relevant administrative authorities before bidding for the project or at various stages of the project process. There can be no assurances that the Group will be able to obtain or maintain such governmental approvals or fulfil the conditions required for obtaining the approvals or adapt to new laws, regulations or policies that may come into effect from time to time, without undue delay or at all.

If the Group is unable to obtain the relevant approvals or fulfil the conditions of such approvals for a significant number of its projects in a timely manner, this could lead to delays and the Group's business, financial condition and results of operations may be adversely affected.

Risks related to unexpected adjustments and cancellations of projects

The Group's project portfolio is exposed to unexpected adjustments and cancellations. A material portion of the agreements entered into by the Group's companies to carry out their projects are usually entered into for periods of more than two years. This increases the risk of early cancellation of these agreements. Furthermore, in certain circumstances the Group's companies may not be entitled to a reasonable compensation for early termination or not entitled to it at all. In addition, the scope of the agreed work as part of a project may change. This may lead to an increase in costs in connection with the project as well as to reduced profits or to losses.

Any cancellations of or changes in projects as well as changes in the corporate strategy of the clients of the Group may negatively affect its project portfolio, which may have a material adverse effect on the results of operations and the profit of the Group.

Risk of termination or early withdrawal of the concessions or long term lease agreements by public authorities

The public authorities in those countries in which the Group has been awarded concessions or long-term lease agreements may unilaterally terminate or withdraw from such agreements on public interest grounds or otherwise.

There can be no assurances that the public authorities in those jurisdictions in which the Group operates will make decisions that adversely affect the business of the Group, for example by enacting new laws or regulations that are unfavourable to the Group's operations, or by amending existing laws or regulations, or the interpretation and implementation thereof, in ways that are similarly unfavourable.

If a public authority client of the Group decides to terminate or withdraw a concession or long-term lease agreement awarded to the Group, the Group may have a claim for compensation. However, such compensation may be insufficient to cover the full amount of the loss incurred by the Group, including lost profits.

In circumstances where a public authority has terminated a concession or long-term lease agreement due to a breach of the terms thereof by the Group, the Group may only have a limited claim for reimbursement of its investment. Should any such developments arise, this would have a material adverse effect on the business, the financial condition and the results of operations of the Group.

Rail assets related to long term lease agreements and concessions have a limited duration

Upon termination of a concession or a long-term lease agreement, the Group must return the relevant assets to the competent governmental authority or owner, in an adequate state of repair, in many cases together with any assets

and facilities required for operation, and receives no economic compensation whatsoever, as generally there is no residual value existing at the concession or long-term lease agreements expiry date.

If the concession or leasing companies are unable to extend the duration of their concessions during their lifetime or if the Group is unable to secure new contracts of similar nature to replace any concessions or long-term leases expired, terminated, or recovered, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Any inability to negotiate adequate compensation for terminated and repurchased concessions or long-term lease agreements could reduce the future revenues of the Group

The concession or lease companies derive most of their revenues from operations conducted under their relevant agreements. Under the relevant public laws, the governments of the countries in which their concessions are located may unilaterally terminate or repurchase concessions or long-term leasing contracts in the public interest, subject to judicial supervision. However, to date there have not been any such unilateral terminations, or any repurchases of the Group's concessions or long-term leasing contracts. If a governmental authority exercises its option to terminate or repurchase some of the Group's concessions or leasing contracts, in general it may receive the compensation provided by law or contract to cover its anticipated profits for the remaining duration of the concession agreements. There can be no assurances, however, that under such arrangements the Group would be sufficiently compensated for lost profits.

In certain cases, a governmental authority may decide to terminate the Group's long-term concession or lease agreements due to a serious violation of its contractual obligations. Each contract may have different provisions regarding the compensation provided by the relevant authority in the event of early termination of the agreement. Depending on each contract's terms and conditions, recovery of its investment might be limited to certain capped costs.

If the Group is unable to negotiate adequate compensation for terminated agreements or repurchased concessions or leased assets, the revenues of the concession or leasing companies in the future may be reduced, and the business, financial condition and results of operations of the Group may be materially adversely affected.

Risks in relation to intangible assets

The intangible assets associated with the Group's activities consist primarily of capitalised development costs, goodwill, patents, licences, and trademarks, as well as commercial relationships and client portfolio. Every year, the Group tests for the impairment of its non-amortised intangible assets. The Group believes that its consolidated financial statements give a true picture of its assets with respect to the IFRS rules endorsed by the EU. However, there can be no assurances that future events could give rise to the impairment of certain intangible assets on the Group's consolidated balance sheet.

Significant impairments (following changes in market appreciation, development opportunities, growth rate or profitability, resulting from either external or internal factors to the business activity) could have a material adverse effect on the assets, financial position and results of the Group.

Risks in relation to deferred tax assets

CAF recognises deferred tax assets on its consolidated balance sheet for an amount that the Group expects to be able to recover. However, CAF may be unable to realise the expected amount of deferred tax assets if future taxable income is less than expected. CAF also bases its estimates regarding the collection of deferred tax assets on its understanding of the application of tax regulations, which could be called into question as a result of either changes in tax and accounting regulations, or tax audits or litigation likely to affect deferred taxes. During the fiscal year ended on 31 December 2022, CAF reassessed its ability to recover tax losses over a long-term period in each country and consequently adjusted the net deferred tax assets position on its consolidated balance sheet.

Risks in relation to railway or bus accidents

In the event of a railway or bus accident involving equipment or technology supplied by CAF, the customer, potential victims, or their insurers could take action against CAF in the context of legal proceedings with respect to damages suffered. Even if the cause of the accident cannot be immediately attributed to the failure of the equipment supplied by CAF, the simple fact that CAF supplied equipment involved in a railway accident could suffice to implicate the Group in legal proceedings for as long as the circumstances surrounding the accident have not been clarified. This type of accident may also cause the authority responsible for transportation safety to decide

on the temporary suspension of a granted homologation. Furthermore, railway and bus accidents are typically subject to intense media coverage, which could potentially affect CAF's reputation as well as its public image regarding the reliability of its products.

CAF relies on many internal verification and approval procedures that enable it to control the quality and the safety of its equipment before it is made operational, in order to avoid the risk of an accident and to ensure the safety of passengers. Despite the existence of these procedures, CAF cannot guarantee that railway and bus safety will be risk-free.

The occurrence of a railway or bus accident involving equipment supplied by CAF could, in the event that equipment failure is found to be the cause of such accident, have a material adverse effect on the business activities, financial position, earnings, or future outlook of CAF, as well as on its reputation and that of its products.

Export control

The act of exporting products from the markets in which they are produced can be restricted or subject to checks or to the receipt of an export licence. Certain countries are subject to export control regulations, embargoes, economic sanctions or other forms of trade restrictions imposed by the United States, Canada, the EU or other countries or organisations ("**Sanctions**").

These Sanctions or expanded Sanctions imposed on countries may restrict or prevent the business of the Group in such countries or result in amendments to the Group's practices.

No assurance can be given that checks on export goods, to which the Group is subject, will not be made more stringent, that new generations of products developed by the Group will not also be subject to similar checks, or even more rigorous checks, and that geopolitical factors or changes in the international context will not prohibit the receipt of export licences for certain customers or will not reduce the Group's ability to execute previously signed contracts.

Limited access to exported goods could have a material adverse effect on the business activities, financial position, earnings, or future outlook of the Group.

Costs and conditions to access to certain manufactured goods and raw materials

In the course of its business, the Group uses raw materials and manufactured goods in amounts which vary according to the project. For the most significant raw materials, the Group general practice is to place the orders and agree on the price when each new project commences, if the market conditions allow it. The risk of a rise in raw material prices having an adverse effect on the Group's contractual margins is thus partially hedged.

Current market conditions are marked by the constrain of the supply chain and increased prices situation, in raw materials and components, caused initially by the pandemic and aggravated, directly and indirectly, by the war in Ukraine. This situation led to delays and higher prices for raw materials, products and services all along the supply chain. In a bid to mitigate the impacts associated with supply problems, the Group has undertaken the following actions and activities: i) Monitoring and cushioning the impact on prices and supply lead times; ii) monitor and manage the supply chain to avoid disruptions; iii) share risk with customers to the extent possible.

Given the difficulties and delays in the delivery of certain manufactured goods and the significant volatility of raw materials prices, the Group cannot ensure that its procurement practises protects against changes in procurement estimates, that could potentially impact the profitability of its contracts, which, in turn, may have a material adverse effect on the Group's business, financial condition and results of operations.

Financial Risks

Interest rate risk

In the current economic context, interest rate risk stems from the monetary policy currently applied to restore price stability. The central banks of the main developed economies have shown great determination in pursuing price stabilization. Market expectations point to one year interbank lending rates close to 4% and 5,5% in Europe and the US respectively by the end of 2023, assigning a high probability of progressive declines in the following years.

Interest rate risk is particularly relevant in relation to the financing of rail related projects, bus supply contracts, concession arrangements, leasing contracts and other projects in which the project's cash flows and profitability are affected by possible changes in interest rates.

The Group's interest rate risk arises on borrowings. The Group's approach to working capital financing transactions is to resort to third-party borrowings. The reference interest rate for the Group's borrowing is mainly EURIBOR for transactions denominated in Euro, and WIBOR for transactions denominated in Polish Zloty. The debt arranged for concession projects in Latin America is tied to the LIBOR, in the case of U.S.\$-denominated transactions, or to local indexes customarily used in the relevant financial markets.

For long-term financing transactions, the Group sets as an objective, to the extent permitted by the markets, of maintaining a substantial part of its borrowings remunerated with a fixed interest rate structure.

The Group uses derivatives or fixed rate denominated debt instruments to actively manage the interest rate risk and minimise its impact.

Variations in interest rates modify the reasonable value of those assets and liabilities that accrue a fixed interest rate as well as the future flows of assets and liabilities referenced against a variable interest rate.

Should the measures implemented by the Group to mitigate adverse effects caused by interest rate fluctuations prove to be inadequate, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Exchange rate risk

The various Group companies operate on an international stage and, therefore, are exposed to foreign currency risk in their foreign currency transactions (currently the US dollar, the Brazilian real, the pound Sterling, the Polish zloty, the Swedish krona, the Australian dollar, the Saudi riyal, the Mexican peso, the Japanese yen, the Colombian peso, the New Zealand dollar, the Israeli shekel, the Turkish lira, the Canadian dollar, the Taiwanese dollar, United Arab Emirates dirham and the Hungarian florin, among others,

The Group companies generally use forward contracts to hedge the foreign currency risk arising from future commercial transactions and recognised assets and liabilities. This risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency other than the functional currency of the Group (the euro).

CAF's standard practice is to hedge, provided that the cost is reasonable, the market risk associated with contracts denominated in currencies other than its functional currency (the Euro). The hedges are intended to avoid the impact of currency fluctuations on the various agreements entered into, so that the Group's results present fairly its industrial and services activity.

However, should the measures implemented by the Group to mitigate adverse effects caused by exchange rate fluctuations prove to be inadequate, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Credit Risk

Most of the Group's accounts receivable and work in progress relate to various customers in different countries. Contracts, in the majority of cases include progress billings. The Group's standard practice is evaluate at bid stage the convenience of hedging against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

However, should the measures implemented by the Group to mitigate the credit risk exposure prove to be inadequate, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Working capital management

The structure and long term of the Group's projects may result in payment of expenses before realisation of revenue. As a result, the Group's ability to negotiate and collect customer advances and milestone payments is an important element of its working capital management.

Any long-lasting decrease in the global orders intake or deterioration of its payment terms could have a material adverse effect on the evolution of working capital and could adversely impact the Group's financial situation and its liquidity.

Liquidity and availability of funding risks

The Group has working capital requirements and capital expenditure needs, the recovery of which, due to the nature of its business, occurs over a substantial period of time. For this reason, the Group must be able to secure significant levels of financing to be able to continue its operations. The Group manages liquidity risk prudently.

To date, the Group has been able to secure adequate financing on acceptable terms through bilateral loans, syndicated bank borrowings, commercial paper issuance and project finance schemes, although there can be no assurances that it will be able to continue to secure financing on acceptable terms, or at all, in the future. Furthermore, financial markets can be subject to periods of volatility and shortages of liquidity.

