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CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

REPORT PRESENTED BY THE BOARD OF DIRECTORS OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. FOR THE PURPOSES OF THE PROVISIONS OF ARTICLES 286, 297.1.b), AND 506.2 OF THE CAPITAL COMPANIES ACT IN RELATION TO THE RESOLUTION REFERRED TO IN POINT SEVEN OF THE AGENDA OF THE ORDINARY GENERAL MEETING, TO BE HELD ON JUNE 5, ON FIRST CALL, AND, IF APPROPRIATE, ON JUNE 6, ON SECOND CALL.

1. PURPOSE OF THE REPORT

This report has been prepared in accordance with the provisions of Articles 286, 297.1.b), and 506.2 of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of July 2 (hereinafter, the "**Capital Companies Act**"), to explain and justify the proposal submitted for the approval of the Ordinary General Meeting of Shareholders of Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter, the "**Company**") to delegate the power to carry out capital increases charged to cash contributions to the Board of Directors, at the time and in the amount it should freely decide, for a period of five years, up to half the share capital at the time of authorization, and with the additional power to exclude preemptive subscription rights for a maximum amount of twenty per cent of the share capital at the time of authorization, if the interests of the Company should so require.

2. APPLICABLE REGULATIONS

In relation to Article 297.1.b) of the Capital Companies Act, Article 286 of the Capital Companies Act establishes the obligation of the directors to issue a written report justifying the proposed resolution in order to delegate the power to agree upon share capital increases to the directors.

At the same time, in relation to the delegation to directors of the power to exclude preemptive subscription rights in the event of the issue of new shares, article 506 of the Capital Companies Act requires that directors provide the shareholders with a report, available from the time the General Shareholders' Meeting is called, justifying the proposed delegation of this power.

By virtue of the foregoing, this Report is hereby issued for the purpose of complying with the requirements of the Capital Companies Act.

3. JUSTIFICATION OF THE PROPOSAL

Article 297.1.b) of the Capital Companies Act authorizes Shareholders in a General Meeting to delegate to the directors the power to agree to increase the share capital, up to a specific amount and on one or more occasions, at the time and in the amount they should decide, without prior consultation of the Shareholders in a General Meeting, subject to the requirements established for the amendment of the Articles of Association. The Law

establishes that these increases may in no case exceed half of the Company's share capital at the time of authorization, and must be made by means of cash contributions within a maximum period of five years from the date of the decision by the Shareholders in a General Meeting.

The proposal to delegate the power to increase the Company's share capital that is presented to the Shareholders in a General Meeting is justified by the convenience of the Board of Directors having a mechanism that allows it to agree, without the need to call and hold another Shareholders' Meeting, upon one or more capital increases, given that on many occasions, it is impossible to determine sufficiently in advance what the Company's capital needs will be.

Thus, article 297.1.b) of the Capital Companies Act provides the Board of Directors with a rapid and effective response instrument to meet the Company's financing needs that may arise, including the possibility of providing the Company with further equity through one or several capital increases, subject to the limits, terms, and conditions decided upon by the Shareholders in their General Meeting.

The proposal contemplates that the paying-up of the shares issued in the capital increase resolutions that may be approved by the Board of Directors will be made by means of monetary contributions, as well as the possibility of incomplete subscription of the shares issued, in accordance with the provisions of article 311 of the Capital Companies Act.

Likewise, in accordance with the provisions of article 506 of the Capital Companies Act, the Board of Directors is authorized to exclude the preemptive subscription rights of the shareholders in relation to the share issues subject to delegation if the interests of the Company should so require, for a maximum amount of twenty per cent of the share capital at the time of authorization. This additional power is justified as it provides the Board of Directors with greater room for maneuver and the ability to respond in terms of the capital increase methods that may be agreed upon and the manners of share distribution, to allow the Company to take advantage of market opportunities and adapt to its own specific circumstances and those of its environment, in the most beneficial way possible.

The exclusion, in whole or in part, of the preemptive subscription right is, in any case, a power that the General Shareholders' Meeting will attribute to the Board of Directors and, therefore, the exercising thereof will depend on the criteria of the Board itself, taking into account the circumstances and respecting the legal requirements, especially the limitation that the exclusion may only be proposed for capital increases for a maximum amount of twenty per cent of the share capital at the time of authorization. If, in exercising the aforementioned powers, the Board should decide to suppress preemptive rights in relation to one or several capital increases carried out under the authorization granted by the Shareholders in their General Meeting, the requirements of articles 308 and 506 of the Capital Companies Act regarding the exclusion of preemptive rights must also be complied with.

