Audit Report on Financial Statements
issued by an Independent Auditor

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2022

Building a better
working world

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Company), which comprise the balance sheet as at December 31, 2022, the statement of profit or loss, the statement of changes in total equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in long-term contracts using the measurement of progress method

Description

The Company carries out an important part of its activity through long-term construction contracts.

As indicated in Note 3.f.1 of the attached notes to the financial statements, the income and results corresponding to contracts for the construction of trains and traction equipment are recorded, in general, based on the estimated progress measurement of the same, obtained based on the percentage that represents the number of hours allocated to the contract over the total of the budgeted hours. The amount of revenue recognized in 2022 in relation to this type of contract by applying the progress method amounted to 1,241,159 thousand euros.

The revenue recognition from these contracts requires significant estimates to be made in relation to, among other aspects, the total costs to be incurred, the number of hours allocated over the total budgeted hours or the estimation of the margin considering the expected income and the costs estimated to be incurred, as well as, where appropriate, the amount of the modifications and claims on the initial contract that will finally be accepted by the client.

We have considered this area as a key audit matter in our audit due to the relevance of the amounts involved and the complexity associated with said estimates, which entail the application of judgments by the Company's Management in determining the assumptions considered, since changes in the aforementioned assumptions could give rise to material differences in the recorded income.

The breakdowns corresponding to the aforementioned income are disclosed in Note 19 of the attached notes to the financial statements.

Our response

In relation to this area, our audit procedures have included, among others, the following:

- Understanding of the process established by the Company´s Management for the management of projects in the budgeting and contract execution phases and for the recognition of revenue, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- Selection of a sample of projects, taking into consideration both quantitative and qualitative criteria, for which the corresponding contracts have been obtained for their reading and understanding of the most relevant clauses and their implications, as well as the budgets and follow-up reports of the execution of the projects.
- Evaluation, for said contracts, of the reasonableness of the assumptions considered by the Company´s Management through meetings held with the technical staff and those responsible for the development of the projects, analyzing the reasons for the deviations between the initially planned costs and the actual costs and its impact on the estimation of the margin of the projects.
- Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Registration and valuation of provisions and contingencies related to commercial contracts

Description	The Company has recorded provisions as of December 31, 2022, under the heading "Current provisions", to meet obligations for guarantees, contractual responsibilities and others that are detailed in Note 17 of the attached notes to the financial statements amounting to 160,603 thousand euros. The evaluation of the contingencies derived from the commercial contracts and, where appropriate, the valuation of the possible associated provisions, requires complex estimates to be made by the Company's Management, which entails the application of judgments in the determination of the assumptions considered in relation to said estimates, associated, among other aspects, with the eventualities that occurred during the execution of the contracts, including the identification of causes not attributable to the Company, which are conditioned by a high degree of uncertainty. We have considered this area a key audit matter in our audit due to the complexity of the judgments inherent in assigning value to the key assumptions considered and the variation in such judgments that could lead to material differences in the amounts carried at the date, having a significant impact on the balance sheet and profit and loss account. The information regarding the criteria applied by Company´s Management and the main assumptions considered in determining the corresponding provisions and their amounts, as well as their movement during the year, is disclosed in Notes 3.f, 3.n and 17 of the attached notes to the financial statements.
Our response	In relation to this area, our audit procedures have included, among others, the following: ▶ Understanding of the process established by the Company's Management for the identification, assessment and recording of contingencies arising from commercial contracts that may be provisioned, and evaluation of the design and implementation of the relevant controls established in the aforementioned process. ▶ Obtaining the detail of recorded provisions and selecting a sample, taking into consideration quantitative and qualitative criteria, for which the documentation that supports the estimates made has been obtained and reviewed. ▶ Understanding and evaluation, for said provisions, of the reasonableness of the key assumptions considered for their quantification based on consultations with the Management and other professionals of the Company in charge of the matters from which contingencies that could be provisioned could arise and, in their case, to written statements from third parties, such as legal advisors, regarding the current situation of the contingencies and the evaluation of the risk derived from them, estimated cash outflows and their probability of occurrence. ▶ Carrying out a general analytical review of the movement of the different provisions recorded, obtaining evidence and supporting documentation about them and considering our expectations about their potential evolution, obtaining responses from Management to our inquiries in the event of deviations with respect to those expectations.

- Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Valuation of investments in group companies and associates

Description

As indicated in Notes 9 and 10 of the attached notes to the financial statements, the Company has registered as of December 31, 2022, under the heading "Non-current investments in group companies and associates", holdings in group companies and associates and loans granted to group companies and associates amounting to 936,991 and 129,901 thousand euros, respectively, and under the heading "Current investments in group companies and associates", loans granted to group companies and associates amounting to 64,541 thousand euros.

The Company's Management evaluates, at least at the end of each financial year, the existence of indications of impairment and makes the necessary valuation corrections whenever there is objective evidence that the book value of an investment will not be recoverable, being the amount of the valuation adjustment the difference between its book value and the recoverable amount.

The determination of the recoverable amount requires making complex estimates, which entails the application of judgments in establishing the assumptions considered by the Company's Management in relation to said estimates.

We have considered this area as a key audit matter in our audit due to the significance of the amounts involved and the complexity inherent in the estimation process in determining the recoverable amount of the aforementioned investments.

The information regarding the valuation standards applied and the main assumptions considered in determining the value impairment of investments in group companies and associates is disclosed in Note 3.d of the attached notes to the financial statements.

Our response

In relation to this area, our audit procedures have included, among others, the following:

- Understanding of the process established by the Company's Management to identify signs of impairment and determine the recoverable amount of investments in group companies and associates, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- Evaluation of the analysis of the value impairment indicators of the investments in group companies and associates carried out by the Company's Management.
- Review of the model used by the Company's Management to determine the recoverable amount, in collaboration with our valuation specialists, covering, in particular, the mathematical coherence of the model, and the reasonableness of the projected cash flows and interest rates. discount and long-term growth. In carrying out our review we have held interviews with those responsible for developing the model and used recognized external sources and other available information to compare the data used.
- Review of the sensitivity analysis carried out by the Company's Management regarding the estimates made in determining the recoverable amount due to changes in the relevant assumptions considered.
- Review of the disclosures included in the notes to the financial statements in accordance with the applicable regulatory framework for financial information.

Other information: management report

Other information refers exclusively to the 2022 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

a) Checking only that the non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2022 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Construcciones y Auxiliar de Ferrocarriles, S.A. for the 2022 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Construcciones y Auxiliar de Ferrocarriles, S.A. are responsible for submitting the annual financial report for the 2022 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital file prepared by the directors of the Company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 24, 2023.

Term of engagement

The ordinary general shareholders' meeting held on June 13, 2020 appointed us as auditors for 3 years, commencing on December 31, 2021.

ERNST & YOUNG, S.L.

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The original signed in Spanish

February 24, 2023

The following English translation is provided by the Company for information purposes only and is based on the original official document in Spanish available on the Company's website (www.caf.net). In the event of any discrepancy between the English version and the original document in Spanish, the latter will prevail.

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

2022 ANNUAL REPORT

FEBRUARY 2023

Contents

DIRECTORS' REPORT

FOR THE YEAR

ENDED 31

DECEMBER 2022

1 CAF GROUP BUSINESS MODEL AND OUTLOOK

2022 ended with the launch of CAF's 2026 Strategic Plan, which focuses its ambition on growing as a provider of comprehensive rail and bus mobility solutions, while maximising its digital proposal.

CAF ended its previous 2016-2021 cycle with important achievements that have transformed the Group in three main ways:

- Growth and strengthening of the value proposition, leading to i) a greater presence of CAF in Europe, the largest accessible market in the world, ii) the strengthening of the railway value proposition through a significant capture of comprehensive projects and the development and growing contribution of the businesses associated with the supply of components and systems, iii) the diversification of the offer beyond rail, an area in which the acquisition of Solaris stands out, dedicated to the supply of buses, in 2018, and iv) the technological development of innovative solutions, such as zero emission vehicles, digital solutions, big data, energy management and ecodesign, signage, traction or the autonomous vehicle.

- Systematic development of profitability optimisation levers, through i) the MOVE transformation programme, which pivoted on the standardisation of platforms and the implementation of Lean Manufacturing and Digital Factory 4.0 throughout the railway industrial footprint, ii) various efficiency improvement plans in the rail services segment, iii) the progressive implementation of the digital train, with significant improvements of the product and of the maintenance activity based on the real data captured in operation, and iv) the optimisation plan of the currency, resulting in a highly considerable decrease during the period.

- Improvement of the sustainability assessment, an area in which various initiatives stand out, such as the publication of the ESG Equity Story, the progressive improvement of CAF's ESG rating until it exceeds the sector average, adherence to SBTi and the Net Zero Initiative, the implementation of a share liquidity program in April 2022 and the reduction of scope 1 and 2 emissions of 10% between 2019 and 2021.

All of the above has allowed the CAF Group to undertake solid growth, reinforce its capabilities in key geographies and position itself in a prominent way in products and the market to address future growth.

Thus, CAF is today a multinational group with more than 100 years' experience characterised by:

- It is one of the international leaders in the implementation of integrated rail and bus mobility solutions, with extensive experience tackling projects throughout the entire project life cycle (analysis and feasibility studies, system design and engineering, system construction and manufacturing, installation and commissioning, operation and maintenance, and even financing) in a multitude of geographies.

  - In the railway sector, the Group offers its customers one of the broadest and most flexible product ranges on the market, from complete transport systems to rolling stock (components, infrastructure, signalling and services (maintenance, rehabilitation and financing). These capabilities and the CAF Group's current range of solutions place it on a par with the leading players in the sector. Within this area, the rail vehicle business generates and anchors other activities and rail services provide profitability, complemented by integrated solutions and systems, which are expected to make an increasing contribution to the Group.

  - In the field of buses, CAF, through Solaris, has been a pioneer in the development of new products and currently has the most complete range of low and zero emission solutions, while at the same time presenting a unique position in electromobility due to its leadership position in zero emission buses, its unique real experience in electromobility, the strong proposal of zero emission technologies (electric and hydrogen) and for having all the advantages of conventional technologies but without business or industrial activity in the production of internal combustion engines. All in all, Solaris, and thus CAF, is ahead of its European competitors in terms of portfolio, actual experience and market share.

  In both cases CAF serves the most diverse range of customers worldwide: from municipalities and regional or national public or private administrations, to other railway manufacturers and private companies operating or maintaining systems, or even consortium structures accompanied by financially oriented entities.

- CAF is the number one in sustainable urban mobility, with a value proposition that no other company can match (underground trains, trams and LRVs, low and zero-emission buses), with high technological synergies and cross-selling opportunities between the rail and bus worlds, in a context in which urban public transport will be a key pillar in any future mobility scenario.

- Being at the technological forefront, investing in key innovation areas for mobility (decarbonization, automation, digitalization and competitiveness) in order to build sustainable, interconnected, multimodal and safe mobility.

- Being global, with a prominent positioning in Europe. CAF is present in more than 50 countries in the world and has, in the railway block, an industrial establishment in Spain, France, the United Kingdom, the United States, Brazil and Mexico, with more than 100 maintenance centres in the world, more than 130 projects executed for a value of 27,000 million euros, and with more than 4,800 trains delivered and over 1,000 rehabilitated cars to its name. In the bus section, CAF has an industrial establishment in Poland, with buses sold to more than 750 cities in 32 countries and over 20,000 buses in operation.

In recent years, the Group has focused commercially on Europe, where it has also aligned itself industrially (expansion of capacity in France, new production base in Newport-United Kingdom, industrial establishment in Poland through the acquisition of Solaris and the incorporation of maintenance workshops in the Nordic region by EuroMaint).

- Have a highly-qualified human team, aligned with the project and with a shared culture, highlighting that of the nearly 4,500 university graduates, more than 2,000 are engineering professionals in innovation, product development and project activities.
- Be sustainable, presenting sustainability ratios above the sector average, with a "low risk" rating according to the Sustainalytics agency or the "Platinum" medal awarded by Ecovadis.
- Be solvent and have a proven financial capacity, with a controlled net debt / EBITDA ratio.
- All this, in a context of a high level of satisfaction and repeatability of its customers, which demonstrates the high level of trust of the authorities and administrations from all over the world in CAF, and which gives CAF high visibility of the business for the coming years on having a portfolio worth more than 13,000 million euros.

In 2022, CAF reached significant milestones that strengthen the foundations of its future strategy, the following of which stand out:

- New commercial success in key geographies (Spain, Germany, France, Sweden and the USA) and in maintenance services.
- The renewed trust of the Dutch operator NS, with the award of a contract to supply 60 double-decker trains.
- The award of the Purple Line project for the Tel Aviv Light Rail train, which covers the design, construction, financing and maintenance of the line over 25 years, illustrating the CAF Group's ongoing success in the integral transport projects segment, called to continue growing in the future.
- The incorporation into the Group of significant assets in France and Germany (Reichshoffen factory and Coradia Polyvalent and Talent 3 platforms), after closing the acquisition from Alstom on 1 August 2022, thus reinforcing CAF's positioning and capabilities in two of the world's largest rail markets.
- The improvement of the Group's positioning to address the decarbonisation of rail mobility, through:
    - Battery-powered trains: the German operator NWL executes the option to expand the supply of battery-powered trains.
    - Hydrogen train prototype: start of factory tests in May 2022 and start of track tests in July 2022.

Meanwhile, the main sustainability milestones in the period, as described in the Non-Financial Statement contained in this report, are as follows:

- Certification of the model of excellence in environmental management based on the European EMAS Regulation for CAF S.A. (Eco-Management and Audit Scheme).
- Obtaining the "Silver" level under the IRIS international quality standard for the Signalling activity, in addition to those obtained in 2021 by Rail Vehicles and Maintenance.
- KOMP SARIAK distinction awarded to the CAF Group by the Basque Competition Authority for its Corporate Competition Compliance System.
- First EDP declaration (Environmental Product Declaration) for Solaris: Urbino 18 electric and Urbino 12 hybrid buses.
- CRS Silver Leaf distinction awarded to Solaris by "Polityka" for its support in achieving the Sustainable Development Goals.
- Busplanner Innovation Award 2022 for Solaris, for its Urbino 9 LE bus.
- Maintenance of the "BBB" rating in the MSCI valuation update for the CAF Group.
- Entering into a liquidity contract, the sole purpose of which is to promote liquidity and regularity in the listing of the Group's parent company's shares on the stock exchange.

- Verification of the carbon footprint (scopes 1 and 2) for 2019, 2020 and 2021 by the external accredited entity LRQA, and definition of the GHG emission reduction targets based on the SBTi methodology; targets that have been integrated and communicated in the 2026 Strategic Plan.
- Solaris obtained certification under ISO 45001 "Occupational Health and Safety Management Systems".
- Obtainment of the prestigious platinum medal in the sustainability management evaluation carried out by Ecovadis, placing the CAF Group among the companies with the best performance in the sector.
- Score B in the first report of the CDP (Carbon Disclosure Project) climate change index carried out by the CAF Group throughout 2022, a score that is above the average for the railway sector.

In 2022, CAF was not immune to the hardening of the environmental conditions that began in the second part of 2021. A context that, far from attenuating, has been aggravated after the invasion of Ukraine by Russia, with negative effects on the situation of the supply chain of components, in the cost of energy and in future inflation scenarios, affecting the execution and results of the Group throughout 2022, despite the fact that CAF does not have any exposure to the area of conflict (Russia-Ukraine).

The Group thus begins 2023 with significant short-term challenges, but also with a solid foundation on which to establish future achievements hand in hand with its new 2026 Strategic Plan.

A new Strategic Plan that aspires to continue a history of profitable growth that aims to develop CAF's Vision: grow as a provider of comprehensive rail and bus mobility solutions, maximising its digital proposal. Four strategic axes will enable the achievement of the Vision, all of them aimed at increasing the total return for shareholders:

- Commercial focus, which will bring recurrence and scalability to the Group. More specifically, CAF will focus its commercial strategy in Europe, North America and Asia Pacific, attractive markets with large volumes and recurring activity, in which CAF has a strong position and/or a good strategic fit in its offer of solutions, and which will be the source of 70% of Group sales.

  In Buses, Solaris aspires to maintain European leadership in zero-emission mobility in the urban segment, and to expand its current portfolio to the interurban segment in Europe, and to enter North America with an exclusive zero-emissions value proposition.

- Operational efficiency, to guarantee profitability and competitiveness. CAF will improve efficiency in production, engineering and purchasing, and will complement the current footprint with new industrial capacities that accompany the commercial focus, while capturing cost efficiencies.

  Hence, it aspires to establish new operations in Eastern Europe and Asia Pacific for the rail division, and in North America in the bus segment.

  Likewise, CAF will apply efficiency programmes in all activities to strengthen its competitiveness, with a recurring annual impact.

- Innovation, ensuring that it is at the technological forefront. CAF will establish an innovative mobility strategy by incorporating smart mobility solutions into the portfolio, aimed at optimising urban mobility infrastructures such as, among others, fleet management, traffic optimisation or intermodal operation, in addition to strengthening main businesses and comprehensive projects.

  At the same time, it will progress in its decarbonisation proposal by expanding the range of trains and buses with alternative propulsion (electric and hydrogen), the automation of urban transport systems (subways, trams and buses) and the digitization of its processes (validation environments and virtual homologation, cybersecurity, etc.).

- Sustainability, leading the transition of mobility solutions towards the goal of reaching zero net emissions in 2045, and continuing the strategy defined in CAF's ESG Equity Story in July 2021, through which priority material issues identified by stakeholders will be dealt with, and it aspires to continue above the average of comparable companies in the assessments of ESG rating agencies.

As a result of the foregoing, the new Strategic Plan sets the following top-level objectives for 2026:

- Grow above the market and reach total sales close to 4,800 million euros.
- To place the Operating Result in 2026 at around 300 million euros.
- Distribute dividends in progression with the results.
- Have a Net Financial Debt / EBITDA ratio of around 2.2x after the corporate operations envisaged in the Plan's base case.

- Reduce scope 1 and 2 emissions by up to 30%, and up to 40% in scope 3 (referring to the use of the product, in terms of emissions per passenger and km), with respect to 2019, with the ultimate goal of becoming a net zero-emissions company in 2045.

In order to comply with said Plan, an investment level for the period of around 550-650 million euros is expected. Likewise, in order to complement organic development, reduce risks and capital employed, CAF considers a base case of corporate operations with an investment of approximately 550 million euros for the period. These acquisitions will contribute to the expansion of the Group's portfolio of products and services, complementing the current industrial and technological capabilities, both in railways and buses, in line with its international expansion.

The full document of the Strategic Plan is available on CAF's corporate website (www.caf.net).

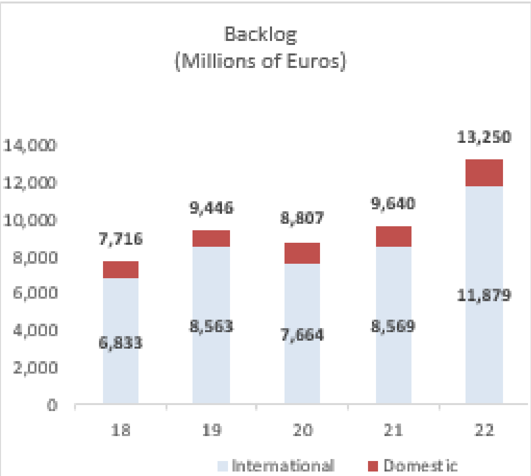
2 BUSINESS PERFORMANCE AND RESULTS

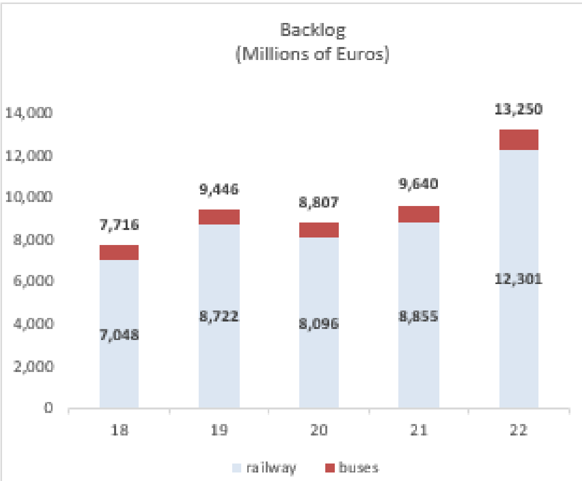
Main indicators (*)

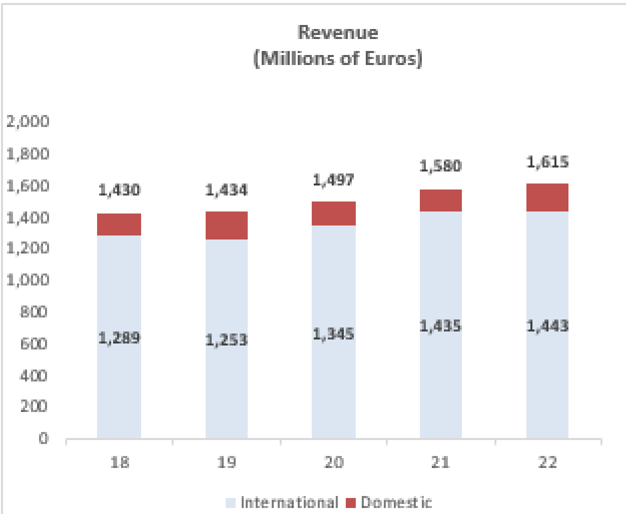
Figures in millions of euros	2022	2021	Change (%)
Backlog (**)			
Backlog	13,250	9,640	37%
Order intake	6,205	3,776	64%
Profit and Cash flow -			
Revenue	1,615	1,580	2%
EBITDA	40.2	36.6	10%
Profit/(Loss) for the year	63.0	47.8	32%
Cash flow (**)	36	62	-41%
Net Financial Debt (**)	278	278	-
Equity	646	608	6%
Proposed dividend per share	0.86	1.00	-14%

(*) Definitions of the indicators are provided in the "Alternative Performance Measures" section.
(**) Information on the consolidated group.

- The order backlog reached an all-time high thanks to a record level of order intake, despite the Group's business growth. Recruitment has continued to focus on the international arena and shows the consolidation of the Group both in the European market and in the USA. As a result, the order backlog continues to present an eminently international structure. The Book to Bill ratio is 2.
- Operating results were affected negatively by inflation (energy, labour and materials).
- The proposed allocation of results consists of allocating 29 million euros to the distribution of dividends, a figure that represents a gross amount of 0.86 euros per share.







3 RAILWAY SEGMENT

COMMERCIAL ACTIVITY

During 2022, CAF reached a level of contracting in the rail segment of over five billion euros (+77% year-on-year growth), which is a record high, enabling the size of the order book to rise by over twelve billion euros. The Book-to-Bill ratio is greater than 2. The commercial successes obtained in the main European markets, as well as in the USA and the Middle East, should be highlighted.

Europe

- The Dutch national operator NS - Nederlandse Spoorwegen - has formalised an order for 60 compositions that combine simple and double deck carriages, to comprise 4 or 6 carriages. Thus, Civity platform developed by CAF for Commuter and Regional services, incorporates double deckers as an available standard. Civity units are running on tracks over several European countries such as the Netherlands, the United Kingdom, Sweden and Italy. NS has already placed orders in excess of 1,500 million euros in recent years and they are going to operate a Civity fleet of over 250 trains.
- The public transport operator of the capital of the federal state of Lower Saxony in Germany, known as the largest accessible rail market in the world, signed a contract to acquire up to 233 articulated units to be used at Hannover city. Also in Germany, but in the North Rhine-Westphalia state, the Stadtwerke Bonn Verkehrs GmbH (SWBV) and the Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises GmbH (SSB), both operators of transport services in Bonn and cities on its outskirts, have purchased 32 articulated units. These are very similar to those 51 contracted last year by Ruhrbahn GmbH for the nearby city of Essen. In the North Rhine-Westphalia state, Nahverkehr Westfalen-Lippe (NWL) expanded as well its dual operation capacity fleet - battery or overhead catenary -, up to 76 for the Rhineland region. All of these are going to be maintained by CAF during its lifetime. The acquisition of the intellectual property of the Talent 3 train platform, jointly with the Reichshoffen production plant in the French Alsace region, aimed at the German market and Central European markets, together with key German engineering personnel linked to it, which will boost CAF's capabilities for those markets.
- In France, Transports de l'Agglomération de Montpellier – TaM - signed an order for 60 trams. TaM is the transport service operator for Montpellier Méditerranée Métropole, a French metropolitan area located in the Occitania region, around the city of Montpellier, which covers 31 municipalities in the area and has a population of close to half a million people. In addition to the tram service, it is also responsible for public bus services and the metropolis' shared bicycle system. Also in France, and for the second city in terms of population, the company Régie des Transports Métropolitains - RTM - which manages the entire public transport network in Marseille, commissioned CAF to acquire 15 new tram units that may operate on any of the three tram lines run by RTM, which also manages underground, bus and ferry lines.
- In Sweden, the public operator SJ AB, purchased 25 new units of the Nordic variant of the Civity platform, adapted to operate in extreme climates.
- Regarding the national market, RENFE has commissioned CAF to renew the medium-distance service fleet. Both companies signed a contract to supply up to 70 units; the contract also includes a 15-year maintenance agreement for several units.

  Serveis Ferroviaris de Mallorca - SFM -, making use of the extraordinary Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU Plan), acquired five new units to improve its service capacity in Palma de Mallorca. Under the same REACT-EU Plan, the Agencia de Obra Pública de la Junta de Andalucía, in charge of public transport for Andalusian region, contracted the supply of eight new units to provide a service in the Granada metropolitan area.

  For the city of Saragossa, financed by European Funds, the company that operates the tramway service Los Tranvías de Zaragoza, increased its tram fleet by up to 23 units. In Seville, the company Transportes Urbanos de Sevilla Sociedad Anónima Municipal - TUSSAM - which provides the surface tram service, signed an agreement which allows it it to double the fleet and maintenance work to be performed by CAF for the whole fleet.
- The operator Statheres Sygkoinonies A.E., in charge of transport management in the city of Athens, selected the CAF Group to refurbish 14 underground trains that currently operate on line 1 of the Greek capital's underground system. This project represents the first significant contract for the company in the Hellenic country.
- EuroMaint also made a significant contribution to the order book, highlighting mainly the renewal of major contracts.
- The company responsible for public transport in the Hungarian capital, Budapesti Közlekedési Központ - BKK , signed a contract that will increase the number of CAF trams serving its extensive network, with nearly 40 lines, up to 93 units.

Other markets

- In Boston, the Massachusetts Bay Transportation Authority - MBTA -, operator of one of the oldest public transportation systems in the United States, and the largest one in the state of Massachusetts, contracted 102 units with CAF to provide a service on its Green Line, which is one of the oldest underground lines in the United States with sections built at the end of the 19th century, on which 24 CAF units already operate.
- The Missouri state signed the fleet extension for Kansas City, its most populated city, up to 14 tram units. These trams will provide service in the current network, and in its future extension to link the South with the Country Club Plaza and the North with Berkley Riverfront Park. In Maryland state, the maintenance division signed two warranty extensions that affect the 26 articulated units that provide a service on the Purple Line connecting Bethesda in Montgomery County with

New Carrollton in Prince George's County. This service provides a direct connection with the Red, Green and Orange Lines of the Washington underground, as well as with commuter and bus interchanges.

- In the Middle East, NTA - Metropolitan Mass Transit Systems -, the company in charge of developing mobility solutions for the Tel Aviv metropolitan area, has awarded the Purple Line light rail project to the public-private consortium comprising CAF. Under this project, CAF will handle the design and manufacture of the 98 tram units, and the supply of signalling, energy and communications systems and the overall integration of the project. On top of this, CAF holds a 50% stake in the company, which will manage the line's maintenance activity over the 25-year term of the concession.
- Etihad Rail - State Company of the United Arab Emirates - in charge of not only the administration and development of country's railway network, but also of the network management and operation, signed a contract for the manufacture, supply and maintenance of 9 trains.
- SAR - Saudi Arabia Railways - signed a five-year maintenance contract extension for its trains, as well as an agreement was reached to set up a joint engineering department, known as the "Engineering Excellence Centre", where SAR staff obtain knowledge to carry out maintenance work by themselves, while also adapting the Saudi company's facilities for main systems refurbishment.The contract also includes the implementation of SAR's "DIGITAL HUB CENTRE", which is meant to become a benchmark in the Gulf region as a train digitalisation hot spot, through the development of digital systems and tools in which CAF and SAR have already been working for several years - the LeadMind digital train platform -.
- In Auckland, a fleet expansion up to 95 units was signed, demonstrating the proper performance of the units in this New Zealand city.
- In Australia, the Australian Capital Territory, through the company Canberra Metro Operations, which operates the Canberra Tram Line, once again awarded CAF the supply of five tram units suitable to operate on sections without catenary, including maintenance. Additionally, it has contracted the adaptation of the currently operating fleet to incorporate the on-board energy storage system that allows circulation in areas on the non-electrified route.

  The service connects the centre of the capital with Gungahlin and will be fit to circulate on the future extension of the line, thus responding to the expected demand increase.

Regarding the use of hydrogen in the railway sector, last May CAF commenced a CIVIA demonstrator train static test at the Zaragoza plant. RENFE's CIVIA demonstrator train is powered by hydrogen from the FCH2Rail projects and developed by the consortium comprised by CAF, DLR, Toyota, RENFE, ADIF, CNH2, IP and Faiveley Stemmann Technik.

Once these static tests were satisfactorily completed, the dynamic tests began on the external track, having successfully completed the circulation in electric mode and in hydrogen mode.

To ensure the decarbonisation of the planet, through the promotion of clean energy, CAF and Iberdrola signed an agreement whose main objective is the global promotion of rail transport with emission-free green hydrogen, and its first success was the recharging of the unit at a station to complement the circulation carried out.

INDUSTRIAL ACTIVITY

Throughout 2022, over 30 different projects were carried out in the manufacturing chains, generating a total of 989 finished cars, as well as more than 60,000 wheels and other components, manufactured and distributed in various contracts throughout the world, those who have occupied the industrial activity in the railway field of the CAF Group.

Advancing in line with project life cycles, first were those that were completed in 2022, as is the case of the projects for the Naples and Volturno underground systems, with the manufacture of the last 4 trains of each project, the contract signed for 30 trains with the city of Manila with the completion of the last 10 units, 5 trams for the Dutch city of Amsterdam that complete the 72 contracted units, as well as a total of 4 trains for the Istanbul underground project, the last of the 48 trams for the Dutch railway operator De Lijn, the contract for 20 trams signed with the city of Liège, completed with the manufacture of the last 5 units, as well as the 3 additional cars for the last unit of the project contracted by the Northern Ireland operator NIR, a total of the 5 underground units for Helsinki, the 10 trams of the contract signed with the city of Stockholm, as well as the 12 trams that complete the 13 contracted by the Australian city of Parramatta, together with the last of the trams that complete the project for 5 additional units for the city of Utrecht and the last tram of the 33 contracted, in various batches, by the city of Luxembourg.

Regarding the projects under way, which will continue to be active in the coming years, there are the projects for 26 trams for the North American state of Maryland, of which 17 were completed during 2022, as well as 6 trains for the Brussels underground system for the contract initially signed for 22 units, 1 train with 4 cars for the British project in the West Midlands, 4 underground units of the 30 contracted for the city of Amsterdam, the 24 trains in compositions of 3 and 4 cars for the Dutch operator Nederlandse Spoowegen of the extension contract for 88 trains, 11 DMU (Diesel Multiple Unit) trains in compositions of 2 and 3 cars for the British operator Wales & Borders, the first 6 underground units of the 43 contracted by the operator Docklands Light Railway in the city of London, the first 2 trains of the 4 contracted by Euskotren, 1 of the 12 trains for the German city of Schönbuchbahn, the first 22 trams of the order of 87 for the city of Oslo, 20 trams for Antwerp from the 40-unit contract signed with the local operator, 3 trams for Birmingham that complete 11 of the 21 contracted trains, the first 20 trams for Jerusalem, the first tram of the four contracted for Sydney and the first 2 contracted trams for Malaga.

As for the rest of the projects, already in the initial manufacturing phases, of note are the contracts with the Australian operator New South Wales, the train project for the French operator SNCF, the Bi-modal locomotives for the French operator RATP, and the trams for Lisbon.

The most significant products manufactured in 2022 were as follows:

	No. cars
Additional medium-distance cars – NIR	3
Medium-distance DMU West Midlands (four-car unit)	4
Medium-distance DMU Wales and Borders (2-car unit)	20
Medium-distance DMU Wales and Borders (3-car unit)	3
Commuter trains for NS (3-car unit)	48
Commuter trains for NS (4-car unit)	32
Commuter trains for Euskotren	8
Metro for Brussels	36
Metro for Napoles	24
Metro for Volturno	24
Metro for Amsterdam	12
Metro for Docklands	30
Metro for Istanbul	24
Metro for Helsinki	20
LRV for Maryland	85
LRV for Schönbuchbahn	3
LRV for Manila	80
Trams for Luxembourg	7
Trams for Amsterdam	25
Trams for Utrecht (Extension)	7
Trams for Parramatta	84
Trams for Liège	35
Trams for Lijn	5
Trams for Antwerp	100
Trams for Birmingham	15
Trams for Oslo	110
Trams for Jerusalem	100

Trams for Stockholm	30
Trams for Sydney	5
Trams for Malaga	10
TOTAL	**989**

BOGIES	
With mechanic-welded chassis	1,051

WHEEL SETS AND COMPONENT UNIT - MiiRA	
Wheelset (power car + push-pull car)	3,077
Axle bodies	8,044
Monoblock wheels	64,454
Elastic wheels	2,407
Gear units	2,693
Wheel tyres	1,419

R&D+i ACTIVITY

In the last months of the 2021 financial year, the new CAF Group Innovation Plan for the 2022 period was defined, aligned with the Strategic Plan.

The Innovation Plan, defined according to the Innovation Process, includes the innovation projects of the following businesses: CAF Rolling Stock, CAF I+D, Rail Services, MiiRA, CAF Power & Automation, CAF Signalling, CAF Turnkey & Engineering and Cetest.

The Innovation Plan envisages a total of 144 projects, grouped into the following Innovation Programmes:

- **Zero emissions**
  Alternative propulsion systems such as those based on energy storage in batteries or the use of Hydrogen as fuel
  Reduction of energy consumption through propulsion based on Silicon Carbide and on-board systems for energy optimisation and management
  Reduction of other emissions such as EMC and Noise
- **Autonomous and automatic vehicle**
  Remote driving on trams and ADAS for buses
  Development of CBTC for automatic underground systems
  Automation of mainline systems and ERTMS evolution
  Enabling technologies such as 5G and secure positioning
- **Digitisation and competitiveness**
  Projects aimed at reducing costs or deadlines
  Implementation of cybersecurity and Digital Platform
  Digital Twin Technologies and Artificial Intelligence
  Open innovation projects through CAF StartupStation
- **Portfolio extension**
  Both in transport systems, rail vehicles and buses, components and services

All of the above combined the execution of projects aimed at assimilating technologies with the development of products based on such technologies and strategic projects.

To finance these projects, the Group has relied on various types of R&D subsidies, most notably the aid obtained from:

- Provincial Government of Guipúzcoa
- Basque Autonomous Community Government
- Spanish Ministry of Economic Affairs and Digital Transformation
- European Commission

In addition, we have continued to collaborate very intensively with different technology centres and universities.

The CAF Group participates in joint projects at state level and also as part of the European Framework Programme H2020 and HE. Noteworthy projects included:

- **SHIFT2RAIL**, as a founding member of the Shift2Rail JU (Joint Undertaking), set up to promote railway R&D under the Horizon 2020 programme, CAF is participating in various technology development projects that will run until 2023.
- **CLUG**, a project driven by the main European infrastructure managers, aims to demonstrate an autonomous train localisation system featuring SIL4 level of safety that does away with the need for signalling infrastructure.
- **iRel40**, a project championed by the European electronics industry with the general aim of making reliability a differentiating factor for electronic components and systems manufactured in Europe, with CAF's particular objective being to apply it to its electronic systems developed in-house.
- **REALTRAIN**, part of CAF's strategic digitisation initiative, is aimed at developing a new generation of more competitive trains and services through the digitally-secure capture, storage, processing and advanced analysis of all train operating data.
- **5GRAIL**, a communications project that aims to verify the first set of FRMCS (Future Railway Mobile Communication System) specifications and standards, which will ultimately become the global 5G standard for railway operational communications both in Europe and for the obligations of railway organisations outside Europe.
- **5GEuskadi**, a project formed by a total of 19 agents, technology centres, universities and companies from the Basque industrial fabric that have come together to experiment with 5G network deployments, provide network management techniques that enable 5G technology and develop use cases.
- **FCHRAIL**, a project within the framework of FCH JU (Fuel Cells and Hydrogen Joint Undertaking), involving the design and manufacture of a prototype based on an existing RENFE three-car commuter units. Under this project, a new electric generation system will be installed based on the hybridisation of energy from hydrogen cells and LTO batteries. This

system will then be integrated with the vehicle's existing traction system, making it one of the first railway demonstrators of a bimode vehicle with a hydrogen cell. This prototype is being tested on the road since mid-2022.

- **EURAIL**, in 2022 CAF signed its participation as a founding member in the EU RAIL initiative. This programme promotes R&D in the railway sector in Europe with the dedication of more than 1,200 million euros. In this regard, it participates in five major projects that have been signed this year, whose operations will begin in January 2023.

Additionally, in the engineering area it is immersed in more than 60 vehicle manufacturing and rehabilitation projects. Among the projects contracted in 2022, the following engineering projects stand out:

- Projects based on consolidated platforms: Tel Aviv tram, regional trains for VRR (Germany) and units for SJ (Sweden), mainly.
- Double deck train units for NS (the Netherlands)
- LRVs for Germany (Hanover and Bonn)
- LRVs for Boston (United States)
- Units for RENFE medium distance
- Trams for France (Montpellier)
- Trains for Etihad (United Arab Emirates)
- Athens Underground Refurbishment and Canberra Tram System

4 BUS SEGMENT – SOLARIS

Solaris maintains the position as European e-mobility leader

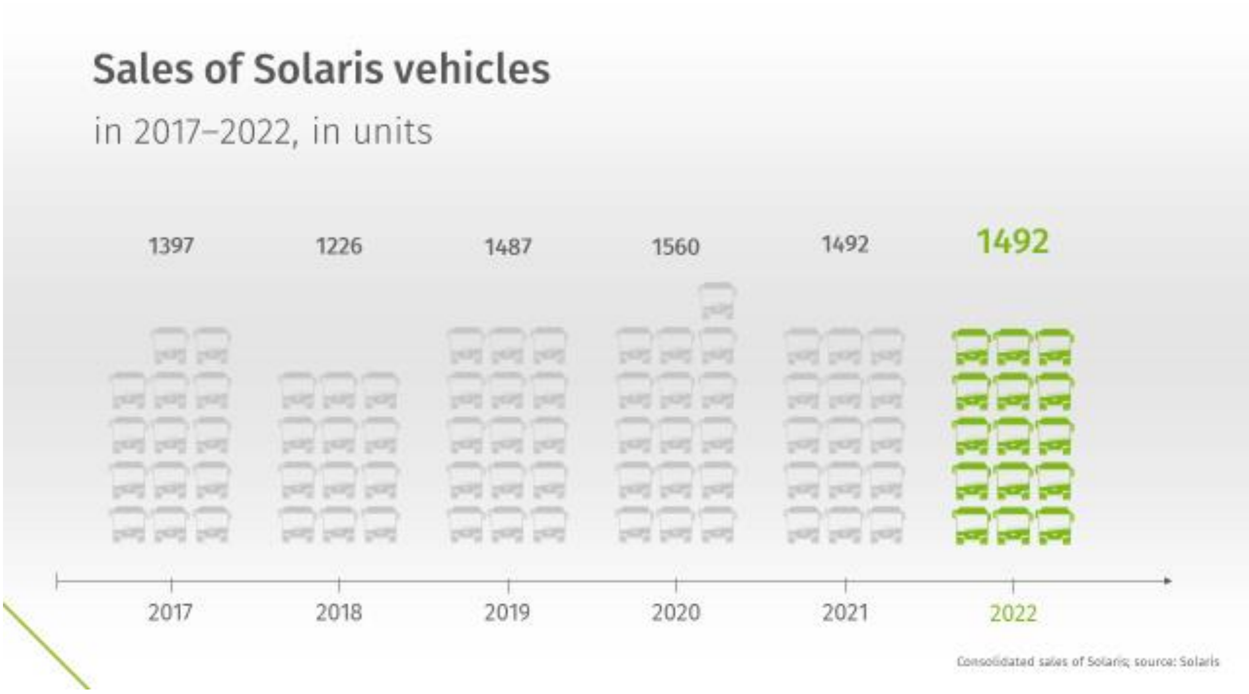
- **Solaris sold a total of 1,492 vehicles in 2022**
- **The company's revenues stood at EUR 696 million**
- **The manufacturer maintained its no. 1 position in the e-bus aggregated market shares in years 2012 - 2022 with 14.1%[1].**
- **The company had position no. 2 in the zero emission bus market in 2022 with 11.2%[2] market share.**
- **Battery vehicles, hydrogen vehicles, trolleybuses and hybrid buses, for the first time in the company's history, exceeded more than half of the share in the sales mix and amounting 55%.**

In 2022, just as in 2020-2021, most of the world's economies faced unprecedented challenges. The past few months have been difficult for the European public transport sector and companies that manufacture vehicles. Firstly, Solaris followed procedures, which were established to ensure business continuity due to the Covid-19 pandemic and related restrictions. Secondly, the global electronic components crisis caused a major disruption in supply chains.

In addition to the above, in 2022 global economy and the company also had to face a new situation caused by the war in Ukraine. While Solaris itself and most of its suppliers were not involved in business in Ukraine or Russia, some indirect suppliers were already affected by the impact of this conflict, which required special adaptation to the new conditions.

Another factor affecting the market environment was last year's unprecedented high inflation, which in Poland reached an average level of 14.4%[3] in 2022.

Despite these challenges, Solaris has proved with its production and sales results that it is an organization well prepared for the dynamically changing market environment and is a company that is resilient to market turbulence. In this period, the company sold 1,492 vehicles and generated revenues of EUR 696 million.



It is worth emphasizing that the vast majority of contracts executed in 2022 were for the supply of vehicles with completely zero-emission or low-emission drives. Battery vehicles, hydrogen vehicles, trolleybuses and hybrid buses, for the first time in the company's history, exceeded more than half of the share in the sales mix and amounted to exactly 55%.

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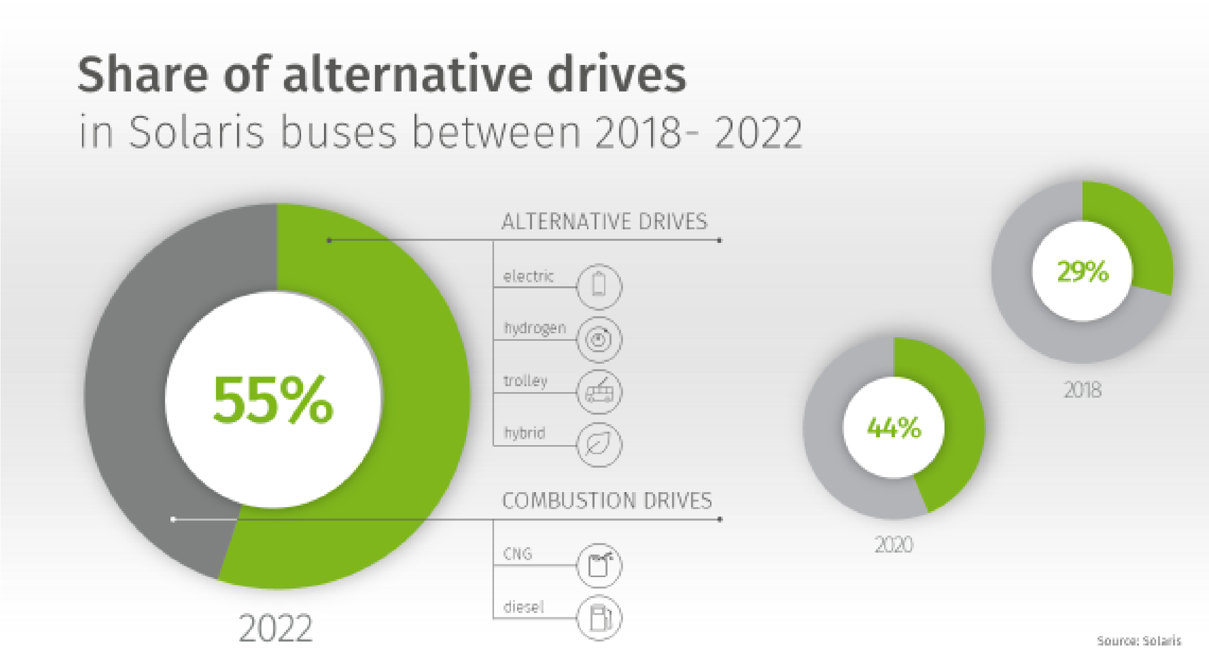
[1] Based on battery/electric and hydrogen buses registrations in 2022, in EU27 (excluding U.K. and Ireland), Norway and Switzerland, source: Chatrou/CME Solutions

[2] Based on battery/electric and hydrogen buses registrations in 2022, in EU27 (excluding U.K. and Ireland), Norway and Switzerland, source: Chatrou/CME Solutions

[3] https://stat.gov.pl



The growing share of low- and zero-emission vehicles in Solaris' sales mix, shows good recognition of the market and the companies' adjustment to market expectations. In most EU countries, the share of e-mobility vehicles in the transport mix has been growing dynamically in the last few years. Solaris, building its portfolio in this segment for many years, is very well prepared for the changing expectations of end users.

This is confirmed by the company's maintenance of the position of the European leader in zero emission bus segment in the years 2012-2022 at the end of 2022 with a cumulative share of 14.1%.

Based on registrations of vehicles in 2022, Solaris had position no. 2 in the zero emission bus market with 11.2% market share.

In the reported period, Solaris delivered its products to customers from 18 countries. Major recipients of Solaris vehicles included, among other carriers, operators from Spain, Poland, Italy, Belgium, Germany, Romania, Estonia, and Latvia as well as Austria and Czech Republic.

In the reported period Solaris delivered in total 401 units of battery electric buses. Also worthy of note is the fact that Solaris sold 42 hydrogen buses in 2022. The Solaris Urbino 12 hydrogen bus was launched in 2019. Since then, interest in this technology has soared, which is reflected in the number of orders for this type of vehicle in 2022 and units commissioned for 2023 and later.