If the Group is unable to access the banking and capital markets or other sources of finance at competitive rates over a prolonged period of time, its cost of financing may increase and its strategy may need to be reassessed, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition to obtaining new funding, the Group may seek to refinance its existing debt. There can be no assurances as to the availability of financing on acceptable terms to refinance the Group's existing indebtedness. If new financing is not available or proves more expensive than in the past, the Group's business, financial condition and results of operations may be materially adversely affected.

The Group may not generate sufficient cash flow to fund its operations or capital expenditures or its capital expenditures may not generate a positive return.

The Group's ability to fund its ongoing operations depends on its ability to generate cash and/or access capital, which in turn depends on many factors.

The Group has historically relied primarily on operating cash flows, long term bilateral loans or syndicated borrowings, the issuance of short term commercial paper and drawing under its credit facilities to ensure its working capital requirements and the Group expects to do so in the future. However, the liquidity and capital resource requirements may increase if the Group expands into additional areas of operation or if it makes future acquisitions and it may not generate sufficient cash flow or have access to sufficient funding to meet these requirements.

If the Group fails to meet these requirements, its operations could be materially adversely affected and future growth could be materially curtailed, which could have a material adverse effect on its business, prospects, financial condition and results of operations. There can be no assurances that any such expenditure or current or future investments will generate a reasonable return.

CAF may not be able to generate sufficient cash flow to repay all its debt obligations at maturity and to the extent they cannot repay such debt, they may not be able to refinance its debt obligations or may be able to refinance only on terms that will increase its cost of borrowing.

CAF's ability to make payments on its debt or to refinance any such debt will depend on its ability to generate cash. The ability of CAF to generate cash in turn depends on many factors, including, among others:

- general economic conditions and conditions affecting availability of fund to customers;
- competition;
- the demand and price levels for the products and services;
- the ability to improve the business processes and procedures;

- the future operating performance;
- the level of capital expenditures;
- the ability to use carry-forward tax credits;
- the availability of financing in the financial / capital markets at attractive rates or at all; and
- legal, tax, litigation, regulatory and other factors affecting the business.

CAF's ability to raise capital or refinance its debt depends on a number of factors, including the availability of bank financing, liquidity of the capital markets, and CAF may not be able to do so on satisfactory terms, or at all. In the event that CAF cannot raise additional capital or refinance its debt, CAF may not be able to meet its debt repayment obligations at maturity. In addition, the terms of any refinancing indebtedness may be materially more burdensome than the indebtedness refinanced.

Such terms, including additional restrictions on the operations and higher interest rates, could have an adverse effect on the business, prospects, financial condition and results of operations and could have a material adverse effect on the value of the ordinary shares of CAF.

The Group's inability to meet repayment obligations under the existing agreements could trigger various default provisions, accelerate a substantial portion (if not all) of its debt and materially adversely affect its business, prospects, financial condition and results of operations.

Legal Risks

Risks resulting from legal proceedings

CAF and its subsidiaries are parties to a series of judicial and other legal proceedings and disputes (as disclosed in the section "Description of the Issuer – Litigation") of the Information Memorandum.

In most cases, the pending judicial proceedings and other legal disputes of the Group have their origin in the ordinary business activities of the Group. These judicial proceedings result from the Group's relations towards clients, suppliers, employees or authorities, or activities carried out by the Group entities. The outcome of these judicial proceedings and disputes is uncertain and cannot be predicted with reasonable certainty.

Although the Group has implemented strict procedures to ensure compliance with the laws and regulations in each jurisdiction in which it operates, including the transmission to each employee of the CAF Code of Conduct, there can be no assurances that individual Group employees will adhere to the Group's procedures in all cases.

Even though the Group creates provisions in its accounts in accordance with the best possible estimates based on available information, any pending and future judicial proceedings or other legal disputes may have a material adverse effect on the business, the financial condition and the results of operations of the Group.

Risks due to tax disputes

The Group is exposed to at least two sources of tax risks. Firstly, a risk arises from changes in tax legislation that could not be foreseen at the time when investment or commercial decisions were adopted. This could affect the achievement of the investment return objectives or the margin of operations if the tax factor was relevant. Moreover, changes in tax laws could jeopardise the effective use of tax credits, generating a deviation in the cash flow for the payment of taxes. Secondly, CAF is established in Spain, but the Group also operates in several countries through a number of subsidiaries which must operate in compliance with applicable tax regulations in their jurisdictions.

In this regard, although the corporate tax best practices of CAF determines that a prudent tax practice must be followed, the interpretation of the tax laws in different tax jurisdictions could trigger material tax disputes or legal proceedings, such that claims could materially adversely affect the business, financial condition or results of operations of the Group.

Compliance Risks

Damage to the Group's reputation could cause harm to the Group's business prospects

Maintaining a positive reputation is critical to the Group attracting and maintaining customers, investors and employees. Damage to the Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory, failure to deliver standards of service, compliance failures, unethical behaviour, and the activities of customers and counterparties.

Further, negative publicity regarding the Group, whether or not true, may result in harm to its prospects and, in turn, may have a material adverse effect on the Group's business, financial condition or results of operations.

Specific risks associated with health and safety

The wide scope of safety norms and regulations in the countries in which the Group operates, the diversity of the locations in which it operates (such as factories, infrastructure worksites, or railway network), as well as the potential application of different safety standards by the Group's partners and clients, create risks that could lead to serious accidents. These risks could potentially cause harm to human lives or to the physical integrity of persons. Such risks can also trigger various criminal, civil or administrative sanctions, including the temporary shutdown of an installation while authorities conduct their investigation.

Although the Group has developed strict rules on health and safety and conducts training sessions and audits to minimise these labour risks, their occurrence cannot be totally excluded. These elements could have a material adverse effect on the business activity, financial position, earnings or future outlook of the Group, as well as on its reputation.

More generally, the Group's business activities could expose employees to substances that are not currently considered as likely to cause health problems but that could be analysed differently in the future and lead employees to investigate the potential liability of the Group in the future. Similarly, it is important to note that regulations setting the tolerance levels and thresholds for the exposure to certain substances have become increasingly stringent, which may imply increase in compliance costs. The surveillance and security procedures implemented by the Group or changes in regulations can also lead the Group to relinquish the use of certain substances currently considered risk-free, to modify its industrial installations, or to make significant investments, which could generate additional costs that are not currently quantifiable.

These factors could potentially have a material adverse effect on the business activities, financial position, earnings, or future outlook of the Group, as well as on its reputation.

1.2 RISKS RELATING TO THE NOTES

The Notes are not rated

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors mentioned in this Information Memorandum, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. Moreover, the market price of the Notes may be influenced by many factors, some of which are beyond the Issuer's control. There is a risk of investors not finding a counterparty for the Notes when wishing to execute their sale before maturity (the Issuer has not entered into any liquidity agreement, and, consequently, no institution is obliged to quote sale and purchase prices). Although the admission of the Notes will be requested to MARF in order to mitigate this risk, an active trading on the market cannot be guaranteed. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes have a market risk

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's appraisals, operating results, adverse business developments, changes to the regulatory

environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects.

Moreover, these are fixed-income securities and their market price are subject to potential fluctuations, mainly due to the evolution in interest rates. Consequently, the Issuer cannot guarantee that the Notes will be traded at a market price that is equal to or higher than the subscription price.

Credit risk

The Notes are subject to the risk of the Issuer defaulting on their obligations. Although the Notes benefit from the guarantee of the Issuer's total net worth, credit risk arises from the potential inability of the Issuer to satisfy the required payments under the Programme. The risk is that of the investor and includes loss of principal and interest. The loss may be complete or partial. If the Issuer defaults, investors may not be able to receive interest and principal. The Issuer's solvency could be deteriorated as a result, among others, of an increase in borrowings or due to deterioration in its financial ratios, which would represent a decrease in the Issuer's capacity to meet its debt commitments.

Risks relating to the Insolvency Law

The restated text of the Insolvency Law approved by Royal Legislative Decree 1/2020, of 5 May (*Texto refundido de la Ley Concursal*) ("**Insolvency Law**"), regulates pre-insolvency and court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

The Insolvency Law provides, among other things, that (i) provisions in a contract granting one party the right to suspend, modify or terminate by reason only of the other's insolvency or pre-insolvency declaration, or opening of the liquidation phase will not be enforceable, and (ii) accrual of unsecured interest shall be suspended from the date of the declaration of insolvency and any amount of unsecured interest accrued up to such date shall become subordinated.

The Insolvency Law may also have the effect of modifying or impairing creditors' rights even if the creditor, either secured or unsecured, does not consent to the amendment (i.e., creditors can be subject to cram down), either in a pre-insolvency (i.e., as result of a restructuring plan that has been judicially sanctioned (*homologado*)) or in an insolvency context (as a result of the approval of a creditors' agreement (*convenio concursal*)), in both cases subject to certain requirements (including majority support). These may include write-off or stay, conversion into (among others) a different financial instrument, convertible obligations, participating loans (*préstamos participativos*), exchange for equity, and even a change of the applicable law to the relevant claims.

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement (*convenio concursal*) in insolvency proceedings, and accordingly, they shall be always subject to the measures contained therein, if passed by the relevant majorities.

In the event of insolvency of the Issuer, under the Insolvency Law, claims relating to the Notes will be ordinary unsecured credits (*créditos ordinarios*) as defined by the Insolvency Law, unless they qualify as subordinated credits (*créditos subordinados*) in the limited circumstances set out in Article 281 of the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (*créditos contra la masa*), which include receivers' fees, and privileged credits (*créditos privilegiados*), which include certain labour and tax debt.

As such, certain provisions of the Insolvency Law could affect the ranking of the Notes or claims relating to the Notes on an insolvency of the Issuer.

Risks relating to the Spanish withholding tax regime

Income derived from securities originally registered with Iberclear will be paid by the Issuer net of Spanish withholding tax (currently, at a rate of 19%) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Individual Income Tax ("**IRPF**").

Interest payments made by the Issuer in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish Corporate Income Tax taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear members that have the Notes registered in their securities account on behalf of third

parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a "**Payment Statement**"), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011 and section 4 of Article 56 of Foral Decree 47/2013 (please see "*Information on the Notes —Taxation of the Notes*").

If the Iberclear members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%. Should this occur, affected beneficial owners would receive a refund of the amount withheld, with no need for action on their part, if the Iberclear members submit a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law (as defined in section "*Taxation of the Notes*").

Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by Iberclear members in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer.

The Issuer is not under any obligation to make additional payments in respect of the amount of any withholding or deduction for, or on account of, any present or future taxes (or stamp duty).

Holders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. The Issuer does not assume any responsibility in this regard.

2. DESCRIPTION OF THE ISSUER

2.1 HISTORY AND DEVELOPMENT

The Issuer's legal name is Construcciones y Auxiliar de Ferrocarriles, S.A. and its commercial name is CAF.

The Issuer was incorporated in San Sebastián (Gipuzkoa, Spain) on 4 March 1917, under the registered name of Compañía Auxiliar de Ferrocarriles. It adopted its current name, Construcciones y Auxiliar de Ferrocarriles, S.A. following the acquisition of Material Móvil y Construcciones, Antiguos Talleres Carde y Escoriaza, S.A., by virtue of the deed granted before the Notary of Villafranca de Ordizia (Gipuzkoa, Spain), Mr. Félix Ruiz-Cámara Ortún, on 10 March 1971.

The Issuer is a public limited company (*sociedad anónima*) under Royal Decree 1/2010, of 2 July, approving the restated Spanish companies act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Companies Act**") and is registered in the Commercial Registry of Gipuzkoa, in volume 983, sheet 144, page SS-329.

The Issuer's registered office is at Calle J.M. Iturrioz, 26, 20200 Beasain Gipuzkoa, Spain and the telephone number of its registered office is +34 91 436 6000.

Recent Events

The following are the most significant developments affecting the business and operations of CAF and the Group in 2023:

Awards and new contracts

In the first quarter of 2023, Solaris wins two new contracts in Germany and Italy

The two new bus supply contracts for Aschaffenburg (Germany) and Sardinia (Italy), for hydrogen and hybrid vehicles respectively, have a sale value of over EUR 40 million.

The German operator Stadtwerke Aschaffenburg Verkehrs GmbH selected Solaris to supply 12 hydrogen buses. Specifically, these are 10 12-meter long units and 2 18-meter long units, which will run in the German city of Aschaffenburg, in the north of Bavaria, from 2024. It should be noted that this is the first order Solaris has received for 18-meter long articulated hydrogen buses, a model which the company introduced in autumn 2022.

