



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 2022

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 2022 (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 205 of the restated text of the Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October (*Texto refundido de la Ley del Mercado de Valores aprobado por Real Decreto Legislativo 4/2015, de 23 de octubre*) (the "**Securities Market Act**"); and (iii) eligible counterparties, as defined in MiFID II and Article 207 of the Securities Market 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, A.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 22 December 2022

IMPORTANT NOTICES

MARF is a multilateral trading facility (*sistema multilateral de negociación*) ("**MTF**") and not a regulated market, pursuant to the provisions of Royal Decree Law 21/2017, of 29 December, on urgent measures to adapt Spanish law to the European Union securities market legislation (the "**RDL 21/2017**") (*Real Decreto-ley 21/2017, de 29 de diciembre, de medidas urgentes para la adaptación del derecho español a la normativa de la Unión Europea en materia del mercado de valores*).

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, A.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 34 of the Securities Market 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 this 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.

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", as defined in Sections I (1-4) of Annex II of MiFID II (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 (the "Order"); or (ii) who are high net worth entities within section 49(2)(a) to (d) of the Order (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.

TABLE OF CONTENTS

| | | |
|-----|---|----|
| 1. | RISK FACTORS | 6 |
| 2. | DESCRIPTION OF THE ISSUER..... | 19 |
| 3. | FULL NAME OF THE PROGRAMME | 30 |
| 4. | PERSONS RESPONSIBLE | 30 |
| 5. | DUTIES OF THE REGISTERED ADVISOR (<i>ASESOR REGISTRADO</i>) OF MARF | 30 |
| 6. | MAXIMUM OUTSTANDING BALANCE OF THE PROGRAMME | 31 |
| 7. | DESCRIPTION OF THE TYPE AND CLASS OF SECURITIES. NOMINAL VALUE..... | 31 |
| 8. | GOVERNING LAW OF THE NOTES..... | 31 |
| 9. | REPRESENTATION OF THE NOTES THROUGH BOOK-ENTRIES (<i>ANOTACIONES EN CUENTA</i>) 31 | |
| 10. | CURRENCY OF THE NOTES..... | 31 |
| 11. | STATUS OF THE NOTES: RANKING..... | 32 |
| 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 | 32 |
| 13. | ISSUE DATE. VALIDITY OF THE INFORMATION MEMORANDUM..... | 32 |
| 14. | NOMINAL INTEREST RATE. INDICATION OF THE YIELD AND CALCULATION METHOD | 32 |
| 15. | DEALERS, PAYING AGENT AND DEPOSITARY ENTITIES | 36 |
| 16. | REDEMPTION PRICE AND PROVISIONS REGARDING MATURITY OF THE NOTES. DATE AND METHODS OF REDEMPTION | 37 |
| 17. | VALID DEADLINE WITHIN WHICH REIMBURSEMENT OF THE PRINCIPAL MAY BE CLAIMED..... | 37 |
| 18. | MINIMUM AND MAXIMUM REDEMPTION PERIOD | 37 |
| 19. | EARLY REDEMPTION | 37 |
| 20. | RESTRICTIONS ON THE FREE TRANSFERABILITY OF THE NOTES | 37 |
| 21. | TAXATION OF THE NOTES..... | 37 |
| 22. | PUBLICATION OF THE INFORMATION MEMORANDUM..... | 41 |
| 23. | DESCRIPTION OF THE PLACEMENT SYSTEM AND, IF APPLICABLE, SUBSCRIPTION OF THE ISSUE..... | 41 |
| 24. | COSTS FOR LEGAL, FINANCIAL AND AUDITING SERVICES AND OTHER SERVICES PROVIDED TO THE ISSUER IN RELATION TO THE EXECUTION OF THE PROGRAMME | 41 |
| 25. | ADMISSION TO TRADING (<i>INCORPORACIÓN</i>) | 42 |
| 26. | LIQUIDITY AGREEMENT | 42 |
| | ANNEX 1 | 44 |
| | CONSOLIDATED 2020 AND 2021 ANNUAL ACCOUNTS..... | 44 |
| | INTERIM CONSOLIDATED 2022 FINANCIAL STATEMENTS..... | 44 |

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 2022:

- The global economy continues to face steep challenges, shaped by the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures and the slowdown in China. The IMF projected that the world economy will grow in 2022 at 3.2% and to slow to 2.7% in 2023, with a 25% probability that it could fall below 2%. More than a third of the global economy will contract this year or next, while the three largest economies—the United States, the European Union, and China—will continue to stall.
- According to IMF, Russia's invasion of Ukraine continues to powerfully destabilize the global economy. Beyond the escalating and senseless destruction of lives and livelihoods, it has led to a severe energy crisis in Europe that is sharply increasing costs of living and hampering economic activity. Gas prices in Europe have increased more than four-fold since 2021, with Russia cutting deliveries to less than 20% of their 2021 levels, raising the prospect of energy shortages over the next winter and beyond. More broadly, the conflict has also pushed up food prices on world markets, despite the recent easing after the Black Sea grain deal, causing serious hardship for low-income households worldwide, and especially so in low-income countries.

Persistent and broadening inflation pressures have triggered a rapid and synchronized tightening of monetary conditions, alongside a powerful appreciation of the US dollar against most other currencies. Tighter global monetary and financial conditions will work their way through the economy, weighing demand down and helping to gradually subjugate inflation. So far, however, price pressures are proving quite stubborn and a major source of concern for policymakers. IMF expects global inflation to peak in late 2022 but to remain elevated for longer than previously expected, decreasing to 4.1 percent by 2024.