Solaris´ most relevant contracts in 2022 stand out:

- 2022 started for Solaris by signing a contract for the delivery of 183 battery buses. Unibuss AS, one of the biggest Norwegian carriers, has again opted for Solaris' quality and contracted delivery of 183 Urbino 18 electric buses to the Norwegian capital. Such a large one-time order for electric buses was a breakthrough in the company's history. The largest contract for Solaris for battery articulated vehicles completed so far was the contract with MZA Warsaw for the supply of 130 vehicles. The zero-emission Urbino 18 electric buses will replace the older Solaris Urbino model that is used in the city traffic in Oslo. The new buses will be in operation in April 2023. The partnership between Solaris and Unibuss AS dates back to 2006. Since then, the Norwegian carrier has ordered almost 300 vehicles from the manufacturer. All in all, there are over 500 Solaris Urbino units driving around Norway.
- In 2022 the Italian operator ATM Milano has again placed an order for electric buses made by Solaris, going for another batch envisaged in the framework agreement for 250 vehicles. The first two batches, 140 electric Urbino buses in total, have already been delivered to the client. This time the operator has ordered another 78 units of Urbino 12 electric buses.
- In 2022 Solaris has signed its first contract for the delivery of trolleybuses to the Dutch market. Dutch operator Hermes, part of Transdev/Connexxion, has signed a contract for the delivery of 10 Trollino 18 trolleybuses featuring our unique MetroStyle design. These emission-free trolleybuses will significantly contribute to boosting innovative public transport in the Arnhem Nijmegen region as well as in the entire province of Gelderland. The vehicles will make their way to Arnhem in the first half of 2024 and they will be the first Solaris trolleybuses driving in the Netherlands.
- City of Poznań's investments in green public transport are gathering pace. The city's public transport operator MPK Poznań has purchased 25 innovative hydrogen-fuelled buses that will be supplied by Solaris Bus & Coach. The tender was for 15 vehicles, but the carrier exercised its option of extending the order by another 10 buses. These cutting-edge, zero-emission hydrogen units will join the fleet of MPK in the second half of 2023. This is the largest order for hydrogen Urbino hydrogen buses obtained to date. MPK Poznań already boasts 58 electric Solaris buses, which account for nearly 20% of its fleet.

- Another contract for the delivery of hydrogen buses was signed by Solaris in Italy. Solaris will deliver four Urbino 12 hydrogen buses to Venice. The 12-metre hydrogen-fuelled buses will arrive in Italy in mid-2023, and the total value of the contracts exceeds EUR 2.5 million. The Urbino 12 hydrogen buses will serve the residents of Venice and its surroundings thanks to contracts signed with carriers AVM Venezia and ACTV SPA Venezia, which provide public transport services in Venice as well as within the communes of Venice and Chioggia.
- In 2022 Solaris has won a tender for the delivery of five hydrogen-powered Urbino 12 hydrogen buses to Palma de Mallorca, the capital of the island of Mallorca. This investment is part of the "Green Hyslan" project, financed with EU funds. The project objective seeks to promote the development of clean energy as part of initiatives aimed at combating climate change by 2050. As a result of the planned activities, the Spanish island is to become a European benchmark in terms of using zero-emission energy.
- In the reported period, Solaris Bus & Coach sp. z o.o. signed a contract with Latvian operator Rīgas Satiksme to deliver 35 Solaris Urbino 12 electric buses. In addition, the contract can be extended via the supply of another 17 e-vehicles. The vehicles will arrive in Riga at the end of 2023. This is yet another investment by Riga in zero-emission public transport. Latvia is naturally a major export market for the manufacturer. Over 20 years ago, Riga's fleet was expanded by the first Solaris trolleybuses. Since then 560 Solaris vehicles, including over 160 Trollinos, with 10 units featuring a technologically-advanced hydrogen range extender, have been delivered to the country's capital. Riga will be the third city in Latvia to boast Solaris e-buses in regular use. Six battery electric Solaris buses already operate in Jūrmala and in Jelgava.
- On the very last days of 2022, Solaris Bus & Coach sp. z o.o. and the Romanian Municipality of Bucharest (Municipiul Bucuresti) signed a contract for the supply of trolleybuses. The order is for 100 Solaris Trollino 12 trolleybuses. The purchased zero-emission vehicles represent yet another investment by Bucharest in improving the quality of life in the city. The trolleybuses will be handed over by the city to the transport company STB SA (Societatea de Transport Bucuresti), which will perform transport services for the city and its residents. Bucharest is one of 8 cities in Romania with Solaris' zero-emission vehicles - trolleybuses and electric buses. Since 2002, the manufacturer has already delivered almost 500 buses to the local transport operators, including more than 180 vehicles of the Trollino series and more than 100 battery-powered Urbino electric.
- In 2022 city of Tallinn extends its order by another 50 Urbino CNG buses. Estonia's largest public transport operator, Aktsiaselts Tallinna Linnatransport (TLT), which provides transport services in the Estonian capital, has ordered 20 Urbino 12 and 30 Urbino 18 CNG buses from Solaris. Tallinn has thus decided to exercise the option provided in the contract concluded in July 2021, under which 100 Solaris gas vehicles had already been purchased. Ince the order will be completed a total of 350 gas-powered Solaris buses will be running along the streets of Tallinn.
- Moreover, it is worth mentioning that in 2022 a consortium comprised of Solaris Bus & Coach, Solaris Czech and Škoda Electric submitted a winning bid in a tender concerning the delivery of 20 bi-articulated Trollino 24 trolleybuses, held by the Prague public transport operator. This is the first such large order for vehicles of this type. The deliveries shall be carried out within 24 months of the signing of the contract.

Just as they are for the whole CAF Group, sustainable development and ESG issues are also for Solaris extremely important components of its development strategy. In 2022 Solaris published Sustainability Report which has been drawn up by the GRI Standards guidelines, which are an international standard for reporting on both responsible business and sustainable development issues. The report is the publication to present the full range of data and information on the company's ESG-related initiatives in a comprehensive manner. It is an extensive description of the company's impact on the economy, environment and society. Its three main chapters correspond to the pillars of the company's activities: "Responsibility along the value chain", "People – the greatest value", and a "Zero-emission future". The topics addressed in the document were selected during internal workshops as well as suggested by stakeholders. The report is available on the company's website.

Another important achievement in 2022 in the area of ESG was to obtain the Environmental Product Declarations (EPD) for two bus models, the Solaris Urbino 18 electric and the Solaris Urbino 12 hybrid. EPDs are a recognised and reliable source of information on the environmental profile of products. An Environmental Product Declaration is an international eco-label that provides clients with solid data on the whole life-cycle environmental impact of a given product. Solaris has obtained its first EPDs for the Solaris Urbino 18 electric and Solaris Urbino 12 hybrid vehicles and will apply for further declarations for other products from its offering, one by one. To obtain an EPD, it is necessary to go through a very extensive verification process, performed by an independent expert. This assessment process is based on verifying whether the LCA analysis, which is the starting point for the preparation of the EPD certificate, has been carried out in compliance with the PCR (Product Category Rules UN CPC 49112 and 49113), the GPI (General Programme Instructions) and the ISO 14025, ISO 14040, ISO 14044 standards.

Hydrogen technology has played a substantial role in the company's development and sales strategy. In 2022 Solaris unveiled its Urbino 18 hydrogen bus. The Urbino 18 hydrogen bus is now Solaris's second hydrogen bus in its zero-emission offer. As with the shorter version, the main energy source in this vehicle is hydrogen. With this 18-metre model, the manufacturer is responding to the growing market for vehicles of this type. This also reflects the commitment of Solaris when it comes to the development of zero-emission solutions and its desire to provide its clients with the widest possible range of environmentally friendly vehicles. The first deliveries of the 18-metre articulated vehicle will be possible as early as the second quarter of 2023. Clients will be offered the possibility of customising the bus to cater to their individual preferences. The 12-metre version of the Solaris Urbino hydrogen bus was launched in 2019. Since then, nearly 100 hydrogen buses have already been delivered to customers in Italy, Germany, the Netherlands, Sweden and Poland. New deliveries to clients in Spain, France, and Slovakia, amongst other countries, will start soon.

In 2022, Solaris after almost two years of slowdown caused by the coronavirus pandemic – resumed its market activity in terms of trade fairs and exhibitions. The most important fairs in which Solaris has participated this last year and in which it has presented the hydrogen bus have been: the European Mobility Expo 2022 held in Paris, the Electric Bus Conference held in Berlin, Innotrans in Berlin and "Next Mobility" in Milan.

Solaris has been strengthening its position as Europe's e-mobility leader not only through the development of electric battery vehicles but also by investing consistently and in the long term in the perfection of solutions implemented in hydrogen buses. The manufacturer believes that the development of all e-mobility branches, be they battery buses, trolleybuses, or hydrogen-fuelled vehicles, should proceed in synergy and that this process is part and parcel of ensuring sustainable transport for the future. Currently, Solaris offers its clients a comprehensive emission-free bus portfolio thanks to which Solaris is ready to meet not only today's challenges of ensuring sustainable public transport but also the diverse needs of carriers, passengers and drivers.

As for the future, the company has a healthy order book. At the end of 2022, it contained 1,419 buses.

5 INVESTMENTS

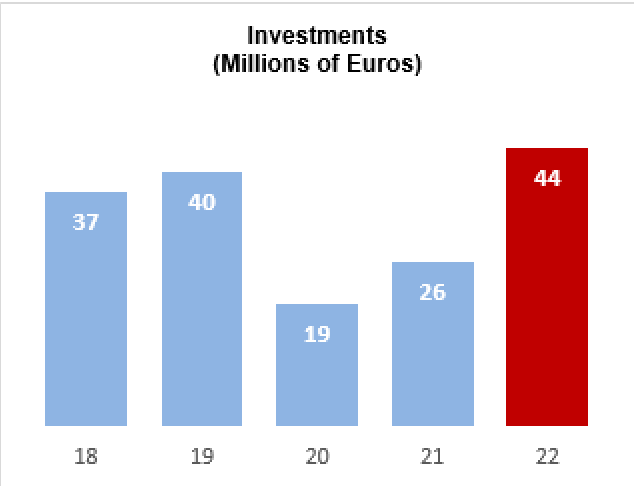
CAF's investments in property, plant and equipment in 2022 amounted to 11 million euros. Key investments in 2020 are as follows:

In the MiiRA filming activity, it is worth highlighting the development of the engineering phase and the preparation of the infrastructure for the implementation of a new wheel heat treatment facility. The facility will be equipped with state-of-the-art technology for the wheel manufacturing process, and will feature automated handling along the entire line, right up to the final output of the wheels after the hardening process. This investment will yield various benefits, both from a technical standpoint thanks to greater homogeneity in the heating and temperature control of the treatment, and in terms of greater cost efficiency of the process itself. Likewise, of note was the improvement carried out at the test facilities for reducers, which will make it possible to carry out tests with greater demands in terms of temperature and tightness, thus complying with the highest market requirements.

In terms of train manufacturing, within the processing of the production model, among the main investments, it is worth highlighting the automation of the aluminium box welding process, which will bring greater performance in the execution cycles, and the acquisition of a new tube bending machine necessary to meet the requirements in terms of the cost and quality of the projects to be developed. Mention should also be made of the expansion and fitting out of the kitting area in the Beasain vehicle finishing division, which provides assembly kits for the areas for the manufacture of structures, piping, painting and finishing.

Furthermore, investments in intangible assets in 2022 amounted to 33 million euros.

In the Digital realm, the relevant investments correspond to the implementation process of the new ERP, which will make it possible to streamline and standardise the company's internal processes. In turn, investments were performed in IT infrastructures, to ensure the highest levels of availability, through the expansion and upgrading of hardware items to allow the Company to adapt to the new needs of the organisation. Alongside this, the technology that offers the highest levels of security and availability in the performance of the Company's activity is being incorporated. One year more, the Company is focusing heavily on cybersecurity, mainly by improving the technical safeguards deployed and extending them to international head offices and subsidiaries.



6 MAIN RISKS AND UNCERTAINTIES

The CAF Group is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which may prevent it from meeting its objectives.

With the commitment to address this matter, the CAF Group's Board of Directors establishes the mechanisms and basic principles to appropriately control and manage risks through the General Risk Management and Control Policy. This policy, which is aligned with the Group's mission, vision and values, expresses its commitment to providing greater certainty and security in:

- Achieving the strategic objectives set by the CAF Group with a controlled volatility;
- Providing shareholders with the highest level of assurance;
- Protecting results and the reputation of the CAF Group;
- Defending the interests of its stakeholders; and
- Guaranteeing sustained corporate stability and financial strength.

To do so, the General Risk Management and Control Policy is deployed throughout the entire CAF Group by means of an Integrated Risk Management and Control System. This system constitutes a series of standards, processes, procedures, controls and information systems, whereby all the risks are appropriately managed by means of the following system phases and activities, which include:

1. Establishment of the risk-management context for each activity, establishing, among others, the level of risk that the Group considers acceptable.
2. Identification of the different types of risks the Group faces in line with the main risks detailed in the Policy.
3. Analysis of the identified risks and involvement in the CAF Group as a whole.
   - Corporate Risks – Risks that affect the Group as a whole.
   - Business Risks – Those that specifically affect each of the businesses/projects and that vary according to the singularity of each of them.
4. Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5. The measures planned for the treatment of the identified risks.
6. Regular monitoring and assessment of current and potential risks through the use of internal control and information systems.

The Integrated Risk Management System adopted by the CAF Group detailed above is aligned with international standards regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines Model on the assignment of responsibilities in risk management and control.

In this regard, the Board of Directors is ultimately responsible for the General Risk Management and Control Policy, and approves the appropriate procedures to identify, measure, manage and control risks. It is also responsible for establishing clear lines of authority and responsibility, and requires the existence of appropriate methodologies to measure the various types of risks and the effective internal controls to manage them. It is the body responsible for establishing and monitoring the Integrated Risk Management and Control System implemented at the Group, and verifies whether the significant risks for the Group are consistent and fall within the defined risk tolerance level.

The Audit Committee is responsible for the independent oversight or assessment of the effectiveness of the Integrated Risk Management and Control System implemented and of the procedures designed to monitor it. In doing so, it will be supported by the Risk Management Department and, additionally, by the Internal Audit function.

The most significant risks facing the Group can be categorised as follows:

- Strategic risks: risks derived from the uncertainty of macroeconomic and geopolitical conditions, in addition to the characteristics of the sector and markets in which the Group operates and the strategic and technological planning decisions adopted.
- Financial risks: from market fluctuations (financial and raw materials), contractual relations with third parties (customers, debtors) and counterparties related to investment in financial assets and liabilities (finantial institutions, investors). The subcategories of risks that are included are the following:
  - Market risk, considering the following typologies:
    - Interest rate risk: risk of changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.
    - Exchange rate risk: risk derived from the variation in the exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of monetary assets and liabilities.

- Risk of variation in raw materials prices: risk derived from variations in prices and market variables in relation to necessary raw materials in the businesses supply chain.
- Credit risk: it is the risk of insolvency, bankruptcy or possible non-payment of quantifiable monetary obligations by counterparties to which the Group has effectively granted net credit and are pending settlement or collection.
- Liquidity and financing risk: in relation to the liability, it is the risk linked to the impossibility of carrying out transactions or to the breach of obligations arising from operatinal or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the credit quality (rating) of the company or for other reasons. In relation to the asset, it is the risk of not being able to obtain at any given time purchasers to the asset, for sale at market price, or the lack of market price.

The Company's exposure to market risk and credit risk is detailed in Note 5, "Management of financial risks", and the use of derivative financial instruments to hedge the risks to which its activities are exposed is detailed in Note 15, "Derivative financial instruments", to the separate financial statements.

- Legal Risks: risks arising from the elaboration and execution of contracts and obligations of different nature (commercial, administrative, intellectual and industrial property, etc.) and the possible contingencies arising from them. The risks related to judicial procedures, administrative procedures and claims are also included.
- Operational Risks: are those inherent in all the activities, products, systems and processes of the Group that cause economic and reputational impacts caused by human/technological errors, internal processes not sufficiently robust, or the intervention of external agents.
- Corporate Governance Risks: risks arising from the potential breach of the Group's Corporate Governance System that regulates the design, integration and operation of the Governing Bodies and their relationship with the company`s stakeholders; and that in turn are based on the commitment to ethical principles, good practices and transparency, articulating around the defense of social interest and the creation of sustainable value.
- Compliance and Regulatory Risks: risks arising from the violation of national and international regulations and laws that are applicable regardless of the activity itself, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and regulations regulating the stock market, defense of competition and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (between others, personal data protection regulations, environmental laws, etc).

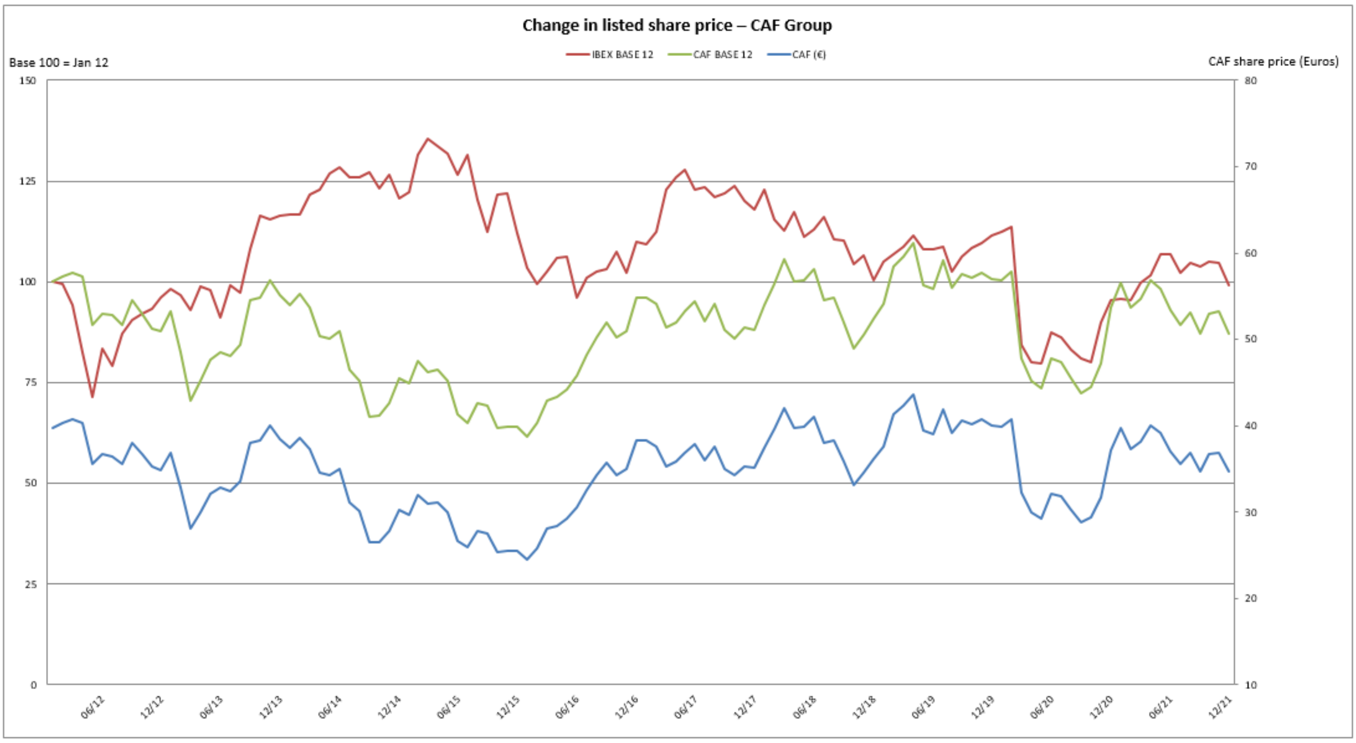
Due to its global risk scope, the Integrated Risk Management and Control System is continuously updated to include new risks that might affect the Group as a result of changes in the setting or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and controlling the system.

Wary about the path that COVID-19 will take from here, and the complex scenario following the outbreak of war in Ukraine, with direct repercussions on energy prices, inflation and the supply chain, the Group has deployed a raft of actions to mitigate the impact of these risks. Firstly, measures aimed at reducing price increases include: (i) monitoring of commodity markets; (ii) monitoring of current orders with suppliers; (iii) indexing of prices in new contracts; (iv) reviewing current contracts with customers; and (v) taking out price insurance. Secondly, the actions undertaken by the Group to reduce the risk of component stock-outs include: (i) technical modifications; (ii) stockpiling of electronic components; and (iii) advance deliveries and safety stock.

The contingencies managed in the realm of Compliance are part of the overall risks supervised within the system and a description of the material topics for 2022 can be found in Note 22 to the individual financial statements and in the Non-Financial Statement — Sustainability Report.

7 STOCK MARKET INFORMATION

	2022	2021	2020	2019	2018
Share price-					
Market capitalisation at year-end (millions of euros)	908	1,255	1,346	1,406	1,241
Closing price (euros)	26.50	36.60	39.25	41.00	36.20
Low (euros)	22.30	33.05	25.20	35.30	31.30
High (euros)	38.00	42.10	43.30	44.90	43.60
Data per share (euros) -					
Earnings per share (EPS)	1.52	2.51	0.26	0.72	1.27
Dividend per share	0.86	1.00	0.00	0.842	0.765
Stock market ratios -					
PER (average market price/EPS)	18.56	14.88	127.70	56.34	30.14
Average market price/adjusted EBITDA	4.18	5.02	5.71	5.72	6.50
PBV (average market price/BV)	1.25	1.76	1.82	1.90	1.74
Dividend yield	3.04%	2.68%	0.00%	2.07%	2.00%
Pay-out ratio (Dividend/EPS)	56.43%	39.90%	0.00%	116.65%	60.34%
Liquidity ratios -					
Free-float rotation	83%	51%	70%	47%	65%
Traded volume (millions of shares)	13.4	8.6	11.3	8.4	10.8



8 EVENTS AFTER THE REPORTING PERIOD

At 31 December 2022, the Group had a firm order book of approximately 13,250 million euros (31 December 2021: 9,640 million euros) (Note 12).

9 ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2022, various transactions in own shares were carried out on the continuous market. The breakdown of own shares held by Construcciones y Auxiliar de Ferrocarriles, S.A. is as follows:

	No. of shares	Nominal value (thousands of euros)	Average purchase price (euros)	Total cost (thousands of euros)
Treasury shares at 31 December 2022	46,947	14	27.53	1,292

Note 13.f to the financial statements provides additional information on the treasury stock operations carried out in 2022.

10 PAYMENTS TO SUPPLIERS

The average period of payment to suppliers in 2022 was 67.86 days. To reduce said term and bring it in line with the maximum period permitted under Law 11/2013, the Company is making an effort to accommodate the events giving rise to the payments without forfeiting the liquidity it needs in the process. Hence, it was able to reduce the average payment period to suppliers by 13 days during the period.

11 ALTERNATIVE PERFORMANCE MEASURES

Backlog: this represents the volume of firm orders that will be recognised in the future under “Revenue” in the statement of profit or loss. An order is considered firm only when it generates obligations between the CAF Group and the customer, which, in the case of sales of trains, buses and services, is deemed to occur when the contract between the parties is signed. The outstanding amount includes only the contractual options already executed by the customer, less the best estimation of contractual penalties.

Contracts in the year:: includes firm orders received during the period and modifications that may have been made to orders from prior periods. This measure does not include the backlog acquired through business combinations in the year.

EBITDA: the CAF Group's EBITDA is calculated by deducting from “Profit from Operations” in the statement of profit and loss the amounts recognised under “Depreciation and Amortisation Charge” and “Impairment and Gains or Losses on Disposals of Non-Current Assets”.

Cash flow: calculated as the change in Net Financial Debt between the previous and the current period, excluding the effect of dividend payments to shareholders.

Net Financial Debt: this is obtained by taking into consideration the items making up the calculation of this indicator, which are disclosed in Note 14.i to the consolidated financial statements.

Market capitalisation at year-end: the value of the shares at the closing of the last trading day of the year multiplied by the number of outstanding shares traded on the stock market (see Note 13 to the financial statements).

Free-float rotation: ratio that compares the volume of shares traded with the estimated number of shares included in the float, excluding those shares held by significant shareholders, members of the Board of Directors and treasury shares. The estimated free float % is disclosed in the Annual Corporate Governance Report (section A.11).

12 NON-FINANCIAL INFORMATION STATEMENT - SUSTAINABILITY REPORT

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. is the Parent of the CAF Group and has prepared the Non-Financial Information Statement in accordance with the Spanish Law 11/2018 on non-financial information and diversity. This Non-Financial Information Statement is included in the Consolidates Director's Report, which will be deposited, together with the Consolidates Financial Statements, at the Guipúzcoa Mercantile Registry where the Parent of the CAF Group is registered.

Additionally, the content required by the Norwegian Transparency Act is found in chapter 4.3 of the aforementioned Non-Financial Information Statement-Sustainability Report available in the Shareholders and Investors section of the corporate website www.caf.net.

13 ANNUAL CORPORATE GOVERNANCE REPORT

ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED PUBLIC LIMITED

The following English translation is provided by the Company for information purposes only and is based on the original official document in Spanish available on the Company's website (www.caf.net). In the event of any discrepancy between the English version and the original document in Spanish, the latter will prevail.

ISSUER'S PARTICULARS

End date of reference financial year: 31/12/2022

Tax Identification Number (CIF): A20001020

Company name:

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA

Registered office:

JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA)

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

[ ] Yes
[√] No

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	34,280,750	

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes
[√] No

A.2. List the company's significant direct and indirect shareholders at year end, including directors who have a significant interest:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, SA	24.04	0.00	0.00	0.00	24.04
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, SL	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
INSTITUTO VASCO DE FINANZAS	0.00	3.00	0.00	0.00	3.00
INVESCO LIMITED	1.10	0.00	0.00	0.00	1.10

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, SA	14.06	0.00	14.06
INDUMENTA PUERI, SL	GLOBAL PORTFOLIO INVESTMENTS, SL	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, SL	5.00	0.00	5.00
INSTITUTO VASCO DE FINANZAS	FINKATZE KAPITALA FINKATUZ, SA	3.00	0.00	3.00

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements
On 11 April 2022, Invesco LTD exceeded the threshold of 1% of Share Capital. On 2 November 2022, Santander Asset Management, SA SGIIC dropped below the threshold of 3% of Share Capital. On 28 December 2022, Instituto Vasco de Finanzas exceeded the threshold of 3% of Share Capital.

A.3. Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A2 above:

Name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	Of the total % of voting rights attributed to the shares, indicate, if applicable, the % of additional votes attributed that correspond to shares with loyalty votes	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JAVIER MARTÍNEZ OJINAGA	0.04	0.00	0.00	0.00	0.04	0.00	0.00

Name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	Of the total % of voting rights attributed to the shares, indicate, if applicable, the % of additional votes attributed that correspond to shares with loyalty votes	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MARTA BAZTARRICA LIZARBE	0.05	0.00	0.00	0.00	0.05	0.00	0.00
JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0,00

As the system only allows for two decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: JAVIER MARTINEZ OJINAGA 0,036%, MARTA BAZTARRICA LIZARBE 0,050% and JUAN JOSÉ ARRIETA SUDUPE 0,003%. Total 0,089%.

The total percentage of voting rights represented on the Board of Directors is the sum of:

- The total voting rights held by the members of the Board of Directors (0,089%) and

- The stake held by significant shareholders Kutxabank, SA, (14.06%) and Indumenta Pueri, S.L. (5.02%), who, although they are not members of the Board, sought the appointment of proprietary directors Idoia Zenarrutzabeitia Beldarrain and Manuel Domínguez de la Maza, respectively.

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	Of the total % of voting rights attributed to the shares, indicate, if applicable, the % of additional votes attributed that correspond to shares with loyalty votes
No data					

List the total percentage of voting rights represented on the board:

Total percentage of voting rights represented on the Board of Directors	19,17

A.4. If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in Section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5. If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A.	Contractual	Workers' share instrument in CAF's share capital

A.6. Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention, where appropriate, the existence, identity and position of members of the board, or representatives of directors, of the listed company, who are, in turn, members of
the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	KUTXABANK, S.A.	Ms Zenarrutzabeitia sits on the Board of Trustees of several voluntary social welfare entities (E.P.S.V. ZAINTZA E.P.S.V. HAZIA E.P.S.V GAUZATU) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, SL	Mr Domínguez de la Maza is a shareholder and board member of

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
			INDUMENTA PUERI, SL and also the joint and several attorney-in-fact of that company and of GLOBAL PORTFOLIO INVESTMENTS, SL.

A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

[ ] Yes
[√] No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8. Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

[ ] Yes
[√] No

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares(*)	Total % of share capital
46,947		0.14

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain any significant changes

In order to ensure liquidity in its transactions and the regularity in the listing of its shares under Circular 1/2017, of 26 April, of the Spanish National Securities Market Commission (CNMV), on liquidity contracts, on 5 April 2022, the Company signed a liquidity contract with Norbolsa, SV, SA as Financial Intermediary. This was disclosed to the market through the publication of an "Other material disclosure" (register entry 15,753) on 26 April 2022.

The changes in treasury stock are the result of the normal operation of this liquidity contract, as periodically reported to the market in accordance with the regulations applicable to this transaction.

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The CAF General Meeting held on 13 June 2020 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA directly, or indirectly through its affiliates; b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law; c) Acquisitions shall be performed, at each given time, up to the maximum amount provided by law; d) Acquisitions shall be performed at market price; e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force; f) This authorisation shall be valid for a five-year term.

By virtue of the powers vested in it, the Company's Board of Directors authorised the signing of a liquidity contract, which was disclosed to the market by filing an "Other material disclosure" with the CNMV on 26 April 2022. In order to perform that contract, a treasury stock transaction was carried out, thus allowing a total of 44,100 shares to be deposited and held in the securities account of the Financial Intermediary. In accordance with prevailing law and regulations, the Company reports quarterly to the CNMV on all transactions carried out under this contract. See the section above for more information on treasury shares.

A.11. Estimated floating capital:

	%
Estimated floating capital	47.78

A.12. Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[ ] Yes
[√] No

A.13. Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

[ ] Yes
[√] No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14. Indicate whether the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, indicate each share class and the rights and obligations conferred.

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

[ ] Yes
[√] No

B.2. Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

[ ] Yes
[√] No

B.3. Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

The regime for modifying the Company's Bylaws does differ from the provisions of Articles 285 et seq of the Consolidated Text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July, which require the approval of the General Shareholders' Meeting with the majorities indicated in Articles 194 and 201 of that Law.

Therefore, Section 8 of Article 13 of the Bylaws empowers the General Shareholders' Meeting to resolve upon the modification thereof. Article 20 of those Bylaws provides that, in order to adopt resolutions on the issuance of convertible debentures or of bonds that give bondholders a share in company profits, the increase or reduction of capital, the suppression or limitation of the pre-emption rights of new shares, the transformation, merger or spin-off of the Company or the transfer en bloc of assets and liabilities, the transfer of the registered address abroad and, in general, any modification of the Company's Bylaws, it will be necessary, on first call, that the shareholders in attendance, in person or by proxy, account for at least 50% of the share capital with voting rights. On second call, the attendance of shareholders accounting for 25% of the share capital will be sufficient. On second call, when the shareholders in attendance account for 25% or more of the share capital with voting rights but less than 50%, the aforementioned resolutions may be adopted validly with the vote of two thirds of the capital present either in person or by proxy at the General Meeting. Further, in compliance with the provisions of Article 286 of the Spanish Corporate Enterprises Act, when the annual or extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must, with due clarity, express the matters to be modified and the rights of every shareholder to examine, at the registered office, the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent to them (Article 16 of the Company's Bylaws).

Article 21 of the Company's Bylaws establishes that shareholders that hold one thousand or more Company shares may attend the General Shareholders' Meeting in person or remotely and take part in its deliberations, with the right to speak and vote. In order to exercise their right to attend, shareholders must have the shares registered in their name in the corresponding book entry register five days prior to the day on which the General Shareholders' Meeting is to be held. Shareholders owning fewer shares may group together and grant their proxy to another shareholder in order to reach one thousand or more shares. Any shareholder entitled to attend may be represented at the General Shareholders' Meeting by another person, even if that person is not a shareholder.

B.4. Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

	Attendance data				
Date of General Meeting	% physical presence	% present by proxy	% distance voting: Electronic voting	Other	
13/06/2020	24.63	47.14	5.62	0.00	77.39
Of which, free float:	0.00	31.39	0.62	0.00	32.01
05/06/2021	40.80	28.23	7.00	2.14	78.17
Of which, free float:	0.00	25.62	2.00	2.14	29.76
11/06/2022	40.32	25.47	8.90	1.18	75.87
Of which, free float:	0.00	22.46	3.90	1.18	27.54

B.5. Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

[ ] Yes
[√] No

B.6. Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

[√] Yes
[ ] No

Number of shares required to attend General Meetings	1,000
Number of shares required for voting remotely	1

B.7. Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

[ ] Yes
[√] No

B.8. Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The corporate information is available in the "Shareholders and investors" section of the corporate website (www.caf.net). The full link is https://www.caf.net/es/accionistas-inversores/informacion-general/index.php.

This link includes, in a structured format, the information required by Royal Legislative Decree 1/2010, of 2 July, which approved the Consolidated Text of the Spanish Corporate Enterprises Act, the Consolidated Text of the Securities Market Act, approved by Royal Decree-Law 4/2015, of 23 October, Circular 3/2015, of 23 June, of the Spanish National Securities Market Commission, on technical and legal specifications and information to be contained in the websites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current Bylaws, the Corporate Governance subsection contains the most important information on this matter (General Shareholders' Meeting and Regulations of the Board of Directors; the Company's Internal Code of Conduct within the sphere of Securities Markets; membership of the Board of Directors and its committees and publicly-available information on the directors; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the Modern Slavery Act, Non-Financial Information Statement - Sustainability Report and the Report on the Whistleblowing Channel).

In addition, the "General Shareholders' Meeting" subsection contains all the information that the Company makes available to shareholders ahead of the General Shareholders' Meeting, including the announcement of the agenda and call, the motions to be voted on, the documents to be laid before the General Shareholders' Meeting for approval, the procedures and channels in place for exercising the rights of information, attendance, granting of proxies and remote attendance, requesting further information and clarifications and obtaining information on the business discussed at the meeting and the resolutions passed after the General Meeting has finished. Information is likewise provided on meeting announcements, motions, available documentation and resolutions adopted at General Meetings held in previous years.

In addition, in compliance with Article 539.2 of the Spanish Corporate Enterprises Act, at the same time as the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to allow for communication among shareholders regarding the call and the meeting itself.

The corporate website provides further information on these matters in both Spanish and English.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the general meeting	11

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
ANDRÉS ARIZKORRETA GARCÍA		Other external	CHAIRMAN	26/12/1991	11/06/2022	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JAVIER MARTÍNEZ OJINAGA		Executive	DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JUAN JOSÉ ARRIETA SUDUPE		Other external	DIRECTOR	07/06/2008	11/06/2022	AGREEMENT GENERAL SHAREHOLDERS' MEETING
LUIS MIGUEL ARCONADA ECHARRI		Other external	DIRECTOR	29/01/1992	11/06/2022	AGREEMENT GENERAL SHAREHOLDERS' MEETING
CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	05/06/2021	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MARTA BAZTARRICA LIZARBE		Executive	SECRETARY AND DIRECTOR	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
IDOIA ZENARRUTZABEITIA BELDARRAIN		Proprietary	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Total number of directors	10

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name of director	Type of director at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
ANE AGIRRE ROMARATE	Independent	02/06/2018	11/06/2022	Nomination and Remuneration Committee	NO

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of nonexecutive directors, explanation or opinion of the director dismissed by the general meeting.

Ane Agirre Romarate resigned as a member of the Board of Directors at the General Shareholders' Meeting held on 11 June 2022, after the four-year term for which she had been appointed had elapsed.

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profil e
JAVIER MARTÍNEZ OJINAGA	Executive Director	Lawyer and Economist from Universidad de Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management. He is Chairman of CIC Nanogune and a member of the Governing Board of Asociación para el Progreso de la Dirección (APD). He was appointed Chief Executive Officer, replacing Andrés Arizkorreta, on 29 April 2021, effective 1 September 2021.
MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Universidad Comillas Pontifical (ICADE E-3) and an Executive Master's Degree in Business Administration from ICADE business school. She is the Group's Chief Legal Officer and Compliance Director and is also secretary to the Board of Directors of CAF and its Committees.

Total number of executive directors	2
Percentage of Board	20.00

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented by the director or who nominated the director	Profil e
IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Degree in Law from Universidad de Deusto. She has held, among others, the positions of Deputy in the Basque Parliament and Vice-lehendakari, as well as Vice-President and Councillor of Finance and Public Administration of the Basque Government. She has been Director of the National Energy Commission and the National Commission on Markets and Competition (CNMC). She is currently a member of the Board of Trustees of various voluntary social welfare entities of BBK.
MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, SL	Holds a degree in Economics from Universidad de Málaga and an MBA from IESE as well as a Master’s Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, SA, where he has held the position of General Manager since 2007.

Total number of proprietary directors	2
Percentage of Board	20.00

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from the Instituto de Empresa. Most of her professional career has been spent in the financial industry, occupying various management positions. She is chair of CAF's Audit Committee. She is a director and the Chairwoman of the Audit Committee of eDreams ODIGEO and Chairwoman of the Investment Committee of Crisae Private Debt SLU. (debt fund held by Banco Sabadell) and associate lecturer at IE business school. Likewise, she holds the position of independent director at Spain's "bad bank", Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, Sociedad Anónima ("SAREB"), forming part of its Audit Committee and its Nomination and Remuneration Committee.
IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is a member of CAF's Audit Committee and Nomination and Remuneration Committee.
JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is the Chairman of CAF's Nomination and Remuneration Committee.

Total number of independent directors	3
Percentage of Board	30.00

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
ANDRÉS ARIZKORRETA GARCÍA	Andrés Arizkorreta held the position of Chief Executive Officer of the Company until 1 September 2021, and therefore he is not qualified as an independent director, in accordance with the provisions of Article 529 duodecies of the Spanish Corporate Enterprises Act.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA	Holds a degree in Economics and Business Administration from Universidad de Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. From 2006 until 1 September 2021 he was the Company's Chief Executive Officer. From that date forward, he has been the non-executive Chairman of the Board of Directors. He is an independent director and member of the Nomination, Remuneration and Sustainability Committee of Viscofan, SA, and Vice Chairman of the Círculo de Empresarios Vascos.
LUIS MIGUEL ARCONADA ECHARRI	Luis Miguel Arconada Echarri has been a director for an uninterrupted period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the Spanish Corporate Enterprises Act, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA	Luis Arconada has broad experience and knowledge of the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world. He is a member of the Company's Nomination and Remuneration Committee.
JUAN JOSÉ ARRIETA SUDUPE	Juan José Arrieta Sudupe has been a director for an uninterrupted period of more than 12 years. Therefore, in accordance with Article 529 dudodecies of the Spanish Corporate Enterprises Act, he cannot be classified as an independent director.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA	He holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools. He is a member of the Strategic Board of the Technology Centre attached to Universidad de Navarra and collaborates with Deusto Business School, of which he is also a Director

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name of director	Reasons	Company, director or shareholder to whom the director is related	Profile
			and member of the Elkargi Executive Committee. He is a member of the Company's Audit Committee.

Total number of other external directors	3
Percentage of Board	30.00

There have been no changes in category of any of the members of the Board of Directors in the year under review.

Indicate any changes that have occurred during the period in each director category:

Name of director	Date of change	Previous status	Current status
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each one:

	Number of female directors				% of directors for each category			
	2022	2021	2020	2019	2022	2021	2020	2019
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1	1	1		50.00	50.00	0.00	0.00
Independent	1	2	2	2	33.33	40.00	33.33	40.00
Other External					0.00	0.00	0.00	0.00
Total	3	4	4	3	30.00	36.36	30.00	30.00

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the gender diversity policy that they have put in place.

[√] Yes
[ ] No
[ ] Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved

The Company has a Director Diversity and Selection Policy (the "Policy"), of a specific and verifiable nature, which is available on the corporate website: (https://www.caf.net/upload/accionista/POLITICA-DE-DIVERSIDAD-Y-DE-SELECCIóN-DE- DIRECTORS-2020.pdf).

The Policy is intended to ensure that any proposals for the appointment and re-election of CAF directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experience, age and gender of the Board members by following criteria that ensures adequate diversity among the members and the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.

The Policy establishes that it is the responsibility of the Board to ensure that the director selection procedures meet these objectives and, in particular, that they facilitate the selection of female directors in a number that allows for a balance between women and men to be achieved.

The aim is to ensure that the Board of Directors and its committees have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the suitability requirements, both individual and joint, of these bodies.

In this respect, criteria aimed at ensuring diversity on the Board of Directors serve as an important element in analysing the needs of the Board of Directors when it comes to the selection of directors. This is achieved by using the Board's competences matrix, which the Nomination and Remuneration Committee regularly updates.

Diversity criteria may influence the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.

Notably, the Policy sets out diversity criteria in relation to the following categories: (i) Training and work experience, (ii) Age, (iii) Disability, and (iv) Gender (see Section 4 of the Policy).

The Regulations of the Nomination and Remuneration Committee attribute to this Committee the function of annually verifying compliance with the Diversity and Director Selection Policy, reporting on this in the annual corporate governance report.

In 2022, the Board of Directors submitted to the Ordinary General Shareholders' Meeting a proposal for the re-election of Andrés Arizkorreta García, Luis Miguel Arconada Echarri and Juan José Arrieta Sudupe as "Other External" directors, having assessed their competence, experience and merits to remain on the Board and, where appropriate, on the committees of which they had been members. These proposals were preceded by the corresponding reports in favour from the Nomination and Remuneration Committee, in which compliance with the Regulations of the Board of Directors and the Diversity and Director Selection Policy regarding the suitability of the proposed candidates was verified, in accordance with the Company's competences matrix. The candidates were re-elected by the Board with sufficient majorities.

Following the resolutions adopted at the 2022 General Shareholders' Meeting in relation to the composition of the Board, which included setting the number of its members at eleven, one vacancy was created.

As of the date of publication of this report, the Board of Directors has a reasonably balanced composition, with highly qualified members with a wealth of professional experience, enriched with skills that are relevant to the Company and in accordance with the diversity objectives included in the Policy.

As a fundamental tool for supervising the balance, diversity and quality of the Board, the Committee duly updated its competences matrix in 2022, submitting this tool for review to ensure its validity and alignment with the Company's strategy.

On 19 December 2022, the Nomination and Remuneration Committee issued its Annual Report verifying compliance with the Diversity and Director Selection Policy in that year. The conclusions presented were favourable, as explained in greater detail in Section C.1.7 of this report.

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of women in executive positions:

Explanation of measures

CAF's Nomination and Remuneration Committee ensures that when covering new vacancies, the selection processes utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the required profile among potential candidates and under the same conditions to achieve a balance between men and women. Article 3 of the Committee's Regulations also set out, as one of its duties, "Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target".

The Company's Diversity and Director Selection Policy sets out to ensure that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors. Thus, from 2017 to 2020, CAF continuously met the target of achieving at least 30% of women on its Board, as established for 2020 under Recommendation No 14 of the Code of Good Governance (CGG) of Listed Companies. Subsequently, in 2020, the percentage of women on the Board increased to 36.36%, which was maintained until June 2022, standing at 30% on the date of issue of this report, after the abovementioned vacancy was created.

The Nomination and Remuneration Committee is fully aware of the need to restore the previous situation in terms of the number of women on the Board in order to comply with the Good Governance recommendations currently in force as rapidly as possible, and even to stay ahead of possible future legal obligations.

For the current vacancy, the Committee is carrying out a selection process for an independent candidate, who meets the requirements of capacity, suitability and effective dedication for the position, in order to raise the corresponding appointment proposal to the Board.

As regards senior executives, the Company maintains a clear commitment to equality objectives that promote the creation of mechanisms that facilitate the access of all available talent to managerial positions, irrespective of their gender. In this regard, it should be noted that the Group's Legal and Compliance Department is led by a woman who is an executive director and Secretary to the Board. Additionally, the Head of Internal Audit is a woman.

The Company is also seeking to include more women on the management committees of the Group's business units and at various subsidiaries, having made significant progress in recent years.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

CAF promotes equality in the selection and promotion processes and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. As explained in the previous sections, the Company has been making progress in the inclusion of women on the Board of Directors and in managerial positions within the organisation.

As provided for in CAF's Code of Conduct, Sustainability Policy and Diversity and Director Selection Policy, the Company is committed to respecting diversity and the right to equal treatment between women and men.

To this end, the Group, under the leadership of the Human Resources Department, actively promotes the absence of all discrimination, direct or indirect, especially on grounds of gender, as well as equal opportunities, through internal policies and strategies.

In turn, the Collective Agreement of CAF, SA states its aim to encourage women's access to employment and supports the effective application of the principle of equality and absence of discrimination in working conditions between women and men.

Also, the existence of an Equality Committee in the Company should be noted, which is responsible for the implementation and monitoring of equality plans and, in particular, of annually supervising the equality indicators in the personnel selection and promotion processes.

In view of all of the above, the measures that have been implemented will foreseeably lead to a progressive increase in the number of women in executive positions at the Group in the coming years.

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

On 19 December 2022, the Nomination and Remuneration Committee issued its annual report on the verification of compliance with the Diversity and Director Selection Policy for the year.

This report ensured the proper application of the policy in the process that led to the re-election Andrés Arizkorreta García, Luis Miguel Arconada Echarri and Juan José Arrieta Sudupe, as Directors of the Company in "Other External" category, agreed at the Ordinary General Shareholders' Meeting of 11 June, concluding that the provisions had been satisfactorily fulfilled both in relation to the selection process, and in terms of the conditions that candidates must meet with regard to good repute, solvency, competence, experience, training, qualifications, dedication and commitment to the role of Director.

In particular, the report confirmed that the proposals for the re-election of these Directors were based on an analysis of the needs of the Board, in accordance with the competences matrix, with the aim of promoting diversity in a broad sense, in terms of gender and experience, knowledge, age, length of service of directors, among other aspects, as an essential factor to achieve their objectives from a plural and balanced standpoint. As a result of these analyses, the Board of Directors and the Nomination and Remuneration Committee both considered that the continuity of the candidates Mr Arconada and Mr Arrieta on the Board and on the Committees would help shore up the existing diversity and balance in the composition of these bodies by contributing their extensive knowledge and experience in areas of value to the Company.

As a result of the number of Board members being set at eleven by the General Meeting and the re-election of the directors mentioned in the preceding paragraphs, a vacancy was created on the Board of Directors.

Of the ten members that currently make up the Board, two are classified as executive directors, two as proprietary directors, three as independent directors and another three as other external directors. Three of the Board members are women.

Therefore, CAF's Nomination and Remuneration Committee concluded that the Director Diversity and Selection Policy had been satisfactorily complied with in the financial year under review and informed the Board of this decision at its meeting on 20 December 2022.