Solaris entered into an agreement to supply 100 Urbino 12 hybrid buses to the Italian city of Cagliari, the capital of Sardinia. The contract is part of a framework agreement entered into in 2021 with the public limited company Consip, owned by the Italian Department of Economy and Finance (MEF).

In the first quarter of 2023, CAF secured two tram contracts in Hungary and Spain

The new orders to supply Urbos platform trams, 31 units to the operator BKK (Budapesti Közlekedési Központ) in Budapest and 6 trams to the Seville town of Alcalá de Guadaíra, have a combined value of over EUR 100 million.

Through BKK, the company in charge of transport management in Budapest has exercised the option provided for in the initial contract to increase the number of units supplied. In this case an additional 31 trams will be supplied, 26 of them consisting of 5 modules and another 5 of 9 modules. These will include the supply of additional equipment and services.

The Andalusian Regional Department of Public Works has awarded CAF the supply of six units to provide service on the Alcalá de Guadaíra tram network in Seville. The contract also includes two years of maintenance work on the units, as well as the supply of spare parts for the units.

In March 2023, RENFE awarded CAF a contract to supply 29 commuter trains

The contract, which also includes the supply of the relevant spare parts, is worth almost EUR 200 million and includes eventual options to extend its scope in the future, including the manufacture of an additional nine complete trains, and additional cars that can be used to extend the units in the base contract.

This new project stems from the major investment plan pursued by RENFE in recent years, the main goal of which has been to update a significant portion of its train fleet, with a clear commitment to incorporating more efficient and sustainable units. It is also the third contract awarded to CAF within this modernization plan, which after this new agreement raises the company's turnover with the operator above 750 million euros.

The trains to be manufactured by CAF will have a 4-car basic configuration, boasting a capacity for over 500 passengers.

In April 2023, CAF secured new regional train contracts for the Reichshoffen plant in France

The contracts' scope is the manufacture 18 Coradia Polyvalent platform regional trains totalling EUR 161 million. These are the first orders won by CAF for Coradia Polyvalent platform units. This agreement follows the Company's move in August 2022 with the acquisition of the Reichshoffen manufacturing plant in France, including the aforementioned train platform together with a backlog of related orders, as well as the intellectual property of the Talent 3 platform, all with a view towards further consolidating CAF's position in the French and German markets.

In this case, these agreements include, on the one hand, the supply of 11 trains for the New Aquitaine Region in the south of France, and on the other, the supply of seven units for Senegal, specifically for the Agency for the Promotion of Investment and Major Works (APIX), under the country's Transport Department. It should be noted that these are the first extensions in a series of Coradia Polyvalent platform projects under way, which contemplate an increase in the number of trains to be delivered.

According to the transaction arrangements, both projects will be carried out in consortium with Alstom, this latter supplying the equipment for the units, whilst CAF will design and manufacture the trains - each consisting of four cars - at CAF's French plant in Reichshoffen, Alsace.

In April 2023, Solaris was awarded a contract for the supply of 52 hydrogen buses for Germany, its largest contract to date with this technology

The German operator, Rebus Regionalbus Rostock, based in Güstrow and responsible for the management of the public transport service in the region of Rostock in northern Germany, concluded in April 2023 an agreement with Solaris for the supply of 52 Solaris Urbino hydrogen buses, 5 of which are 18-metre articulated vehicles. This is the largest contract obtained by Solaris to date for hydrogen-powered vehicles.

The delivery is expected to be completed by the end of 2024, thereby reaffirming the regional government's mobility policy, one of the objectives of which is to achieve a hydrogen-based public transport system for the county of Rostock over the next few years.

Together with the supply of these new buses, the contract contemplates the construction of two hydrogen service stations at the depots in the towns of Güstrow and Bad Doberan.

In June 2023, RENFE opted to extend the medium-distance train supply contract by 32 units

The Board of Directors of RENFE confirmed in June 2023 its decision to make use of the option to extend the amount order of medium-distance electric units provided for in the contract which was awarded to CAF at the end of 2022.

The initial contract, awarded to CAF in October last year, established the initial supply of 28 electric trains to run medium-distance services, together with the supply of their relevant depot parts and train maintenance services for 15 years. This agreement includes further order options to extend the scope in the future. One of these was the production of up to 42 additional trains and it is part of this order option that RENFE has now exercised; specifically, 32 electric trains, of which 24 will be 3-car consists and the other 8 trains will be 4-car consists. This extension order is worth approximately EUR 190 million.

The trains to be supplied by CAF will have similar specifications to those previously ordered - currently in the manufacturing process, with an operating speed of 200 km/h. One of the relevant features of the unit is its capacity to run short distances autonomously on sections of the network where there is no catenary or when required when a power outage occurs, on account of the batteries the units are equipped with.

In the second quarter of 2023, CAF was awarded contracts in Italy worth in excess of EUR 150 million

The CAF Group will supply electric buses to Cagliari in Sardinia through Solaris, metro units to Naples and tram units to Palermo, the capital of Sicily, through CAF. These contracts relate to the CAF Group wide range of zero-emission urban transport solutions. The total sale value of the three aforementioned contracts amounts to a value of over EUR 150 million.

In July 2023, Euskotren awarded CAF the supply of five new trains

Euskotren, a public company coming under the Basque Government Ministry of Urban Planning, Housing and Transport, entered in July 2023 into a contract with CAF for the supply of 5 new electric units from its 980 series, to run on the new Metro Bilbao line 5. The scope of this closed agreement includes the supply of CAF's onboard level 1 ERTMS system for the new units as well as for Euskotren's 28 electric units from the 950 series that are already in service. These units will therefore be equipped with a technological system that is in line with current European railway safety standards. The entire contract is worth approximately EUR 60 million.

The new units will be delivered to Euskotren between 2026 and 2027 and will allow the operator to broaden its service offering. These new units will be added to the 58 trains from the 900 and 950 series already supplied by CAF, as well as four trains from the 940 series which to be delivered during 2023, and which are already equipped with CAF's on-board level 1 ERTMS system.

In July 2023, Solaris was awarded the supply of more than 80 zero-emission buses in Germany and Denmark

The German cities of Duisburg and the Danish city of Aarhus will receive a total of 81 zero-emission buses in the coming months under contracts secured in July 2023 with Solaris, totalling approximately EUR 50 million.

The city of Duisburg has awarded Solaris to supply 25 Urbino hydrogen buses, 11 of the 12-metre configuration and 14 18-metre articulated vehicles. The 12-metre vehicles are scheduled for delivery in 2024 and the articulated buses in 2025. These buses will be the first hydrogen buses in this German city.

Solaris will also supply articulated electric buses to AarBus, the operator for the Danish city of Aarhus. This city has already been operating with Solaris electric units in its fleet since last year.

In September 2023, Solaris secured contracts for the supply of more than 200 hydrogen buses

The contracts relate to the supply of hydrogen buses to the Italian cities of Bologna and Venice, as well as to Cologne in Germany. The total value of these projects amounts to approximately EUR 150 million, an amount that could be increased if the options included in these contacts are exercised in the future.

The municipal public transport operator of Bologna TPER has awarded Solaris the contract to supply 127 hydrogen-powered units as part of its initiative to convert the city's urban public transport system into a complete zero-emission transport system by 2030. The contract also provides for an optional order extension for an additional 140 vehicles.

Bologna has chosen Urbino 12-metre hydrogen buses for this project. These new hydrogen buses are scheduled for revenue service in Bologna in 2024, when the first batch of 34 units is planned for delivery to the city, with the remaining vehicles scheduled for commercial operation in 2025 and 2026.

The transport company Azienda Veneziana della Mobilita (AVM) placed an order for the supply of 90 Solaris hydrogen buses. 75 of these will be 12-metre-long buses and the remaining 15, 18-metre-long articulated vehicles, with deliveries scheduled to take place between late 2025 and the first weeks of 2026. This contract, just like the previous one, also includes an option to extend the number of vehicles, up to 18 additional buses in this case.

Finally, the German operator RVK (Regionalverkehr Köln GmbH) placed an order for 18 hydrogen-powered 18-metre-long articulated buses. This is the third order placed by Cologne with the CAF Group for this type of vehicle.

In October 2023, Solaris entered two contracts to supply electric intercity buses in Sweden

The Swedish public transport operator Nobina Stockholm, concluded in October 2023 a contract with Solaris for the supply of up to 55 Urbino 15 LE electric buses. These are class II vehicles, i.e. intercity, and can therefore run on the various suburban routes in the Stockholm region. These buses are scheduled to be delivered in 2024. These are versatile vehicles that can run both in urban centres and on intercity routes.

As mentioned in CAF's Strategic Plan, Solaris seeks to expand its leading position in zero urban emissions in Europe in the intercity bus sector, by increasing its market share and developing new 12m and 18m intercity electric bus platforms.

In addition, the Swedish company VR Kristianstad entered into a contract for the supply of 23 Solaris electric buses. This order comprises 20 Urbino 15 LE electric buses and 3 Urbino 12 electric units; both low-floor models. The new vehicles are expected to be delivered in July 2024.

In November 2023, CAF was selected by the British operator London North Eastern Railway to supply first tri-mode UK intercity fleet

The operator London North Eastern Railway (LNER) and CAF signed in November 2023 a contract to supply 10 tri-mode trains, i.e. they can operate in electric, diesel or battery mode, whereby they are versatile units given their capacity to operate with different drive technologies. The project also includes the maintenance services for these units for eight years. The value of this operation exceeds EUR 500 million, including both the acquisition value of the trains by Porterbrook, who subsequently lease to LNER, and maintenance services.

Each unit will consist of 10 cars, based on CAF's Civity UK platform: A train designed for intercity services which is fitted out with safety technology.

The new fleet will enter passenger service on the LNER-operated East Coast Main Line (ECML). In addition, the trains can run on both electrified and non-electrified sections of the network.

In November 2023, CAF was selected to supply express trains in the Philippines

Mitsubishi Corporation has chosen CAF to outsource the design and supply of seven Electric Multiple Units (EMUs) as part of the contract awarded to them by the Department of Transportation (DOTr) of the Government of the Philippines. The project includes the manufacture of the seven express trains mentioned above, each one consisting of eight cars including the fleet spares.

The contract is one of the packages of the macro project for the North-South Commuter Railway Project which will connect the Clark International Airport (northwest of Manila) which serves as one of the country's principal entry hubs for international flights with the province of Laguna (southern part of Luzon). The project is worth EUR 150M, and it is financed by the Japan International Cooperation Agency (JICA).

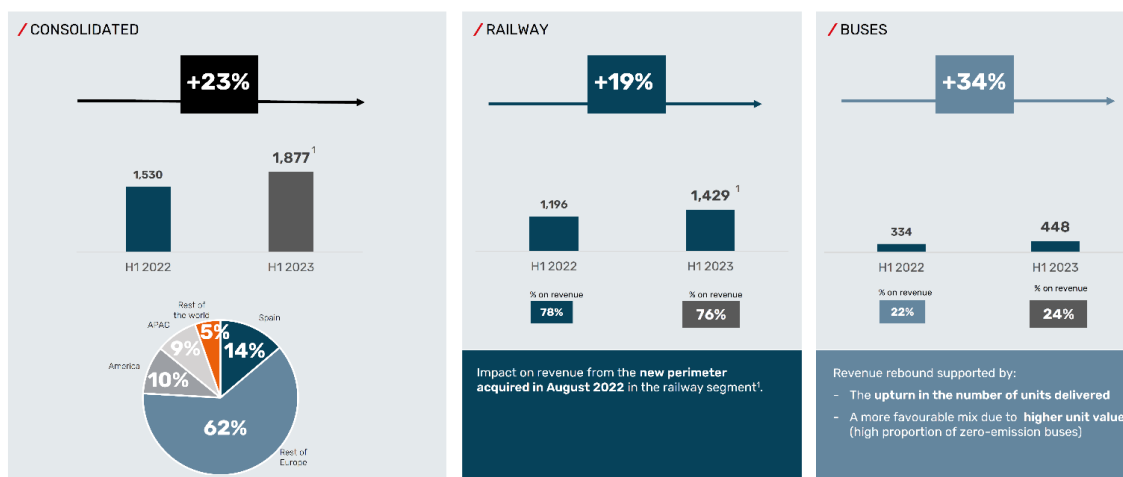
2.2 BUSINESS OF CAF

Business Overview

The Group has over 100 years of experience in the supply of comprehensive transit solutions positioned at the forefront of technology for high value added sustainable mobility. The Group is a leader in the railway and urban bus industries, offering a comprehensive and flexible array of products both in urban bus markets and in railway related markets, such as rolling stock, components, infrastructure, signalling and services (maintenance, refurbishing and financial services).