- Increasing price pressures remain the most immediate threat to current and future prosperity by squeezing real incomes and undermining macroeconomic stability. Central banks around the world are now laser-focused on restoring price stability, and the pace of tightening has accelerated sharply. There are risks of both under and over-tightening. As economies start slowing down, and financial fragilities emerge, calls for a pivot toward looser monetary conditions will inevitably become louder. Where necessary, financial policy should ensure that markets remain stable, but central banks around the world need to keep a steady hand with monetary policy firmly focused on taming inflation.

According to the European Economic Forecast Autumn 2022 of November 2022 of the European Commission:

- Real GDP growth in the EU surprised on the upside in the first half of 2022, as consumers vigorously resumed spending, particularly on services, following the easing of COVID-19 containment measures. The expansion continued in the third quarter, though at a considerably weaker pace. Amid elevated uncertainty, high energy price pressures, erosion of households' purchasing power, a weaker external

environment and tighter financing conditions are expected to tip the EU, the euro area and most Member States into recession in the last quarter of the year. Still, the potent momentum from 2021 and strong growth in the first half of the year are set to lift real GDP growth in 2022 as a whole to 3.3% in the EU (3.2% in the euro area) - well above the 2.7% projected in the Summer Interim Forecast.

- As inflation keeps cutting into households' disposable incomes, the contraction of economic activity is set to continue in the first quarter of 2023. Growth is expected to return to Europe in spring, as inflation gradually relaxes its grip on the economy. However, with powerful headwinds still holding back demand, economic activity is set to be subdued, with GDP growth reaching 0.3% in 2023 as a whole in both the EU and the euro area. By 2024, economic growth is forecast to progressively regain traction, averaging 1.6% in the EU and 1.5% in the euro area.
- Higher-than-expected inflation readings throughout the first ten months of 2022 and broadening price pressures are expected to have moved the inflation peak to year-end and to have lifted the yearly inflation rate projection to 9.3% in the EU and 8.5% in the euro area. Inflation is expected to decline in 2023, but to remain high at 7.0% in the EU and 6.1% in the euro area, before moderating in 2024 to 3.0% and 2.6% respectively.
- The economic outlook remains surrounded by an exceptional degree of uncertainty as Russia's war of aggression against Ukraine continues and the potential for further economic disruptions is far from exhausted. The largest threat comes from adverse developments on the gas market and the risk of shortages, especially in the winter of 2023-24. Beyond gas supply, the EU remains directly and indirectly exposed to further shocks to other commodity markets reverberating from geopolitical tensions. Longer-lasting inflation and potential disorderly adjustments on global financial markets to the new high interest rate environment also remain important risk factors. Both are amplified by the potential for inconsistency between fiscal and monetary policy objectives.

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.

The Group is exposed to risk relating to the impact of the COVID-19 pandemic

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. Since then, the Group has been making every possible effort within the regulatory framework set out by the Spanish and international health authorities to protect the health and safety of all its employees as its main priority, while maintaining the supply chain to its customers.

Consequently, in order to follow the guidelines set out by the governments of the countries in which the Group operates, the Group adapted its working practices and prepared action protocols that include a series of prevention and protection measures to avoid the spread of the Coronavirus among its workers, as well as a line of action to be taken in the event that suspicious cases are detected.

On 16 March 2020, the Group decided to halt train manufacturing activity at its plants located in Spain to the extent that compliance with the minimum health and safety conditions established in the workplace could not be guaranteed. On 20 April 2020, activity resumed at the production plants in Spain, prioritising compliance with health and safety conditions for people. Organisational measures were promptly deployed to arrange all workers into more homogeneous groups in order to prevent overcrowding in different areas of the factory. An agreement was also reached to make up for the days of stoppage. At 31 December 2021, a total of 18,192 hours were to be recovered (31,000 hours to be recovered at 31 December 2020).

In terms of services, COVID-19 has had a direct effect on operators and the transportation services they offer to the public and, consequently, on maintenance requirements and the guarantees provided. The impact has been different in each country, both due to the measures adopted by the respective operators and to the differing level of contractual risk exposure in the face of situations of this nature. Following the Group's guidelines, working practices and protocols were adapted at all Group centres around the world. At 31 December 2021, there were no workers on furlough at the maintenance area due to the reduction in the scope of the maintenance contracts (64 people at 31 December 2020, peaking at 615 people in May 2020).

Remote working arrangements have continued, insofar as possible, since the date of the stoppage of manufacturing activities, although following the publication of the "back to work" plan in June 2021, on-site work has been steadily increasing. In 2020, these actions, together with the other steps taken by the Group to respond to the pandemic, led to a reduction in activity at most train production plants and, to a lesser extent, at the services area, coupled with additional costs in seeking to cushion the impact of the pandemic. These effects, as well as the inefficiencies and incremental costs incurred by the Group in 2020, were recognised under operating income in

the statement of profit or loss for 2020. Also in 2020, there were significant fluctuations in the exchange rates of the currencies of the main countries in which the Company operates, with a significant impact on earnings. At 31 December 2021 and 30 September 2022, the statement of profit or loss did not show any significant impacts due to the COVID-19 pandemic or due to significant exchange rate fluctuations. As a result, the Company's foreign currency exposure was similar to the level reported at the end of 2020.