Notwithstanding, a female candidate to fill the existing vacancy is currently being assessed by the Committee.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Detail any failure to address formal requests for Board representation form shareholders with ownership interests equal to or exceeding those of others at whose request proprietary directors were appointed. If so, explain the reasons why the request was not entertained:

[ ] Yes
[√] No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option of issuing or re-purchasing shares, to directors or board committees.

Name of director	Brief description
JAVIER MARTÍNEZ OJINAGA	Delegation of all Board powers, pursuant to the law and the Company's Bylaws except for those which the law stipulates that cannot be delegated.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name of director	Name of group member	Position	Does the director have executive powers?
JAVIER MARTÍNEZ OJINAGA	CAF BELGIUM, SPRL	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF INDIA PRIVATE LTD	Executive Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF NEW ZEALAND LIMITED	Joint Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF RAIL AUSTRALIA PTY LTD	Executive Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF CHILE, SA	Chairman	NO
JAVIER MARTÍNEZ OJINAGA	CAF ARGELIA, EURL	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF NETHERLANDS, BV	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA, SAS	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF INVESTMENT PROJECTS, SAU	Joint Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF DEUTSCHLAND, GmbH	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF FRANCE, SAS	Chairman	YES
JAVIER MARTÍNEZ OJINAGA	CAF HUNGARY Korlátolt Felelösségu Társaság	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	TRENES CAF VENEZUELA, CA	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF NORWAY AS	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF SISTEME FEROVIARE, SRL	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF EGYPT FOR TRANSPORTATION SYSTEMS	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF PORTUGAL UNIPESSOAL, LDA	Sole Director	YES

Name of director	Name of group member	Position	Does the director have executive powers?
JAVIER MARTÍNEZ OJINAGA	CAF ITALIA, SRL	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF MÉXICO SA de CV	Sole Director	YES
JAVIER MARTÍNEZ OJINAGA	CAF USA Inc.	Chairman	YES
JAVIER MARTÍNEZ OJINAGA	CAF POLSKA sp. zoo	Chairman	YES
JAVIER MARTÍNEZ OJINAGA	SOLARIS BUS & COACH sp. zoo	Chairman of the Supervisory Board	NO
MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇAO, SA	Director	NO
MARTA BAZTARRICA LIZARBE	PROVETREN, SA de CV	Director	NO

C.1.11 List the positions of director, administrator or director, or their representative, held by the directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Positio n
ANDRÉS ARIZKORRETA GARCÍA	Círculo de Empresarios Vascos	VICE CHAIRMAN
ANDRÉS ARIZKORRETA GARCÍA	VISCOFAN, SA	DIRECTOR
JAVIER MARTÍNEZ OJINAGA	CIC NANOGUNE Cooperative Research Center	CHAIRMAN
CARMEN ALLO PÉREZ	eDreams ODIGEO	DIRECTOR
CARMEN ALLO PÉREZ	Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, Sociedad Anónima ("SAREB")	DIRECTOR
JUAN JOSÉ ARRIETA SUDUPE	Technology Centre attached to Universidad de Navarra (CEIT)	DIRECTOR
JUAN JOSÉ ARRIETA SUDUPE	Elkargi	DIRECTOR
IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity ZAINTZA	DIRECTOR
IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity HAZIA	DIRECTOR
IDOIA ZENARRUTZABEITIA BELDARRAIN	Voluntary Social Welfare Entity GAUZATU	DIRECTOR

Identity of the director or representative	Company name of the listed or non-listed entity	Positio n
MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, SL	DIRECTOR

As the CNMV's form does not allow information on membership of specialised Board of Directors' committees to be included in the above table, nor to identify specific positions in foundations and other entities, the following points should be noted:

- Andrés Arizkorreta García is a member of the Nomination, Remuneration and Sustainability Committee of VISCOFAN, SA.
- Javier Martínez Ojinaga is a member of the Governing Board of the Association for Management Progress (APD).
- Carmen Allo Pérez is the Chairwoman of the Audit Committee of eDreams ODIGEO, SA and member of the Audit Committee and the Nomination and Remuneration Committee of Sociedad de Gestión de Activos Procedentes de la Restructuración Bancaria, Sociedad Anónima ("SAREB").

- Juan José Arrieta Sudupe is a member of the Strategic Board of the Technological Centre attached to Universidad de Navarra (CEIT) and a member of the Elkargi Executive Committee.
- Idoia Zenarrutzabeitia Beldarrain is a member of the Governing Board of the voluntary social welfare entities EPSV ZAINTZA, EPSV HAZIA and ESPV GAUZATU.

Once again, because the form does not allow users to select executive positions, please note that Manuel Domínguez de la Maza is General Manager of Mayoral Moda Infantil, SAU, in addition to holding the position indicated in the above table.

Of the positions identified in Section C.1.11, the following are remunerated:

- Andrés Arizkorreta García: The positions held by Mr Arizkorreta in VISCOFAN, SA are remunerated.
- Carmen Allo Pérez: The positions indicated in this section are remunerated.
- Manuel Domínguez de la Maza: The positions indicated in this section are remunerated.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
CARMEN ALLO PÉREZ	- Chairwoman of the Investment Committee of Crisae Private Debt, SLU (a debt fund held by Banco Sabadell) - Associate Lecturer at Instituto de Empresa
JUAN JOSÉ ARRIETA SUDUPE	- Collaborator with Deusto Business School attached to Universidad de Deusto on various executive training programmes.

C.1.12 C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where it is regulated

Article 23.2.b) of the Regulations of the Board of Directors states that no director shall belong simultaneously to more than four Boards of Directors in listed companies other than the Company or its group.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	2,197

Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	612
Pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name	Position
JOSU IMAZ MURGUIONDO	GENERAL CHIEF OF VEHICLES
IBON GARCÍA NEILL	DIRECTOR OF RAILWAY SERVICES
URTZI MONTALVO IBARGOYEN	DIRECTOR OF INTEGRAL SOLUTIONS AND SYSTEMS
AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL OFFICER AND STRATEGY
JESUS MARÍA IBARBIA IRIONDO	DIRECTOR OF TECHNOLOGY
GORKA ZABALEGI AGINAGA	CHIEF HUMAN RESOURCES OFFICER
IRUNE LÓPEZ FERNÁNDEZ	INTERNAL AUDITOR

Number of women in executive positions	1
Women as a percentage of the total executive positions	14.30

Total remuneration of senior management (thousands of euros)	2,007

C.1.15 Indicate whether the Board regulations were amended during the year:

[ ] Yes
[√] No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Shareholders' Meeting or, in the case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. The prohibitions and incompatibilities established by law will apply (Article 29 of the Company's Bylaws). Should a vacancy occur during the period the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. These nominations shall be fully effective until the first General Shareholders' Meeting (Article 33 of the Company's Bylaws). Additionally, in exercising its powers to lay proposals before the General Meeting and of co-option in the case of vacancies, the Board shall ensure the balance of Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors; the latter to represent at least one third of total Board membership (Article 7 of the Regulations of the Board of Directors).

Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any nominations made by the Board by virtue of its powers of co-option must be preceded by the corresponding proposal from the Nomination and Remuneration Committee in the case of independent directors, and from the Board for all other director categories. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. Proposals for the appointment or re-election of any non-independent director shall also be preceded by a report from Nomination and Remunerations Committee. When the Board decides not to follow any of the proposals submitted by the Nomination and Remuneration Committee, it must submit and minute its reasons for such decision. (Article 15 of the Regulations of the Board of Directors).

With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions. Independent directors shall be directors appointed due to their personal and professional qualities who can discharge their functions without being influenced by relationships with the Company or its group, their significant shareholders or senior executives. No directors meeting the conditions provided for in Article 16.3 of the Regulations of the Board of Directors shall be considered independent directors.

Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties. Proprietary directors who lose their status due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the Company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the article and, in addition, their ownership interest is not material (Article 16, Sections 4 and 5 of the Regulations of the Board of Directors).

The selection of candidates for directorships will be based on a prior analysis of the needs of the Company's Board of Directors, which must be carried out by the Nomination and Remuneration Committee. Taking into account the Board's competences matrix, the Nomination and Remuneration Committee will specify the profile and skills required from the new director and assess the suitability of each candidate. This Committee will keep a record of the evaluation carried out and the suitability of the candidate for the category to which he or she has been assigned in the minutes of the session in which the matter was discussed and, where applicable, in the report or proposal that the Committee must submit to the Board for the appointment or re-election of directors.

The Director Diversity and Selection Policy defines the conditions that candidates must meet, placing special emphasis on the fundamental objective of promoting diversity of knowledge, experience, age and gender among the members of the Board, applying criteria that ensure it is properly diversified and there are no implicit biases that could imply discrimination based on age, gender, disability, or any other condition of a personal nature. For further details, see Section C.1.5 of this report.

Continued in Section H.

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendments

The Board of Directors, on the basis of previous reports issued by the committees, the results of which were positive, has positively evaluated the performance of the Board and its committees in 2022 and verified that all Action Plans put in place for that year have been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for 2023, although they will not give rise to any significant change in the internal organisation or in the procedures applicable to its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

In accordance with Article 5.5 of the Regulations of the Board of Directors, the Board of Directors must perform an annual assessment of its functioning and that of its committees, and it must propose, on the basis of its findings, an action plan to correct any
deficiencies found. To this end, the Board uses the reports prepared by the Committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2022:

a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are effectively used.
b) Size, composition and diversity of the Board and its committees.
c) Performance and contribution of each director.
d) Frequency and duration of meetings.
f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance.
g) Quality of the information received.
h) Breadth and openness of the debates.

From a methodological standpoint, the indicators taken into consideration included the degree to which the Board and the committees comply with applicable legal and regulatory requirements, guidelines and best practices in the area of corporate governance and the internal regulatory compliance system, and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2022 was positive, in line with the favourable conclusions given in the preliminary reports prepared by the Committees, which the Board of Directors approved at the meeting held on 20 December 2022, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans put in place during the year had been completed satisfactorily.

Based on these conclusions, the Board has drawn up various Action Plans to be undertaken in 2023, which will allow the Board and its committees to make further progress in the design of and compliance with the Company's internal regulatory compliance system.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

Not applicable

C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, in particular, proprietary directors must resign when the shareholder sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Nomination and Remuneration Committee for not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement.

The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, or otherwise party to the proceedings. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time the corresponding measures are implemented. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the Company's Bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the General Shareholders' Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Regulations of the Board of Directors).

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

[ ] Yes
[√] No

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

[ ] Yes
[√] No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

[ ] Yes
[√] No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

[ ] Yes
[√] No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so, the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, provide a brief description of the rules.

Article 31 of the Company's Bylaws and Article 14 of the Regulation of the Board of Directors establish that directors shall make every effort to attend Board meetings and, when they cannot do so personally, may confer their representation to another director in writing addressed to the Board Chairman, with no restriction on the number of proxies that each director can hold for Board attendance, although a separate proxy must be granted for each meeting. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

These same rules also specify that non-executive directors may only confer their proxy on a fellow non-executive director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	9
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate how many meetings of the various Board committees were held during the year:

Number of meetings held by the AUDIT COMMITTEE	7

NOMINATION AND REMUNERATION COMMITTEE	8

C.1.26 Indicate the number of meetings held by Board of Directors during the year and with member attendance data:

Number of meetings in situ of at least 80% of directors	9
Attendance in person as a % of total votes during the year	98.90
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	9
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

[√] Yes
[ ] No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
JAVIER MARTÍNEZ OJINAGA	Executive Director
AITOR GALARZA RODRÍGUEZ	Chief Financial and Strategy Officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Board of Directors will submit to the General Meeting the financial statements prepared in accordance with accounting legislation. In the event that the auditor includes any qualification, the Chair of the Audit Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board (Article 37 of the Board Regulations).

To this end, the individual and consolidated financial statements are subject to prior review by the Company's Audit Committee, which is assigned, inter alia, the responsibility of supervising and evaluating the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope of consolidation and the correct application of accounting standards, and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness (Article 3 of the Regulations of the Audit Committee). It is also the responsibility of the Audit Committee to regularly collect information from the auditors on the auditing process and in particular on any discrepancies that may arise between the auditors and the Company's management. When the audit has been completed, the Committee shall review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports. (Article 13 of the Audit Committee Regulations).

The financial statements for 2021 and previous years were approved by the Board of Directors without qualifications.

C.1.29 Is the secretary of the Board also a director?

[√] Yes
[ ] No

If the secretary is not a director, complete the following table:

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Mechanisms to preserve the independence of external auditors:
In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to the Company's Bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 337 bis of the Company's Bylaws).
Pursuant to the foregoing, the Audit Committee has its own Regulations governing its nature, composition, functions, terms of reference and powers. Pursuant to these Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency: (i) submitting, to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of the Company's external auditor, being responsible also for the selection process, pursuant to Article 16, paragraphs 2, 3, 5 and 17.5 of Regulation (EU) 537/2014 of 16 April, as well as his or her terms of employment, and regularly collecting information about the audit plan and its execution while also ensuring the external auditor's independence when carrying out its duties; (ii) establish the pertinent relationships with the external auditors in order to receive information on any matters that might compromise their independence, for scrutiny by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015 of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. (iii) Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the previous point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. In compliance with recommendation No 6 CBG, the Company shall post the report of the Audit Committee on the independence of the external auditor on its corporate website in due course ahead of the date of the Annual Shareholders' Meeting
(iv) Ensure that the remuneration of the external auditor for their work does not compromise their quality or independence, and also setting an indicative limit on the fees that the auditor may receive annually for non-audit services. (vi) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. As for relations with the auditors, Article 13 of the Audit Committee Regulations establishes that (i) any communications between the committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures; (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the Company's management; and (iii) the Audit Committee shall regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the Company's management.
When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.
Likewise, and to ensure the independence of the external auditors, the Company has an internal Procedure for Engaging the Services of the Accounts Auditor. The entire CAF Group must follow and comply with this procedure.
According to this procedure, the Audit Committee must approve, prior to their arrangement, any non-audit services requested from the audit firm of the CAF Group or other entities in its network, so as to verify that the services would not compromise the auditor's independence.
Before any request is relayed to the Committee, the Company's Corporate Finance Department and Internal Audit function review that the requested services are not prohibited under the terms of Regulation (EU) No 537/2014 of 16 April 2014.
In this regard, it should be noted that, without prejudice to applicable legal provisions, the Committee has prudently, and to protect the Company's good name, set a limit on the fees to be received by the statutory auditor for non-audit services. This limit is more restrictive than that provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of Spanish Audit Law 22/2015. More precisely, this limit is 50% of the average audit fee for the last three years, i.e. below the legal limit of 70%.

In relation to 2022:
- The Audit Committee met with the external auditors, Ernst & Young, SL (E&Y) on two occasions in 2022, and they did not report on any issues that could put their independence at risk.
- On 25 February 2022, the external auditors, submitted to the Committee the external confirmation of its independence in relation to the financial information pertaining to 2021. In that document, the auditor confirmed that they had implemented internal policies and procedures designed to provide reasonable assurance that the audit firm and its staff had maintained independence to the extent required by applicable law and regulations.
- On 25 February 2022, the same Committee approved the report on the independence of the Company's auditors, concluding that no aspects had been identified that called into question their compliance with prevailing regulations for the auditing of accounts in terms of auditor independence. In accordance with the provisions of Recommendation No 6 CBG, the Company published this report on its corporate website well in advance of the date of the 2022 Ordinary General Shareholders' Meeting.
- On the same date the Committee issued its report on the evaluation of the external auditor, which, among other parameters, assessed its independence, reaching favourable conclusions.
- Finally, in compliance with one of the Action Plans for the year, the Committee encouraged the external auditors to attend the plenary session of the Board for the first time since their appointment, to report on the work carried out and the accounting and risk situation of the Company, which took place at the meeting of the Board of Directors held on 20 December 2022.

Continued in Section H.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditor, explain their content:

[ ] Yes
[√] No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

[√] Yes
[ ] No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	149	149
Amount invoiced for non-audit services/Amount invoiced for audit work (in %)	0.00	16.00	16.00

All non-audit services provided to the CAF Group by the external auditor and its organisation in the financial year under review were duly approved by the Audit Committee within the framework of the procedure described above. More precisely:

- On 16 December 2021, the Audit Committee verified that the services included in the proposal for non-audit services for the year 2022: (i) were reasonable; (ii) were permitted under the Audit Law; and (iii) were below the maximum limit provided for in Article 4.2 of Regulation (EU) No 537/2014 and Article 41.1 of the Spanish Audit Law 22/2015, as well as the more restrictive limit set by the Committee itself in the interests of prudence, at 50% of the average audit fee for the last three years.

- On 9 November 2022, the Audit Committee approved the contracting of an additional service to those included in the proposal approved for the year, related to the review of the NFIS. This approval was given after analysing the request and its supporting documentation, verifying that the amount was insignificant, and after receiving a favourable analysis of independence from EY.

- Subsequently, on 19 December 2022, Internal Audit presented to the Audit Committee a comparison between the approved budget for 2022 and the actual fees incurred for these services, verifying that the estimated amounts had not been exceeded and that no unapproved services had been arranged.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	4.44	9.09

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time:

[√] Yes
[ ] No

Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. There are at least eight meetings per year, with at least one meeting held every quarter, with sufficient time in between to prepare and scrutinise the necessary information. In addition, regular Board meetings must be announced at least five days in advance, although in practice this is done earlier. The call also includes the meeting's agenda, and the documents that must be previously reviewed by the directors in sufficient time ahead of the meeting. In any case, the directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

[√] Yes
[ ] No

Explain the rules

Pursuant to Article 18 of the Regulations of the Board of Directors, directors must tender their resignation from their position of director in certain situations, especially if they are prosecuted for an alleged criminal offence or when they are subject to disciplinary proceedings for serious or very serious misconduct by the supervisory authorities. Similarly, directors shall inform the Board and, where appropriate, resign, when situations arise that affect them, whether or not related to their own actions at the Company, that could damage the Company's good name and reputation. This will apply in particular if they become embroiled in any criminal proceedings in which they are under investigation or otherwise party to the proceedings.

The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the General Shareholders' Meeting, in a letter sent to all members of the Board of Directors.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

[ ] Yes
[√] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no such agreements.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	**Description of agreement**
Executive Director	Termination benefit due to termination ordered by the Company for reasons not related with the Director

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

The content of these clauses are shown in the Annual Report on Director Remuneration, which is subject to advisory voting at the General Shareholders' Meeting.

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE		
Name	Position	Category
CARMEN ALLO PÉREZ	CHAIRMAN	Independent
JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external
IGNACIO CAMARERO GARCÍA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

Organisation:
The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of these shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.
The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years but may be re-elected after stepping down for one year. The Board of Directors shall appoint a person to act as Secretary of the Committee, who need not be a director (Article 37 bis of the Company's Bylaws and Article 2 of the Audit Committee Regulations).
The functions and powers attributed to the Audit Committee are detailed in Article 37 bis of the Company's Bylaws and in Articles 3 and 10 to 13 of its specific Regulations. Both of these are available on the corporate website (www.caf.net) and have not undergone any changes

in the year under review. The functions mentioned refer to the areas identified below and include all those attributed to the audit committees by law and those recommended by the Code of Good Governance of Listed Companies:
a) Functions relating to the General Shareholders' Meeting
b) Functions relating to internal control systems
c) Functions relating to internal audit
d) Functions relating to the external auditor
e) Other functions
Operation:
The Audit Committee shall meet whenever the Chairman deems it to be appropriate so that it may perform its functions, and at least four times a year. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively. Likewise, the Committee will meet whenever required to do so by the Board of Directors (Article 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.
In all cases, the Chairman of the Committee shall, acting through the Secretary, channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Article 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Article 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Proxy may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member.

Continued in Section H.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairman of this committee was appointed.

Name of directors with experience	CARMEN ALLO PÉREZ / JUAN JOSÉ ARRIETA SUDUPE / IGNACIO CAMARERO GARCÍA
Date of appointment of the chairperson	08/10/2019

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
JULIÁN GRACIA PALACÍN	CHAIRMAN	Independent
LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
IGNACIO CAMARERO GARCÍA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

On 11 June 2022, the Board unanimously resolved to appoint Ignacio Camarero García as a new member of the Nomination and Remuneration Committee and to designate Julián Gracia Palacín as Chairman of the same.

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

Organisation:
In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring that they have the knowledge, skills and experience appropriate to the functions they are called upon to discharge and, in particular, in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors.
The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Appointment, renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company's Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the General Shareholders' Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Regulations of the Nomination and Remuneration Committee).
Functions:
The functions and powers attributed to the Nomination and Remuneration Committee are detailed in Article 37 ter of the Company's Bylaws and in Article 3 of its specific Regulations. These are both available on the corporate website (www.caf.net) and have not undergone any changes during the period under review. The functions mentioned refer to the areas identified below and include all those attributed to nomination and remuneration committees by law and those recommended by the Code of Good Governance of Listed Companies:
a) In relation to nominations and remuneration
b) In relation to the Corporate Governance and Sustainability System
c) In relation to other matters
Functioning:
The rules on the functioning of this committee are provided for in Article 12 of the Regulations of the Board of Directors and in Chapter V of the Regulations of the Nomination and Remuneration Committee, and can be summarised as follows:
The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.
The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by email or by any other channel that provides proof of receipt, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chairman of the Committee, himself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.
The Committee shall be deemed to be convened when more than half of its members attend and pass its resolutions by absolute majority, either in person or by proxy. Proxy may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance and agree unanimously to hold the meeting. The resolutions adopted shall be recorded by the Secretary in the related minutes, which shall be approved by the same meeting or at the immediately following meeting and shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members.

Continued in Section H.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2022		2021		2020		2019	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33
NOMINATION AND REMUNERATION COMMITTEE	0	0.00	1	33.33	1	33.33	1	33.33

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website (www.caf.net), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations have not undergone any changes during the year under review.
Also in relation to this Committee, an annual report has been prepared on its activities in 2022, which will be published in accordance with Recommendation 6 of the CNMV's Unified Code of Good Governance for Publicly Listed Companies.

NOMINATION AND REMUNERATION COMMITTEE: An up-to-date version of the resolution is available on the CAF website (www.caf.net), in the subsection on Corporate Governance, under Information for Shareholders and Investors section. The Regulations of the Nomination and Remuneration Committee have not undergone any changes during the year under review.
Also in relation to this Committee, an annual report has been prepared on its activities in 2022, which will be published in accordance with Recommendation 6 of the CNMV's Code of Good Governance for listed companies.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies for the approval of operations with related parties and intragroup, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected directors or shareholders and detailing the procedures
Internal reporting and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

Pursuant to the provisions of its Regulations, the Board of Directors is responsible, on a non-delegable basis, for approving, subject to a prior report from the Audit Committee, transactions of the Company or companies in its group that qualify as related party transactions, unless such approval falls within the remit of the General Shareholders' Meeting and without prejudice to the possible delegation by the Board of such powers in the situations and under the terms prescribed by law and in the aforementioned Regulations. (Article 5 of the Regulations of the Board of Directors).
Regarding the approval of related party transactions and the abstention obligations of the affected directors and shareholders, the Board Regulations explicitly state that the power to approve related party transactions whose amount or value is 10% or more of the Company's total assets according to the latest annual balance sheet approved by the Company shall be vested in the General Shareholders' Meeting. When the General Meeting is called to decide on a related party transaction, the shareholder concerned shall be deprived of the right to vote, except where the motion has been approved by the Board of Directors without the majority of independent directors voting against. However, where applicable, the rule of the reversal of the burden of proof provided for in the Spanish Corporate Enterprises Act shall apply. The Board of Directors shall have the power to approve all other related party transactions and this power may not be delegated. In accordance with the Spanish Corporate Enterprises Act, the affected director, or the director representing or related to the affected shareholder, must abstain from taking part in the deliberations and voting on the corresponding motion. However, directors who represent or are related to the parent company on the governing body of the subsidiary listed company should not abstain. However, if they do not abstain and if their vote was decisive in passing the resolution, the rule of reversal of the burden of proof shall apply on substantially the same terms as those provided for in the Spanish Corporate Enterprises Act for the approval of related party transactions by the General Shareholders' Meeting. The approval of a related party transaction by the General Meeting or by the Board shall be subject to a prior report by the Audit Committee. In its report, the Committee must assess whether the transaction is fair and reasonable in the eyes of the Company and, if applicable, of the shareholders other than the related party, and give an account of the assumptions on which the assessment is based and the methods used. The Directors involved may not take part in the preparation of the report.

Notwithstanding the foregoing, the Board of Directors may delegate the approval of the following related party transactions:
a) transactions between companies forming part of the same group that are carried out in the ordinary course of business and under market conditions;
b) transactions entered into under contracts whose standard terms and conditions are applied en masse to a large number of customers; are at prices or rates established generally by the party acting as supplier of the goods or services in question; and whose amount does not exceed 0.5 per cent of the Company's revenues.
In such cases, the approval of any related party transactions that may have been delegated will not require a prior report from the Audit Committee. However, the Board of Directors shall establish an internal reporting and periodic control procedure for such transactions, in which the Audit Committee shall be involved and shall verify the fairness and transparency of such transactions and, as the case may be, compliance with the legal criteria applicable to the above exceptions (Article 29 Regulations of the Board of Directors).

In furtherance of the foregoing, on 16 December 2021 the Board of Directors, following a report from the Audit Committee, unanimously resolved to delegate, jointly and severally, to the Company's Chief Executive Officer and to the Chief Financial and Strategy Officer, the approval of the transactions described in Sections a) and b) above.
At the same meeting, the Board approved the CAF Group's Related Party Transactions Manual (the "Manual"), which sets out the basic rules governing the management of the Group's related party transactions. In particular, the Manual addresses:
(i) the procedure for approving related party transactions, in accordance with the following key steps:
1. Submission of a related party transaction proposal to the Chief Financial and Strategy Officer, accompanied by the corresponding documentary justification.
2. Analysis the type of transaction proposed and identification of the body responsible for its approval.
• In the case of a potential related party transaction subject to approval by the Board or the Committee: relaying the justified proposal to the Audit Committee so that it may issue its report on the matter.
Relaying the proposal and the Committee's report to the Board for approval or referring the matter to the General Meeting for a decision by shareholders, assuming the meeting is competent to decide on the matter.
• In the case of delegable related party transactions: the delegated person shall assess and determine whether the objective requirements for approval of the transaction have been met. No report of the Audit Committee will be required in such cases. However, the reasons for approval or rejection of the transaction must be duly documented for the purpose of reporting to the Audit Committee as part of the periodic reporting and control procedure described in the following section.

Continued in Section H.

D.2. Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against by the majority of the independent directors:

	Name or company name of the shareholder or any of its subsidiaries	% of Ownership	Name or company name of the company or entity within its group	Amount (thousand euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independent directors
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	14.06	Kutxabank, SA	86,595	(See Observations below)	(See Observations below)	NO

	Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its evaluation
(1)	BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	Contractual	Guarantee transactions, credit lines and non-recourse factoring transactions, as well as registered advisor and placement bank contracts in commercial paper issuance programmes on the Spanish Alternative Fixed Income Market (MARF), as entered into by the Company with its significant shareholders Kutxabank, SA, a subsidiary of Bilbao Bizkaia Kutxa Fundación Bancaria, and with Norbolsa Sociedad de Valores, SA, belonging to the same group, during the 2022 financial year. All these contracts have been approved by the competent body, in each case, according to the breakdown included in the Observations section.

The breakdown of the transactions included in the above table is as follows:

• Liquidity contract, dated 5 April 2022, signed between CAF, SA and Norbolsa, Sociedad de Valores, SA, belonging to the Kutxabank Group, as Financial Intermediary, pursuant to Circular 1/2017, of 26 April, of the Spanish National Securities Market Commission, on liquidity contracts, for an amount of EUR 30 thousand. Approved by delegation by the CEO on 25 February 2022.

• Contracts entered into with Kutxabank, SA, approved by the Company's Board of Directors, following a favourable report from the Audit Committee, dated 30 June 2022, with the abstention Idoia Zenarrutzabeitia, proprietary director representing Kutxabank.

- Novation agreement for a guarantee line according to which the total amount of the general guarantee line outstanding at the time of novation was increased by EUR 25,000 thousand.

- Non-recourse factoring contract for the amount of EUR 26,500 thousand.

- Novation agreement and extension of credit account policies, increasing the amount to EUR 35,000 thousand and extending the duration to 30 June 2023.

The four contracts above were publicly announced, in accordance with the provisions of Article 529 unvicies of the Consolidated Text of the Spanish Corporate Enterprises Act, through the publication of “Other material disclosure” No 17144, of 30 June, which included favourable reports from the Audit Committee.

• Contracts entered into with Norbolsa, Sociedad de Valores, SA, belonging to the Kutxabank Group, as part of the renewal of the MARF commercial paper issuance programme, dated 20 December 2022:

- Registered Advisor agreement for the amount of EUR 50 thousand.
- Placement Bank agreement for the amount of EUR 15 thousand.

Both transactions form part of the ordinary business of the company providing the service and were contracted under normal market conditions and rates. These were approved by delegation by the CEO.

In addition, Note 10 to the consolidated financial statements contains a breakdown of the Group's outstanding balances with Kutxabank, including transactions carried out in previous years.

D.3. Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against by the majority of the independent directors:

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Name or company name of the company or entity within its group	Relationship	Amount (thousand euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by the majority of independent directors
No data						

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Nature of the operation and other information necessary for its evaluation
No data	

D.4. Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Name of entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	7,879

The company Metro CAF Mauritius, Ltd., which is wholly and directly owned by the Company, has been incorporated in the Republic of Mauritius (which currently qualifies as a tax haven and is therefore reported in this section) solely in connection with a contract to supply trams to that country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

D.5. Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

Name of entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousand euros)
No data		

The CAF Group holds non-controlling or jointly controlled interests in companies engaged in concessions for the operation of railway operating systems, the supply of fleet and subsequent maintenance, as well as the leasing of railway equipment. The CAF Group's operations with these companies involve the supply of fleet and the performance of turnkey projects, as well as the maintenance of railway equipment and material. It also has various financial loans in place that are consistent with the typical financing structure for these types of concession or leasing companies. These transactions are part of the ordinary business of the CAF Group and are carried out under normal market conditions. Information on CAF's stakes in these companies is included in Notes 2-f and 9-a to the 2022 consolidated financial statements and Note 10 to the consolidated financial statements includes information on the balances and transactions carried out in 2022 with these companies that were not eliminated as part of the consolidation process.

D.6. Give details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management, significant shareholders or other related parties.

Article 229 of the Spanish Corporate Enterprises Act and Articles 24 and 25 of the Regulations of the Board of Directors require directors to communicate to the Board of Directors any conflict, whether direct or indirect, they may encounter between their interests and those of the Company. In addition, in the case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. The Board Regulations also regulate in detail the obligations of non-competition and avoidance of conflicts of interest, and establish a series of prohibited conducts for directors, as well as the consequences that might arise in the event of non-compliance. Article 18 of the Regulations of the Board of Directors expressly states that directors shall tender their resignation to the Board and then effectively resign, if the Board sees fit, if they encounter a conflict of interest and breach the duties of disclosure and abstention or where they breach the non-compete obligation.

D.7. Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

[ ] Yes
[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.

CAF Group's Comprehensive Risk Management System works in a continuous manner and is managed at corporate level for all businesses and geographic areas in which the Group operates.

The undertaking of the Board of Directors of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the Corporate Policies section at www.caf.net.

The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.

The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.

It should be noted that through the General Risk Control and Management Policy, CAF Group is committed to developing all its capabilities so that all types of risks are properly identified, measured, managed, prioritised and controlled. In this regard, the Audit Committee is tasked with ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the integrated system in place operates properly.

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group carry a variety of risks and the Company defines basic guidelines and instructions to ensure standard operating procedures at each of the divisions so as to ensure an adequate level of internal control.

The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their valuation, as well as the preparation of the corresponding management information for decision making on risk and expected profitability, which is subject to a continuous improvement process allowing it to be strengthened over time.

To respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:

- Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.

- Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and reporting of the various risks.

- Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System in place within the Group.

The Comprehensive Risk Management System adopted by CAF is aligned with international standards, ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines Model, on assigning responsibilities in the risk management and control area.

The responsibilities granted by CAF for each Line are as follows:

(a) The First Line rests on the business's own operating units, which are responsible for day-to-day risk management and for maintaining proper internal control and implementing actions to address control deficiencies.

(b) The Second Line, coordinated by the Corporate Risk Management Function, complements the activities of the First Line and carries out monitoring and reporting activities. It is also responsible for ensuring compliance with the level of risk assumed by the Group by independently controlling the business units.

(c) The Third Line comprises an independent review of the first two lines and is performed by the Internal Audit Function. The effectiveness of the Risk Management and Control Policies are periodically assessed and verified by the second and third lines. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

Continued in Section H.

E.2. Identify the bodies within the company responsible for preparing and executing the Financial and Non-financial Risk Management and Control System, including tax risk.

The Company's Board of Directors is responsible for establishing the General Risk Control and Management Policy, including tax risks, as well as supervising the internal information and control systems.

In addition, as provided for in its Regulations, the Audit Committee is the body responsible for supervising and evaluating the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption, as well as supervising the management of the internal control and the Company risks.

The Executive Committee is the Company's most senior executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and understanding the main aspects regarding its operation and control.

The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:

• To ensure the proper functioning of the comprehensive risk control and management system and, in particular, that all major risks affecting the Company are adequately identified, managed and valued,

• Actively participating in drawing up the risk strategy and in important decisions regarding risk management, and

• Ensure that the comprehensive risk management and control system adequately mitigates risks within the framework of the policy defined by the Board of Directors.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) applying the Tax Policy determined and approved by the Board of Directors; and (ii) ensuring compliance with the principles of action in tax matters set out in the Tax Policy approved by the Board of Directors, which expressly include the prevention and reduction, as far as possible, of tax risks.

In addition, the remit of CAF's Internal Audit function includes the assurance of risks to which the Company is exposed and, for that purpose, it is involved in the examination and assessment of control systems and procedures and risk mitigation processes.

E.3. Indicate the main financial and non-financial risks, including tax risks, as well as those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these may affect the achievement of business objectives.

The most important risks facing the Group may be classified into the following categories:

Strategic risks: these being risks stemming from the uncertainty of the macroeconomic and geopolitical environment, along with the inherent characteristics of the sector and markets where the Group operates, and the decisions adopted on strategic and technological plans.

Financial risks: arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:

Market risk, which includes the following risks:

Interest rate risk: risk of variations in interest rates that might give rise to changes in the Group's profit or loss and the value of its assets and liabilities.

Foreign currency risk: risk arising from changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.

Commodity price risk: risk arising from changes in prices and market variables relating to commodities required in the businesses' supply chain.

Credit risk: it is the risk of insolvency or bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparts to which the Group has effectively granted net credit and are pending liquidation or collection.

Liquidity and financing risk: in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to assets, it is the risk of being unable to find at any given time parties to purchase an asset at the arm's length price or to obtain an arm's length price.

For more information on the financial risks, see the section on "Financial Risk Management" of the Notes to the financial statements.

Legal Risks: arising from the preparation and performance of various types of agreements and obligations (commercial, administrative, intellectual property, etc.) and the possible contingencies arising therefrom. Risks relating to legal proceedings, administrative procedures and claims are also included.

Operating Risks: inherent to all Group activities, products, systems and processes that lead to financial losses and damage in the Company image due to human/technological error, inadequate/defective internal processes or the intervention of external agents.

Corporate Governance Risks: arising from potential non-compliance with the Group's corporate governance system, which governs the design, integration and operation of the governance bodies and their relations with the Group's stakeholders and is rooted in the Group's commitment to ethical principles, best practices and transparency as the Group seeks to defend its interests and create sustainable value.

Compliance and Regulatory Risks: arising from the breach of applicable national and international regulations and laws irrespective of the activity in question, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market regulations, antitrust and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including personal data protection regulations, environmental laws, etc.).

The Non-Financial Information Statement for the year ended 31 December 2022 provides further information on the various risks described above. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

E.4. Indicate whether the entity has risk tolerance levels, including for tax risk.

The risk tolerance level established at corporate level is understood at CAF as the willingness to assume a certain risk level, insofar as it allows value creation and business development, achieving an adequate balance between growth, performance and risk.

The CAF Group presents an overall prudent risk profile with a low tolerance level, in which the objective of guaranteeing the continuity over time of its activity and the sustainable growth, and therefore of its value contribution to its shareholders and to the company in general, prevails.

In order to achieve this risk profile, the Group is based on:

- A prudent policy in relation to bid submissions in tender processes, applying predetermined Risk-Reward thresholds in the decision-making process.
- A suitable risk management infrastructure in terms of governance and availability of material and human resources.
- Search for positioning in high growth segments, in geographies that are classified as strategic and in products in relation to which CAF has existing expertise and experience that enable value generation for the Company, maintaining in all cases the desired profitability and cash generation levels.

The level of risk is defined as the product of probability and impact. Both probability of occurrence and impact are assessed on a five-level scale, and uniform criteria are used to determine each level in each of the axes. The possible results of the combination of both are:

Very low and low level risks may be accepted and a Control or Action Plan may not be needed in order to manage them.
Moderate level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or Action Plan that brings the risk down to a low and therefore acceptable level.
High and very high level risks will require adequate administration and management and a formal Action Plan must be drawn up and then monitored according to its criticality, either by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks to which the Group may be exposed. Risk tolerance thresholds are generally defined, although largely in relation to Operational Business Risks. If these thresholds are exceeded, new or existing Controls or Actions Plans would be triggered. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

With regard to other risks such as financial and strategic risks, a level of tolerance is proposed in terms of their economic impact at corporate level. Notably, there is a principle of zero tolerance towards the commission of illegal acts and fraud.

With regard to tax risks, the Tax Policy expressly includes among the Group's basic principles in tax matters that of preventing and reducing, as far as possible, tax risks when carrying on its activities.

E.5. Indicate which financial and non-financial risks, including tax risks, have materialised during the year.

In 2022 no material or extraordinary risks materialised, beyond those included in the Management Report and the Notes to the Financial Statements.

The main risks that may affect the achievement of business goals are managed actively by the organisation, while minimising any adverse risks faced by the Group. In general terms, the Group's business and regional diversification assists in reducing any material impacts on the Company's equity due to risk exposure.

The foreign currency risk to which the Company is exposed due to its operations in the international sphere is managed in accordance with the Market Risk Policy approved this year by the Board of Directors, which envisages various strategies aimed at reducing this risk such as the establishment of financial or natural hedges, ongoing monitoring of fluctuations in exchange rates and other complementary measures.

Still wary about the path that COVID-19 will take from here, and the complex scenario following the outbreak of war in Ukraine, with direct repercussions on energy prices, inflation and the supply chain, the Group has deployed a raft of actions to mitigate the impact of these risks. Firstly, actions aimed at reducing price increases include: (i) monitoring of commodity markets; (ii) monitoring of current orders with suppliers; (iii) indexing of prices in new contracts; (iv) reviewing current contracts with customers; and (v) taking out price insurance. Secondly, the actions undertaken by the Group to reduce the risk of component stock-outs include: (i) technical modifications; (ii) stockpiling of electronic components; and (iii) advance deliveries and safety stock.

The contingencies managed in the realm of Compliance are part of the overall risks supervised within the system. A description of the material topics for 2022 can be found in the Non-Financial Information Statement.

E.6. Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

CAF's Comprehensive Risk Management System is based on preparing Controls and Action Plans through the appropriate corrective measures, using the META strategy.

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:

- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans to remediate the project in progress or in a previous stage are evaluated in order to decide on whether or not to submit the corresponding bid.

The Risk Management Department, under the direct supervision of the Audit Committee, is in charge of ensuring the proper functioning of the System. In particular, it ensures that all relevant risks that affect the Company are properly identified, managed and evaluated, and that these risks are suitably mitigated within the framework of the Policy approved by the Board of Directors.

At different intervals during the year, the Risk Management Department reviews the level of risk and compliance with the unique risk management methodology. On a monthly basis, the Risk Management Department meets with the different business units to form a picture of the business risk situation. And on a quarterly basis, it looks at the situation risks managed at the corporate level. Lastly, every six months, this same department prepares a global risk report on the Group for the Audit Committee.

In 2022, in compliance with one of the Board's action plans for that financial year, the Corporate Head of the Risk Management Department spoke before the Board in plenary session at its May meeting to present the conclusions of its Risk Management Report in relation to the risk map and the status of the main projects in progress.

The Audit Committee received the updated risk report from the Head of that Department at its November meeting. The presentation included a breakdown of the level of the Group's main risks (see Section E.3), differentiating between risks managed at i) corporate and ii) business unit level.

Previously, at the request of the Committee, at the January meeting the Group's Head of Sustainability reported on risk management in the area of ESG, thus complying with one of the Committee's action plans for 2022.

In November, the Head of the Tax Function, as the person in charge of the control and management of Group tax risks, also presented to the Committee its annual report on compliance with the principles of action in tax matters established by the Board in the Tax Policy, describing the fiscal developments and their impact on the Group.

The Head of Internal Audit reported periodically to the Committee during this financial year on the degree of compliance and suitability of the Group's internal control and on the monitoring of the main financial and tax risks. The matters dealt with by the Audit Committee are reported at the next meeting of the Board of Directors.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

Describe the mechanisms forming your company's Internal risk management and Control systems relating to the process of publishing Financial Reporting (ICFR) of the company.

F.1. The entity's control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. The Audit Committee, further to the powers delegated by the Board of Directors, is the body responsible for supervising, inter alia, the process of preparation and presentation and the integrity of the regulated financial and non-financial reporting and information systems and the effectiveness of the Company's internal control, in particular, ICFR. It also monitors the risk management systems or the systems and mechanisms linked to the Company's internal codes of conduct, as well as the internal audit services, and liaises with the auditors or audit firms on any significant weaknesses in the internal control system that may have been detected over the course of the audit. These functions are described in the Regulations of the Audit Committee.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Financial Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

F.1.2 Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Executive Director and the Head of Human Resources are tasked with designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

With regard to ICFR, the main tasks and controls to be carried out and supervised, and those persons responsible for them, are clearly defined in the processes determined as critical for the generation of financial information. Therefore, the lines of responsibility and authority are clearly defined in all cases. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the website. The Code of Conduct contains the set of general standards and principles on corporate governance and professional conduct that are applicable to all employees of CAF, SA and CAF Group subsidiaries.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with the law, quality, reputation, protection of human resources, respect for and engagement with the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that "the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market".

The Code of Conduct has been further developed by the Board of Directors itself, in particular through the Crime Prevention Manual, approved on 29 April 2015, which contains a system of policies and procedures with the aim of preventing, as far as possible, the perpetration of significant crimes. This Crime Prevention Manual has been subject to successive revisions by the Board of Directors, in the years 2016, 2018 and 2021. After any approval of a new version of the aforementioned Manual or a development thereof, the appropriate dissemination and training measures are implemented.

Even so, the Crime Prevention Manual establishes that, whenever appropriate, the risks of committing the crimes referred to in the manual should be reassessed and the relevant internal risk map updated, and that this reassessment should in any take place at least every four years.

Meanwhile, permanent training actions continued throughout 2022 in a bid to raise awareness and disseminate and implement and the Code of Conduct and the Crime Prevention Manual among CAF Group personnel.

At year-end, training on the Code of Conduct and the Crime Prevention Manual had been launched throughout the Group's consolidation perimeter. 90% of people have completed the programme. Since the start of the programme, more than 7,000 people have received training in this matter (2021: more than 6,300 people). More than 623 people received training in 2022. Similarly, there is a system in place for training new employees, and the aforementioned programme is included in the new employee on-boarding plans. Training materials are constantly revised and updated.

In addition, 100% of the CAF Group's activity partners, in all the regions in which the Group operates, are informed of the existence and mandatory nature of their compliance with the General Principles of the CAF Code of Conduct.

In addition, CAF Group employees have at their disposal the Corporate Compliance Department and also Compliance Officers responsible for providing support to the different countries, business units, subsidiaries branches of the Group, as the case may be, to resolve any queries regarding the application of internal regulations on Compliance matters.

The Compliance Function is the CAF Group's body, with autonomous powers of supervision and control, which is responsible for the supervision and operation of the Corporate Compliance System as a whole, the direct management of some areas (i.e. Business Ethics and Human Rights, Criminal Compliance System and Competition Law Compliance System) and the supervision of other areas managed by other managers.

The members of the Compliance Function are appointed, replaced and dismissed by the Board of Directors or by the Chief Executive Officer, and they report their activity to the CAF Board of Directors, either directly or through a report to the relevant Board Committee, depending on the nature, scope and content of the report.

The Compliance Function also appoints or ratifies the appointment of Compliance Officers in those countries, business units, subsidiaries or branches of the CAF Group located in jurisdictions where this is required under local legislation, or where recommended due to the size or characteristics of the subsidiary or branch.

· • Whistleblowing channel, allowing for the disclosure to the Audit Committee of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities within the organisation. Such disclosures may be made on a confidential or anonymous basis and the rights of the whistleblower and the reported party are respected in all cases.

There is a single whistleblowing channel in place through which employees may disclose matters relating, among others, to financial and accounting aspects. This channel is supervised by the Compliance Function. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. If the complaint merits more attention, the documentation may be sent to the relevant department for the purpose of conducting a joint assessment of the facts and determining the measures to be taken.

The Audit Committee is responsible for supervising the functioning of the whistleblowing channel.

The CAF Group internal regulations establish the possibility of setting up other channels to receive complaints in jurisdictions as required by local legislation.

The general whistleblowing channel is available at all times to all of the Company's stakeholders and any third party, allowing employees and others related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors, to report potentially significant irregularities relating to the Company, whether financial, accounting or other, which they may notice or detect at any Group company.

The rules for the functioning of the aforementioned whistleblowing channel and the procedure for managing the offences or suspected offences that may have been disclosed are permanently available on the corporate website and encompass the verification of possible breaches of the CAF Group's Corporate Governance System in general and, in particular, (i) the CAF Group's Code of Conduct and any other breaches of internal rules or legislation regarding (ii) Crime Prevention, (iii) Competition Law, or (iv) Market Abuse and the handling of Insider Information.

The general whistleblowing channel accepts communications of all types and is always accessible through the Group's website in the main languages used at corporate level. The channel guarantees confidentiality and the aforementioned procedure envisages cases in which communications can be made anonymously, respecting the rights of the complainant and the respondent. In particular, the procedure reflects the CAF Group's commitment not to take any direct or indirect retaliatory measures against the professionals who have reported an irregular action that might be investigated, unless they have acted in bad faith.

The Compliance Function also coordinates matters with the person responsible for receiving complaints through other special channels which affect CAF employees, such as those related to possible instances of discrimination, harassment, bullying or safety at work.

In the event that any of the queries received on the application of internal regulations in the area of Compliance matters are of a whistleblowing nature, they will be handled as such, regardless of whether or not they have been received through the general whistleblowing channel.