The Group is geographically diverse, with operations throughout Europe and the Americas, as well as in the Middle East and Asia. Approximately 76% of the Group's revenues for the six-month period ended 30 June 2023 (87% in 31 December 2022) were generated outside of Spain.

The graphics below show some of the main revenue figures of the Group for the six-month period ended 30 June 2023:



Segments

The Group provides a range of products and services covering rolling stock, rail components and transport system solutions through five main business segments: Rolling Stock, Services, Wheelsets, Buses (Solaris) and Other Businesses. For six month period ended 30 June 2023, the Rolling Stock business segment represented approximately 46% of the Group's total revenues (44% for the year ended on 31 December 2022), Services represented approximately 15% of the Group's total revenues (17% for the year ended on December 2022), Components, Equipment, Signalling, Systems and other in aggregate approximately 15% (17% for the year ended on December 2022) (this includes the business lines of "Wheelsets" and "Other Business" described below) and the business of Solaris represented 24% (22% for the year ended on December 2022).

Business lines

With multiple activities and plants and a leader in the railway industry, the Group offers its customers a wide and flexible product range, from integrated transport systems to rolling stock and buses, components, infrastructure, signalling and services (maintenance, refurbishment and financing).

The table below shows the revenue of the main business lines of the Group for the six-month period ended on 30 June 2023 and for the years ended 31 December 2022 and 31 December 2021:

<i>Euro Thousand</i>	June 2023	2022	2021
Trains	864,857	1,401,479	1,287,354
Services	281,760	543,116	570,591
Buses	448,173	695,712	720,852
Integral Systems, Equipment and Others ^(*)	281,898	525,163	363,888
Total	1,876,688	3,165,470	2,942,685

(*) Mainly civil construction, signalling and engineering contract revenue.

Rolling Stock

The Group has delivered more than 150 Rolling Stock transportation solutions to more than 30 countries. Among others, the Group has manufactured a significant fleet of rolling stock to Spain, the United States, Hong Kong, Mexico, Chile, Brazil, The Netherlands, Germany, France, Italy, Portugal, Turkey, Serbia, Finland, the United Kingdom, Ireland, Argentina, Argelia, Hungary, Portugal, Saudi Arabia and New Zealand, amongst other countries.

As well as its geographical diversification, CAF has a diverse portfolio in terms of rolling stock. At 30 June 2023 most of the Group's sales in rolling stock came from regional and commuter trains.

The table below shows the sales of the portfolio of the rolling stock business line of the Group for the six-month period ended on 30 June 2023 and for the years ended 31 December 2022 and 31 December 2021:

<i>Euro Thousand</i>	June 2023	2022	2021
High-speed, Regional and commuter	463,840	801,102	541,319
Metros	158,775	215,396	243,657
Tram and light rail	228,266	365,907	495,503
Bogies and other	13,976	19,074	6,875

Regional and commuter trains

The Group provides a range of high-performance regional trains capable of offering competitive traveling times with the capacity to transport a large number of passengers for medium and long-distance services.

The family of modular and low floor Civity trains is oriented toward commuter and regional services. By way of example, Civity trains are used widely for commuter services in the main cities in Spain and in part of the Italian network.

Metros

The Group has designed its Inneo family of trains to deliver operational flexibility and reduced operating costs. Inneo trains are in operation in the metros of Madrid, Barcelona, Brussels, Rome, Istanbul and Santiago de Chile.

Tram and light rail vehicles

The strategic development of cities and the need to link them to the neighbouring towns and villages has led to the creation of new tram-train transport solutions. These units not only run on the city's tram lines but also make use of the commuter line infrastructure to link the city to other urban areas.

The Group has designed the family of Urbos trams to address this niche. In addition, CAF has developed an innovative mobility concept called Greentech for the catenary-free operation of trams, already implemented in projects in Zaragoza (Spain), Kaohsiung (Taiwan) and Luxembourg.

The Group has supplied tram and light rail vehicles to cities and urban areas including Pittsburgh (USA), Sacramento (USA), Amsterdam (The Netherlands), Monterrey (Mexico) and Cádiz-Chicla-San Fernando (Spain).

High speed trains

CAF has extensive experience in this area and plays an important role in the supply of the high-speed Spanish train (AVE) for the Madrid - Sevilla line. In addition to the Spanish high-speed railway network, the Group has supplied 12 trains for the Turkish railway network.

The Group's family of high-speed trains is called Oaris, trains and offering a capacity of more than 500 places. The Oaris fleets are modular, enabling CAF to configure the trains to each customer's specific requirements.

Services

As well as supplying rolling stock to its customers, the Group offers rail services in connection with the operation of the Group's fleets of trains. The Group's maintenance and after-sales services are provided not only to CAF's trains, but also to the rolling stock produced by other manufacturers.

The Group also provides structured financing to clients, through Public Private Partnerships and concession arrangements, participating in the equity of the relevant project companies. The activities carried out within the Services business segment of the Group include train refurbishment, the provision of Equipment for Workshops and the Management of Spares on behalf of clients. The Group's service offering also includes the training of mechanics or drivers and maintenance engineering support services.

Wheelsets

CAF has more than 80 years' experience in the design, manufacture and sale of wheelsets, including wheels, axles, gear units and couplers for the rail market. The range of equipment and components designed by the Wheelsets business segment is intended not only for the rolling stock made by CAF, but also for many other rail authorities and rolling stock manufacturers.

CAF is approved by the major European rail operators and authorities, including RENFE (Spain), SNCF (France), DB (Germany), OBB (Austria) and SBB (Switzerland).

Other Business

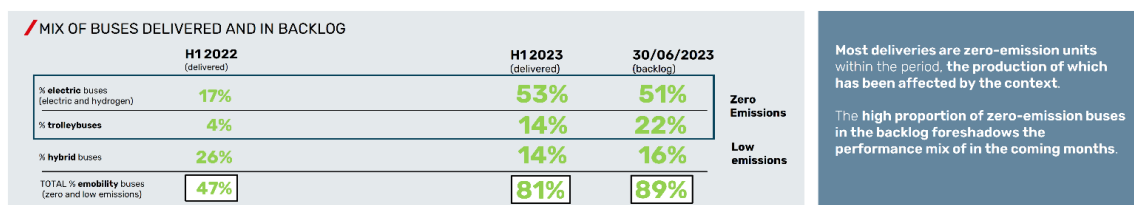
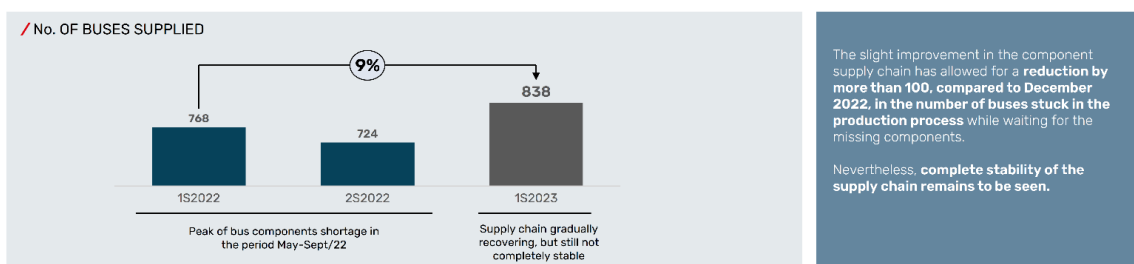
The Group develops turnkey solutions that cover more than just the supply of rolling stock for those contracts which include a wider range of activities such as viability studies, civil works, electrification and signalling, maintenance and even the operation of the system. This enables CAF to provide global railway solutions adapted to particular customer requirements.

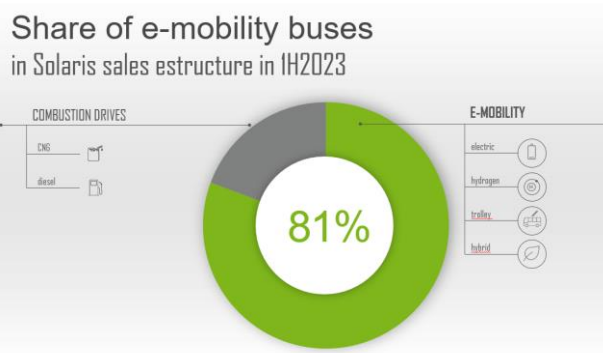
CAF guarantees the integration and compatibility of all the sub-systems in its projects, starting with the civil works and construction, followed by electrification, signalling, communications and ticketing, right up to the operation of the rail services.

Buses

From the acquisition of Solaris in September 2018, the capacities of the Group include the design, production and delivery of buses, including conventional models (diesel and CNG) and a growing number of e-mobility vehicles, where it offers the widest available range of solutions, e.g. hybrid buses, trolleybuses, full-battery and hydrogen fuel cell powered public transport vehicles. Among others, the Group has manufactured a significant amount of buses for Poland, Spain, Italy, Belgium, Lithuania and Germany.

Solaris managed to deliver 1,492 buses in 2022 despite the material impact that the crisis in the supply chain and the strike have had on the performance of its activities. The number of buses delivered by Solaris by June 2023 rose by 9% with respect to the same period of 2022, favoured by a more reliable supply chain, but which was not fully normalised.





As of June 2023, Solaris continued to be the historical leader in supplying zero-emissions buses.

2.3 MANAGEMENT AND EMPLOYEES OF CAF

Board of Directors

CAF is managed by a Board of Directors which, in accordance with its by-laws (*estatutos sociales*) is comprised of no less than seven and no more than fifteen members appointed by the general shareholders meeting. Members of the Board of Directors are appointed for a period of four years and may be re-elected.

The members of the Board of Directors as of the date of this Information Memorandum are:

Name	Date of First Appointment	Position
Arizkorreta García, Andrés	26 December 1991	Chairman
Martínez Ojinaga, Javier	13 June 2015	CEO
Arrieta Sudupe, Juan José	7 June 2008	Director
Arconada Echarri, Luis Miguel	29 January 1992	Director
Allo Pérez, Carmen	11 Junio 2016	Director
Gracia Palacín, Julián	10 June 2017	Director
Camarero García, Ignacio	15 June 2019	Director
Bazarrica Lizarbe, Marta	22 January 2016	Director and Secretary
Zenarrutzabeitia Beldarrain, Idoia	13 June 2020	Director
Domínguez de la Maza, Manuel	13 June 2020	Director
Beltrán de Heredia Villa, Begoña	24 February 2023	Director

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties.

Audit Committee

CAF's Audit Committee comprises, at the date of this Information Memorandum, Ms. Begoña Beltran de Heredia Vila as Chairperson of the committee, and Ms. Carmen Allo Pérez and Mr. Juan José Arrieta Sudupe as voting members.

Appointments and Remuneration Committee

CAF's Appointments and Remuneration Committee comprises, at the date of this Information Memorandum, Mr. Julián Gracia Palacín, as Chairperson of the committee, and Mr. Luis Miguel Arconada Echarri and Mr. Ignacio Camarero García as voting members.

Employees

On 31 December 2022, the Group had 14,526 employees worldwide.