Although the CAF's unaudited interim consolidated profit and loss statements as of and for the nine-month period ended 30 September 2022 show a strong recovery of the Group's activities over the year, the COVID-19 pandemic may still potentially have an adverse impact on the business activities, especially in the business lines linked to passenger traffic (such as maintenance services), financial position, earnings, or future outlook of CAF.

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 to a lesser extent 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, 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.

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 in 31 December 2021, 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.

On 24 December 2020, the European Union and the UK reached a Trade and Cooperation Agreement, with effect from 1 January 2021. This agreement has allowed the Group to continue operating normally in the businesses that it runs in the UK and, therefore, it has not had a significant impact on its operations.

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. So far, the ECB has accumulated increases of 250 basis points to 2% and the Federal Reserve 350 basis points to 4.25%-4.50%. Market expectations point to official interest rate levels close to 3% and 5% in Europe and the US respectively in 2023.

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 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 to hedge 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 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**") (which has been recently amended to implement the restructuring framework required by Directive (EU) 2019/1023 of the European Parliament and of the Council and other important changes to the insolvency proceedings in Spain) provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency in the Spanish Official Gazette, (ii) provisions in a contract granting one party the right to suspend, modify or terminate by reason only of the other's insolvency or the filing of a pre-insolvency communication (as stated in Article 585 of the Insolvency Law) will not be enforceable, and (iii) accrual of unsecured interest (whether ordinary or default interest) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date shall become subordinated. In the case of secured ordinary interests, (i) these shall be deemed as specially privileged up to the value effectively covered by the relevant security, and (ii) interests shall keep accruing after the declaration of insolvency up to the lower of the limit of the secured amount and the value effectively covered by the relevant security, and only if a contingent credit for secured ordinary interests that may accrue after the declaration of insolvency is included in the statement of claim to be sent to the insolvency administrator (as per the Supreme Court judgment dated 20 February 2019). In the case of secured default interests, (i) those accrued prior to the insolvency declaration shall be deemed as specially privileged up to the value effectively covered by the relevant security, and (ii) they shall not accrue after the declaration of insolvency, in accordance with Article 152.2 of the Insolvency Law.

The Insolvency Law, in certain instances, also has the effect of modifying or impairing creditors' rights even if

the creditor, either secured or unsecured, does not consent to the amendment. Secured and unsecured dissenting creditors may, among others, be written down or stayed (for up to 10 years in case of composition proposals), converted into a different financial instrument or equity of the refinanced or insolvent debtor as well as any other company, converted into participating loans (*préstamos participativos*), exchanged for assets or rights of the insolvent or refinanced debtor not only once the insolvency has been declared by the judge as a result of the approval of a creditors' agreement (*convenio concursal*), but also as a result of a restructuring plan that has been judicially sanctioned (*homologado*) without insolvency proceedings having been previously opened (e.g., restructuring plans which satisfy certain requirements and are validated by the judge), in both scenarios (i) to the extent that certain qualified majorities are achieved and (ii) unless some exceptions in relation to the kind of claims or creditor apply (which would not be the case for the Notes). Any payments of interest in respect of debt securities will be subject to the subordination provisions of Article 281.1 of the Insolvency Law.

The majorities regime envisaged for a creditors' arrangement depends on (i) the type of the specific measure which is intended to be imposed (e.g., extensions, debt reductions, debt for equity swaps, etc.), and (ii) on the part of claims to be affected (i.e. secured or unsecured, depending on the value of the collateral as calculated pursuant to the rules established in the Insolvency Law). In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always subject to the measures contained therein, if passed by the relevant majorities. For these purposes, liabilities held by those creditors considered specially related persons (*personas especialmente relacionadas*) with the insolvent debtor would not be taken into account for the purposes of calculating the majorities required for the approval of a composition agreement.

On the other hand, all creditors that could be affected by a restructuring plan would be entitled to vote it, grouped in classes of creditors and subject to the fact cross-class cram-down is now available under the Insolvency Law.

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 or in case of approval of a restructuring plan.

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).

Holder 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 since 31 December 2021:

Acquisitions.

On 1 August 2022, CAF completed the acquisition of the Alstom site in the Alsatian location of Reichshoffen, the Coradia Polyvalent platform, as well as the intellectual property related to the Talent 3 platform, after obtaining the regulatory authorisations required under the purchase-sale agreement.

The scope of the acquisition includes several assets in France and Germany. More specifically, CAF will integrate the Reichshoffen manufacturing site, the Coradia Polyvalent platform with its associated project portfolio, as well as the intellectual property of the Talent 3 platform aimed at the German and central European markets together with related key engineering personnel.

Reichshoffen resources and personnel amount up to over 700 employees in the fields of engineering, sourcing and supply chain, project management, manufacturing and administration.

The Coradia Polyvalent platform is a platform prepared for international traffic, capable of reaching regional speeds (up to 160 km/h) and interurban speeds in electric or bimodal traction that will provide CAF with a project portfolio worth approximately EUR 500 million. Among others, a relevant project with SNCF Voyageurs ("SNCF") stands out, as well as other customer projects such as Hello Paris Services, Régie Autonome des Transports Parisiens or L'Agence de the Promotion des Investissements et des Grands Travaux. The agreement reached ensures workload at the Reichshoffen site for the coming years.