In view of the foregoing, a proposal is hereby submitted to the Shareholders in their General Meeting to delegate the power to increase the Company's share capital to the Company's Board of Directors in the amount decided by the Board itself, for a maximum amount of fifty per cent of the share capital of the Company at the time of authorization, which is equivalent to a maximum of 17,140,375 shares. Likewise, a proposal is submitted to delegate to the Board of Directors the power to exclude in whole or in part the pre-emptive subscription right in relation to the increases that it may resolve, if the

interests of the company so require and without such exclusion exceeding twenty per cent of the share capital at the time of authorization, equivalent to 6,856,150 shares.

4. PROPOSED AGREEMENT

The proposed agreement submitted for the approval of the Company's General Meeting of Shareholders is as follows:

"SEVEN.- Authorization of the Board of Directors to increase capital at the time and in the amount it should decide, for a period of five years, up to half of the share capital at the time of authorization, on one or more occasions, through the issuance of new shares, in accordance with the provisions of article 297.1.b) of the Capital Companies Act. To also delegate the possibility of excluding the preemptive subscription right for any capital increases that may be agreed upon to the Board of Directors, for a maximum amount of twenty percent of the share capital at the time of authorization, under the terms established in article 506 of the Capital Companies Act. Consequent revoking of the delegation conferred upon the Board of Directors by resolution of the Shareholders in their General Meeting held on June 2, 2018.

To authorize the Board of Directors to agree on one or more occasions to increase the share capital up to a specific amount, at the time and in the amount it should decide, in accordance with the provisions of articles 297.1.b) and 506 of the Capital Companies Act, according to the following conditions:

- (i) Period: The share capital may be increased once or several times within a maximum period of five years from the date of this Meeting.*
- (ii) Maximum amount: The maximum total amount of the increase or increases agreed under this authorization shall not exceed fifty per cent of the share capital of the Company at the time of authorization, which is equivalent to a maximum of 17,140,375 shares.*
- (iii) Counter value: The counter value of the increase or increases agreed under this authorization must be cash contributions.*
- (iv) Scope: The authorization to increase the share capital shall extend, as broadly as required by law, to the establishing and determination of the conditions inherent in each of the increases that may be carried out by virtue of this resolution, completion of any formalities that may be necessary, and obtaining of any authorizations required by the legal provisions in force.*

By way of illustration only and without limitation, the Board of Directors shall be responsible for determining, for each share capital increase, the amount and date of implementation, the number of shares to be issued, and the amount of the issue premium, and may establish the other terms and conditions of the capital increase and the characteristics of the shares and redraft the article of the articles of association in relation to the share capital, in addition to freely offering the new shares not subscribed within the preferential subscription period(s) and establishing that the capital will be increased only by the amount of the subscriptions made, in the event of incomplete subscription.

- (v) *Incomplete increase: To authorize the Board of Directors to declare, where appropriate and in accordance with the provisions of article 311.1 of the Capital Companies Act, the incomplete subscription of the capital increase or increases, in which case the capital will only be increased by the amount of the subscriptions made.*
- (vi) *Modification of the Articles of Association: To authorize the Board of Directors to redraft the article of the articles of association in relation to share capital, once the increase or increases have been agreed and implemented.*
- (vii) *Exclusion of preemptive subscription rights: To authorize the Board of Directors to exclude, in whole or in part, the preemptive subscription right if the interests of the company should so require and without such exclusion exceeding twenty per cent of the share capital at the time of authorization, equivalent to 6,856,150 shares.*
- (viii) *Admission to trading: To authorize the Board of Directors to request the admission to trading of any new shares issued by virtue of this resolution on the Stock Exchanges on which the Company's shares are traded, through the Stock Exchange Interconnection System or the corresponding system in each case, preparing, submitting, and executing whatever documents and performing whatever acts may be necessary or appropriate for this purpose, with the power to delegate these tasks to the Chairman and the Secretary or any other person the Board of Directors should deem appropriate.*
- (ix) *Sub-delegation: To authorize the Board of Directors to in turn delegate the delegated powers referred to in this resolution, pursuant to the provisions of article 249.2 of the Capital Companies Act.*

The power to increase the Company's capital conferred on the Board of Directors by resolution of the General Shareholders' Meeting held on June 2, 2018, as item seven on the agenda, is hereby also revoked. "

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Beasain, on April 29, 2021

Board of Directors.