2.4 PRINCIPAL SUBSIDIARIES OF CAF

At the date of this Information Memorandum, the Group carried out its activities primarily through the fully-consolidated entities set out in the table below:

	Ownership	Registered Office	Activity	Share Capital as of 31 December 2022 (EUR thousands)
Construcciones y Auxiliar de Ferrocarriles, S.A.	Parent Company	Gipuzkoa	Rolling stock equipment and components related commercial and industrial activity	10,319
CAF USA, Inc.	100%	Delaware	Rolling stock manufacturing	54,283
CAF Rail UK Limited	100%	Belfast	Rolling stock maintenance and related services	108
CAF México, S.A. de C.V.	100%	México D.F.	Rolling stock manufacturing and maintenance	34,804
CAF Brasil Industrial e Comercio, S.A.	100%	Sao Paulo	Rolling stock manufacturing and maintenance	201,885
CAF Power & Automation, S.L.U.	100%	Gipuzkoa	Power and electronic equipment	6,090
CAF Turnkey & Engineering, S.L.U.	100%	Bizkaia	Engineering services	5,703
CAF Signalling, S.L.U.	100%	Gipuzkoa	Signalling	14,300
BWB Holdings Limited	100%	Nottingham	Engineering services	229
EuroMaint Groupen AB	100%	Solna	Rolling stock maintenance	10
Actren, S.A.	51%	Madrid	Rolling stock maintenance	3,000
Solaris Bus & Coach, S.A.	100%	Bolechow	Bus manufacturing	37,166
CAF Investment Projects, S.A.U.	100%	Gipuzkoa	PPPs and concessions development	47,917
CAF Rail Australia Pty Ltd	100%	Sydney	Engineering, Construction and Rolling Stock Maintenance	74
CAF Arabia Company	100%	Riyadh	Rolling Stock Maintenance	316
CAF Reichshoffen SAS	100%	Reichshoffen	Rolling stock design and manufacturing	46,608
Rail Line Components SLU	100%	Gipuzkoa	Commercialization	60
CAF Italia SRL	100%	Roma	Rolling stock maintenance and related services	100

2.5 CAPITAL AND SHAREHOLDERS

Capital Structure of CAF

The shares of CAF are admitted to listing and trading on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia. Its current share capital is EUR 10,318,505.75, represented by 34,280,750 shares with a par value of EUR 0.301 each, forming a single class. The share capital is fully paid up.

Major Shareholders of CAF

As at the date of this Information Memorandum, according to the information publicly available at the website of CNMV, the Issuer's shareholders with significant stakes in CAF are:

Name	% Voting rights attached to shares			% Voting rights though financial instruments (B)	% Total Voting rights (A+B)
	% Total (A)	Direct %	Indirect %		
Cartera Social, S.A. *	24,973	24,973	0,000	0,000	24,973
Kutxabank, S.A. **	14,056	14,056	0,000	0,000	14,056
Indumenta Pueri, S.L. ***	5,022	0,000	5,022	0,000	5,022
Bravo Andreu, Daniel	5,000	0,000	5,000	0,000	5,000
Invesco Ltd.	1,098	0,000	1,098	0,009	1,107
Instituto Vaso de Finanzas ****	3,000	0,000	3,000	0,000	3,000

* The shareholders of this company are employees of CAF.

** Kutxabank, S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank, S.A.

*** Indumenta Pueri, S.L. is the indirect holder. The direct holder is Global Portfolio Investments, S.L., a company controlled by Indumenta Pueri, S.L.

**** The Instituto Vasco de Finanzas is the indirect holder. The direct holder is Finkatze Kapitala Finkatuz, S.A.U.

CAF has no knowledge of the existence of any shareholders' agreements, (as defined in article 530 of the Spanish Companies Act) which would or could regulate the right to vote at the General Meetings or which restrict or condition the free transferability of CAF's shares.

2.6 LITIGATION

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. In July 2019, the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 (equivalent to EUR 31,647 thousand at 30 June 2023), and advised the competent authorities not to grant the subsidiary certain tax benefits for a five-year period. The Group posted a provision for this amount in 2019 with a charge to "Other operating expenses" in the consolidated profit and loss statement and a credit to "Non-current provisions" in the accompanying consolidated balance sheet. In 30 June 2023, the above-mentioned provision amounts to EUR 41.7 million (EUR 36.6 million at 31 December 2022). The subsidiary has appealed CADE's decision in court.

The subsidiary rejects CADE's assessment of the facts when imposing the aforementioned penalty and argues that, with respect to the facts under investigation, it has always acted in strict compliance with the applicable law. The subsidiary's legal advisers consider there to be a reasonable chance that the penalty will ultimately be reduced to an amount that is substantially lower than the one mentioned, and they do not rule out the total annulment of the fine.

Also, as a result of the investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated court proceedings, in relation to, the Group has already presented its corresponding defences.

CADE's investigations also prompted the Court of Auditors to open administrative proceedings, in response to which the subsidiary presented its preliminary defence in the first half of 2016. Following a finding by the Court of Auditors that no irregular conduct had been proven as a result of the sentence imposed by CADE, in 2022 the Court of Auditors decided to continue with the proceedings and, to date, the subsidiary has submitted its statements to the Court of Auditors. Lastly, also as a result of the investigations conducted by CADE, the Court of Auditors of Sao Paulo, processed an administrative procedure in relation to which the subsidiary filed initial claims during the second half of 2018.

The CAF Group continues to defend its interests in these proceedings. However, at the reporting date, it was not possible to determine the result or the impact that these proceedings might have on the Group's interim condensed consolidated financial statements should the outcome be unfavourable and, therefore, no liabilities were recognised in this connection in these accounts.

Meanwhile, in a lawsuit regarding the validity of a contractual extension to supply several additional units, CAF and its subsidiary in Brazil, together with other railway material manufacturing companies, were ordered in first instance to pay a fine of BRL 10,000,000 (plus its revalued amount) each, and they were prohibited from contracting public administrations in Brazil and from claiming benefits or tax or credit incentives for five years. According to the external legal advisors, the sanctions imposed are not considered to be effective until the judgement becomes final. Both CAF and its subsidiary in Brazil have since lodged an appeal against the court's findings in relation to the facts of the case and the grounds for the conviction.

In addition, the CAF Group subsidiary in Brazil is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. Whatever the case may be, should the court find against the Consortium for breach of contract, since the breaches are mainly attributable to other members of the Consortium, CAF could claim the potential losses from such members. Furthermore, in one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary is continuing to defend its interests in these proceedings. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the second half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 18,218 thousand at 30 June 2023) (the subsidiary holds a 36.8% stake in the Consortium which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.7 million), and a prohibition on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts ordered the precautionary suspension of the effectiveness of the fine imposed.

Meanwhile, on 27 August 2018 the National Commission for Markets and Competition ("CNMC") initiated sanctioning proceedings against various companies, including CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A. (considered jointly and severally liable), in relation to alleged anti-competitive practices. At the date of authorisation for issue of these interim condensed consolidated financial statements, the proceedings had concluded following notification of the ruling of 30 September 2021. While this decision marked an end to the administrative process, it has been the subject of an administrative appeal before the National High Court (Audiencia Nacional). The main aspects of the case and the decision, which affect the subsidiary company CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary joined the cartel initiated in 2002 by other entities, consisting of distribution agreements between the various companies involved. The subsidiary was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017), receiving a fine of EUR 1.7 million. CAF, S.A. is jointly and severally liable for payment of the fine based on the economic unit that makes up the parent company and subsidiary for the purposes of competition regulations. As part of this same case, two former directors of CAF Signalling, S.L.U.

were also fined. CAF and CAF Signalling, S.L.U. had filed an administrative appeal against the CNMC resolution, having accepted the precautionary suspension of payment of the fine until the Audiencia Nacional rules on the merits of the case. The proceedings relating to the prohibition on public tendering is also suspended.

The Group's legal advisors consider that an unfavourable outcome for the CAF Group is unlikely and that the lawsuit will not materially affect its financial statements for the years in which the amounts are ultimately paid, if at all. Therefore, no provision was recognised in this respect.

At 30 June 2023, the Group had recognised EUR 28,651 thousand, corresponding to billed and unbilled balances receivable under two contracts already performed that had yet to be collected, after securing arbitration awards favourable to the Group and with subsequent favourable judgments (EUR 51,320 thousand at 31 December 2022). During the first half of 2023, the Group had collected the amount corresponding to one of the contracts after obtaining favourable rulings. At 30 June 2023, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to its recoverability.

At 30 June 2023, the group had recognised EUR 39,425 thousand (EUR 40,811 thousand at 31 December 2022), relating to billed and unbilled balances pending collection in respect of a dispute with a customer for a project in which there are cross claims regarding delays in meeting the contractual milestones signed by the consortium to which CAF belongs. the litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent's directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At 30 June 2023, two expert reports analysing the alleged delays have been issued as part of the legal proceedings ongoing and the parties are currently awaiting a decision by the court.

2.7 FINANCIAL STATEMENTS

The Issuer's consolidated financial statements for the financial years ended on 31 December 2021 and 31 December 2022, audited and without reservations, are included by reference as Annex 1 to this Information Memorandum.

The Issuer's unaudited interim consolidated financial statements for the nine-month period ended 30 September 2023 and for the six-month period ended 30 June 2023 are included by reference as Annex 1 to this Information Memorandum.

3. FULL NAME OF THE PROGRAMME

"COMMERCIAL PAPER PROGRAMME CAF 2023" or "*Programa de Pagars CAF 2023*".

4. PERSONS RESPONSIBLE

Mr. Antonio Garcfa-Zarandieta Oliveira, on behalf of CAF and the Group, as Corporate Financial Director, expressly authorized by the resolution of the Issuer's Board of Directors dated 19 December 2023, hereby assumes responsibility for the content of this Information Memorandum.

Mr. Antonio Garcfa-Zarandieta Oliveira, hereby declares that the information contained in this Information Memorandum is, to the best of his knowledge and after executing its reasonable diligence to ensure that it is as stated, compliant with the facts and does not suffer from any omission that could affect its content.

5. DUTIES OF THE REGISTERED ADVISOR (ASESOR REGISTRADO) OF MARF

Norbolsa S.V., S.A. is a Spanish public limited company (sociedad an3nima) with tax identification number A-48403927, registered with the Bizkaia Commercial Registry in volume 2,205, book 1,639, page 32, sheet BI-16,034, with registered office at Bilbao, Torre Iberdrola, Planta 26, Plaza Euskadi n5. Norbolsa S.V., S.A. is registered in the Registry of Registered Advisors pursuant to Operative Instruction (*Instrucci3n Operativa*) 10/2014, of 23 June, in accordance with section 2 of the Circular 3/2013, of 18 July, on Registered Advisors on the Alternative Fixed-Income Market (*Circular-3/2013, de 18 de julio, sobre Asesores Registrados del Mercado Alternativo de Renta Fija*) ("**Norbolsa**" or the "**Registered Advisor**").

Norbolsa has been designated as Registered Advisor of the Issuer (*asesor registrado*). Accordingly, the Registered Advisor shall enable the Issuer to comply with the obligations and responsibilities to be assumed on admitting to listing of the issued Notes on the MARF, acting as specialist liaison between both, the MARF and the Issuer, and as a means to ease the development of the Programme under the new securities trading regime.

Therefore, Norbolsa has undertaken the compromise to cooperate with the Issuer on (i) the admission (incorporaci3n) of the Notes to be issued under the Commercial Paper Programme CAF 2023, (ii) compliance with any obligations and responsibilities that apply to the Issuer for its admission and participation on the MARF, (iii) the preparation and presentation of financial and business information required thereby and (iv) review of the information to ensure that it complies with applicable standards. Thus, Norbolsa will collaborate with the Issuer to ensure the latter complies with its obligations and responsibilities deriving from the admission (incorporaci3n) of the Notes on MARF, acting as specialized interlocutor between both MARF and the Company and as a mean to facilitate its insertion and development in the new trading regime of the Notes.

Norbolsa shall provide the MARF with the periodic information required by it, and MARF, in turn, may seek any information deemed necessary in connection with the Registered Advisor's role (and obligations as Registered Advisor). MARF may take any measures in order to verify the information that has been provided.

The Issuer must have, at all times, a designated Registered Advisor listed in the "Registered Advisors Market Registry" (*Registro de Asesores Registrados de Mercado*).

As Registered Advisor, Norbolsa, with respect to the application for admission of the Notes to trading on MARF:

- (i) has verified that the Issuer complies with the MARF's regulation requirements in order for the Notes to be admitted thereto;
- (ii) has assisted the Issuer in preparing the Information Memorandum (*Documento Base Informativo*);
- (iii) has reviewed all information provided by the Issuer to MARF in connection with the application for admission to trading of the Notes on MARF; and
- (iv) (has checked that the information provided by the Issuer complies with the regulatory requirements and includes no omission likely to mislead potential investors.