In addition, the German perimeter of the agreement includes the intellectual property of the Talent 3 platform, capable of reaching regional speeds of up to 160 km/h even with electric traction, and the transfer of a related team of German engineers. This should allow to boost CAF's design and approval capabilities in the German and central European markets. Considering CAF's current order book in Germany (VRR-NWL, Bonn, Essen, Freiburg...) and pipeline of upcoming opportunities, these additional capabilities should complement the current existing ones.

The company value of the perimeter acquired was EUR 75 million and was financed with CAF debt.

Awards and new contracts

In January 2022, Solaris was awarded (i) a contract to supply 183 Urbino 18 electric buses to Unibuss AS for the city of Oslo and (ii) two contracts to supply to ÖBB Postbus in Austria and ATM Milano in Italy

The contract with Unibuss AS is worth approximately EUR 100 million and is the largest electric articulated bus contract awarded to Solaris to date.

Additionally, Solaris secured in January 2022 two new contracts for the supply of 5 Urbino 12 hydrogen buses for ÖBB Postbus in Austria, and 50 trolleybuses for ATM Milano in Italy, for a total amount close to EUR 50 million.

In January 2022, CAF signed a contract for the supply of 23 new electric units for the city of Auckland, in New Zealand

The contract, worth more than EUR 130 million, includes the maintenance of the trains until the end of 2025 and has an extension option for up to 5 additional units. The units will be similar to the 72 previously supplied to the same customer, consisting of three cars, two cabbed end motor cars and one intermediate trailer car, with a total capacity for 380 passengers.

In January 2022, a consortium made up of CAF and the construction firm Shapir was selected by the NTA (Metropolitan Mass Transit Systems) for the Tel Aviv LRV Purple Line

The Purple Line project forms part of the Gush Dan plan for the Israeli metropolis, consisting of the design, construction, financing and maintenance of the city's LRV system for a term of 25 years. The investment volume is estimated to be over EUR 1.015 billion.

The new line will cover 27 kilometres connecting a planned total of 45 stations and will also include a depot where maintenance work will be carried out on the fleet of vehicles.

The scope of the contract also includes the design and supply of 98 new low-floor Urbos trams, each consisting of 5 modules, spanning a length of almost 35 metres. An option to extend the contract for a further 32 units in the future has been also agreed. The scope of the project for the awarded consortium also includes the supply of the signalling, energy and communication systems, as well as maintenance of the line for a term of 25 years.

The Group's portion of this project is over EUR 525 million and consists of the design and production of the new units, the supply of signalling, energy and communication systems in addition to project integration. The Group projects to have a 50% stake in the SPV company that will manage the maintenance of the line. The new line is expected to be fully operational by 2027.

In February 2022, CAF and Solaris, respectively, were awarded contracts for over EUR 54 million.

The contracts were awarded to (i) CAF, for the supply of five electric 4-car trains for Serveis Ferroviaris de Mallorca, along with their depot parts and comprehensive maintenance of the vehicles for 2 years (for a value over EUR 50 million), and (ii) to Solaris, for the supply of five electric buses with hydrogen fuel cells for Empresa Municipal de Transportes de Palma for approximately EUR 4 million.

In March 2022, CAF concluded a contract with the state-owned railway operator SAR (Saudi Arabia Railways)

The contract amounts nearly to EUR 200 million and includes performing maintenance work, in partnership with Saudi Arabia Railways, of the trains that CAF has supplied in the country over recent years, for a term of five years. This project will be based on CAF's digital train platform, called LeadMind, which provides the possibility of creating a new generation of connected trains and providing more competitive services for operators and maintainers.

In March 2022, Solaris was awarded two new contracts for the supply of low and zero emission buses in Spain and Germany

These contracts relate to the supply of 87 hybrid vehicles to Barcelona and the delivery of 30 electric buses to the city of Dortmund in Germany. The total value of both contracts amounts to approximately EUR 60 million.

In March 2022, the Group two new sustainable urban transport contracts

These contracts include the supply by CAF of 8 new tram units for the Granada's network, which will be added to the 15 previously-delivered units which are currently in service, and the supply by Solaris of 75 new electric units for ATM Milano. These two contracts amount to a value of over EUR 80 million.

In May 2022, Bonn and Madrid public transport operators chose the Group to supply urban public transport service vehicles

CAF was selected by the companies Stadtwerke Bonn Verkehrs GmbH (SWBV) and Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises GmbH (SSB), operators of the transport services in the city of Bonn and its outskirts, to supply 22 LRV units, and also the spare parts for this fleet. The agreement contemplates the possibility of increasing the number of units by 10 additional ones.

Solaris was selected by EMT (Municipal Transport Company of the Community of Madrid) to supply 60 Urbino12 electric buses.

These two contracts amount to a value of over EUR 110 million.

In June 2022, CAF was selected to supply the new fleet of trams for Montpellier Méditerranée Métropole

The base fleet consists of 60 trams, with the possibility of extending this number by an additional 17 trams in the future. The value of this operation is in excess of EUR 200 million.

In June 2022, CAF was selected by Etihad Rail to supply Push-Pull passenger trains

Etihad Rail is a state-owned Company of the United Arab Emirates that manage and develop the construction of the country's railway network, as well its management and operation. The combined base contract amounts to a value in excess of EUR 250 million.