In 2022, the complaints mailbox was permanently monitored and a periodic check of its proper functioning was carried out, with seven formal complaints registered through CAF's general complaints channel and 2 through the special workplace whistleblowing channels.

All the complaints received were investigated internally and actions were carried out in all cases. Issues from previous years were also monitored.

Further details are provided in Section 2.3 of the Non-Financial Information Statement - Sustainability Report included in the management report.

· Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The Group has a corporate training budget and a training plans are designed at least every two years. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan. In addition, refresher courses taught by external specialists are held at least on an annual basis so as to ensure staff remain up to date on regulatory changes that can affect the preparation of the financial statements and webinars presented by experts on the matter are attended.

It is important to note that the recommendations issued by regulatory bodies such as ESMA and CNMV are also reviewed annually when drawing up the financial statements, with a focus on regulatory developments and other key economic circumstances and events.

The main indicators in relation to CAF, SA's economic and financial training programmes to support the various business units in 2022 are as follows:

- Number of participants in these training actions: 653
- Number of training hours received: 15,641 hours

It should be noted that in the 2022 financial year, a significant number of training hours for workers related to the new ERP being implemented.

Apart from broad-based training, the main training activities are focused on the technical updates within the economic and financial area, (legislation, tax scheme, risks, ...).

F.2. Assessment of risks in financial reporting

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:

· Whether the process exists and is documented.

Identification of risks in relation to financial reporting is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the task of drawing up the bid and enables the identification and management of the various risks to which the Group is exposed during its normal course of business.

· Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

At the beginning of each year, supported by projected financial information, the main control objectives and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business units and meetings to review the financial information reported by the subsidiaries.

· The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

At least on a quarterly basis, the Legal Department sends the Financial Department the Group's company organisation chart, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Financial Department.

· Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process takes into account all risks identifiable insofar as they affect the financial statements.

· The governing body within the company that supervises the process.

The Audit Committee is the body responsible for overseeing the regulated financial and related non-financial information preparation process and presentation, which includes the risk identification process.

F.3. Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Certification of financial statements: The financial statements are certified by the Chief Executive Officer and the Chief Financial Officer. Prior to that, the information used to draw up the statements will have been validated by the senior employees involved in preparing the statements and control activities will have been carried out to minimise the risks of any error that may affect the financial reporting process.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

Consolidation and Reporting
Accounting Close
Remuneration of employed personnel
Treasury Management
Recognition of Income, Billing and Customers (for each type of activity)
Inventories and purchases (for each type of activity)
Investments
Taxes
Provisions
Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is designated to implement and oversee each control activity, ensure that it is carried out in due course and gather all evidence needed to carry out the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

The Management of Information and Communication Technologies (ICT) is a corporate process that falls under the CAF Group's Management Model. Its mission is to provide and manage services, supporting the Group's information technology and communication needs in any of the areas of business activity, enhancing the use of these technologies and providing an efficient and effective management over the available resources, ensuring confidentiality, integrity, availability and assurances over the information.

The objectives of this process are to:

Comply with the Corporate ICT development plan

Ensure the availability of information systems (availability)

Guarantee the security (confidentiality and integrity) of Information Systems

Promote the standardisation of systems

Improve the level of satisfaction of users of ICT systems Develop the ICT

corporate framework

The ICFR includes control activities that monitor the proper performance of the processes of Information Systems, in relation to:

Information Technology management

User management

Configuration management

Physical security management

Change management

Operational management and system control

Continuity management

Third-party management

Further highlights include the Information Security Management System (ISMS) that has been in place since 2017 in accordance with ISO 27001. The system has been certified since 2018 and was renewed in 2022 for the information systems managed by the Corporate Digital Department that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

F.3.3 Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, SA subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing the financial statements.

Likewise, according to the existing delegation of authority matrix, the hiring of independent experts to carry out significant calculations or valuations must be approved by the corporate Financial Department, to guarantee the suitability of the expert.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2022, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 Business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

F.4. Information and communication

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

CAF, SA's Financial Department is responsible for preparing the consolidated financial statements as well as the Parent Company's financial statements. Its tasks include the resolution of accounting queries for the rest of the Group companies with which the Company has a direct and fluid relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual.

The Manual is available on CAF's internal portal.

F.4.2 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR system

Every year a schedule is drawn up of the information required to prepare the financial information for the following fiscal year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Economic-Financial Department, through a web-based tool with consistent reporting formats. The tool is used to gather the information supporting the consolidated financial statements, as well as the consolidated information contained in the notes to the financial statements, and which is used to aggregate and consolidate the information reported.

CAF, S.A.'s Financial Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

F.5. Supervision of the functioning of the system

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as overseeing the proper internal control risk management systems, including ICFR. Likewise, the Committee ensures that the information published on the Company's website is constantly updated and reflects the information prepared by the Board of Directors, which has been published on the CNMV's website.

The Audit Committee ensures the staff involved in the ICFR:

- Act with integrity and are independent in the performance of their work, thus ensuring that their conclusions are objective and impartial.
- Are competent and possess the necessary technical expertise to perform their work diligently.

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the design and operation of the ICFR.

Each year, the Manager of Internal Audit presents the internal audit activities to the Audit Committee for its approval, which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Head of Internal Audit reports periodically the Audit Committee on its conclusions, any weaknesses detected, recommendations for improvement and action plans to implement corrective measures. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2022 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Updating the financial information risk map in a process coordinated by the Financial Department. For this purpose, an analysis is made of whether, due to changes in the organisation, systems, business units and processes, variations should be included in the identification and evaluation of the main risks affecting financial information.

- Analytical review of the financial information submitted to the CNMV on a quarterly basis, together with the review of the execution of control activities in the accounting close and consolidation and reporting processes, including a review of the main judgements and estimates.

• Review of processes and subsidiaries according to a risk-based rotation plan. This review shall include relevant financial information risks and their key controls.

• Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and recommendations for further improvement.

• Annual report on ICFR indicators.

F.5.2 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Likewise, whether there is an action plan that tries to correct or mitigate the shortfalls observed.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. The Internal Audit manager attended six Audit Committee meetings in 2022, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

Meanwhile, the external auditor meets with the Audit Committee to present the conclusions of the audit work on the financial statements and to report any significant internal control weaknesses detected during the course of the audit, assessing their possible effects on the financial information. In this regard, there were no points that needed to be communicated.

In 2022, the external auditors appeared twice before the Audit Committee and met with the Board in the plenary session held on 20 December 2022.

F.6. Other relevant information

F.7. External auditor's report

Report:

F.7.1 Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The external auditor’s report regarding the financial information internal control system (ICFR) is attached hereto as an annex.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company’s degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company´s conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

   Complies [X]   Explain [ ]

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

   a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   Complies [ ]   Complies partially [ ]   Explain [ ]   Not applicable [X]

3. That, during the ordinary General Shareholders’ Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

   a) Changes that have occurred since the last General Shareholders’ Meeting.

   b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

   Complies [X]   Complies partially [ ]   Explain [ ]

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

   And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

   Complies [X]   Complies partially [ ]   Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

   And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

   Complies [X]   Complies partially [ ]   Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

   a) Report on the auditor's independence.

   b) Reports on the functioning of the audit and nomination and remuneration committees.

   c) Report by the audit committee on related party transactions.

   Complies [X]   Complies partially [ ]   Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

   And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

   Complies [X]   Complies partially [ ]   Explain [ ]

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies [X]   Complies partially [ ]   Explain [ ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X]   Complies partially [ ]   Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [ ]   Complies partially [ ]   Explain [ ]   Not applicable [X]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [ ]   Complies partially [ ]   Explain [ ]   Not applicable [X]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X]   Complies partially [ ]   Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X]   Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [X]   Complies partially [ ]   Explain [ ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [ ] Complies partially [X] Explain [ ]

The number of external directors (independent, proprietary and other external) constitutes a large majority on the Board of Directors. Likewise, the number of executive directors is considered to be the required minimum, taking into account the complexity of the group and the percentage of equity participation of these directors in the Company's capital.

In mid 2022, the percentage of female directors, which stood at 36.36%, was reduced as a result of the vacancy generated on the Board on 11 June, to stand at 30% of total members at the end of the year.

However, the Company intends to strengthen the balance and diversity of this body as a whole, in accordance with the best Good Governance practices, and restore the situation existing at the beginning of the financial year under review as rapidly as possible.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explain [ ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company’s share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [ ] Explain [X]

As a consequence of the existing vacancy on the Board, the percentage of independent directors on the Board, which until 11 June was 36.36%, decreased to slightly below the recommended figure, to stand at 30% of total members at the end of the year.

However, as explained in previous sections of this report, the Board of Directors intends to restore the composition of the body that existed at the beginning of the financial year under review, adopting the necessary measures to ensure the recommended proportions are observed as rapidly as possible.

18. That companies should publish the following information on its directors on their website, and keep it up to date:

    a) Professional profile and biography.

    b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

    c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

    d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.

    e) Company shares and share options that they own.

    Complies [X]   Complies partially [ ]   Explain [ ]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

    Complies [ ]   Complies partially [ ]   Explain [ ]   Not applicable [X]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

    Complies [X]   Complies partially [ ]   Explain [ ]   Not applicable [ ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [X]　　Explain [ ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies [X]　　Complies partially [ ]　　Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [X]　　Complies partially [ ]　　Explain [ ]　　Not applicable [ ]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

    And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

    Complies [X]   Complies partially [ ]   Explain [ ]   Not applicable [ ]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

    And that the Board regulations establish the maximum number of company Boards on which directors may sit.

    Complies [X]   Complies partially [ ]   Explain [ ]

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

    Complies [X]   Complies partially [ ]   Explain [ ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

    Complies [X]   Complies partially [ ]   Explain [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

    Complies [X]   Complies partially [ ]   Explain [ ]   Not applicable [ ]

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

    Complies [X]   Complies partially [ ]   Explain [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [X] Explain [ ] Not applicable [ ]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [X] Complies partially [ ] Explain [ ]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explain [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [ ] Explain [ ]

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [X] Explain [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity in the composition and skills of the Board of Directors.

d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [X] Complies partially [ ] Explain [ ]

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [X] Complies partially [ ] Explain [ ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X]　　Complies partially [ ]　　Explain [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [X]　　Complies partially [ ]　　Explain [ ]　　Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following functions:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor’s independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor’s business, and, in general, all other rules regarding auditors' independence.

Complies [X] Complies partially [ ] Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [X] Complies partially [ ] Explain [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.

e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [X] Complies partially [ ] Explain [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [X] Complies partially [ ] Explain [ ]

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [X]   Complies partially [ ]   Explain [ ]

48. That large-cap companies have separate nomination and remuneration committees.

Complies [ ]   Explain [ ]   Not applicable [X]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [X]   Complies partially [ ]   Explain [ ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [X]   Complies partially [ ]   Explain [ ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X]   Complies partially [ ]   Explain [ ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) That they be composed exclusively of non-executive directors, with a majority of independent directors.

b) That their chairpersons be independent directors.

c) That the Board of Directors selects members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discusses their proposals and reports; and requires them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

Complies [X]   Complies partially [ ]   Explain [ ]   Not applicable [ ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee is made up solely of non-executive directors, the majority of whom are independent and specifically assigned the minimum functions indicated in the following recommendation.

Complies [X]   Complies partially [ ]   Explain [ ]

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company’s internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company’s corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X] Complies partially [ ] Explain [ ]

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct

b) Means or systems for monitoring compliance with these policies, their associated risks, and management.

c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.

d) Channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [ ] Explain [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X] Explain [ ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [X]   Complies partially [ ]   Explain [ ]

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.

b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.

c) They are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period
long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies [X]   Complies partially [ ]   Explain [ ]   Not applicable [ ]

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [X]   Complies partially [ ]   Explain [ ]   Not applicable [ ]

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor’s report and that would diminish said results.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [ ] Complies partially [ ] Explain [X] Not applicable [ ]

The Company's Remuneration Policy does not provide for the possibility of establishing a variable remuneration system that is linked to the delivery of shares or financial instruments pegged to their value.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

H. OTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

   Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

The Company adhered to the UN Global Compact on 4 December 2020. C1.16 (continued)

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration. The nominations of the directors shall be effective as soon as they are accepted (Article 29 of the Company's Bylaws). Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Article 30 of the Company's Bylaws).

In relation to the dismissal of Directors, the Regulations of the Board establish the cases in which Directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign (see Section C.1.19 of this Report).

The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time the corresponding measures are implemented. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the Company's Bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the General Shareholders' Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Regulations of the Board of Directors).

C1.30 (continued)

Mechanisms to preserve the independence of financial analysts, investment banks and rating agencies:
The principles underpinning the Company's relationship with analysts, investment banks and rating agencies are set out in the General Policy on Communication of Economic-Financial, Non-Financial and Corporate Information and Contact with Shareholders, Institutional Investors and Proxy Advisors and are those of transparency, equal treatment and non-discrimination, truthfulness, and reliability of the information provided.

The "Investor Relations" Department, attached to the Company's Financial and Strategy Department, is responsible for channelling communication between the Company and shareholders, investors, asset managers, financial intermediaries and analysts who cover the analysis of CAF as a listed company, respecting in all cases the general principles established in the aforementioned Policy, which guarantees its objective, equitable and non-discriminatory treatment.

C2.1 (continued)

AUDIT COMMITTEE

In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Article 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all members of the Board of Directors (Article 9 of the Audit Committee Regulations).
The most relevant activities carried out by this Committee in 2022 are described in the Operating Report to be published at the time of the call for the General Shareholders' Meeting on the corporate website (www.caf.net). The most noteworthy include:

i. Financial and non-financial reporting and internal control mechanism activities
• Examination, prior to the presentation to the Board of Directors for formulation, of the financial statements and the individual and consolidated management reports of CAF, SA and the CAF Group, respectively, corresponding to the 2021 fiscal year.
• Examination, prior to their submission for approval by the Board of Directors, of the quarterly and half-yearly individual and consolidated financial statements.
• Review of the remaining information to be furnished to the markets and to supervisory bodies during the year.
ii. Related-party transaction activities.
Preparation of the mandatory report on related-party transactions subject to approval by the Board of Directors during the year.

iii. Risk management and control activities
• Ongoing evaluation of the ICFR system and analysis of the recommendations, and plans for improvement thereof, proposed by Internal Audit.
• Supervision of the Risk Management Unit receiving the direct report of the Corporate Head of the Risk Management Department, regarding the main risks and contingencies affecting the Company and its Group.
• Supervision of ESG risks, with the Company's Head of Sustainability speaking before the Committee.
• Supervision of the actions of the internal Corporate Tax Function, with the head of this area speaking before the Committee.
• Evaluation of all aspects related to the Company's non-financial risks.
• Monitoring compliance with internal codes of conduct and the whistleblowing channel.
iv. Internal audit-related activities:
• Direct and ongoing monitoring of the actions taken by the Company's internal audit area.
• Review of the Annual Report on Internal Audit Activities corresponding to the 2021 financial year, and approval of its Work Plan for the 2022 financial year.
• Evaluation of the functioning of Internal Audit and the performance of the head of this area.
v. External auditor-related activities:
• Analysis of the external auditor's reports on the individual and consolidated 2021 financial statements, as well as the limited review report on the 2022 half-yearly financial statements.
• Report on the independence of the external auditor, in relation to the audit of the 2021 financial statements.
• Approval of the proposal for non-audit services for the 2023 and its budget. Verification of the fees incurred for services contracted in 2022, according to the approved budget.
• Evaluation of the external auditor's conduct.
vi. Activities regarding financing:
Analysis of the proposed renewal of the annual commercial paper issuance programme on the Spanish Alternative Fixed Income Market (MARF), registered for the first time in December 2020, and proposed to the Board of Directors for its approval.
vii. Other activities:
• Proposal submitted to the Board of Directors for a contract to boost the liquidity of transactions and the regularity of the listing of the Company's shares.
• Preparation of the 2021 report on the functioning of the Audit Committee and the 2022 report on the Annual Performance Assessment.
• Monitoring of the activities of the Shareholder and Investor Relations Area (IR) during the year and its Activity Plan for 2022.
• Approval of an annual audit plan for 2023, which includes the annual schedule for Committee meetings with the external auditors.

NOMINATION AND REMUNERATION COMMITTEE:

The main activities performed by the Committee in 2022 included:
a. Appointment activities
• Presentation to the Board, for submission to the General Meeting: (i) the report on the re-election of three Directors in the "Other External" category, and (ii) the proposal to set the number of Board members at eleven.
• Review of the Board's competences matrix.
• Start of the selection process for a female independent Director.
b. Remuneration activities
• Submission of the proposed Directors' Remuneration Report for 2021 to the Board of Directors.
• Verification of compliance with the predetermined economic-financial and non-financial parameters for the accrual of the variable remuneration corresponding to 2021.
• Proposal to the Board of Directors on the variable remuneration of executive directors and Executive Committee members for 2022.
• Proposal to the Board on the allocation to the long-term savings scheme for the Executive Committee and executive directors, and its regulations. Subsequent proposal for partial modification of these regulations.

- Proposal to the Board to modify the Directors' Remuneration Policy.
- Proposal for allocations to the long-term savings scheme in 2022.
- Proposal for the remuneration of Directors and positions on the Board.

c. Corporate Governance and Sustainability activities

- Review of the following reports, corresponding to the 2021 financial year: Non-Financial Information Statement - Sustainability Report, Reports on the "Declaration of the Fight against Modern Slavery", corresponding to 2021, prior to its approval by the Board of Directors and signing by the CEO.
- Monitoring and assessment of the Corporate Governance System and the Sustainability Policy and Practices in 2022.
- Annual assessment of compliance with the Diversity and Director Selection Policy in 2022.

d. Other activities

- Report on the Functioning of the Nomination and Remuneration Committee in 2021.
- Monitoring of the renewal of the insurance policy for directors and senior managers.
- Report on the Annual Performance Assessment in 2022, as well as the Report on the Assessment of the Board and its Committees in the same year.
- Approval of the Committee's 2023 Activities Plan.
- Follow-up on topics of interest with CAF's Director of Human Resources.
- Report of the Director of Human Resources on Talent Management in the CAF Group.

D.1 (continued)

(ii) the internal procedure for reporting and regular monitoring of delegable related party transactions, as described below: The Chief Financial and Strategy Officer of the Company shall submit to the Audit Committee, through that committee's Secretary, a periodic report summarising the related party transactions whose approval has been delegated by the Board of Directors and which have been approved during the reporting period. This report must be issued as often as required so as to ensure that the Company complies with its legal obligations regarding related party transactions.
The report shall include at least the following:
(i) The number of transactions by type and related party.
(ii) The following information in respect of each related party transaction: type of transaction, amount or consideration of the transaction and market price ranges for similar transactions, related party to which the transaction relates and other relevant terms of the transaction.
(iii) Extent to which each transaction meets the requirements for approval by delegation.
(iv) A summary of the rationale for approving each transaction, focusing on the fairness and transparency of the transactions.
The Chief Financial and Strategy Officer of the Company shall establish the necessary resources and mechanisms to ensure a permanent supply of up to date information:

- A register of proposed related party transactions.
- A record of completed related party transactions, which shall necessarily include the status of the applicable thresholds for approval and publication of related party transactions.

The Secretary of the Board shall provide the Chief Financial and Strategy Officer with a list of persons related to the directors who are to be considered related parties of the Company for the purpose of applying the rules and regulations on related party transactions. (Article 8 of the Manual on Related Party Transactions).
Intragroup transactions which, due to their characteristics, qualify as related party transactions are managed in accordance with the terms of the Manual. For the approval of intragroup transactions, from the perspective of the subsidiaries referred to in Article 231 bis of the Spanish Corporate Enterprises Act, the provisions of the article above shall apply.

E.1 (continued)

In carrying out their functions, the Internal Audit and Risk Management departments have qualified and experienced personnel who are independent of the business units. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

Likewise, the Corporate Tax Policy expressly covers the basic principles regarding tax matters for the Group, including, to the fullest extent possible, the prevention and reduction of tax risks while carrying on its activities and maintaining a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

In the 2022 financial year, the focus is on further advancing the harmonised risk methodology in the area of occupational health and safety (OSH) and unifying the dynamics of risk management in the work area managed by Human Resources.

In addition, exhaustive work has been done on the preparation of the Climate Change Risks and Opportunities Methodology. This methodology is integrated into the CAF Group's Integrated Risk Control and Management System and has a consolidated scope for the organisation. The details of this new methodology are specified in the Non-Financial Information Statement - Sustainability Report.

Furthermore, in the area of occupational risk management, the unification of criteria of the single methodology for the entire Group has begun.

In addition, progress continued on the update of the Group's risk catalogue, and the methodology and management dynamics associated with each type of risk was improved.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 25/02/2021

24/02/2023

Indicate whether any director voted against or abstained in relation to the approval of this Report.

[ ] Yes
[√] No

Auditor´s report on the "Information Related to the System of Internal Control Over Financial Reporting (ICFR)" of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for the year 2022

Building a better working world

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AUDITOR´S REPORT ON THE "INFORMATION RELATED TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

Translation of a report and information originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Board of Directors of CONTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.:

In accordance with the request from the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter the Entity) and our engagement letter dated September 20, 2022, we have performed certain procedures on the "ICFR related information" attached in section F of the Annual Corporate Governance Report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., which summarizes the internal control procedures of the Entity in relation to the annual financial information.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR related information attached.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Entity in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of the entity´s internal control was to enable us to establish the nature, timing and extent of the audit procedures to be applied to the Entity´s financial statements. Therefore, our assessment of the internal control performed for the purposes of the audit of the financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively performed the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to Entity's annual financial information for 2022 described in the ICFR related information attached. Consequently, had we performed additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have come to our attention that would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures performed were as follows:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the model established by CNMV Circular nº 5/2013 dated June 12, 2013 and subsequent amendments, the most recent one being CNMV Circular 3/2021 of September 28, 2021 (hereinafter, the CNMV Circulars).

2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) Obtain an understanding of the process followed in its preparation; (ii) Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) Obtain information on whether the control procedures described are implemented and in use by the Entity.

3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.

4. Compare the information described in point 1 above with our knowledge of Entity's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.

5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.

6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures performed, no inconsistencies or issues were observed that might have an impact on ICFR related information.

This report was prepared exclusively within the framework of the requirements stipulated in article 540 of the Consolidated text of the Corporate Enterprises Act and CNMV Circulars on ICFR description in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

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The original signed in Spanish

February 24, 2023

14 ANNUAL REPORT ON DIRECTORS' REMUNERATION

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

The following English translation is provided by the Company for information purposes only and is based on the original official document in Spanish available on the Company's website (www.caf.net). In the event of any discrepancy between the English version and the original document in Spanish, the latter will prevail.

ISSUER'S PARTICULARS

End date of reference financial year: 31/12/2022

Tax Identification Number (CIF): A20001020

Company name:

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA

Registered office:

JOSE MIGUEL ITURRIOZ, 26 20200 BEASAIN (GUIPUZCOA)

A. THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the policy in force applicable to the current year relating to the remuneration of directors. If relevant, certain information may be included in relation to the remuneration policy approved by the shareholders at the Annual General Meeting, provided that the information included is clear, specific and precise.

The specific decisions for the current year should be described, both in relation to the remuneration of the directors in their capacity as such and for the discharge of executive functions by the Board in accordance with the provisions of the contracts signed with the executive directors and with the remuneration policy approved by the shareholders at the Annual General Meeting.

In any case, the following matters must be reported, at minimum:

a) Description of the company's procedures and bodies involved in determining, approving and applying the remuneration policy and the conditions thereof.

b) Indicate and, where applicable, explain whether any comparable companies were taken into account to establish the company's remuneration policy.

c) Information on whether any external advisor has participated and, if so, their identity.

d) Procedures considered in the director remuneration policy in force to apply temporary exceptions to the policy, conditions in which these exceptions can be applied and components that can be subject to exemption according to the policy.

* CAF's remuneration policy for 2023 was approved by the General Shareholders' Meeting held on 11 June 2022, following a proposal made by the Board of Directors dated 6 May 2022. The Board of Directors in turn formulated the proposal in light of the report and proposal issued by the Nomination and Remuneration Committee on the same date. It should be noted that the remuneration policy approved by the General Meeting is a continuation of the policy applied by CAF in previous years, although the changes and improvements indicated in Section A.2 have been included, and its content has been expanded pursuant to the recast text of Article 529 novodecies of the Spanish Corporate Enterprises Act. Likewise, as resolved by the General Meeting, the remuneration policy was applicable from the date of its approval (i.e. 11 June 2022) and for the remainder 2022 and remains in force for the following three years upon approval (for 2023, 2024 and 2025), without prejudice to any modifications, adaptations or updates that may be passed at any time at CAF's General Shareholders' Meeting.

* CAF's remuneration policy is based on the following principles and foundations:

1. General criteria

- in general, the aim is to meet market criteria, taking as a basis the remuneration established for directors of listed companies of a similar size or activity to those of CAF, in accordance with the public information furnished by those companies, as well as compliance with the principles of moderation and prudence;

- the remuneration system is based on the fundamental principle of attracting and retaining the best professionals, rewarding them according to their level of responsibility and professional career, based on internal fairness and external competitiveness;

- CAF also considers the remuneration system for its directors and executives as a fundamental factor that contributes to the business strategy, interests, sustainability and creation of long-term value for the Company, in particular to ensure that it corresponds to its results and an appropriate distribution of profits to shareholders; and

- in addition, CAF's remuneration system is adapted to applicable legislation and seeks to incorporate the standards and principles of generally accepted national and international best practices in matters of remuneration and good corporate governance at any given time, such as the provisions of the Code of Good Governance for Listed Companies approved by the Spanish National Securities Market Commission (CNMV) in 2015, which was most recently revised in June 2020.

2. External directors

- in the case of non-executive directors, the remuneration must be sufficient to compensate for their dedication, qualifications and responsibility;

- in the particular case of directors who are neither executive nor proprietary directors, this remuneration shall be set at a level that in no case compromises their independence of judgement; and

- the aim of the remuneration policy is to motivate and retain the most suitable professionals.

3. Executive directors

Specifically with regard to executive directors, the remuneration policy for the performance of their executive functions, other than supervision and collective decision-making, is based on the following premises:

- to offer them remuneration that makes it possible to attract, retain and motivate the most suitable professionals in order to enable the Company to meet its strategic objectives within the increasingly competitive and internationalised framework in which it carries on its activities; and

- to have a competitive overall remuneration level in relation to comparable entities in the industry.

In this respect, the remuneration policy approved by the General Shareholders' Meeting foresees the inclusion of variable remuneration items linked to the achievement of specific economic and financial objectives defined in the Strategic Plan, which are quantifiable and aligned with the Company's corporate interests and strategic objectives. Also, non-financial parameters should be set to promote sustainability and the creation of long-term value for the Company.

The Board of Directors, following a proposal by the Nomination and Remuneration Committee, is responsible for determining the amount of the variable remuneration, the parameters on which it is based, their weightings and the objectives at the beginning of each year, as well as assessing compliance with them once the year has ended.

* The remuneration items set out for 2023 resulting from application of the aforementioned general principles are generally aligned with those of other listed companies, using comparison criteria that include activities, size, turnover and market caps that are similar to those of CAF, as published in the 2021 Annual Report on Remuneration of Directors of Listed Companies, which is its most recent.

Continued in Section D.

A.1.2 Relative importance of the variable remuneration items with respect to fixed items (remuneration mix) and the criteria and objectives considered in order to establish these and ensure a suitable balance between the fixed and variable remuneration items. Specifically, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to adjust it to the company's long-term objectives, values and interests, which will include, where appropriate, a reference to: measures envisaged to ensure that the remuneration policy takes account of the long-term performance of the company, measures adopted in relation to those categories of personnel whose professional activities have a material impact on the entity's risk profile and measures envisaged to avoid conflicts of interest.

Also, indicate whether the company has established a vesting period for certain variable remuneration items, cash, shares or other financial instruments, or a period of deferral for the payment of amounts or the delivery of accrued and vested financial instruments, or whether agreement has been reached regarding any clauses to reduce unvested remuneration or which oblige the director to return remuneration received, whenever such remuneration was based on information manifestly proved to be inaccurate after it was initially paid.

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

In the case of non-executive directors, remuneration shall be set at a level that in no event would compromise their independence of judgement, as has been habitual practice in previous years.

As regards executive directors, in 2023, it is expected that variable components linked to performance criteria will continue to be included in the remuneration package, as indicated below, with a view to aligning their interests with those of the Company, as was the case in previous years.

These parameters shall be predetermined and defined in the Strategic Plan, and their level of achievement shall be checked by the Board of Directors once the definitive figures obtained at year-end are known. Also, it will be ensured that the amount of such variable remuneration is adequately balanced with the fixed components, in such a way that it offers an appropriate incentive without distorting its complementary nature with respect to the fixed amounts.

The parameters chosen to assess the level of compliance with the objectives and establish the variable remuneration of executive directors must be both economic/financial (such as contracting, sales, cash flow or PBT) and non-financial (such as customer satisfaction, the organisational health index, the result of the Ecovadis assessment, the CO2 emissions reduction indicator (Scope 1 & 2) or other ESG indicators that promote sustainability or CAF's corporate social responsibility).

The chosen parameters should reflect the short and long-term viability and sustainability of the CAF Group, either in line with the current accrual term for variable remuneration or because the achievement of these objectives, even when measured annually, have a medium and long-term impact on the Group's sustainability.

Additionally, the Board of Directors will assess the approval of a long-term incentive plan linked to the achievement of the Strategic Plan over a measurement period of four years.

However, the payment of variable remuneration is expected to be deferred in time for a minimum of two months after the end of the financial year, until compliance with the parameters linked to performance can be verified, to allow the Board of Directors to more efficiently measure the level of compliance with the objectives and assess whether any circumstances have arisen that make it advisable to reduce the variable remuneration to be received by the executive directors, such as a serious breach of their obligations, qualifications in the audit report or the need to restate the Company's financial statements. The Company may also require any variable remuneration that may have been paid out on the basis of inaccurate data to be returned.

As a result of all the foregoing, the Company considers that exposure to excessive risks is reduced and that the remuneration mix represents a balance between fixed and variable items and adheres to the Company's long-term objectives, values and interests.

A.1.3 Amount and nature of the fixed components that are due to be accrued during the year by the directors in their capacity as such.

In 2023 the components of the directors' remuneration for the performance of their corresponding duties is expected to include fixed remuneration for membership of the Board, remuneration for serving on Committees, and remuneration for attending Board meetings, and pursuant to the provisions of Section 3.1.4 of the remuneration policy, an additional fixed amount will be paid to directors who perform other functions or responsibilities.

At the date of preparation of this report, an estimate of the total amount of the fixed items in 2023 was not available.

No other benefits, such as advances or credits, are expected.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

At the date of this report, the Company has two executive directors: the CEO and the secretary of the Board of Directors. Both directors, in addition to the remuneration earned in their capacity as such, receive remuneration in the form of wages and life insurance policies.

There are no other benefits, such as advances or loans.

At the date of preparation of this report, an estimate of the total amount of the fixed items in 2023 for the performance of senior executive functions of the executive directors was not available.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Company has not agreed to pay any remuneration in kind to its directors, except for life insurance for executive directors.

Although an estimate of the total amount of the insurance premiums to be paid in 2023 cannot currently be provided, no substantial changes are envisaged with respect to the amounts paid in 2022.

A.1.6 Amount and nature of the variable items, differentiating between short-term and long-term. Financial and non-financial parameters, with the latter including social, environmental and climate change parameters, selected to determine the variable remuneration in the current year; an explanation of to what extent such parameters relate to performance, both of the director and of the entity, and to the related risk profile; and the methodology and timeframe required, as well as the techniques envisaged, to be able to determine at year-end the effective degree of achievement of the parameters used in designing the variable remuneration, explaining the criteria and factors applied in terms of the time required and the methods used to check whether the performance or any other type of conditions to which the accrual and vesting of each variable remuneration item were linked have been met.

Indicate the monetary range of the various variable items based on the level of achievement of the established objectives and parameters, and whether there is any maximum monetary amount in absolute terms.

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

For executive directors, variable components linked to performance criteria are expected to be included in the remuneration package in 2023, with a view to aligning their interests with those of the Company, as was the case in previous years.

These variable items are expected to be similar to those already included in previous years, both with respect to the benchmark parameters, which will be preset and defined in the Strategic Plan, and their performance-related nature and the way in which these are verified, and to the possibility that the Company may claim the return of any variable remuneration that may have been paid on the basis of inaccurate information.

The chosen parameters should reflect the short and long-term viability and sustainability of the CAF Group, either in line with the current accrual term for variable remuneration or because the achievement of these objectives, even when measured annually, has a medium and long-term impact on the Group's sustainability. These parameters must be both economic/financial (such as contracting, sales, cash flow or PBT) and non-financial (such as customer satisfaction, the organisational health index, the result of the Ecovadis assessment, the CO_2 emissions reduction index (Scope 1 & 2) or other ESG indicators that promote sustainability or CAF's corporate social responsibility).

The measurement of the degree of compliance with the objectives will be carried out on the basis of the annual financial statements and management report as of 31 December 2023, once formulated by the Board of Directors during the first quarter of 2024 (with regard to the "contracting", "sales", "PBT" and "cash flow" parameters), customer surveys (with regard to the "customer satisfaction" parameter), a questionnaire addressed to people in the organisation (with regard to the "organisational health index" parameter), the rating that the independent entity Ecovadis attributes to CAF (regarding the "results of the Ecovadis assessment" parameter), and the calculation of the Group's carbon footprint corresponding to Scope 1 and 2 for the year, a calculation that is later verified by an external entity (regarding the "CO_2 emissions reduction indicator (Scope 1 & 2) parameter").

Likewise, when setting the variable remuneration for executive directors, the variable component should not work against the best interests of the Group and its payment will be deferred in time for a minimum of two months from the end of the financial year, until compliance with the parameters linked to performance have been verified and an assessment made as to whether there are any circumstances that make it advisable to reduce the variable remuneration received by the executive directors, such as a serious breach of their obligations, qualifications in the audit report or the need to restate the Company's financial statements.

The variable remuneration received by executive directors may not exceed a maximum amount, although the maximum amount for 2023 has not been made available.

Additionally, the Board of Directors will assess the approval of a long-term incentive plan linked to the achievement of the Strategic Plan, whose parameters would be measured over a period of four years (2023-2026).

Overall, the Company considers that the remuneration system is aligned with its objectives, values and long-term interests.

A.1.7 Main characteristics of the long-term savings schemes. Among other information, the contingencies covered by the scheme will be indicated, as well as whether it involves defined contributions or benefits, the annual contribution that must be made to the defined contribution schemes, the benefits to which the beneficiaries are entitled in the case of defined benefit systems, the vesting conditions of the economic rights of the directors and its compatibility with any type of payment or indemnity for early termination or dismissal, or resulting from termination of the contractual relationship between the company and the director under the envisaged terms and conditions.

It should be indicated whether the accrual or vesting of any of the long-term savings plans is linked to the achievement of certain objectives or parameters related to the short-term and long-term performance of the director in question.

The Company has a long-term savings scheme in place for executive directors as part of its defined contribution scheme, which is compatible with other types of compensation. This scheme covers retirement, death, full permanent disability and severe disability.

The ordinary annual contributions are set by the Board of Directors following a proposal made by the Nomination and Remuneration Committee each year, in proportion with their pensionable salary. Extraordinary contributions may be made in accordance with CAF's Retirement Plan Regulations.

The accrual or vesting of the rights deriving from the long-term savings scheme is not linked to the achievement of objectives or parameters related to the short or long-term performance of the participants, but to the occurrence of the events provided for in the plan and in certain cases of termination of executive's employment or his or her business relationship with the Company.

The amount of the allocation to the long-term savings scheme for each of the executive directors in 2023 has not yet been made available.

A.1.8 Any other type of payment or indemnity for early termination or dismissal, or arising from termination of the contract between the Company and the director under the terms and conditions envisaged, whether the relationship is terminated by the Company or the director, and any type of agreements entered into, such as exclusivity, post-contractual non-compete and minimum-stay or loyalty agreements, that grant the director the right to receive any remuneration.

There are no termination benefits agreed upon or paid by the Company in the event of termination of the functions as director, except as indicated in the following section in relation to the CEO.

A.1.9 Indicate the conditions that must be respected in the contracts of those exercising senior management functions as executive directors. Among other matters, information will be provided on the duration, the limits on the amounts of termination benefits, minimum-stay clauses, notice periods, as well as payment in lieu of the aforementioned notice period, and any other clauses relating to hiring bonuses, as well as indemnities or golden parachute clauses for early termination or termination of the contractual relationship between
the Company and the executive director. Include, among others, non-compete, exclusivity, minimum-stay or loyalty and post-contractual non-compete clauses or agreements, unless they have been explained in the preceding section.

Pursuant to the system set out in Article 249 of the Capital Companies Law in relation to directors who perform executive functions following the delegation of powers by the Board or by any other nature, the Company entered into a commercial contract with the current CEO, who was appointed on 29 April 2021, effective 1 September 2021, for an indefinite duration and subject to the content indicated in said article.

This contract establishes compensation equivalent to two years of their fixed remuneration in the event of the termination of the CEO's contract (i) at the discretion of the Company and without any cause attributable to the director, or (ii) at the discretion of the CEO, if the decision was motivated by a serious, malicious breach on the part of the Company of the obligations assumed under the contract or in the event that there is a significant loss or amendment of their functions, powers or conditions without any cause attributable to the CEO.

Also, the contract expressly provides for non-compete and exclusivity obligations for the CEO for concurrent periods of two years following his removal from office.

The Company has another executive director (the secretary of the Board) without delegation of authority, whose relationship with the Company is by virtue of an employment contract and with whom no clauses or agreements of any type other than those provided under the standard employment regime have been established.

A.1.10 The nature and estimated amount of any other supplementary remuneration earned by the directors in the current year as consideration for services rendered other than those inherent to their position.

No supplementary remuneration is expected to be accrued to directors as consideration for services rendered other than those inherent to their position.

A.1.11 Other remuneration items such as any arising from the company granting advances, loans, guarantees and other remuneration to the directors.

The directors are not expected to receive any remuneration in the form of advances, loans or guarantees.

A.1.12 The nature and estimated amount of any other envisaged supplementary remuneration not included in the items above, whether settled by the entity or another group entity, that will be earned by the directors in the current year.

No additional items of remuneration are expected to exist in the current year.

A.2. Explain any significant change in the remuneration policy in force in the year arising from:

a) A new policy or a change to the policy already approved by the General Shareholders' Meeting.

b) Significant changes in the specific decisions established by the Board for the current year to which the remuneration policy in force refers, with respect to those applied in the previous year.

c) Proposals that the Board of Directors may have resolved to present to the General Shareholders' Meeting, to which this annual report will be submitted and which are to be applied in the current year.

As explained in the Annual Report on Directors' Remuneration for the previous year, Section 1 of the First Transitory Provision of Law 5/2021, of 12 April, amending the consolidated text of Spanish Corporate Enterprises Act, required listed companies to adapt their remuneration policy to the new Article 529 novodecies of this Act, to be submitted for approval at the first general meeting held after the entry into force of this amendment. As a consequence, the Ordinary General Shareholders' Meeting held on 11 June 2022 approved the amendment of the directors' remuneration policy, following a proposal from the Board of Directors dated 6 May 2022, formulated after the report and the proposal issued by the Nomination and Remuneration Committee on that same date had been considered.

It should be noted that the remuneration policy approved by the General Shareholders' Meeting was applicable from the date of its approval (i.e. 11 June 2022) and for the remainder of 2022 and will remain in force for the following three years following its approval (2023, 2024 and 2025), without prejudice to any modifications, adaptations or updates that may be passed any time by CAF's General Shareholders' Meeting.

The new remuneration policy is a continuation of the previous one, although the changes and improvements indicated below have been included, in addition to the aforementioned expansion of its content in accordance with the recast Article 529 novodecies of the Spanish Corporate Enterprises Act:

1. The inclusion of life insurance among the remuneration items for directors in their capacity as such, following the amendment to Article 39 of the Company's Bylaws approved at the General Meeting held on 5 June 2021.

2. The introduction of a long-term savings scheme for all executive directors.

3. Extending the non-financial parameters to which the accrual of variable remuneration is linked to include other ESG indicators that contribute to the long-term sustainability of the Company.

4. The inclusion of a more specific mention of the possibility to apply the "malus" clause before paying variable remuneration to executive directors.

5. Updating the annual fixed remuneration of the Chief Executive Officer.

As of the date of preparation of this report, the Board of Directors has not agreed to propose to the General Meeting any amendments applicable to the current year.

A.3. Identify the direct link to the document that contains the company's current remuneration policy, which should be available on the company's website.

https://www.caf.net/upload/accionista/politica-remuneraciones-consejeros-2022.pdf

A.4. Taking into consideration the information provided in Section B.4, explain the manner in which the shareholders' votes were taken into account at the General Meeting at which the annual remuneration report for the previous year was submitted for an advisory vote.

As the Annual Remuneration Report for 2021 was approved by an ample majority, the Company considered it appropriate to continue providing the same level of detail of information reflected therein.

B. GLOBAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED IN THE LAST FINANCIAL YEAR

B.1.1 Explain the process by which the remuneration policy was applied and the individual remuneration reflected in Section C of this report determined. This information will include the role of the remuneration committee, the decisions made by the Board of Directors and, where appropriate, the identity and role of the external advisors whose services were used to apply the remuneration policy in the last financial year.

This remuneration policy was approved by the General Shareholders' Meeting held on 11 June 2022, following a proposal by the Board of Directors dated 6 May 2022. The Board of Directors in turn formulated the proposal in light of the report and proposal issued by the Nomination and Remuneration Committee on the same date.

Furthermore, the Board establishes the various items of the Directors' remuneration package on the basis of the proposal made the Nomination and Remuneration Committee in each case, in accordance with the responsibilities assumed by each director and the functions they discharge.

The Board's remuneration package for 2022 was determined in the following manner:

(i) In the first quarter of 2022, the Nomination and Remuneration Committee submitted to the Board of Directors for approval the parameters on which the variable remuneration of executive directors would be based, as well as its maximum amount.

(ii) The Board of Directors then unanimously agreed on the proposal made by the Nomination and Remuneration Committee described above.

(iii) On 9 November 2022, the Nomination and Remuneration Committee resolved to submit to the Board of Directors a proposal for the ordinary and extraordinary allocations to the long-term savings scheme for executive directors, the aggregate amount of which is included in table a) iii) of Section C.1 of this report.

(iv) On 10 November 2022, the Board of Directors approved the proposal made by the Nomination and Remuneration Committee described above.

(v) On 20 December 2022, the Nomination and Remuneration Committee put forward a proposal to remunerate the positions of chairman and secretary of the Board, in view of their special functions and responsibilities, effective in 2022. On the same date, the Board of Directors approved the proposal received from the Nomination and Remuneration Committee in the terms set forth therein.

(vi) On 24 February 2023, the Board of Directors approved the final remuneration for executive directors for 2022, following the formulation of the 2022 annual financial statements and having assessed the levels of compliance with the parameters that had been proposed by the Nomination and Remuneration Committee and approved by the Board.

B.1.2 Explain any deviation in the procedure established for applying the remuneration policy during the year.

There have been no deviations from the procedure established for applying the remuneration policy during the year.

B.1.3 Indicate whether any temporary exception to the remuneration policy has been applied and, in such cases, explain the exceptional circumstances resulting in the application of these exceptions, the specific components of the remuneration policy affected and the reasons that the company believes that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its feasibility. Also quantify the impact of applying these exemptions on the remuneration of each director during the year.

No temporary exceptions to the remuneration policy were applied in 2022.

B.2. Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adjusting it to the objectives, values and long-term interests of the company, including a reference to the measures that have been adopted to guarantee that the remuneration accrued has taken into account the long-term results of the company and reached an adequate balance between the fixed and variable components of the remuneration, what measures have been adopted in relation to those categories of personnel whose activities professionals have a material repercussion on the entity's risk profile, and what measures have been adopted to avoid conflicts of interest, if any.

CAF's remuneration policy is primarily focused on market criteria and compliance with the principles of moderation and prudence.

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

As an example of this, in 2022 the directors did not receive any advances, guarantees or loans; nor did they receive any additional remuneration for belonging to the Boards of Directors or senior management of other Group companies.

In order to align the interests of the executive directors with those of the Company, variable items linked to professional performance were also included in their remuneration in 2022, as described in greater detail in Section B.7 above.

To ensure that the remuneration takes account of the Company's long-term performance, it was decided that variable remuneration should be linked to parameters associated with the achievement of specific economic/financial and business objectives defined in the Strategic Plan, which are quantifiable and aligned with the Company's corporate interests and strategic objectives in different areas (contracting, sales, PBT), and to adequate operational management (cash flow), as well as to three non-financial parameters (customer satisfaction, the organisation health index and result of the Ecovadis assessment) that are capable of creating long-term value.

The remuneration of directors who are neither executive nor proprietary directors is set at a level that in no case compromises their independence of judgement.

In view of the above, following an analysis of the publicly available information on the remuneration earned by the directors of companies comparable to CAF, it can be seen that the amounts received by the directors of CAF, generally speaking, stand at reasonable levels in relation to these companies.

As a result of all the foregoing, the Company considers that exposure to excessive risks is reduced and that the remuneration system in place meets the Company's long-term objectives, values and interests.

B.3. Explain how the remuneration accrued and consolidated in the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the sustainable and long-term performance of the company.

Also report on the relationship between the remuneration obtained by the directors and the results or other measures of performance, in the short and long term, of the entity, explaining, where appropriate, how the variations in the performance of the company may have influenced the variation in the remuneration of directors,
Including those accrued whose payment has been deferred, and how they contribute to the company's short and long-term results.

The remuneration accrued in 2022 fully complies with the provisions of the former director remuneration policy approved by CAF's Ordinary General Shareholders' Meeting held on 13 June 2020 and the new director remuneration policy approved by the CAF Ordinary General Shareholders' Meeting held on 11 June 2022, which entered into force that same day. Compliance with both policies is explained below:

(i) The remuneration accrued by directors in their capacity as such consisted solely of fixed remuneration for membership of the Board, remuneration for attendance of Board meetings, remuneration for belonging to the Committees and fixed remuneration for the Chairman and the Secretary of the Board in view of their special functions and responsibilities, while not exceeding the maximum figure established in Section 3.1 of both these policies.

(ii) In addition to the items mentioned in paragraph (i) above, the fixed remuneration of executive directors included the items provided for in Section 3.2 of both remuneration policies, and the quantitative limits set out therein have not been exceeded.

(iii) The variable remuneration of executive directors was linked to the achievement of specific financial objectives defined in the Strategic Plan, as provided for in Section 3.2.1. of CAF’s former remuneration policy and Section 3.2.2 of its new remuneration policy.