Once the Notes are admitted to trading on MARF, Norbolsa, as Registered Advisor of the Issuer, will:

- (i) review the information prepared by the Issuer for its filing with the MARF periodically or on an ad hoc basis, and check that the content meets the requirements and time limits provided under the rules and regulations of the MARF;
- (ii) advise the Issuer on any factors that may affect the Issuer's compliance with its obligations as an issuer of Notes that have been admitted to trading on MARF, as well as the best way to deal with such events in order to avoid breaching such obligations;
- (iii) inform MARF of any facts that may constitute a breach by the Issuer of its obligations in the event that it appreciates a potential material breach by the Issuer that had not been cured by its advice; and
- (iv) manage, deal with and respond to queries and requests for information from MARF in relation to the situation of the Issuer, the evolution of its activity, the level of performance of its obligations and any other data deemed relevant.

For the above purposes, Norbolsa, as Registered Advisor of the Issuer, will perform the following actions:

- (i) maintain necessary and regular contact with the Issuer and analyse exceptional situations which may occur in the evolution of the market price, trading volume and other relevant circumstances in the trading of the Issuer's Notes;
- (ii) sign such statements as may be required under the MARF's regulation as a result of the admission to trading of the Notes on MARF, as well as in relation to information required to companies with Notes admitted thereto; and
- (iii) send to MARF, as soon as possible, any information received from the Issuer in response to enquiries and requests for information that MARF may have.

6. MAXIMUM OUTSTANDING BALANCE OF THE PROGRAMME

The maximum amount of Notes issued by the Issuer under the Programme from time to time will be €250,000,000 in nominal value. This amount is understood to be the maximum balance to which the aggregate nominal value of the outstanding Notes issued under the Commercial Paper Programme CAF 2023 and admitted (incorporados) on the MARF by virtue of this Information Memorandum at any given time shall be limited during the term of the Programme.

7. DESCRIPTION OF THE TYPE AND CLASS OF SECURITIES. NOMINAL VALUE

The Notes are securities with an implicit positive, zero or negative yield, so that their return (positive, zero or negative) results from the difference between the subscription or acquisition price and the redemption price, with no right to receive a periodic coupon.

The Notes represent a debt for the Issuer and will be reimbursed at maturity at their face value.

An ISIN (International Securities Identification Number) code will be assigned to each issuance of Notes that has the same maturity period.

Each Note will have a nominal value of EUR 100,000; therefore, the maximum number of these Notes outstanding at any given time shall not exceed 2,500.

8. GOVERNING LAW OF THE NOTES

The Notes are issued in accordance with the Spanish legislation (*Derecho común español*) applicable to the Issuer and to the Notes. More specifically, the Notes will be issued in accordance with the Spanish Companies Act, the Securities Markets and Investment Services Act, and their respective implementing or concordant regulations.

The courts and tribunals of the city of Madrid have exclusive jurisdiction to settle any disputes arising from or in connection with the Notes (including disputes regarding any non-contractual obligation arising from or in connection with the Notes).

9. REPRESENTATION OF THE NOTES THROUGH BOOK-ENTRIES (ANOTACIONES EN CUENTA)

The Notes, that will be incorporated on MARF, shall be represented in book-entry form (*anotaciones en cuenta*), as set out in the mechanisms for trading on MARF.

The party in charge of the accounting records is Iberclear, with registered office at Madrid, Plaza de la Lealtad, 1, together with its participating entities, pursuant to Article 8.3 of the Securities Markets and Investment Services Act and to Article 158 and subsequent of Royal Decree 814/2023, of 8 November, on financial instruments, admission to trading, registration of securities and market infrastructures (Real Decreto 814/2023, de 8 de noviembre, sobre instrumentos financieros, admisión a negociación, registro de valores negociables e infraestructuras de mercado).

10. CURRENCY OF THE NOTES

The Notes to be issued under the Programme will be denominated in Euros.

11. STATUS OF THE NOTES: RANKING

The Notes will not be secured by any *in rem* guarantees (*garantías reales*) or by third parties. The principal and the interest of the Notes will benefit from the guarantee of the Issuer's total net worth.

The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute unsubordinated and unsecured obligations of the Issuer and upon the insolvency (*concurso*) of the Issuer (and unless they qualify as subordinated debts under Article 281 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)) rank *pari passu* and rateably without any preference among themselves and *pari passu* with all other unsecured and unsubordinated indebtedness, present and future, of the Issuer.

In the event of insolvency (*concurso*) of the Issuer, under the Insolvency Law, claims relating to Notes (unless they qualify as subordinated credits under Article 281 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. The claims that qualify as subordinated credits under Article 281 of the Insolvency Law include, but are not limited to, any accrued and unpaid interests (including, for Notes sold at a discount, the amortisation of the original issue discount from (and including) the date of issue to (but excluding) the date upon which the insolvency proceeding (*concurso*) of the Issuer commenced). Ordinary credits rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*). Ordinary credits rank above subordinated credits and the rights of shareholders.

12. DESCRIPTIONS OF THE RIGHTS INHERENT TO THE NOTES AND THE PROCEDURE FOR EXECUTING THOSE RIGHTS. METHODS AND DEADLINES FOR PAYMENT OF THE SECURITIES AND HANDOVER OF THE SAME

In accordance with the applicable legislation, the Notes issued under the Programme will not grant the investors any present and/or future political rights over the Issuer.

The economic and financial rights of the investor associated to the subscription (or acquisition) and holding of the Notes will be those arising from the conditions of the nominal interest rate, yield and redemption price applicable to the issue, specified in sections 13, 14 and 16 below.

The date of disbursement of the Notes will coincide with its date of issuance, and the effective value of the Notes will be paid to the Issuer by Banco Santander, S.A. (as paying agent) (the "**Paying Agent**"), in the account specified by the Issuer on the corresponding date of issuance.

The Dealers or the Issuer, as appropriate, may issue a nominative and non-negotiable certificate of acquisition. This document will provisionally evidence the subscription of the Notes until the appropriate book-entry (*anotación en cuenta*) is registered, which will grant its holder the right to request the relevant legitimacy certificate (*certificado de legitimación*). Furthermore, the Issuer will report the disbursement to MARF and Iberclear through the corresponding certificate.

13. ISSUE DATE. VALIDITY OF THE INFORMATION MEMORANDUM

The Information Memorandum will be valid for (1) one year from the date of its admission (*incorporación*) with MARF. As the Programme is of a continuous type, the Notes may be issued and subscribed on any day during the validity of the Information Memorandum. However, the Issuer reserves the right, at its sole discretion, to not issue new Notes as it deems appropriate, pursuant to cash needs of the Issuer or because it has found more advantageous conditions of funding.

The issue date and disbursement date of the Notes will be indicated in the complementary certificates (*certificaciones complementarias*) corresponding to each issue. The date of issue, disbursement and admission (*incorporación*) of the Notes may not fall after the expiration date of this Information Memorandum.

14. NOMINAL INTEREST RATE. INDICATION OF THE YIELD AND CALCULATION METHOD

The annual nominal interest rate for the Notes will be set in each issue.

The Notes will be issued under the Programme at the nominal interest rate agreed between the Issuer and the Dealers or, as the case may be, the Issuer and the investors. The yield shall be implicit in the subscription or acquisition price of the Notes, considering that they will be reimbursed on the maturity date at their face value.

The price at which the Dealers transfer the Notes to third parties will be the rate freely agreed between the relevant Dealer and the interested investors.

As these are Notes issued at a discounted subscription price and with an implicit yield, the cash amount to be paid out by the investor (effective value) varies in accordance with the nominal interest rate and term agreed. Therefore, the cash amount (effective value) of each Note may be calculated by applying the following formulas:

- When Notes are issued for a maximum term of 365 days: $E = N / [1 + (in * (n/365))]$
- When Notes are issued for more than 365 days: $E = N / [(1 + in) ^ (n/365)]$

Where:

- E = cash amount (effective value) of the Notes.
- N = nominal amount of the Notes.
- n = number of days from the issue date until maturity.
- in = nominal interest rate, expressed as a decimal.

A table is included to help the investor, including the effective value scenarios for different rates of interest and redemption periods, and a column is also included showing the variation of the effective value of the Notes by increasing such period in 10 days.

Effective value of a Note with a nominal value of €100,000

(Less than one year term)

Nominal rate (%)	7 DAYS			14 DAYS			30 DAYS			60 DAYS		
	Subscription price (euros)	IRR/AER (%)	+10 days (euros)	Subscription price (euros)	IRR/AER (%)	+10 days (euros)	Subscription price (euros)	IRR/AER (%)	+10 days (euros)	Subscription price (euros)	IRR/AER (%)	+10 days (euros)
0,25	99.995,21	0,25	-6,85	99.990,41	0,25	-6,85	99.979,46	0,25	-6,85	99.958,92	0,25	-6,84
0,50	99.990,41	0,50	-13,69	99.980,83	0,50	-13,69	99.958,92	0,50	-13,69	99.917,88	0,50	-13,67
0,75	99.985,62	0,75	-20,54	99.971,24	0,75	-20,53	99.938,39	0,75	-20,52	99.876,86	0,75	-20,49
1,00	99.980,83	1,00	-27,38	99.961,66	1,00	-27,37	99.917,88	1,00	-27,34	99.835,89	1,00	-27,30
1,25	99.976,03	1,26	-34,22	99.952,08	1,26	-34,20	99.897,37	1,26	-34,16	99.794,94	1,26	-34,09
1,50	99.971,24	1,51	-41,06	99.942,50	1,51	-41,03	99.876,86	1,51	-40,98	99.754,03	1,51	-40,88
1,75	99.966,45	1,77	-47,89	99.932,92	1,76	-47,86	99.856,37	1,76	-47,78	99.713,15	1,76	-47,65
2,00	99.961,66	2,02	-54,72	99.923,35	2,02	-54,68	99.835,89	2,02	-54,58	99.672,31	2,02	-54,41
2,25	99.956,87	2,28	-61,55	99.913,77	2,27	-61,50	99.815,41	2,27	-61,38	99.631,50	2,27	-61,15
2,50	99.952,08	2,53	-68,38	99.904,20	2,53	-68,32	99.794,94	2,53	-68,17	99.590,72	2,53	-67,89
2,75	99.947,29	2,79	-75,21	99.894,63	2,79	-75,13	99.774,48	2,78	-74,95	99.549,98	2,78	-74,61
3,00	99.942,50	3,04	-82,03	99.885,06	3,04	-81,94	99.754,03	3,04	-81,72	99.509,27	3,04	-81,32
3,25	99.937,71	3,30	-88,85	99.875,50	3,30	-88,74	99.733,59	3,30	-88,49	99.468,59	3,29	-88,02
3,50	99.932,92	3,56	-95,67	99.865,93	3,56	-95,54	99.713,15	3,56	-95,25	99.427,95	3,55	-94,71
3,75	99.928,13	3,82	-102,49	99.856,37	3,82	-102,34	99.692,73	3,82	-102,00	99.387,34	3,81	-101,38
4,00	99.923,35	4,08	-109,30	99.846,81	4,08	-109,13	99.672,31	4,07	-108,75	99.346,76	4,07	-108,04
4,25	99.918,56	4,34	-116,11	99.837,25	4,34	-115,92	99.651,90	4,33	-115,50	99.306,22	4,33	-114,70
4,50	99.913,77	4,60	-122,92	99.827,69	4,60	-122,71	99.631,50	4,59	-122,23	99.265,71	4,59	-121,34