In June 2022, the German operator association Nahverkehr Westfalen-Lippe (NWL), agreed to extend the contract awarded last year

The extension consists of the supply of 10 battery-powered trains, as well as fleet maintenance for a term of 33 years. This extension amounts to a value of approximately EUR 170 million.

The initial contract was awarded in June 2021, when the German transport authorities VRR (Verkehrsverbund Rhein-Ruhr) and NWL awarded CAF the contract to supply 63 battery-powered trains and the associated fleet maintenance services from 2025 to 2058.

In July 2022, CAF was selected by the Swedish state-owned operator SJ AB to supply the 25 regional units, which could be extended to a total of 60 units should the contract extension options be triggered

The volume of the basic contract secured for these 25 units amounts to approximately EUR 300 million, with the first trains scheduled to be commissioned for revenue service in 2026.

In July 2022, CAF was selected by two Seville and Athens transport operators to execute two contracts to improve their urban public transport services

The operator STASY S.A., in charge of managing transport in the city of Athens has selected CAF to refurbish 14 metro units that currently run on line 1 of the Greek capital's metro system. The contract establishes a 34-month completion period for the unit refurbishment project with a tender budget amounting EUR 70 million.

The city council of Seville awarded CAF the contract to supply two new trams 100% low floor of 5 modules to the operator company, and their maintenance for 30 years. The contract also included the possibility of increasing the number of units to be supplied.

In August 2022, CAF USA was designated by the Board of Directors of The Massachusetts Bay Transportation Authority (MBTA) as the successful bidder for the project to supply 102 LRVs to run on the Green Line in the City of Boston for \$811 million

The base contract contemplates the manufacture of the 102 vehicles, two driving simulators, fleet parts, special tools and test equipment for the vehicles supplied, as well as the warranty technical service for a period of 3 years. The contract provides also for various options for the purchase of additional vehicles and equipment in addition to the 102 LRVs.

The new units, called Type 10 and consisting of 7 modules, will replace the Type 7 and 8 models that provide service currently on the line.

In September 2022, the Group was awarded two contracts in Hannover and Canberra for an aggregate in excess of EUR 220 million

ÜSTRA Hannoversche Verkehrsbetriebe AG, the public transport operator in the city of Hannover, has chosen CAF to supply 42 TW 4000 LRVs. The contract provides for an optional extension of the number of LRVs to be manufactured by up to 233 additional units. The first vehicles are scheduled for delivery to the city's Stadtbahn network in the second half of 2025.

The Australian Capital Territory, through the operator of the Canberra tramway line, Canberra Metro Operations, awarded a contract for the supply of 5 additional trams equipped with OESS (On Board Energy Storage Systems) to operate on catenary-free track sections. These 5 trams add to the 14 units previously supplied to the Australian capital. The agreement provides for the maintenance of the new units together with the upgrade of the previously delivered fleet fitted with the OESS accumulation system. The upgraded equipment will be similar to that on the new vehicles and will permit catenary-free operation for the entire fleet of vehicles on the city's light rail line.

In September 2022, CAF was chosen by RTM (Régie des Transports Métropolitains), to supply 15 new tramway units

The contract (value EUR 57 million) also includes an option to increase the number of trams depending on the network extensions to come. The new Urbos platform trams will consist of 7 modules spanning a total length of 42.5 metres. Their design is similar to that of the vehicles currently operating in the city.

In October 2022, CAF was awarded by RENFE Board contract to supply 28 electric trains that will operate on the Spanish operator's medium distance services

The contract also includes the supply of any corresponding spare parts, as well as comprehensive maintenance services for 17 of these units for a term of 15 years. The total volume of this operation for CAF amounts to close to EUR 300 million.

The agreement includes possible options for future expansion, including the manufacture of up to 42 additional trains.

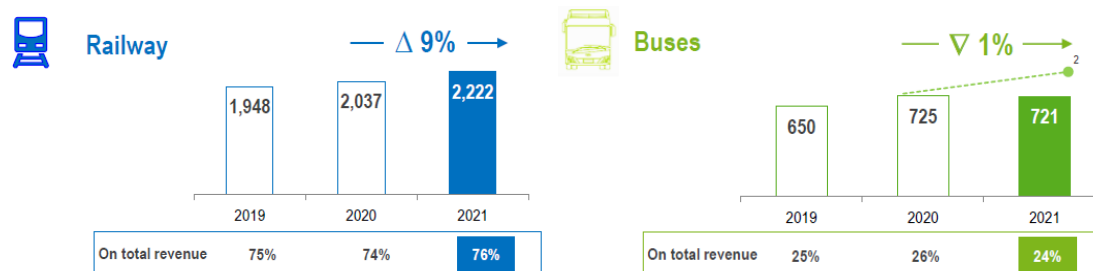
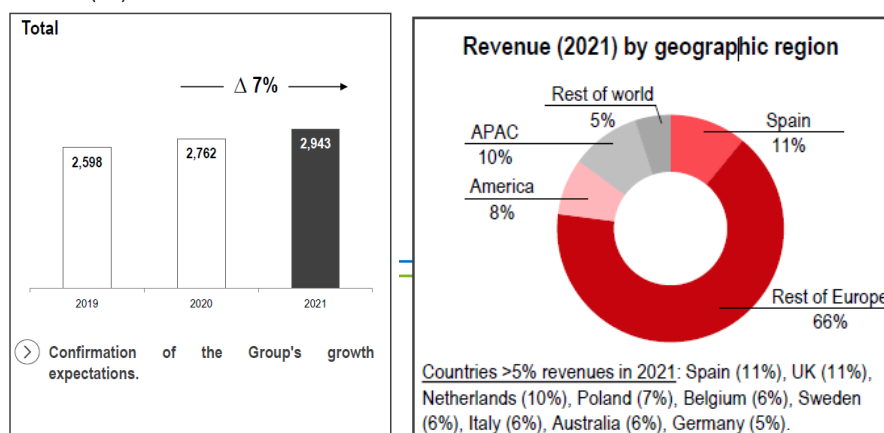
2.2 BUSINESS OF CAF

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 industry offering a comprehensive and flexible array of products 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 89% of the Group's revenues in 2021 were generated outside of Spain.