As regards the relationship between directors’ remuneration and the Company’s performance, the inclusion of variable items in the remuneration of executive directors has enabled such remuneration to be linked to performance criteria.

Although the accrual period for variable remuneration is one year, it contributes to obtaining results and the sustainable performance of the Company, both in the short and long term, given that (i) the achievement of objectives in on which it is based has an impact on the Group's performance both in the short term (as occurs with the level of cash flow or sales) and in the long term (as occurs with the level of contracting and sustainability indicators, such as customer satisfaction, the organisational health index and the results of the Ecovadis assessment), and (ii) due to the nature of CAF's business, attaining the objectives reflected in various parameters, such as the level of contracting or customer satisfaction, is a consequence of the dedication of resources and efforts over a significantly longer period of time.

For example, a contract awarded is the result of a tender process that, for the most part, lasts more than one year. This means that, despite the fact that the measurement of the objectives and the accrual of variable remuneration related to the volume of contracting are components that are verified annually, achieving the objective is the result of the dedication of resources and efforts over a considerably longer period of time.

Furthermore, most contracts signed by CAF tend to last more than three years, in the case of manufacturing and supply contracts, or even 15 years, in the case of maintenance contracts. This means that achieving the procurement volume target for a given year necessarily contributes to the medium and long-term sustainability of the Group, regardless of whether the target is measured on an annual basis, as signing a new contract involves a minimum two-year workload for the factories, thus generating positive effects for the Group in the future.

The case is similar when it comes to the level of customer satisfaction. This parameter is assessed by conducting surveys amongst Group customers. Given the long duration of CAF contracts, the assessment of customer satisfaction necessarily refers to the customer's continued relationship with CAF for a period of much more than one year. Therefore, although the objective is measured once per year, its achievement is the result of efforts extending over several years.

Furthermore, it should be noted that high customer satisfaction may result in contracts being extended (involving the manufacture and supply of additional train units) or a greater probability of being successful in future tender processes organised by the customer. All this means that the achievement of the objective set in relation to the level of customer satisfaction contributes significantly to improving the future prospects of the Group and, therefore, its sustainability in the medium and long term.

B.4. Report on the outcome of the advisory vote of the general meeting on the annual report on remuneration for the previous year, indicating the number of abstentions and “no” votes cast, blank votes and "yes" votes cast:

	Number	% of total
Votes cast	26,011,232	75.87

	Number	% of votes cast
"No" votes	8,528,097	32.79
"Yes" votes	15,648,939	60.16
Blank votes		0.00
Abstentions	1,834,196	7.05

Observations
The annual remuneration report was approved by a large majority of the votes cast, in line with previous years.

B.5. Explain how the fixed items earned and vested in the year by the directors in their capacity as such were determined, their relative proportion for each director and how they have changed with respect to the previous year.

The remuneration of the directors in their capacity as such comprises the following items: fixed remuneration for membership of the Board of Directors, remuneration for attendance of Board of Directors meetings, additional fixed remuneration for members of Committees and fixed remuneration for the Chairman and Secretary of the Board to compensate their special functions and responsibilities. Fixed components represent 100% of the remuneration for all directors in their capacity as such.

As described in Section B.1, in 2022 the Nomination and Remuneration Committee submitted a proposal to the Board of Directors to approve remuneration for the positions of Chairman and Secretary of the Board. The amount of the remaining items of fixed remuneration for directors in their capacity as such has not changed with respect to the previous year.

B.6. Explain how the salaries earned and vested in the last financial year by each of the executive directors for the performance of their management duties were determined and how they have changed with respect to the previous year.

As indicated in Section A.1.9, the Company has signed a contract for an indefinite term with the Chief Executive Officer, as approved by the Board of Directors. The other executive director, who has not been delegated powers by the Board, has an ordinary employment contract.

The salaries of the executive directors for 2022 are included in their respective contracts, with the amounts that appear in table a) i) of Section C.1 of this report.

There are no other benefits, such as advances or loans.

B.7. Explain the nature and main features of the variable items of the remuneration systems earned and vested in the last financial year.

In particular:

a) Identify each of the remuneration plans determining the variable remuneration earned by each of the directors in the last financial year, including information on the scope of the plan, its approval date, implementation date, vesting conditions, if any, accrual periods and periods of validity, criteria used to assess performance and how this has affected the establishment of the variable amount earned, as well as the measurement criteria used and the time required in order to be in a position to adequately measure all the stipulated conditions and criteria. Provide a detailed description of the criteria and factors applied with respect to the time required and the methods for verifying effective compliance with the performance-related conditions or conditions of any other kind to which the earning and vesting of each variable remuneration item was linked.

b) In the case of stock option plans and other financial instruments, the general features of each plan will include information on the conditions both for acquiring unconditional ownership (vesting) thereof, and for being able to exercise those options or financial instruments, including the price and period for the exercise thereof.

c) Each of the directors, and their category (executive directors, non-executive proprietary directors, non-executive independent directors or other non-executive directors), who are beneficiaries of remuneration systems or plans that include variable remuneration.

d) Where applicable, information shall be provided on the accrual periods or the periods of deferral of payment applied and/or the periods of retention/non-disposal of shares or other financial instruments, if any.

Explain the short-term variable items of the remuneration systems:

At its meeting held on 25 October 2017, the Board of Directors approved the inclusion of variable items in the remuneration of executive directors for 2018 onwards.

The specific parameters to which the variable remuneration for 2022 should be linked were established on the basis of a proposal made by the Nomination and Remuneration Committee in the first quarter and subsequently approved by the Board. The following parameters were defined, with an equal weighting for each executive director in the total variable remuneration: contracting volume (20%), sales volume (20%), profit before taxes (PBT) (30%), cash flow (15%), level of customer satisfaction, organisational health index and result of the Ecovadis assessment (15% jointly), in all cases at the consolidated Group level.

Contracting volume, sales volume, profit before tax (PBT) and cash flow are linked to the achievement of specific financial objectives established in the Strategic Plan. The remaining parameters, i.e. customer satisfaction, the organisational health index and the results of the Ecovadis assessment, are non-financial criteria that promote the creation of long-term value for the Company, and are also defined as objectives in the Strategic Plan.

A series of objectives were established for each parameter which, if achieved, enabled 100% of the variable remuneration to be obtained, up to a maximum limit. Minimum objectives were also established, which enabled 50% of the variable remuneration to be obtained. Failure to achieve those objectives meant that the variable remuneration associated with the parameter concerned was not earned. In the event that the minimum objectives were achieved but not the fixed objectives, variable remuneration of between 50% and 100% would be earned on a straight-line basis depending on the degree of achievement of the objectives.

In line with this scheme, the Nomination and Remuneration Committee proposed to establish a maximum limit for variable remuneration to be received by the Chief Executive Officer and the Secretary to the Board of Directors of EUR 150 thousand and EUR 85 thousand respectively. These maximum limits were approved by the Board.

The measurement of the level of compliance with objectives is carried out on the basis of the financial statements and management report as of 31 December 2022, once formulated by the Board of Directors during the first quarter of 2023 (for the parameters "contracting", "sales", "PBT" and "cash flow"), customer surveys (for "customer satisfaction"), a questionnaire addressed to people from the organisation (for the "organisational health index") and the rating that the independent entity Ecovadis attributes to CAF (for the parameter "results of the Ecovadis assessment"). The variable remuneration has an annual accrual period, based on the calendar year. However, as explained in greater detail in Section B.3, achieving the objectives for several parameters ("contracting" and "customer satisfaction", among others) can be attributed to the dedication of resources and efforts over a much longer period of time.

The payment of variable remuneration, if accrued, is deferred over time for a minimum of two months from the end of the financial year, so that the Board of Directors has sufficient time to verify the level of compliance with the objectives and assess whether there are any circumstances that make it advisable to reduce the variable remuneration to be received by executive directors. It was also envisaged that in the event of any error in the calculation of the variable remuneration or in the measurement of the level of achievement of the objectives, the executive directors would be required to return any excess remuneration that they had received.

The degree of achievement of the various parameters was assessed by the Board of Directors, at the proposal of the Nomination and Remuneration Committee, at its meeting held on 24 February 2023, the date on which the Board authorised the 2022 financial statements and management report for issue, and the level of achievement of the financial parameters was effectively verified. After this assessment, partial compliance with all objectives was confirmed, meaning that 68.9% of the maximum variable remuneration had been accrued and vested. Consequently, the Board established the amounts to be received by the executive directors as variable remuneration in 2022 that are set out in Section C.1, having also verified that no events had occurred that made it advisable to reduce said amount.

Explain the long-term variable items of the remuneration systems:

The variable remuneration of executive directors does not include items with an accrual period exceeding one year. However, although the accrual period for variable remuneration is one year, it contributes to obtaining results and the sustainable performance of the Company in the long term, for the reasons explained in Section B.3.

B.8. Indicate whether certain variable items earned were reduced or claimed back where, in the first case, the payment of unvested amounts was deferred, or, in the second case, the items had vested and been paid on the basis of information subsequently demonstrated. Describe the amounts that were reduced or reimbursed under reduction (malus) or reimbursement (clawback) clauses, why they were enforced and the years to which they relate.

To date, no variable component has been paid out nor has any variable component accrued and vested in 2022 been reduced or claimed back.

However, as confirmed by the Board of Directors at its meeting held on 24 February 2023, no events have occurred that make it advisable to reduce the amount accrued as variable remuneration, although the Company may request the return of variable remuneration paid out to executive directors in the event that the degree of achievement of the objectives had been calculated using data that is later demonstrated to be inaccurate.

B.9. Explain the main features of long-term savings schemes, the equivalent annual amount or cost of which is shown in the tables in Section C, including retirement and any other survivor's benefits, partially or totally financed by the company, whether internally or externally, indicating the type of plan, whether it is a defined-contribution or a defined-benefit plan, the conditions that it covers, the conditions for vesting the economic rights in favour of the directors and its compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the director.

As indicated in Section A.1.7, the Company has a long-term savings scheme in place for executive directors as part of its defined contribution scheme, which is compatible with other types of compensation. This scheme covers retirement, death, full permanent disability and severe disability.

The ordinary annual contributions are set by the Board of Directors following a proposal made by the Nomination and Remuneration Committee each year, in proportion to their pensionable salary. Further, in 2022 an extraordinary contribution was approved, taking into account, among others factors, the criteria of seniority in the position, in accordance with the provisions of CAF's Retirement Plan Regulations. The aggregate amount of the provision made in 2022 in favour of each of the executive directors is shown in table a) iii) of Section C.1 of this report.

The accrual or vesting of the rights deriving from the long-term savings scheme is not linked to the achievement of objectives or parameters related to the short or long-term performance of the participants, but to the occurrence of the events provided for in the plan and in certain cases of termination of executive's employment or his or her business relationship with the Company.

B.10. Explain any termination benefits or other payments arising from early retirement, whether prompted by the company or the director, or from termination of contract, in the terms provided therein, earned and/or received by the directors in the last financial year.

No directors earned or received any termination benefits or payment arising from early retirement or termination of contract in 2022.

B.11. Indicate whether there have been any significant amendments to the contracts of executive directors exercising senior management functions. Also, describe the main terms and conditions of the new contracts entered into with executive directors in the year, except as described in Section A.1.

In 2022, there were no significant changes to the contracts of the executive directors performing senior management functions, the main terms of which are described in Sections A.1.8 and A.1.9.

B.12. Explain any supplementary remuneration accrued to directors as consideration for services rendered other than those inherent to their position.

No supplementary remuneration has accrued to directors as consideration for services rendered other than those inherent to their position.

B.13. Explain any remuneration arising from the grant of advances, loans and guarantees, with an indication of the interest rates, main conditions and amounts repaid, as well as any obligations assumed on their behalf by way of guarantees.

The directors have not received any remuneration in the form of advances, loans or guarantees.

B.14. Detail the remuneration in kind accrued by the directors in the year and provide a brief description of the nature of the various salary items.

The Company has not agreed to pay any remuneration in kind to its directors, except for life insurance for executive directors.

B.15. Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's services in the company.

No remuneration has been accrued by any directors by virtue of the payments made by the Company to a third entity at which the director provides services.

B.16. Explain and provide details of the amounts accrued during the year in relation to any kind of compensation other than those listed above, of whatever nature and provenance within the group, including all provisions, regardless of their form, especially when it may be a related-party transaction or when its issuance would detract from a true and fair view of the total remuneration accrued by the director, providing an explanation of the amount awarded or pending payment, the nature of the consideration received and the reasons for them not being considered as director remuneration, where appropriate, for their performance of said role or as a consideration for their performance of their executive functions and whether it has been considered appropriate or not to include the amounts accrued in the “other items” heading in section C.

There are no additional remuneration items.

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	2022 accrual period
ANDRÉS ARIZKORRETA GARCÍA	Chairman Other External	From 01/01/2022 to 31/12/2022
JAVIER MARTÍNEZ OJINAGA	Executive director	From 01/01/2022 to 31/12/2022
MANUEL DOMÍNGUEZ DE LA MAZA	Proprietary director	From 01/01/2022 to 31/12/2022
JUAN JOSÉ ARRIETA SUDUPE	Other external director	From 01/01/2022 to 31/12/2022
LUIS MIGUEL ARCONADA ECHARRI	Other external director	From 01/01/2022 to 31/12/2022
IDOIA ZENARRUTZABEITIA BELDARRAIN	Proprietary director	From 01/01/2022 to 31/12/2022
MARTA BAZTARRICA LIZARBE	Executive director	From 01/01/2022 to 31/12/2022
CARMEN ALLO PÉREZ	Independent director	From 01/01/2022 to 31/12/2022
JULIÁN GRACIA PALACÍN	Independent director	From 01/01/2022 to 31/12/2022
ANE AGIRRE ROMARATE	Independent director	From 01/01/2022 to 11/06/2022
IGNACIO CAMARERO GARCÍA	Independent director	From 01/01/2022 to 31/12/2022

C.1. Complete the following tables regarding the individual remuneration of each of the director (including remuneration received for performing executive duties) accrued in the year.

a) Remuneration from the reporting company:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for belonging to Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2022	Total 2021
ANDRÉS ARIZKORRETA GARCÍA	160	40							200	533
JAVIER MARTÍNEZ OJINAGA	60	40		510	103				713	323
MANUEL DOMÍNGUEZ DE LA MAZA	60	40							100	100
JUAN JOSÉ ARRIETA SUDUPE	60	40	15						115	115
LUIS MIGUEL ARCONADA ECHARRI	60	40	15						115	115
IDOIA ZENARRUTZABEITIA BELDARRAIN	60	35							95	95
MARTA BAZTARRICA LIZARBE	110	40		225	59				434	340
CARMEN ALLO PÉREZ	60	40	15						115	115
JULIÁN GRACIA PALACÍN	60	40	15						115	115
ANE AGIRRE ROMARATE	30	20	8						58	115
IGNACIO CAMARERO GARCÍA	60	40	23						123	109

Observations

The fixed remuneration of Andrés Arizkorreta García and Marta Baztarrica Lizarbe includes the amount that these directors receive for exercising, respectively, their duties of Chairman and Secretary of the Board of Directors.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of the plan	Financial instruments at the beginning of 2022		Financial instruments granted in 2022		Financial instruments vested in the year				Matured instruments not exercised	Financial instruments at the end of 2022	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of (vested) shares	Price of vested shares	Gross earnings on vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	Equivalent no. of shares
No data												

Observations

There were no remuneration systems based on shares or financial instruments.

iii) Long-term saving schemes.

Name	Remuneration from vesting of rights to savings schemes
No data	

Name	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2022	2021	2022	2021	2022	2021	2022	2021
ANDRÉS ARIZKORRETA GARCÍA		1,300				5,130		

Name	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2022	2021	2022	2021	2022	2021	2022	2021
JAVIER MARTÍNEZ OJINAGA			204	200			404	200
MARTA BAZTARRICA LIZARBE			208				208	

Observations
As explained in the 2021 remuneration report, on 8 September 2021 Andrés Arizkorreta García fulfilled the conditions established in the collective long-term savings insurance subscribed by the Company in his favour, so that on said date both the contributions made in previous years and those made in 2021 were vested, and the plan was terminated on that date.

iv) Other items

Name	Concept	Remuneration amount
JAVIER MARTÍNEZ OJINAGA	Life insurance premiums	14

Observations

b) Remuneration accrued by directors of the listed company for sitting on the boards of other Group companies:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for belonging to Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2022	Total 2021
No data										

Observations
None earned.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of the plan	Financial instruments at the beginning of 2022		Financial instruments granted in 2022		Financial instruments vested in the year				Matured instruments not exercised	Financial instruments at the end of 2022	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of (vested) shares	Price of vested shares	Gross earnings on vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	Equivalent no. of shares
No data												

Observations

iii) Long-term saving schemes.

Name	Remuneration from vesting of rights to savings schemes
No data	

Name	Company's contribution for the year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with unvested economic rights		Savings schemes with vested economic rights		Savings schemes with unvested economic rights	
	2022	2021	2022	2021	2022	2021	2022	2021
No data								

Observations

iv) Other items

Name	Concept	Remuneration amount
No data		

Observations

c) Summary of remuneration (in thousands of euros):

The summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

	Remuneration accruing in the Company					Remuneration accruing in Group companies					
Name	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2022 - Company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2022 - Group	Total 2022 - Company + Group
ANDRÉS ARIZKORRETA GARCÍA	200				200						200
JAVIER MARTÍNEZ OJINAGA	713			14	727						727
MANUEL DOMÍNGUEZ DE LA MAZA	100				100						100
JUAN JOSÉ ARRIETA SUDUPE	115				115						115
LUIS MIGUEL ARCONADA ECHARRI	115				115						115
IDOIA ZENARRUTZABEITIA BELDARRAIN	95				95						95

Name	Remuneration accruing in the Company					Remuneration accruing in Group companies					Total 2022 - Company + Group
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2022 - Company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings schemes	Other items of remuneration	Total 2022 - Group	
MARTA BAZTARRICA LIZARBE	434				434						434
CARMEN ALLO PEREZ	115				115						115
JULIÁN GRACIA PALACIN	115				115						115
ANE AGIRRE ROMARATE	58				58						58
IGNACIO CAMARERO GARCÍA	123				123						123
TOTAL	2,183			14	2,197						2,197

Observations

C.2. State the evolution over the past five years of the amount and percentage variation in the remuneration accrued by each of the directors at the listed company that have served in the position during the year, the company's consolidated results and the average remuneration against an equivalent full-time base of company and subsidiary employees not considered directors of the listed company.

	Total amounts accrued and % annual variation								
	2022	% Change 2022/2021	2021	% Change 2021/2020	2020	% Change 2020/2019	2019	% Change 2019/2018	2018
Executive directors									
JAVIER MARTÍNEZ OJINAGA	727	120.30	330	202.75	109	-5.22	115	0.00	115
MARTA BAZTARRICA LIZARBE	434	27.65	340	35.46	251	-17.97	306	2.68	298
External directors									
ANDRÉS ARIZKORRETA GARCÍA	200	-96.48	5,683	203.09	1,875	-6.39	2,003	17.69	1,702
JUAN JOSÉ ARRIETA SUDUPE	115	0.00	115	-0.86	116	-10.77	130	0.00	130
LUIS MIGUEL ARCONADA ECHARRI	115	0.00	115	5.50	109	-5.22	115	0.00	115
CARMEN ALLO PÉREZ	115	0.00	115	5.50	109	-5.22	115	0.00	115
JULIÁN GRACIA PALACÍN	115	0.00	115	12.75	102	2.00	100	0.00	100
ANE AGIRRE ROMARATE	58	-49.57	115	10.58	104	-9.57	115	1.77	113
IGNACIO CAMARERO GARCÍA	123	12.84	109	14.74	95	90.00	50	-	0
IDOIA ZENARRUTZABEITIA BELDARRAIN	95	0.00	95	97.92	48	-	0	-	0
MANUEL DOMÍNGUEZ DE LA MAZA	100	0.00	100	108.33	48	-	0	-	0

	Total amounts accrued and % annual variation								
	2022	% Change 2022/2021	2021	% Change 2021/2020	2020	% Change 2020/2019	2019	% Change 2019/2018	2018
Consolidated results of the company									
	91,115	-29.82	129,832	164.55	49,077	-19.73	61,138	-24.12	80,575
Average employee remuneration									
	44	7.32	41	5.13	39	0.00	39	-2.50	40

Observations

Main changes 2022/2021:

• The 96% decrease in the total remuneration of Andrés Arizkorreta García is due to the fact that in 2021, he vested his rights to all the funds accumulated in his long-term savings scheme, which made his remuneration for that year significantly higher than usual, and because from 1 September 2021 onwards he no longer held the position of CEO, meaning that from that date he stopped receiving the salary and other remuneration items corresponding to said position, although he does receive additional remuneration as Chairman of the Board of Directors.
• The 120% increase in the total remuneration of Javier Martínez Ojinaga can be attributed to the fact that he held the position of Chief Executive Officer, which involves receiving the salary and variable remuneration corresponding to said position, for the whole year, while in 2021 he only that position from 1 September.
• The 27% increase in the total remuneration of Marta Baztarrica Lizarbe is due to the additional remuneration she received this year in her capacity as Secretary of the Board of Directors and the increase in her salary as director, with a lower variable remuneration.
• The 12% increase in the total remuneration of Ignacio Camarero García is because since June 2022 he has also been a member of the Nomination and Remuneration Committee, in addition to being part of the Audit Committee, a position that he already held in 2021.
• The 49% decrease in the total remuneration of Ane Agirre Romarate is due to the fact that her position as director expired on 11 June 2022, for which reason she only received the remuneration corresponding to the period between 1 January 2022 and that date.

The explanations for the main variations in the periods 2021/2020, 2020/2019 and 2019/2018 are detailed in the annual report on Directors' Remuneration for the year ended 31 December 2021.

D. OTHER INFORMATION OF INTEREST

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

A.1.1. (continued)

CAF has considered it advisable to approve a remuneration policy that takes into account the remuneration applied by comparable companies, using them as a reference when setting directors' remuneration, and at the same time taking into consideration the Company's commitment to its stakeholders.

* The Board determines the various items of the Directors' remuneration package on the basis of the proposal made in each case by the Nomination and Remuneration Committee, in accordance with the responsibility assumed by each director and the functions they discharge.

* No external advis0r participated in drawing up the remuneration policy.

* The current directors' remuneration policy does not contemplate the possibility of applying temporary exceptions to the policy; therefore, it does not include details of the procedures for applying these exceptions or the conditions under which they can be used.

This annual remuneration report was approved by the Company's Board of Directors at its meeting held on:

24/02/2023

Indicate whether any director voted against or abstained in relation to the approval of this Report.

[ ] Yes
[√] No

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR

ENDED 31

DECEMBER 2022

15 SEPARATE FINANCIAL STATEMENTS

The following English translation is provided by the Company for information purposes only and is based on the original official document in Spanish available on the Company's website (www.caf.net). In the event of any discrepancy between the English version and the original document in Spanish, the latter will prevail.

Construcciones y Auxiliar de Ferrocarriles, S.A.
Balance sheet at 31 December 2022 and 2021 (Thousands of Euros)

Assets	Note	31/12/22	31/12/21 (*)
Non-current assets:			
Intangible assets:	**6**		
Other intangible assets		78,948	62,325
		78,948	**62,325**
Property, plant and equipment	**7**	**89,686**	**90,648**
Non-current investments in Group companies and associates	**9**	**1,066,892**	**939,095**
Non-current financial assets	**8.a**	**19,668**	**40,657**
Deferred tax assets	**16.e**	**70,066**	**75,349**
Total Non-current assets		**1,325,260**	**1,208,074**
Current assets:			
Inventories	**11**	**103,828**	**124,842**
Trade and other receivables:			
Trade receivables for sales and services	12.a	1,409,948	1,066,722
Other receivables	12.b	22,809	27,069
Current tax assets		3,125	1,046
		1,435,882	**1,094,837**
Current investments in Group companies and associates	**10**	**64,541**	**113,334**
Current financial assets	**8.b**	**111,108**	**131,363**
Current prepayments and accrued income		**2,351**	**1,016**
Current hedging derivatives		**269,384**	**332,539**
Total Current assets		**1,987,094**	**1,797,931**
Total Assets		**3,312,354**	**3,006,005**

Equity and liabilities	Note	31/12/22	31/12/21 (*)
Equity:	**13**		
Shareholders' Equity			
Share capital:			
Registered share capital		10,319	10,319
		10,319	**10,319**
Share Premium		**11,863**	**11,863**
Reserves		**555,215**	**546,751**
Treasury shares and equity investments		**(1,292)**	**-**
Profit/(Loss) for the year		**62,956**	**47,768**
Interim dividend		**-**	**(13,712)**
		639,061	**602,989**
Valuation adjustments:	**15**		
Financial assets at fair value with changes in equity		183	197
Hedges		(179)	1,013
		4	**1,210**
Grants, donations and legacies received		**6,750**	**4,241**
Total Equity		**645,815**	**608,440**
Non-current liabilities:			
Non-current provisions	**17**	**5,842**	**1,074**
Non-current payables:	**14**		
Bank borrowings, debt instruments and other marketable securities		508,745	512,145
Other financial liabilities		17,441	52,398
		526,186	**564,543**
Non-current payables to Group companies and associates	**10**	**177,823**	**37,628**
Deferred tax liabilities	**16**	**2,233**	**1,903**
Total Non-current liabilities		**712,084**	**605,148**
Current liabilities:			
Current provisions	**17**	**213,702**	**193,535**
Current payables:	**14**		
Bank borrowings, debt instruments and other marketable securities		61,755	139,855
Other financial liabilities		14,600	72,174
		76,355	**212,029**
Current payables to Group companies and associates	**10**	**128,309**	**91,192**
Trade and other payables:			
Suppliers	10	659,025	549,265
Other payables	16	848,689	719,106
		1,507,714	**1,268,371**
Other current liabilities		**28,375**	**27,290**
Total Current liabilities		**1,954,455**	**1,792,417**
Total Equity and liabilities		**3,312,354**	**3,006,005**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the balance sheet as at 31 December 2022.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of profit or loss for the years ended 31 December 2022 and 2021

(Thousands of Euros)

	Note	(Debit) Credit	
		2022	**2021 (*)**
Continuing operations:			
Revenue	10 & 19.a	1,615,475	1,579,876
+/- Change in inventories of finished goods and work in progress		(471)	(57,154)
In-house work on non-current assets		673	287
Procurements	10 & 19.b	(1,063,322)	(982,213)
Other operating income	10	25,813	15,752
Staff costs	19.d	(314,371)	(297,933)
Other operating expenses	10, 17 and 19.e	(224,741)	(223,042)
Depreciation and amortisation charge	6 & 7	(27,827)	(27,977)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants	13.h	1,132	1,035
Impairment and gains or losses on disposals of non-current assets	6 & 7	1,901	(1,199)
Profit/(Loss) from operations		**14,262**	**7,432**
Finance income	8.9 & 10	86,592	62,278
Finance costs	10, 14 & 15	(25,728)	(19,853)
Changes in fair value of financial instruments	8.b	(3,911)	-
Exchange differences	18	3,362	2,740
Impairment and gains or losses on disposals of financial instruments	8 & 9	(9,234)	(3,692)
Financial profit/(loss)		**51,081**	**41,473**
Profit/(Loss) before tax		**65,343**	**48,905**
Current tax assets	16	(2,387)	(1,137)
Profit/(Loss) for the year from continuing operations		**62,956**	**47,768**
Profit/(Loss) for the year		**62,956**	**47,768**
Earnings per share (in euros)			
Basic		1,838	1,393
Diluted		1,838	1,393

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 24 are an integral part of the statement of profit or loss for 2022.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of comprehensive income for the years ended 31 December 2022 and 2021

(Thousands of Euros)

	Note	2022	2021 (*)
A) Profit/(Loss) for the year (per statement of profit or loss)		**62,956**	**47,768**
B) Income and expense recognised directly in equity		**(2,932)**	**(848)**
Arising from valuation of financial assets	8.a	(14)	(31)
Arising from cash flow hedges	15	(1,784)	1,183
Grants, donations and legacies received	13.h	4,433	1,641
Arising from actuarial gains and losses and other adjustments	17	(4,931)	(2,964)
Tax effect	16	(636)	(677)
C) Transfers to profit or loss		**(696)**	**(590)**
Arising from cash flow hedges	15	216	259
Grants, donations and legacies received	13.h	(1,132)	(1,035)
Tax effect	16	220	186
Total comprehensive income (A+B+C)		**59,328**	**46,330**

(*) Presented for comparison purposes only.
The accompanying notes 1 to 24 are an integral part of the statement of recognised income and expense for 2022.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of changes in total equity for the years ended 31 December 2022 and 2021 (Thousands of Euros)

	Shareholders' Equity						Valuation adjustments	Grants, donations and legacies received	Total equity
	Share capital	Share Premium	Reserves	Shares and equity investments	Profit/(Loss) for the year	Interim dividend			
Ending balance at 31 December 2020 (*)	**10,319**	**11,863**	**605,342**	**-**	**(49,137)**	**-**	**144**	**3,781**	**582,312**
Adjustments for change of criteria – 2021	**-**	**-**	**(6,443)**	**-**	**-**	**-**	**-**	**-**	**(6,443)**
Adjusted balance, 1 January 2021	**10,319**	**11,863**	**598,899**	**-**	**(49,137)**	**-**	**144**	**3,781**	**575,869**
Total comprehensive income	**-**	**-**	**(2,964)**	**-**	**47,768**	**-**	**1,066**	**460**	**46,330**
Transactions with shareholders or owners	**-**	**-**	**(49,184)**	**-**	**49,137**	**(13,712)**	**-**	**-**	**(13,759)**
Dividends distribution (Note 13.g)	-	-	-	-	-	(13,712)	-	-	(13,712)
Dividends distribution	-	-	(49,137)	-	49,137	-	-	-	-
Transactions with non-controlling shareholders	-	-	(47)	-	-	-	-	-	(47)
Ending balance at 31 December 2021 (*)	**10,319**	**11,863**	**546,751**	**-**	**47,768**	**(13,712)**	**1,210**	**4,241**	**608,440**
Total comprehensive income	**-**	**-**	**(4,931)**	**-**	**62,956**	**-**	**(1,206)**	**2,509**	**59,328**
Transactions with shareholders or owners	**-**	**-**	**13,395**	**(1,292)**	**(47,768)**	**13,712**	**-**	**-**	**(21,953)**
Dividends distribution (Note 13.g)	-	-	-	-	(34,281)	13,712	-	-	(20,569)
Distribution of profit/(loss)	-	-	13,487	-	(13,487)	-	-	-	-
Transactions in own shares (net) (Note 13.f)	-	-	(92)	(1,292)	-	-	-	-	(1,384)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-
Ending balance at 31 December 2022	**10,319**	**11,863**	**555,215**	**(1,292)**	**62,956**	**-**	**4**	**6,750**	**645,815**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 24 are an integral part of the statement of changes in total equity for 2022.

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Statement of cash flows for the years ended 31 December 2022 and 2021

(Thousands of Euros)

	Note	2022	2021 (*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**60,771**	**(39,913)**
Profit/(Loss) for the year before tax		**65,343**	**48,905**
Adjustments for:			
Depreciation and amortisation charge	6 & 7	27,827	27,977
Impairment losses	6	28	-
Changes in provisions	17	6,509	2,313
Recognition of grants in profit or loss	13	(1,132)	(1,035)
Gains/Losses on derecognition and disposal of non-current assets	7	(1,929)	1,199
Gains/Losses on derecognition of and valuation adjustments to financial instruments	8	9,234	3,375
Finance income		(86,592)	(62,278)
Finance costs		25,728	18,921
Other income and expenses		(1,818)	(744)
Changes in working capital			
Inventories		21,050	(36,477)
Trade and other receivables		(289,227)	(114,827)
Other current assets		(853)	(1,089)
Trade and other payables		170,761	26,111
Other current liabilities		20,167	49,476
Other non-current assets and liabilities		(6,033)	(3,386)
Other cash flows from operating activities			
Interest received/(paid)		(17,467)	(16,311)
Dividends received		121,342	17,237
Income tax recovered (paid)	16	(3,563)	720
Other proceeds/(payments)		1,396	-
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(183,574)**	**(35,344)**
Payments due to investment			
Group companies and associates	9 & 10	(157,620)	(48,896)
Intangible assets, property, plant and equipment and investment property	6 & 7	(44,244)	(20,253)
Other financial assets	8	(9,219)	(25,329)
Proceeds from disposal			
Group companies and associates	9 & 10	24,566	58,257
Intangible assets, property, plant and equipment and investment property	7	2,179	30
Other financial assets	8	764	847
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**62,130**	**6,346**
Proceeds and payments relating to equity instruments			
Acquisition of own equity instruments		(1,384)	-
Proceeds and payments relating to financial liability instruments			
Proceeds from debt instruments and other marketable securities	14	429,600	160,000
Proceeds from issue of bank borrowings	14	27,658	38,810
Proceeds from issue of borrowings from Group companies and associates	10	196,709	54,075
Proceeds from issue of other borrowings	14	2,692	1,168
Repayment of debt instruments and other marketable securities	14	(422,700)	(145,000)
Repayment of bank borrowings	14	(115,683)	(43,332)
Repayment of borrowings from Group companies and associates	10	(15,936)	(22,373)
Repayment and amortisation of other borrowings	14	(4,545)	(8,138)
Dividend payments and returns on other equity instruments paid			
Dividends	13	(34,281)	(28,864)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		**(2,482)**	**2,509**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(63,155)**	**(66,402)**
Cash and cash equivalents at beginning of year		332,539	398,941
Cash and cash equivalents at end of year		269,384	332,539

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 24 are an integral part of the statement of cash flows for 2022.

16 NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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Construcciones y Auxiliar de Ferrocarriles, S.A.

Notes to the financial statements
for the year ended 31 December 2022

1.- COMPANY ACTIVITIES

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Company") was incorporated in 1917 for an indefinite period of time in San Sebastián (Guipuzcoa). Its registered office is located at calle José Miguel Iturrioz 26, Beasain (Guipuzcoa) (Spain).

The Company did not change its name in the last financial year.

The Company's object is described in Article 2 of its Bylaws, which are available on the Company's website (www.caf.net).

The Company's main activity at present is the manufacture of railway equipment and its main centre of activity is Beasain (Gipuzkoa), Spain.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements of the CAF Group for 2022 were authorised for issue by the directors at the meeting of the Board of Directors held on 24 February 2023. The consolidated annual financial statements for 2021 were approved by the shareholders at the Annual General Meeting of Construcciones y Auxiliar de Ferrocarriles, S.A. on 11 June 2022 and filed at the Gipuzkoa Mercantile Registry.

2.- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Spanish Commercial Code and all other Spanish corporate law.

- The Spanish National Chart of Accounts (*Plan General de Contabilidad*) approved by Royal Decree 1514/2007, which has been modified by Royal Decree 1/2021, and its industry adaptations, in particular the industry adaptation for construction companies.

- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

- All other applicable Spanish accounting legislation.

b) Fair presentation

The accompanying financial statements for 2022, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations, changes in equity and cash flows for that year. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2021, which were formally prepared by the directors, were approved by the shareholders at the Annual General Meeting held on 11 June 2022.

c) Non-obligatory accounting principles applied and changes in accounting policies

No non-obligatory accounting principles were applied. The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

d) Use of estimates

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

Although these estimates were made on the basis of the best information available at 2022 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively (Notes 6, 7, 9, 11, 15, 16 and 17).

e) Comparative information

The information relating to 2022 contained in these notes to the financial statements is presented, for comparison purposes, with the information for 2021.

f) Grouping of items

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

g) Consolidated group and basis of consolidation

As indicated in Note 9, the Company has ownership interests in the share capital of other (unlisted) companies which are equal to or greater than 20%.

The Company's long-term investments in Group companies and associates are presented in accordance with the corporate legislation in force (Note 9). Consequently, the Company's financial statements for 2022 do not reflect the financial and equity changes arising from the application of consolidation methods to these ownership interests or to the transactions performed by them. These changes, which are significant, are however reflected in the CAF Group's consolidated financial statements for 2022.

The main aggregates in the consolidated financial statements of the CAF Group for 2022 and 2021, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as adopted by European Union Regulations, are as follows:

Consolidated financial statements 2022

	Thousands of Euros
Total Assets	**4,914,129**
Equity–	**788,325**
Of the Parent	775,919
Of non-controlling interests	12,406
Revenue	**3,165,470**
Profit/(Loss) for the year-	**54,864**
Of the Parent	52,188
Of non-controlling interests	2,676

Consolidated financial statements 2021

	Thousands of Euros
Total Assets	**4,269,894**
Equity–	**740,460**
Of the Parent	726,662
Of non-controlling interests	13,798
Revenue	**2,942,685**
Profit/(Loss) for the year-	**88,771**
Of the Parent	85,920
Of non-controlling interests	2,851

h) Correction of errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2021.

i) Climate change

The Group continues on the path towards the challenge of decarbonisation as one of the main pillars of its strategy, with a commitment to sustainable growth focused on the environment, and leading the transition towards zero net emissions mobility.

After adhering in 2021 to the alignment initiatives against climate change and with the Paris Agreement, SBTi (Science Based Targets Initiative) and Race to Zero, in 2022 the Group ratified this commitment by unveiling its new 2026 Strategic Plan. To succeed, it is seeking to decarbonise its products as one of the main milestones under the Innovation strategic pillar. Sustainability also remains one of its four strategic pillars.

In 2022, the CAF Group has defined short and long-term emission reduction targets, taking into account the SBTi methodology and using the carbon footprint calculations of previous years as a reference. As part of this process, it has expressed a clear commitment to becoming "Net Zero" by 2045.

In response to the reduction targets set and in order to promote strategies against climate change focused on reducing greenhouse gas (GHG) emissions and championing renewable energies, the Group has carried out various activities during 2022 within the "Zero Net Emissions" Initiative, which falls within the remit of the Sustainability Committee.

The main activities carried out during 2022 include the following:

- Calculation and external verification of the carbon footprint across the entire CAF Group, following the guidelines and approach of the GHG Protocol, IPCC, and the requirements set out in the ISO 14064:2018 standard.

- Completion of the CAF Group's first CDP (Carbon Disclosure Project) climate change report, achieving a score of "B".

- Expansion of the scope of sites consuming 100% renewable electricity with guarantee of origin (e.g. Solaris Bus & Coach and Euromaint Rail AB).

Likewise, the activities included in the CAF Group's "Net Zero Emissions" initiative will continue to be addressed throughout 2023. This process will mainly focus on the deployment of business reduction plans, in order to comply with the reduction targets set.

During the 2022 and 2021 financial years, and with the aim of responding to the development of actions to mitigate the risks and opportunities of climate change, work has been carried out to implement the corporate framework for the Management of Risks and Opportunities derived from the emerging risk of Climate Change. In doing so, the organisation has drawn on the recommendations of the Task Force on Climate related Financial Disclosures (TCFD), as well as other guidelines/supplements related to non-financial reporting of the European Commission.

The work that the Group carried out during 2022 in analysing risks and opportunities arising from climate change, as well as the process of measuring and setting targets to reduce greenhouse gas emissions, are described in chapter 5.2. "Climate strategy" of the Non-Financial Statement – Group Sustainability Report. Following the analysis of the most relevant risks and opportunities, no significant impact on the financial statements is expected.

j) Ukraine and macroeconomic situation

The Ukraine-Russia conflict adds a further element of uncertainty to the markets in which the Group operates, affecting various aspects such as the execution of long-term contracts and their monitoring, possible embargoes or sanctions on companies operating in those markets, or possible additional disruptions along the supply chain.

The Company has no assets in Russia and Ukraine and the volume of business conducted with these countries during financial year 2022 was immaterial.

Moreover, the increase in both inflation and interest rates in 2022 was duly considered in the assumptions used in the following cases: i) preparation of recoverability tests for non-financial assets, including goodwill, as well as the discount rates applied and the sensitivity analyses performed; ii) the updating of the value of actuarial obligations (Note 17); iii) the updating of budgets of contracts with customers, having reviewed and updated the cost of wages and raw materials (Note 12); and iv) the valuation of financial assets (Note 8).

3.- ACCOUNTING POLICIES

The principal accounting policies used by the Company in preparing its financial statements as at 31 December 2022 and 2021, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets

Computer software and development projects for which there are no doubts as to their technical and commercial success are measured at their acquisition cost (or, where appropriate, at their accumulated production cost applied in accordance with inventory measurement bases – Note 3.e). Computer software is amortised on a straight-line basis over five years from its acquisition. Development projects are amortised on a straight-line basis over 5 years from their acquisition or completion.

b) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 3.c. The acquisition cost was revalued pursuant to the related legislation, including Gipuzkoa Regulation 11/1996, of 5 December, Gipuzkoa Regulation 13/1991, of 13 December, and Gipuzkoa Regulation 1/2013, of 5 February (Note 13.c).

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work performed by the Company on its items of property, plant and equipment is recognised at the related accumulated production cost allocated in accordance with inventory measurement bases (Note 3.e).

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25-50
Plant and machinery	6-10
Other fixtures, tools and furniture	3-10
Other items of property, plant and equipment	10-20

In 2022 and 2021 the Company did not capitalise any borrowing costs to “Property, plant and equipment”, as it did not have any significant projects the construction period of which exceeded one year and it considered the attributable general-purpose borrowings to be very insignificant.

c) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

d) Financial instruments

Financial assets

The Company classifies all financial assets in one or other of the categories listed below:

1. Financial assets at amortised cost

This category includes financial assets that are held for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value and are subsequently measured at amortised cost.

The Company calculates a loss allowance for expected credit losses taking as a reference the expected losses in the next 12 months, unless the credit risk has increased significantly, in which case the Company calculates the loss allowance taking as a reference the expected life of the financial instrument.

The Company derecognises a financial asset when all the risks and rewards of ownership of the asset have been transferred to another entity or when the contractual rights to the cash flows from the asset expire.

2. Financial assets at fair value with changes in equity

Equity instruments that the Company has made the irrevocable election to classify as financial assets at fair value with changes in equity are recognised in this category.

The financial assets included in this category are initially recognised at fair value including any transaction costs. They are subsequently measured at fair value. Changes in fair value are recognised directly in equity until the financial asset is derecognised or impaired, whereupon the amount so recognised is taken to profit or loss. Accrued dividends are recorded under “Financial income” in the statement of profit or loss.

3. Financial assets at fair value through profit or loss

Assets that are originated or acquired for the purpose of selling them in the short term, are part of a portfolio of financial instruments identified and managed together for short-term gain, or financial instruments that are neither financial guarantee contracts nor designated as hedging instruments, are recognised in this category. They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given. Directly attributable transaction costs are recognised in profit or loss for the year. After initial recognition, the assets in this category are measured at fair value through profit or loss.

4. Financial assets at cost

These are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Financial liabilities

The Company classifies all financial liabilities in one or other of the following categories:

1. Financial liabilities at amortised cost

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate. The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

The Company arranged supplier payment management operations (reverse factoring) with various financial institutions for a total of EUR 47,289 thousand at 31 December 2022 (EUR 15,717 thousand at 31 December 2021). These trade liabilities whose settlement is managed by financial institutions are recognised under “Suppliers” and “Other payables” in the balance sheet as the Company has transferred only the handling of their payment to the financial institutions, but remains the primary obligor for payment of the debts to the trade creditors, with no change in maturity and no further financial guarantees granted.

Borrowings are recognised initially at fair value less the transaction costs incurred. They are subsequently measured at amortised cost, and any difference between the funds obtained (net of the costs required to obtain them) and the repayment value is recognised in the statement of profit or loss over the term to maturity of the debt using the effective interest method.

The Company derecognises financial liabilities only when the obligations giving rise to them are cancelled, eliminated or expire.

2. Financial liabilities at fair value through profit or loss.

The financial liabilities included in this category are initially measured at fair value. After initial recognition they are measured at fair value through profit or loss.

The Company derecognises financial liabilities only when the obligations giving rise to them are cancelled, eliminated or expire.

Derivative financial instruments

The Company uses these instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, it does so to hedge the foreign currency risk to which its project contracts, certain investments in investees and the financing received are exposed, and to hedge the interest rate risk arising from loan drawdowns (see Notes 5 and 15).

The fair value of the derivative financial instruments was calculated including the credit risk, the entity’s own credit risk for liability derivative financial instruments, and the counterparty’s credit risk for asset derivative financial instruments.

The Company reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i-e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is suitable documentation to evidence that the financial derivative was arranged specifically to hedge certain balances or transactions and how it was intended to achieve and measure the effectiveness of the hedge, provided that this was consistent with the Company’s risk management policy.

CAF has defined financial risk management objectives and policies which set forth, in writing, the policy in respect of the arrangement of derivatives and hedging strategy.

These financial instruments are initially recognised at acquisition cost. The changes in the fair value of the derivative financial instruments that were designated and effective as hedges are subsequently recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under “Changes in Fair Value of Financial Instruments” in the accompanying statement of profit or loss.

- In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under “Valuation Adjustments - Hedges”. This method is used by the Company for those projects in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction, and for interest rate hedges. To the extent that a highly probable transaction gives rise to firm commitments, the amounts previously recognised in equity are reclassified to profit or loss.

- In hedges of net investments in foreign operations, the gains or losses attributable to the effective portion of the hedging instrument are charged or credited to “Impairment and Gains or Losses on Disposals of Financial Instruments” in the statement of profit or loss, and are adjusted in the line item that includes the value of the investment by the portion of the hedge that meets the criteria to be considered effective.

The fair value of the derivative financial instruments was calculated including the Company's own credit risk and that of the counterparty (Note 15).

The measurement of financial assets and liabilities at fair value is broken down into levels according to the following hierarchy determined by measurement standard 9 of the Spanish Chart of Accounts:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

The breakdown of the Company's assets and liabilities measured at fair value according to the levels indicated above at 31 December 2022 and 2021 is as follows (in thousands of euros):

2022

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 8.a)	-	-	1,264	1,264
Derivatives (Note 15)	-	30,621	-	30,621
Other financial assets (Note 8.b)	89,695	-	-	89,695
Total Assets	**89,695**	**30,621**	**1,264**	**121,580**
Liabilities				
Derivatives (Note 15)	-	16,820	-	16,820
Other financial liabilities (Note 14)	-	-	4,793	4,793
Total liabilities	**-**	**16,820**	**4,793**	**21,613**

2021

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 8.a)	-	-	1,278	1,278
Derivatives (Note 15)	-	78,269	-	78,269
Other financial assets (Note 8.b)	86,077	-	-	86,077
Total Assets	**86,077**	**78,269**	**1,278**	**165,624**
Liabilities				
Derivatives (Note 15)	-	85,297	-	85,297
Other financial liabilities (Note 14)	-	-	5,060	5,060
Total liabilities	**-**	**85,297**	**5,060**	**90,357**

The fair value of the derivative financial instruments was calculated using mainly variables based on observable market data (year-end exchange rates and yield curves).

e) Measurement of inventories

Raw materials and other supplies and goods held for resale are measured at the lower of average acquisition cost or net realisable value.