Effective value of a Note with a nominal value of €100,000

Nominal rate (%)	(Less than one year term)						(Equal to one year term)			(More than one year term)		
	90 DAYS			180 DAYS			365 DAYS			731 DAYS		
	Subscription price (euros)	IRR/AER (%)	+10 days (euros)	Subscription price (euros)	IRR/AER (%)	+10 days (euros)	Subscription price (euros)	IRR/AER (%)	+10 days (euros)	Subscription price (euros)	IRR/AER (%)	+10 days (euros)
0,25	99.938,39	0,25	-6,84	99.876,86	0,25	-6,83	99.750,62	0,25	-6,81	99.501,19	0,25	-6,81
0,50	99.876,86	0,50	-13,66	99.754,03	0,50	-13,63	99.502,49	0,50	-13,56	99.006,10	0,50	-13,53
0,75	99.815,41	0,75	-20,47	99.631,50	0,75	-20,39	99.255,58	0,75	-20,24	98.514,69	0,75	-20,17
1,00	99.754,03	1,00	-27,26	99.509,27	1,00	-27,12	99.009,90	1,00	-26,85	98.026,93	1,00	-26,72
1,25	99.692,73	1,26	-34,02	99.387,34	1,25	-33,82	98.765,43	1,25	-33,39	97.542,79	1,25	-33,19
1,50	99.631,50	1,51	-40,78	99.265,71	1,51	-40,48	98.522,17	1,50	-39,87	97.062,22	1,50	-39,58
1,75	99.570,35	1,76	-47,51	99.144,37	1,76	-47,11	98.280,10	1,75	-46,29	96.585,19	1,75	-45,90
2,00	99.509,27	2,02	-54,23	99.023,33	2,01	-53,70	98.039,22	2,00	-52,64	96.111,66	2,00	-52,13
2,25	99.448,27	2,27	-60,93	98.902,59	2,26	-60,26	97.799,51	2,25	-58,93	95.641,61	2,25	-58,29
2,50	99.387,34	2,52	-67,61	98.782,14	2,52	-66,79	97.560,98	2,50	-65,15	95.175,00	2,50	-64,37
2,75	99.326,48	2,78	-74,28	98.661,98	2,77	-73,29	97.323,60	2,75	-71,31	94.711,79	2,75	-70,37
3,00	99.265,71	3,03	-80,92	98.542,12	3,02	-79,75	97.087,38	3,00	-77,41	94.251,96	3,00	-76,30
3,25	99.205,00	3,29	-87,55	98.422,54	3,28	-86,18	96.852,30	3,25	-83,45	93.795,46	3,25	-82,15
3,50	99.144,37	3,55	-94,17	98.303,26	3,53	-92,58	96.618,36	3,50	-89,43	93.342,27	3,50	-87,93
3,75	99.083,81	3,80	-100,76	98.184,26	3,79	-98,94	96.385,54	3,75	-95,35	92.892,36	3,75	-93,64
4,00	99.023,33	4,06	-107,34	98.065,56	4,04	-105,28	96.153,85	4,00	-101,21	92.445,69	4,00	-99,28
4,25	98.962,92	4,32	-113,90	97.947,14	4,30	-111,58	95.923,26	4,25	-107,02	92.002,23	4,25	-104,85
4,50	98.902,59	4,58	-120,45	97.829,00	4,55	-117,85	95.693,78	4,50	-112,77	91.561,95	4,50	-110,35

Given the different types of issues that will be applied throughout the Programme, it is not possible to predetermine the internal rate of return ("**IRR**") for the investor. In any case, it will be determined in accordance with the formula detailed below for Notes with a term of up to 365 days:

$$- \text{IRR} = [(N/E)^{(365/d)}] - 1$$

Where:

- IRR = Effective annual interest rate, expressed as a decimal.
- N = Nominal amount of the Notes.
- E = Cash amount (effective value) at the time of subscription or acquisition.
- d = Number of calendar days between the date of issue (inclusive) and the date of maturity (exclusive).

For Notes with a term of more than 365 days, the IRR will be the equivalent to the annual interest of the Notes described in this section.

In case that the Notes are originally subscribed by the Dealers in order to have them transferred to the investors, the price at which the Dealers may transfer the Notes will be freely agreed among them and investors, which may not be the same as the issue price.

15. DEALERS, PAYING AGENT AND DEPOSITARY ENTITIES

The initial dealers of the Programme are:

Banca March, S.A.

Tax Identification Number: A-07004021

Address: Avenida Alejandro Rosselló 8, 07002, Palma de Mallorca, Spain

Banco de Sabadell, S.A.

Tax Identification Number: A-08000143

Address: Avda. Óscar Esplá, 37, 03007 Alicante, Spain

Banco Santander, S.A.

Tax Identification Number: A-39000013

Address: Ciudad Grupo Santander, Avenida de Cantabria, Edificio Encinar, s/n, planta 0, 28660 Boadilla del Monte, Madrid, Spain

Norbolsa S.V., S.A.

Tax Identification Number: A-48403927

Address: Plaza Euskadi, 5, planta 26 de Torre Iberdrola, 48009 Bilbao, Spain

PKF Attest Capital Markets, S.V., S.A.

Tax Identification Number: A-86953965

Address: Calle Orense 81, 7ª planta, 28020 Madrid, Spain

The Issuer and the Dealers have executed a dealer agreement in connection with the Programme for the placing of the Notes, which includes the possibility to sell Notes to third parties (the "**Dealer Agreement**").

The Issuer reserves the right at any time to vary or terminate the relation with any of the Dealers in accordance with the Dealer Agreement and to appoint other Dealers. Notice of any change in the dealer syndicate shall promptly be communicated to MARF by means of the corresponding notice.

Banco Santander, S.A. shall act as Paying Agent. Acting under the paying agency agreement and in connection with the Notes, the Paying Agent acts solely as agent for the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the holders of the Notes. Notice of any change of the Paying Agent shall promptly be communicated to MARF by means of the corresponding notice.

Although Iberclear will be the entity entrusted with the book-keeping (*registro contable*) of the accounting records corresponding to the Notes, the Issuer has not designated a depository entity for the Notes. Each subscriber or acquirer of the Notes shall appoint, among Iberclear's participating entities, the entity which shall act as depository of the Notes.

Holders of the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank, SA/NV or Clearstream Banking, Société Anonyme, Luxembourg, as appropriate.

16. REDEMPTION PRICE AND PROVISIONS REGARDING MATURITY OF THE NOTES. DATE AND METHODS OF REDEMPTION

The Notes to be issued under the Programme will be redeemed at its face value on the maturity date indicated in the terms and conditions of each issue, withholding the corresponding amount, if applicable.

Given that the Notes will be traded on the MARF, their redemption will take place in accordance with the operating rules of the clearance system of MARF, so that, on maturity date, the nominal amount of the Notes is paid to their legitimate holder. The Paying Agent does not take any liability whatsoever regarding the investors' expected reimbursement from the Issuer on the maturity date of the Notes.

Should the reimbursement coincide with a non-business day according to the T2 calendar (*Transeuropean Automated Real-Time Gross Settlement Express Transfer System*), reimbursement will be deferred to the first subsequent business day. In this case, there will be no effect on the amount to be paid.

17. VALID DEADLINE WITHIN WHICH REIMBURSEMENT OF THE PRINCIPAL MAY BE CLAIMED

Pursuant to the provisions set out in Article 1964 of the Spanish Civil Code, actions to request the reimbursement of the Notes' face value may be exercised during five (5) years from the date on which they become due.

18. MINIMUM AND MAXIMUM REDEMPTION PERIOD

The Notes may be issued with a redemption period of between three (3) business days and seven hundred and thirty-one (731) calendar days (that is, twenty-four (24) months).

19. EARLY REDEMPTION

The Notes will not include an early redemption options either for the Issuer (call) or for the holder of the Notes (put). Notwithstanding the foregoing, the Notes may be redeemed prior to maturity if, for any reason, they are in legitimate possession of the Issuer.

20. RESTRICTIONS ON THE FREE TRANSFERABILITY OF THE NOTES

In accordance with current legislation, there are no specific or general restrictions on the free transferability of the Notes to be issued.

21. TAXATION OF THE NOTES

The following summary is a general description of certain tax considerations relating to the Notes. It does not constitute tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes, as applicable, whether in Spain or elsewhere, and does not deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax

purposes and under the tax laws of Spain of acquiring, holding and disposing of Notes and receiving payments of under the Notes. Furthermore, this summary does not take into account the regional special tax regimes in force in the Basque Country and Navarre, or the regulations adopted by the Spanish Autonomous Regions.

This summary is based upon the law as currently in effect and is subject to any change in law that may take effect after this date. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

References in this section to prospective investors include the beneficial owners of the Notes. Investors should also note that the appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Information Memorandum:

- Law 35/2006, of 28 November, governing Personal Income Tax and partial amendment of the laws on Corporate Income Tax, Non-residents Income Tax and Wealth Tax (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*) (the "**PIT Law**"), as well as those contained in Articles 74 *et seq* of Royal Decree 439/2007, of 30 March, which approves the Regulation on Personal Income Tax and modifies the Regulations on Pension Funds and Plans approved through Royal Decree 304/2004, of 20 February (*Real Decreto 439/2007, de 30 de marzo, por el que se aprueba el Reglamento del Impuesto sobre la Renta de las Personas Físicas y se modifica el Reglamento de Planes y Fondos de Pensiones, aprobado por Real Decreto 304/2004, de 20 de febrero*) (the "**PIT Regulations**").
- Law 27/2014, of 27 November, of the Corporate Income Tax Law (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*) (the "**CIT Law**") as well as Articles 60 *et seq* of the Corporate Income Tax Regulations approved through Royal Decree 634/2015, of 10 July (*Reglamento del Impuesto sobre Sociedades aprobado por el Real Decreto 634/2015, de 10 de julio*).
- Royal Legislative Decree 5/2004, of 5 March, which approves the recast text of the Non-residents Income Tax Law (*Real Decreto Legislativo 5/2004, de 5 de marzo, por el que se aprueba el texto refundido de la Ley del Impuesto sobre la Renta de no Residentes*) (the "**NRIT Law**") and those contained in Royal Decree 1776/2004, of July 30, 2004 which approves the regulations in respect of Non-residents Income Tax (*Real Decreto 1776/2004, de 30 de julio por el que se aprueba el Reglamento del Impuesto sobre la Renta de no residentes*).
- Law 19/1991, of 6 June, on the Wealth Tax and Law 38/2022, for the establishment of temporary levies on energy and on financial credit institutions and introducing a temporary solidarity tax on large fortunes.
- Law 29/1987, of 18 December, on the Inheritance and Gift Tax and its regulations contained in Royal Decree 1629/1991, of 8 November.

All the above, without prejudice to any regional tax regimes approved by the Autonomous Regions which may be applicable, particularly those corresponding to the historic territories of the Basque Country and the Regional Community of Navarre, or any other regimes that could be applicable due to the particular circumstances of the investor.

Furthermore, those regulations included in the First Additional Provision of Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) (the "**Law 10/2014**"), and Royal Decree 1065/2007, of 27 July, which approves the General Regulations on the actions and procedures of tax audit and tax inspection and on the development of the common rules of the procedures for the application of taxes, as amended by Royal Decree 1145/2011 of 29 July 2011 (the "**Royal Decree 1065/2007**") and Foral Decree of Gipuzkoa 47/2013, of 17 December, regulating the formal tax obligations in Gipuzkoa ("**Foral Decree 47/2013**") must also be taken into consideration. According to Article 91.2 of PIT Regulations, the Notes are classified as financial assets with implicit yield. As a general rule, in order to dispose of or obtain reimbursement of financial assets with implicit

yield, prior acquisition of the same as well as the transaction price must be evidenced by a public notary or the financial institutions obliged to withhold.

In any case, given that this summary is not a thorough description of all the tax considerations, we recommend investors to consult with their own legal or tax advisors, who may render tailored advice in view of their specific circumstances. Additionally, investors and potential investors should take into consideration the changes in legislation or interpretation criteria's that may take place in the future.

Investors that are individuals with tax residency in Spain

Personal Income Tax

The net income obtained as a result of the transfer, redemption, exchange or reimbursement of the Notes will be considered as an implicit income from movable capital and will be included in the PIT taxable savings base for the financial year when the sale, redemption or reimbursement takes place. PIT will be paid at the rate in force from time to time for taxable savings, which is currently at 19% up to EUR 6,000, 21% from EUR 6,000.01 up to EUR 50,000 23% from EUR 50,000.01 Euros up to 200,000 Euros, 27% from EUR 200,000.01 to EUR 300,000 and 28% from 300,000.01 Euros upwards.

Negative income derived from the transfer of the Notes, in the event that the investor had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Generally, income derived from the Notes will be subject to withholding tax on account of PIT at the current rate of 19%. Any withheld amounts may be credited against individuals' final PIT liability. Such income shall be calculated by the difference between the redemption, reimbursement or transfer value and the acquisition or subscription value of the Notes (without deducting expenses).

With respect to any income derived from the transfer of the Notes, the financial institution acting on behalf of the transferring party will be obliged to apply any relevant withholding. Where the income is obtained from the reimbursement, the issuer or the financial institution responsible for the transaction will be the entity required to apply the relevant withholding.

The transfer or reimbursement of the Notes will require that its prior acquisition as well as the transaction price is evidenced by a public notary or the financial institutions obliged to apply the relevant withholding.

Wealth Tax and Solidarity Tax (Impuesto Temporal de Solidaridad de las Grandes Fortunas)

Individuals with tax residency in Spain will be subject to Wealth Tax which imposes a tax on property and rights in excess of EUR 700 thousand held on the last day of any year.