Revenue (€M)



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 the year ended 31 December 2021, the Rolling Stock business segment represented approximately 44% of the Group's total revenues, Services represented approximately 19% of the Group's total revenues, Components, Equipment, Signalling, Systems and other in aggregate approximately 13% (this includes the business lines of "Wheelsets" and "Other Business" described below) and the business of Solaris represented 24%.

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 (railway and bus), components, infrastructure, signalling and services (maintenance, refurbishment and financing).

| Euro Thousand | 2021 | 2020 |
|---|------------------|------------------|
| Trains | 1,287,354 | 1,221,987 |
| Services | 570,591 | 516,416 |
| Buses | 720,852 | 725,298 |
| Integral Systems, Equipment and Others (*) | 363,888 | 298,771 |
| Total | 2942,685 | 2,762,472 |

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

Rolling Stock

The Group has delivered more than 150 Rolling Stock transportation solutions to 25 countries. Among others, the Group has manufactured a significant amount of the rolling stock present in 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.

As well as its geographical diversification, CAF has a diverse portfolio in terms of rolling stock. At the end of 2021 and 2020 most of the Group's sales in rolling stock came from regional and commuter trains.

| Euro Thousand | 2021 | 2020 |
|-----------------------------------|---------|---------|
| High-speed, Regional and commuter | 541,319 | 549,142 |
| Metros | 243,657 | 221,023 |
| Tram and light rail | 495,503 | 438,484 |
| Bogies and other | 6,875 | 13,338 |

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-Chiclana-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 of 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).

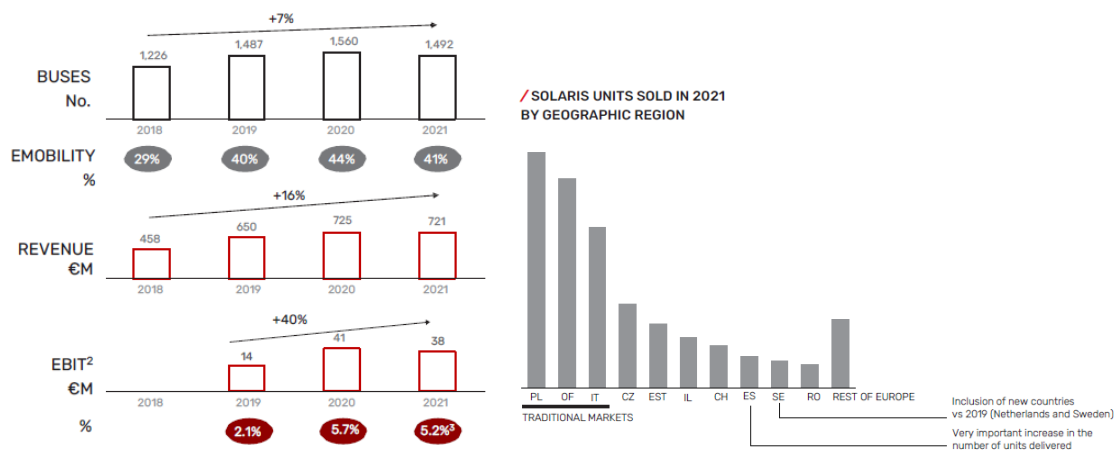
Other Business

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, Italy, Belgium, Lithuania and Germany.



2.3 MANAGEMENT AND EMPLOYEES OF CAF

Board of Directors

CAF is managed by a board of directors (the "**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.

At the last General Annual Shareholders' Meeting held on 11 June 2022 it was agreed, on the one hand, to change the number of members of the Board of Directors to eleven and, on the other hand, to re-elect three directors. As a consequence, a vacancy was created on the Board of Directors, which will be filled by co-option by the Board of Directors before the next General Annual Shareholders' Meeting. It is the intention of the Board of Directors that the new member to be co-opted will be an independent director.

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 |

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, Mrs. Carmen Allo Pérez as Chairperson of the committee and Mr. Juan José Arrieta Sudupe and Mr. Ignacio Camarero García as voting members.