Work in progress and finished and semi-finished goods are presented net of costs already settled as described in Note 3.f and are measured as follows:

- Materials and expenses allocated to each project: at the average acquisition or production cost.
- Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.
- For inventories that necessarily take a period of more than 12 months to become available for sale, the cost includes the related borrowing costs.

f) Recognition of revenue and profit

The Company's main sources of revenue are formalised through contracts and orders accepted by customers which may include, individually or in combination, the following goods and services which are identified as separate performance obligations:

- Supply of train fleet.
- Maintenance of the train fleet throughout its useful life (estimated at 25-30 years on average), or over shorter periods of time depending on the customer's maintenance strategy.

- Refurbishment of customer-owned trains.
- Civil works that include integrated engineering solutions for railway systems and infrastructure in general.
- Signalling systems.
- Sale of train equipment and components: wheelsets, reduction gearboxes and spare parts in general.

The main characteristics of each of these are described below, grouped according to how the performance obligations are met:

f.1) Performance obligations that are fulfilled over time:

Train construction

Revenues from performance obligations for the construction of trains relate to rolling stock and other items specifically negotiated with customers on the basis of mutually agreed technical terms and conditions through a prior specification sheet as part of an offer. The Company therefore designs and manufactures vehicles tailored to the individual needs of each customer. Along with the delivery of the trains, the same performance obligation being considered, it is customary to deliver what are known as fleet parts (or strategic spare parts) and equipment for the maintenance workshops so that the customer can ensure, at all times, the availability and uptime of all trains in operation.

Trains are built as soon as the contract is signed, starting with the design and ending with the contractually established warranty period, once the trains have been made available to the customer.

These obligations are met throughout the life of the contract, from signature to completion of the various agreed obligations, as the trains are built to the technical specifications agreed individually with each customer. Additionally, the contracts include cancellation clauses that provide for the right to be paid for the work completed to date.

The technical specifications of the trains, with specific designs to suit each customer's needs, making it more difficult to find an alternative use for the trains and equipment in the event of contract cancellation, as the Company would have to incur significant costs to adapt them to other customers, assuming they are not downright incompatible.

This type of performance obligation also includes a warranty period that is not a differentiated service, but is there to ensure the proper functioning of the trains. These are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Company operates. The Company estimates the related provision for future warranty claims based on historical information on warranty claims, as well as recent trends that may suggest that past cost information could differ from future claims.

This type of performance obligation usually takes more than a year to complete, and advance payments are often received from customers. Invoicing and payment schedules depend on the degree of performance of each project and invoicing milestones take place during the main phases of the projects (signing of the contract, approval of the design, launching of orders to suppliers, delivery of the first unit, mass delivery of units, delivery of warranty, etc.). In the initial stages of a project (contract signature, design approval, orders delivered to suppliers, delivery of initial units) it is common for billing milestones to exceed recognised revenues, while as the project progresses and moves into delivery phases, revenues typically exceed cumulative billing until the deliveries are made and the train warranty period ends and there is no longer any significant financing component to the project. In addition, the price introduces an element of variability and the customer may establish penalties depending on the fulfilment of delivery milestones, which may therefore modify the likely price of the transaction.

In this type of contract, it is common to include an option to purchase additional units, the price of which may vary depending on when the option is exercised. In this case, the Company identifies each set of units as a separate obligation, recognising the original contract and, if applicable, the option exercised separately.

For train construction contracts, the Company generally recognises revenue and profit for each contract based on the estimated measure of progress of the contract, calculated as a percentage of the number of hours assigned to the contract out of the total hours budgeted.

Once the projected profit or loss on each contract has been determined, the Company applies the following correcting coefficients to determine actual profit or loss and revenue:

- With a measure of progress of between 0% and 10%, no profit or revenue is recognised, in order to take into account the initial margin of uncertainty in the contracts in the long term.
- From 10% onwards, a percentage of profit and revenue equal to the percentage of contract completion is recognised.

Contracts for the construction of civil works, signalling and engineering services

In this type of performance obligation, the Company agrees upon an integral system solution with the customer; one that includes civil works and building, electrification, signalling, communications and other systems, which encompasses the preliminary design, supply management, construction and commissioning of both railway systems and infrastructure in general so as to provide a solution tailored to the specific needs of the customer.

These contracts include a warranty period that is not a differentiated service, but relates to the proper functioning of the construction or service. They are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Company operates. The Company has similar warranties in place with its main subcontractors and therefore no significant warranty provisions are recorded.

The term of these contracts is usually more than one year. In these cases, billing and payment schedules are pegged to the achievement of various project milestones and the degree of project completion and do not differ significantly from the revenues recognised. Therefore, there is no significant financing component.

Revenue and profit or loss on civil works, signalling and engineering services contracts are recognised by reference to the estimated measure of progress of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

The Company analyses for each contract the applicable regulatory framework for unilateral cancellations, in order to guarantee the right to be paid for the services rendered to date at a price that reflects the cost plus margin incurred.

Maintenance contracts

The Company provides maintenance services for trains and systems, on equipment delivered by both the Company and other manufacturers. The duration of maintenance contracts varies, depending on the customer's specific needs and maintenance strategy.

These revenues are established on the basis of fees that are negotiated in each contract, with revenues recognised over the life of the contract on the basis of the method that best reflects the percentage of progress made at the relevant time. In the case of multi-year projects with monthly invoicing where the resources used to render the service are linear, it is assumed that the invoicing is equivalent to revenues, in the absence of a significant financing component.

However, in those maintenance contracts where the resources to perform the service are not linear (mainly when major overhauls or repair work are required) the cost to be incurred in each of them is estimated and the income is from the billings is deferred to the periods in which the major repair work is to take place. The resulting difference is recorded as either non-current or current "Liabilities under contract", depending on whether the major repair work is expected to be performed within a period of more or less than 12 months, respectively.

f.2) Performance obligations that are fulfilled at a specific point in time

Wheelsets, spare parts and minor refurbishments

The Company sells other products such as assembled axles, wheels and reduction gearboxes for the railway market and other spare parts for rolling stock. It also provides refurbishment services upon the customer's request. In these cases, the Company recognises the revenue when the customer takes control of the asset and the performance obligation is fulfilled.

f.3) Common aspects

Potential losses on contracts are recognised in full when they become known or can be reliably estimated.

The Company only recognises income arising from claims or contract scope modifications once the customer has accepted the claim and there is evidence of such acceptance in the form of a contractual amendment or similar legal document.

Based on the revenues realised, the projected profit or loss on each contract and the measure of progress, inventories are derecognised with a charge to the related heading of the statement of profit or loss and with a credit to "Inventories" on the asset side of the balance sheet (Note 11).

Income from financial assets

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. Interest and dividends from financial assets accrued after the date of acquisition are recognised in the statement of profit or loss.

g) Customer advances and completed contract work

Unlike the method used to recognise revenue from contracts, the amounts billed to the customer are based on achievement of the milestones established in the contract. The difference between revenue recognised on each project (Note 3.f) and the amount billed for the project is recognised as follows:

- If the difference is positive, under “Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed” (deferred billings) (Note 11).

- If the difference is negative, under “Trade and Other Payables – Other Payables - Advances Received on Orders” (prebillings) (Note 11).

h) Foreign currency transactions and other obligations

The Company’s functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing (Note 18). Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise. Foreign currency transactions for which the Company decided to arrange financial derivatives in order to mitigate the foreign currency risk are recognised as described in Note 3.d.

i) Current/Non-current classification

Items are classified under “Current Assets” and “Current Liabilities” (prebillings, deferred billings and short-term provisions) which may be realised or settled in more than 12 months, since they form part of the Company’s normal operating cycle as established in the applicable legislation. Considering the items as a whole, the directors estimate that the current assets will be realised essentially in the short term and, in any event, the current liabilities to be settled in more than 12 months exceed the current assets that would be realised in more than 12 months (Notes 11 and 17).

j) Grants, donations and legacies

The Company accounts for grants, donations and legacies received as follows:

a) Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in equity and do not give rise to the recognition of any income (see Note 13.h).

b) Refundable grants: while they are refundable, they are recognised as a liability.

c) Grants related to income: grants related to income are credited to income when definitively granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to profit or loss in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred. The Company recognised income of EUR 1,790 thousand and EUR 1,177 thousand in 2022 and 2021, respectively, in this connection under “Other operating income” in the accompanying statement of profit or loss.

k) Current tax assets

The expense for income tax and other similar taxes are recognised in the statement of profit or loss, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets are recognised for tax loss and tax credit carryforwards and temporary differences to the extent that it is considered probable that there will be sufficient taxable profits in the future against which the deferred tax assets can be utilised, which at the Company are deemed to be those that will be earned in the period covered by its backlog.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

l) Leases

The Company classifies as finance leases, lease arrangements whereby the lessor transfers all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

In finance leases in which the Company acts as the lessor, at inception of the lease an account receivable is recognised equal to the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the interest rate implicit in the lease. The difference between the account receivable recognised and the amount to be received, which relates to unearned finance income, is allocated to profit or loss as earned using the effective interest method.

At 31 December 2022 and 2021, the Company had various outstanding operating leases for which it had recognised an expense of EUR 2,150 thousand and EUR 2,258 thousand in 2022 and 2021, with a charge to "Other operating expenses" in the accompanying statement of profit or loss. The Company expects to continue to lease these assets (principally equipment and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2022 amounted to EUR 3,962 thousand, of which EUR 1,268 thousand will fall due in 2023 (EUR 4,851 thousand, of which EUR 1,513 thousand were payable within one year at 31 December 2021).

Expenses arising in connection with leased properties and equipment are allocated to "Other Operating Expenses" in the statement of profit or loss over the term of the lease on an accrual basis.

m) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

n) Provisions and contingent liabilities

When identifying obligations, the Company distinguishes between:

- Provisions: a present obligation (legal or constructive) as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

- Contingent liability: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the Company's control; or possible obligations whose occurrence is unlikely or whose amount cannot be reliably estimated.

Provisions are recognised when it is probable that the obligation will have to be settled and the amount can be measured reliably. Contingent liabilities are not recognised and are only disclosed in the financial statements, except for those arising from business combinations.

Provisions are recognised on the basis of the best estimate of the expenditure that will be required to settle the present obligation at the reporting date. Provisions are fully or partially reversed when they cease to exist or when the obligations are reduced, respectively.

Provisions for guarantees are recognised when the significant risks and rewards of a project are transferred to the customer.

Expected losses on onerous contracts are recognised when the best estimate of total contract costs exceeds the expected contract revenue.

Provisions are discounted to reflect the present value of expected expenses where the effect of the time value of money is material.

4.- DISTRIBUTION OF EARNINGS

The proposed distribution of the profit for 2020 that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

Distribution	Thousands of Euros
Distributable profit	
Profit/(Loss) for the year	62,956
Distribution	
To dividends	29,481
Voluntary reserves	33,475

5.- FINANCIAL RISK MANAGEMENT

The Company is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives.

These risks include financial risks: market risk (inter alia: foreign currency risk, interest rate risk and commodity price risk), credit risk, liquidity risk and financing risk.

The financial risk management policy adopted by the Company focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the achievement of the Company's objectives.

The Company's Financial Department identifies, analyses, assesses and defines the treatment, and performs the monitoring and control, of the financial risks in accordance with General Risk Management and Control Policy and the specific financial risk management policies established by the Board of Directors.

a) Market risk

The Company manages market risk in accordance with the principles set out in the Market Risks Policy.

a.1) Cash flow and fair value interest rate risk

The interest rate risk arises from the possibility that changes may occur in the value of the Company's financial assets and liabilities as a result of the changes in market interest rates. In accordance with the policy, financing transactions are performed under appropriate cost, terms and risk terms and conditions, considering at all times optimal use of the various instruments and sources of financing. Specifically, the Group sets an objective, to the extent permitted by the markets, of maintaining a borrowing structure balanced between fixed and floating interest rates (usually Euribor) the goal of which is to maintain an adequate balance between the cost of financing and the risk of changes in interest rates.

At 31 December 2022, the Company had a liability exposure of EUR 217.9 million (31 December 2021: EUR 253.6 million) to changes in market interest rates and EUR 352.2 million (31 December 2021: EUR 397.5 million) to fixed rates (of which EUR 25 million was fixed through interest rate derivatives) (Notes 14 and 15).

Taking into consideration the balance at 31 December 2022 and 2021, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, and considering the hedging policies described above, the finance costs arising from the financial debt would have risen by approximately EUR 2,179 thousand and EUR 2,536 thousand, respectively.

According to the valuation performed by an independent expert, the fair value of the Company's fixed-rate debt would be EUR 23,000 thousand lower than its carrying amount at 31 December 2022 (31 December 2021: EUR 4,000 thousand lower).

a.2) Foreign currency risk

The Company operates internationally and is therefore exposed to exchange risk when carrying out transactions in foreign currency.

The foreign currency risk to which the Company is exposed as a result of its operations in the international sphere is managed in accordance with the Market Risk Policy, which envisages various strategies aimed at reducing that risk, such as, for example, the arrangement of financial or natural hedges, ongoing monitoring of exchange rate fluctuations and other complementary measures.

In line with the principles of this policy, as a general rule the Company transfers to third parties, provided that the cost is reasonable, the foreign currency risk associated with its contracts denominated in currencies other than the Company's functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various contracts entered into, so that the Company's results present fairly its industrial and services activity.

The impact on the statements of profit or loss for 2022 and 2021 of a 10% depreciation of the following currencies against the euro, considering the closing exchange rate at 31 December and the currency forwards arranged (Note 15), would be as follows:

	Thousands of Euros			
	2022		2021	
Currency	Exposure	Gain/ (Loss)	Exposure	Gain/ (Loss)
Brazilian real	29,187	(2,919)	22,255	(2,225)
Pound sterling	(19,904)	1,990	(3,588)	359
US dollar	(6,427)	643	(988)	99

At 31 December 2022 and 2021, the Company was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of CAF USA Inc., the exposure of which is hedged (Notes 9 and 15).

a.3) Commodity price risk

For the most significant commodities, the Company's orders are placed and prices closed when each new project commences. The risk of a rise in commodity prices having an adverse effect on the contractual margins is thus hedged.

b) Credit risk

The Company's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Company'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.

At 31 December 2022 and 2021, the Company had insured a portion of its accounts receivable from customers in certain countries abroad, taking into account the risk of each of them, through credit insurance policies (Note 12).

c) Liquidity and financing risk

As determined in the Liquidity and Financing Policy, management of liquidity and financing involves ensuring that the payment commitments arising from the obligations undertaken are met, optimising the financial structure and safeguarding adequate management of the Company's surpluses in the framework of its long-term strategy (Notes 8 and 14).

The Company manages liquidity and financing risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be in the same timeframe, which may result in financial resources being consumed.

- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.

- Maintaining a strong short-term liquidity position.

- Maintaining surplus undrawn credit balances.

6.- INTANGIBLE ASSETS

Changes in "Intangible assets" in the balance sheet in 2022 and 2021 were as follows:

2022

	Thousands of Euros			
	31/12/21	Additions or charge for the year	Disposals or reductions	31/12/22
Cost:				
Development	130,291	13,807	(20,813)	123,285
Computer software	41,735	19,125	-	60,860
Total cost	**172,026**	**32,932**	**(20,813)**	**184,145**
Accumulated amortisation:				
Development	81,698	12,169	(7,337)	86,530
Computer software	14,154	4,112	-	18,266
Total accumulated amortisation	**95,852**	**16,281**	**(7,337)**	**104,796**
Impairment:				
Development	13,849	28	(13,476)	401
Total impairment	**13,849**	**28**	**(13,476)**	**401**
Intangible assets, net	**62,325**	**16,623**	**-**	**78,948**

2021

	Thousands of Euros			
	31/12/20	Additions or charge for the year	Disposals or reductions	31/12/21
Cost:				
Development	141,954	7,148	(18,811)	130,291
Computer software	38,248	12,475	(8,988)	41,735
Total cost	**180,202**	**19,623**	**(27,799)**	**172,026**
Accumulated amortisation:				
Development	84,446	12,399	(15,147)	81,698
Computer software	19,524	3,618	(8,988)	14,154
Total accumulated amortisation	**103,970**	**16,017**	**(24,135)**	**95,852**
Impairment:				
Development	16,620	-	(2,771)	13,849
Total impairment	**16,620**	**-**	**(2,771)**	**13,849**
Intangible assets, net	**59,612**	**3,606**	**(893)**	**62,325**

Additions recognised as developments in 2022 relate to costs incurred in the development of new products, notably signalling systems with high levels of automation, driver assistance and automation functions for trains and trams, hydrogen and battery technologies as an alternative to diesel propulsion, and virtual validation, modelling and digital twin environments aimed at reducing costs, testing and lead times in bringing vehicles into service.

The Company began the process of implementing the new ERP system in 2019, and this project accounted for most of the additions to “Computer software” in 2020, 2021 and 2022. At 31 December 2022, the Company had investment commitments amounting to EUR 23,000 thousand, mainly for the new IT system, which is expected to be commissioned in 2023 (31 December 2021: investment commitments of EUR 31,373).

In 2022 the Company derecognised fully depreciated development projects (2021: loss of EUR 893 thousand).

Research and development expenditure incurred in 2022 and recognised in profit or loss amounted to EUR 1,661 thousand (2021: EUR 2,050 thousand).

At 31 December 2022, the Company had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 19,298 thousand (31 December 2021: EUR 35,483 thousand).

Impairment losses

In 2022, part of the provision was applied due to the derecognition of certain impaired intangible assets, for a total amount of EUR 13,476 thousand (2021: EUR 2,771 thousand). In addition, a provision of EUR 28 thousand was posted (no activity in 2021).

The directors have analysed the relevant indicators to assess whether there are any indications of impairment in the Company’s intangible assets at 31 December 2022 and believe that there are no indications of impairment.

7.- PROPERTY, PLANT AND EQUIPMENT

The changes in the years ended 31 December 2022 and 2021 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2022

	Thousands of Euros				
	31/12/21	Additions or charge for the year	Disposals or reductions	Transfers	31/12/22
Cost:					
Land	13,593	430	-	-	14,023
Buildings	157,499	2,612	(6,106)	-	154,005
Plant and machinery	236,421	3,004	(44,285)	-	195,140
Other fixtures, tools and furniture	17,173	1,901	(6,500)	-	12,574
Other items of property, plant and equipment	27,190	592	(5,716)	(36)	22,030
Constructions in progress	-	2,164	-	-	2,164
Total cost	**451,876**	**10,703**	**(62,607)**	**(36)**	**399,936**
Accumulated depreciation:					
Buildings	105,052	4,366	(6,080)	-	103,338
Plant and machinery	217,150	5,254	(43,355)	-	179,049
Other fixtures, tools and furniture	13,574	867	(6,500)	-	7,941
Other items of property, plant and equipment	24,004	1,059	(5,716)	-	19,347
Total accumulated depreciation	**359,780**	**11,546**	**(61,651)**	**-**	**309,675**
Impairment	**1,448**	**-**	**(873)**	**-**	**575**
Property, plant and equipment, net	**90,648**	**(843)**	**(83)**	**(36)**	**89,686**

2021

	Thousands of Euros				
	31/12/20	Additions or charge for the year	Disposals or reductions	Transfers	31/12/21
Cost:					
Land	13,576	17	-	-	13,593
Buildings	155,668	1,831	-	-	157,499
Plant and machinery	234,454	2,733	(766)	-	236,421
Other fixtures, tools and furniture	16,579	594	-	-	17,173
Other items of property, plant and equipment	26,539	712	(25)	(36)	27,190
Total cost	**446,816**	**5,887**	**(791)**	**(36)**	**451,876**
Accumulated depreciation:					
Buildings	100,615	4,437	-	-	105,052
Plant and machinery	212,322	5,558	(730)	-	217,150
Other fixtures, tools and furniture	12,750	824	-	-	13,574
Other items of property, plant and equipment	22,774	1,141	(25)	114	24,004
Total accumulated depreciation	**348,461**	**11,960**	**(755)**	**114**	**359,780**
Impairment	**1,448**	**-**	**-**	**-**	**1,448**
Property, plant and equipment, net	**96,907**	**(6,073)**	**(36)**	**(150)**	**90,648**

Additions in 2022 related mainly to the modernisation of the wheel business facilities, the automation of the car welding processes, the expansion of the kitting area, and the acquisition of new equipment for the vehicle finishing areas, all of which are part of the ongoing process of transforming the production model.

In 2013 the Company revalued its property, plant and equipment pursuant to Gipuzkoa Regulation 1/2013, of 5 February, paying a one-off rate of 5% of the revalued amount. Previously, the Company had availed itself of other legislation relating to revaluations, namely, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 (Note 13.c).

The 2013 revaluation was made applying the rates established in legislation on the acquisition cost, based on the year of acquisition of the property, plant and equipment. In the case of improvements, the year in which they are made was taken into account. Also, the established rates were applied to the depreciation taken for accounting purposes on the acquisition or production cost that was deductible for tax purposes, based on the year in which it was applied. In the case of assets revalued pursuant to Gipuzkoa Regulation 11/1996, the rates were applied to the acquisition price and to the depreciation that was deductible for tax purposes, without taking into account the net increase in value arising from the revaluations.

The Company revalued items recognised such as buildings, plant, machinery and tools. The revaluation of the balance sheet items amounted to EUR 46,170 thousand and the adjustment to the depreciation charge amounted to EUR 19,676 thousand. The net increase in value arising from the revaluations is depreciated over the tax periods in the remaining useful lives of the assets.

The effect of the revaluations of property, plant and equipment in accordance with Regional Accounting Rule 1/2013, Regional Accounting Rule 11/1996 and Regional Decree 13/1991 on the depreciation charges for the year and the accumulated depreciation recognised in 2022 and in prior years came to approximately EUR 600 thousand and EUR 8,412 thousand, respectively (EUR 674 thousand and EUR 14,242 in 2021 and prior years).

At 31 December 2022, the Company recognised EUR 975 thousand (31 December 2021: EUR 3,145 thousand) under “Current payables – Other financial liabilities” in relation to non-current asset suppliers.

At 31 December 2022, the Company had firm investment commitments amounting to EUR 3,269 thousand in relation mainly to the new fitting-out of certain facilities (31 December 2021: EUR 1,287 thousand). In principle, these investments will be equity financed.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2022 and 2021, property, plant and equipment was fully insured against these risks.

The gross cost of fully depreciated and in-use assets at 31 December 2022 and 2021 amounts to approximately EUR 227,187 thousand and EUR 278,055 thousand, respectively, of which, at 31 December 2022, EUR 52,510 thousand related to “Buildings” (EUR 55,314 thousand in 2021), EUR 158,749 thousand related to “Plant and machinery” (EUR 199,150 thousand in 2021) and EUR 15,928 thousand related to “Other fixtures, tools and furniture” and “Other items of property, plant and equipment” (EUR 23,591 thousand euros in 2021).

In 2022, assets related to the former steel plant at Beasain were sold, mostly fully depreciated machinery and plant. The sale price amounted to EUR 2,000 thousand and a gain of EUR 1,833 thousand was credited to “Impairment and gains/(losses) on disposal of non-current assets” in the 2022 statement of profit or loss.

The Company also disposed of other items of property, plant and equipment yielding a profit of EUR 179 thousand (2021: profit of EUR 30 thousand).

In addition, the Company derecognised other items of property, plant and equipment and recognised a loss of EUR 83 thousand (2021: loss of EUR 36 thousand).

The Company has no future dismantling or restoration commitments and, accordingly, no asset was recognised in this connection.

At 31 December 2022 and 2021, the Company did not have any investments in property, plant and equipment located abroad for significant amounts.

Impairment losses

In 2022, part of the provision for impairment that has remained posted since the Beasain plant ceased operations was applied, as tangible fixed assets related to the Beasain plant were sold during the period in exchange for EUR 873 thousand (no movement in 2021). At 31 December 2022, the amount of accumulated impairment was EUR 575 thousand. The directors are confident that there was no additional evidence of impairment at 31 December 2022.

8.- FINANCIAL ASSETS (NON-CURRENT AND CURRENT)

a) Non-current financial assets

The breakdown of “Non-current financial assets” at the end of 2022 and 2021 is as follows (in thousands of euros):

Classes	Non-current financial assets					
	Equity instruments		Loans, derivatives and other		Total	
Categories	31/12/22	31/12/21	31/12/22	31/12/21	31/12/22	31/12/21
Financial assets at amortised cost	-	-	7,537	6,396	7,537	6,396
Financial assets at fair value with changes in equity (Note 3.d)	1,264	1,278	-	-	1,264	1,278
Hedging derivatives (Note 15)	-	-	10,867	32,983	10,867	32,983
Total	**1,264**	**1,278**	**18,404**	**39,379**	**19,668**	**40,657**

The breakdown of “Financial assets at amortised cost” is as follows (thousands of euros):

	31/12/22	31/12/21
Deposits and guarantees	128	135
Loans to employees	2,861	3,194
Non-current grants receivable	4,548	3,067
Total	**7,537**	**6,396**

Loans to employees

In accordance with the agreements entered into with employees, the Company grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Company does not discount these amounts since it considers that the effect of doing so is scantly material.

Financial assets at fair value with changes in equity

Details of “Financial assets at fair value through equity” are as follows:

	Thousands of Euros			
	31/12/22		31/12/21	
	% of Ownership	Balance	% of Ownership	Balance
Financial assets at fair value with changes in equity				
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	513	3%	527
Total		**1,264**		**1,278**

The detail, by maturity, of “Non-current financial assets”, excluding equity instruments, is as follows (in thousands of euros):

2022

	2024	2025	2026	2027 and beyond	Total
Financial assets at amortised cost	5,265	495	416	1,361	7,537
Hedging derivatives	213	1,626	4,359	4,669	10,867
Total	**5,478**	**2,121**	**4,775**	**6,030**	**18,404**

2021

	2023	2024	2025	2026 and beyond	Total
Financial assets at amortised cost	3,853	571	472	1,500	6,396
Hedging derivatives	23,007	6,713	3,065	198	32,983
Total	**26,860**	**7,284**	**3,537**	**1,698**	**39,379**

b) Current financial assets

The breakdown of “Current financial assets” at the end of 2022 and 2021 is as follows (in thousands of euros):

	31/12/22	31/12/21
Financial assets at fair value through profit or loss (Note 3.d)	89,695	86,077
Financial assets at cost	1,659	-
Hedging derivatives (Note 15)	19,754	45,286
Total	**111,108**	**131,363**

When it comes to “Financial assets at fair value through profit or loss”, the Company’s policy is to invest cash surpluses in government bonds, repos, short-term deposits, fixed-term deposits, commercial paper or fixed-income mutual funds.

“Financial assets at cost” largely include a deposit with Norbolsa, S.V., S.A. linked to the treasury share management contract described in Note 13.f.

9.- GROUP COMPANIES AND ASSOCIATES

Details of “Non-current investments in group companies and associates” at 31 December 2022 and 2021 are as follows (in thousands of euros):

	31/12/21	Change	31/12/22
Ownership interests	1,089,098	90,020	1,179,118
Impairment losses on ownership interests	(234,762)	(7,365) (*)	(242,127)
Non-current loans (Note 10)	84,759	45,142	129,901
Total	**939,095**	**127,797**	**1,066,892**

(*) Includes a net provision of EUR 9,234 thousand under “Impairment and gains or losses on disposals of financial instruments” in the accompanying 2022 statement of profit or loss; a net reversal of EUR 1,218 thousand relating to the impact of derivatives concerning net investments in foreign operations; and a reversal of EUR 651 thousand under “Reserves” due to the accounting impact of the capital reduction at a Group company.

	31/12/20	Change	31/12/21
Ownership interests	1,048,656	40,442	1,089,098
Impairment losses on ownership interests	(232,902)	(1,860) (*)	(234,762)
Non-current loans (Note 10)	112,453	(27,694)	84,759
Total	**928,207**	**10,888**	**939,095**

(*) Includes a net provision of EUR 3,692 thousand under “Impairment and gains or losses on disposals of financial instruments” in the accompanying 2021 statement of profit or loss; a net reversal of EUR 1,516 thousand relating to the impact of derivatives concerning net investments in foreign operations; and a reversal of EUR 316 thousand under “Reserves” due to the accounting impact of the capital reduction at a Group company.

The most significant information in relation to investments in Group companies and associates the end of 2022 and 2021 is as follows (in thousands of euros):

2022

Name	Location	Line of business	Percentage of ownership – Direct	Percentage of ownership – Indirect	Cost	Impairment in the year	Accumulated impairment	Basic financial data (1) – Share capital	Reserves and retained earnings	Profit/(Loss) from operations	Profit/(loss) – 2022
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,783	9,162	6,356
Aerosuburbano S.A.P.I. de C.V.	Mexico City	Transportation	50%	50%	-	-	-	-	-	-	-
BWB Holdings Limited (5)	Nottingham	Engineering	100%	-	18,434	1,078	-	229	14,200	1,943	1,394
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	301	-	-	316	275	2,408	1,960
CAF Argelia (EURL)	Algiers	Manufacturing and maint.	100%	-	2,171	(861)	(911)	2,171	105	(978)	(1,016)
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	521	-	-	530	581	480	146
CAF Brasil Indústria e Comércio, S.A.	São Paulo	Manufacturing and maint.	0.97%	99.03%	1,713	(4)	(1,345)	201,855	(187,647)	1,669	(787)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	1	-	-	1	1,538	1,961	1,946
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	401	211	120
CAF Deutschland Real Estate GmbH	Munich	Maintenance	100%	-	29	(6)	(6)	25	-	(2)	(3)
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engin.	100%	-	5,262	362	(3,500)	1,521	(122)	213	362
CAF Diversified Business Development, S.A.U.	Gipuzkoa	Holding Company	100%	-	185,167	9,808	(73,840) (2)	16,000	59,044	3,125	(166)
CAF Egypt for Transportation Systems	Cairo	Maintenance	95%	5%	71	(7)	(7)	75	(7)	2	-
CAF Group UK Limited	Coventry	Holding Company	100%	-	37,415	-	-	37,415	(536)	637	771
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-	160	-	-	24	263	39	(25)
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-	5,734	-	-	4,705	4,784	(2,160)	(1,668)
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	110	-	-	3,917	3,848	206	56
CAF Investment Projects, S.A.U.	Gipuzkoa	Business development	100%	-	227,608	-	-	47,917	174,337	77,964	52,898
CAF Israel Rails Ltd.	Tel Aviv	Manufacturing and maint.	100%	-	-	-	-	-	851	1,366	1,076
CAF Italia, S.R.L.	Rome	Reparation and maint..	100%	-	5,600	1,349	(89)	100	4,707	1,371	705
CAF México, S.A. de C.V.	Mexico City	Manufacturing and maint.	99.99%	0.01%	34,786	-	-	34,804	11,932	17	893
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	1,034	442	367
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	2,381	790	558
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	213	151	122
CAF Polska sp. z.o.o.	Poznan	Engineering	100%	-	791	-	-	791	(5)	43	39
CAF Portugal Unipessoal Lda.	Lisbon	Manufacturing and maint.	100%	-	30	-	-	30	-	-	-
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-	9,011	-	-	6,090	1,205	3,231	2,176
CAF Rail Australia Pty Ltd.	Sydney	Manufacturing and maint.	100%	-	74	-	-	74	1,687	2,230	841
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	48	49	34
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	1,340	3,188	2,539
CAF Reichshoffen SAS	Reichshoffen	Manufacture and design	100%	-	46,600	-	-	46,608	1,422	3,122	2,028
CAF Signalling, S.L.U.	Gipuzkoa	Signalling	100%	-	55,562	(481)	(44,399)	14,300	(2,068)	(223)	(801)
CAF Signalling, S.L. Limited Partnership	Bizkaia	Engineering	20%	80%	500	-	-	1,500	1,000	(1,048)	(1,040)
CAF Sisteme Feroviare, S.R.L.	Bucharest	Manufacturing and maint.	100%	-	-	-	-	-	148	26	16
CAF Turnkey & Engineering, S.L.U.	Bizkaia	Engineering	100%	-	13,720	-	-	5,703	27,944	11,447	6,630
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	3,771 (4)	54,283	15,820	46	221
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	Istanbul	Manufacturing and maint.	99.96%	0.04%	3,365	(273)	(2,288)	3,367	(2,343)	11	52
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45%	5,650	-	-	9,650	4,688	1,092	617
Consorcio Traza, S.A.	Zaragoza	Holding Company	25%	-	15,709	-	(15,709)	575	(10,526)	4,619	(2,889)
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	794	273	196
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation and maint..	97.61%	2.39%	4,017	(33)	(3,795)	2	134	113	92
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellin	Manufacturing and maint.	100%	-	456	(260)	(319)	36	354	443	(252)
EuroMaint Gruppen AB	Solna	Maintenance	100%	-	96,563	(19,911)	(19,911)	10	82,566	(6,729)	(9,494)
Ferrocarril Interurbano S.A. de C.V.	Mexico City	Manufacturing and equip.	17.20%	32.43%	902	-	-	5,316	1,898	432	481
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	Mexico City	Transportation	28.05%	15.30%	60,925	-	(60,925)	16,301	(93,574)	(5,896)	(19,076)
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	2,231	985	735
LAVI Light Rail O&M Ltd.	Petach Tikva	Operation and maint.	50%	-	1,740	-	-	3,480	7,514	1,705	1,806
Light LTV NTA Ltd.	Petach Tikva	Leasing services	50%	-	-	-	-	-	-	-	-
Metro CAF (Mauritius) Ltd.	Mauritius	Manufacturing and maint.	100%	-	1	-	-	1	1,653	923	592
PL Light Rail Maintenance Ltd.	Ramat Gan	Maintenance	50%	-	-	-	-	-	-	-	-
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	3,179	2,887	2,237
Rifer SRL	Milán	Component Maintenance	100%	-	4,713	(363)	(2,089)	20	2,967	(291)	(363)
Sermanfer, S.A.U.	Madrid	Maintenance	100%	-	301	-	-	301	1,652	458	452
Solaris Bus & Coach, sp. z.o.o.	Bolechowo	Transportation	72.34%	24.99% (3)	244,679	-	-	37,166	84,003	3,092	(11,966)
Tradinsa Industrial, S.L.	Lleida	Reparation and maint..	82.34%	17.66%	3,215	51	(1,324)	3,850	(1,615)	141	62
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	(15)	(87)	64	(50)	(2)	(23)
Trenes de Navarra, S.A.U.	Navarre	Manufacturing	100%	-	24,676	332	(15,354)	8,971	19	121	332
Oher investments					1,255	-	-	-	-	-	-
					1,179,118	**(9,234)**	**(242,127)**				

1) After adjustments and unifying entries for consolidation purposes and counting unrealised capital gains at the acquisition date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under "Translation differences – Reserves" and "Valuation adjustments – Reserves".
2) Includes a provision of EUR 3,114 thousand corresponding to the impact of derivatives related to net investments in foreign operations.
3) Through Openaco Trading Co. Limited
4) Includes a balance receivable of EUR 3,771 thousand, relating to the impact of derivatives related to net investments in foreign operations.
5) Considering the options described in Note 14 to the financial statements.

2021

Name	Location	Line of business	Percentage of ownership		Cost	Impairment in the year	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect				Share capital	Reserves and retained earnings	Profit/(Loss) from operations	Profit/(loss) – 2021
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,796	4,928	3,965
Aerosuburbano S.A.P.I. de C.V.	Mexico City	Transportation	50%	50%	-	-	-	-	-	-	-
BWB Holdings Limited (5)	Nottingham	Engineering	100%	-	18,434	1,243	(1,078)	229	13,502	1,925	1,556
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	301	-	-	316	9,676	17,409	13,830
CAF Argelia (EURL)	Algiers	Manufacturing and maint.	100%	-	2,171	12	(50)	2,171	(58)	(6)	8
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	521	-	-	530	273	472	308
CAF Brasil Indústria e Comércio, S.A.	São Paulo	Manufacturing and maint.	0.97%	99.03%	2,411	(59)	(1,992)	206,698	(181,435)	(3,979)	(8,627)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	1	-	-	1	502	2,397	1,955
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-	25	-	-	25	313	125	87
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engin.	100%	-	5,262	175	(3,862)	1,521	(348)	216	227
CAF Diversified Business Development, S.A.U.	Gipuzkoa	Holding Company	100%	-	185,167	(937)	(83,648) (2)	16,000	61,233	216	(4,373)
CAF Group UK Limited	Coventry	Holding Company	100%	-	37,415	1,087	-	37,415	1,456	578	87
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-	160	-	-	24	240	71	46
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-	5,734	-	-	4,705	6,440	(2,099)	(1,656)
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	110	-	-	3,917	4,183	179	50
CAF Investment Projects, S.A.U.	Gipuzkoa	Business development	100%	-	227,608	-	-	47,917	156,717	66,997	40,525
CAF Israel Rails Ltd.	Tel Aviv	Manufacturing and maint.	100%	-	-	-	-	-	(21)	1,322	998
CAF Italia, S.R.L.	Rome	Reparation and maint..	100%	-	5,600	231	(1,438)	100	3,831	641	227
CAF México, S.A. de C.V.	Mexico City	Manufacturing and maint.	99.99%	0.01%	34,786	-	-	34,804	5,599	3,188	1,805
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-	450	-	-	450	698	437	336
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-	48	-	-	48	3,001	932	627
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-	206	-	-	206	118	167	122
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-	16,294	-	-	6,090	8,642	4,048	1,562
CAF Rail Australia Pty Ltd	Sydney	Manufacturing and maint.	100%	-	74	-	-	74	965	2,139	758
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-	120	-	-	120	-	61	49
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-	108	-	-	108	2,844	2,849	2,250
CAF Signalling, S.L.U. (2)	Gipuzkoa	Signalling	100%	-	55,562	(4,021)	(43,918)	14,300	1,710	(4,385)	(4,341)
CAF Sisteme Feroviare, S.R.L.	Bucharest	Manufacturing and maint.	100%	-	-	-	-	-	135	25	13
CAF Turnkey & Engineering, S.L.U.	Bizkaia	Engineering	100%	-	13,720	-	-	5,703	20,565	7,238	5,714
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-	54,283	-	2,553 (4)	54,283	10,186	2,195	1,550
CAFTurk Tren Sanayí Ve Tícaret Límíted Şírketí	Istanbul	Manufacturing and maint.	99.96%	0.04%	3,365	(158)	(2,015)	3,367	(2,746)	551	729
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45%	5,650	-	-	9,650	3,988	1,095	700
Consorcio Traza, S.A.	Zaragoza	Holding Company	25%	-	15,709	-	(15,709)	575	(8,918)	5,841	(2,158)
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-	2,500	-	-	2,500	1,107	(397)	(313)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation and maint..	97.61%	2.39%	4,017	10	(3,762)	2	214	(8)	46
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellin	Manufacturing and maint.	100%	-	456	79	(59)	36	306	426	56
EuroMaint Gruppen AB	Solna	Maintenance	100%	-	50,829	-	-	10	48,608	(8,671)	(8,037)
Ferrocarril Interurbano S.A. de C.V.	Mexico City	Manufacturing and equip.	17.20%	32.43%	902	-	-	5,316	1,468	54	(292)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	Mexico City	Transportation	28.05%	15.30%	60,925	-	(60,925)	16,301	(78,790)	(62)	(12,437)
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-	172	-	-	150	1,494	967	737
LAVI Light Rail O&M Ltd.	Petach Tikva	Operation and maint.	50%	-	-	-	-	-	15,661	258	1,315
Metro CAF (Mauritius) Ltd.	Mauritius	Manufacturing and maint.	100%	-	1	-	-	1	1,060	477	521
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	4,692	2,536	1,929
Rifer SRL	Milán	Component Maintenance	100%	-	4,713	(378)	(1,726)	20	3,271	(106)	(304)
Sermanfer, S.A.U.	Madrid	Maintenance	100%	-	301	-	-	301	1,671	799	412
Solaris Bus & Coach, sp. z.o.o.	Bolechowo	Transportation	72.34%	24.99% (3)	244,679	-	-	37,166	213,027	42,087	24,535
Tradinsa Industrial, S.L.	Lleida	Reparation and maint..	82.34%	17.66%	3,215	(739)	(1,375)	3,850	(717)	(1,019)	(898)
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-	78	(10)	(72)	63	63	-	-
Trenes de Navarra, S.A.U.	Navarre	Manufacturing	100%	-	22,170	(227)	(15,686)	8,470	(1,759)	(209)	(227)
Oher investments					1,255	-	-	-	-	-	-
					1,089,098	**(3,692)**	**(234,762)**				

1) After adjustments and unifying entries for consolidation purposes and counting unrealised capital gains at the acquisition date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under "Translation differences – Reserves" and "Valuation adjustments – Reserves".
2) Includes a provision of EUR 3,114 thousand corresponding to the impact of derivatives related to net investments in foreign operations.
3) Through Openaco Trading Co. Limited
4) Includes a balance receivable of EUR 2,553 thousand, relating to the impact of derivatives related to net investments in foreign operations.
5) Considering the options described in Note 14 to the financial statements.