Spanish tax resident individuals whose net worth is above EUR 700 thousand and who hold Notes on the last day of any year would therefore be subject to Wealth Tax for such year at marginal rates varying between 0.2% and 3.5% of the average market value of the Notes during the last quarter of such year, as published by the Spanish Ministry of Revenues on an annual basis.

However, those rates may vary depending on the autonomous region of residency of the investor. As such, prospective investors should consult their tax advisers.

In addition to the above, the so-called "Solidarity Tax" was approved in December 2022, which is a two-year direct wealth tax that, in general terms, applied, under certain conditions, to those residents in an autonomous region where the Wealth Tax is partial or fully exempt (as Madrid and Andalusia).

The rates of the "Solidarity Tax" are:

Taxable base up to (Euros)	Tax due (Euros)	Rest of taxable base (Euros)	Rate
0.00	0.00	3,000,000.00	0%
3,000,000.00	0.00	2,347,998.03	1.7%
5,347,998.03	39,915,97	5,347,998.03	2.1%
10,695,996.06	152,223,93	Any excess	3.5%

Inheritance and Gift Tax

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Inheritance and Gift Tax (the "IGT") in accordance with the applicable Spanish regional or State rules (subject to any regional tax exemptions being available to them). The applicable effective tax rates can range between 0% and 81.6% subject to any specific regional rules, depending on relevant factors (such as previous net wealth, family relationship among transferor and transferee or applicable tax laws approved by autonomous communities).

Investors that are entities with tax residency in Spain

Corporate Income Tax

Income derived from the transfer, redemption, exchange or reimbursement the Notes will be subject to CIT at the general flat tax rate of 25% in accordance with the rules established for such tax.

Such income will be exempt from withholding tax on account of CIT providing that the Notes (i) are registered by way of book-entries (*anotaciones en cuenta*); and (ii) are traded in a Spanish official secondary market of securities (such as AIAF *Mercado de Renta Fija*) or MARF.

In the event that this exemption was not applicable, this income would be subject to Spanish withholding tax at the rate currently in force of 19%. Withheld amounts may be credited against entities' final CIT liability.

In any case, no withholding on account of CIT will be imposed on income derived from the redemption or repayment of the Notes provided that certain requirements are met, including that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below. See "Information about the Notes in Connection with Payments."

The transfer or reimbursement of the Notes will require that its prior acquisition as well as the transaction price is evidenced by a public notary or the financial institutions obliged to apply the relevant withholding.

Wealth Tax and Solidarity Tax (Impuesto Temporal de Solidaridad de las Grandes Fortunas)

Legal entities are not subject to Wealth Tax nor to Solidarity Tax.

Inheritance and Gift Tax

Legal entities are not subject to IGT.

Investors that are not tax resident in Spain

Non-residents Income Tax for investors not resident in Spain acting through a permanent establishment

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers.

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Non-residents Income Tax for investors not resident in Spain not acting through permanent establishment

Income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met, including that, in respect of payments from the Notes carried out by the Issuer, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below, as set forth in Article 44 of the regulations approved by Royal Decree 1065/2007 and Article 56 of Foral Decree 47/2013. See "Information about the Notes in Connection with Payments."

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of interest under the Notes, the Issuer will withhold Spanish withholding tax at the then-applicable rate (the current rate is 19%) on such payment of income on the Notes.

Investors not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer does not timely receive the information about the Notes in accordance with the procedure described in detail under "Information about the Notes in Connection with Payments" would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law.

Wealth Tax and Solidarity Tax (*Impuesto Temporal de Solidaridad de las Grandes Fortunas*)

Notwithstanding the provisions included in the double tax treaties entered into by Spain, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above 700 thousand Euros and who hold Notes on the last day of any year would be subject to Wealth Tax for such year at marginal rates varying between 0.2% and 3.5% of the average market value of the Notes during the last quarter of such year, as published by the Spanish Ministry of Revenues on an annual basis. However, non-Spanish individuals will be exempt from Wealth Tax in respect of Notes which income is exempt from NRIT.

Individuals that are not resident in Spain for tax purposes may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

In addition to the above, the so-called "Solidarity Tax" was approved in December 2022, which is a two-year direct wealth tax that, in general terms, applied, under certain conditions, to those residents in an autonomous region where the Wealth Tax is partial or fully exempt (as Madrid and Andalusia).

The rates of the "Solidarity Tax" are:

Taxable base up to (Euros)	Tax due (Euros)	Rest of taxable base (Euros)	Rate
0.00	0.00	3,000,000.00	0%
3,000,000.00	0.00	2,347,998.03	1.7%
5,347,998.03	39,915.97	5,347,998.03	2.1%
10,695,996.06	152,223.93	Any excess	3.5%

Non-Spanish resident legal entities are not subject to Net Wealth Tax nor to Solidarity Tax.

Inheritance and Gift Tax

Non-Spanish tax resident individuals who acquire ownership or other rights over Notes by inheritance, gift or legacy, will be subject to IGT in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to IGT. In such case, the provisions of the relevant double tax treaty will apply.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to IGT in accordance with Spanish legislation. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the IGT. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Investor.

Indirect taxation in the acquisition and transfer of the Notes

Whatever the nature and residence of the investors, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December, regulating such tax, and Article 338 of the Securities Markets and Investment Services Act (*Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión*).

Information about the Notes in Connection with Payments

As described in previous sections, to the extent that the conditions set forth in Law 10/2014 are met, income in respect of the Notes for the benefit of non-Spanish tax resident Investors, or for the benefit of Spanish CIT taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a Payment Statement), in accordance with section 4 of Article 44 of the regulations approved by Royal Decree 1065/2007 and section 4 of Article 56 of Foral Decree 47/2013, containing the following information:

1. Identification of the Notes.
2. Total amount of the income paid by the Issuer.
3. Amount of the income corresponding to individuals residents in Spain that are PIT taxpayers.
4. Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, at the current rate of 19%.

If this were to occur, affected Investors will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, Investors may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law.

22. PUBLICATION OF THE INFORMATION MEMORANDUM

This Information Memorandum will be published on the MARF's website (www.bolsasymercados.es).

23. DESCRIPTION OF THE PLACEMENT SYSTEM AND, IF APPLICABLE, SUBSCRIPTION OF THE ISSUE

Placement by the Dealers

The Dealers may act as intermediaries in the placement of the Notes, without prejudice to the Dealers being able to subscribe the Notes in their own name.

For these purposes, the Dealers may request the Issuer on any business day, between 10:00 and 14:00 (CET), volume quotations and nominal interest rates for potential issues of Notes in order to carry out the corresponding book building process among qualified investors (including eligible counterparties and professional clients).

The amount, nominal interest rate, dates of issuance and disbursement, maturity date and the remaining terms and conditions of each issuance so placed by the Dealers shall be determined by agreement between the Issuer and the Dealer(s) concerned in each specific issuance. The terms of such agreement will be confirmed once a document

setting out the terms and conditions of the issue is sent by the Dealers to the Issuer and the Issuer has accepted such agreement returning it duly signed.

In the event that an issue of the Notes is initially subscribed by the Dealers and subsequently sold to the final investors, the price may be freely agreed between the Dealers and the interested parties and might not coincide with the issue price (i.e. with the cash amount).

Issue and subscription of the Notes directly by investors

It is also possible that final investors having the status of qualified investors, eligible counterparties and/or professional clients subscribe the Notes directly from the Issuer, provided these comply with all current legal requirements.

In such cases, the amount, nominal interest rate, dates of issue and disbursement, maturity date and the remaining terms and conditions of each issue so arranged shall be determined by agreement between the Issuer and the final investor concerned in each specific issue.

24. COSTS FOR LEGAL, FINANCIAL AND AUDITING SERVICES AND OTHER SERVICES PROVIDED TO THE ISSUER IN RELATION TO THE EXECUTION OF THE PROGRAMME

The costs for all legal, financial and auditing services and other services provided to the Issuer in relation to the execution of the Programme amount to approximately EUR 55,000 excluding taxes but including the fees of MARF and Iberclear.

25. ADMISSION TO TRADING (INCORPORACIÓN)

Application for admission (*incorporación*) of the Notes to trading on the MARF. Deadline for admission to trading (*incorporación*)

The admission (*incorporación*) to trading of the Notes described in the Information Memorandum will be requested to MARF. The Issuer hereby undertakes to carry out all the necessary actions so that the Notes are listed on MARF within seven (7) days from the date of the issue of the Notes. For these purposes, as stated above, the date of issuance shall coincide with the date of disbursement. In the event of breach of the aforementioned deadline, the reasons for the delay will be notified to MARF and will be published as relevant information ("*Otra información relevante*") on the MARF's website (www.bolsasymercados.es). This is without prejudice to any possible contractual liability that may be incurred by the Issuer. The date of admission (*incorporación*) of the Notes must be, in any event, a date falling within the validity period of the Information Memorandum.

MARF is structured as a MTF under the terms set out in the Securities Markets and Investment Services Act.

This Information Memorandum is required by Circular 2/2018.

Neither MARF, the CNMV or the Dealers have approved or carried out any verification or testing regarding the content of the Information Memorandum or the audited financial statements of the Issuer. The intervention of MARF does not represent a statement or recognition of the full, comprehensible and consistent nature of the information set out in the documentation provided by the Issuer.

It is recommended that the investor fully and carefully reads the present Information Memorandum prior to making any investment decision regarding the securities.

The Issuer hereby expressly declares that it is aware of the requirements and conditions necessary for the admission, permanence and removal of the Notes on MARF, according to current legislation and its requirements, and expressly agrees to comply with them.

The Issuer hereby expressly declares that it is aware of the requirements for registration and settlement on Iberclear. The settlement of transactions will be performed through Iberclear.

Publication of the admission (*incorporación*) of the issues of the Notes

The admission (*incorporación*) of the Notes will be reported on the MARF's website (www.bolsasymercados.es).

26. LIQUIDITY AGREEMENT

The Issuer has not signed any liquidity agreement whatsoever with any entity regarding the Notes.

In Madrid, 21 December 2023.

As the person responsible for the Information Memorandum:

Mr. Antonio García-Zarandieta Oliveira

Construcciones y Auxiliar de Ferrocarriles, S.A.

ISSUER

Construcciones y Auxiliar de Ferrocarriles, S.A.

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Banco Santander, S.A.

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LEGAL ADVISOR

Clifford Chance, S.L.P.

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ANNEX 1

CONSOLIDATED 2021 AND 2022 ANNUAL ACCOUNTS

1. The English language translation of the audited consolidated financial statements of CAF as of and for the twelve-month period ended 31 December 2021, together with its management report, can be found at:
https://www.caf.net/upload/accionista/CAF-2021_english.pdf
2. The Spanish version of the audited consolidated financial statements of CAF as of and for the twelve-month period ended 31 December 2021, together with its management report, can be found at:
https://www.caf.net/upload/accionista/CAF-2021_castellano.pdf
3. The English language translation of the audited consolidated financial statements of CAF as of and for the twelve-month period ended 31 December 2022, together with its management report, can be found at:
https://www.caf.net/upload/accionista/CAF-2022_english.pdf
4. The Spanish version of the audited consolidated financial statements of CAF as of and for the twelve-month period ended 31 December 2022, together with its management report, can be found at:
https://www.caf.net/upload/accionista/CAF-2022_castellano.pdf

INTERIM CONSOLIDATED 2023 FINANCIAL STATEMENTS

1. The English language January-September 2023 Results Presentation of CAF can be found at:
<https://www.caf.net/upload/accionista/9M23%20Results.pdf>
2. The Spanish language January-September 2023 Results Presentation of CAF can be found at:
[https://www.caf.net/upload/accionista/Resultados%209M23\[1\].pdf](https://www.caf.net/upload/accionista/Resultados%209M23[1].pdf)
3. The English language translation of the unaudited interim consolidated financial statements of CAF as of and for the six-month period ended 30 June 2023, together with its management report, can be found at:
<https://www.caf.net/upload/accionista/Memoria%20consolidada%20semestral%202023%20vf%20ingles%20CNMV.pdf>
4. The Spanish version of the unaudited interim consolidated financial statements of CAF as of and for the six-month period ended 30 June 2023, together with its management report, can be found at:
<https://www.caf.net/upload/accionista/Memoria%20sem%20consol%202023%20vf%20CNMV.pdf>