Appointments and Remuneration Committee

CAF's Appointments and Remuneration Committee comprises, at the date of this Information Memorandum, Mrs. 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 2021, the Group had 13,284 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 2021 (€ 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 | 206,698 |
| 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 |
| Centro de Ensayos y Análisis Cetest, S.L. | 100% | Gipuzkoa | Trials and testing | 9,650 |
| 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% | Bolechowo | Bus manufacturing | 37,166 |
| CAF Investment Projects, S.A.U. | 100% | Gipuzkoa | PPPs and concessions development | 47,917 |
| CAF Diversified Business | 100% | Zaragoza | Holding company rail | 16,000 |

| | Ownership | Registered Office | Activity | Share Capital as of 31 December 2021 (€ thousands) |
|----------------------------|------------------|--------------------------|---|---|
| Development, S.A. | | | related business | |
| CAF Group UK Limited | 100% | Coventry | Holding company rail related business UK | 37,415 |
| CAF Rail Australia Pty Ltd | 100% | Sydney | Engineering, Construction and Rolling Stock Maintenance | 74 |
| CAF Arabia Company | 100% | Riyadh | Rolling Stock Maintenance | 316 |

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 through 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 | 0,000 | 1,098 |

* 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.

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

Litigation of a Brazilian subsidiary of the Group

According to the public information available regarding the existing litigations, on March 2014, following completion of an administrative investigation process initiated in May 2013 relating to the participation of several rolling stock manufacturers, one of which is a subsidiary of the Group in Brazil (the "**Subsidiary**"), 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 rendered its

administrative decision and thereby ordered the subsidiary to pay a penalty amounting to BRL 167,057,982.53 (EUR 30,806 thousand on 30 June 2022) and recommended the competent authorities not to grant the subsidiary certain tax benefits for five years. The Group provisioned this amount in 2019 with a charge to "Other Operating Expenses" in the condensed consolidated statement of profit or loss and a credit to "Long-Term Provisions" in the condensed consolidated balance sheet for the six-month period ended 30 June 2022 (EUR 37,872 thousand at the 2019 average exchange rate). The amount of the fine was increased by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody ("**SELIC**") and EUR 1,867 thousand was recognised in the first half of 2022 with a charge to "Finance Costs" in the relevant condensed interim consolidated profit and loss statement (EUR 345 thousand in 2021). The subsidiary has appealed CADE's decision in court.

The subsidiary rejects CADE's assessment of the events when imposing the aforementioned penalty and argues that its own actions in relation to the events investigated were carried out, at all times, in strict compliance with the applicable legislation. The subsidiary's legal advisors consider that there is a reasonable chance that the final amount of the penalty imposed will be reduced to a quantity substantially lower than the aforementioned amount, all without prejudice to the possibility of the fine being completely annulled. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 161 thousand. As at 30 June 2022, the Brazilian courts have ordered the lifting of the block and CAF must now wait for this ruling to be effectively implemented by the courts.

Also, as a result of the investigations conducted by CADE, other authorities, including the São Paulo State Public Prosecutor, initiated court proceedings against which the Group has already filed its corresponding defences. As a result of CADE's investigations, an administrative proceeding was also initiated by the Court of Auditors, in response to which the subsidiary presented its preliminary defence during 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, during the first half of 2022 the Court of Auditors decided to continue with the proceedings and, as at 30 June 2022, the subsidiary has submitted its statements to the Court of Auditors. Lastly, also as a result of CADE's investigations, an administrative proceeding was initiated by the São Paulo Court of Auditors in relation to which the subsidiary submitted its initial pleadings in the second half of 2018.

The Group continues to defend its interests in these proceedings. However, as at 30 June 2022 it was not possible to determine the result or the impact that these proceedings might have on the condensed interim consolidated financial statements of the Group should the outcome be unfavourable and, therefore, no liabilities have been recognised in this connection in those accounts.

Meanwhile, in a lawsuit into the validity of a contractual extension for the supply of several additional units, CAF and its subsidiary in Brazil, together with other railway material manufacturing companies, have been ordered in first instance to pay a fine of BRL 10,000,000 (plus its update) each, and have been restricted from taking part in public tenders in Brazil and from claiming tax incentives or borrowing relief for five years. According to the external legal advisors, the sanctions imposed are not considered to be effective until the judgement becomes final (i.e. no longer appealable). 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 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 said tramway. CAF's scope in the consortium 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 being contested, mainly in relation to civil engineering work. The Group's subsidiary in Brazil is a defendant in these proceedings. In relation to the potential breach of contract, CAF's legal advisors 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. Should the court rule against the Consortium for breach of contract, CAF could claim the potential losses from such members, since the breaches are mainly attributable to other members of the Consortium. 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, which are currently in the preliminary phase. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the latter half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 17,734 thousand at 30 June 2022) (the subsidiary holds a 36.8% stake in the Consortium, which, was the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.5 million) and a ban 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 the administrative sanction, which is in its initial

procedural stages, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the prohibition to contract in Brazil. Further, in relation to the same project, the subsidiary company continues to pursue its appeal regarding the termination of the contract requested by the State of Mato Grosso and the ensuing consequences.

Anti-trust litigation of CAF in Spain

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. ("**CAF Signalling**") and CAF as its parent (considered jointly and severally liable), in relation to alleged anti-competitive practices. On 29 July 2022, 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 appeal for judicial review before the National High Court (*Audiencia Nacional*). The main aspects of the case and the decision, which affect the subsidiary company CAF Signalling, are that in 2015 this CAF subsidiary joined the cartel initiated in 2002 by other entities, consisting of distribution agreements among 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) and was handed a fine of EUR 1.7 million. CAF 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 were also fined. On 29 July 2022, CAF and CAF Signalling have filed a contentious-administrative appeal against the CNMC resolution, following the approval of the precautionary suspension of payment of the fine until the National High Court (*Audiencia Nacional*) rules on the merits of the matter. The proceedings relating to the prohibition on public tendering is also suspended.