Head of a group of companies

The composition of the Group's parent companies is as follows:

2022

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
CAF Brasil Indústria e Comércio, S.A. -				
Ctrens – Companhia de Manutençao, S.A.	1%	-	São Paulo	Lease services
CAF México, S.A. de C.V. -				
Provetren, S.A. de C.V.	2%	-	Mexico City	Lease services
Ferrocarril Interurbano S.A. de C.V.	15.93%	-	Mexico City	Manufacturing and equipment
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	0.1%	-	Mexico City	Building and Maintenance
Regiotren, S.A. de C.V.	97.02%	-	Mexico City	Lease services
BWB Holdings Limited -				
Quincey Mason Practice, Ltd.	100%	-	Nottingham	Engineering
BWB Consulting, Ltd.	100%	-	Nottingham	Engineering
EDCM Building Services Consulting Engineers Ltd.	-	100%	Nottingham	Engineering
The BWB Partnership Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration, Ltd.	100%	-	Nottingham	Engineering
Deetu Consulting Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration Trustee Ltd.	-	100%	Nottingham	Holding Company
CAF Signalling, S.L.U.-				
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	-	Istanbul	Signalling
Ferrocarril Interurbano S.A. de C.V.	3.65%	-	Mexico City	Manufacturing and equipment
CAF Signalling Uruguay, S.A.	100%	-	Montevideo	Signalling
CAF Signalling, S.L. Limited Partnership	80%	-	Bizkaia	Engineering
CAF Turnkey & Engineering, S.L.U. -				
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	99.90%	-	Mexico City	Building and Maintenance
Ferrocarril Interurbano S.A. de C.V.	-	12.84%	Mexico City	Manufacturing and equipment
Arabia One for Clean Energy Investments, PSC.	40%	-	Ma'an	Power generation
Sermanfer, S.A.U. -				
Corporación Sefemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Sermantren, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	17.66%	-	Lleida	Repairs and maintenance
CAF Investment Projects, S.A.U. -				
Plan Metro, S.A.	40%	-	Gipuzkoa	Lease services
Ctrens - Companhia de Manutençao, S.A.	98%	-	São Paulo	Lease services
Provetren, S.A. de C.V.	98%	-	Mexico City	Lease services
Momentum Trains Holding Pty Ltd.	25.5%	-	Sydney	Lease services
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	15.30%	-	Mexico City	Transport services
Regiotren, S.A. de C.V.	1.98%	-	Mexico City	Lease services
Aerosuburbano S.A.P.I. de C.V.	50%	-	Mexico City	Transport services
CFIR Light Rail Ltd.	50%	-	Petach Tikva	Lease services
Blue and White – Blue Line Jerusalem Light Rail Ltd.	50%	-	Petach Tikva	Manufacturing and maintenance
CAF Diversified Business Development, S.A.U. -				
CAF Brasil Indústria e Comércio, S.A.	99.03%	-	São Paulo	Manufacturing and maintenance
CAF France, SAS	100%	-	Paris	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	41.45%	-	Gipuzkoa	Tests
Lander Simulation and Training Solutions, S.A.U.	100%	-	Gipuzkoa	Simulators
CAF India Private Limited	96.89%	-	Delhi	Manufacturing and maintenance
CAF Taiwan Ltd.	100%	-	Kaohsiung	Manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L.U.	100%	-	Navarre	Aeronautical solutions
Orbital Aerospace GmbH	-	100%	Munchen	Engineering
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	2.39%	-	Buenos Aires	Repairs and maintenance
CAF Chile, S.A.	1%	-	Santiago de Chile	Manufacturing and maintenance
CAF México, S.A. de C.V.	0.01%	-	Mexico City	Manufacturing and maintenance
Corporación Sefemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	0.04%	-	Istanbul	Manufacturing and maintenance
Sermantren, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAF Arabia Company	5%	-	Riyadh	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	1.7%	-	Brussels	Manufacturing and maintenance
CAF Rail Digital Services, S.L.U.	100%	-	Gipuzkoa	Maintenance
CAF Egypt for Transportation Systems	5%	-	Cairo	Maintenance
CAF Engineered Modernizations, S.L.U.	100%	-	Gipuzkoa	Engineering

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
Sermanbra – Serviços de Manutençao Brasil Ltda.	0.01%	-	São Paulo	Maintenance
Consorcio Traza, S.A. -				
S.E.M. Los Tranvías de Zaragoza, S.A.	80%	-	Zaragoza	Design, manufacture and provision of railway services
EuroMaint Gruppen AB -				
EuroMaint Rail AB	100%	-	Solna	Maintenance
EuroMaint Rail AS	-	100%	Oslo	Maintenance
EuroMaint Bemanning AB	-	100%	Solna	Maintenance
EuroMaint Components and Materials AB	-	100%	Solna	Maintenance
CAF Group UK Limited -				
CAF Rolling Stock UK Limited	100%	-	Newport	Manufacturing
CAF Rail UK, Ltd -				
CAF Rail Traincare, Ltd.	100%	-	Coventry	Manufacturing and maintenance
Trenes de Navarra, S.A. -				
CAF Track Test Center, S.L.	100%	-	Navarre	Track testing
CAF Belgium SPRL -				
Tram Liége Maintenance, S.A.	65%	-	Liege	Maintenance
Solaris Bus & Coach, sp. z.o.o.-				
Solaris Austria GmbH	100%	-	Vienna	Solutions for urban transport
Solaris Bus Iberica, S.L.U.	100%	-	Navarre	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	100%	-	Riga	Solutions for urban transport
Solaris Czech spol. S.R.O.	100%	-	Ostrava	Solutions for urban transport
Solaris Danmark Bus A/S	100%	-	Padborg	Solutions for urban transport
Solaris Deutschland GmbH	100%	-	Berlin	Solutions for urban transport
Solaris Estonia OU	100%	-	Tallinn	Solutions for urban transport
Solaris France S.A.R.L.	100%	-	Ennery	Solutions for urban transport
Solaris Hellas, S.A.	70%	-	Athens	Solutions for urban transport
Solaris Italia S.R.L.	100%	-	Rome	Solutions for urban transport
Solaris Norge AS	100%	-	Oslo	Solutions for urban transport
Solaris Schweiz GmbH	100%	-	Hausen	Solutions for urban transport
Solaris Slovakia S.R.O.	100%	-	Kosice	Solutions for urban transport
Solaris Sverige AB	100%	-	Malmö	Solutions for urban transport
Solaris Netherlands, B.V.	100%	-	Riethoven	Solutions for urban transport
Solaris Belgium, S.R.L.	100%	-	Villers-le-Bouillet	Solutions for urban transport
UAB Solaris Bus & Coach LT	100%	-	Kaunas	Solutions for urban transport

2021

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
CAF Brasil Indústria e Comércio, S.A. -				
Ctrens – Companhia de Manutençao, S.A.	1%	-	São Paulo	Lease services
CAF México, S.A. de C.V. -				
Provetren, S.A. de C.V.	2%	-	Mexico City	Lease services
Ferrocarril Interurbano S.A. de C.V.	15.93%	-	Mexico City	Manufacturing and equipment
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	0.1%	-	Mexico City	Building and Maintenance
Regiotren, S.A. de C.V.	97.02%	-	Mexico City	Lease services
BWB Holdings Limited -				
Quincey Mason Practice, Ltd.	100%	-	Nottingham	Engineering
BWB Consulting, Ltd.	100%	-	Nottingham	Engineering
EDCM Building Services Consulting Engineers Ltd.	-	100%	Nottingham	Engineering
ZW01 Ltd	-	100%	Nottingham	Holding Company
- The BWB Partnership Ltd.	-	100%	Nottingham	Engineering
- The BWB Partnership (Traffic & Transp) Ltd	-	100%	Nottingham	Engineering
- Regenisis Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration, Ltd.	100%	-	Nottingham	Engineering
Deetu Consulting Ltd.	-	100%	Nottingham	Engineering
BWB Regeneration Trustee Ltd.	-	100%	Nottingham	Holding Company
CAF Signalling, S.L.U.-				
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	-	Istanbul	Signalling
Ferrocarril Interurbano S.A. de C.V.	3.65%	-	Mexico City	Manufacturing and equipment
CAF Signalling Uruguay, S.A.	100%	-	Montevideo	Signalling

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
CAF Turnkey & Engineering, S.L.U. -				
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	99.90%	-	Mexico City	Building and Maintenance
Ferrocarril Interurbano S.A. de C.V.	-	12.84%	Mexico City	Manufacturing and equipment
Arabia One for Clean Energy Investments, PSC.	40%	-	Ma'an	Power generation
Sermanfer, S.A.U. -				
Corporación Sefemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Sermantren, S.A. de C.V.	95%	-	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	17.66%	-	Lleida	Repairs and maintenance
CAF Investment Projects, S.A.U. -				
Plan Metro, S.A.	40%	-	Gipuzkoa	Lease services
Ctrens - Companhia de Manutençao, S.A.	98%	-	São Paulo	Lease services
Provetren, S.A. de C.V.	98%	-	Mexico City	Lease services
Momentum Trains Holding Pty Ltd.	25.5%	-	Sydney	Lease services
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	15.30%	-	Mexico City	Transport services
Regiotren, S.A. de C.V.	1.98%	-	Mexico City	Lease services
Aerosuburbano S.A.P.I. de C.V.	50%	-	Mexico City	Transport services
CAF Investment Projects, Costa Rica, SRL	100%	-	Costa Rica	Lease services
CFIR Light Rail Ltd.	50%	-	Petach Tikva	Lease services
CAF Diversified Business Development, S.A.U. -				
CAF Brasil Indústria e Comércio, S.A.	99.03%	-	São Paulo	Manufacturing and maintenance
CAF France, SAS	100%	-	Paris	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	41.45%	-	Gipuzkoa	Tests
Lander Simulation and Training Solutions, S.A.	76.13%	-	Gipuzkoa	Simulators
CAF India Private Limited	96.89%	-	Delhi	Manufacturing and maintenance
CAF Taiwan Ltd.	100%	-	Kaohsiung	Manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L.U.	100%	-	Navarre	Aeronautical solutions
Orbital Aerospace GmbH	-	100%	Munchen	Engineering
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	2.39%	-	Buenos Aires	Repairs and maintenance
CAF Chile, S.A.	1%	-	Santiago de Chile	Manufacturing and maintenance
CAF México, S.A. de C.V.	0.01%	-	Mexico City	Manufacturing and maintenance
Corporación Sefemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	0.04%	-	Istanbul	Manufacturing and maintenance
Sermantren, S.A. de C.V.	5%	-	Mexico City	Rendering of services
CAF Arabia Company	5%	-	Riyadh	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	1.7%	-	Brussels	Manufacturing and maintenance
CAF Rail Digital Services, S.L.U.	100%	-	Gipuzkoa	Maintenance
CAF Engineered Modernizations, S.L.U.	100%	-	Gipuzkoa	Engineering
Sermanbra - Serviços de Manutençao Brasil Ltda.	0.01%	-	São Paulo	Maintenance
Consorcio Traza, S.A. -				
S.E.M. Los Tranvías de Zaragoza, S.A.	80%	-	Zaragoza	Design, manufacture and provision of railway services
EuroMaint Gruppen AB -				
EuroMaint Rail AB	100%	-	Solna	Maintenance
EuroMaint Rail AS	-	100%	Oslo	Maintenance
EuroMaint Bemanning AB	-	100%	Solna	Maintenance
EuroMaint Components and Materials AB	-	100%	Solna	Maintenance
CAF Group UK Limited -				
CAF Rolling Stock UK Limited	100%	-	Newport	Manufacturing
Trenes de Navarra, S.A. -				
CAF Track Test Center, S.L.	100%	-	Navarre	Track testing
CAF Belgium SPRL -				
Tram Liége Maintenance, S.A.	65%	-	Liege	Maintenance
Solaris Bus & Coach, sp. z.o.o.-				
Solaris Austria GmbH	100%	-	Vienna	Solutions for urban transport
Solaris Bus Iberica, S.L.U.	100%	-	Navarre	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	100%	-	Riga	Solutions for urban transport
Solaris Czech spol. S.R.O.	100%	-	Ostrava	Solutions for urban transport
Solaris Danmark Bus A/S	100%	-	Padborg	Solutions for urban transport
Solaris Deutschland GmbH	100%	-	Berlin	Solutions for urban transport
Solaris France S.A.R.L.	100%	-	Ennery	Solutions for urban transport
Solaris Hellas, S.A.	70%	-	Athens	Solutions for urban transport
Solaris Italia S.R.L.	100%	-	Rome	Solutions for urban transport
Solaris Norge AS	100%	-	Oslo	Solutions for urban transport
Solaris Schweiz GmbH	100%	-	Hausen	Solutions for urban transport
Solaris Slovakia S.R.O.	100%	-	Kosice	Solutions for urban transport

Head of a group of companies	% of direct stake	% of indirect stake	Location	Line of business
Solaris Sverige AB	100%	-	Malmö	Solutions for urban transport
Solaris Netherlands, B.V.	100%	-	Riethoven	Solutions for urban transport
Solaris Belgium, S.R.L.	100%	-	Villers-le-Bouillet	Solutions for urban transport
UAB Solaris Bus & Coach LT	100%	-	Kaunas	Solutions for urban transport
JBM Solaris Electric Vehicles Private Limited	20%	-	Ballabhgarh, India	Solutions for urban transport

2022

In November 2021, the Company reached an agreement with Alstom to acquire the Reichshoffen plant in the Alsace region of France and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. The deal was completed on 1 August 2022, whereupon the company acquired control of the company currently known as CAF Reichshoffen, SAS, which is engaged in the design and manufacture of rail mobility solutions.

In 2022, the companies CAF Polska, s.p. z.o.o., CAF Deutschland Real Estate GmbH and CAF Portugal Unipessoal, Lda. were incorporated, in which the Company holds a 100% stake. In addition, the companies CAF Signalling, S.L.S. Com., CAF Egypt for Transportation Systems and PL Light Rail Maintenance, Ltd. were formed.

Also in 2022, the Company effected a capital increase at the company Trenes de Navarra, S.A.U. for a total of EUR 2,506 thousand. Elsewhere, capital increases were carried out through the capitalisation of loans at CAF Israel Rail, Ltd. and EuroMaint Gruppen AB, in the amount of EUR 1,740 thousand and EUR 45,734 thousand, respectively, for the loans granted to them by the Company.

Following a recoverability analysis conducted in 2022, impairment of EUR 19,911 thousand was recognised at the investee EuroMaint Gruppen AB, mainly as a result of losses accumulated in previous years.

CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 9,000 thousand, of which EUR 7,283 thousand was credited to the ownership interest and EUR 1,717 thousand was credited to “Finance income” in the accompanying statement of profit or loss (Note 10).

2021

In 2021, the company Aerosuburbanos S.A.P.I. de C.V. was incorporated, 50% owned by the Company and 50% by CAF Investment Projects, S.A.U.

Also in 2021, the Company increased capital at the companies CAF Signalling, S.L.U. and CAF Diversified Business Development, S.A.U. by EUR 6,000 thousand and EUR 8,730 thousand, respectively. In addition, a capital increase was carried out through the capitalisation of a loan at CAF México, S.A. de C.V. for a total of EUR 28,031 thousand, which the Company had granted to that company.

Also in 2021, the companies J-NET O&M Ltd and TransJerusalem J-Net Ltd changed their names to LAVI Light Rail O&M Ltd and CFIR Light Rail Ltd, respectively. The shareholder of CFIR Light Rail Ltd was also changed, such that the 50% stake held by the Company is now held by CAF Investment Projects, S.A.U.

In addition, a total of EUR 4,021 thousand in impairment was recognised at the investee CAF Signalling, S.L.U. due to accumulated losses for the year.

CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 3,000 thousand, of which EUR 2,798 thousand was credited to the ownership interest and EUR 202 thousand was credited to “Finance income” in the accompanying statement of profit or loss (Note 10).

10.- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The breakdown of transactions with related parties (in addition to those specified in Notes 8 and 22) in 2022 and 2021 is as follows:

2022

Company	Thousands of Euros (*)				
	Finance income	Services provided or sales recognised	Services received or purchases recognised	Dividends received	Finance costs
Actren Mantenimiento Ferroviario, S.A.	-	3,776	1,452	2,029	-
BWB Holdings Limited	-	-	-	-	-
CAF Arabia Company	-	5,096	98	23,917	50
CAF Argelia (EURL)	-	(18)	679	-	-
CAF Belgium, S.P.R.L.	280	-	3,568	-	-
CAF Brasil Indústria e Comércio, S.A.	-	1,388	96	-	-
CAF Chile, S.A.	-	2,307	-	1,085	25
CAF Deutschland GmbH	12	63	4,015	-	-
CAF Deutschland Real Estate GmbH	1	-	-	-	-
CAF Digital & Design Solutions, S.A.U.	-	2,341	10,682	-	-
CAF Diversified Business Development, S.A.U.	-	-	-	-	723
CAF Engineered Modernizations, S.L.U.	-	14	3,772	-	1
CAF France, SAS	437	(11)	5,395	-	-
CAF Group UK Limited	-	-	-	-	499
CAF Hungary Kft	9	10	1,495	-	-
CAF I+D, S.L.U.	-	4,557	6,087	-	10
CAF India Private Limited	-	210	1,448	-	-
CAF Investment Projects, S.A.U.	2,044	175	(214)	42,505	-
CAF Israel Rails Ltd.	(14)	30	31,356	-	-
CAF Italia, S.R.L.	181	2,095	9,724	-	-
CAF México, S.A. de C.V.	-	35,546	11,428	-	102
CAF Netherlands B.V.	-	-	8,434	-	6
CAF New Zealand Limited	(3)	947	408	1,178	-
CAF Norway AS	-	-	2,883	-	-
CAF Polska sp. z.o.o.	-	298	471	-	-
CAF Power & Automation, S.L.U. (**)	-	254	69,802	1,717	50
CAF Rail Australia, Pty Ltd	1,028	21,693	8,691	-	-
CAF Rail Digital Services, S.L.U.	-	11	4,938	-	2
CAF Rail Luxembourg, S.À.R.L.	-	-	925	-	-
CAF Rail UK Limited	-	9,647	16,611	3,491	-
CAF Reichshoffen SAS	-	2	1,516	-	406
CAF Rolling Stock UK Limited	-	16,896	113,403	-	-
CAF Signalling, S.L.U.	8	154	17,718	-	-
CAF Sisteme Feroviare, S.R.L.	5	-	295	-	-
CAF Taiwan Ltd.	19	(807)	3	-	-
CAF Track Test Center, S.L.U.	270	-	3,721	-	-
CAF Turnkey & Engineering, S.L.U.	4	39	21,068	-	3
CAF USA, Inc.	-	22,597	2,666	-	279
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	707	762	-	-
Centro de Ensayos y Análisis Cetest, S.L.	-	340	5,261	-	15
CFIR Light Rail Ltd	-	99,088	-	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	588	3,845	-	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	81	4,043	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	9	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	1,954	11,035	-	-
Ctrens - Companhia de Manutençao, S.A.	-	1,988	-	169	-
EuroMaint Components & Materials AB	-	31	-	-	-
EuroMaint Gruppen AB	819	-	-	-	-
EuroMaint Rail AB	-	117	3,396	-	-
EuroMaint Rail AS	-	-	-	-	-
Geminys, S.L.	-	-	2,467	-	5
Lander Simulation and Training Solutions, S.A.U.	-	3	2,697	-	4
LAVI Light O&M Ltd.	-	-	-	-	-
Light LTV NTA LTD	-	-	-	-	-
Metro CAF (Mauritius) Ltd.	-	482	34	-	-
Momentum Trains Holdings Pty Ltd.	-	83,233	-	-	-
Openaco Trading Co. Ltd.	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	-	95	-	-
Plan Metro, S.A.	-	14,261	-	-	-
Rail Line Components, S.L.U.	-	1,554	4,902	3,443	5
Rifer SRL	-	-	386	-	-
S.E.M. Los Tranvías de Zaragoza, S.A.	-	1,864	-	-	-
Sermanfer, S.A.U.	-	6	5,307	500	-
Solaris Bus & Coach, sp. zoo	31	494	22	-	-
Tradinsa Industrial, S.L.	37	133	4,496	-	-
Trenes de Navarra, S.A.U.	78	2	4,409	-	-
Total	**5,834**	**339,493**	**413,955**	**80,034**	**2,185**

(*) These transactions are carried out on an arm's length basis.
(**) Dividends received amounted to EUR 9,000 thousand, of which EUR 7,283 thousand was credited to "Non-current investments in group companies and associates" (Note 9).

2021

Company	Thousands of Euros (*)				
	Finance income	**Services provided or sales recognised**	**Services received or purchases recognised**	**Dividends received**	**Finance costs**
Actren Mantenimiento Ferroviario, S.A.	-	8,701	1,458	-	-
BWB Holdings Limited	-	-	62	-	-
CAF Arabia Company	-	8,093	364	-	-
CAF Argelia (EURL)	-	20	22	-	-
CAF Belgium, S.P.R.L.	53	-	2,277	-	-
CAF Brasil Indústria e Comércio, S.A.	-	291	28	-	-
CAF Chile, S.A.	-	940	-	1,042	-
CAF Deutschland GmbH	-	38	2,097	-	-
CAF Digital & Design Solutions, S.A.U.	-	1,639	6,758	-	-
CAF Diversified Business Development, S.A.U.	24	-	-	-	-
CAF Engineered Modernizations, S.L.U.	-	-	2,872	-	-
CAF France, SAS	376	33	2,935	-	-
CAF Group UK Limited	-	-	-	-	9
CAF Hungary Kft	8	5	1,819	-	-
CAF I+D, S.L.U.	-	3,892	5,539	-	-
CAF India Private Limited	-	-	1,181	-	-
CAF Investment Projects, S.A.U.	1,546	14	(58)	51,450	-
CAF Israel Rails Ltd.	40	-	22,231	-	-
CAF Italia, S.R.L.	212	609	15,838	-	-
CAF México, S.A. de C.V.	1,516	24,241	71,966	-	-
CAF Netherlands B.V.	-	-	8,207	-	-
CAF New Zealand Limited	9	8,780	436	-	-
CAF Norway AS	-	-	2,135	-	-
CAF Power & Automation, S.L.U. (**)	-	187	75,823	202	-
CAF Rail Australia, Pty Ltd	928	37,778	9,520	-	-
CAF Rail Digital Services, S.L.U.	-	-	4,210	-	-
CAF Rail Luxembourg, S.À.R.L.	-	-	721	-	-
CAF Rail UK Limited	-	7,014	9,453	1,232	-
CAF Rolling Stock UK Limited	-	14,737	84,093	-	-
CAF Signalling, S.L.U.	6	10	24,533	-	-
CAF Sisteme Feroviare, S.R.L.	5	-	351	-	-
CAF Taiwan Ltd.	-	(822)	-	-	-
CAF Track Test Center, S.L.U.	349	-	2,956	-	-
CAF Turnkey & Engineering, S.L.U.	-	9	14,636	-	-
CAF USA, Inc.	2	14,523	10,667	-	30
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	1,977	898	-	-
Centro de Ensayos y Análisis Cetest, S.L.	-	310	3,491	-	-
CFIR Light Rail Ltd.	-	67,801	-	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	119	331	-	-	20
Construcciones Ferroviarias de Madrid, S.L.U.	-	67	4,563	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	1	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	2,276	9,893	-	-
Ctrens - Companhia de Manutençao, S.A.	-	1,575	-	261	-
EuroMaint Components & Materials AB	-	103	22	-	-
EuroMaint Gruppen AB	657	-	-	-	-
EuroMaint Rail AB	-	146	1,559	-	-
EuroMaint Rail AS	-	-	35	-	-
Geminys, S.L.	-	-	3,495	-	-
Lander Simulation and Training Solutions, S.A.	-	-	3,753	-	-
LAVI Light O&M Ltd.	40	-	-	-	-
Metro CAF (Mauritius) Ltd.	-	490	67	-	-
Momentum Trains Holdings Pty Ltd.	-	73,385	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	-	43	-	-
Plan Metro, S.A.	-	13,472	-	-	-
Rail Line Components, S.L.U.	-	2,033	4,185	1,500	-
Rifer SRL	-	-	83	-	-
Sermanfer, S.A.U.	-	-	5,699	-	-
Solaris Bus & Coach, sp. zoo	-	551	9	-	-
Tradinsa Industrial, S.L.	111	191	5,489	-	-
Trenes de Navarra, S.A.U.	141	-	4,342	-	-
Total	**6,142**	**295,440**	**432,757**	**55,687**	**59**

(*) These transactions are carried out on an arm's length basis.
(**) Dividends received amounted to EUR 3,000 thousand, of which EUR 2,798 thousand was credited to "Non-current investments in group companies and associates" (Note 9).

As a result of these transactions, of those performed in previous years, the measure of progress of the projects arranged, of the loans granted, of the taxes payable under the consolidated tax regime (Note 16) and of the advances granted, the Company's balances with Group companies, associates and related parties at 31 December 2022 and 2021 were as follows:

2022

	Thousands of Euros						
	Non-current loans (Note 9)	Current investments in group companies and associates (Note 16)	Receivable from group companies and associates (Note 12)	Measure of progress, net of billings (*) (Note 12)	Advances to suppliers (Note 11)	Suppliers, group companies and associates	Current and non-current payables to group companies and associates (Note 16)
Actren Mantenimiento Ferroviario, S.A.	-	-	1,260	641	-	773	-
BWB Holdings Limited	-	-	5,307	-	-	-	-
CAF Arabia Company	-	-	-	447	-	24	50
CAF Argelia (EURL)	-	-	(19)	-	-	-	-
CAF Belgium, S.P.R.L.	-	9,062	-	-	-	1,038	-
CAF Brasil Indústria e Comércio, S.A.	-	-	642	(196)	-	14	-
CAF Chile, S.A.	-	-	1,008	891	-	25	6,300
CAF Deutschland, GmbH	-	810	38	-	-	1,066	-
CAF Deutschland Real Estate GmbH	-	361	-	-	-	-	-
CAF Digital & Design Solutions, S.A.U.	-	-	368	171	-	2,682	587
CAF Diversified Business Development, S.A.U.	-	-	-	-	-	-	29,386
CAF Engineered Modernizations, S.L.U.	-	156	9	-	-	957	271
CAF France, SAS	-	9,987	144	4,252	-	54,350	-
CAF Group UK Limited	-	-	-	-	-	-	51,077
CAF Hungary Kft	-	203	-	-	-	441	-
CAF I+D, S.L.U.	-	-	359	-	-	1,662	5,828
CAF India Private Limited	-	-	200	-	-	552	-
CAF Investment Projects, S.A.U.	76,905	748	124	-	-	-	22,348
CAF Israel Rails Ltd.	-	2,194	11	-	-	14,529	-
CAF Italia, S.R.L.	-	3,890	8	845	-	2,394	-
CAF México, S.A. de C.V.	-	-	14,528	16,136	-	669	4,795
CAF Netherlands B.V.	-	-	3	-	-	1,536	730
CAF New Zealand Limited	-	14	609	239	-	76	1,954
CAF Norway AS	-	329	-	-	-	1,020	-
CAF Polska sp. z.o.o.	-	-	298	-	-	393	-
CAF Power & Automation, S.L.U.	-	1,812	92	-	41,338	10,799	30,561
CAF Rail Australia Pty Ltd	-	20,883	2,615	21,998	-	1,877	-
CAF Rail Digital Services, S.L.U.	-	254	13	-	(21)	2,007	1,076
CAF Rail Luxembourg, S.À.R.L.	-	130	-	-	-	84	-
CAF Rail UK Limited	-	62	3,588	4,478	-	2,968	-
CAF Reichshoffen SAS	-	-	90	-	-	1,227	85,406
CAF Rolling Stock UK Limited	-	27	4,049	-	-	18,642	-
CAF Signalling, S.L.U.	-	3,976	141	(100)	747	3,194	9,888
CAF Sisteme Feroviare, S.R.L.	-	108	-	-	-	63	-
CAF Taiwan Ltd	-	912	-	(1,629)	-	-	-
CAF Track Test Center, S.L.U.	3,471	552	-	-	-	1,328	995
CAF Turnkey & Engineering, S.L.U.	-	3,435	38	-	-	4,206	763
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	-	-	(1,825)	-	118	-
CAF USA, Inc.	-	-	11,326	14,935	-	587	24,000
Centro de Ensayos y Análisis Cetest, S.L.	-	390	85	-	8	1,331	11,026
CFIR Light Rail Ltd	-	505	666	(56,920)	4,238	-	-
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	3,602	(991)	2,498	1,877	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	336	-	3,815	-	(3)	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	8	-	254	253	2,380
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	173	-	-	8	-
Ctrens - Companhia de Manutençao, S.A.	-	16	327	-	-	-	-
EuroMaint Components & Materials AB	-	3	1	-	-	-	-
EuroMaint Gruppen AB	12,138	171	-	-	-	-	-
EuroMaint Rail AB	-	-	31	(27)	-	675	-
EuroMaint Rail AS	-	-	-	-	-	-	-
Geminys, S.L.	-	397	-	-	-	566	3,722
Lander Simulation and Training Solutions, S.A.U.	-	866	4	-	22	259	5,821
LAVI Light Rail O&M Ltd.	-	-	(17)	-	-	-	-
Light LTV NTA LTD	-	-	-	(7,787)	-	-	-
Metro CAF (Mauritius) Ltd.	-	-	463	-	-	-	2,400
Momentum Trains Holding Pty Ltd.	-	-	739	132,913	-	-	-
Openaco Trading Co. Ltd.	-	-	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	150	-	-	-	61	-
Plan Metro, S.A.	-	-	111	1,448	-	-	-
Rail Line Components, S.L.U.	-	706	655	-	796	1,844	3,533
Rifer SRL	-	-	-	-	-	133	478
SEM Tranvías de Zaragoza	-	-	56	(471)	-	-	-
Sermanfer, S.A.U.	-	-	7	-	-	900	757
Solaris Bus & Coach sp. zoo	37,387	31	205	-	-	5	-
Tradinsa Industrial, S.L.	-	622	69	-	1,954	1,006	-
Trenes CAF Venezuela C.A.	-	-	-	-	151	16	-
Trenes de Navarra, S.A.U.	-	443	-	-	-	527	-
Total	**129,901**	**64,541**	**54,034**	**133,263**	**51,985**	**140,759**	**306,132**

(*) Measure of progress net of billings at 31 December 2022 includes EUR 212,018 thousand in deferred billings (assets) (Note 12) and EUR 78,755 thousand in prebillings (liabilities).

2021

	Thousands of Euros						
	Non-current loans (Note 9)	Current investments in group companies and associates (Note 16)	Receivable from group companies and associates (Note 12)	Measure of progress, net of billings (*) (Note 12)	Advances to suppliers (Note 11)	Suppliers, group companies and associates	Current and non-current payables to group companies and associates (Note 16)
Actren Mantenimiento Ferroviario, S.A.	-	-	3,825	753	-	990	-
CAF Arabia Company	-	-	10,291	1,485	-	359	-
CAF Argelia (EURL)	-	-	14	-	-	553	-
CAF Belgium, S.P.R.L.	-	3,633	-	-	-	306	-
CAF Brasil Indústria e Comércio, S.A.	-	8	1	45	-	31	-
CAF Chile, S.A.	-	-	731	233	-	-	4,500
CAF Deutschland, GmbH	-	9	-	-	-	543	-
CAF Digital & Design Solutions, S.A.U.	-	1	1	4,335	-	1,364	564
CAF Diversified Business Development, S.A.U.	-	20	-	-	-	-	1,319
CAF Engineered Modernizations, S.L.U.	-	201	-	-	-	643	355
CAF France, SAS	-	15,120	-	2,361	29,000	332	-
CAF Group UK Limited	-	-	-	-	-	4	17,851
CAF Hungary Kft	-	202	13	-	-	315	-
CAF I+D, S.L.U.	-	-	636	-	-	936	10,550
CAF India Private Limited	-	-	51	-	-	258	-
CAF Investment Projects, S.A.U.	27,714	40,271	9	-	-	-	3,558
CAF Israel Rails Ltd.	-	2,680	-	-	-	10,909	-
CAF Italia, S.R.L.	-	4,101	-	273	-	2,627	-
CAF México, S.A. de C.V.	-	-	11,947	(6,009)	-	7,622	-
CAF Netherlands B.V.	-	38	3	-	-	1,734	466
CAF New Zealand Limited	-	12	1,948	61	-	52	-
CAF Norway AS	-	21	-	-	-	746	-
CAF Power & Automation, S.L.U.	-	1,788	72	-	19,742	23,210	19,277
CAF Rail Australia Pty Ltd	-	26,348	9,062	29,181	-	1,527	-
CAF Rail Digital Services, S.L.U.	-	398	3	-	(90)	902	1,304
CAF Rail Luxembourg, S.À.R.L.	-	-	-	-	-	168	38
CAF Rail UK Limited	-	1,349	2,243	3,513	-	4,382	-
CAF Rolling Stock UK Limited	-	27	1,784	-	-	10,517	-
CAF Signalling, S.L.U.	3,968	6	54	-	740	11,243	18,126
CAF Sisteme Feroviare, S.R.L.	-	108	-	-	-	50	-
CAF Taiwan Ltd	-	-	-	(822)	-	4	-
CAF Track Test Center, S.L.U.	-	4,520	-	-	-	443	-
CAF Turnkey & Engineering, S.L.U.	-	3,307	-	-	-	2,512	489
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	-	-	1,382	(1,784)	-	76	-
CAF USA, Inc.	-	-	5,628	8,888	-	859	26,082
Centro de Ensayos y Análisis Cetest, S.L.	-	488	137	-	(8)	1,434	9,105
CFIR Light Rail Ltd.	-	322	815	(111,734)	-	-	-
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	4,273	(1,164)	3,217	2,222	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	4,446	-	330	-	85	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	-	-	247	527	716
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	173	-	-	91	-
Ctrens - Companhia de Manutençao, S.A.	-	46	273	-	-	-	-
EuroMaint Components & Materials AB	-	-	103	-	-	-	-
EuroMaint Gruppen AB	49,755	182	-	-	-	-	-
EuroMaint Rail AB	-	-	57	662	-	901	-
Geminys, S.L.	-	439	-	-	-	1,152	3,438
Lander Simulation and Training Solutions, S.A.	-	517	-	-	735	728	5,059
LAVI Light Rail O&M Ltd.	-	1,889	-	-	-	-	-
Metro CAF (Mauritius) Ltd.	-	-	481	-	-	77	1,800
Momentum Trains Holding Pty Ltd.	-	-	-	74,131	-	-	-
Orbital Sistemas Aeroespaciales, S.L.U.	-	-	-	-	-	26	-
Plan Metro, S.A.	-	-	-	1,415	-	-	-
Rail Line Components, S.L.U.	-	617	558	244	44	1,192	2,851
Rifer SRL	-	-	-	-	-	16	799
Sermanfer, S.A.U.	-	-	-	-	-	607	573
Solaris Bus & Coach sp. zoo	-	-	304	-	-	2	-
Tradinsa Industrial, S.L.	-	206	703	-	930	270	-
Trenes CAF Venezuela C.A.	-	-	-	-	-	(10)	-
Trenes de Navarra, S.A.U.	3,322	14	-	-	-	654	-
Total	**84,759**	**113,334**	**57,575**	**6,397**	**54,557**	**96,191**	**128,820**

(*) Measure of progress net of billings at 31 December 2021 includes EUR 143,451 thousand in deferred billings (assets) (Note 12) and EUR 137,054 thousand in prebillings (liabilities).

The heading "Non-current investments in group companies and associate — Non-current loans" includes a loan granted to CAF Investment Projects, S.A.U., capped at EUR 401,000 thousand. The non-current principal of the loan (excluding uncollected accrued interest) drawn down at 31 December 2022 amounted to EUR 76,905 thousand (31 December 2021: EUR 27,714 thousand drawn down) for the purpose of financing or strengthening existing Group companies or acquiring new companies. This loan bears interest at market rates and matures in 2024.

In addition, SEK 500,000 thousand of the loan it had granted to Group company Euromaint Gruppen AB was capitalised during financial year 2022. Moreover, the upper limit on this loan was raised by SEK 125,000 thousand in 2022, such that at 31 December

2022 the loan to EuroMaint Gruppen AB was capped at SEK 135,000 thousand (SEK 510,000 thousand at year-end 20222021), maturing in 2024 and bearing interest at a fixed market rate. This outstanding balance of this loan stood at EUR 12,138 thousand as at 31 December 2022 (EUR 49,755 thousand at 31 December 2021).

In addition, a loan was granted to Solaris Bus & Coach sp. z.o.o., capped at PLN 250,000 thousand, maturing in 2025 and bearing interest at market rates. The balance at 31 December 2022 was EUR 37,387 thousand.

Lastly, in 2019 an agreement was entered into with CAF Signalling, S.L.U. for the grant of subsidised borrowings for development projects that are being performed by the Company (Note 6). As a result of the financing received at Group level in connection with these projects, a current receivable of EUR 3,968 thousand was recognised at 31 December 2022 (31 December 2021: non-current receivable of EUR 3,968 thousand), along with a non-current payable with this subsidiary of EUR 6,653 thousand and a current payable of EUR 475 thousand in relation to the repayable debt obtained by CAF Signalling, S.L.U. for the same projects (31 December 2021: payable of EUR 7,128 thousand).

The other loans granted to and received from Group companies are governed by agreements that bear interest at market rates.

At 31 December 2022, the Company had EUR 10,233 thousand and EUR 2,192 thousand recognised under “Current investments in group companies and associates” and “Current payables to group companies and associates”, respectively, with various companies belonging to the tax group for the purpose of estimating income tax and settling VAT (31 December 2021: EUR 10,436 thousand receivable and EUR 6,648 thousand payable).

The accounts receivable and payable (basically trade receivables and payables) do not bear interest.

Joint ventures

The following tables show the Company’s interests in joint ventures, by type, at 31 December 2022 and 2021:

2022

Name	Ownership interest	Jointly controlled assets (Thousands of Euros)	Jointly controlled liabilities (Thousands of Euros)
UTE CSM	61.79%	1,266	1,260
UTE Valencia	39.35%	547	541

2021

Name	Ownership interest	Jointly controlled assets (Thousands of Euros)	Jointly controlled liabilities (Thousands of Euros)
UTE CSM	61.79%	2,957	2,951
UTE Valencia	39.35%	325	319

Balances and transactions with shareholders

At 31 December 2022 and 2021, the Company had the following financial transactions outstanding with shareholders holding 10% or more of voting rights:

		2022		2021	
Shareholder	Type of transaction	Amount of transaction	Balance drawn at 31/12/22	Amount of transaction	Balance drawn at 31/12/21
Kutxabank, S.A.	Bank loans	40,000	36,500	40,000	38,000
Kutxabank, S.A.	Credit accounts	35,000	-	35,000	-
Kutxabank, S.A.	Bank guarantees	150,119	101,551	130,000	91,765

In addition, in 2022 the Company entered into non-recourse factoring arrangements with Kutxabank, S.A. and other subsidiaries of Bilbao Bizkaia Kutxa Fundación Bancaria, amounting to EUR 25,401 thousand (EUR 34,411 thousand in 2021) and also arranged professional services amounting to EUR 95 thousand (EUR 22 thousand in 2021).

11.- INVENTORIES AND CONSTRUCTION CONTRACTS

The breakdown of “Inventories” at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 19.b)	3,066	25,444
Advance payments from suppliers (Note 10)	100,762	99,398
Total	**103,828**	**124,842**

At 31 December 2022 and 2021, the Company had firm raw material purchase commitments amounting to approximately EUR 577,560 thousand and EUR 406,190 thousand, respectively.

The Company takes out insurance policies to adequately insure its inventories. At 31 December 2022 and 2021, the insurance policies taken out covered the carrying amount of the inventories at those dates.

Construction contracts

Details of deferred and prepaid billings at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Deferred billings (asset) (Notes 3.g & 12)	1,121,969	784,216
Prepaid billings (liability) (Notes 3.g and 16)	(771,710)	(660,664)
Net balance	**350,259**	**123,552**

The aggregate change in deferred billings and advance billings in 2022 and 2021 is as follows:

	Thousands of Euros
Balance at 31/12/20	**16,827**
Initial adjustment (PGC Valuation Rule 14)	(93,292)
Changes in measure of progress	1,347,984
Billings	(1,175,996)
Penalties applied	32,320
Reclassifications and other	(4,291)
Balance at 31/12/21	**123,552**
Changes in measure of progress	1,372,444
Billings	(1,154,798)
Penalties applied	10,353
Reclassifications and other	(1,292)
Balance at 31/12/22	**350,259**

12.- TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

At 31 December 2022 and 2021, the breakdown of "Trade and other receivables" was as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Trade receivables for sales and services (Note 11)	1,143,896	865,696
Trade receivables from Group companies and associates (Notes 10 & 11)	266,052	201,026
Total	**1,409,948**	**1,066,722**

Classes	Thousands of Euros			
	Trade receivables from Group companies and associates		Trade receivables for sales and services	
Categories	31/12/22	31/12/21	31/12/22	31/12/21
Trade receivables – in euros	36,242	37,655	734,790	552,447
Trade receivables – in foreign currency	229,810	163,371	409,106	313,249
Total	**266,052**	**201,026**	**1,143,896**	**865,696**

These accounts receivable include the deferred billing indicated in Note 11 amounting to EUR 1,121,969 thousand (2021: EUR 784,216 thousand). Deferred billings under "Trade receivables from Group companies and associates" amounted to EUR 212,018 thousand (2021: EUR 143,451 thousand) (Note 10).

Provisions for liabilities that reduce the figure under "Trade receivables for sales and services" amounted to EUR 38,785 thousand at 31 December 2022 (EUR 42,981 thousand at 31 December 2021).

At 31 December 2022, the Company had derecognised receivables amounting to EUR 46,878 thousand (31 December 2021: EUR 43,331 thousand) as a result of non-recourse factoring agreements.

At 31 December 2022, the Company held a receivable of EUR 14,882 thousand (EUR 28,838 thousand at 31 December 2021) under the contract signed in previous years with Metro de Caracas.

On 1 June 2021, the UTE CSM joint venture requested payment of the full maximum indemnifiable amount, given that on that date all the objective conditions for reporting a claim under the aforementioned insurance policy had been met. At the date of authorisation for issue of these annual financial statements, a total of EUR 44.7 million – equivalent to 75% of the indemnifiable amount – had been collected by the joint venture. The remaining 25% of the indemnity was paid to the joint venture in January 2023.

At 31 December 2022, 42.30% of the outstanding balances billed to third parties related to the main five customers (31 December 2021: 51.50%). “Trade receivables for sales and services” includes withholdings at 31 December 2022 amounting to EUR 8,808 thousand (31 December 2021: EUR 7,602 thousand).

The amount of the net past-due balances receivable from third parties at 31 December 2022 and 2021, in addition to the balances receivable from Metro de Caracas, was as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Past due > 90 days	16,307	32,315
Past due > 180 days	111,687	97,911
Total	**127,994**	**130,226**

Of this balance, 51.24% is concentrated in two countries and three contracts, in relation to which the Company is implementing active collection management measures, although no significant losses that had not been provisioned are expected:

- At 31 December 2022, the Company had recognised EUR 51,320 thousand (31 December 2021: EUR 42,234 thousand), corresponding to billed and unbilled balances receivable for contracts already performed that have not yet been collected after securing arbitration awards favourable to the Company. At 31 December 2022, no significant event had been identified that might have affected credit risk, and it is not expected that any loss will be incurred in relation to its recoverability.

- At 31 December 2022, the Company had recognised an amount of EUR 40,811 thousand (31 December 2021: EUR 42,182 thousand) relating to billed and unbilled balances pending collection in respect of a dispute with a customer for a project in which there are cross claims for delays in meeting the contractual milestones signed by the consortium to which CAF belongs. As the litigation is ongoing, it is difficult to assess its potential impact, although the Company’s directors consider that the likelihood of this situation generating losses is low as some of the delays categorically cannot be attributed to the consortium. Moreover, the damages suffered by the customer are lower than the amounts being claimed, and there are also claims for cost overruns incurred by the consortium that are attributable to the customer. At the date of authorisation for issue of these financial statements, two expert reports analysing the alleged delays have been issued as part of the legal proceedings and the proceedings are now awaiting a decision by the court.

On the basis of a case-by-case analysis of past-due balances, the Company considered that at 31 December 2022 there were balances that posed a collection risk totalling EUR 1,230 thousand (31 December 2021: EUR 1,885 thousand). These amounts had been provisioned and are presented as a reduction of the balance of “Trade receivables for sales and services” in the accompanying balance sheet subsequent to the recognition of a reversal totalling EUR 655 thousand under “Other operating expenses” in the accompanying statement of profit or loss (2021: allowance of EUR 396 thousand – Note 19.e).

b) Other receivables

The breakdown of the heading “Other receivables” was as follows at 31 December 2022 and 2021:

	Thousands of Euros	
	31/12/22	**31/12/21**
Sundry accounts receivable (Note 14)	3,666	1,399
Employee receivables	1,295	2,149
Other taxes receivable	17,848	23,521
Total	**22,809**	**27,069**

Other taxes receivable

At 31 December 2022, the Company had EUR 16,206 thousand and EUR 1,642 thousand in value added tax receivable and grants, respectively (31 December 2021: EUR 23,424 thousand and EUR 97 thousand, respectively).

13.- EQUITY

a) Share capital

At both 31 December 2022 and 2021, the Company’s share capital was represented by 34,280,750 fully subscribed and paid up shares, each with a par value of EUR 0,301, all represented in book entry form and all listed on the stock exchange.

At 31 December 2022 and 2021, the following companies or entities had notified the CNMV that they held voting rights of more than 3% of the Company’s share capital:

	% 2022	**% 2021**
Cartera Social, S.A. (i)	24.04%	24.20%
Kutxabank, S.A. (ii)	14.06%	14.06%
Indumenta Pueri S.L.(iii)	5.02%	5.02%
Daniel Bravo Andreu (iv)	5.00%	5.00%

	% 2022	% 2021
Instituto Vasco de Finanzas (v)	3.00%	-
Santander Asset Management, S.A. S.G.I.I.C. (vi)	-	3.07%

i. The shareholders of this company are employees of the Company.
ii. Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.
iii. 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.
iv. Daniel Bravo Andreu holds indirect ownership interest, although the indirect holder is Danimar 1990, S.L.
v. On 28 December 2022, Instituto Vasco de Finanzas notified the CNMV of the acquisition of shares equivalent to 3% of the Group's share capital. Instituto Vasco de Finanzas is the indirect owner, with FINKATZE KAPITALA FINKATUZ, S.A.U. holding the direct stake.
vi. On 2 November 2022, Santander Asset Management, S.A. S.G.I.I.C. notified the CNMV that its stake had fallen below the 3% threshold. Santander Asset Management, S.A. S.G.I.I.C. is the indirect holder. It controls the voting rights of various Group companies.

The Annual General Meeting of Shareholders held on 5 June 2021 authorised the Board of Directors to increase share capital on one or more occasions, over a period of five years from that date, and subject to a cap of half of the share capital at the time of the authorisation, including the power to disapply pre-emptive subscription rights, if the Company's interest so requires and without such exclusion exceeding 20% of the share capital at the time of the authorisation. No capital increases have been carried out from the date of that resolution through to the date of authorisation for issue of these financial statements.

Lastly, the Annual General Meeting held on 11 June 2022 resolved to vest powers in the Company's Board of Directors, with express powers of delegation, for a term of five (5) years running from that date, to issue debt instruments and fixed income or other securities (including warrants) convertible into shares of the Company or other Group companies, including the power to disapply shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This resolution supersedes the resolution previously adopted at the Annual General Meeting of the Company held on 10 June 2017. No convertible securities have been issued from the date of that resolution through to the date of authorisation for issue of these financial statements.

b) Share premium

The share premium account balance has no specific restrictions on its use.

c) Revaluation reserve

The amount of these revaluations (Notes 3.b and 7) at 31 December 2022 and 2021 is allocated to the following accounts:

	Thousands of Euros	
	31/12/22	31/12/21
Revaluation reserve – Gipuzkoa Decree 1/2013 (*)	25,170	25,170
Revaluation reserve – Gipuzkoa Regulation 11/1996	8,701	8,701
Total	**33,871**	**33,871**

(*) Net of the 5% tax paid in July 2013.

Revaluation reserve Gipuzkoa Decree 1/2013

The Company availed itself of the provisions of Gipuzkoa Decree 1/2013, of 5 February, on asset revaluation, and recognised a reserve amounting to EUR 25,170 thousand corresponding to the revalued amount of the assets (Note 7), net of the related tax effect of 5% (Note 16.e). The balance of the revaluation reserve under Gipuzkoa Decree 1/2013, of 5 February, is restricted until it is verified and accepted by the tax authorities, which should be performed within the three-year period following presentation of the tax return.

Once it has been verified by the tax authorities or the verification period has elapsed, the balance of this account may be used to offset losses, increase capital, or, after ten years have elapsed from the date of the balance sheet in which the revaluations were recognised, be allocated to unrestricted reserves. However, it may only be distributed when the revalued assets have been fully depreciated, transferred or derecognised.

Revaluation reserve Gipuzkoa Regulation 11/1996

This balance can be used to offset accounting losses and to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance were used in a manner other than that provided for in Gipuzkoa Regulation 11/1996, it would be subject to tax.

d) Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2022 and 2021, the balance of this reserve had reached the legally required minimum. At 31 December 2022 and 2021, the balance of the "Legal reserve" heading was EUR 2,064 thousand.

e) Restricted and unavailable reserves

Until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Consequently, at the end of 2022 EUR 36,354 thousand (end of 2021: EUR 34,744 thousand) of the balance of "Other reserves" was restricted (Note 6).

f) Treasury shares and Earnings per share

The Annual General Meeting held on 13 June 2020 vested powers in the Company's Board of Directors to acquire treasury shares for a period of five years running from that date. This authorisation superseded the authorisation granted by resolution of the Annual General Meeting held on 13 June 2015. By virtue of the powers vested in it, the Company's Board of Directors authorised the signing of a liquidity contract, the signing of which was disclosed to the market by filing a "Other material disclosure" with the CNMV on 26 April 2022. In order to perform that contract, a treasury stock transaction was carried out, thus allowing a total of 44,100 shares to be deposited and held in the securities account of the Financial Intermediary. In accordance with prevailing law and regulations, the Company reports quarterly to the CNMV on all transactions carried out under that contract.

In 2022, various transactions in own shares were carried out on the continuous market. The breakdown of treasury shares held by the Company is as follows:

	No. of shares	Nominal value (thousands of euros)	Average purchase price (Euros)	Total cost (thousands of euros)
Treasury shares at 31 December 2022	46,947	14	27.53	1,292

The following table breaks down changes in treasury shares in 2022:

	No. of shares
Treasury shares at 1 January 2022	-
+ Purchases	628,914
- Sales	(581,967)
Treasury shares at 31 December 2022	**46,947**

The nominal value of own shares acquired directly or indirectly by CAF did not exceed 10% of the share capital during the 12-month period ended 31 December 2022.

Basic earnings per share are obtained by dividing profit for the year by the weighted average number of ordinary shares in circulation, excluding the average number of treasury shares held during the year. As the Group has no dilutive potential ordinary shares, there is no difference between basic and diluted earnings per share. Basic earnings per share are calculated as follows:

	2022	2021
Profit or loss for the year (thousands of euros)	62,956	47,768
Average number of shares issued (in thousands of shares)	34,246	34,281
Earnings per share (in euros)	**1.84**	**1.40**

g) Dividends

On 6 October 2021, the Board of Directors approved the distribution of an interim dividend out of 2021 profit, for a total of EUR 13,712 thousand. At 31 December 2021, the Company had recognised this amount under "Interim dividend" in the accompanying balance sheet. It was subsequently paid in January 2022.

Likewise, on 11 June 2022, the General Meeting of Shareholders resolved to pay a final dividend out of profit for financial year 2021 in the amount of EUR 20,569 thousand. It was subsequently paid in July 2022.

h) Grants

The information on the grants received by the Company, which form part of equity, and on the amounts taken to income in this connection is as follows:

	Thousands of Euros (*)
Balance at 31/12/20	**3,781**
Increase	1,247
Amount taken to profit or loss	(787)
Balance at 31/12/21	**4,241**
Increase	3,369
Amount taken to profit or loss	(860)
Balance at 31/12/22	**6,750**

(*) These amounts are net of the related tax effect (Note 16.c).

At the end of 2022 and 2021, the Company had fulfilled all the conditions attaching to the grants detailed above and, therefore, it does not expect differences to arise in possible future reviews.