With respect to the last lawsuit described above, the Group's legal advisors consider that an unfavourable outcome for the Group is unlikely and that the outcome of these proceedings will not materially affect the financial statements for the years in which that lawsuit may eventually be settled. Therefore, no provision was recognised in this respect at 30 June 2022.

2.7 FINANCIAL STATEMENTS

The Issuer's consolidated financial statements for the financial years ended on 31 December 2020 and 31 December 2021, 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 2022 and for the six-month period ended 30 June 2022 are included by reference as Annex 1 to this Information Memorandum.

3. FULL NAME OF THE PROGRAMME

"COMMERCIAL PAPER PROGRAMME CAF 2022" or "*Programa de Pagarés CAF 2022*".

4. PERSONS RESPONSIBLE

Mr. Antonio García-Zarandieta Oliveira, on behalf of CAF and the Group, as Chief Financial Officer, expressly authorized by the resolution of the Issuer's Board of Directors dated 20 December 2022, hereby assumes responsibility for the content of this Information Memorandum.

Mr. Antonio García-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 anónima*) 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 nº5. Norbolsa S.V., S.A. is registered in the Registry of Registered Advisors pursuant to Operative Instruction (*Instrucción 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 (*incorporación*) of the Notes to be issued under the Commercial Paper Programme CAF 2022, (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 (*incorporación*) 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 2022 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 Market 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 Market Act and to Articles 67 and subsequent of Royal Decree 878/2015, of 2 October, on the clearing, settlement and recording of transferable securities represented in book-entry form, on the legal regime of the central securities depositories and central counterparties, and on the transparency requirements for issuers of securities admitted to trading in a regulated market (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*).

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

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.
- i_n = 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 | | |
|------------------|-----------------------------|--------------|------------------|-----------------------------|--------------|------------------|-----------------------------|--------------|------------------|-----------------------------|--------------|------------------|
| | Subscripti on price (euros) | IRR/A ER (%) | +10 days (euros) | Subscripti on price (euros) | IRR/A ER (%) | +10 days (euros) | Subscripti on price (euros) | IRR/A ER (%) | +10 days (euros) | Subscripti on price (euros) | IRR/AE R (%) | +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:

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

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, A.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 TARGET-2 calendar (*Trans-European 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.
- 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 and 26% from 200,000.01 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

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.

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

Legal entities are not subject to Wealth 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

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.

Non-Spanish resident legal entities are not subject to Net Wealth 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 314 of Royal Legislative Decree 4/2015, of 23 October, which approves the recast text of the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*).

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 this 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 RDL 21/2017.

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, 22 December 2022.

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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ARRANGER

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48009 Bilbao, Spain

REGISTERED ADVISOR (ASESOR REGISTRADO)

Norbolsa S.V., S.A.

Plaza Euskadi, 5, planta 26 de Torre Iberdrola

48009 Bilbao, Spain

DEALERS

Banca March, S.A.

Avenida Alejandro Rosselló 8,

07002, Palma de Mallorca

Banco de Sabadell, S.A.

Avda. Óscar Esplá, 37,

03007 Alicante, Spain

Banco Santander, S.A.

Ciudad Grupo Santander, Avenida de Cantabria, Edificio Encinar, s/n, planta 0,

28660 Boadilla del Monte, Madrid, Spain

Norbolsa S.V., S.A.

Plaza Euskadi, 5, planta 26 de Torre Iberdrola

48009 Bilbao, Spain

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

Calle Orense 81, 7ª planta

28020 Madrid, Spain

PAYING AGENT

Banco Santander, S.A.

Paseo de Pereda, 9-12

39004 Santander, Spain

LEGAL ADVISOR

Clifford Chance, S.L.P.

Paseo de la Castellana, 110

28046 Madrid, Spain

ANNEX 1

CONSOLIDATED 2020 AND 2021 ANNUAL ACCOUNTS

1. English language translation of the audited consolidated financial statements of CAF as of and for the twelve-month period ended 31 December 2020, together with its management report, can be found at:
<https://www.caf.net/upload/accionista/EJERCICIO-CAF2020-EN.pdf>
2. Spanish version of the audited consolidated financial statements of CAF as of and for the twelve-month period ended 31 December 2020, together with its management report, can be found at:
https://www.caf.net/upload/accionista/ejercicio_caf_2020.pdf
3. 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
4. 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

INTERIM CONSOLIDATED 2022 FINANCIAL STATEMENTS

1. English language translation of the unaudited interim consolidated profit and loss statements of CAF as of and for the nine-month period ended 30 September 2022 can be found at:
<https://www.caf.net/upload/prensa/notas/docs/9M22-Results.pdf>
2. Spanish version of the unaudited interim consolidated profit and loss statements of CAF as of and for the nine-month period ended 30 September 2022 can be found at:
<https://www.caf.net/upload/prensa/notas/docs/Resultados-9M2022.pdf>
3. English language translation of the unaudited interim consolidated financial statements of CAF as of and for the six-month period ended 30 June 2022, together with its management report, can be found at:
<https://www.caf.net/upload/prensa/notas/docs/1H22%20Results%20Presentation.pdf>
4. Spanish version of the unaudited interim consolidated financial statements of CAF as of and for the six-month period ended 30 June 2022, together with its management report, can be found at:
<https://www.caf.net/upload/prensa/notas/docs/Resultados%201S2022.pdf>