In 2022 the Company received grants totalling EUR 4,433 thousand in order to support the investments made under various development projects (2021: EUR 1,641 thousand) (Note 6).

In 2022 the Company transferred EUR 1,132 thousand to profit or loss in relation to grants received in prior years with a credit to "Allocation to profit or loss of grants related to non-financial non-current assets and other grants" in the statement of profit or loss (2021: EUR 1,035 thousand).

14.- NON-CURRENT AND CURRENT PAYABLES

The breakdown of "Non-current payables" at the end of 2022 and 2021 is as follows (in thousands of euros):

Classes	Non-current financial instruments					
	Non-current bank borrowings		Other non-current financial liabilities		Total	
Categories	**31/12/22**	**31/12/21**	**31/12/22**	**31/12/21**	**31/12/22**	**31/12/21**
Financial liabilities at amortised cost	508,745	512,145	6,518	13,482	515,263	525,627
Financial liabilities at fair value through profit or loss (Note 3.d)	-	-	-	5,060	-	5,060
Hedging derivatives (Note 15)	-	-	10,923	33,856	10,923	33,856
Total	**508,745**	**512,145**	**17,441**	**52,398**	**526,186**	**564,543**

The breakdown of "Current payables" at the end of 2022 and 2021 is as follows (in thousands of euros):

Classes	Current financial instruments					
	Current bank borrowings and debt instruments or other marketable securities		Other current financial liabilities		Total	
Categories	**31/12/22**	**31/12/21**	**31/12/22**	**31/12/21**	**31/12/22**	**31/12/21**
Financial liabilities at amortised cost	61,755	139,855	3,910	20,733	65,665	160,588
Financial liabilities at fair value through profit or loss (Note 3.d)	-	-	4,793	-	4,793	-
Hedging derivatives (Note 15)	-	-	5,897	51,441	5,897	51,441
Total	**61,755**	**139,855**	**14,600**	**72,174**	**76,355**	**212,029**

Bank borrowings and debt instruments or other marketable securities

In 2022 and 2021, changes in "Bank borrowings and debt instruments or other marketable securities" were as follows:

	Thousands of Euros		
	Bank borrowings	Debt instruments or other marketable securities	Total
Balance at 31 December 2020	**631,132**	**10,000**	**641,132**
Cash flows			
New drawdowns	38,810	160,000	198,810
Maturity payments	(43,332)	(145,000)	(188,332)
	(4,522)	15,000	10,478
Other changes (without cash flows)	**390**	**-**	**390**
Balance at 31 December 2021	**627,000**	**25,000**	**652,000**
Cash flows			
New drawdowns	27,658	429,600	457,258
Maturity payments	(115,683)	(422,700)	(538,383)
	(88,025)	6,900	(81,125)
Other changes (without cash flows)	**(375)**	**-**	**(375)**
Balance at 31 December 2022	**538,600**	**31,900**	**570,500**

The bank borrowings are presented in the consolidated balance sheet adjusted by the costs incurred in the arrangement of the loans.

The Company also has undrawn credit facilities totalling EUR 294,438 thousand (31 December 2021: EUR 300,941 thousand) in the form of undrawn loans, credit facilities and factoring arrangements, which are mainly tied to Euribor plus a market spread.

The Company, further to the approval granted by its Board of Directors on 17 December 2020, formalised a Commercial Paper Programme CAF 2020 for an aggregate maximum nominal balance of EUR 250 million. The programme was listed on the Spanish Alternative Fixed Income Market (Mercado Alternativo de Renta Fija, or MARF) on 21 December 2020 and was subsequently renewed on 22 December 2021 and then again on 23 December 2022. In 2022, a total of EUR 429.6 million was issued under this programme. The programme enables the Company, under the terms and conditions set out in the Information Memorandum and for a period of 12 months, to issue commercial paper with a maturity of less than 730 days, which are listed on the MARF. At 31 December 2022, there was an outstanding issued volume of EUR 31.9 million (EUR 25 million at 31 December 2021).

The repayment schedule of non-current bank borrowings is as follows (in thousands of euros):

2022

	Interest	Principal
2024	14,490	126,000
2025	8,429	236,500
2026	2,278	121,700
2027	119	25,000
Total	**25,316**	**509,200**
Accruals		(455)
Total carrying amount		**508,745**

2021

	Interest	Principal
2023	8,175	53,583
2024	6,821	101,000
2025	3,966	236,500
2026	1,143	121,700
Total	**20,105**	**512,783**
Accruals		(638)
Total carrying amount		**512,145**

Other financial liabilities – Financial liabilities at amortised cost

Changes in the items composing "Other Non-Current Financial Liabilities – Financial liabilities at amortised cost" are as follows (in thousands of euros):

2022

	31/12/21	Increase/ (Reversal)	Transfers	31/12/22
Refundable advances	9,435	543	(3,460)	6,518
Employee benefit obligations (Note 19.d)	2,883	-	(2,883)	-
Other	1,164	-	(1,164)	-
Total	**13,482**	**543**	**(7,507)**	**6,518**

2021

	31/12/20	Increase/ (Reversal)	Transfers	31/12/21
Refundable advances	12,294	1,346	(4,205)	9,435
Employee benefit obligations (Note 19.d)	2,846	2,527	(2,490)	2,883
Other	1,093	116	(45)	1,164
Total	**16,233**	**3,989**	**(6,740)**	**13,482**

Refundable advances

Through programmes that promote research, Government has awarded certain grants to CAF for the performance of research and development projects, which are recognised on the date they are effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

- Grants to partially meet the expenses and costs of these projects.
- Refundable advances in the form of loans which are generally interest-free and which usually have a grace period of 3 years and are repaid in a period of over 10 years.

In certain projects, the project coordinator is responsible for the performance of the project in dealings with Government, and collects all of the grants therefrom. At 31 December 2022, the Company recognised balances receivable totalling EUR 466 thousand under "Trade and other receivables – Other receivables" (31 December 2021: EUR 1,273 thousand). The Company also recognised EUR 5,721 thousand under "Trade and other payables – Other payables", in relation to the amount payable to third parties arising from joint projects (31 December 2021: EUR 5,860 thousand).

Other financial liabilities – Financial liabilities at fair value through profit or loss

"Share Purchase Liabilities" includes the amounts foreseeably payable for the cross call options to acquire the remaining share capital of BWB Holdings Limited (26% of the remaining share capital) (Note 9). The strike price of these transactions varies, depending on the certain financial parameters of the company on the date the options are exercised.

Maturity of Other non-current financial liabilities

The breakdown by maturity in the coming years of "Other non-current financial liabilities — Liabilities at amortised cost" and "Other non-current financial liabilities — Liabilities at fair value through profit or loss" is as follows (in thousands of euros):

2022

	Interest	Principal
2024	41	2,626
2025	27	2,079
2026	13	1,236
2027	-	285
2028 and beyond	-	490
Total	**81**	**6,716**
Discount rate discounting and accruals		(198)
Total carrying amount		**6,518**

2021

	Interest	Principal
2023	55	9,895
2024	41	3,659
2025	27	2,315
2026	13	1,319
2027 and beyond	-	1,930
Total	**136**	**19,118**
Discount rate discounting and accruals		(576)
Total carrying amount		**18,542**

Meanwhile, the breakdown by long-term maturity of “Other non-current financial liabilities – Hedging derivatives” is as follows (in thousands of euros):

2022

	2024	2025	2026	2027	2028 and beyond	Total
Hedging derivatives	228	1,757	4,332	4,533	73	10,923
Total	**228**	**1,757**	**4,332**	**4,533**	**73**	**10,923**

2021

	2023	2024	2025	2026	2027 and beyond	Total
Hedging derivatives	23,699	6,793	3,167	140	57	33,856
Total	**23,699**	**6,793**	**3,167**	**140**	**57**	**33,856**

15.- DERIVATIVE FINANCIAL INSTRUMENTS

CAF uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates and interest rates. CAF arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned. Also, the Company has arranged interest rate hedging derivatives to hedge a portion of borrowings.

The breakdown of the net balances of derivatives, basically fair value and cash flow hedges, recognised in the balance sheets as at 31 December 2022 and 2021 is as follows:

2022

Currency put options at 31/12/22	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2023	2024	2025 and beyond	Total	
Fair value hedges					
USD currency forwards (*)	90,518	7,653	246,627	344,798	323,268
GBP currency forwards	254,864	966	-	255,830	288,444
BRL currency forwards	100,956	-	-	100,956	17,904
SEK currency forwards	577,952	773,775	1,247,645	2,599,372	233,720
AUD currency forwards	545,793	120,054	75,210	741,057	472,222
SAR currency forwards	21,843	-	-	21,843	5,430
MXN currency forwards	175,738	-	-	175,738	8,426
JPY currency forwards	10,093,536	-	-	10,093,536	71,755
NZD currency forwards	-	-	-	-	-
HUF currency forwards	37,579	-	-	37,579	94
CAD currency forwards	33,974	161,244	-	195,218	135,193
HKD currency forwards	-	-	89,841	89,841	10,803
TWD currency forwards	1,180,757	-	-	1,180,757	35,997
ILS currency forwards	29,669	-	-	29,669	7,900
AED currency forwards	146,051	91,958	540,931	778,940	198,730
PLN currency forwards	175,000	-	-	175,000	37,387
Cash flow hedges					
CAD currency forwards	507	-	-	507	351
HUF currency forwards	251,494	-	-	251,494	627
USD currency forwards	5,620	-	-	5,620	5,269
ILS currency forwards	5,200	-	-	5,200	1,385
NOK currency forwards	42,632	-	-	42,632	4,055
SEK currency forwards	4,000	-	-	4,000	360
TRY currency forwards	6,663	-	-	6,663	334
SAR currency forwards	20,911	-	-	20,911	5,198
Total put options					**1,864,851**

(*) Includes the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/22	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2023	2024	2025 and beyond	Total	
Fair value hedges					
USD currency forwards	42,312	9,800	4,573	56,685	53,146
MXN currency forwards	138,347	467,500	-	605,847	29,049
GBP currency forwards	90,915	-	-	90,915	102,506
JPY currency forwards	902,012	-	-	902,012	6,412
AUD currency forwards	21,615	1,038	-	22,653	14,435
NOK currency forwards	147,376	-	-	147,376	14,017
HUF currency forwards	635,728	-	-	635,728	1,586
ILS currency forwards	-	-	55,284	55,284	14,721
NZD currency forwards	4,068	-	-	4,068	2,422
SAR currency forwards	40,000	-	-	40,000	9,944
SEK currency forwards	-	85,713	-	85,713	7,707
TRY currency forwards	14,500	-	-	14,500	726
Cash flow hedges					
COP currency forwards	-	-	-	-	-
ILS currency forwards	5,500	-	-	5,500	1,465
JPY currency forwards	1,400,000	-	-	1,400,000	9,953
CAD currency forwards	13,800	-	-	13,800	9,557
TRY currency forwards	14,242	-	-	14,242	713
GBP currency forwards	3,500	-	-	3,500	3,946
AUD currency forwards	8,636	-	-	8,636	5,503
Total currency call options					**287,808**

2021

Currency put options at 31/12/21	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2022	2023	2024 and beyond	Total	
Fair value hedges					
USD currency forwards (*)	63,726	-	26,464	90,190	79,631
GBP currency forwards	302,052	62,692	966	365,710	435,224
BRL currency forwards	100,956	-	-	100,956	15,999
SEK currency forwards	1,035,174	245,031	1,825,786	3,105,991	303,014
AUD currency forwards	327,350	284,359	118,231	729,940	467,461
SAR currency forwards	78,535	-	-	78,535	18,397
MXN currency forwards	317,783	-	-	317,783	13,731
JPY currency forwards	13,767,211	-	-	13,767,211	105,595
NZD currency forwards	1,907	-	-	1,907	1,150
HUF currency forwards	191,073	-	-	191,073	518
CAD currency forwards	29,849	9,264	161,244	200,357	139,204
HKD currency forwards	92,697	-	-	92,697	10,494
NOK currency forwards	5,000	-	-	5,000	501
TWD currency forwards	1,180,757	-	-	1,180,757	37,528
ILS currency forwards	62,911	17,285	-	80,196	22,810
Cash flow hedges					
TRY currency forwards	6,663	-	-	6,663	437
SAR currency forwards	24,015	-	-	24,015	5,626
Total put options					**1,657,320**

(*) Includes the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/21	Figures in thousands				
	Maturity (in currency)				Equivalent value in Euros
	2022	2023	2024 and beyond	Total	
Fair value hedges					
USD currency forwards	19,909	1,133	-	21,042	18,578
MXN currency forwards	133,463	-	-	133,463	5,767
GBP currency forwards	123,528	2,733	-	126,261	150,261
JPY currency forwards	353,194	-	-	353,194	2,709
AUD currency forwards	9,072	7,761	-	16,833	10,780
NOK currency forwards	95,836	100,000	-	195,836	19,606
Cash flow hedges					
COP currency forwards	39,982,352	-	-	39,982,352	8,636
TRY currency forwards	4,695	-	-	4,695	308
AUD currency forwards	1,000	-	-	1,000	640
Total currency call options					**217,285**

At 31 December 2022 and 2021, the Company had entered into an interest rate swap contract with a start date of 30 September 2018 and an initial nominal amount of EUR 25 million, and maturing on 31 July 2023. The Company pays a fixed rate and receives a floating rate referenced to Euribor to hedge the interest rate risk of certain loans with identical notional amounts and repayment profiles (Note 14).

The fair value of the derivative financial instruments arranged at each year-end are as follows:

	Thousands of Euros			
	Fair value		Cash flow	
	31/12/22	31/12/21	31/12/22	31/12/21
USD currency forwards	1,674	(3,155)	266	-
GBP currency forwards	3,363	(6,785)	(122)	-
MXN currency forwards	(1,683)	(813)	-	-
BRL currency forwards	(988)	(1,039)	-	-
AUD currency forwards	9,818	(3,948)	(154)	7
SEK currency forwards	(3,548)	(2,530)	2	-
SAR currency forwards	(2,441)	(378)	33	(96)
JPY currency forwards	(465)	1,002	241	-
COP currency forwards	-	1,151	-	1,910
ILS currency forwards	470	693	(31)	-
CAD currency forwards	7,755	8,094	(822)	-
AED currency forwards	(1,887)	-	-	-
TWD currency forwards	846	(434)	-	-
HKD currency forwards	1,154	1	-	-
NOK currency forwards	(268)	(220)	53	-
Currency forwards in other currencies	236	-	(36)	(132)
Forward rate agreements	-	-	335	(356)
Measurement at year-end (*) (Notes 8 and 14)	**14,036**	**(8,361)**	**(235)**	**1,333**

(*) Before considering the related tax effect.

In order to measure the financial instruments, on the one hand the Company uses the measurement of the instruments themselves, and on the other, the measurement of own and counterparty credit risk.

The hedging instruments expire in the same year in which the cash flows are expected to occur.

Following is a reconciliation of the remeasurement at each year-end to the carrying amounts recognised in the consolidated balance sheet (in thousands of euros):

	31/12/22	31/12/21
Non-current assets (Note 8)	10,867	32,983
Current assets (Note 8)	19,754	45,286
Non-current liabilities (Note 14)	(10,923)	(33,856)
Current liabilities (Note 14)	(5,897)	(51,441)
Balance sheet net total	**13,801**	**(7,028)**
Fair value	14,036	(8,361)
Cash flow	(235)	1,333
Total derivatives value	**13,801**	**(7,028)**

In 2022, the ineffective portion of hedging transactions charged to profit or loss represented an expense of EUR 255 thousand (2021: income of EUR 1,057 thousand), mainly as a result of changes in the estimated amounts of the hedged items.

Also, the settlement in the value of the fair value derivatives resulted in an expense of EUR 12,522 thousand and EUR 198 thousand in 2022 and 2021, respectively, which are similar to the changes in value of the hedged items.

The items hedged by the Company, as indicated in Note 5.a on market risks, are mainly currency transactions included in each of the commercial agreements. When the hedges are initially arranged these transactions comprise either firm commitments (in which case they are recognised as fair value hedges) or highly probable transactions (in which case they are recognised as cash flow hedges) or net investments in foreign operations.

16.- OTHER PAYABLES AND TAX INFORMATION

The breakdown of the heading “Other payables” was as follows at 31 December 2022 and 2021:

	Thousands of Euros	
	31/12/22	31/12/21
Sundry trade payables	45,870	35,089
Prebillings (liability) (Note 11)	771,710	660,664
Other taxes payable	31,109	23,353
	848,689	**719,106**

a) Other taxes payable

The heading “Other taxes payable” at 31 December 2022 and 2021 breaks down as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Accrued social security taxes	10,021	9,761
Taxes payable – VAT and other taxes	13,518	5,078
Personal income tax withholdings	7,570	8,514
Total	**31,109**	**23,353**

In 2011 Construcciones y Auxiliar de Ferrocarriles, S.A., as the parent, and certain subsidiaries availed themselves of the special VAT regime for groups.

b) Reconciliation of accounting profit to taxable profit

	Thousands of Euros	
	2022	2021
Accounting profit (before tax)	**65,343**	**48,905**
Permanent differences–		
Sundry obligations to employees (Note 14)	1,504	5,035
Subsidiary dividends, litigation and other	(74,487)	(55,079)
Increases and reductions due to temporary differences–		
Sundry obligations to employees (Note 14)	(102)	(238)
Provisions for reliability, guarantees and other (Note 17)	9,806	49,364
Impairment losses on investments, results of joint ventures and other (Note 9)	(2,407)	(3,704)
Depreciation due to asset revaluation – Gipuzkoa Regulation 1/2013 (Note 7)	(85)	(81)
Taxable profit/Tax loss	**(428)**	**44,202**
Tax consolidation adjustments (impairment)	**(9,325)**	**4,958**
Adjusted taxable profit	**(9,753)**	**49,160**

Since 2007 the Company has filed consolidated tax returns under Gipuzkoa Income Tax Regulation 2/2014, of 7 January, as part of consolidated tax group no. 03/07/G, the parent of which is Construcciones y Auxiliar de Ferrocarriles, S.A. and the subsidiaries are: CAF Investment Projects, S.A.U, CAF I+D, S.L.U., CAF Power & Automation, S.L.U., Geminys, S.L., Rail Line Components, S.L.U., CAF Turnkey & Engineering, S.L.U., Centro de Ensayos y Análisis Cetest, S.L., CAF Signalling, S.L.U., CAF Diversified Business Development, S.A.U., CAF Engineered Modernizations, S.L.U., CAF Rail Digital Services, S.L.U. and Lander Simulation and Training Solutions, S.A.U. The tax consolidation regime will last indefinitely as long as the requirements continue to be met or the taxpayer does not expressly waive its application by making the corresponding census declaration.

If the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof. Under the legislation in force, the income tax rate applied was 24%. The Company's tax liability to the tax authorities should be interpreted in the context of the consolidated tax regime under which it files tax returns. In this respect, the Tax Group pays corporate income tax jointly to the central government and to the regional governments of Gipuzkoa and Bizkaia, based on the volume of operations carried out in each territory.

c) Tax recognised in equity

The breakdown of the tax recognised directly in equity is as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Arising in the year		
Grants (Note 13.h)	(792)	(145)
Hedges (Note 15)	376	(346)
Arising in prior years		
Grants (Note 13.h)	(1,339)	(1,194)
Hedges (Note 15)	(321)	25
Total tax recognised directly in equity	**(2,076)**	**(1,660)**

d) Reconciliation of accounting profit to income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of Euros	
	2022	**2021**
Accounting profit before tax	**65,343**	**48,905**
Tax charge at 24%	**15,682**	**11,737**
Impact of permanent differences and tax consolidation adjustments	(19,754)	(10,821)
Differences - previous year's tax return	68	(2,261)
Other (taxes paid abroad)	1,198	610
Tax assets and deferred tax assets not recognized	5,193	427
Deferred tax (Spanish National Chart of Accounts Valuation Standard 14)	-	1,445
Total income tax expense recognised in profit or loss	**2,387**	**1,137**
Current tax expense (income)	**(2,828)**	**4,662**
Deferred tax expense (income)	**5,215**	**(3,525)**

The difference between the estimated income tax for 2021 and the tax return ultimately filed amounted to EUR 68 thousand under "Income tax" in the accompanying statement of profit or loss.

In 2022 the Company expects to report tax credits amounting to EUR 5,010 thousand (2021: EUR 2,884 thousand), which relate mainly to international double taxation tax credits and tax credits for R&D.

e) Deferred tax assets (temporary differences and tax credit)

The breakdown of "Deferred tax assets" at the end of 2022 and 2021 is as follows:

	Thousands of Euros	
	31/12/22	**31/12/21**
Temporary differences (deferred tax assets)	40,871	48,271
Tax credit carryforwards and other (Note 3.k)	14,594	13,396
Tax losses (Note 3.k)	14,601	13,682
Total deferred tax assets	**70,066**	**75,349**

In 2022, other Group companies applied tax deductions of the Company amounting to EUR 244 thousand, and a corresponding receivable was therefore recognised.

In 2022, the Company had a negative tax base of EUR 9,753 thousand, which was fully offset by taxable profit generated by other Group companies, with the corresponding account receivable being recognised.

In addition, other Group companies applied tax loss carryforwards from previous years of the Company for a total amount of EUR 1,521 thousand, and the corresponding receivable was therefore recorded.

The Company has tax deductions generated between 2009 and 2022 yet to be applied amounting to EUR 72,574 thousand, of which EUR 14,593 thousand is capitalised in the accompanying balance sheet at 31 December 2022 (at 31 December 2021, it had EUR 65,539 thousand generated between 2009 and 2021, of which EUR 13,396 thousand had been capitalised). The amounts not deducted due to insufficient tax charge can be used, observing the same limit, in the tax returns for the tax periods concluding in the immediately subsequent 30 years. In view of the uncertainty inherent to the recoverability of deferred tax assets, the Company's recognition policy is based on an assessment of future taxable profit on the basis of its backlog.

In 2020, the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 14,113 thousand. The reinvestment commitment, which totalled EUR 15,000 thousand, was fulfilled mainly through investments carried out in 2020, 2021 and 2022, by the Parent and the other companies in the consolidated tax group, in property, plant and equipment and intangible assets.

In 2022, the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 1,372 thousand. The reinvestment commitment, which totalled EUR 1,498 thousand, took the form of investments made by the Company in 2022.

The detail and changes in the Company's (recognised and unrecognised) temporary differences giving rise to deferred tax assets is as follows:

	Thousands of Euros						
	31/12/20	Additions	Disposals	31/12/21	Additions	Disposals	31/12/22
Tax assets recognised	17,122	439	(4,165)	13,396	2,225	(1,027)	14,594
Tax effect of tax losses	18,929	-	(5,247)	13,682	1,307	(388)	14,601
Recognised temporary differences							
Contractual and reliability liability	461	1,507	(775)	1,193	541	(424)	1,310
Provision for construction work not deductible in the year	6,429	2,183	-	8,612	1,973	-	10,585
Impairment losses on investments	6,387	3,770	(2,088)	8,069	333	(4,416)	3,986
Hand-over contracts	1,320	662	(735)	1,247	799	(671)	1,375
Warranties and maintenance	11,584	9,611	(354)	20,841	1,077	(6,005)	15,913
Asset revaluation	201	-	(19)	182	-	(20)	162
Hedges	161	-	(75)	86	-	(86)	-
Other	7,290	2,471	(1,720)	8,041	1,326	(1,827)	7,540
	69,884	**20,643**	**(15,178)**	**75,349**	**9,581**	**(14,864)**	**70,066**
Unrecognised temporary differences							
Provisions for post-employment obligations	8,919	2,441	(15)	11,345	1,670	(105)	12,910
Impairment losses on investments	1,315	-	-	1,315	1,167	-	2,482
Warranties and maintenance	-	-	-	-	5,998	-	5,998
Other	2	-	-	2	-	(2)	-
	10,236	**2,441**	**(15)**	**12,662**	**8,835**	**(107)**	**21,390**

The amount of the recognised tax credits and tax loss carry forwards and their last year for deduction by the Company is as follows:

	Thousands of Euros			
	31/12/22		31/12/21	
	Amount	Last year for deduction	Amount	Last year for deduction
Tax credits recognised				
Earned in 2009	628	2039	628	2039
Earned in 2010	3,962	2040	4,222	2040
Earned in 2012 (I+D+i)	3,157	2042	3,157	2042
Earned in 2013 (I+D+i)	4,395	2043	4,950	2043
Earned in 2021 (DDI)	893	2051	439	2051
Earned in 2022 (DDI)	1,559	2052		
Tax loss carryforwards				
Earned in 2014	9,571	2044	8,652	2044
Earned in 2015	5,030	2045	5,030	2045
	29,195		**27,078**	

f) Deferred tax liabilities

The breakdown of and changes in the deferred tax liabilities of the Company are as follows:

2022

	Thousands of Euros			
	31/12/21	Additions	Disposals	31/12/22
Grants (Note 13.h)	1,340	1,064	(272)	2,132
Hedges	406	81	(543)	(56)
Other	157	-	-	157
Total	**1,903**	**1,145**	**(815)**	**2,233**

2021

	Thousands of Euros			
	31/12/20	Additions	Disposals	31/12/21
Grants (Note 13.h)	1,194	394	(248)	1,340
Hedges	135	271	-	406
Other	151	6	-	157
Total	**1,480**	**671**	**(248)**	**1,903**

g) Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the date of preparation of the financial statements for 2022 the Company had all years since 2016 open for review for income tax and all years since 2018 open for review for the other taxes applicable to it. The Company’s directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

17.- PROVISIONS AND CONTINGENT LIABILITIES

Changes in 2022 and 2021 in the balance of “Non-current provisions” and “Current provisions” were as follows (in thousands of euros):

	Non-current and current provisions					
	Contractual liability	Warranty and support services	Litigation	Employee benefit obligations	Other provisions	Total provisions
Balance at 31/12/20	**142,264**	**107,899**	**5,413**	**-**	**6,086**	**261,662**
Initial adjustment (PGC Valuation Rule 14)	(114,739)	-	-	-	-	(114,739)
Balance at 01/01/21	**27,525**	**107,899**	**5,413**	**-**	**6,086**	**146,923**
Net charge for the period	9,028	76,999	(2,595)	-	1,937	85,369
Amounts used	(10)	(35,813)	(1,724)	-	(136)	(37,683)
Transfers	-	-	-	-	-	-
Balance at 31/12/21	**36,543**	**149,085**	**1,094**	**-**	**7,887**	**194,609**
Net charge for the period	9,939	59,912	3,150	3,357	(3,763)	72,595
Amounts used	-	(48,394)	(2,722)	(2,729)	(227)	(54,072)
Transfers	2,645	-	-	6,412	(2,645)	6,412
Balance at 31/12/22	**49,127**	**160,603**	**1,522**	**7,040**	**1,252**	**219,544**

Non-current provisions at 31/12/22	**-**	**-**	**1,522**	**4,320**	**-**	**5,842**
Current provisions at 31/12/22	**49,127**	**160,603**	**-**	**2,720**	**1,252**	**213,702**

Contractual liability and warranty and support services

The provisions for contractual liability relate mainly to provisions for onerous contracts. The provisions for warranty and support services relate to estimated future costs (based on historic data and technical analyses) to which the Group is committed in accordance with the warranty period provided for in the contracts.

The expected period to settle the provisions varies on the basis of their nature, the average approximate period being:

- Contractual liability: 1–2 years.
- Warranty: 1–4 years (varies on the basis of the contractual arrangement to which it relates).

The Company recognised a net provision of EUR 20,354 thousand under “Other operating expenses” (2021: net provision of EUR 48,091 thousand) relating to the difference between the provisions required in this connection at year-end and the provisions recognised at the end of the previous year. The guarantee expenses incurred to meet the various obligations in 2022, which amounted to approximately EUR 48,394 thousand (2021: EUR 35,813 thousand), were recognised primarily under “Procurements” and “Staff costs”.

Litigation

The Company recognises provisions under “Long-Term Provisions” in the balance sheet for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Company’s directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material.

Employee benefit obligations

The Company has recognised future commitments to employees under early retirement plans, which relate to the estimated present value of the future payments to be made to employees who had relief contracts in effect in December 2022. The net provision for 2022 was recognised with a charge of EUR 3,357 thousand (2021: EUR 2,707 thousand) to “Staff costs” in the accompanying statement of profit or loss (Note 19.d).

The Company’s legal and contractual obligations to certain of its employees in relation to supplementary retirement and death benefits are met through the payment of premiums under defined contribution/benefit plans on external funds deposited, or in the process of being externalised, at independent insurance companies. The contributions made in 2022 and 2021 for various groups of employees amounted to EUR 7,294 thousand and EUR 7,213 thousand, respectively. The impact of these obligations on the statement of profit or loss for 2022 and 2021 amounted to EUR 4,149 thousand and EUR 7,502 thousand, charged to “Staff costs”. In 2022, a net actuarial loss of EUR 4,931 thousand arising from changes in the actuarial assumptions was recognised directly in equity (2021: net actuarial loss of EUR 2,964 thousand). In accordance with the accrual basis of accounting, at 31 December 2022 the Company recognised a current liability of EUR 5,480 thousand in the balance sheet, as calculated by an independent valuer. This amount is the difference between the present value of the defined contribution/benefit obligations accrued and the fair value of the assets qualifying as plan assets (31 December 2021: liability of EUR 3,694). The future modifications to the obligations assumed will be recognised in profit or loss for the related years (Note 19.d).

The breakdown of the present value of the Company's post-employment and other long-term remuneration commitments and the assets assigned to cover them, which have been externalised, at the end of 2022 and 2021, is as follows:

	Thousands of Euros	
	31/12/22	31/12/21
Present value of the obligations assumed	43,039	42,878
Less – Fair value of plan assets	(37,559)	(39,184)
Other current (assets) liabilities, net	**5,480**	**3,694**

The present value of the obligations assumed by the Company was determined by qualified independent actuaries using the following actuarial techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

- Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2022	2021
Discount rate	3.10%-3.60%	0.89%-1.02%
Mortality tables	PERM/F/2012 – PER 2020 Col	PERM/F/2012
Annual salary or pension increase rate	2%	0.8%-2%
Retirement age	65-67	65-67

In the assumptions applied in the actuarial study performed by an independent third party, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past. The fair value of the plan assets was calculated at year-end using the projected unit credit method.

Lastly, in accordance with the applicable collective labour agreement, the Company contributes 2.3% of the annual contributions (the same percentage in 2021) for all personnel at certain locations to a social security entity, amounting to EUR 3,369 thousand (EUR 3,333 thousand in 2021) charged to "Personnel expenses" (Notes 19.d, 20 and 21).

18.- FOREIGN CURRENCY BALANCES AND TRANSACTIONS

The breakdown of the most significant balances and transactions in foreign currency, translated to euros at the year-end exchange rates and the average exchange rates for the year, respectively, is as follows:

	Thousands of Euros	
	2022	2021
Accounts receivable (Note 12) (*)	409,106	313,249
Group accounts receivable (Notes 10 and 12) (*)	229,810	163,371
Loans granted to Group companies (**) (Note 10)	70,184	82,048
Loans received from Group companies (Note 10) (***)	101,753	43,897
Accounts payable (*)	19,325	12,288
Revenues	549,063	286,998
Purchases and services received	121,288	123,219

(*) Balance mainly in Mexican pesos, Australian dollars and US dollars.
(**) Balance in Australian dollars, Swedish krona and Polish zlotys.
(***) Balance in US dollars, pounds sterling and Mexican pesos.

19.- INCOME AND EXPENSES

a) Revenue

The detail, by line of business, of the Company's revenue for 2022 and 2021 is as follows (in thousands of euros):

	2022	2021
High Speed, Regional and Commuter	698,043	534,488
Metros	169,434	243,015
Trams and light metros	349,744	453,796
Bogies and other	23,938	3,644
Trains	**1,241,159**	**1,234,943**
Services (*)	**159,480**	**176,079**
Integral Systems, Equipment and Other (**)	**214,836**	**168,854**
Total	**1,615,475**	**1,579,876**

(*) Mainly includes all revenues from maintenance services and sales of railway spare parts.
(**) Mainly civil engineering, signalling and engineering construction contracts revenue.

The following is a breakdown of the Company's sales by geographical area (National, EU, Other) (in thousands of euros):

	2022	2021
Spain	171,697	144,852
European Union:		
EU – Euro Area	468,782	737,032
EU – No Euro Area	92,200	23,544
	560,982	**760,576**
Rest of the world	882,796	674,448
Total	**1,615,475**	**1,579,876**

b) Procurements

The breakdown of “Goods consumed”, “Cost of raw materials and other consumables used” and “Work performed by other companies” in 2022 and 2021 is as follows (in thousands of euros):

	2022	2021
Cost of raw materials and other consumables used–		
Purchases from and work performed by third parties	1,041,177	979,739
Changes in inventories	22,145	2,474
Total	**1,063,322**	**982,213**

c) Breakdown of purchases by origin

The breakdown, by origin, of the purchases made by the Company in 2022 and 2021 is as follows:

	2022			2021		
	Spain	**EU countries**	**Imports**	**Spain**	**EU countries**	**Imports**
Purchases	62%	33%	5%	61%	28%	11%

d) Staff costs

The average headcount in 2022 and 2021 was as follows:

2022

Professional category	Average headcount	Men	Women
Board members	2	1	1
Senior executives	7	6	1
Employees	1,942	1,428	514
Manual workers	2,080	2,021	59
Total (*)	**4,031**	**3,456**	**575**

(*) At 31 December 2022, the workforce comprised 3,919 permanent employees and 157 temporary employees.

2021

Professional category	Average headcount	Men	Women
Board members	2	1	1
Senior executives	7	6	1
Employees	1,876	1,386	490
Manual workers	2,168	2,107	61
Total (*)	**4,053**	**3,500**	**553**

(*) At 31 December 2021, the workforce comprised 3,927 permanent employees and 115 temporary employees.

Since CAF does not meet the quota reserved for disabled employees, it has taken certain alternative measures established by Royal Decree 364/2005, of 8 April, which regulates alternative compliance of an exceptional nature with the quota reserved for disabled employees.

The average number of persons employed by the Company in 2022 and 2021 with a disability equal to or greater than 33%, by category, was as follows:

Professional category	Average headcount 2022	Men	Women
Employees	32	31	1
Manual workers	11	10	1
Total	**43**	**41**	**2**

Professional category	Average headcount 2021	Men	Women
Employees	10	9	1
Manual workers	24	23	1
Total	**34**	**32**	**2**

At 31 December 2022, the Company's Board of Directors comprised seven men and three women. At 31 December 2021, it comprised seven men and four women.

The breakdown of staff costs is as follows (in thousands of euros):

	2022	2021
Wages and salaries (Notes 14, 17, 20.a and 21)	235,735	217,491
Social security costs	68,671	68,707
Other expenses (Note 17)	9,965	11,735
Total	**314,371**	**297,933**

The heading "Personnel expenses – Wages and salaries" in the statement of profit or loss includes an expense of EUR 5,838 thousand (EUR 5,758 thousand in 2021) for early retirements completed in 2022 and the provision for the relief contract.

e) Other operating expenses

	Thousands of Euros	
	2022	2021
External services	204,182	173,895
Taxes other than income tax	839	825
Change in operating provisions and allowances and other (Notes 12 and 17)	19,720	48,322
Total	**224,741**	**223,042**

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 1,501 thousand in the period (2021: EUR 1,303 thousand). Of this amount, those incurred for the annual audits of the companies reviewed by global organisation Ernst & Young amounted to EUR 952 thousand (2021: EUR 770 thousand), of which EUR 113 thousand related for the audit fees of the Parent in 2021 (2021: EUR 101 thousand). In addition, fees for other professional services provided by the principal auditor amounting to EUR 149 thousand were billed in the period (2021: EUR 87 thousand), of which EUR 86 thousand was for audit-related attest services including six-monthly reviews (2021: EUR 75 thousand), EUR 42 thousand was for tax services (2021: EUR 7 thousand) and the remainder was for other services.

f) Information on the environment

In 2022, investments made in systems, equipment and installations for the protection and improvement of the environment amounted to EUR 2,696 thousand (2021: EUR 250 thousand).

In 2022 the Group incurred environmental expenses amounting to EUR 930 thousand (2021: EUR 818 thousand).

At 31 December 2022 and 2021, the Company did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Company's directors do not expect any material liabilities to arise as a result of the Company's environmental activities and, accordingly, the accompanying balance sheet does not include any provisions in this connection.

In 2022, the Company received environmental grants amounting to EUR 1,156 thousand (no environmental grants were received in 2021).

20.- INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2022 and 2021, the overall remuneration of the members of the Company's Board of Directors amounted to approximately EUR 2,197 thousand and EUR 7,232 thousand, respectively, in respect of wages, life insurance, attendance fees and fixed remuneration, and funds accumulated by the current directors under long-term savings systems with vested economic rights in the year. In 2022, the Company made contributions of EUR 412 thousand to long-term savings systems in the form of collective long-term savings insurance policies under the defined contribution system, of which the Company is the policyholder (2021: EUR 1,500 thousand). At 31 December 2022 and 2021, no advances, guarantees or loans had been granted to its current or former directors.

In 2022, a total of EUR 176 thousand was paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2021: EUR 204 thousand).

b) Information regarding conflicts of interest involving the directors

In 2022 and 2021, neither the members of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A., nor persons related to them, as defined in the Spanish Limited Liability Companies Law, notified the other members of the Board of any direct or indirect conflict of interest that they might have with the Company.

21.- REMUNERATION OF SENIOR MANAGEMENT

Remuneration of the Company's senior executives, per the binding definition of "Senior Executives" in the Corporate Governance Report, amounted to EUR 2,007 thousand in 2022 (2021: EUR 2,004 thousand). In 2022, the Company made contributions of EUR 1,014 thousand to long-term savings systems in the form of collective long-term savings insurance policies under the defined contribution system, of which the Company is the policyholder (no contributions made in 2021).

In 2022 and 2021 there were no other transactions with senior executives outside the ordinary course of business.

22.- OTHER DISCLOSURES

a) Guarantees and other contingent assets and liabilities

At 31 December 2022 and 2021, the guarantees provided to the Company by banks and insurance companies for the benefit of third parties, and to other Group companies when the Company is the counter-guarantor, amounted to EUR 4,166 million and EUR 3,433 million, respectively. Of this total, EUR 5.3 million and EUR 6.6 million related to guarantees for grants and repayable advances granted by the Ministry of Science and Technology and other public entities; and EUR 63.9 million related to guarantees for future contributions to be made in 2023, 2024 and 2027 by CAF Investment Projects, S.A.U. in the investee companies Tramardent S.A., Momentum Trains Holding Pty Ltd. and CFIR Light Rail Ltd, respectively (EUR 65.6 million at 31 December 2021). The Company and its directors consider that no material liabilities will arise in this connection

The Company had also granted guarantees vis-à-vis third parties to secure the financial liabilities of its investees, for a total of EUR 55,533 thousand (31 December 2021: EUR 43,215 thousand) (Note 10).

In March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices. In July 2019 the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 (equivalent to EUR 29,627 thousand at 31 December 2022) and advised the competent authorities not to grant the subsidiary certain tax benefits for a period of five years. The Group posted a provision for this amount in 2019 with a charge to "Other operating expenses" in the statement of profit or loss and a credit to "Non-current provisions" in the balance sheet (Note 17). At the date of authorisation for issue of these financial statements, the subsidiary has appealed the CADE's decision in court.

The subsidiary rejects CADE's assessment of the facts when imposing the aforementioned penalty and argues that, with respect to the facts under investigation, it has always acted in strict compliance with the applicable law. The subsidiary's legal advisers consider there to be a reasonable chance that the penalty will ultimately be reduced to an amount that is substantially lower than the one mentioned, and they do not rule out the total annulment of the fine. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to BRL 875 thousand. After the subsidiary had lodged the corresponding appeals against this block, the Brazilian courts ordered that the block be lifted, which was effectively carried out in 2022.

Also, as a result of the investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated court proceedings, in relation to, the Group has already presented its corresponding defences. CADE's investigations also prompted the Court of Auditors to open administrative proceedings, in response to which the subsidiary presented its preliminary defence in the first half of 2016. Following a finding by the Court of Auditors that no irregular conduct had been proven as a result of the sentence imposed by CADE, in 2022 the Court of Auditors decided to continue with the proceedings and, to date, the subsidiary has submitted its statements to the Court of Auditors. Lastly, also as a result of the investigations conducted by CADE, the Brazilian Administrative Council of Economic Defence, processed an administrative procedure in relation to which the subsidiary filed initial claims during the second half of 2018.

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

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 banned 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. Both CAF and its subsidiary in Brazil have since lodged an appeal against the court's findings in relation to the facts of the case and the grounds for the conviction.

In addition, the CAF Group subsidiary in Brazil is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. Whatever the case may be, should the court find against the Consortium for breach of contract, since the breaches are mainly attributable to other members of the Consortium, CAF could claim the potential losses from such members (see Note 12). Furthermore, in one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary is continuing to defend its interests in these proceedings. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the second half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 17,056 thousand at 31 December 2022) (the subsidiary holds a 36.8% stake in the Consortium, which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 6.3 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 this administrative sanction, which is in the initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the fine imposed and of the prohibition on arranging public contracts in Brazil. Also in relation to this project, the subsidiary continues to challenge in court the termination of the contract requested by the State of Mato Grosso and the consequences arising from this decision, in relation to which the competent courts have been asked to suspend the effectiveness of this decision as a precautionary measure.

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

The Group's legal advisors consider that an unfavourable outcome for the CAF Group is unlikely and that the outcome of the lawsuit will not materially affect the financial statements for the years in which the amounts are ultimately paid, if at all. Therefore, no provision was recognised in this respect at 31 December 2022.

b) Disclosures on the average period of payment to suppliers

Set forth below are the disclosures required by Final Provision Two of Law 31/2014, of 3 December (amended by Additional Provision Three of Law 18/2022, of 28 September), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2022	2021
	Days	Days
Average period of payment to suppliers	67.86	79.76
Ratio of transactions settled	71.19	76.84
Ratio of transactions not yet settled	55.43	92.41
	Thousands of Euros	Thousands of Euros
Total payments made	1,201,506	1,218,179
Total payments outstanding	322,007	281,200

Invoices paid to suppliers in a period shorter than the legal maximum period			
Thousands of Euros	Number	% to total payments	% to the total no. of invoices
432,170	33,438	36%	12%

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in “Payable to Suppliers” and “Other Payables” under current liabilities in the balance sheet.

The statutory maximum payment period applicable to the Company in 2020 under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, is 60 days, unless no payment date or period has been agreed, in which case the maximum payment period would be 30 days.

23.- EVENTS AFTER THE REPORTING PERIOD

At 31 December 2022, the Group had a firm order book of approximately EUR 13,250 million (31 December 2021: EUR 9,640 million) (Note 12).

24.- EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPROVAL BY THE BOARD OF DIRECTORS

MR ANDRÉS ARIZKORRETA GARCÍA
CHAIRMAN

MR JAVIER MARTÍNEZ OJINAGA
DIRECTOR

MR JUAN JOSÉ ARRIETA SUDUPE
DIRECTOR

MR LUIS MIGUEL ARCONADA ECHARRI
DIRECTOR

MS CARMEN ALLO PÉREZ
DIRECTOR

MR JULIÁN GRACIA PALACÍN
DIRECTOR

MR IGNACIO CAMARERO GARCÍA
DIRECTOR

MS IDOIA ZENARRUTZABEITIA BELDARRAIN
DIRECTOR

MR MANUEL DOMÍNGUEZ DE LA MAZA
DIRECTOR

MS MARTA BAZTARRICA LIZARBE
DIRECTOR AND SECRETARY OF THE BOARD

MR ANDRÉS ARIZKORRETA GARCÍA

MR JAVIER MARTINEZ OJINAGA

MR JUAN JOSÉ ARRIETA SUDUPE

MR LUIS MIGUEL ARCONADA ECHARRI

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MR JULIÁN GRACIA PALACÍN

MR IGNACIO CAMARERO GARCÍA

MS IDOIA ZENARRUTZABEITIA BELDARRAIN

MR MANUEL DOMÍNGUEZ DE LA MAZA

MS MARTA BAZTARRICA LIZARBE

Certificate issued by the Secretary to the Board of Directors attesting that the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., pursuant to prevailing commercial law, has drawn up and authorised for issue, on 24 February 2023, the financial statements and directors' report of the Company for 2022, following the format (and labelling) requirements set out in the European Commission Delegated Regulation EU 2019/815. The financial statements and directors' report are located in the electronic file bearing the hash code 235960CE34C0EFC6268DD4205B652E1DA042A65BFFC6B96B95C3A8D584D6817E.

The members of the Board of Directors of the Company hereby declare that the aforementioned financial statements and management report for financial year 2022 have been unanimously authorised for issue, ahead of their verification in due course by the auditors and subsequent approval by shareholders at the General Meeting.

San Sebastián, 24 February 2023.

APPROVED BY	SIGNED BY
THE CHAIRMAN	THE SECRETARY OF THE BOARD
MR ANDRÉS ARIZKORRETA GARCÍA	MS MARTA BAZTARRICA LIZARBE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Certificate issued by the Secretary of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A., Ms. Marta Baztarrica Lizarbe, for the purposes of Article 8.1.b) of Royal Decree 1362/2007, of 19 October, whereby each and every member of the Board of Directors states that, to the best of their knowledge, the separate financial statements for 2022, authorised for issue at the meeting held on 24 February 2023 and prepared in accordance with the applicable accounting principles, present fairly the equity, financial position and results of Construcciones y Auxiliar de Ferrocarriles, S.A., and that the directors' report approved together with the financial statements contain a fair analysis of the business performance, results and position of Construcciones y Auxiliar de Ferrocarriles, S.A., together with a description of the main risks and uncertainties that it faces. I attest that this certificate has been signed, evidencing approval thereof, by each and every one of the Company's directors, whose names and surnames are shown below.

San Sebastián, 24 February 2023.

Signed: Ms Marta Baztarrica Lizarbe

MR ANDRÉS ARIZKORRETA GARCÍA CHAIRMAN	MR JAVIER MARTINEZ OJINAGA DIRECTOR
MR JUAN JOSÉ ARRIETA SUDUPE DIRECTOR	MS CARMEN ALLO PÉREZ DIRECTOR
MR LUIS MIGUEL ARCONADA ECHARRI DIRECTOR	MR JULIÁN GRACIA PALACÍN DIRECTOR
MR IGNACIO CAMARERO GARCÍA DIRECTOR	MS IDOIA ZENARRUTZABEITIA BELDARRAIN DIRECTOR
MR MANUEL DOMÍNGUEZ DE LA MAZA DIRECTOR	MS MARTA BAZTARRICA LIZARBE DIRECTOR AND SECRETARY OF THE BOARD